PUBLIC ADMINISTRATION, INCOMPETENCY, AND ADMINISTRATIVE EVIL; INNOVATION AND ADMINISTRATIVE GOOD; A MODEL FOR 3^RD^ SECTOR SOCIAL ENTREPRENEURSHIP

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Managerial science is important to public administration, but its heart and soul is moral philosophy. In the 3rd sector, government funds are not warranted, true social enterprise generates its own funds, and donor funds may not be necessary. The 3rd sector is difficult to measure, but it is growing. Ethical decision-making is the focus of social entrepreneurs when creating new social enterprises, or practicing intra-enterprise entrepreneurship. The philosophies of consequentialism and utilitarianism drive the 3rd sector, and it is no different for the public and private sectors. Social contract theory is consequential for social enterprise implementation and profit in the 3rd sector, and it is no different for the public and private sectors. The 3rd sector, social contract theory, consequentialism, and utilitarianism combine to allow the pursuit of administrative good.

There is really no difference in the public, private, and 3rd sectors; except levels of accountability, empathy, and integrity. Leadership is important, and a combination of the skills and transformational models work best for 3rd sector enterprises. Properly combined and implemented, these models instigate, stimulate, and promulgate empathy, integrity, moral courage, and innovation; which determine administrative good; and, allow for requisite functional and emotional profits to accomplish mission and vision for a social enterprise. This process is social entrepreneurship, and crosses the borders between the public, private, and 3rd sectors. Skilled-transformational leadership is primary to establishment of social judgment, empathy, integrity, moral courage, innovation, and administrative good. Administrative evil is minimized when administrative good is optimized.

Social entrepreneurship is the organized, disciplined, and diligent practice of skilled-transformational leadership, social judgment, empathy, integrity, and moral courage which causes innovation; and, functional or emotional solutions for market failure, without government funds or their derivatives. Social enterprise is profit-making technology for proper accomplishment of social
entrepreneurship. This treatise presents a theoretical model for social entrepreneurship and administrative good. Also, an agent-based complex systems model is derived and proposed for testing. Finally, a pilot study and test for an administratively good social enterprise is presented.
"Social entrepreneurship is the organized, disciplined, and diligent practice of skilled-transformational leadership, social judgment, empathy, integrity, and moral courage that causes innovation; and, functional and emotional solutions and profits to correct market failure, without government funds or their derivatives; social enterprise is the technology for proper accomplishment of social entrepreneurship."

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Introduction.

The 3rd sector is distinguishable from the public and private sectors, but enterprise conduct to ensure proper functional and emotional profit is no different. Whether it is called non-profit, non-governmental, voluntary, community, or the 3rd sector, it matters not. True 3rd sector social enterprises receive no government-related funds, directly or indirectly. True 3rd sector firms earn sufficient profits to effectively exist and compete in the private sector. Donor funds are acceptable, as long as they are not derived from government sources. These sorts of enterprises have significant market positions in the U.K., France, Australia, and Japan. In the U.S., they are often comingled with the public sector (Clark 1942, Schumpeter 1942, Simon 1992, Kahle et. al 1997, Audretsch 2007, Dumas et. al 2010, Baumol 2010, Hofstede et. al 2010).

Over the past three decades management science and private sector values have become increasingly important for public administrators, but the philosophical heart and soul of public administration persists. In addition to values important in the market-oriented private sector, moral philosophies drive public administrators to constantly check progress regarding their largely social mission. Moral philosophy is the heart and soul of public administration. In the case of social enterprise, social entrepreneurship, and the 3rd sector, economics and moral philosophy are the two primary tools for achievement of functional and emotional profits. In the 3rd sector, social enterprise mission and vision is always accomplished without government or government-sponsored assistance. Otherwise, the enterprise is part of the public sector (Simon
In the 3rd sector, economics and moral philosophy are closely associated. In fact, moral philosophy drives economic optimality. Though some may insist economics is a strictly mechanical field, and moral philosophy is not important to establish quantity demanded, quantity supplied, and equilibrium price of a good or service, it is certainly necessary when trying to decide what should be one of the first 3rd sector economic ventures to fund an impoverished school district experiencing creative destruction. Therefore, there is an ethical dimension to every economic decision made by firms engaged in the 3rd sector (Schumpeter 1938, 1942, Drucker 1985, Baumol et. al 2007, Baumol 2010).

When 3rd sector administration is involved, the philosophy of consequentialism becomes necessary. Consequentialism is a moral philosophy, a set of values, attitudes, and beliefs, which judges outcomes by the utility of their intended and unintended consequences. Consequentialism says; judge the enterprise by its actions and results; and, not what is said or claimed (Mitchell et. al 1987, Sullivan-Mort et. al 2003, Morris et. al 2007, 2011).

In public administration, relevant stakeholders are not interested in words; though it does win elections; electoral rhetoric is useless when you expect the public sector to provide a particular good or service. In public administration, it is not the individual’s, but the satisfaction of the larger group that takes precedence (Rokeach 1968, 1979, Lindblom 1990, 2001, Kahneman et. al 2000, Hausman et. al 2006, Audretsch 2007).

Combining utilitarianism with consequentialism results in direct consequentialism and indirect consequentialism. Direct consequentialism, sometimes referred to as act utilitarianism, claims a public administrator is morally obliged to perform an action on behalf of relevant stakeholders, and that action must produce the greatest possible utility or satisfaction. Indirect
consequentialism, or rule utilitarianism, implies the public administrator is morally obligated to manage their individual behavior with respect to a code of conduct set by policymakers or other administrators. This is usually considered beneficial for the greatest number of relevant stakeholders (Young 1972, Bailey 1997, Simon 1997, Badaracco 2006, Copp 2006, McGregor 2006, Kouzes et al. 2007).

