



The Essence of 'Social' in Social Entrepreneurship

Dr. Mir Hossain Sohel^{1*} & Dr. Mohammad Shamsuddoha²

¹Associate Professor, Department of Marketing, University of Chittagong, Bangladesh

²Associate Professor, Western Illinois University, United States

*Corresponding author: mirhossainsohel@cu.ac.bd

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Research Article

Abstract

In order to expand our understanding of social entrepreneurship in the emerging entrepreneurial world, this study attempts to derive the essence of the term 'social' of 'social entrepreneurship'. Prior studies have defined social entrepreneurship from different perspectives. The paper reviews and evaluates the current status of research dealing with entrepreneurship, in general, and social entrepreneurship, in particular. By using the archive method of research, the proposed study rests on the recognition that the 'social' intention of the entrepreneurs is the primary factor in differentiating social and traditional entrepreneurship. The paper concludes with the implications for practitioners and directions for future research.

Keywords: Entrepreneurship, Social Entrepreneurship, Social.

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1. Introduction

In recent years there has been a steady growth in the number of social entrepreneurial (SE) ventures globally. Their interventions in institutional voids or underserved markets are making a significant difference (Bornstein & Davis, 2010; Drayton, 2006; Harding & Cowling, 2006; Seymour, 2012). This represents the power of social entrepreneurship to address social and environmental issues across the globe. Even though the research interest on 'social entrepreneurship' has escalated in the past decade (Mair & Marti, 2006); still the basic questions related to the very concept of "social" need to be answered clearly to ensure the legitimacy of the field (Haugh, 2005; Trivedi, 2010). Social entrepreneurship has been defined from different perspectives. For example, some researchers defined it as a process of establishing non-profit organizations (Lasprogata & Cotten, 2003), several researchers defined it as the income-generating initiative of profit ventures run by non-profit motive (Wallace, 1999), while several others also defined it as an organization created to serve the society even at financial loss (Baron, 2007). Some scholars relate social entrepreneurship with philanthropy (Ostrander, 2007) while others prefer to define social entrepreneurship with a broader scope relating it to the individuals or organizations adopting entrepreneurial initiative with a social goal (Certo &

Miller, 2008; Van de Ven, Sapienza, & Villanueva, 2007). A unified definition of social entrepreneurship is yet to be developed (Christie & Honig, 2006; Weerawardena & Mort, 2006). One key question still remains to be answered satisfactorily: what is the meaning of 'social' in social entrepreneurship? Moreover, the factors or considerations critical to successful social entrepreneurship are not well-known (Harman, 2008). Like entrepreneurship, in its early days as a field of scholarly endeavor, social entrepreneurship 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, Brown, & Letts, 2004; Dey & Steyaert, 2012; Ismail, Sohel, Kohar, & Ramliy, 2011). This is due to the inherent complexity of the field which makes it difficult to map its conceptual boundaries and lack of available literature in the field. 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.

This paper, however, is categorically theoretical. It attempts to review research in social entrepreneurship to better understand how the concept had developed over time. In doing so, it attempts to derive the meaning of 'social' in the concept of 'social entrepreneurship'. The paper also provides some directions for future research in the field of social entrepreneurship.

2. Social Entrepreneurship – A Review of Its Definitions

Initial definitions of social entrepreneurship focused primarily on the characteristics and traits of the social entrepreneurs (Alter, 2004; Alvord et al., 2004; Martin & Osberg, 2007; Thompson, Alvy, & Lees, 2000; Thompson, 2002). For example, the ethical guidelines of the social entrepreneurs, societal development orientation, continuous adaptability, innovation, resourcefulness, flexibility, and visionary (Bornstein, 2007; Gregory Dees, 2001) characteristics of the entrepreneurs are highlighted in most of the definitions. However, many of these characteristics also match with those of traditional entrepreneurs (Gordon, 2006; Trivedi, 2010). Although most of the researchers differentiate social entrepreneurship from traditional entrepreneurship based on social value creation and economic profit-making, it has now become necessary to look at the other aspects of social entrepreneurship apart from the individual traits of an entrepreneur and provide a meaningful definition of SE.

