Studying the successful startup of a social enterprise: a case study of Lion’s Thread Uganda

Jeanette K. Miller*

Oglethorpe University,
4484 Peachtree Road,
Atlanta, GA 30319 USA
Email: jeannettekaymiller@gmail.com
*Corresponding author

James W. O’Connor

Johnson College of Business and Economics,
University of South Carolina Upstate,
160 East St. John Street,
Spartanburg, SC 29306 USA
Email: joconnor@uscupstate.edu

Abstract: Social enterprises are hybrid companies that combine non-profit and for-profit missions into one organisation. There is limited literature on these nascent organisations, and the hybrid nature of these companies makes their management more complicated. This case study research looked at the successful start-up phase of Lion’s Thread, a social enterprise with production operations in Uganda and sales in the USA. Collective action was instrumental in the development of this social enterprise, as many individuals worked together to achieve the company’s progress. Effectuation was strongly present in this case where the solution was shaped based on the resources available in the local environment. Structuration theory defines this social enterprise as the leaders became embedded in the local environment to determine resource availability, recognised opportunities, worked with and restructured systems, and through a collective action approach, created social value.

Keywords: social enterprise; social entrepreneurship; start-up; collective action; effectuation; structuration.

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Biographical notes: Jeanette Miller is a Strategy Consultant with a background in emerging market economic development having lived in over a dozen countries throughout her career. She holds a Doctorate in Business from Georgia State University, a Master’s degree in International Business from Webster University in Vienna, Austria and a Bachelor’s degree in Economics from the University of Texas at Austin. Her principal research areas are social enterprises, innovation networks, small businesses networks and motivations of entrepreneurs. She is also a Lecturer at Oglethorpe University in Atlanta, Georgia.
1 Background

A social enterprise is a hybrid of a non-profit and a for-profit company, combining the mission of both into one organisation (Doherty et al., 2014). There have been an increasing number of social enterprises formed globally focused on providing solutions to societal problems (Santos, 2012). Due to the nature of social enterprises, understanding their success factors can be complex. In this research, a qualitative case study is undertaken of Lion’s Thread, a social enterprise with production operations in Uganda and sales operations in the USA, with the purpose of creating social value in the local Ugandan community. As Lion’s Thread is in its second year of operations, the purpose of this research was to determine the key success factors of this enterprise during its start-up phase. The research approach is grounded theory in order to consider all possibilities for success.

The origins of Lion’s Thread have a strong connection to the non-profit, The Sponsorship of Orphans in Uganda Project, referred to most commonly as The African SOUP (SOUP). The SOUP is a primary school, and an education and community development non-profit organisation founded in Uganda in 2009 by a young woman, Brin Enterkin, from the USA. As a university student, Ms. Enterkin was an intern in Uganda working on a microfinance project. A colleague took her to his remote village in Eastern Uganda where the children gathered under a mango tree to learn whatever they could through an informal school. Many of the village children were orphans with limited resources, and the visit started a passion within Ms. Enterkin to bring educational opportunities to these Ugandan children. The African SOUP was launched and has grown exponentially in the past 6 years, currently educating over 350 children.

Another young American woman, Sydney Hulebak, was also involved in supporting The SOUP during its growth stage. As The SOUP grew and the demands for financing additional educational and development opportunities such as school rooms and boarding houses for the orphans increased, Brin and Sydney started looking into social enterprises to provide partial financing of The SOUP. The goal was to create a company that would be separate from The SOUP but have part of its profits given to The SOUP to support its mission.

Through research, they determined that there is a thriving market for artisan products produced in the developing world. The vast majority of these products are focused on...
women consumers including women’s apparel, jewellery and home products. Uganda has a strong artisan arts community that produces paper bead jewellery to support women’s economic empowerment, primary in the region surrounding the town of Jinja, thus the necklaces are referred to as Jinja bead necklaces. There are several non-profit organisations in Uganda and throughout East Africa supporting these female artisans, so the model existed, but a unique product needed to be developed. With this significant focus on artisan products for women, the founders of Lion’s Thread decided that there was an opportunity to develop a unique product with a social component that would appeal to the male consumer, and also appeal to the women consumers purchasing for men.