Social contract theory is relevant for the achievement of administrative good, and serves as another basis for understanding the outcomes of administrative good and evil. The concept of administrative evil has been defined by Adams and Balfour (2009) as a process of enterprise administration wherein a routine course of enterprise action harms human beings, and the perpetrators may believe they are doing what is good and expected (Clark 1977, Cooper et al. 1992, Hausman et al. 2006, Elster 2009).

At the other end of the spectrum is administrative good. Administrative good is the purposeful integration of empathy and integrity in every choice or decision made by human capital to ensure only non-detrimental actions are taken with respect to human beings. Administrative good implies the constant quest for administrative or technological innovation, which best serves the interests of relevant stakeholders (Taylor 1911, Clark 1937, 1942, 1977, Barnard 1938, Rokeach 1968, Simon 1983, Badaracco et al. 1989, Badaracco 2002, Bass et al. 2006, Copp 2006, Cameron et al. 2007, Kouzes et al. 2007, Adams et al. 2009, Dumas et al. 2010).

Since conflicts of interest are likely among competing stakeholders for whom the enterprise has been determined responsible, it is important for the social enterprise to know its authorities, responsibilities, and accountabilities. In other words, what ought or should be done, legally and morally. Often, some degree of conflict that leads to a mutually beneficial result for
competing stakeholders. These principles and results may be seen as normative features of a social contract between enterprise and relevant stakeholders, as well as the remainder of society. Contracts are not unilaterally altered or broken by properly ethical parties; they behave per agreement, which partially determines empathy and integrity (Copp 2006, Adams et. al 2009, 2011, Elster 2009, Dumas et. al 2010, Baron-Cohen 2011).

Stakeholders in the 3\textsuperscript{rd} sector include the enterprises serving relevant clients, consumers, or customers. Third sector administrators acting under of code of conduct defined by their boards of Directors must ensure the instrumental and terminal consequences of their actions do the most good for the greatest number. At the same time, 3\textsuperscript{rd} sector administrators must minimize evil for the greatest possible number of relevant stakeholders. And, it is thought no different for the public sector; the primary difference being no board of Directors (Cooper et. al 1992, Brooks 2009, Morris et. al 2007, 2011).

Whether it be constituents or consumers, voters or customers, a public, private, or 3\textsuperscript{rd} sector enterprise is actually constrained by the same moral philosophy; if and only if, the enterprise’s mission, vision, and code of conduct are of legal and moral purpose. Therefore, administrative good is sought to be maximized, and it is desirable to minimize evil. In practice, any action taken in the public, private, or 3\textsuperscript{rd} sector is to some degree good and to some degree evil (Tichy et. al 1990, Saul 1992, Zanetti et. al 2000, Northouse 2004, Adams et. al 2009, Adams 2011, Hofstede et. al 2010, Baron-Cohen 2011).

Administrative evil has been thoroughly demonstrated in the public sector. Whether it is Nazis, NASA, or former Secretaries of Defense, varying degrees of administrative evil exist. Evil is never considered proper by legal and moral entities, especially when human beings are harmed. Within this treatise is a model for 3\textsuperscript{rd} sector social entrepreneurship, which provides the
technology for control of administrative evil. This technology is called administrative good. In order to correct or prevent administrative evil, a model of administrative good is warranted due to the increasing prevalence of administrative evil. Administrative good demonstrates “borders” (PATNet 2011) between the public, private, and 3\textsuperscript{rd} sectors are traversable. Administrative good in the 3\textsuperscript{rd} sector provides a proper example for enterprises from the public and private sectors seeking legal, moral, and profitable outcomes (Silin 1976, Saul 1992, Ruggero 2001, Cameron et. al 2007, Burton 2008, Adams et. al 2009, Kahneman et. al 2010, Baron-Cohen 2011).

Administrative good finds its roots in two different leadership models. The skills approach model (Katz 1955, Mumford et. al 1991) is combined with the transformational leadership model (House 1976, Burns 1978), and the result is innovation that either confirms or conforms existing organizational culture and climate, or reforms and conforms culture and climate to a new and different outcome that satisfies relevant stakeholders. Applying these two leadership models with consequentialism and utilitarianism as conscious foundations will create or elicit knowledge, problem-solving skills, and proper social judgment. These endogenous variables serve to either activate empathy, or not; and, from empathy, integrity may be instigated, stimulated, and promulgated within any sector. Organizational structure, culture, and climate are affected by leadership, empathy, and integrity; and, results are observable in one or more of the following forms: competency, incompetency, proficiency, moral timidity, moral courage, or moral inversion. Competency, proficiency, and moral courage are desirable, and the others are not (Taylor 1911, Barnard 1938, Badaracco et. al 1989, McGregor 2006, Northouse 2004).

Careful review of the graphical representation for the administrative good model, or model for social entrepreneurship, will demonstrate the output of any enterprise output is one of three results: replication, technological innovation, or administrative innovation. Innovation
within an existing organization is called innovation entrepreneurship. If the innovation meets certain conditions, and organizational timing is proper, it is likely an extension or expansion of the existing enterprise occurs in a discontinuous form. A new strategic unit or new start-up enterprise may occur, which reflects the administratively good enterprise’s mission or code of conduct. The enterprise’s structure, culture, and climate are promulgated, and stimulated. This is called venture entrepreneurship. However, if replication is the result, administrative evil typically results. If either administrative or technological innovation based on empathy and integrity occurs, administrative good is observed (Zegans 1992, Woodman et. al 1993, Denison 1996, Hage 1999, Tang et. al 2004, Dew et. al 2007, Baumol et. al 2007, Baumol 2010, Mann et. al 2011).

Social entrepreneurship and administrative good were discovered in the 3rd sector as results of an instrumental process called social enterprise. The basic tenets of these phenomena are applicable to any enterprise within any sector. The 3rd sector finds its origins in France and the United Kingdom, as early as 1970. This model makes sense from a qualitative perspective, and using agent-based complex systems, this model presents a theoretical perspective which may be empirically-tested. In the future, an addendum to this treatise will be offered that shows the results of testing using commercially-available software. (Van Dyke Parunak et. al 1998, Bonabeau 2002, Tesfatsion 2003, Grimm et. al 2005).