As financial sustainability through economic earning (Nicholls, 2009; Peredo & McLean, 2006) is becoming necessary for the social entrepreneurial ventures to survive, the borders between social and non-social enterprise are becoming very thin. It is definite that 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 Social entrepreneurial venture's (SEV) to become financially sustainable, might create unrealistic expectation from entrepreneurs and may lead to managerial twist and leave important social needs unmet (Bradach, 2003; J.G. Dees, 1998; Ismail et al., 2011). The serious question arises here is that, can a venture be termed as a social enterprise if it charges fees to become financially sustainable and thus it denies services to the persons who cannot 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; J. Thompson et al., 2000) and offering social value proposition (Austin, Stevenson, & Wei-Skillern, 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, previous research support that social entrepreneurs may produce personal gains as a by-product in the social value creation process (Certo & Miller, 2008). Researchers like Mair and Marti (2006) and 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 economic).

Some researchers defined SE on the basis of its outcomes it generates rather than on the personal traits of the entrepreneurs. They 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 time, it's the motive and individual dedication of the entrepreneur that makes a social venture successful rather than innovation. Sometimes the answers to social ills are straightforward 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. Moreover, the factor of 'social value creation' is also confusing. The basic difference between social and traditional entrepreneurship is that the later one goes for economic value whereas the first one emphasizes 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). Thus the question arises: how can we differentiate the 'social value' of a SEV than that 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 pay for them? The absence of a strong-logical definition of the term 'social value creation' allows the traditional ventures to term as 'social enterprise' although the 'social' attributes are absent in their goals and activities.

So, we can define social entrepreneurship as the application of entrepreneurial ideas to address a social issue, enhance ecological balance, and ensure sustainable development– which contains the following distinct characteristics:

- Mission to achieve 'social goals' as opposed to economic goals;
- Presence of the elements of entrepreneurship and innovation; and
- Lastly, if the social venture gains economic profit, it should be reinvested to solve social problems rather than being withdrawn by the entrepreneur.

3. What is the 'Social' in 'Social Entrepreneurship'?

The greatest challenge in the understanding of social entrepreneurship is the scope and the meaning of the term 'social' in social entrepreneurship (Seelos & Mair, 2005a). There is a broad agreement about the fact that it's the mission of social value creation that differentiates social entrepreneurship from commercial or traditional entrepreneurship. The social entrepreneurs'

undertakings are implicitly driven by social goals i.e. to benefit the society or contribute to the development of a sustainable society (Perrini, 2006). The presence of the social goal has been supported exclusively by most of the researchers in their definition of social entrepreneurship. J.G. Dees (1998) has mentioned the social value creation as the 'explicit and central' criterion of social entrepreneurs, not wealth creation. According to him – "Wealth is just a means to an end for social entrepreneurs". This suggests that a social entrepreneur cannot consider financial gain as one of their goals. This view was supported by a large body of literature including Dees, Emerson, and Economy (2001), Guclu, Dees, and Anderson (2002), Austin et al. (2006) and Urban (2010), etc. Dees et al. (2001) located social entrepreneurship in the field of *not-for-profit organizations (NFP)* only which aims at creating and delivering social value without involving in any financial gain. Guclu et al. (2002) profoundly argued against the 'earned income generation' criteria of social entrepreneurship. According to them, social entrepreneurship is only about introducing new and improved means of sustainable social value creation rather than dealing with financial benefit. On this understanding, if a restaurant or grocery distributes its leftovers to the slum people, it can also be considered as social entrepreneurship, which does not entirely go with the concept of social entrepreneurship.

Moreover, the term 'social need' and 'social change' needs to be clearly identified. Generally, although both the terms refer to the making of 'a better world', the needs incorporated are varied and differ based on personal and cultural values and individual views. The definition of social needs and criteria of social change addressed by the social entrepreneurs varies according to the context they serve (Mair & Marti, 2006; Soheli, Ismail, & Shamsuddoha, 2015). In the developing world, these may include fighting extreme poverty and hunger, implementing primary education for all, advocating gender equality and women empowerment, improving maternal health and reducing infant mortality and fighting against HIV, Malaria and other diseases, etc. But, in the developed world, the social entrepreneurship opportunities derived from the failure of the social welfare system that cannot meet the society's expectations (J. Thompson et al., 2000).

The view of 'earned income generation' is an important element for the sustainability of social entrepreneurship. Because a social enterprise can't rely only on the donation and voluntary participation in order to provide sustainable social value. The competition for the donor funds is increasing day by day as more social enterprises are joining the race. Keeping this scenario in mind, Fowler (2000) has introduced the concept of 'integrated social entrepreneurship' – which focuses on income generation by producing beneficial social outcomes. Grameen Bank of Bangladesh is a prominent example of this form of organization. Grameen Bank and other microcredit lending institutions lend money to those poor people who wouldn't qualify for the credit facility from the traditional lenders. The target is to improve the financial condition of the poor segment of the society by encouraging them to initiate small business ventures and repay the loan with interest from the profit made. The profit made by the lending institution (i.e. interest-earning) in turn increases the lending capacity of the institutions through which they can serve a greater pool of poor people. However, someone may question the validity of such

‘Social entrepreneurship’ if the organizations force people to repay the loan even though they are not in a position to repay (for example, because of loss incurred in the business).