In Uganda, especially in the small towns and villages, it is common for women to have their own sewing machines and to provide sewing and alterations to generate income. The trade in used clothing is vibrant in Uganda, so alteration of used clothing is greatly needed. These seamstresses may have a small workshop, or just have their sewing machine in an open market area to serve their customers. Brin and Sydney, targeting this resource, started generating ideas for producing a sewn product. Sydney has experience in, and passion for the fashion industry, so the Lion’s Thread founders sought to find a fashionable statement product or products to manufacture and sell retail.

With the resurgence of the bowtie as a trendy fashion statement, especially in the Southern USA and for young men at universities throughout the USA, Brin and Sydney found a potential opportunity to develop a creative product. Furthermore, African broadcloth is well-known for its bright, dazzling and unique patterns. The Lion’s Thread men’s bowtie product line was becoming a clearer vision, so the next stage of development was to see if the production capabilities and quality necessary to be sold in the USA could be obtained.

To organise the Ugandan women who have their own sewing machines, and critical in the evolution of this social enterprise, a head seamstress in Uganda was recruited, Sarah Nabiry. Sarah was trained on production of the bowties and the high quality needed for sales distribution in the USA. Sarah met with other women who have sewing machines, tested their skills to ensure that they could produce quality products, and eventually created a small core of skilled seamstresses. A Lion’s Thread workshop was secured so that the seamstresses could work together in one location, thus also providing a clean work environment which was an issue for many of the small operations, especially these that operated in the open-air markets. The workshop also provided a location for training which proved important for the connection and collaboration of these women. These women continue to have their individual seamstress operations, but produce their monthly quota for Lion’s Thread, which is typically about one-third of their individual income. Their work with Lion’s Thread guarantees their monthly income for a monthly quota.

Lion’s Thread became a reality in 2014 when the LLC was launched. A grant for $4,000 from The Resolution Project was obtained, and a Kickstarter campaign raised $12,000. Kickstarter is a global crowdfunding platform based in the USA with the stated mission of helping to bring creative projects to life (Kickstarter.com). The Kickstarter campaign was started with the opportunity for individuals to ‘invest’ in the initial phases of a new venture and when the venture became operational, the product or service would be delivered to the ‘investor’. The investment community and business community-at-large loves the opportunity to get access to new technology or designs, and
the new venture entrepreneurs have the opportunity to get feedback from a dedicated group seeking new opportunities.

Lion’s Thread was formed to achieve three missions. The first mission, as a commercial enterprise, is to manufacture men’s bowties to sustain manufacturing, sales and management operations. The second mission, creating social value, is to employ women in Uganda to manufacture the bowties and improve the women’s and their family’s quality of life. The final mission is to create a viable business venture where a percentage of profits could be contributed to The African SOUP, supporting the expansion of The African SOUP’s social value creation (Dees, 1998; Dees et al., 2001).

2 Literature review

2.1 Social enterprises

Santos (2012) states that a social enterprise is an organisation that focuses on the creation of social value for an element of society rather than the capture of economic value for a private entity. There are two defining characteristics of social enterprises:

1. the pursuit of social value creation goals
2. the adoption of some form of commercial activity to generate revenue to support those goals (Doherty et al., 2014; Mair and Marti, 2006).

Dorado (2006) identifies three types of social entrepreneurial ventures: non-profit organisations entering into business to finance their social service operations, for-profit ventures that define their mission as having a double bottom line, and cross-sector social entrepreneurial ventures, collaborative initiatives engaging non-profit, for-profit and/or public organisations to solve particularly challenging social problems. This paper is a case study of Lion’s Thread, an organisation founded to be of the first type but one that some of its members hope over time will evolve to be of the second type.

Central to the understanding of entrepreneurship, including social entrepreneurship, is the recognition of opportunities to create value, including social value (Haugh, 2005; Dees, 2007; Mair and Marti, 2006). However, research indicates that there are differences between entrepreneurship generally, and social entrepreneurship specifically, primarily related to the single, economic bottom line in a commercial enterprise versus dual economic and social value bottom lines in a social enterprise (Dorado, 2006). This difference is still largely unresearched (Corner and Ho, 2010; Mair and Noboa, 2006; Shaw and Carter, 2007). This dual bottom line nature of social enterprises creates two processes of opportunity recognition, one related to the opportunity to create social value and one related to the opportunity to create economic value.

