CHAPTER ONE:

1 INTRODUCTION

Can nonprofits simultaneously mimic private enterprise and perform their social missions? (Weisbrod, 1988b, p. 167)

1.1 Introduction

Civil society literature today widely discusses the increased commercialisation of the nonprofit sector in the last few decades, through which nonprofit organisations (NPOs) have become more dependent on self-generated income (Child, 2010). This movement has lead NPOs to move away from “past experience-based, path dependent decision making and toward developing innovative practices and strategic responses” (Weerawardena, McDonald, & Mort, 2010, p. 350). However, scarce literature exists on the specific strategies and effects of those strategies adopted by NPOs, particularly in developing countries.

The aim of this dissertation is to investigate the resource diversification strategies of nongovernmental organisations (NGOs) in Cambodia and to analyse the process and effects of the commercial turns and social entrepreneurship among them. The main research problem, the impacts of commercialisation on funding diversification among NGOs in Cambodia and alternative approaches to development that accrue from this diversification, arises from the well-established donor-driven development processes in Cambodia (Ear, 2012; Un, 2007) and the roles NGOs have in these processes. The study analyses the funding strategies in detail, particularly commercial ventures that NGOs use to mobilise their resources in times of reduced external funding. The latter part of the dissertation focuses on the rise of social entrepreneurial NGOs and social enterprises and the impact this has on Cambodia’s development.

This dissertation is a compilation of four articles. The publication approach taken for this PhD implies that each of the four articles discussing parts of the research findings has the characteristics of a stand-alone article and contains a specific background discussion, a literature review, and a methodology section. Therefore, the objective of this introductory chapter is to bring together the overall argument and relevant of the dissertation. In this first chapter, I introduce the background to the research problem and the motivation behind it. After presenting the research questions, I will discuss the conceptual and theoretical assumptions underpinning this research. The chapter will then cover the overall methodology approach employed in the four articles produced under this project. After summarising the findings of the
articles, I will briefly discuss their relevance and significance. I conclude this introduction by outlining the rest of the chapters in the dissertation.

1.2 Background and Research Motivation

Along with the post-1970s introduction of neoliberalization, or the ‘Washington Consensus’, in the developing world, a new development model and aid policy has emerged. This new economic policy is based on the principles of market liberalisation, privatisation and reduced state role. Under this ‘New Policy Agenda’ (Robinson, 1993), NGOs are seen as ‘development agents’ whose key roles are not only to provide social services but also to assist in the democratisation process and civil society building (Edwards & Hulme, 1995). Bilateral and multilateral agencies entrust these supposedly key roles to NGOs because they are often considered more efficient, cost effective and capable of reaching more of those in need than government and market institutions. Despite the failure of the “Washington Consensus”, many NGOs have sprung up in the developing world, and have continued to implement the Western development agenda and democratic principles with limited success. In the meantime, a competing “Beijing Consensus” that emerged in the early 2000s, tends to challenge the conventional idea that rapid economic growth is necessarily conditioned by democratization or political freedom. According to this Chinese model, developing nations need to stay independent from externally imposed “one-size fits all” policies and regulations (Qasem, Dongen, & Ridder, 2011). This new consensus also means a new form of obtaining “unconditional” foreign assistance for developing nations, particularly during recent times of economic and political crisis in the West is available.

Post-conflict and poverty-stricken Cambodia is one of the Southern countries that has benefitted from Western and Eastern development aid that has been channelled through international development agencies, and NGOs. Since the international intervention led by the United Nations that introduced liberal peace and democracy to Cambodia in the early 1990s, large-scale official development assistance (ODA) has been made available to Cambodia, amounting to more than $15 billion in the last two decades with an average of 9–10% of GDP since 2005 (Council for the Development of Cambodia, 2011). This process has led to a large number of NGOs that were established to follow the donor funding. Based on official government figures, the number of NGOs in Cambodia has grown exponentially—
from just a few in 1992 to over 3,000 in 2012.¹ International donors expect two important roles from their client NGOs: basic service delivery and to “safeguard democracy and guarantee against state repression” (Ou & Kim, 2013b, p. 190). These NGOs assist in “the checks and balances system” and were among the first to (re-)introduce the notions of “human rights, the rule of law and accountability” to Cambodia (Ledgerwood & Un, 2003; Un, 2007).

The rise and growth of NGOs is usually equated with the emergence of a modern civil society sector in Cambodia. It is a widely held suggestion that Cambodian NGOs are the backbone and facilitators of civil society in the country (Curtis, 1998). However, the establishment of the NGO sector in Cambodia is paradoxical. These “development agents” are plagued with many issues; many local NGOs are based in urban areas, lack voluntary membership and lack good partnership with grassroot organisations (Un, 2007). Scholars like Un (2007) have criticised Cambodian NGOs for issues around “patronage, nepotism and autocracy”, accusing key organisational and governance structures as “short of being democratic” (p.16). These characteristics of NGOs have led local civil society researchers like Ou and Kim (2013b) to argue that these NGOs are an illusion of civil society.

NGOs’ dependence on donor funding and support makes them vulnerable to compromising their values and agendas and prioritising those of the donors and development partners instead (Ou & Kim, 2013a; Un, 2006). Because NGOs are accountable to their patron donors and not to the communities they are supposed to serve, they are less responsive to community needs (Henke, 2011, pp. 294–295). At the country level, the largely donor-driven development process that is championed by NGOs results in at least several negative consequences. For one, research suggests that dependence on external aid may “undermine institutional quality, weaken accountability, encourage rent-seeking and corruption, foment conflict over control of aid funds, siphon off scarce talent from the bureaucracy, and alleviate pressures to reform inefficient policies and institution” (Knack, 2001, p. 1). Other studies indicate that the relationship between aid and economic growth and poverty eradication is positive only in a good policy environment that has “sound economic management” (Burnside & Dollar, 1997; The World Bank, 1998).

