CAUSES OF FAILURE IN MEXICAN SOCIAL ENTERPRISES







FailureInstitute



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enerating knowledge that is useful for social entrepreneurs is central to the work of Promotora Social México. A better understanding of why their ventures fail, so that the lessons and efforts of these entrepreneurs are not lost, is vital for preventing others from walking the same paths that lead to frustration and discouragement.

The necessary resilience to overcome a failure is something that not all entrepreneurs possess, but today it's an essential skill, especially in the early stages of a company.

Values such as commitment, professionalism, results orientation, teamwork or customer service are principles that Promotora Social México

promotes and shares with its partners, in this case the "Failure Institute." Since its inception it has demonstrated these values, and this is one of several initiatives where we have worked together.

For us the individual is at the center of our efforts. Constant innovation, capacity-building in the individual and the creation of collective knowledge are necessary goals for the development of the projects we participate in, and we believe that this publication contributes substantially to the achievement of these goals for the ecosystem of social entrepreneurship, which is the focus of our efforts.

At Social Promotora Mexico we have been familiar with this Mexican initiative since its inception when each meeting was attended by 50 people and not 500 as it is now. We are proud to know that to date this initiative has been replicated in 11 countries and has become one of the most innovative ways to strengthen communities of entrepreneurs.

Every night of failure provides a space to remove the mask and accept that we're not perfect, that we all make mistakes, and that it is better to share than to conceal them so that we can learn what we should not do when starting a new company or project.

Anywhere in the world, when a business is launched it is more likely to fail than to succeed; the global average is that 75% of businesses close within two years. In other words, most com-

panies fail and there still has been no accounting for the reason why. This publication tries to clarify those issues and share with all its readers the findings at this point in time.

We hope that it will be a source of inspiration for those who want to start a business and do not have the courage to do so, as well as for all those who tried and failed so that they will try again.

Fail, but fail fast and learn.

Juan Carlos Domenzain

Failure is more common than we think in the business world. Before we talk about who invited us to conduct an investigation about failure, we would like to pause, and take a look at the concept of failure.

Its meaning can take us to the most critical moments of our lives or can lead us to recall an episode which we have earned only with the greatest reflection. In the Merriam-Webster dictionary the word failure has four possible meanings, including "a lack of success; a failing in business", a deficiency, fracture, an inability to preform, or an abrupt cessation of normal functioning. These meanings may lead one to think that failure is the end of a venture: however, a well-understood and exploited failure may be the beginning of a long road to success.

This report analyzes results of a new study conducted by De La Salle University, Baiío in collaboration with The Failure Institute. The general objective was to investigate the causes of failure within social enterprises in the sectors of health, education, housing, financial inclusion, and services for those with low economic status. We worked with a population of 115 Mexican social entrepreneurs who had experienced failure in their initiatives to create and maintain social enterprises. The perceptions of the leaders of these business were taken as a point

of reference, as they face a greater need for adaptation to changing economic sources, and must do more to encourage group spirit, sense of belonging, inspiration, motivation and integration among their staff, who are mostly volunteers.

THEORETICAL REFERENCES

In Mexico, as in the rest of the world, poverty, inequality and social marginalization are a cause of constant concern for the government and society. The government is making efforts to reduce the consequences of this phenomenon through programs that promote education and seek to improve nutrition or health services and social welfare generally.

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However, government action is not enough to overcome these problems. It is under these circumstances that social participation becomes extremely important, because it is society itself that, through different figures and organizational models, has responded to the needs not covered by the policies and programs developed by governments.

Among the models into which society has been organized to meet these challenges are interest groups, defense networks and non-governmental organizations, among others. These forms of organization, called "the third sector", have encouraged participation and addressed numerous challenges. However, in many cases their scope is limited by their economic dependence on external entities.

In recent decades a new figure with market logic and a social mission has emerged. This hybrid known as social enterprise has become the object of study by many academics and researchers. However, even though its potential to improve social conditions is well known and recognized, its definition is still a matter of debate.

For the purposes of this study, we will establish the characteristics and features of a social entrepreneur and the definition of a social enterprise by referencing the

work undertaken by the Canadian Social Entrepreneurship Foundation and the University of Toronto.

We understand a social entrepreneur to be an individual who recognizes a social problem and uses entrepreneurial principles to organize, create and manage a project aimed at generating social change. (The Canadian Social Entrepreneurship Foundation, 2010). This definition allows us to understand that the individual can make use of the values inherent in the enterprise to achieve his / her social objective (with this being a priority, though not necessarily exclusive) with or without profit.

With regard to the definition of a social enterprise, we assume that it uses a for-profit model. The company's motivation is the social value it generates without losing sight of the need to generate income to maintain the company's operations. This revenue enables the social enterprise to become a sustainable model compared

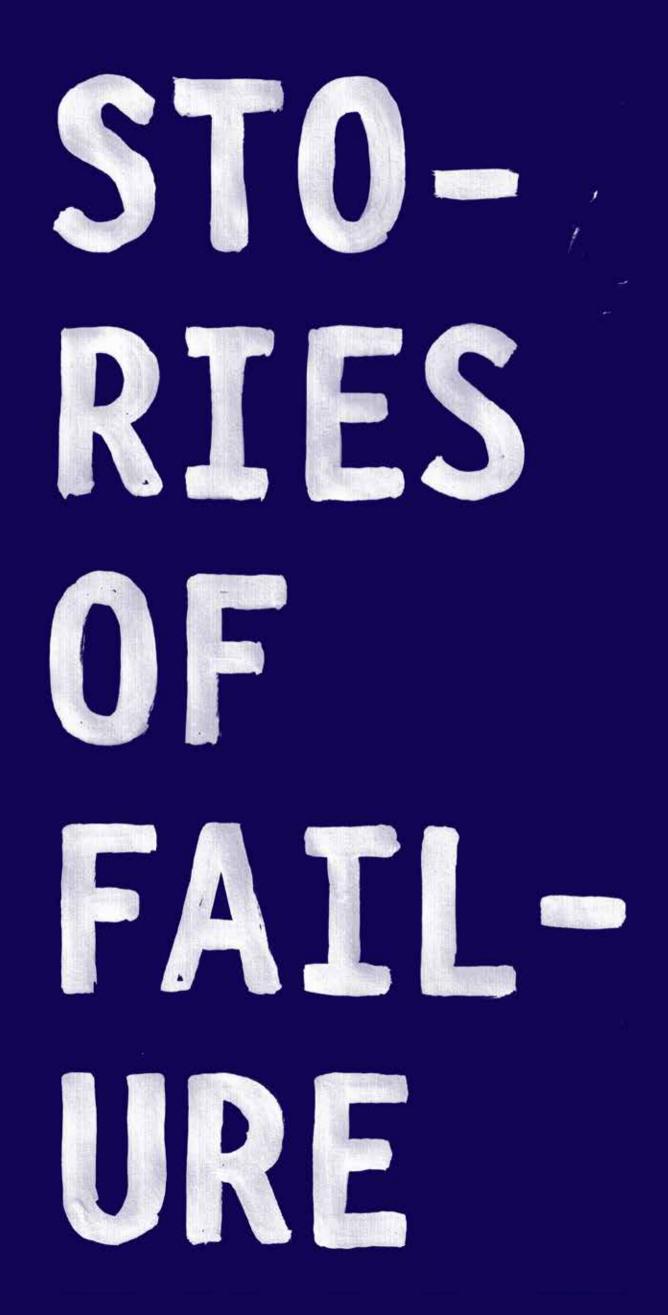
to non-profit organizations that rely on fundraising to survive. In a social enterprise, funds are reinvested to increase its impact and keep the structure in place. (University of Toronto, 2013)