These dual bottom lines of social enterprises, with their requirements for two processes of opportunity recognition, illustrate that social enterprises are hybrid organisations with elements of both private and non-profit organisations (Pache and Santos, 2012; Wilson and Post, 2013). The extent of the commercial element can vary from little revenue generated and relied upon to complete reliance (Doherty et al., 2014; Austin et al., 2006; Foster and Bradach, 2005; Peredo and McLean, 2006).

This hybridity creates a more complex management process (Doherty et al., 2014), and this is seen in the management style and approach of Lion’s Thread. Many
researchers (Zahra et al., 2009; Austin et al., 2006) point to an inherent conflict between “commercial opportunity exploitation and pursuit of social mission” (Doherty et al., 2014). This requires management to decide how to allocate resources between the commercial enterprise component and the social enterprise component of the organisation. In considering this allocation, the literature seems to be concerned entirely with the over-allocation to the commercial enterprise. There is concern for such things as sacrificing social value creation to achieve financial objectives (Carroll and Stater, 2009; Pache and Santos, 2010) and the associated loss of legitimacy (Dart, 2004; Nicholls, 2010).

2.2 Collective action

Most research on and definitions of entrepreneurs, including social entrepreneurs, focus on individual ‘heroic’ agents and their characteristics, decision-making, and methods (Haugh, 1012; Montgomery et al., 2012). Recently, researchers of social entrepreneurship have proposed a different model, one of collective action or collective social entrepreneurship (Sautet, 2002; Dees, 2007; Shaw and Carter, 2007; Corner and Ho, 2010; Montgomery et al., 2012). Montgomery et al. (2012) define collective social entrepreneurship as “collaboration amongst similar as well as diverse actors for the purpose of applying business principles to solving social problems”.

Proponents of the model of collective action propose that social entrepreneurship is not pursued by a single, principle agent but by a group or team of principal agents. Multiple entrepreneurs are required primarily because no single entrepreneur has sufficient knowledge to be successful. Citing Sautet (2002), Corner and Ho (2010) state that, “the real challenge in entrepreneurship is aggregating knowledge that is dispersed across many individuals in order to exploit the potential for value creation”. Jack and Anderson (2002) agree, stating “‘Who is the entrepreneur?’ is indeed the wrong question”. Entrepreneurship is a social and collective action of a coalition of individuals embedded within a social structure (Jack and Anderson, 2002).

A better insight into the social entrepreneurial process can be gained through this model (Montgomery et al., 2012). In contrast with the model of a principal entrepreneurial agent, the structures adopted to manage the work of the social enterprises commonly include a broad range of agents, including representation from the local communities and beneficiaries, supporting a collective action model of social entrepreneurship research (Shaw and Carter, 2007). “Much of social entrepreneurship appears, in fact, to be collaborative and collective, drawing on a broad array of support, cooperation and alliances to build awareness, gain resources and, ultimately, make change” (Montgomery et al., 2012). Corner and Ho (2010) found that without the collaboration of a team of entrepreneurial agents, social entrepreneurial efforts would often have been unsuccessful. Shaw and Carter (2007) assert that with this collaborative approach, social entrepreneurship is effective and “contributes to substantive and scalable social change”.

2.3 Effectuation

Effectuation is a process model for how entrepreneurs think, act, make decisions, and solve problems (Sarasvathy, 2001; Sarasvathy and Dew, 2008), different than a normative, causal model. In the latter, the rational model that underlies most of the
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current entrepreneurship research (Corner and Ho, 2010), an opportunity is identified, a goal is defined, relevant information gathered, alternatives generated and evaluated, a strategic plan developed, the resources marshalled to achieve the goal, and the strategic plan implemented (Mitchell et al., 2007; Corner and Ho, 2010). Opportunities are viewed as separate from entrepreneurs and opportunity identification is viewed as a trait uniquely present and developed in entrepreneurs (Alvarez and Barney, 2007). Research acknowledges that this rational model is an idealised process due to such limitations as cognitive effectiveness. Nevertheless, it is the dominant model for the entrepreneurial method (Sarasvathy, 2001).