Important to all sectors is the concept of social responsibility, which is the conduct of enterprise operations without doing harm to stakeholders; either intentionally, or otherwise. Consequential for an enterprise in modern times is the achievement of social responsibility. Administrative evil sets the stage for establishment of administrative good based on structure, culture, climate, skilled-transformational leadership, proficiency, moral courage, and innovation.
Properly combined these variables may cause administratively good outcomes, based on the rate and degree of empathy and integrity applied to the equation (Barnard 1938, Badaracco et. al 1989, Copp 2006, Baumol et. al 2007, Baumol 2010, Portes 2010).

Social enterprise, venture and innovation entrepreneurship, authority, responsibility, and accountability work together to distinguish administrative good. In the 3rd sector are found enterprises that do not rely on government funding, or its derivative from an intermediary source. The truly distinguishing characteristic of the 3rd sector, where social entrepreneurship thrives, is that 3rd sector enterprises draw funds only from revenues generated from non-government sources. This is often accomplished through provision of an actual good or service, or voluntary donations; which are not government derived. Independence and self-governance via volunteer boards of Directors are distinguishing characteristics of 3rd sector social enterprises. Presently, a significant number of tax-supported non-profits and government-sponsored enterprises are managed like third sector firms; likely due to the moral tenets involved. Sometimes called the independent or voluntary sector, these non-profit, non-governmental enterprises seek to create meaningful citizenship experiences for their human capital while serving a need judged to be socially-responsible (Hage 1999, Baumol et. al 2007, Dew et. al 2007, Baumol 2010).

Human capital and resources for 3rd sector enterprises seek to exercise influence, discharge responsibility, and make decisions on behalf of relevant stakeholders. Members of 3rd enterprises are motivated by social belonging, the defense of a defined social group, acquisition of functional or emotional benefits, the learning process, and pursuit of innovation. Once a formal social enterprise is created, its human capital provides human, technical, and conceptual skills for use in the application of knowledge, problem-solving skills, and astute social judgment (Drucker 1985, Lindblom 2001, Elster 2009, Schein 2010).
Even more so than private or public sector enterprises, 3rd sector firms must achieve and emphasize administrative good. Simply put, administrative good is technological or administrative innovation based on empathy and integrity. A 3rd sector venture must produce enough profit to retain its necessary human capital, support its designated social venture(s), and retain and grow relevant investors unrelated to the public sector. In this case, investors are really donors. These investors in 3rd sector social enterprises come from the private sector, or other 3rd sector ventures. Once governmental enterprises invest in a 3rd sector enterprise, that enterprise becomes a public sector enterprise (Schumpeter 1938, Clark 1949, 1977, Drucker 1985, Cooper et. al 1992, Adams et. al 2009, Elster 2009, Baumol 2010).

Most 3rd sector enterprises are typically classified for tax purposes as non-profits, but 3rd sector enterprises are economically viable enterprises that could effectively and efficiently compete in the private sector. They pay no dividends and use their profits to support efforts of public or private sector enterprises, or another social enterprise for strategic alignment. It is difficult to determine how large the 3rd sector might be since firms are often comingled and confused with the public sector. Presently, in the United States, national income accounting does not permit viable or valid estimates, but it is thought to be a significant segment of national income, and growing fast (Drucker 1985, Tichy et. al 1990, Zegans 1992, Simon 1997, Lindblom 2001, Elster 2009, Schein 2010).

Many in the economic sector believe financial capital is the most important resource, and others believe human capital is more important. A case can be made for good human capital always being able to find financial capital. Therefore, if the latter case is true, the result of good human capital is plenty of funding for social entrepreneurship by way of social enterprise. Administrative good supposes human capital is most important, and many cases exist to
demonstrate money is not the key to success, but using money wisely usually results in some
1999).

Replication can earn functional revenue to cover expenses, and produce nominal profit,
but innovation creates functional and emotional profits that result in economic profit and growth.
Innovation and administrative good rely on human capital to produce administrative or
technological innovation. Administrative evil relies on replication and complacency.
Administrative evil results in stagnation or failure; or, capture by a profitable enterprise via
acquisition and consolidation (Clark 1934, 1937, 1949, Schumpeter 1938, 1942, Simon et. al

Transformation of human capital into profitable innovation is dependent on empathy and
integrity; which stimulates enterprise-level competency, proficiency, and moral courage. Moral
courage is the opposite of moral inversion. Moral inversion is harming human beings by virtue
of enterprise operations, and believing and promoting this harm is proper and warranted. Moral
courage is realization of what can harm human beings, and not committing these acts; regardless
of the amount of money involved (Clark 1942, 1977, Silin 1976, Simon 1979, Copp 2006,
Audretsch 2007).

**Outcome.**

Before considering input and output for this model of social entrepreneurship, consider
the outcome, either good or evil, and what this represents. There are four phases to any
enterprise’s operations. These phases are planning, organization, implementation, and control.
The planning and organization phases provide the mission, vision, code of conduct, and
organizational structure; and, implementation and control determine culture, climate, input, output, and outcome. Outcome is the basis for the control phase, which can reorder structure, culture and climate (Clark 1942, Drucker 1985, Audretsch 2007, Baumol et. al 2007, Baumol 2010).

Regardless of sector, every enterprise or organization with defined legal and moral mission, vision, and code of conduct desires to achieve an optimal outcome for its stakeholders. Enterprises seek to achieve desired outcomes via the combination and application of five basic resource categories: individual human skill sets, leadership methods, cumulative knowledge, problem-solving abilities and technologies, and social judgment tools. These categories are also known within the literature of administration as finance, marketing, technology, human resources, and human capital. Of these categories, human resources and capital are most important, because they are responsible for innovation via management of the other resource categories. Human capital provides the sources for entrepreneurship and innovation (Clark 1933, 1937, 1942, 1949, Schumpeter 1938, 1942, Drucker 1985, Bailey 1997, McGregor 2006, Dew et. al 2007, Baumol 2010).