For the purposes of this study, we will identify a social enterprise under the following criteria:

- For-profit business model that seeks to satisfy a social need.
- The social need is not only a value or goal of the business, but the central purpose of its operations.
- Although income generation is vital, the goal is not to maximize the financial return to shareholders, but to grow the business to widen the scope of the company.
 (Schwab Foundation for Social Entrepreneurship)
- The priority is not to accumulate wealth but to reinvest profits to finance the expansion.

 Looks for investors who are interested in combining social and financial returns on their investments.

This is how we can determine whether a social enterprise is related to the business model and whether the social entrepreneur is an individual who has an innovative idea. A social entrepreneur can start a social enterprise, but not all companies.



Stories of failure The hippie who advocates for community work

Stories of failure

y wife says that I'm a hippie, because I don't think that one should study in order to join a company, work from nine to five, earn "seniority" (meaning: getting old while sitting at the same desk), retire and die.

I don't believe in all that, because the ones who die are the huge corporations. In the wild future unknown, it is likely that the company where you work will end up failing before you fossilize at your desk after decades of being a corporate zombie.

I was working in the mortgage area of General Electric when I had the epiphany of opening my own socially responsible business. It was 2008 and it was clear to me that the mortgage market was going to go under. I knew because for a while I worked as a trader on the stock exchange. My then boss was no stranger to that reality. The market was experiencing a suspect accelerated growth; New buildings were popping up like popcorn, and they all

wanted to apply for a mortgage because: "Have you seen what attractive rates there are?". Banks fought for customers. It was all mess and euphoria. And it was not going to end well.

My now ex-boss told me, "This is going to end badly, and when it does, I'm going to have to fire them."

It was time to start my own business, before I was given the ax.

At that time I was married to Brenda, a sociologist. We decided to get involved

with the

where we

sold cof-

"It was time of handmade to start my own business, before I was given the ax." fair trade of handmade made products. We did the first tests on a free online marketplace,

fee, candies and sugar skulls to people in Hungary, New Zealand, and Spain. I wouldn't recommend doing it that way though; the shipping was more expen-

sive than the product. Then we decided to go with handmade clothing.

We christened our brand Zarapito. Now, you're going to say there are hundreds of competitors in the market of craft products. Well, the only thing that saves you from a saturated market is to offer a unique product. And that was Zarapito: stretch blouses that showed off your figure; shawls and sarapes; shirts for men; and dresses. All the garments were made by artisans

from Oaxaca, Chiapas, Puebla, Michoacán and Hidalgo, Mexico, who we paid between 50 and 70 percent more than normal selling price.

When I finally got fired from GE, I went with my wife, daughter and severance pay to Puebla. Freedom! At last I was free to devote myself to growing my business!

Then, the realization—fuck—I made two big mistakes.

The first was that I was paralyzed by fear. I knew that it was not enough to sell clothes online, or in markets, or through our brand representatives. No, I should have taken the risk and opened a store. But Brenda had told me that we would risk loosing our savings, and out of fear, I refrained from doing what logic told me.

Maybe Brenda was right. Maybe it was risky. But in business you have to take action, and if it goes wrong, you change the plan. That I understood in the worst of ways when the sales were down in spite of stocking stores in London, Albuquerque and Montreal.

My other mis-"But in business take was to foyou have to take cus efforts on doing things action, and if it that, while important, were not really so change the plan." important like, uh, writing company policies,

> or creating a web page in several languages, or opening an email account for orders, or making a beautiful PDF presentation.

goes wrong, you

What was I thinking? The important thing was to sell. And just like that, with lots of plans but without fully dedicating myself to actions, two years went buy. In the third year we finally decided to open a store. Since the

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product was very original and of good quality, it was a success. But the debts I had accumulated prevented me from making new orders to the artisans and sending products to stores abroad. We had just enough money to settle our debts, close the store and return to Mexico City.

"A word of

advice: don't be

perfectionists.

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product like a Beta,

But you learn from your mistakes. Zarapito taught me that in a company, one must plan, execute and make corrections quick- first months, ly. It's like Judo: you face your opponent, you struggle and inevitably one of the two will end up on the

mat. If it turns out you're the one who kisses the canvas, at least try to fall gracefully; That is, with a plan B that helps you get back on two feet. Don't complain about the pain of falling.

I also learned not to be a perfectionist. The corporate world had taught me that every result had to be flawless. But you can't demand that much from a product that is just getting

adapted to the market. Rather than cling to perfection, you have to be honest. Accept that you are new and that there are setbacks. Believe it or not, people understand.

A word of advice: don't be perfectionists. At least in the first months, consider your product like a Beta, a

> prototype. Something that still is not. Something that doesn't have to be yet, but it will soon be.

Yes, my wife says I'm a hippie, because although the work that pays the rent is in a multinational company (Universal Music Latin Entertainment), I am sure that the future will be in developing productive tribal communities. My wife often tells me:

"Not everyone can be an entrepreneur", but I think we can all be independent. That's why I've started on a new adventure: I am founder of Bringap, a page that connects people (worldwide!) who offer their specialized work to others who require their services.

That's what life is about: collaboration and action.



have never worked in a company nor have I ever had the "security" of a fixed salary. Fifteen million pesos (MXN) were invested in the first three years in two rounds of investment (one of them being a private equity fund) and both failed. I'm 29 years old now, and already I've had two failures, two companies, 15 million pesos lost, and

"I'm 29 years

old now, and

plastics."

I've already had

two failures, two

companies related

to the recycling of

several business models related to the recycling of plastics. And we're still here.

