SOCIAL ENTREPRENEURSHIP – A CRITICAL REVIEW

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ABSTRACT

Social entrepreneurship has emerged as an increasingly important domain, both in academic research and in practice. Prior studies have defined social entrepreneurship from different perspectives. There is a little consensus among the researchers and academicians about what it is. Followed by the archive method of research, the paper attempts to enhance understanding of social entrepreneurship by synthesizing some of these findings and presenting a unified definition of the term ‘social entrepreneurship’ through differentiating it from commercial and civil society organizations. Several issues are also put forward for future empirical testing.

KEY WORDS
ENTREPRENEURSHIP, SOCIAL ENTREPRENEURSHIP, COMMERCIAL ENTREPRENEURSHIP, CIVIL SOCIETY ORGANIZATIONS

1. INTRODUCTION

The terrible famine of 1974 forced Dr. Muhammad Yunus, then Professor at University of Chittagong, to think of improving the living standard of the rural poor community. He believed that inclusion of the rural poor in production sector through loans without collateral would have a positive impact on the rampant rural poverty in Bangladesh. He started a research project with help of Rural Economics Project at Bangladesh’s University of Chittagong to test his method with a small loan of USD27 to a group of 42 families so that they could produce small items for sale without the burdens of predatory lending. Inspired by the success he founded Grameen Bank (literally “Bank of the Villages”) in 1976 and the villages surrounding University of Chittagong became the first areas eligible for services from Grameen Bank. The bank was immensely successful and on October 2, 1983 the project was transformed into an independent bank by a Bangladesh Government Ordinance. By the end of 2008, the bank had loaned over USD 7.6 billion to the poor with an outstanding repayment rate. The bank today continues to expand across the nation and still provides small loans to the poor using a sustainable business model. The success story of Grameen Bank has inspired similar projects in more than 40 countries around the world and forced World Bank to take initiative of financing Grameen-type schemes.

Dr. Muhammad Yunus is a social entrepreneur.
According to Alex Nicholls (Nicholls, 2006), social entrepreneurship possesses two basic elements – a prime strategic focus on social impact and an innovative approach to achieve its mission. On the other hand, Bill Drayton (Drayton, 2006), CEO of Ashoka, goes further beyond the concept of creating social impact and defined social entrepreneurship as the ‘change agent’ of the society.

The literature on social entrepreneurship has grown in significance over the last decades, still tension remains in the academic literature regarding its exact definition (Certo & Miller, 2008). Although the potential outcomes of social entrepreneurship are clear, the actual definition of what social entrepreneurs do to produce this order of magnitude return is less clear (Martin & Osberg, 2007). There is a need to construct the concept more clearly, thereby facilitating the future practitioners, researchers and funding bodies in developing a consistent body of knowledge. The paper attempts to review research in social entrepreneurship to better understand how the concept developed over time. In doing so, it attempts to differentiate social entrepreneurship from its traditional counterpart. The paper also provides some ideas for future research in the field of social entrepreneurship.

2. SOCIAL ENTREPRENEURSHIP: WHAT IT IS?

The term social entrepreneurship (hereinafter SE) and social entrepreneur were first used in the literature in 1960s (Thompson, 2002). The terms came into widespread use by Bill Drayton, the founder of Ashoka: Innovators for the Public, during 1980s and 1990s (Hsu, 2005). An internet search in January 2013 (www.google.com) for the term ‘social entrepreneurship’ provided 137,000,000 compared to 158,000 hits in June 2005 (Seelos & Mair, October, 2005). While SE as a practice seems to have taken off, academic research on the phenomenon is still scarce (Seelos & Mair, October, 2005; Trivedi & Stokols, 2011).

The definition of ‘social entrepreneurship’ must start with the word ‘entrepreneurship’. The ‘social’ word just modifies the entrepreneurship. If entrepreneurship doesn’t have a clear meaning, then modifying it with social won’t accomplish, either.