In a normative, rational process, therefore, social entrepreneurs would begin with an opportunity identified and its associated goal, such as a particular type of social enterprise, and then marshal the necessary resources to achieve that goal. Alternatively, absent structures to make normative techniques possible, the process of effectuation shows social entrepreneurs “begin not with a precise product, service, or venture in mind, but with a set of means that can be used to address a good idea … shaping and creating a solution to a social need based on resources at hand rather than trying to predict what the ideal solution would be and assemble resources to manifest it” (Corner and Ho, 2010). Given a set of means, the alternatives considered are the possible effects that can be created with that set of means in a given context (Sarasvathy, 2001; Mitchell et al., 2007).

As a process model for the study of social entrepreneurship, the use of effectuation is particularly promising, better taking context into account when studying the decisions of social entrepreneurs (Dacin et al., 2011) and includes the creation of social entrepreneurial opportunities since the entrepreneur determines the possible social value creation goals made possible by the resources available (Sarasvathy, 2001).

Given the collective action aspect of social entrepreneurship, effectuation provides additional insight into the importance of the entrepreneurial team. Similar to the resources available to the entrepreneur within the context of the social enterprise, the skills, experience, and drive within the team will have a role in determining the social value creation opportunities and goals (Sarasvathy and Dew, 2008). This combination of collection action and effectuation can be seen in the launch and development of operations of Lion’s Thread throughout the start-up phase.

This approach to entrepreneurship is particularly appropriate in uncertain and resource-poor environments typical of social entrepreneurs (Dacin et al., 2011). In these contexts, entrepreneurial activity requires “considerable sensitivity to local power relations, institutional constraints, and market idiosyncrasies. They cannot be developed, by definition, ex ante” (Honig et al., 2014). A formal strategic plan cannot be implemented and followed to its culmination in successful economic and social impact activities. Rather, social entrepreneurs must engage with stakeholders within the context of the community to develop the social entrepreneurial activities, and be prepared for rapid adaption as resource configurations and availability change. Honig et al. (2014) found that the effectuation model of social entrepreneurship is particularly effective in the African context, the focus of this case.

2.4 Structuration

Giddens (1979, 1984) presents a theory of structuration as a framework to understand the interplay between people (agents) and their context and environment (structure). Giddens proposed structuration theory to be applicable to all organisations, indeed, even societies.
Management theorists began applying structuration theory to businesses (Whittington, 1992), and more recently, researchers have been applying structuration theory to entrepreneurship (Mair and Marti, 2006). Structuration theory is particularly applicable to social entrepreneurship because the mission of social entrepreneurs is to address some need within the social structure, and this need can be viewed as a failure of the social structure. Robinson (2006) describes how social entrepreneurial opportunities are embedded in a social or community context, a context different from that of commercial opportunities, and that social entrepreneurs may encounter social and institutional barriers to exploiting those opportunities.

In Giddens’ structuration theory (1979, 1984), structures are constituted by human agents, who then are enabled and constrained by the properties of those structures such as rules, norms, resources, authorities, etc. (Whittington, 1992). An agent, while constrained by the structure, nevertheless has free will to choose courses of action that counter the rules and norms of the structure, and the power to exert that will. Structures are not immutable, and ultimately, agents have the power to exert change on the structure itself (Giddens, 1984).

Structuration theory is particularly applicable to social entrepreneurship. The interaction between the social entrepreneur and the context (structure), the ‘fundamental unit of analysis’ in research on social entrepreneurship, is the focus of structuration theory and its attempt to articulate “a process-oriented theory that treats structure as both a product of and a constraint upon agency” (Mair and Marti, 2006). Thus, the use of structuration theory may offer an informative approach to understanding how social entrepreneurship arises, what makes social entrepreneurs’ actions succeed or fail, and how that success occurs (Mair and Marti, 2006). This view is in concert with effectuation in which “effectuating entrepreneurs are molders and creators of their immediate environment, including the very creation of entrepreneurial opportunities” (Corner and Ho, 2010) in order to combine resources in the social structure in new ways to create social value (Sarasvathy, 2001).

Jack and Anderson (2002) conceptualise entrepreneurship as an embedded socio-economic process and “narrowed the concept of structuration to the notion of social embeddedness to explore how entrepreneurs use structure in the creation and operation of their businesses, particularly in terms of resource availability or constraint”. By embedding in a specific, local environment, entrepreneurs can recognise opportunities of resource availability, recognise potential for collective action and organisation formation, and recognise opportunities of social value need and creation. “Thus, both recognition and realization of opportunity are conditioned by the entrepreneurs’ role in the social structure” (Jack and Anderson, 2002). This analysis of the entrepreneur, including social entrepreneur, within the context of the local environment helps – some researchers say is required – to understand how and with what process the entrepreneurial action is created (Shaw and Carter, 2007; Steinerowski and Steinerowska-Streb, 2012).