Here's the story

The initial idea was to buy recyclable plastic to grind, wash and

sell in the domestic and international markets. We got the first 6.5 million pesos from two investors that we met randomly on street on a Saturday afternoon in March 2010.

After having presented the project for already left for various reasons. almost 12 months to several banks, equity funds, friends with money, universities, and clubs, etc., we hadn't been able to nail anything down until that Saturday in March.

Seven months of talks with these potential investors passed, and finally in October 2010 we signed the papers and Reciclados Deltarec Inc. was born, with six partners and 6.5 million pesos of capital. We bought plastic mills and a washing machine, and hired 15 employees. It was a very interesting and very promising business model.

> To make a long story short, after 24 months the project failed big time. The investors who had put in 6.5 million, plus another three million in debt, lost almost everything. They were only able to recover two million in cash from the sale of assets.

In December 2012, we convinced a private equity fund to invest six million

and the two capital partners left, leaving only two founding partners (operating partners) and the Private Capital Fund as shareholders. By this time, of the four initial entrepreneurs, two had

Month after month we were loosing about 200,000 pesos. The accumulated losses were about two million from January 2011 (the start or the operation) to July 2013.

We bought expensive raw material and at high losses, we paid in cash, sold on standby, and had very high operating costs. In addition, decisions were made by a 10 person Board of Directors, which made things go very slowly. Basically it was a recipe for quick failure.

So, to not to keep dragging out the story, in August 2013 the Private expensive **Equity Fund and** one of the operators partners left, at high losses, leaving me as the sole shareholder/ CEO/everything sold on standby, else (from driver to and had very high accountant, to adoperating costs." ministrator, sales, collection, etc.).

Finally, I didn't have the money to

keep it going anymore. I couldn't res- a council that makes decision cue the machinery or even many of the employees. What I did was rent a shop, sell my car, buy a van and start buying and selling plastic. And that's how the current business model started.

Today, DELTAREC is a model company for recycling

DELTAREC in conjunction with Fundaciòn R3 empower and facilitate plastic collectors so that they can become micro-entrepreneurs and be incorporated into the formal recycling industry network. They are registered with the

financial bureau and employ one or two people "We bought depending on the volume of materials they collect. From there, the raw material and plastic is transformed and sold to national and international partners, generwe paid in cash, ating the highest value for each unit of plastic.

> There is just a single administrator who facilitates decisions quickly from within the operation. We don't have, as we did before,

making difficult.

It is a social model that competes nationally and is already a major player in the plastic recycling industry in northern Mexico. Many customers prefer to work with DELTAREC for our social model. We are a company that sells 10

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million pesos annually. There is already a positive profit margin. We have 19 employees, as of September 2015, and certainly by the time you read this, we will have many more.

We already have six micro-entrepreneurs registered with the financial bureau, which means that as of today the impact consists of:

- · 60 tons of garbage collected
- · 300 families with an additional stable income
- · Two formal jobs (in collection centers)
- · 60 tons of CO2 not emitted into the atmosphere
- · Six new bank accounts in the bottom part of the economic pyramid
- · \$12,000 pesos exchanged daily for what people think of as trash And we're just getting started!

Social Enterprise VS Traditional Company

Social entrepreneurship is not like the traditional model where you face problems such as flow, operational deficiencies, market, etc. In social entrepreneurship, there is a cultural theme that makes problems more complicated. You are up against the idea of "economic utility above all", and this complicates the social vision.

A social enterprise sacrifices somewhere in its model a certain percentage of profit for the benefit of the community. This means that your margin of error must be smaller to withstand any unforeseen circumstances.

The culture of social or disruptive investment is still rare; it exists but under conditions which make the project less competitive against projects with more traditional and very attractive margins.

In our case, formality has a cost. It's expensive to pay taxes and do everything above board. And if we compare ourselves with the competition, 90% don't operate formally.

This path has been one of learning through failure, where the persistence and courage to learn from those failures have kept this dream going. We have a social and formal model, that goes against the current in an informal industry, and that raises awareness and generates value where there was none before.

In this story there will continue to be failures; Surely bigger and bigger ones, which is good, since it means that we are growing. In our mind you only fail when you begin to tell a new story, and DELTAREC is still going in the same story.

Creating impossibles

Stories of failure

ave you ever gone to a recycling plant? If not, let me describe to you what it's like. It's a horrible place, generally; a vacant lot, which smells foul, and is basically a disgusting place to visit.

Is it so difficult to have a neat, clean recycling plant that makes vis-

itors feel like they're in a lemon grove instead of a hell of plastics and outdated smells? Of course not. I did it. It's a pity it wasn't prof-

I remember that photo they took of me when everything was in full swing, with

itable though.

the smile of an enthusiasts who ignores tion, basically all news about what we what is to come. That image is from the day that we were handed the keys to the 180 square meter warehouse that, from January 2011 until the summer, was a unique recycling plant in the world: it was clean, tidy, and even stocked with ecological cleaners, for those came to sell PET. And, it smelled

like lemon. It's true. We installed devices that every so often sprayed an aromatic breeze and we even paid a consultant to recommend an aroma that would be adapted to the warehouse. He recommended the citrus scent. Never was a garbage collection

center nicer!

I am a civil engineer, but my interest is in ecol-"I am a civil ogy. Business and social responsibility are not at engineer, but odds. Since I was a univermy interest is in sity student I had been selling solar heaters. To explain ecology. Business to people the ecological and social and money saving benefits, I created an informative responsibility are page called Striatum, and also a green blog with innot at odds." formation divided into subthemes such as recycling, global warming, deforesta-

> can do to stop screwing up the planet. The page began to grow, I partnered with my brother and my wife, we had advertising revenue, we gave training... life was good.

> Money in my hands is like fire: it burns me. I need to spend it to the ashes or invest it. My wife and I opted for

realized that our

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the second option and inaugurated a dreamy recycling plant nestled in San Miguel de Allende. We planned it for five months. I even took a plastic recycling course, where no one warned me how risky my idea was. On the contrary, I was encouraged: "Start your recycling plant," they said. "It will be wonderful," they said. I was so convinced that I bought a PET compactor from the people giving the course. I never used it.

The first day, we Over the days arrived at the recycling plant with and months we our first bags of PET that we had collected in the market. It wasn't much, but it was a start. Over the days and months we realized that our collection was pitiful. At least 50 tons of PET is required to

be a profitable recycler. We collected four, and we were already at the limit of our ability.

Okay, but we were a pretty recycling plant. We even painted some

little plants on the warehouse wall to reinforce our ecological concept. The bad thing was, there were four other recycling plants in San Miguel with which we had to compete. But even worse, the municipal president of that time reached an agreement with one of the recycling plants to give them all the city's PET. We, who had made an agreement with the garbage collectors to pay a good price for the material, were left with nothing when

> the garbage men told us that by higher orders they could no longer sell to us.