¹ However, the latest NGO survey in 2012 by the Cooperation Committee for Cambodia (CCC) reveals that only about 1400 NGOs are currently active.
Moreover, a large part of the international aid in Cambodia is paid to mostly Western advisors and consultants who are supposedly in place to provide technical assistance to the government. This not only means that they substitute or supplement the work of government officials, but also, as a consequence, “many of the development policies and programmes are conceived, prepared and proposed essentially by foreign donors in Cambodia” (Nagasu, 2004, p. 68). This process re-enforces the nature of the foreign-dominated processes of development in Cambodia, in which the local NGOs are practically subcontractors, implementing and complying with policies, regulations and conditions set by foreign actors.

1.2.1 Declining Aid, Diversification and Emergence of Social Enterprises

The initial international support for NGOs in Cambodia was meant to initiate civil society development and, therefore, lacked a long-term plan to sustain the process. According to Parks (2008), donor funding for some sectors in Cambodia began to decline in the early 2000s because of inadequate systemic political and economic performance. Official government figures (Council for the Development of Cambodia, 2013) indicate that the ODA, particularly grants, began to decline in 2011 (Figure 1.1), due to donors’ changing priorities, the impacts of the global financial crisis as well as the improved economic circumstances in the country. In addition, donors began to question the effectiveness of NGOs in institutional reforms. Parks (2008, p. 6) stresses that “local NGOs increasingly need to compete for less and less funding, while donors make increasing demands for quantifiable short-term impacts”. An NGO officer characterises this shift in the following way: from “money chasing NGOs” to “NGOs chasing money” (Öjendal, 2013, p. 30).

The volatile financial support from donors and intensified competition among the sheer number of NGOs as well as the quest for independence from donors has forced these organisations to develop and adopt strategies to become more viable and sustainable organisations (Weerawardena et al., 2010). Some experts suggest that alternative sources of funding can come from business elites, returning Cambodian immigrants, and foreign investors (Cambodia Research Group, 2010) and commercialisation and partnership with the private sector (Öjendal, 2013). A key focus in this dissertation is the emerging trend of self-generated sources of income from commercial ventures among some NGOs. During this process of marketization and commercialisation, NGOs have transformed from purely nonprofit to hybrid organisations and social enterprises. One of the earlier transformations
was from NGOs providing micro-credit to fully licenced micro-finance institutions (MFIs) and to commercial banks. More recently, farmer cooperatives, handicraft associations, self-help groups, community enterprises, and social businesses have been initiated by parent NGOs for different purposes.

Figure 1.1: Official Development Assistance to Cambodia 2004–2014

Source: (Council for the Development of Cambodia, 2011)

Some of the social enterprises (SEs) and social businesses that have recently emerged in Cambodia largely owe their existence and popularity to a few prominent Phnom Penh–based NGOs, like Friends International, Digital Divide Data, Haga, and CEDAC, all of which initially set up businesses to equip people from a disadvantaged background (youth and women) with technical and vocational skills, so as to combat unemployment. In the late 2000s, many resource-constrained NGOs started introducing fees for services and setting up similar businesses and consultancies as an income-generating strategy in time of reduced external grants and donations. The commercialisation among NGOs was fuelled by organisations like ACLEDA, which was initially set up by international development agencies to provide microcredit as a strategy to reduce poverty among the rural poor.

Subsequently, social enterprises and social entrepreneurship have started to attract the attention of academic researchers, development practitioners, the business community and the Cambodian public. Since 2011, an annual national conference on social enterprise has been hosted by the Royal University of Phnom Penh (RUPP) and some relevant organisations. Further, a course on social enterprise has been integrated into the MA in Development Studies Programme at RUPP in 2009, the first such course being offered in the country. In addition, various social enterprise business competitions have been arranged by academic institutions,
associations and social investment funds (e.g. Arun LLC) in the past couple of years. International scholars (Evans & Lyne, 2008; Hutchinson, 2007; Lyne, Ngin, & Santoyo-rio, 2013; Lyne, 2012; Makararavy & Anurit, 2012) have also recently documented the development in Cambodia through various empirical research.

The process of transformation and change in the Cambodian nonprofit sector follows a similar pattern to that in the greater region. Cases abound of NGOs turning into hybrid organisations and social enterprises in as documented in the academic and development literature on the Asian countries of Vietnam (Luke & Chu, 2013), Thailand, Bangladesh (J. Santos, Macatangay, Capistrano, & Burns, 2009), the Philippines (Dacanay, 2004, 2012), and particularly those in the East region such as Japan (Tsukamoto & Nishimura, 2009), South Korea (Park, 2013), China (J. Wang, 2012), Hong Kong and Taiwan (Kuan, Chan, & Wang, 2011).