Human capital, often mistakenly referred to as human resources, is consequential to the marketplace outcomes achieved by any enterprise, regardless of sector. For the past three decades, the public sector has been growing at a much faster rate than the private sector. It appears this will not cease in the near future. The public sector contains governments, non-profit enterprises that accept government-related funds, and non-governmental enterprises using government-related funds designed to produce and provide beneficial outcomes for society. Then, there is the 3rd sector, where public and private enterprise administration creates a hybrid that may serve as a model for other sectors. The 3rd sector is different than the public sector and
the difference is significant; there is no reliance on public sector funds, at all. A profitable 3rd sector enterprise generates its own funding, but it will accept private donations or endowments. The functional profit a 3rd sector enterprise earns must be sufficient to accomplish its mission (Clark 1937, 1942, 1977, Schumpeter 1938, 1942, Drucker 1985, Lindblom 2001, Audretsch 2007, Baumol et. al 2007, Baumol 2010, Portes 2010).

In the public sector, enterprises exist to serve stakeholders, which are usually not owners, but parties seeking transactional satisfaction of some social or political goal. Social and political enterprises do not seek to maximize or minimize, but seek to optimize and satisfy. Public enterprises must usually adhere to a strict code of conduct, laws or rules, when carrying out their missions and visions. In the public and 3rd sectors, enterprises exist to serve relevant stakeholders or chosen social causes and these stakeholders have no equity interest. These 3rd sector enterprises serve stakeholders and seek functional and emotional profit. These firms seek transactional satisfaction of some social or political goal, and apply strict moral and ethical rules in doing so (Taylor 1911, Barnard 1938, McGregor 1960, Clark 1977, Simon 1997, Northouse 2004, Schein 2010).

Human capital often becomes heavily burdened by rules, regulations, professional ethics, and the implicit laws of the marketplace. Sometimes these burdens may become such a hinder the enterprise’s achievement of mission, vision, and profit suffer; so, stakeholders suffer. Sometimes codes of conduct are ignored, and ethics suffer. This may lead to administrative evil. The harmful effects of administrative evil may be conscious, or not; and, intentional, or not. It is relatively easy to see why mission and vision may become obfuscated, and negative events occur that lead to something short of innovation, administrative good, stakeholder satisfaction, and proper profits. Regardless, any enterprise of legal and moral purpose typically wishes the most

Regardless of sector, enterprise performance should aim at a profitable path that provides stakeholders either functional or emotional satisfaction. Regardless of sector, enterprises should not cause harm to any human stakeholder. Regardless of intent, if an enterprise in any sector causes harm to a human being during their profit-seeking process the culpable enterprise is judged administratively evil (Badaracco 2002, Copp 2006, Adams et. al 2009, Adams 2011, Baron-Cohen 2011).

If administrative evil occurs, and frequently it does, it should be arrested, immediately. If the enterprise’s mission and vision are still desirable, the enterprise should be rehabilitated. Administrative good can instigate, stimulate, and promulgate rehabilitation of administrative evil. Any moral and ethical enterprise should examine the process of administrative good, and provide the best available outcome for stakeholders. This is considered moral, ethical, and socially responsible. In fact, seeking administrative good may influence and cause enterprise culture and climate to become proper for relevant stakeholder satisfaction, and society in general. This process can effectively change the code of conduct of the sponsoring enterprise (Clark 1977, Badaracco 2002, Copp 2006, Cameron et. al 2007, Adams et. al 2009, Dumas et. al 2010, Adams 2011, Baron-Cohen 2011).

Regardless of sector, all enterprises ought to be of legal and moral purpose; and, their entire organizational structure, culture, and climate should exhibit proper social judgment, empathy, integrity, and moral courage when implementing mission and vision. If enterprise-level decisions are not what they ought to be for all stakeholders, administrative or technological
innovation can occur that will correct the enterprise’s course, and ensure instigation, stimulation, and promulgation of proper innovation that leads to administrative good. If properly organized and led, the enterprise’s performance will “satisfice” (Simon 1997, 118) all stakeholders, and with minimal unintended consequences (Simon 1997, Badaracco et. al 1989, Denison 1996, Hausman et. al 2006, McGregor 2006, Dew et. al 2007, Burton 2008, Dumas et. al 2010).

Following is a description of the input(s) required to instigate, stimulate, and promulgate administrative good. After input for administrative good is addressed, this treatise will discuss the output expected from the practice of enterprise-level administrative good in the 3rd sector. And, what applies in the 3rd sector will also apply in the public and private sectors (Drucker 1985, Denison 1996, Simon 1997, Copp 2006, Cameron et. al 2007, Elster 2009).

**Input.**

The outcome is clear, and it is easy to see why administrative good is desirable, proper, and socially responsible. The input stage of the model has the highest degree of difficulty to accomplish, and presents the greatest challenge in terms of managing endogenous and exogenous variables. Human resources are tricky, and often highly unpredictable. Strong skilled-transformational leadership is necessary to ensure legal, moral, and administratively good human resource and human capital performance. From practical experience, once a great team is assembled, it seeks administrative good with only minor corrections of course. (Barnard 1938, Rokeach 1968, 1979, Pinchot 1985, Kahle et. al 1997, Maraniss 1999, Northouse 2004, Copp 2006, Hausman et. al 2006, McGregor 2006, Kouzes et. al 2007).

Forget sports and other things seen or heard in media. Walk the everyday walk of a regular American, and all sorts of good things can be seen. In New Zealand, they like to say,
“slow down now, to go faster later.” In fact, as a people they are very good at *stopping, looking, listening, and hearing*. Among others, they exhibit very good social judgment skills based on factual knowledge. Unfortunately, many in modern America believe they must be in a hurry, and so they are; and, rarely have time to take a swim, or smell the roses (Clark 1942, 1949, 1977, Offstein 2006, Elster 2009, Berman et. al 2010, Dumas et. al 2010).