Bah! Those things happen. One day you make fair agreements with the garbage men, and the next a public official monopolizes the business. We weren't going to let that get us down. We agreed with the managers of some thirty restaurants that

would give their waste to us. Daily we went on a route to collect the recyclable garbage and ... GROSS!

The employees did not separate the garbage. I even went on to give talks

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bottles from different types of plastic, washing them, and removing the labels. People were giving me a look that seemed to say, "What's with this guy? You want us to work harder and you're not going to pay us for it?"

Ah-ha! We played our last card: the schools. There we did well. Hundreds of children from all grade levels visited the cleanest recycling plant in San Miguel Allende, and in Mexico, and surely the cleanest in the whole entire Solar System. We gave talks, and we educated students and teachers about the importance of separating and recycling trash. Our school pickups were a success. I had never seen the warehouse so full of plastic. What a shame that we didn't have the capacity to store it all and that selling it didn't give us much. Plus, those who mainly provided us with recyclables were schools, and the summer vacation was coming. Two months without income! We just couldn't face that; the rent of the space, the wages of those who helped us to collect in restaurants...in short: the money wasn't there. We decided to close down.

In those four months I learned some things. First, listen to what people

about the importance of separating the want. We did that in Striatum and the green blog. And in that way we managed to offer content of interest and grow as a business. But, a clean and good smelling recycling plant? Nobody ever asked for such a thing!

> Secondly, be clear in the message you want your business to project. People often think that social enterprises don't require income because: "altruism". Look for the best way to project that working to improve the world also requires money. The only difference is that, in social enterprises there are more important satisfactions than economic ones.

Finally, I learned that one must specialize in their work. My mistake was to invest my money in a risky business of which I knew little about, instead of strengthening the businesses I already had. Now, with everything I know about solar heaters and renewable energies, I founded the Center for Environmental and Renewable Resources Studies, where I offer consulting and courses. That's my forte. My specialty.

Stories of failure MIRAMONTES Never go to the dark side

Stories of failure

"There are two

bribes and the

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or you remain

and admirable.

road is longer."

However, this

transparent

ways: either you

participate in the

hen I started in the business of environmental consulting and ecotourism, they warned me: "There are two ways to reach your goal. In one, you have to participate in the bribes and the lack of generate a model that strengthened ethics. In the other, you can be transparent and admirable, but this road is longer. Different to the first, it has no shortcuts. But

you'll get there. "

I decided on the first way. Don't get me wrong: I thought that if I made something that benefited the community, it really wasn't so bad to engage in corrupt practices.

Let's start from the beginning: I grew up in Nuevo Leon, loving nature. Since

childhood I used to go on hikes and explore caves. As I grew older, I discovered that these activities that I loved so much could be a way to make a living. I started doing mountain safety training courses and adventure ecotourism for

business groups. One day I decided to go live in Chiapas. There is no place in Mexico as generous in the unfolding of natural beauty as the jungle.

I partnered with four people to community ecotourism centers in protected areas. With our experience in environmental education, we planned

> to advise communities on how to be profitable during the off-season. With this objective we founded La Mano del Mono with the slogan "local actions, global changes". We were convinced that every revolution begins on a small scale, working in community to foster the development of communities and conserve natural resources. It was a beautiful purpose.

> Too bad we succumbed to the dark side.

People from the State Secretary of Tourism contacted us. They were interested in us developing a training course for ecotourism centers. They asked us for a budget, we told them 2.6 million pesos, they agreed, and the negotiator said:

business with the

you'll lose."

"We'll give them 4.6 million." Before my jaw fell to the floor, the man clarified that the extra two million had to be given back in cash. Accepting this scam was the requirement for us to be given the project.

Of course, my conscience bothered me. But I tried to convince myself that if La Mano del Mono didn't agree to do the project another company would come in without any experience and ruin you: be careful it. That's why I accepted.

One thing I'll tell you: be careful about doing business with the devil, because you'll lose. They not only used us to divert two million pesos, but they ended

up owing 25 percent of what we had agreed as payment. It's called karma. And to us it reached us immediately, because although we had given our best effort in training the communities, the Ministry of Tourism had no interest in continuing the program, measuring

results, or making the necessary visits to witness the evolution of the communities—nothing mattered, only their economic cut.

In addition, people in the middle heard about our shady agreement. We decided to face up to it and accept what we had done. It was messed up.

There was no argument to excuse us. But with work and commitment, we "One thing I'll tell managed to cleanse our image.

Things got betabout doing ter. Last year, companies and organizations sought our services. I devil, because told them all "yes", and there were 46. We were practically coordinating four projects per month among six people. I screwed up again.

> Not knowing how to say "no", the excess of work surpassed our capacities. We turned projects in late, we lost the trust of customers who finally sent us to the curb. Luckily, no one sued. The curious thing was that one of the institutions that we screwed

Stories of failure

over with was actually the Secretary of Tourism (yep, we worked with them again after a change in administration). Take that! Everything in life comes around.

Never make promises that you can't keep. But above all, never, ever, become inflexible and deaf leaders. I know a certain person that was like that once...

Okay, okay, that person is me. Without talking to my colleagues, I started accepting a bunch of projects. Then I went to India for a month and a half and I left the others

to do all the work. If they told me it was impossible, I would reply: "We already promised".

As you'd imagine, when I returned from my trip, with all my chakras

aligned, it caused me a lot of grief when my team received me tremendously angry and wanting to quit.

Do not take on leadership if you are going to leave your team alone. Never

> make decisions if you you're not the team before-

But more importantly, remember to make a real global change through small local changes, in the game of corruption. Your will be diluted and your reputation will be hurt. When you

feel the call from the dark side, remember what happened to me, and stay on the path of light.

"Not knowing how going to consult to say "no", the hand. excess of work surpassed our that if you want capacities. We turned projects in late, we lost the don't get involved trust of customers who finally sent us good intentions to the curb."

CAUSES

Regarding the possible causes of failure for the social entrepreneur, the literature highlights the work of Stevens and Burley (1997),

who consider that the identification of the idea and the innovation of the product or service, as well as the process of carrying these out, represent some of the potential areas for failures that entrepreneurs face, since these products or services may not satisfy the needs of the customers or users for which they were designed. Likewise, Olaison and Sørensen (2014) consider that entrepreneurial failure occurs when the resources obtained through the organization are not used for the purposes for which they were intended, that is, the fraud generated among the associates, volunteers, or organizational mismanagement leads to the failure of an entrepreneurial company with or with-

out profit. Authors such as Weerawardena and Sullivan Mort (2006) focus their attention on the administrative council, resources and infrastructure, as well as partners and/or volunteers, as possible causes of failure in Mexican social entrepreneurs.