The increasing commercialisation among NPOs “is bringing a shift in financial dependence from charitable donations to commercial sales activity, with little recognised consequences” (Weisbrod, 2000, p. I). Furthermore, there is a lack of literature on how NPOs’ ventures into social entrepreneurship evolve (Di Zhang & Swanson, 2013). Much of the literature is based on the American and European contexts (Lepoutre, Justo, Terjesen, & Bosma, 2013), where social enterprises found an environment conducive to their development (Lepoutre et al., 2013; Mair & Martí, 2006; Mair, 2010). However, there is a shortage of empirical studies on social entrepreneurship in NPOs in other parts of the world. In particular, experience and lessons from countries in the East and Southeast Asian regions, where the context and background differ greatly from Europe and North Americas, is overlooked. Studies on these regions will potentially bring additional value and insight to the current scholarship and practical development practice. While NPOs in the North usually receive generous local charitable funds and government subsidies, Southern NPOs are commonly dependent on assistance from international organisations (IOs) and development partners. The motivations, effects and implications of NPOs adopting (social) entrepreneurial activities may be different between NPOs in the North and the South.

Currently, there is scant literature on how the external environment drives NGO strategies in sustaining their organisations and the resulting effects (Weerawardena et al., 2010). More specifically, the process of commercialisation and social entrepreneurship, particularly its scale and scope, among the NGO sector in Cambodia is a new area of
research; prior to the start of this project in 2010, there was very little empirical research available. Most people who embrace these recent developments (e.g. commercialisation and NGOs turning to social enterprises) promise huge potentials around the buzzwords of “change”, “innovation”, “business solutions to societal/environmental problems” with little discussion on the challenges, risks, side effects and other potentially negative consequences. This research project aims to contribute towards the debates on the overall effects of commercialisation and social entrepreneurship from the lens of NGO founders and directors.

1.3 Aims and Objectives

The overall purpose of the project is to analyse Cambodian NGOs’ strategies, with a specific focus on commercial activities and social entrepreneurship, in diversifying locally available sources of funding. The specific objectives are:

- To analyse NGOs’ resource mobilisation and diversification strategies in Cambodia, with a specific focus on commercial activities and social entrepreneurship;
- To analyse and understand the scope and scale of commercial activities engaged by NGOs in Cambodia, and the effects of these activities on their mission, autonomy, sustainability and management practices;
- To identify development and policy implications and practical lessons learnt from Cambodian NGO commercialisation and social entrepreneurship for the development communities and relevant government institutions.

1.4 Research Questions

To address the above objectives, the following are the main and sub-questions proposed for this PhD project. The research questions focus on funding strategies, commercialisation and social entrepreneurship and impacts.

Central question:
- “How does commercialisation impact on funding diversification among NGOs in Cambodia and what alternative approaches to development accrue from this diversification?”

Sub-questions:

1- What role does social entrepreneurship play in NGOs’ resource diversification?
2- What are the different resource diversification strategies mobilised by NGOs in Cambodia?

3- In what ways do different funding strategies affect NGOs and their programmes?

4- In what ways do commercial activities impact on different organisational indicators, as perceived by the NGOs managers/entrepreneurs and to what extent does this form a model of social entrepreneurship?

1.5 Theoretical Framework

The framework of this research is embedded in NGO literature and discourse. Research questions 1, 2 and 3 are influenced by seminal literature on diversification strategies (Froelich, 1999) but also in part by other scholarly work (Antrobus, 1987; Fischer, Wilsker, & Young, 2011; P. Hughes & Luksetich, 2004; Parks, 2008; Suárez & Hwang, 2012; Viravaidya & Hayssen, 2001). The analysis of the funding strategies and effects presented in Chapters 3 and 4 is based on Froelich’s framework, which consists of three major strategies: grants and donations, government funding and earned income.

The last research question on the commercialisation in NGOs is built on the academic literature on nonprofit enterprises and related economic discourse of NPOs (Anheier & Ben-Ner, 2003; Hansmann, 1980, 1987; Weisbrod, 1988a, 1988b, 2000; Young & Salamon, 2002). To develop the conceptualisation of social enterprise and social entrepreneurship, the research is based on relevant social enterprise discourse (Alter, 2007; Dees, Emerson, & Economy, 2002; Defourny, Hulgard, & Pestoff, 2010; Kerlin, 2010; Mair & Martí, 2006; Mair & Martí, 2009; Mair, 2010; Nicholls, 2006).

To start with, there are several key organisational concepts that serve as foundations of analysis in this dissertation. As already referred to, nongovernmental organisation (NGO) and nonprofit organisation (NPO) are used throughout the dissertation, particularly in earlier chapters. (Social) entrepreneurial NPOs/NGOs and three other key terms—social enterprise (SE), social entrepreneurship and social entrepreneur—are used mostly in Chapters 2, 4 and 5.

NGO/NPO/CSO

The operational definition of an NGO in this dissertation is derived from Salamon and Anheier (1992), who identify such organizations by five characteristics: formal, private,
nonprofit distribution, self-governing, and voluntary. Therefore, NGOs are “self-governing, private, not-for-profit organisations that are geared to improving the quality of life for disadvantaged people” (Vakil, 1997, p. 2060) and do not distribute their profit to their founder or stakeholders (Simsa, 2003). Hansmann (1980) distinguishes NPOs from for-profit organisations mainly by the “absence of stock or other indicia of ownership” (p.838) that provide both profits and control of the organisation to its owners. NGOs can be regarded as a type of NPO. Throughout the dissertation, NPO and NGO are used interchangeably. NGOs are part of civil society, which White (1994) defines as “an intermediate associational realm between state and family populated by organisations which are separated from the state, enjoy autonomy in relation to the state and are formed voluntarily by members of society to protect and extend their interest or values” (p.379). Other organisations in the civil society sector include trade unions, labour associations, sport clubs, professional associations and faith-based groups (Lewis, 2010).