3 Study/methods

This research was undertaken to explore the theories of social enterprises, with particular attention paid to the crucial start-up phase. Since we wanted to understand the phenomenon through detailed stories, as well as explore developed theories on the process and perhaps contribute to theory development, we chose qualitative research
Studying the successful startup of a social enterprise (Trochim and Donnelly, 2008). The research focused on the case study of one social enterprise with operations in Uganda and the USA. Probably due to the nascent stage of social enterprise research, much of the research in this area involves case studies (Lehner and Kaniskas, 2012; Mair and Martí, 2006; Nicholls, 2010). The inductive theory building derived from case studies is a valuable contribution to knowledge (Haugh, 2012). Our focus was the start-up phase of this social enterprise because research is needed on the process beyond the pre-venture stages of development by which social entrepreneurial opportunities turn into successful social enterprises (Perrinia et al., 2010), and progressing through the start-up phase of an enterprise is crucial.

The organisation studied in this case study was Lion’s Thread, LLC, a social enterprise with production operations in Uganda and sales and marketing in the US. Lion’s Thread is a small company with seven employees in Uganda and six staff in the USA. The data were collected through interviews and direct observation (Yin, 2009). The collection strategy included qualitative, semi-structured interviews of three key individuals of the company leadership in the USA with each person interviewed two to four times to confirm information and expand on theories that were unfolding (Miles and Huberman, 1994; Charmaz, 2006). A semi-structured interview protocol was developed to interview the Lion’s Thread’s management team to lead the discussion of roles and responsibilities, internal processes, success factors, and motivation for involvement in the social enterprise. Following these initial interviews, a week was spent in Uganda with the Lion’s Thread director and employees to learn more about the production operation, understand their business model, and experience the cultural implications of such an enterprise.

The members of the management team who were interviewed all hold numerous roles and responsibilities, a situation which is common for an entrepreneurial organisation. The small size of the organisation allowed for greater knowledge gathering from a few individuals, allowing the researchers to understand the background, the current trajectory for the company, and the opportunities and obstacles for success. The in-country research in Uganda allowed the researchers to further understand the challenges and cultural differences that influenced the start-up phase of the company and adaptations implemented for ongoing operations.

Constructivist grounded theory was employed to look at the progress and success of the organisation as the researchers used data and analysis that were created from shared experiences and relationships with the participants, and thereby determine the potential theories for success based on this research (Charmaz, 2006).

4 Results

4.1 Lion’s Thread leadership

Brin Enterkin, Co-founder and CEO of Lion’s Thread, found her passion for non-profits and for supporting people in the most challenging circumstances when she was very young. While in high school, she started and funded a school in Cambodia without any knowledge of the environment or challenges – just a passion to make a difference. While on a summer internship in college working with microfinance organisations in Uganda, she was introduced to the challenges of orphans and other rural youth having limited access to education. She then launched the non-profit in Uganda, The African SOUP,
which educates children through the seventh grade. Brin currently resides in Uganda and is able to visit the Lion’s Thread workshop frequently to guarantee progress and be onsite to consult and help manage operations.

Sydney Hulebak, Lion’s Thread’s Co-founder and Creative Director, is based in Atlanta, Georgia and has been involved with the vision and development of Lion’s Thread from the onset, and actually years prior to launch. She was connected to The African SOUP and worked with Brin to seek out a social enterprise that would provide a revenue stream for the school. Sydney functions as the director of the US operations and sales. She has a background in fashion and provides the creative guidance for product development and ensures that Lion’s Thread produces quality fashion products. She also understands the charitable side of working with a social enterprise and seeks support and collaboration from other organisations. Sydney has been instrumental in seeking out grant funds for the start-up phase and acts as a fellow with the Resolution Project which provided the initial start-up funding grant. She helps recruit staff in the USA who volunteer their time to progress Lion’s Thread towards its goals.