Among the multi-factorial causes of failure in social entrepreneurship that were of interest to our research group, we will start by considering the following:

Causes attributable to the entrepreneur. Regarding this aspect, the potential causes of failure are highlighted as lack of preparation or ability, and excessive anxiety about problems generated in the company, which causes insecurity out of a fear of failure.

Product or Service. Failure occurs when the development of ideas, products or services happens without previously analyzing if they are of interest or if they respond to the needs of the clients or users to whom they are directed. This also includes poor quality in the product or service and the failure to seek out and develop new ideas.

Entrepreneurial project management. This factor represents the difficulty to understand, organize and maintain the financial records of the company, as well as the lack of knowledge in project management and administration.

Board of Directors. This factor is understood as a lack of commitment, or lack of clarity in the definition of responsibilities between the founding members or members of the board of directors, as well as the generation of interpersonal conflicts between the board members

themselves, in addition to fraud or illegal practices by its members.

Resources and infrastructure. This factor is related to the lack of support funds, for example ignorance as to how to obtain resources or lack of ability to integrate a

project to obtain necessary

resources.

Customers or users. This includes the lack of understanding and attention to the needs of the client/user and neglecting the relationship with them.

Context. As a possible cause of failure, reference is made to public policies of support for social entrepreneurship, mistrust in social enterprises, and difficulty in securing financial support for social welfare projects.

Associates and/or Volunteer. This is related to the lack of ability to supervise, recruit and hire associates, among others.

METHO DOLLOGY

This study was developed under a quantitative approach, using a quantifiable instrument to gather the necessary information to measure the variables. The purpose of the investigation is explanatory, as the causal effects of the dependent variable were established to be the causes of the failure for the social entrepreneur. It was also observational, since it was intended to describe the phenomenon, without any intervention or manip-

ulation of the variables that determined the research process. The type of study was transversal, due to the period and sequence of the study, as instruments were applied on a single occasion, and at the same time to all subjects of the study; that is to say, a cut was made in the time, with the purpose of obtaining the necessary information for the analysis and measurement of the variables.

Sample

The type of sampling was intentional non-probabilistic, since it was necessary to obtain the largest number of participants meeting the inclusion criteria, which were considered to be social entrepreneurs whose developments were aimed at the social benefit of third persons and who had had some experience in the failing of a social enterprise. In addition they had to have been es-Republic.

Participants

A sample of 115 participants was obtained, of which 37.4% (n=43) were women, and 62.6% (n=72) were men.

Instrument

Causes of Failure for Mexican Social Entrepreneurs (known by it's acronym in Spanish, CAFES-M). In order to achieve the objectives of the investigation, an instrument was developed that would allow us to measure the failure construct through eight dimensions or causes of failure related to: (1) the entrepreneur, (2) the product/service, (3) the management of the project, (4) the administratablished within the Mexican tion, (5) the resources and infrastructure, (6) the customers and users, (7) the context, and (8) the associates and volunteers. This instrument is made up of 56 items. The reagents have a Likert format with six response points, where one represents "Strongly disagree" and five

The type of sampling was intentional non-probabilistic, since it was necessary to obtain the largest number of participants meeting the inclusion criteria

"Strongly agree", while point six referred to "not applicable".

To assess the reliability of this instrument, the internal consistency measure was calculated using the Cronbach alpha coefficient for each of the causes of failure related to: the entrepreneur (a=.86), the product/service (a=.85), project management (a=.92), the administration (a=.83), the resources and infrastructure (a=.77), the customers and users (a=.907), the context (a=.866), and the associates and volunteers (a=.87). Similarly, the overall internal consistency of the CAFES-M instrument (a=.96) was calculated. Finally, both the dimensions and the instrument in general showed satisfactory reliability (Cronbach, 1951; Hair et al., 2014).

Process

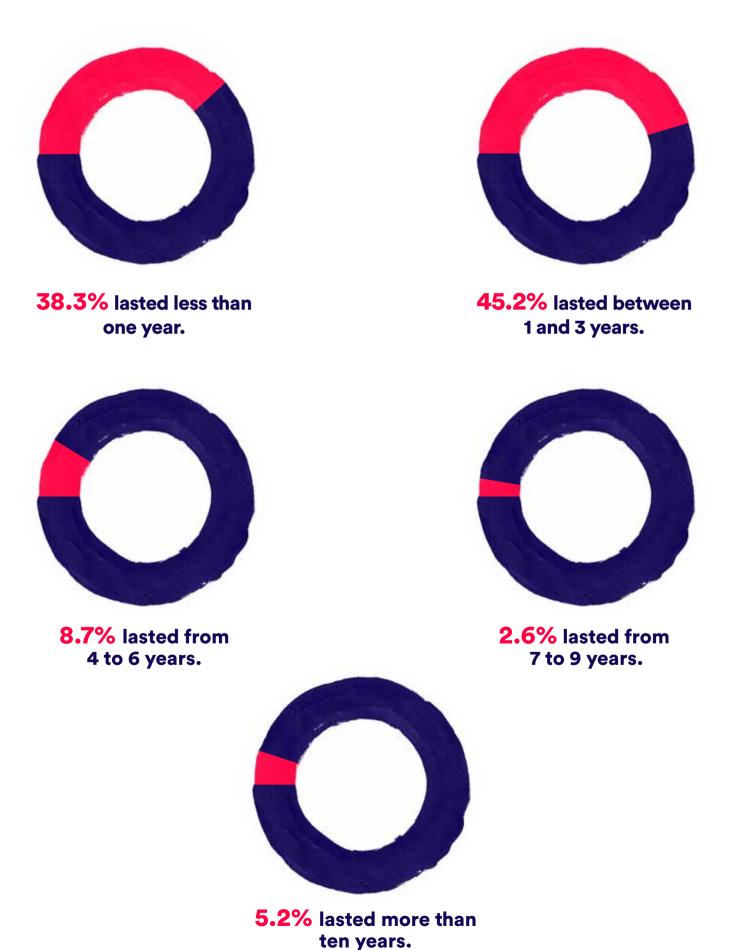
Once the instrument was validated, it was placed on a platform associated with an internet server where participants answered the questionnaire. The instrument was promoted via the Internet by The Institute of Failure as part of its research program, and was available on their website (thefailureinstitute.com). The database generated with the responses of the participants was analyzed using the statistical software IBM SPSS Statistics v.12.0.

SULTS

The profile of the Mexican social entrepreneur



Life expectancy of social enterprises in Mexico



Lack of support



received support from an incubator or accelerator program.



had support from a governmental program.