**(Social) Entrepreneurial NPOs/NGOs**

Social entrepreneurial NPOs are those that apply a business approach that is commonly practised in the corporate world to sustain their objective (Swanson & Di Zhang, 2010). They are different from traditional NPOs, because they pursue a double or triple bottom line of social and economic (as well as environmental) values at the same time (Di Zhang & Swanson, 2013; Lepoutre et al., 2013; Weerawardena et al., 2010). They bring into the civil society sector new strategies, norms, values and innovation (Dart, 2004). According to Perrini (2006), becoming entrepreneurial enables NPOs to be “more market-driven, client-driven, and self-sufficient” (p.60). Entrepreneurial NPOs are those whose commercial ventures, including earned income and cross-subsidisation activities, are aimed to help them diversify their funding sources so as to become less vulnerable to external shock as a result of being too dependent on any single source (Fowler, 2000a; Frumkin, 2005).

**Social Enterprise, Social Entrepreneur, and Social Entrepreneurship**

The conceptualisation of the three terms as a foundation for this study adopts the analytical synthesis of English literature by Brouard and Lerivet (2010). They define social enterprises as “organisations which pursue social missions or purposes that operate to create community benefit regardless of ownership or legal structure and with varying degrees of financial self-sufficiency, innovation and social transformation” (Brouard & Larivet, 2010, p. 39). Similarly, social
entrepreneurs are “individuals who with their entrepreneurial spirit and personality will act as change agents and leaders to tackle social problems by recognising new opportunities and finding innovative solutions, and are more concerned with creating social value than financial value” (Brouard & Larivet, 2010, p. 45). Lastly, social entrepreneurship is “a concept which represents a variety of activities and processes to create and sustain social value by using more entrepreneurial and innovative approaches and constrained by the external environment” (Brouard & Larivet, 2010, p. 50).

However, social enterprise, social entrepreneur and social entrepreneurship remain “ill-defined” terms, mainly because of their recent emergence in the academic discourse (Weerawardena & Mort, 2006). Because these concepts are merging and contested, it is easier to identify and define them as an “umbrella construct” (Mair, 2010, p. 16) that is not limited to clear conceptual boundaries. Specifically, the research is poised to analyse and position organizations along a continuum of organisational diversity in social enterprise discourse, as will be discussed in details in Chapter 2.

**Theoretical Lens**

Four sets of theory are used to form an integrated analytical framework in this research (Figure 1.2): funding diversification strategies (Froelich, 1999); three-failure theory (Hansmann, 1987; Powell & Steinberg, 2006; Salomon, 1987); resource dependence theory (Pfeffer & Salancik, 2003, 1978) and social entrepreneurship theories (Dees et al., 2002; Defourny et al., 2010; Kerlin, 2010; Mair & Martí, 2006; Mair, 2010).

Froelich’s (1999) writings on NGO funding diversification are applied to categorise and analyse three main strategies and their effects on the organisation, which is the focus of the first empirical chapter. I adopt the three-failure theory, which includes failures of the government, the market and the third sector, to explain the roles of NPOs and emergence of social entrepreneurial organisations, in the context of developing countries. It is suggested that NPOs turn into commercial ventures as a result of falling government funding,
private donations and institutional grants, or simply because “market-based approaches are the best way to gain revenue” (Lepoutre et al., 2013, pp. 106–107).

Similarly, resource dependence theory (Pfeffer & Salancik, 2003, 1978) is used to analyse the association between the environmental challenges that organisations face and their responses, particularly the adoption of commercial ventures and social entrepreneurship. One of the main propositions in this theory is that dependence on external resources could compromise NGOs’ autonomy, legitimacy, and innovative potential (Mitchell, 2012). In response to the volatile external environment and the external control by other actors (e.g. donors), such organisations adopt strategies to seek alternative funding source to sustain their business and to maintain organisational autonomy (Pfeffer & Salancik, 1978; Weerawardena et al., 2010).

The last component of the framework is built on social entrepreneurship theories. As an emerging field of academic research, there are plenty of conflicting theories on social entrepreneurship. One of the major theoretical debates is on how social enterprises emerge and what roles they play in solving societal or environmental problems. One argument is that the prevalence of social entrepreneurship activities is high in countries facing many social problems that are unresolved by the state or the market and where the civil society sector is weak. Such countries usually have an informal economy where “affiliations to social groups determine the local creation and distribution of wealth and justice” (Lepoutre et al., 2013, p. 711). Mair and Marti (2009) propose that “institutional voids”, which are the “absent or weak social and economic institutions that constrain market based development” (p.156), in developing countries, lay the foundation for social enterprises to grow. A counter argument is that people in such societies are too engaged in basic survival, which means that commercial entrepreneurship overshadows social entrepreneurship. In other words, it can be stated that the level of social entrepreneurship engagement is higher in countries with advanced economic development (Lepoutre et al., 2013; Salamon, Sokolowski, & Associates, 2004). Others (Kerlin, 2010; Mair, 2010) emphasise that social, economic and historical contexts unique to different countries and regions are factors that shape the emergence, growth, characteristics and organisational forms of social enterprises.