Definition of entrepreneurship should begin with Jean Baptiste Say. The 19th century scholar defined entrepreneurship as an act of shifting economic resources from lower productivity to higher productivity area for more yield (Peredo & McLean, 2006), whereas Schumpeter (1934) defined entrepreneurship as innovation and change agency to serve new markets or creating new ways of doing things. Drucker agrees to the Say’s definition, with an addition of emphasize on focus on opportunity (Drucker, 1985). Amis and Stevenson argue that entrepreneurs not only identify and exploit opportunities, but they also do not allow their initial resource endowment to limit their opportunities (Amis & Stevenson, 2001). In such cases of limited resources, the entrepreneur gains profit by reallocating resources.
Liebenstein (1968) defined entrepreneurship as an exercise of creative response to overcome organizational inefficiencies, which was also supported by Covin and Slevin (Covin & Slevin, 1991). According to them, entrepreneurship is the ‘firm behavior’ designed to maximize overall profits and return to shareholders.

Shane and Venkataraman defined entrepreneurship as “the scholarly examination of how, by whom and with what effects opportunities to create future goods and services to be discovered, evaluated and exploited” (Shane & Venkatraman, 2000).

Bygrave and Minniti characterize an entrepreneur as someone who identifies an opportunity, acts on it by creating an organization, and in the process, risks a significant amount of personal wealth. They also showed how individual level entrepreneurship connected with the network of entrepreneurs, ensures new markets to develop and generate greater entrepreneurial activity and economic growth (Bygrave & Minniti, 2000; Peredo & Chrisman, 2006).

Entrepreneurship therefore involves the concurrent existence of lucrative opportunities and enterprising individuals (Venkataraman, 1997) and resourcefulness (Austin, Stevenson, & Wei-Skillern, 2006) and the major outcome is economic gains (Amis & Stevenson, 2001). Traditional approaches see entrepreneurship as a rational response to ever-changing competitive environment intended to generate profits for individuals or organizations. Recent studies have attempted to reclaim entrepreneurship away from such traditions by relating it to civic and community needs, stating that entrepreneurship can also create social benefits whereby firms and individuals become more responsive to ‘social needs’ fulfillment (Bornstein, 1998; Dees, 1999; Giddens, 1997; Osborne & Flynn, 1997). Probably, the greatest challenge in defining social entrepreneurship is determining the boundaries and meaning of the term ‘social’ (Seelos & Mair, 2005b) and ‘social needs’ (Mair & Marti, 2006). Generally, the term ‘social’ refers to the initiatives aimed at helping others (Prabhu, 1999). The term ‘social needs’ may mean differently as its meaning depends on the personal and cultural values and individual views of what constitutes ‘a better society. This includes very different and sometimes very controversial types of needs like fighting poverty, hunger or unemployment problems at one end and on the other desire to protect animals, prevents child labor or stop depletion of rainforest and many more.

The term ‘social entrepreneurship’ has seen a surge in interest in the past decade (Mair & Marti, 2006), still foundational questions continue to persist in the expanding literature in this field (Haugh, 2005; Trivedi, 2010). Definitions of SE have been developed in a number of different dimensions, e.g. not-for-profits, for-profits, the public sector, and combination of all three, a unified definition is yet to emerge (Christie & Honig, 2006; Weerawardena & Mort, 2006). For example, some definitions limit SE to nonprofit organizations (Lasprogata & Cotten, 2003),
while others describe SE as for-profit companies operated by nonprofit organizations (Wallace, 1999), or organizations that create a firm at a financial loss (Baron, 2007). Still others equate SE to philanthropy (Ostrander, 2007), while some scholars prefer broader definitions which relate SE to individuals or organizations engaged in entrepreneurial activities with a social goal (Alter, 2004; Alvord, Brown, & Letts, 2004; Certo & Miller, 2008; Martin & Osberg, 2007; Thompson, Alvy, & Lees, 2000; Thompson, 2002; Van de Ven, Sapienza, & Villanueva, 2007) One key question still remains to be answered satisfactorily: how can we define social entrepreneurship? Moreover, the factors or considerations critical to successful SE are not well-known (Harman, 2008). Like entrepreneurship, in its early days as a field of scholarly endeavor, SE research is still largely phenomenon-driven. As a result, most of the studies in this academic area are based mainly on anecdotal evidence or case studies (Alvord et al., 2004). This is because firstly, the concept is inherently complex and it is difficult to map where its conceptual boundaries are and secondly, because not much literature is available in the field.