Brad Bauerkemper is also based in Atlanta, Georgia and has a background working for one of the large multi-national accounting firms. He dedicated eight months to working in Uganda to set up operations, financial management and quality controls. He realised early in his work that a young white male from the USA was not going to be able to provide a direct impact, since he was external to the Ugandan environment. He thereby provided the opportunity to the Ugandans to try things on their own and make mistakes, and then came back and discussed what they learned. Brad believes that “[We] only get the best out of people when people have real buy-in”.

When Brad initially arrived in Uganda, the financial records, inventory management and quality control were greatly lacking. Brad embedded himself in the local environment to recognise social needs and seek out resource opportunities. He saw the need for financial education for the employees of Lion’s Thread and implemented training for financial literacy and budgeting to improve the long-term opportunities for the Lion’s Thread staff. His work and dedication resulted in systems and procedures for Lion’s Thread that was far beyond any standards set within Ugandan businesses. His dedication and rigor for operational effectiveness showed the Ugandan staff the diligence that is needed to improve production output and eventually achieve success.

Sarah Nabirye is the Head Seamstress and Director of Operations of Lion’s Thread in Uganda. She is the heart of the Ugandan operations and she recruits and oversees the production employees. She lives in the town that Brin and Sydney chose to site The Lion’s Thread. She was the initial recruit for the production operation, and has no formal business or operations training. When Brin and Brad asked her to assume the role of director, initially she was shocked and said she was unable to do everything that was needed. They then pointed out that she was already doing everything that was required of the director role. Sarah plays a vital role through empowering the women, and providing a rallying sense for all of the employees.

Each of the leaders in Lion’s Thread has their individual strengths and working together (collective action), these young leaders have successfully navigated the start-up phase of their operations. One element in this social enterprise is that the American managers were all young and relatively inexperienced. The passion and drive was present, which is imperative for the ongoing success of a social enterprise, but the relative inexperience could have been a detrimental element for this enterprise. Instead, we found...
that the youthful element seemed a defining characteristic of success for this social enterprise. Brin, Sydney, and Brad all approached the building of the company with fearless determination, and were willing to make mistakes and, more importantly learn and adapt from the mistakes that were made. This characteristic could be present in anyone, at any age; but in this case, we believe that their youth played a positive role in supporting the in their initial success. The process of collective action, worked together in the development of the organisation, and having all employees – both American and Ugandan – feel a strong purpose has propelled the company forward (Corner and Ho, 2010). As a group and individually, there was no fear in failing and learning from missteps. That mindset is attributed to their age and situational component that there was nothing really to lose, as well as the force of working through the challenges together.

4.2 Business operations

Production started in early 2014, and online sales in the USA were launched in mid-2014. Six months of online sales in 2014 yielded close to $24,000 in revenue, providing a profit and paying the salaries of all employees in Uganda. Broadly, the division of labour is that the team in Uganda is the production operation and the team in the USA is the marketing and sales operation. None of the US staff are being compensated at present; instead they are volunteering their time, and gaining valuable experience as each member of the team builds their career. Social media, online marketing and awareness events are the primary approach for developing sales channels in the USA. The Kickstarter campaign and subsequent delivery of bowties to initial supporters provided a strong initial boost for Lion’s Thread.

The local Ugandan empowerment began with the hiring of the head seamstress and empowering her to select her staff and develop her production operation. However, when Brad travelled to Uganda in the summer of 2014, he arrived to find no inventory control, limited financial management and quality rework of at least 40%. During his eight months in country, controls were put in place in all areas of operations. The initial poor quality control resulted in paying the women a small fraction for an off-quality bowtie versus the full amount for a superior quality bowtie. The decreased compensation had an immediate and positive effect on quality. Quality control is now shared in-house and the seamstresses check each other resulting in a significantly lowered defect rate to less than 3% rework needed. The production operation is now stable and there is a monthly quota in place. Production capacity is large relative to sales, and could increase three-fold without needing to increase the number of seamstresses. When sales increases beyond current capacity, the production operation is easily scalable.

Raw materials are sourced at the large fabric market in the capital of Uganda, Kampala. The patterned broadcloth is widely available and quality is sufficient for the bowtie production. However, one of the continuing challenges is that the fabric patterns constantly change. Once a bolt of fabric is used, it is highly unlikely that the same material will be found again, thus Lion’s Thread designs will be constantly changing. Another production challenge is the lack of stable electric power. The sewing machines are not powered, but the bowties need to be pressed with electric irons for clean lines. There are frequent electricity black outs lasting several hours or more, and during one period, there was no electricity in the shop for months. It is speculated that the landlord had not paid the electrical utility bill. The ties had to be taken to Sarah Nabirye’s house to
iron the edges of the ties. Electricity is not widely available and she is the only woman of
the Lion’s Thread seamstresses who has electricity connected to her home.