Enterprises and their constituent human capital must make choices and decisions designed to optimally satisfy stakeholders. The quality of these decisions is indicative of the overall performance of the enterprise. Basic economic resources like financial capital, natural resources, and technology utilized in the production process are very important, but the most important resources for any enterprise are its human capital. Human capital may be divided into two groups: innovative or venture capital, and, basic human resources. Venture entrepreneurs are the catalysts for seizing profitable opportunities in the market, and extending and converting these opportunities into profits derived from effective market participation (Clark 1933, 1937, 1942, Schumpeter 1938, 1942, Pinchot 1985, Tang et. al 2004, Audretsch 2007, Baumol et. al 2007, Baumol 2010).

Basic human resources are easily replaced, and this philosophy may not be palatable to some, but it is the truth. When a change agent is located, or an intra-enterprise entrepreneur, or another classic entrepreneur within the enterprise, their human, technical, and conceptual skills should be properly exploited, rewarded, and retained. These different forms of entrepreneurs are responsible for innovation within an enterprise, and other human resources are likely only responsible for replication (Barnard 1938, Pinchot 1985, Kahle et. al 1997, Maraniss 1999, Lowney 2003, 2009, Badaracco 2006, McGregor 2006, Audretsch 2007, Bennis et. al 2009).

Leaders and followers are much different from one another. A real leader can be a
follower, but a real follower is usually never a leader. Administrative or technological innovation can occur that transforms a basic human resource into an innovative or venture entrepreneur; but, likely not without proper coaching. Technological innovation refers to what is done to things, or the output of a process; whereas, administrative innovation is how things are done, or what the overall process is that results in an output, or form of technology. The best leadership model for achievement of innovation and administrative good is the skilled-transformational model that will more often than not result in the desired human resource and human capital performances (Denison 1996, Maraniss 1999, Badaracco 2002, Lowney 2003, 2009, Bass et. al 2006, Hausman et. al 2006, Cameron et. al 2007, Bennis et. al 2009).

Whether the enterprise is organized along a production, sales, or marketing model, the same leadership models apply. Presently, the two most effective and efficient leadership models are judged to be the human, technical, conceptual skills approach (Katz 1955, Mumford et. al 2000) and transformational leadership approach (House 1976, Burns 1978), because these two can be blended to create hybrid models that exhibit the traits of every other leadership model. Within the 3rd Sector Social Entrepreneurship model, the HTC skills and transformational approaches are combined. The result is a skilled-transformational leadership model that can accommodate public, private, or 3rd sector enterprises structured and organized in whatever fashion makes best sense for accomplishment of mission and vision (Badaracco et. al 1989, Lowney 2003, 2009, Northouse 2004, Bass et. al 2006, Copp 2006, Bennis et. al 2009).

The 3rd Sector Social Entrepreneurship model can capture both legal or illegal, and, moral or immoral codes of conduct. The preference is always legal and moral conduct, but as Adams and Balfour (2009) discovered, often times enterprises and their constituent members can become convinced doing wrong is right. In other words, “moral inversion” (Adams and Balfour

Given the importance of entrepreneurship and its impact on all sectors, an understanding of what entrepreneurship really means is critical. Often this moniker is used to refer to accomplishment of a new business start-up in the private sector, or as a descriptor of economic development and growth. Being an entrepreneur means taking a risk for something worthwhile; which means the public and social sectors are likely more in need of entrepreneurship than the private sector (Schumpeter 1938, 1945; Drucker 1985; Saul 1992, Baumol et. al 2007, Bennis et. al 2009, Baumol 2010, Schein 2010).

Entrepreneurship comes in two general forms: venture and innovation entrepreneurship. Venture entrepreneurship is thought of as the classic form, where a new enterprise is created. Innovation entrepreneurship occurs within existing enterprises, and manifests itself as either administrative or technological innovation. Sometimes these sorts of entrepreneurs are called change agents or intra-enterprise entrepreneurs. Regardless, the act, process, and event of innovation is what drives an enterprise towards achievement of its vision, mission and, profit. This process is entrepreneurship (Schumpeter 1938, 1942, Clark 1942, Pinchot 1985, Baumol et. al 2007, Baumol et. al 2009).

The primary objective for any enterprise is to acquire and maintain entrepreneurs that are responsible for innovation and profits. A massive challenge for all enterprises is to rid themselves of human resources incapable of innovation. Replicators cost the enterprise profit, growth, and satisfied stakeholders. Skilled-transformational leadership, and properly trained human resources and human capital, stimulate innovation entrepreneurship (Schumpeter 1938, 1942, Clark 1942, 1977, Hage 1999, Tang et. al 2004, Audretsch 2007, Baumol et. al 2007,
Replicators sometimes commit acts that serve to deter the innovative actions of entrepreneurs. Usually, this is to ameliorate or maintain the importance of their replication. Or, it may be to assuage their feelings of inadequacy. Replicators are logically called human resources, and are easily replaced. Entrepreneurs are the human capital most enterprises seek in order to profit, grow, and provide administrative good (Pinchot 1985, Lindblom 1990, Maraniss 1999, McGregor 2006, Baumol et. al 2007, Dew et. al 2007, Baumol 2010).

It is difficult to know the extent and potential of human, technical, and conceptual skills at the hiring stage; hence, many enterprises become overly concerned with records of prior performance. This may or may not accurately reflect individual ability to innovate or lead. Innovation entrepreneurs lead by example. Leadership does not refer to the status, or hierarchical station, of an individual within the enterprise. The level of management and assignment of an individual is what many believe to be leadership, but that is an inaccurate perspective. Enterprise organization and structure define management and accountability roles for individuals; and, culture and climate define the potential for innovation entrepreneurship (Pinchot 1985, Badaracco et. al 1989, Badaracco 2002, 2006, Kahneman et. al 2000, Bass et. al 2006, Bennis et. al 2009, Schein 2010).