The academic community is divided regarding the positive and negative effects of NGOs taking the social entrepreneurship approach or simply undertaking commercial activities. Researchers who support the market approach to poverty reduction and solving other development issues claim that social entrepreneurship has many benefits. Among these
benefits are more diversified sources of income for NGOs, reduced constrains associated with donations, the increased ability to focus more on the bottom line, increased organisational autonomy, and promotion of social capital (Alexander, 2000; Defourny et al., 2010; Evers, 2001, 2001; Frumkin, 2005; Haugh, 2007; Pfeffer & Salancik, 2003, 1978). Opponents and sceptics, however, theorise that NGO commercial activities are associated with goal displacement, alienation of some intended beneficiaries, unfair competition between for-profit and non-profit sectors, as well as loss of reputation and exploitation by non-profit directors (Dees et al., 2002; Weisbrod, 2000, 2004; Young & Salamon, 2002).

Consequently, there are many unknown and contested impacts of NGOs’ shift from charity to commercial ventures (Weisbrod, 2000, p. I). For instance, the academic community is yet to come up with a consensus on whether NGOs turn to commercial activities as a result of reduced income from charity. Furthermore, empirical evidence is inconclusive on whether this shift to a market approach contributes to increased autonomy for NGOs. Also limited is the literature on how NGOs transform and evolve as a result of commercialisation. In addition, only a few scholars so far have addressed the issue whether this transformation encourages entrepreneurship and to what extent ensuing forms of entrepreneurship can be labelled as ‘social’ (Di Zhang & Swanson, 2013), particularly in the context of developing countries. Specifically, there is lack of scholarship on whether and how the business approach of local NGOs in such countries contributes to sustainable development and a shift of external dependence to locally embedded resources is scared.

This project aims to understand the process of NGO commercialisation and to contribute to bridging the gaps above through a framework that integrates resource dependence, three-failure, diversification and social entrepreneurship theories. Using this integrated approach, I hope to contribute to social entrepreneurship theory building, which is lacking in the Southeast Asian context (Dacmanay, 2012).

1.6 Overall Research Design

This study applies a mixed-methods approach, using a combination of both qualitative and quantitative methods with more weight on the qualitative part. The combinations occurred at different levels: data collection, data analysis, and interpretation of findings, and across four articles of the research (Leech & Onwuegbuzie, 2009). Thus, it is more than merely gathering and analysing both types of data; it requires the use of both methods in tandem so that the overall strength of the research is greater than carrying out either a qualitative or quantitative
study (Creswell & Clark, 2010). The inductive-deductive cycle of mixed methodology provides more accurate description and better understanding of both processes and impacts (Teddlie & Tashakkori, 2009, pp. 78–79). Many different terms are used for this methodological approach, including integrating, synthesis, quantitative and qualitative methods, and multimethod but recent publications use the term mixed methods (Creswell, 2009).

Overall, the justifications for the mixed method research design are based on the main criteria as proposed by Creswell (2009): the nature of the research problem, researcher’s personal research experiences, and the audience. The nature of the research problem in this case is to find applications and solutions to the aid dependency, lack of organisational autonomy and top-down accountability and approach to development problems in Cambodia. More specifically, the purpose of the project is to better understand how local NGOs have evolved in terms of their strategy for resource mobilisation. I am interested in how their entrepreneurial activities are practised and perceived, and what their role is in resolving some of the aforementioned critical development issues. This has close associations with the pragmatic worldview, which involves “applications and solutions to problems” (Creswell, 2009) or “critical realism” (Niglas, 2010). Some scholars suggest that pragmatism is often “the most suitable philosophical orientation for mixed methods research tradition” (Niglas, 2010, p. 226). It is expected that the mixed methods used in this project provide better understanding of the problem.

1.6.1 Details on the Three Phases of Data Collection

The data collection entailed three major stages. Phase I involved secondary data collection and a thorough thematic literature review through Google Scholar and Vrije Universiteit Amsterdam’s library electronic resources. This was followed by two stakeholder consultation workshops in Cambodia that contributed to understanding reality on the ground and developing a survey questionnaire (Phase II) and a key informant interview guide (Phase III). The second and third stages of data collection were conducted in Cambodia between July 2011 and May 2012 (Table 1.1).

In the second phase, a quantitative survey was undertaken, using a structured questionnaire with over 300 NGOs that were randomly selected across five major regions (Phnom Penh, Kandal, Siem Reap, Battambang and Kampong Cham). The aim of the survey was to map NGO strategies, in particular commercial strategies that mobilised resources to
sustain the organisation. The survey was implemented with the collaboration, administrative and financial support of the Cooperation Committee for Cambodia (CCC), the largest network local NGO in the nation. Using the data from this survey, I generated descriptive statistics to map NGOs to generate themes and topics for the interview phase.

### Table 1.1: The Three Phases of the Fieldwork

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<td><strong>Methods</strong></td>
<td>Qualitative data collection and analysis</td>
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<td><strong>Sampling technique (n)</strong></td>
<td>Thematic literature review and analysis</td>
<td>Probability multi-stage sampling (n=312)</td>
<td>Purposive sampling, dependent on results from Phase II (n=43)</td>
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<tr>
<td><strong>Data collection technique</strong></td>
<td>- Literature review using Google scholar. - Stakeholder consultation workshops</td>
<td>Survey using structured questionnaires with NGO managers</td>
<td>Key informant interviews with NGO managers/ officers</td>
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<td><strong>Data entry and data analysis technique</strong></td>
<td>Both data entry and data analysis will be done using Nvivo programme</td>
<td>Double data entries, with data analysis using STATA</td>
<td>Both data entry and data analysis will be done using Nvivo programme</td>
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<td><strong>Level of data integration</strong></td>
<td>None</td>
<td>Qualitative data from Phase I is used to generate survey items for Phase II</td>
<td>Parts of the quantitative data from Phase II are mainly used to identify sample NGOs and generate interview topics for key informant interviews in Phase III</td>
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Following the survey, qualitative data was collected from key information interviews (KII) with 43 NGO leaders and social entrepreneurs in the five regions listed above. The NGO informants were selected from those NGOs who had participated in the earlier survey and who had indicated that their sources of income were generated from various commercial activities. The objective was to investigate the NGO leaders’ motivations in engaging in commercial activities and the effects on the key organisational indicators. Interviews were tape-recorded (with prior consent given) and transcribed. After three levels of thematic coding, an inductive analysis was conducted and key quotes were generated.
The quantitative and qualitative data were integrated and triangulated to make concrete interpretations and explanations about the emerging social entrepreneurial approach (Figure 1.3). The survey questionnaire, interview guides and full list of the NGOs selected are available in the appendices. Specific data and analysis used in each of the empirical chapters are available in the respective articles.