After developing the production operations and financial systems, Brad looked for a
university-educated director to manage the production operations. However, he and rest
of the management team decided that local leadership would be more successful. They
realised that Sarah had all of the needed qualities for the role. The founders are in
agreement that the ultimate success of the start-up phase of Lion’s Thread is attributed to
finding this strong leader for the Ugandan operations. Sarah has broken many cultural
barriers and limitations as a female business leader. When asked about her role as a
leader and manager, she responded, “It makes me proud”. She provides the spark that is
instrumental to the Ugandan production operation’s success. She leads by example and is
the first in the workshop each day and the last one to leave. She is smart, funny and sets a
great example for the other employees with her work ethic.

Sales are still quite low and sales and marketing is an ongoing struggle for Lion’s
Thread. Breaking into retail chains and maintaining an online sales presence is very
difficult for start-ups. The Lion’s Thread story influences purchases, and a recent poll of
buyers showed that a vast majority purchased the bowties because they knew Lion’s
Thread staff, or were introduced to the company through the Kickstarter campaign.
Additional outreach and stable sales will be essential for creating a viable ongoing
business past this initial start-up phase. The inventory keeps growing, so sales needs to
catch up to the production, and hopefully grow even further. Additional opportunities
may exist to expand production into other products and also sell products in Uganda,
specifically targeting the tourist industry and the expatriate community.

5 Analysis

Lion’s Thread was formed as a social enterprise with the mission to generate profits to
contribute to The African SOUP and to provide employment to women in Uganda,
impacting their quality of life, and that of their families and villages. The Lion’s Thread
founders identified a resource and structure that existed in the Ugandan village, that of
women singly offering their sewing services, and envisioned organising them into a new
structure (structuration) as a manufacturing operation. In this way, by embedding
themselves in the local culture, the founders followed a process of identifying resources
and processes available (effectuation), and from there, they determined that a high-
fashion bowtie produced from colourful African broadcloth would be able to be produced
in Uganda and sold in the US based on the resurgence of the bowtie as a fashion
statement.

Haugh (2012) presents a definition of social enterprise that is well met by Lion’s
Thread in its start-up phase. “Social enterprises comprise business activity that generates
value for social ends and wealth to enable reinvestment and sustainability of the business.
To achieve this, the enterprise team needs to be entrepreneurially led in the specific sense
that it is able to recognize and pursue opportunities; draw upon whatever social, financial
and other resources are at its disposal; and, translate these elements into realized
opportunities, in other words practical and actual valued social and economic
outcomes – the latter for reinvestment and sustainability of the enterprise”.

The initial year of operation is a study of collective action, with the management from
the USA providing business and operations expertise and the team in Uganda providing
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Cultural insight and local management. Collective action can be seen in the cooperation internally among the employees in Uganda, within the staff in the USA, and in the interaction between the two. In this case, a large portion of their initial success has been their ability to work collaboratively, and to support all function areas with an open, supportive approach. The founders organised the seamstress resources along with equipment and facilities, provided training, and provided materials. Their philosophy of managing the Ugandan operation was that the leadership and workers in Uganda have better insight into what will work and be successful within their environment than people outside of that culture. As the production is currently stable, the next goal is to increase the sales to a viable level. An additional long-term goal is to financially support the sales and marketing staff in the USA, which will likely have a direct impact on the increase in sales.

The US management team has found that this empowerment of the local Ugandan employees to lead local operations has been critical to the operation’s success. The Ugandan staff was asked for their input regarding material, design, and processes. Structuration theory can be seen in this process as the Lion’s Thread founders were initially constrained within the structure and context of the Ugandan environment. Through working in this environment, the management of the enterprise has modified the structure and context of the organisation, including the roles of the employees, breaking many cultural barriers and limitations typical for female Africans (Jack and Anderson, 2002). This was a great accomplishment and builds significant capacity for the women involved in Lion’s Thread in Uganda. All of the Americans emphasised Ugandan women being the ones to influence operations, and that they should not be told what to do by people from outside the country. They also agree that Sarah is a strong leader and is instrumental in the progress to date in Uganda. Giving the Ugandan staff buy-in is a key success factor for this social enterprise. Brin is connected to the women in an advisory capacity as she is living in Uganda, and she states that, “The Lion’s Thread ladies continue to surprise me with their focus and passion”.