Northouse (2004), Bass and Riggio (2006), Bennis et. al (2009) and Schein (2010) together provide adequate descriptions of both the human, technical, conceptual skills and transformational leadership models. From the human, technical, and conceptual skills model, it is possible to derive the mechanisms of knowledge, problem-solving abilities, and social judgment skills that are operative in making decisions, accomplishing vision and mission, and instigating, stimulating, and promulgating innovation. These variables contribute directly to the

Transformational leadership style includes independent variables that are associated with administrative and technological innovation: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Two of these variables, inspirational motivation and intellectual stimulation, tend to be self-fulfilling for the practitioner. They instigate innovation entrepreneurship within the self. All four facets of transformational leadership have a significant impact on the behavior of others, which serves to move the enterprise toward accomplishment of vision and mission (Pinchot 1985, Tichy et. al 1990, Kahneman et. al 2000, Bass et. al 2006, Kouzes et. al 2007, Bennis et. al 2009, Baumol 2010).

Absent skilled-transformational leadership, transactional and laissez-faire leadership styles emerge, and neither has been shown to be associated with innovation. Laissez-faire, transactional, and transformational leadership styles are not exclusive of one another; instead they are representative of a spectrum, or range, of leadership style exhibited by individuals in the process of achievement and innovation. This spectrum is not necessarily correlated with management status or rank of assignment within the enterprise (Tichy et. al 1990, Northouse 2004, Bass et. al 2006, McGregor 2006, Kouzes et. al 2007, Bennis et.al 2009, Schein 2010).

Enterprise organization and structure defines authorities, responsibilities, and accountabilities, and, culture and climate define the leadership style which influences the implementation of knowledge and social judgment skills that move the enterprise toward vision realization, mission accomplishment, and profit. Or, they do not. However thorough the knowledge and problem-solving skills of input it may be inadequate to stimulate empathy. Social judgment skills may lead to realization of empathy and may not instigate integrity. If
social judgment based on skilled-transformational leadership is not available in proper amounts, empathy for other human beings is not developed, and integrity is not practiced for the benefit of stakeholders (Barnard 1938, Drucker 1985, Housman et. al 2006, McGregor 2006, Kouzes et. al 2007, Bennis et. al 2009, Schein 2010).

Baron-Cohen (2011) extends and expands the model of administrative evil offered by Adams and Balfour (2009). Empathy is defined as the lack of respect of others, and this lack of respect could go so far that one human being may harm another human being. Of course, most enterprises are not in the business of torturing or killing human beings, but often the media would like the public to think this is the actual case. Usually, when harm comes to a human being by virtue of the actions of an enterprise, it has been sanctioned in some way. This is extreme, and more often than not, when a human being is harmed by a legal and moral enterprise it is not intentional; it is usually negligence, and societal remedies usually exist. If the harm is intentional, then more often than not, the perpetrating enterprise and its constituents are behaving in ways to accomplish mission, vision, or code of conduct. If the enterprise and its constituents believe they are acting properly, but still causing improper harm to other human beings, it is called “moral inversion” (Copp 2006, Adams and Balfour 2009, 4, Baron-Cohen 2011).

Incompetency also contributes to moral inversion and administrative evil, but that case is usually due to a lack of social judgment. In the case where there is no empathy, or concern for other human beings, knowledge tends to disallow accomplishment of ethical or moral outcomes. Moral inversion tends toward replication, and may be adopted and diffused among other incompetent human resources that exist within the enterprise (Pinchot 1985, Audretsch 2007, Badaracco et. al 1989, Badaracco, 2002, 2006, Audretsch 2007, Burton 2008, Elster 2009, Baron-Cohen 2011).
The 3rd Sector Social Entrepreneurship model suggests that an enterprise’s organization and structure set the stage for culture and climate. These two variables create an atmosphere where individual and collective human, technical, and conceptual skills couple with transformational leadership to stimulate social judgment, empathy, and integrity. This is the ideal input route to achieve administrative good, which is technological or administrative innovation based on empathy, integrity, and moral courage. Moral courage is not necessary for innovation, empathy and integrity may cause innovation without moral courage; however, moral courage is necessary to reverse, stave-off, or prevent administrative evil (Clark 1942, 1977, Rokeach 1968, 1979, Drucker 1985, Simon et. al 1992, Testfatsion 2003, Schein 2010).

Moral courage is the state where the realization occurs something wrong has happened, is happening, or could happen; and, proper behaviors are performed that stop, remedy, or prevent a condition of moral inversion. Integrity is the most valuable and precarious variable for causing both moral courage and innovation; which together will quash and prevent further administrative evil (Rokeach 1979, Kahneman et. al 2000, Copp 2006, Hausman et. al 2006, Adams et. al 2009, Bennis et. al 2009, Dumas et. al 2010, Hofstede et. al 2010, Portes 2010, Baron-Cohen 2011).

Integrity is the key to administrative good; a result where all stakeholders receive what is reasonably bargained for, and innovation becomes optimal. In this instance, there is no administrative evil. Instead, innovation entrepreneurship prevails and innovation entrepreneurship drives the enterprise. In reality, the sector does not matter, borders are traversable. Innovation and economic growth dominate, stakeholders benefit, and this state instigates, stimulates, and promulgates administrative good (Rokeach 1968, 1979, Mitchell et. al 1987, Cooper et. al 1992, Zegans 1992, Tichy et. al 1990, Sullivan-Mort et. al 2003, Northouse 2004, Morris et. al 2007, 2011, Bennis et. al 2009, Brooks 2009, Schein 2010, Baumol 2010).
The next section addresses the output component of the model. Then, the final section of this treatise details an actual plan for the 3rd Sector Social Entrepreneurship model.