1.6.2 Ethical Consideration

The main overall ethical concern of the project, as of any research project, is to avoid any potential unintended harm to research participants and organizations they represent. During the data collection period of the study, I also made careful attempts at building and retaining trust between the informants, their organizations and myself as a researcher. For these reasons, I took several measures to address the various ethical issues. Two types of informed consent form were developed and presented to ask permission from all participants for the questionnaire survey and the key information interviews respectively. Informed consent forms are applied in this research to provide the participants with information regarding:

- Background and purpose of the research;
- Potential consequences and risks involved with the research;
- That participation in the research is voluntary;
- Request for permission to tape record the interview;
- That the participant has the right to withdraw from the study at any time; and
- Anonymity and confidentiality: personal information given by respondents is protected for privacy and confidentiality. All names of the respondents and those of their organizations in this study are coded to protect their identity. The research does not
disclose information on gender, religion, level of education, income, political affiliation, financial matters and others that may be sensitive to the informants or the organizations. Overall, the rights, interest and sensitivities of all informants and organizations are safeguarded.

I also ensured participants that the research findings would be shared with them through the individual research articles or through research dissemination conference. All these measures are taken to warrant research integrity and transparency of how the data is used.

1.7 Summary of the Research Findings

This section provides summaries of the four individual but closely related articles starting with describing the findings on the process of funding diversification and ending with an analysis of the impacts of commercialisation and social entrepreneurship.

The first article (Chapter 2) is a conceptual elaboration of the most relevant literature on NGO funding strategies, NGOs turning into social enterprises and the benefits and risks of such approach. This article, which addresses research question 1, also provides the theoretical discussion and framework for the dissertation. Increasingly, NGOs are looking to a strategy of social enterprise as a way to generate income. This paper argues that the strategy has advantages as well as drawbacks. One of the main advantages is reduced dependency on donor funding, thereby increasing organisational autonomy and avoiding donor-induced goal displacement. In addition, social entrepreneurship generates social capital that can be mobilised to make operations more sustainable. Compared to donor-funded NGOs, those with social enterprises have much stronger incentives to be accountable to their beneficiaries (or clients), thereby empowering local communities. However, a risk is that commercial activities may result in overshadowing social aims. Reduced accessibility of services may also occur, as people may have to start paying for these. There is reason for NGOs to explore social entrepreneurship, but it needs to be approached with care. Since each funding strategy has its drawbacks, a diversification of funding sources is desirable.

The second article, presented as Chapter 3, provides the empirical evidence to research question 2 on the different funding mobilisation strategies of NGOs. The objectives are to map resource NGOs’ diversification strategies—namely, international grants and donations, government funding and subsidies, and commercial ventures—in different sectors
and analyse the past and future trends of each of the evolving strategies. Findings show that although external grants and donations are still dominant funding sources for NGOs, about 20% of NGOs reported engaging in earned-income activities. More interestingly, this trend is expected to increase in the next five years (2011–2016). The results contribute to academic debates on local NGOs’ dependence on foreign donors and international NGOs, as well as the calls for self-sufficiency and autonomy among NGOs. In addition, the findings on the prevalence of NGOs’ earned-income activities challenge existing literature (e.g. by Park, 2008) that suggest that local sources of funding for NGOs do not exist.

The third article, presented as Chapter 4, offers more empirical findings on the effects of the funding strategies discussed in the preceding paper (thus, addressing research question 3). In particular, the positive and negative effects of external grants and donations and self-generated income is compared and contrasted. This article assesses how strategies applied by Cambodian NGOs to reduce their dependence on external resources affect their mission, program and financial sustainability. At the empirical level, the findings suggest that NGOs’ dependence on foreign aid has mixed effects on the organisations, such as unpredictability of funding, goal displacement, reduced organisational autonomy, and top-down accountability. Funding from NGO commercial activities is more predictable and potentially promotes bottom-up accountability and increases organisational autonomy but may conflict with the mission-drift of NGOs. Commercial activities that are closely related to the core mission of NGOs prove an effective strategy in reducing dependence on external control. NGOs that are driven by government contracts risk losing control of their own mission and become a subdivision of the government. Overall, the effectiveness of NGOs’ works lies in the ability and willingness of NGO directors to manage resource dependence and effects. At the theoretical level, this article contributes to resource dependence theory by discussing the effects of different strategic responses employed by NGO leaders to reduce external control and influence caused by dependence on donors’ resources. The article suggests that future research further address the effects caused by NGO engagement in commercial activities and social entrepreneurship.