A social enterprise has the dual missions of providing a social value and providing economic value and this presents a more complicated management function (Dorado, 2006; Robinson, 2006). “There is a delicate line when working with social enterprises”, Sydney explains. “It takes more explaining, learning how to tell a compelling story”. For Lion’s Thread’s leadership, the traditional model and definition of business success, gauged by profit and growth, needed significant adaptation to the social enterprise context, especially when operating across two distinctly different cultures. One of the primary adaptations was accepting slow, gradual growth rather than explosive growth that was not sustainable. As the production is currently stable, the next goal for Lion’s Thread is to increase the sales to a viable level. An additional long-term goal is to financially support the sales and marketing staff in the USA, which will likely have a direct impact on the increase in sales.

Contrary to the concern of many researchers of social enterprises (Carroll and Stater, 2009; Pache and Santos, 2010), the commercial aspect of Lion’s Thread does not dominate resource use. In fact, additional resources and management attention needs to be allocated to increasing sales in the USA in order to reach the enterprise’s goals in Uganda. Current US sales are almost exclusively online at present, along with one retail boutique in Atlanta. The goal is to increase sales in all channels especially in retail chains, with a strong focus on the boutique market. Increasing sales in the USA will be crucial in the next phase of operations for growth and continued success.
The Lion’s Thread employees have achieved significant financial success, affording them additional money for necessities, purchasing items that have been put off (clothes, shoes, school fees, etc.) and paying their friends and relations who had lent them money. Long-term financial success is a challenge in Uganda as the local environment does not support a culture of saving or even having a bank account. The seamstresses do not keep money or save money because their culture obliges them to share with others if they are asked. This cultural challenge needs to be overcome for the financial stability of the lady seamstresses. As the CFO, Brad, pointed out, “I do not believe we are successful yet. We have made progress, but we will not be successful until our ‘Ugandan Ladies’ have achieved financial independence”.

6 Conclusions

As social enterprises become more prevalent, the need to understand their formation and management increases in importance. Social enterprise organisations are just beginning to be an important element in their environments, and there remains limited literature on these nascent organisations. This case study will help researchers develop knowledge of the characteristics and factors that impact the success of the start-up phase of a social enterprise. This research can also be beneficial for practitioners in planning for and managing the start-up phase of their social enterprise.

This case study shows the importance of embeddedness, collective action, effectuation and structuration in social entrepreneurship research, particularly for success in the start-up phase of a social enterprise. Lion’s Thread’s leadership approached the development of their goals and strategies as a group, employing collective action, a more appropriate model of social entrepreneurs, rather than the typical model of an individual entrepreneur. As the leaders of Lion’s Thread were embedded in the local culture, they started with knowledge of the local resources available to address social needs, and continually adapted the solution based on the available resources (Corner and Ho, 2010). Lion’s Thread operates within the Ugandan environment, which constrains their development due to lack of stable utilities, uncertain supply of raw materials, and the deep poverty impacting the women employed by Lion’s Thread. But operating a business in this environment, especially led by a woman and employing women, the company’s progress has impacted the culture in which they operate. The daughter of the Ugandan operations director expressed her pride in the success of her mother. “I feel I can change and be like her. I can work and make a better life for my children…paying for their school fees [to] give them a future”.

This case study can also provide some insight into the theories used. Honig et al. (2014) state that, “very little research attention has been paid to effectuation”. We found that effectuation was a key component to the design and success of Lion’s Thread business model. Giddens structuration theory (Giddens, 1984; Jack and Anderson, 2002) is evidenced in our analysis that shows social value is being generated within the Ugandan village for the Ugandan village, facilitated by the Lion’s Thread leaders’ embeddedness within the village. “Social embeddedness enabled access to latent resources and resources otherwise not available to the entrepreneur. Nonetheless, these opportunities were found to exist within the structure but only became manifest by the action of entrepreneurial agency” (Jack and Anderson, 2002).
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