Analysis of factors related to failure

Based on the data obtained from the 115 participants using the Causes of Failure for Mexican Social Entrepreneurs instrument (CAFES-M), the causes that were relevant to the failure of social entrepreneurship were analyzed and a mean average score was assigned to each of the factors.

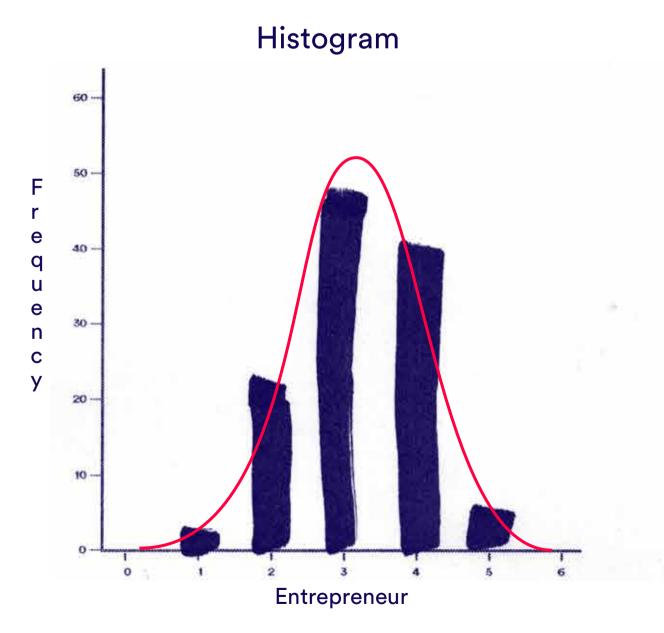
Factor 1: Causes related to the entrepreneur. Here the causes are

related to anxiety in the face of problems in the company, the lack of self-confidence, and the fear of failure. According to the results obtained (M=3.2, Variance=.77 and SD=.88) and inferences from the opinions of the participants, this factor has neutral or little relevance in explaining failure in the world of social entrepreneurship (p<0.05=95%). The results of this analysis are presented in Figure 2.

Figure 2. Histogram of frequencies of causes related to the entrepreneur.

Own design.

Media= 3.2 Typical deviation = .881 N = 115

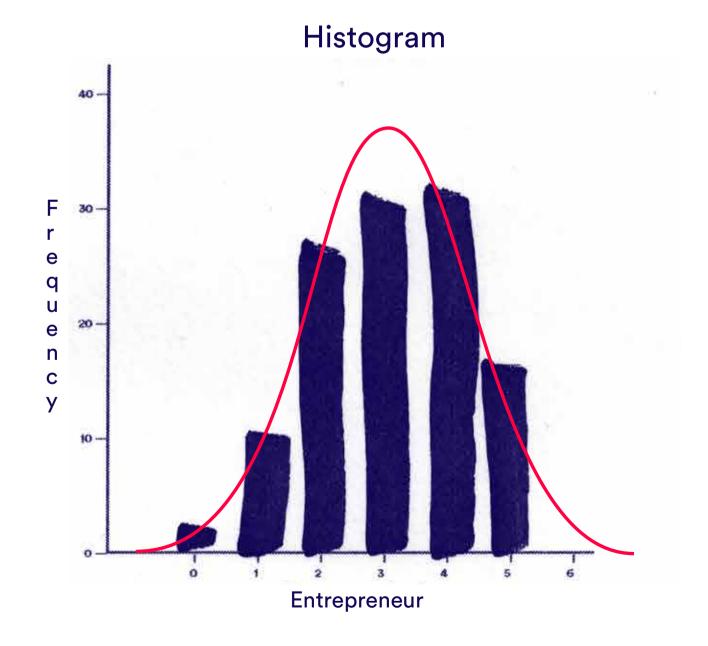


In factor 2: Causes related to the product/service, the causes are focused on instances when ideas do not meet the needs of customers, quality of products or services is poor, or an inability to stop and look for new solutions. According to the results obtained (M=3.1,

SD=1.2, Variance=1.5), the product/service factor has a neutral or insignificant influence on the failure of the participants (p<0.05=95%). See Figure 3.

Figure 3.
Histogram of frequencies of causes related to the product/ service.
Own design.

Media= 3.1 Typical deviation = 1.249 N = 115

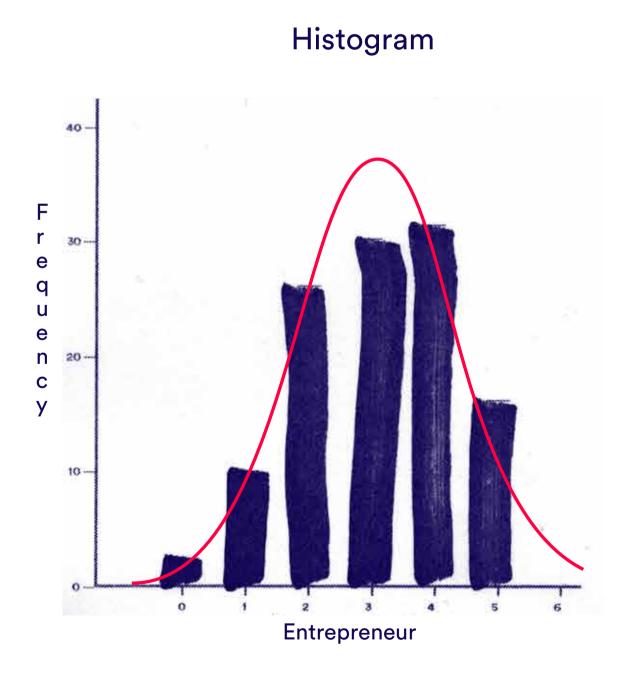


In factor 3: Causes related to project management by entrepreneur, factors such as the difficulty to organize and maintain financial records of the company, the difficulty in understanding the financial records, and the lack of knowledge of project

management are analyzed (M=3.31, SD=1.15, and Variance=1.3). This factor shows that social entrepreneurs are slightly in agreement that this factor is a cause of failure (p<0.05=95%). The results are presented in Figure 4.

Figure 4.
Frequency
histogram of
causes related
to project management.
Own design.