The last empirical article is presented as Chapter 5. This chapter answers research question 4, which deals with the process of commercialization engaged by NGOs as a way to secure sustainability. Most importantly, this last chapter discusses the positive effects, potential risks, and negative consequences of the market approach. This approach has strongly impacted the management, governance and human resource management of the
NGOs in this study. Structurally, the organisations have both expanded in scale and have become more business-oriented, which is evident, for instance, in the presence of (social) marketing staff. The impact of commercialization extends to the beneficiaries through employment, vocational and technical training, soft skill development, income, and support for business start-up. The commercialization process tends to results in some forms of social entrepreneurship among some of the NGOs. For other NGOs, commercial activities remain an engine to generate revenue to replace or complement donor dollars and cross-subsidize social programmes.

However, there are also some challenges and undesirable effects of commercialization. First, NGOs face daunting challenges in their new business ventures. These challenges include the lack of business skills and background and the lack of legislative supports for NGOs having a social business or enterprise. Second, the economic mission outweights the social mission of some NGOs and they risk sidelining the latter. In fact, some services could no longer cater toward non-paying beneficiaries because of the introduction of fees. As a whole, the article presents a mixed picture of positive effects and shortcomings of NGOs’ commercialisation.

The transformation of some NGOs into some forms of social enterprise implies a shift in the development paradigm—from (dominantly) donor-dependence to organisational autonomy, self-sufficiency and programme sustainability. The article continues the discussion in the existing literature on resource dependence by revealing the efforts of local NGO leaders in diverting external control caused by donor dependence and, instead, turning to earned income. The study also has important policy implications for regulating NGOs’ related business activities that are not core to their missions. There are also implications for development practitioners and NPO leaders since the study proposes ways to maximise benefits while minimising associated risks of social enterprises in countries of similar context.

1.8 Significance and Contributions of the Study
Broadly speaking, the research findings are expected to benefit different groups of people including those in academia, development practitioners and policymakers. Using Cambodia as a case study, the research contributes to the limited scholarly research study and literature in the field, hoping to improve the practice of community development (e.g. by focusing more on development from below) and improve policies at the national level (e.g. through the
process of legal and institutional support for social enterprises and improved dialogue between various local government and local NGO stakeholders).

1.8.1 Setting within the Cambodian Research Programme

This PhD research project is part of a large Cambodia Research Programme, “Competing Hegemonies: Foreign-Dominated Processes of Development in Post-Conflict Cambodia”, a collaborative project between Dutch and Cambodian academic institutions and funded by the Netherlands Organisations for Scientific Research (NWO). Other research projects include topics dealing with state-society relations, impacts of Chinese and Korean investments, Sino-Khmer entrepreneurship and diaspora institutional entrepreneurship. One of the main objectives of the programme is to “analyse the diverging ways in which the main stakeholders in Cambodian development (government, civil society, foreign investors, and the Cambodian diasporas and business community) position themselves vis-à-vis one another and the development models that emerge in their wake” (Cambodia Research Programme, 2010). My project contributes to the programme by analysing the struggles of local NGOs in financing their social programme while balancing between profit and social value creations. Furthermore, the project raises the question whether NGOs, by adopting an innovative approach to development (such as social enterprises and social entrepreneurship) can break the cycle of a donor-dependent economy and society. Alternatively, will the dominant form of externally driven development process continue to be pervasive?

1.8.2 Scientific Relevance and Outputs

This study has several contributions to the scientific community. As I have established, scant literature exists on how Cambodian NGOs are diversifying their resource mobilisation strategies. Since commercial strategies are a rather new approach being used by Cambodian NGOs, it has only recently attracted scholars’ attention. Whether the strategy is beneficial to or hindering NGOs’ mission is still highly contested.

The project therefore contributes significantly to the scholarly literature and theories on resource mobilisation strategies and particularly commercial activities of NGOs in the context of developing countries in Southeast Asian, using Cambodia as a case study. The revelations of the evolving organisational models based on the specific approach to exploit innovative business strategies, which range from establishing a sister enterprise to becoming a fully operating social
enterprise, contributes to theory building on social entrepreneurial NGOs, social enterprise and social entrepreneurship. In particular, this research contributes to the theoretical debate on whether the market strategy results in social entrepreneurship and potentially shifts the financial dependence of local organizations from external to local resources.

The rich data collected during the fieldwork has led to a number of research articles, conference papers and one article for a development magazine (Tables 1.2 and 1.3). Specifically, in collaboration with two of the supervisors, I have written four research articles on different but related topics. One of the articles, presented as Chapter 3, is a published journal article in VOLUNTAS: The International Journal of Voluntary and Nonprofit Organisations. Three other articles have been submitted and are being reviewed for different international peer-review journals. Two of the articles were presented at two regional conferences in 2013. The data from this project will contribute to a series of working papers to be prepared for the “International Comparative Social Enterprise Models” that I am involved in with two other local researchers as founding members for Cambodia. The research is a collaboration project between host institute EMES European Research Network, Centre for Social Economy and others research and academic institutions (including the Royal University of Phnom Penh representing Cambodia) from 47 countries across the world.