**Output.**

Empathy is necessary for integrity, but not sufficient. Even if knowledge and social judgment result in empathy, there is no guarantee administrative good will result. The most important variable in 3rd Sector Social Entrepreneurship is integrity. Integrity for purposes of the 3rd Sector model may be defined as always being truthful in what is disclosed to another party, not cheating or stealing, and being intolerable of those human beings that commit any of these actions. Lack of tolerance in this scenario means one of two things. First, stay away from the liars, cheats, or thieves; in fact, run away from them. But, if the liars, cheats, or thieves have harmed another human being, something legal or moral must be accomplished to deter future transactions similar in nature (Ruggero 2001, Copp 2006, Hausman et. al 2006, Badaracco 2006, Offstein 2006, Bennis et. al 2009).

Very few enterprises maintain this sort of code of conduct. And, those that do face ongoing challenges trying to enforce this code. In fact, it should not require enforcement, proper morals ought to prevail. Humans often seem to possess a penchant for dishonesty, though no empirical proof exists. Realistically, many that subscribe to an enterprise-related honor code often forget that code upon leaving the enterprise. Therefore, enterprise-level integrity is likely never attained or maintained, only approached or approximated. It seems a bit like that calculus function that can be graphed as a line that consistently approaches a defined axis, but never quite touches the axis, and just keeps getting closer and closer; in mathematical terms, this is the limit of \(1/X\) as \(X\) approaches infinity is zero (Ruggero 2001, Badaracco 2006, Copp 2006, Offstein
The calculus function is a good example, and should serve as a standard. Enterprise codes of conduct might stress the quest for achievement of integrity along with profit, and provide human resources continuing education that improves knowledge relevant to development of empathy, integrity, and moral courage. Though it may be impossible, it appears profitable to be “a miner for a heart of gold” (Young 1972). Remember, administration in any sector for profit is based on economics, ethics, and morals (Simon et. al 1992, Lowney 2003, 2009, Northouse 2004, Copp 2006, Hausman et. al 2006, McGregor 2006, Bennis et. al 2009).

The search for enterprise-level integrity is worthwhile. The final outcome of the proposed model is innovation that leads to administrative good. Administrative good is the achievement of an enterprise’s vision and mission via a legal and moral code of conduct. The keys to achievement of administrative good are empathy and integrity that instigate, stimulate, and promulgate moral courage and innovation. This process is called innovation entrepreneurship. Administrative or technological innovation creates functional and emotional profit for the enterprise, and growth for the society in which it resides (Tichy et. al 1990, Zegans 1992, Zanetti et. al 2000, Lowney 2003, 2009, Baumol et. al 2007, Baumol 2010, Morris et. al 2011).

Herein, there has not been much attention given incompetency, moral timidity, and replication, because they all serve to reduce any gains achieved by administrative good. Incompetence, moral timidity, and replication are observed within enterprises that apply laissez-faire or transactional leadership styles. Administrative good is a collective effort and more difficult to achieve in an individualistic society, but nonetheless, profitable and worthwhile. (Rokeach 1968, 1979, Lowney 2003, 2009, Copp 2006, Bennis et. al 2009, Morris et. al 2011).
Administrative good can developed, and used to treat or block the evil. This treatise was not meant to extend or expand administrative evil, because that has done by several peers. Ethics play a major role in public administration; as well as private and 3rd sector administration. It is evident authority, responsibility, accountability; empathy, integrity, and moral courage are key drivers of administrative good based on administrative or technological innovation. Administrative good relies on moral philosophy, independent thinking, and social judgment to create stakeholder-pleasing enterprise-level outputs and outcomes (Clark 1977, Burns 1978, Drucker 1985, Bailey 1997, Baumol et. al 2007, 2010, Adams et. al 2009, Berman et. al 2010, Baron-Cohen 2011, Morris et. al 2011).

Though the theory of administrative good as espoused herein is new, and represents an extension and expansion of current theory, it has not been empirically-tested. Case studies are easily assembled, but to empirically demonstrate the model, two routes are possible. First, an agent-based complex system simulation might be accomplished, but that certainly lacks reality. Second, an exemplary implementation of a 3rd sector social enterprise could be executed as an experiment. Data collected could be subjected to content and factor analysis. Repeated trials, or new enterprises, would remove questions regarding external validity (Kahle et. al 1997, Van Dyke Parunak 1998, Bonabeau 2002, Tesfatsion 2003, Hausman et. al 2006, Elster 2009, Dumas et. al 2010, Hofstede et. al 2010).

Empirical demonstration is possible. Over the past few years, portions of the United States have suffered economically. Presently, Texas is one of the stronger state economies, but the Texas state comptroller is on tour providing warnings of what might be ahead if the Patient Protection and Affordable Care Act is not rendered invalid by the U.S. Supreme Court. In the state of Texas, the funding of primary and secondary education is in jeopardy because of

Another Supreme Court case could also alter Texas independent school district funding, and place impoverished districts in jeopardy; because the rich districts do not wish to share with less affluent districts any longer. Though it may be possible to transport affected children to other districts or systems, many believe this unreasonable, and would creatively destroy their home communities over time. What is required is a 3rd sector social enterprise that would stimulate innovation, entrepreneurship, and economic growth so select school districts can recover. The 3rd Sector Social Entrepreneurship model may be used to stimulate administrative good in the Texas public school system, and would provide an empirical demonstration of the model (Clark 1977, Cooper et. al 1992, Elster 2009, Hofstede et. al 2010, Baumol 2010, Schein 2010).

The final section of this treatise specifies a proposed pilot study for administrative good. This pilot is more valuable than a computer simulation using agent-based complex systems modeling that will also be accomplished. This pilot ought to be the first trial in a quasi-experiment designed to determine the features, benefits, and risks associated with social entrepreneurship. General detail of a plan for implementation that will provide impoverished public school systems a chance for survival is presented. A social enterprise could instigate, stimulate, and promulgate social entrepreneurship, jobs, better housing, health and recreation, and a real chance for economic stabilization and growth where it may be least expected, or anticipated. This is the empirical objective for the strategic theory of administrative good based on social entrepreneurship (Cooper et. al 1992, Morris et. al 2011).
A Model for 3\textsuperscript{rd} Sector Social Entrepreneurship.