Media= 3.31 Typical deviation = 1.157 N = 115

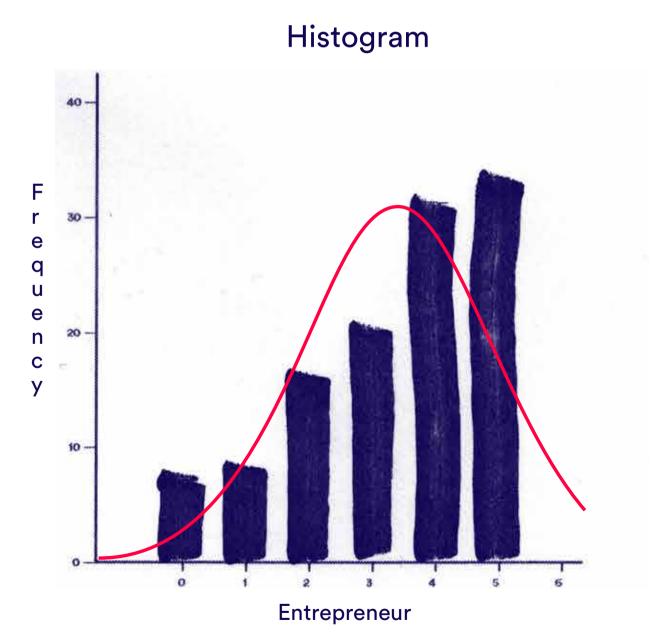


In factor 4: Causes related to the board of directors, we address the lack of commitment among the founding partners, the lack of clarity in the definition of responsibility of each partner, interpersonal conflicts among the members of the administrative council and fraud or

illegal practices by a member of the council (M=3.38, SD=1.5, Variance=2.2). This factor shows that social entrepreneurs are slightly in agreement that this factor is a cause of failure in Mexican social entrepreneurs (p<0.05=95%). The results are presented in Figure 5.



Media= 3.31 Typical deviation = 1.157 N = 115

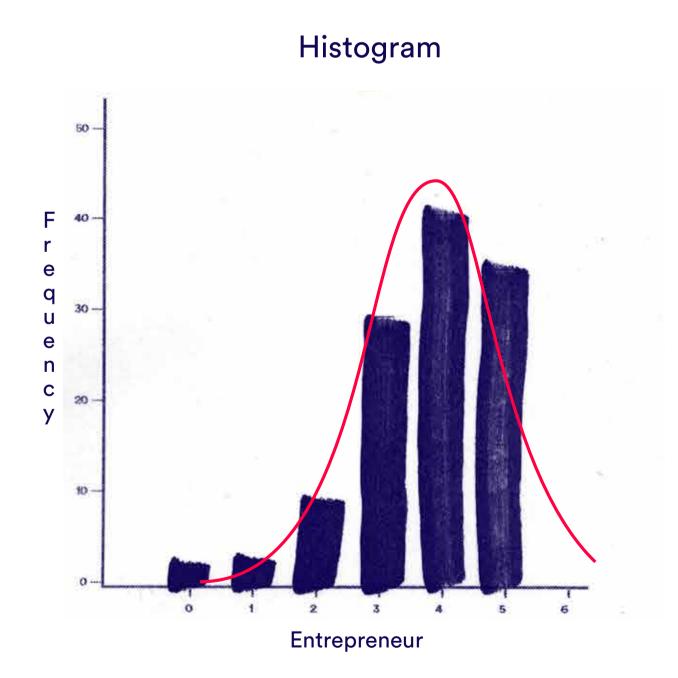


In factor 5: Causes related to resources and infrastructure, the causes related to lack of funds to support social entrepreneurs, the ignorance of how to obtain funds, and lack of skills to integrate project purposes, are reviewed. This factor shows that social entrepreneurs agree that this factor

represents a cause of failure (M=3.8; SD=1.06, Variance=1.12). Therefore we find that there is statistical probability that resources and infrastructure represent a cause of failure for Mexican social entrepreneurs (p<0.05=95%). The results are shown in Figure 6.

Figure 6. Histogram of frequencies of causes related to resources and infrastructure. Own design.

Media= 3.31 Typical deviation = 1.157N = 115

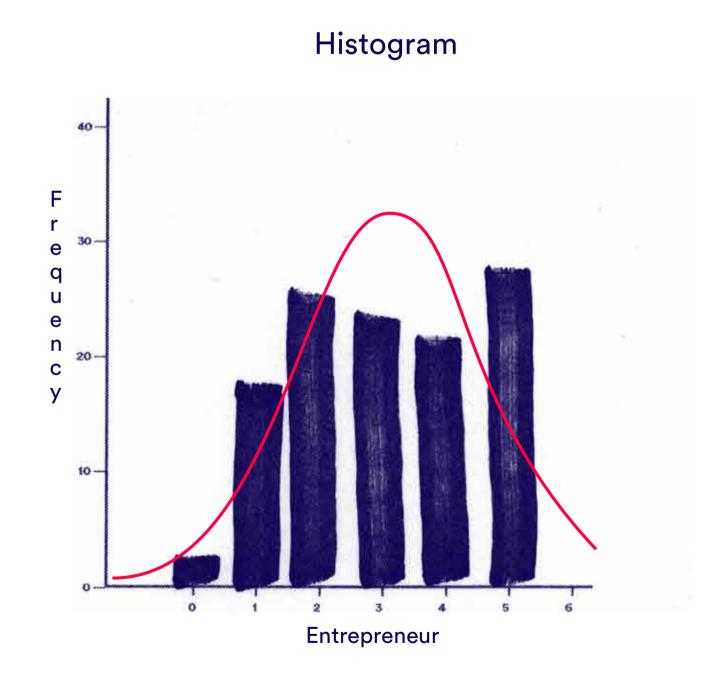


In factor 6: Causes related on this factor as a cause of to customers and users, we see causes associated with a lack of understanding and not serving the needs of customers, and also neglecting the relationship with clients and users. Analysis shows that social entrepreneurs maintain a neutral position

failure (M=3.09, SD=1.44 and Variance=2.0). In this sense, there is the statistical probability that the customer/user factor is a cause of failure in Mexican social entrepreneurship (p<0.05=95%). See Figure 7.

Figure 7. Histogram of frequencies of causes related to customers and users. Own design.

Media= 3.31 Typical devia*tion* = 1.157 N = 115



In the factor 7: Causes related to the context, variables are explored such as the difficulty and slowness in getting financial support from government; the distrust and resistance, both public and private, in the participation with and investment in social enterprises; and the lack of public policies to support this type of enterprise. An

analysis shows that social entrepreneurs agree that this factor represents a cause of failure (M=3.62, SD=1.34 and Variance=1.80), and in this sense, there is the statistical probability that context represents a cause of failure for Mexican social entrepreneurs (p<0.05=95%). The results are presented in Figure 8.

Finally, factor 8: Causes related to the partners, studies variables such as the lack of ability to monitor partners, and Variance) among Mexand not recruiting and hiring associates. This factor shows (p<0.05=95%). The results that social entrepreneurs are are presented in Figure 9.

slightly in agreement that this factor represents a cause of failure (M=3.42, SD=1.23 ican social entrepreneurs

Figure 8. Histogram of frequencies of context-related causes. Own design.