**Table 1.2: Journal Articles, Development Article and Working Paper**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Article titles</th>
<th>Journals/Status</th>
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<tbody>
<tr>
<td>2</td>
<td>Social enterprise as a new way forward for development NGOs? A theoretical discussion <em>(Khieng, S., &amp; Verkoren, W.)</em></td>
<td>Development Policy Review (Submitted in July 2013, currently under review)</td>
</tr>
<tr>
<td>3</td>
<td>Funding mobilisation strategies of nongovernmental organisations in Cambodia <em>(Khieng, S.)</em></td>
<td>VOLUNTAS: International Journal of Voluntary and Nonprofit Organisations (Published, September 2013)</td>
</tr>
<tr>
<td>5</td>
<td>Commercialisation in nonprofit sector: The dawn of nonprofit social enterprise <em>(Khieng S., &amp; Dahles H.)</em></td>
<td>Journal of Social Entrepreneurship (Submitted in December 2013, currently under review)</td>
</tr>
<tr>
<td>N/A</td>
<td>Balancing social and entrepreneurial values <em>(Khieng, S., &amp; Quak, E.)</em></td>
<td>The Broker: Connecting World of Knowledge (an online development and globalisation magazine based in Amsterdam) (Published online, October 2013)</td>
</tr>
<tr>
<td>N/A</td>
<td>The international comparative social enterprise models <em>(Lyne, I., Khieng, S., &amp; Ngin, C.)</em></td>
<td>EMES European Research Network (EMES) and The Centre for Social Economy (Manuscript under preparation)</td>
</tr>
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</table>
### Table 1.3: Conferences Papers/Poster/Presentation/Speaker

<table>
<thead>
<tr>
<th>Article/Poster Titles</th>
<th>Conferences/Events</th>
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<tr>
<td>The dawn of nonprofit social enterprise in Cambodia? The process of commercialisation in the nonprofit sector</td>
<td>Griffith Asia Institute’s Southeast Asia Studies Group Meeting (4 October 2013)</td>
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<tr>
<td>Massey University’s Annual Social Innovation and Entrepreneurship Conference, Auckland, New Zealand (27–29 November 2013)</td>
<td></td>
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<tr>
<td>The effects of commercialisation of NGO services in Cambodia</td>
<td>ISTR’s Asia Pacific Regional Conference, Seoul, Korea (24–26 October 2013)</td>
</tr>
<tr>
<td>The effects of NGOs’ commercial activities to the development of Cambodia (Guest Speaker)</td>
<td>Voice of America’s Hello VOA Radio call-in Show (Khmer Service) (18 February 2013)</td>
</tr>
<tr>
<td>Local NGOs balancing between social value creation and profit-making: The dawn of social enterprises?</td>
<td>4th Southeast Asia Update Conference, Radboud University Nijmegen, The Netherlands (22 June 2012)</td>
</tr>
<tr>
<td>What can NGOs learn from the private sector?: The need for sustainability in the third sector (Invited Moderator)</td>
<td>Conference on “Social Enterprise: Developing the social economy and generating sustainable and creative solutions to poverty and social exclusion” Royal University of Phnom Penh (19–20 August 2011)</td>
</tr>
<tr>
<td>Promoting local ownership and community empowerment: the roles of local NGO enterprises in Cambodia (Poster Presentation, Best Poster Award)</td>
<td>2nd Fresh Perspectives Conference ‘New Encounters’, VU University Amsterdam, The Netherlands (15–16 September 2010)</td>
</tr>
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### 1.8.3 Societal and Policy Implications

Cambodian NGOs’ dependency on grants and donations and the consequences associated with such dependency have forced many of them to diversify their funding sources rather than being dependent on one particular source. By analysing the characteristics of different strategies, and their impacts on the organisations, this research provides NGO leaders, managers and other development practitioners with critical knowledge on the diverse resource mobilisation options and their benefits and risks. More importantly, the special focus of the study on commercial activities and social entrepreneurship to finance organisational social programmes will offer information, based on the experience of other NGOs in different sectors, on whether this approach is appropriate for them. I anticipate the findings to provide some guiding principles in forms of lessons learnt for NGO managers, if they decide to integrate social entrepreneurship into their programme.

More broadly and through various dissemination channels that I am engaged in, I hope this project will contribute to raising the awareness of the concepts of social enterprise, social entrepreneurship and social entrepreneurs, particularly in local language (Khmer). More importantly is how NGO leaders in Cambodia conceptualize these terms. It is also the research objective to inform policymakers to make appropriate political and policy supports and
frameworks for such organisations. This is particularly relevant, as the government has proposed a law to regulate NGOs/Associations in Cambodia.

1.9 Organisation of the Dissertation

The dissertation consists of seven chapters. Chapter 1 has introduced the overall research objectives, questions, framework, and methodology approach and research findings. The next chapter (2), entitled “Social Enterprise as a New Way forward for Development NGOs? A Theoretical Discussion” serves as the overall literature review and theoretical backbone of the PhD research project. It is the result of collaborative work between my co-supervisor, Associate Professor Willemijn Verkoren, and myself, and is currently being reviewed for an international development journal. The following three chapters consist of a series of empirical papers. Chapter 3 “Funding Mobilisation Strategies of Nongovernmental Organisations in Cambodia” discusses the three main types and trends of resource strategies and has been published by VOLUNTAS. Next is the empirical Chapter 4 on “Effects of NGO Resource Mobilisation Strategies in Cambodia”, which is also a journal article under review for VOLUNTAS. The last empirical chapter (5) deals with the core issues of the dissertation, and is titled “Commercialisation in Nonprofit Sector: The Dawn of Social Enterprise in Cambodia?” It has been submitted to the Journal of Social Entrepreneurship. The last two papers are co-authored with my main supervisor, Professor Heidi Dahles. I conclude in Chapter 6 by discussing the most significant findings, drawing main contributions and implications. The appendices consist of the research instruments and documents (letters of invitation and support, informed consent, survey questionnaire, interview guides, list of all informants and maps of the regions where the data collection took place).