This treatise suggested a theory of administrative good as an antithesis to the empirical reality of administrative evil. The theory of administrative good has at its heart social entrepreneurship, or social enterprise. Social entrepreneurship occurs in the 3\textsuperscript{rd} sector, and includes the following parameters (Clark 1937, 1942, 1949, 1977, Schumpeter 1938, 1942, Rokeach 1979, Pinchot 1985, Hage et. al 1997, Dew et. al 2007, Baumol et. al 2007, Baumol 2010, Morris et. al 2011):

1. Strengthen communities in rural Texas that are experiencing creative destruction through application of social venture entrepreneurship; and, train and support innovation entrepreneurship within new social enterprise. Develop and support social enterprises that direct economic profits to school district operations; particularly primary schools.

2. With the assistance of a Texas-based 3\textsuperscript{rd} sector foundation, fund the recruitment and employment of recent graduates from the best colleges of Education in the state of Texas to improve school district teaching quality. Pay premium wages (40\%, or 1.4 x “mean” Texas teacher salary scale) to these teachers; and, expect and ensure superior performances.

3. Develop community aquatics facilities using a social enterprise model, and promote health and wellness among K-12\textsuperscript{th} graders to extend and expand the capabilities of the public school system, and address childhood health and wellness issues.

In select regions of rural Texas there are school systems that are about to fail. Tax bases have eroded in these areas, and funds from outside the local tax district are subsidizing operations until a better or permanent remedy can be found. Sadly, the fix is likely school district consolidation, or closure. In each instance the local community suffers, and in particular children of grade school age. This suffrage could put an end to the entire community, and some
would-be-administratively-evil persons claim this is economic progress.

This treatise does not represent an argument for or against the propriety of Clark’s or Schumpeter’s theories of creative destruction or socialism. Instead, social-venture entrepreneurship is proposed. The social enterprises created by this plan would send profits to primary schools in the targeted regions. These social enterprises would focus on the homebuilding, remodeling, and associated industry. Profits would be contractually delivered to targeted school districts for immediate instructional use, and not capitalized expenditures (Clark 1937, 1942, 1977, Schumpeter 1938, 1942).

Newly-graduated teachers from top colleges of Education in Texas would be recruited for two to four years with a 40% over market-wage subsidy, or payment of student loan debt commensurate with the 40% wage bonus. Of course, top performance in the classroom would be required.

A community recreation center with a commercial swimming pool will be constructed by an established foundation that serves as an unpaid small-business-social-enterprise consultant. Swimming lessons for public school students (K-12) would be provided at reduced rates; nothing would be gratis, but possibly subsidized by donors. Knowledge is learned and earned; and, not bought and paid for.

Finally, this scenario would help test the 3rd sector social entrepreneurship model outlined in this treatise. Quasi-experimental or non-experimental designs and techniques can be employed to demonstrate model efficacy. Keenly monitor and record efforts for duplication and innovation for application elsewhere in and around the state of Texas.

A residential construction social enterprise will be the model for the quasi-experiment. It will be staffed at the management level by designates from successful production homebuilders
interested in social responsibility, which is a step beyond a tax deduction. The residential construction firm will train and employ existing community members who wish to remain, rebuild, and further develop their existing community. They will remodel and build homes and the social enterprise consultant will ensure they have every opportunity possible to succeed.

The community pool is built and offers recreation and learn-to-swim opportunities for the community; a swim team is created, and a social organization begins that stresses healthy activities. Presently, the CDC in Atlanta claims one out of three children is obese; and, hopefully, not in markets served by these sorts of 3rd sector social enterprises working under the guise of the model presented herein.

These sorts of programs have been in operation in the western Europe, Japan, and Australia for almost two decades, and some are working quite well. Of course, there is no guarantee of success. A variety of extensions and expansions of this model may be imagined; but, until a working model has been empirically-demonstrated, these are only words and theories. Empiricism is necessary, and testing in multiple markets is necessary to demonstrate the viability of the 3rd Sector Social Entrepreneurship model presented herein.

Working in conjunction with centers for social innovation and entrepreneurship at a public university and community college system in north Texas, this model for social enterprise and administrative good would receive the empirical trial and demonstration necessary to assert whether or not the 3rd Sector Social Entrepreneurship model is workable.

**Conclusion.**

Managerial values have become increasingly important for public administrators, but moral philosophy is the heart and soul of public administration. In addition to values important
to the market-oriented private sector, moral philosophies drive public administrators to constantly check progress regarding their socially-oriented missions.

In the 3rd sector, economics and moral philosophy are closely associated. In fact, moral philosophy drives economic success and growth. Though some insist economics is a strictly mechanical field, and moral philosophy is not important to establishing the equilibrium price of a good or service. However, it is certainly necessary when trying to decide what should be the first venture to develop for funding an impoverished school district experiencing creative destruction.

A model of social-venture entrepreneurship has been proposed. The social enterprises created by the model would send profits to primary schools in rural areas not quite as well-funded as metropolitan, independent school districts throughout the state of Texas. Profits earned by the social enterprises created by this pilot study would be applied to instructional expenses, including teacher salaries and incentive payments.

There is really no difference between sectors, except levels of accountability, empathy, and integrity. Leadership is important and a skilled-transformational model works best for 3rd sector enterprises. In fact, it works for most enterprises in the public and private sectors, too. This model instigates, stimulates, and promulgates empathy, integrity, moral courage, and innovation; which represents administrative good. This is the process of social entrepreneurship, and it crosses borders between public, private, and 3rd sectors.

###.
SOURCES


Burton, R.A., M.D. 2008. *On being certain: Believing you are right even when you’re not.*


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