At first glance, it may seem that the basic difference between traditional and social entrepreneurship is that the first one is associated with individuals profit motive (Amis & Stevenson, 2001) whereas the later is an expression of altruism (Mair & Marti, 2006). But the intended research is against such dichotomous line of thought for two reasons. First, although it is said that SE is often based on ethical motives or social responsibility (Bornstein, 1998; Catford, 1998) but the motives for SE may be for less altruistic reasons like personal fulfillment or fame only. Secondly, SE cannot be differentiated from traditional entrepreneurship by labeling the later one ‘less social’ or even ‘non social’. Traditional entrepreneurship, in the process of pursuing individual profit, enhances social wealth by creating new markets, new products, new technology, new jobs and net increase in real productivity (Venkataraman, 1997).

Initial definitions on social entrepreneurship focused primarily on the characteristics and traits of the social entrepreneurs (Alter, 2004; Alvord et al., 2004; Martin & Osberg, 2007; Thompson et al., 2000; Thompson, 2002). For example, social entrepreneurs posses ethical guidelines, a high degree of social focus, ability for continuous adaptation, innovation, resourcefulness, resilience and visionary leaders (Bornstein, 2007; Dees, 2001). However, many of these characteristics also matches with those of traditional entrepreneurs (Gordon, 2006; Trivedi, 2010). So, it is now necessary to look beyond the personal traits of an entrepreneur and provide a meaningful definition of SE.

As financial sustainability through earned income (Peredo & McLean, 2006) is becoming important for the social entrepreneurial ventures (hereinafter SEV) to survive, the borders between social and non-social enterprise are vague impression now. It is definite that a sound business planning is inevitable for the success of a venture (Massarsky & Beinhacker, 2002) and the lack of proper and
efficient managerial skills, knowledge and resources may lead the entrepreneurs to compromise their social mission (Boschee, 2008). But the application of earned income approach and adoption of commercial strategies by the SEV’s to become financially sustainable, might create unrealistic expectation from entrepreneurs and may lead to managerial twist and leave important social needs unmet (Bradach, 2003; Dees, 1998). The serious question arises here is that, can a venture be termed as social enterprise if it imposes pricing on its services to become financially sustainable and in this way denies services to the persons who can’t afford it? An analysis of the earlier definitions of SE reveals that, SE possesses two unique characteristics – first, the motive of the entrepreneur to ‘make a difference’ in the society (Alvord et al., 2004; Certo & Miller, 2008; Thompson et al., 2000) and offering social value proposition (Austin et al., 2006; Peredo & McLean, 2006). Emphasizing on private gains puts an end to the social venture (Clamp & Alhamis, 2010). Although both types of organizations have different missions, recent researches support that social entrepreneurs may produce private gains in the process of creating social value (Certo & Miller, 2008). Researchers (Mair & Marti, 2006; Trivedi, 2010) propose to evaluate the social value proposition on a scale, from purely social to socio-economical, rather than dichotomous outcomes (purely social or purely economical).