Media= 3.31 Typical devia*tion* = 1.157 N = 115

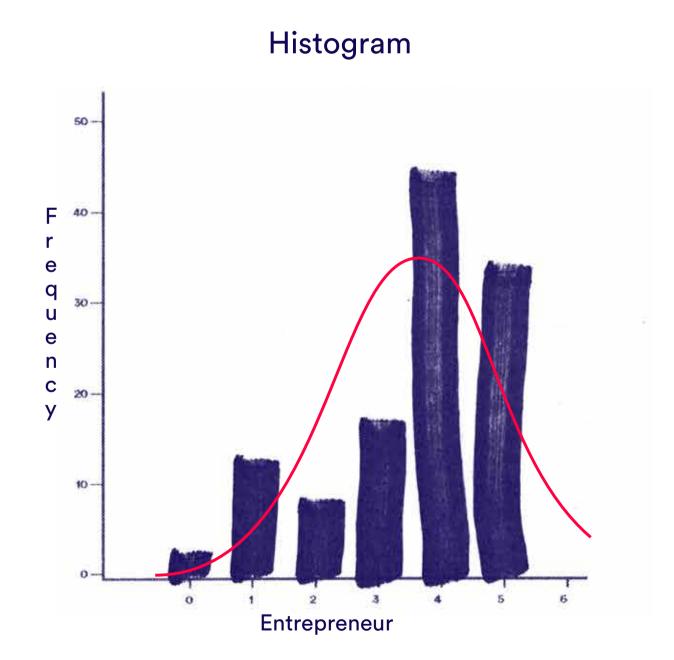
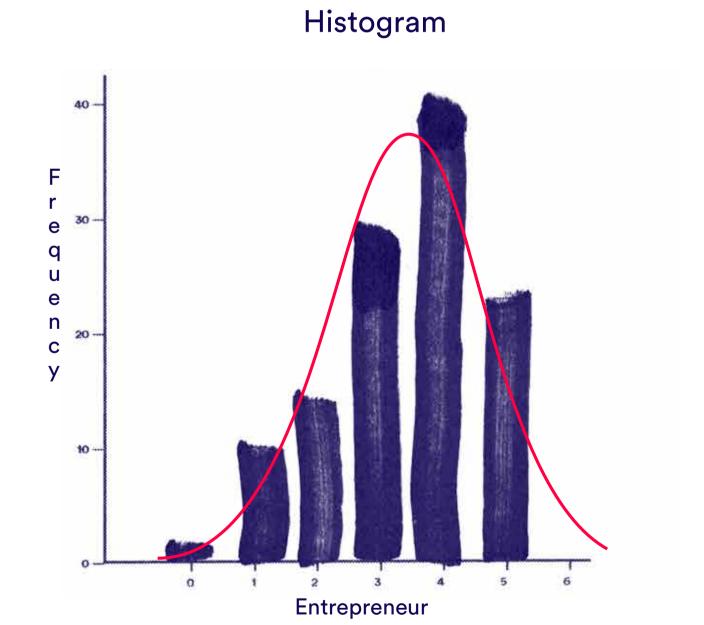


Figure 9. Frequency histogram of causes related to partners and volunteers. Own design.

Media= 3.31 Typical devia*tion* = 1.157 N = 115



CAUSES OF FAILURE — SOCIAL ENTERPRISES

Among the significant indicators mentioned by the respondents, the following were highlighted:

Indicator	FACTOR	M	DS	V
Lack of contacts or support networks	E	3.76	1.37	1.88
Lack of skills for obtaining funds	E	3.79	1.41	2.00
Unsustainable business model	PM	3.75	1.31	1.71
Lack of commitment among founding partners	AC	4.00	1.29	1.66
Lack of clarity in the definition of responsibilities of each partner	AC	4.03	1.35	1.82
Interpersonal conflicts between the members of the Board of Directors	AC	3.74	1.46	2.13
Compromise personal income during the venture	RI	3.92	1.31	1,73
Lack of support funds for social entrepreneurs	RI	4.03	1.30	1.70
Ignorance of sources for obtaining funds	RI	3.79	1.31	1.74
Lack of ability to integrate projects to obtain social funds	RI	3.87	1.29	1.67
Lack of trained support staff	RI	3.74	1.36	1.86

Public/private resistance to participate with and investment in social enterprises	С	3.72	1.38	1.90
Difficulty and slowness in obtaining government support	С	4.15	1.32	1.75
Difficulty in securing financial support for social welfare projects	С	4.06	1.30	1.69
Insufficient public policies to support this type of enterprise	С	4.17	1.28	1.64
Lack of ability to recruit and contract associates	Α	3.71	1.31	1.71
Lack of ability to mediate conflicts and daily problems among members of the organization	Α	3.70	1.43	2.05

E = Entrepreneur, PM = Project Management, AC = Administrative Council, RI = Resources and Infrastructure, C = Context, A = Associates. M = Mean, SD = Standard deviation, V = Variance. Own design.

The failure of the Mexican social entrepreneur is a phenomenon that can only be understood from a multidimensional perspective. In the statistical analysis, a high, positive and significant correlation was found (p<0.001) among the causes related to the following factors: entrepreneur, product/ service, project management, board of directors, resources and infrastructure, clients/users, context, and partners/volunteers.

The two factors that stand out most as causes for failure among social entrepreneurs in the perception of the participants are: 1) lack of resources and infrastructure, and 2) context. The first factor is defined by the lack of support funds for social entrepreneurs, as well as ignorance as to how to get funded, and the lack of skills to integrate projects to obtain social funds. The

as an inconsistent economic and social context that is not responsive to the needs of social entrepreneurs, and that has inadequate public policies to support this type of enterprise; in addition to the public/private resistance to participation with and investment in social enterprises.

Advisory boards also proved to be relevant in the failure of social entrepreneurship in Mexico, as they are seen as sources of conflict, from a lack of clarity in the definition of responsibilities and lack of commitment of the founding partners, to the presence of interpersonal conflicts between members.

Unlike other initiatives, social entrepreneurship is directly related to the personal qualities of the entrepreneur: in their social skills to attract members, volunThe first factor is defined by the lack of support funds for social entrepreneurs, as well as ignorance as to how to get funded, and the lack of skills to integrate projects to obtain social funds.

teers and investors on the one hand, and in their ability to create support networks and mediate interpersonal conflicts among members of the organization on the other. Such skills are significantly correlated with the project management and

the achievement of a relevant product. All factors discussed respond to the influx of resources as well as the economic and social context, so it follows that social entrepreneurship is highly influenced and shaped by the environment.

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