Some researchers defined SE on the basis of its outcomes it generates rather than on personal traits of the entrepreneurs. Those researchers emphasize on ‘innovative, social value creating activity’ of the entrepreneurs in their definition (Austin et al., 2006; Certo & Miller, 2008; Wei-Skillern, Austin, Leonard, & Stevenson, 2007). At first, they have explicitly noted the role of innovation which may not hold for some cases of SEV’s. Most of the times, it’s the motive and individual dedication of the entrepreneur that makes a social venture successful rather than innovation. Sometimes the solutions to social ills are very simple and not innovative at all. For example, Dr. Muhammad Yunus (founder of Grameen Bank) first started his journey against poverty through micro-credit scheme with the family loan and then loan from the bank. Moreover, the factor of ‘social value creation’ is also confusing in the definition. Although SE is differentiated from traditional entrepreneurship on the basis of social value creation (Austin et al., 2006), but the traditional entrepreneurs also may create social value in the process of creating individual economic gains (Certo & Miller, 2008). So how can we differentiate the ‘social value’ of an SEV to the same of a traditional venture? For example, if a pharmaceutical company develops and produces life saving drugs; will it be considered as a social venture although it produces drugs only for those who can afford them? This lack of clarity of the term ‘social value creation’ allows the traditional ventures to term as ‘social enterprise’ although there is nothing social about their goals and activities.

3. IS SOCIAL ENTREPRENEURSHIP REALLY DIFFERENT?

Austin et al (2006) identified three basic differences between social and
commercial entrepreneurship. These are – (i) differences in terms of their mission, (ii) differences in performance measurement techniques (Mair & Marti, 2006) and (iii) differences in terms of resource mobilization (both financial and human resources). But one key difference that has been overlooked by most of the studies is the reason behind initiation of social entrepreneurship. Socio-environmental problems are at the core of social enterprises whereas economic opportunity is at the heart of commercial enterprises. To consider an opportunity, commercial ventures analyze market size and growth of demand whereas for social entrepreneurs the ‘unmet’ status of the social need due to failure of commercial and civil society organizations, and government is enough to pursue the social goal (Austin et al., 2006). Hence, market failure, the problem of commercial entrepreneurship, becomes the opportunity for social entrepreneurship.

Another important characteristic of social entrepreneurs is that they not only identify the socio-environmental problems, but also they develop new ways to increase public awareness of the problems through their vision (Trivedi & Stokols, 2011). Hence innovation and inclusiveness are the main driving forces for social entrepreneurs (Jeffs, 2006), whereas innovation, competition and profit making are the main driving forces for the commercial entrepreneurs.

Although several researches attempted to limit social entrepreneurship to non-profits (Lasprogata & Cotten, 2003) and philanthropy (Ostrander, 2007); but there remains a thin line of difference between social entrepreneurship and civil society organizations (Harding & Cowling, 2006). The difference lies in the motives and goals of the two sectors (Trivedi, 2010). Both social ventures and civil society organizations focus to alleviate social problems, but social ventures aim for bringing positive social changes (Drayton, 2006; Trivedi & Stokols, 2011) whereas civil society organizations may not strive for bringing positive social changes (Mair & Marti, 2006; Martin & Osberg, 2007). Social ventures also differ from civil society organizations in terms of strategy formulation, organizational structure, norms and values (Trivedi & Stokols, 2011). Social ventures represent a radical innovation in the non-profit sector.

4. CONCLUSION AND FUTURE RESEARCH

The research attempts to define social entrepreneurship on the basis of three components – i) social value creation, ii) a sustainable business model, and iii) an attempt to bring positive change in how and what the market is doing.

Issues identified for future research in this article are – a) developing performance measurement tools for social ventures, b) factors influencing creation of social ventures, c) factors influencing success of social ventures, d) how social ventures can ensure the double bottom lines i.e. social change and economic gain, e) influence of social and personal networking in achieving social venture’s mission, f) understand how social ventures foster innovation and inclusiveness and bring
positive social change, and g) conceptualizing social value as a basis for developing social entrepreneurship process. A clear and broader identification of the fundamental issues raised in the article will enable to establish social entrepreneurship as a separate field of study.

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