It is positive enough to include trading practices to generate income to pursue social goals. Some form of exchange activities will help the social venture to generate income to become self-sustained. But a clear distinction should be drawn in locating social goals in the mission of the venture so that the profit-seeking objective can't take precedence over the goal of social value creation. Any venture becomes financially sustainable when some profits are made after meeting operating and other costs. Social entrepreneurial ventures include only those ventures that do not compromise with their mission of ‘social value creation’ in order to earn more profit.

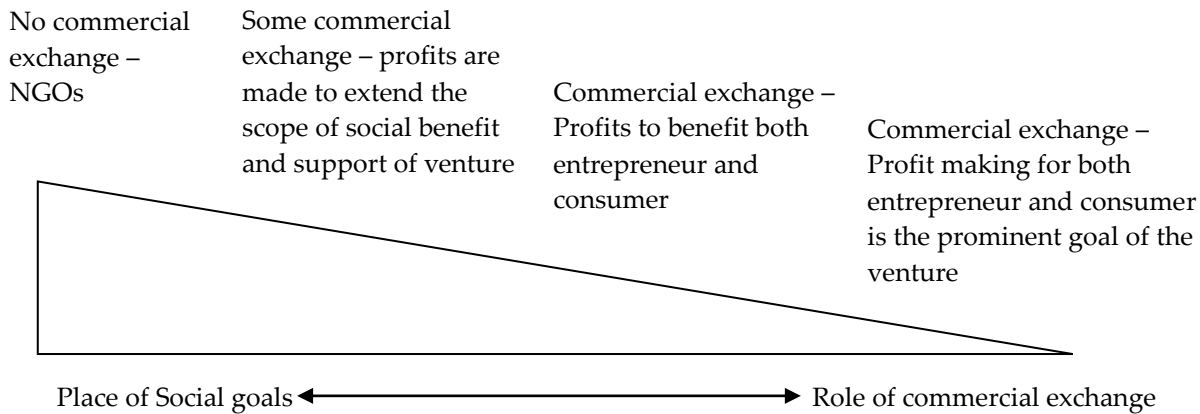


Fig.1: A continuum of social ent

Source: Developed by the researchers based on Sundin (2011), Nicholls (2006) and J Gregory Dees (2003))

A continuum is outlined in Figure-1 placing the social value creation objective and profit-making in two extreme opposite poles of the goal structure of an organization to differentiate pure social entrepreneurship from traditional entrepreneurship. The researchers argue that only the ventures aimed at entirely social goals needed to be considered as social entrepreneurship and others are not who define social goals as secondary objectives.

At one extreme of the continuum are the entrepreneurs who are entirely and exclusively driven by the goal of social value creation (Sundin 2011). These entrepreneurs do not engage themselves in any sort of commercial exchange at all. But others may engage in commercial exchange, but only with the motive that the earned profits will be re-invested in the venture so as to support their social venture (Nicholls, 2006). There are also other entrepreneurs who prioritize the goal of social value creation, but at the same time intend to produce economic gains for themselves and stakeholders, - as well. In this case, although they place social goals as their primary objectives, and put profit-generation as their secondary goal of survival. However, in the long run, they may opt for generating more profit and get derailed of the concepts of social entrepreneurship (Dees, 2003). In such cases, profit-making may not be a mere necessity, rather it may turn into the prime objective of the venture, and social value creation may be regressed to be the by-product or additional outcome.

4. Conclusion and Direction For Future Research

Social value creation is the common feature emphasized in all definitions of social entrepreneurship and is considered to be the central driver of the entrepreneurial process rather than creating individual or shareholders' wealth (Thake & Zadek, 1997). Thus, social entrepreneurship definitions should concentrate on the most important criteria for generating social impact, rather than profit generation. The social objective should be considered seriously in the entrepreneurial process. In the end, social entrepreneurship is all about creating social value, not generating economic value.

Based on the concerns related to social entrepreneurship, the following areas of research can be of much interest: – i) How can the social ventures ensure the double bottom lines i.e. social change and economic gain?, ii) Influence of social and personal networking in achieving social venture's mission, iii) How can social ventures foster innovation and inclusiveness and bring positive social change?, iv) Performance measurement tools for social ventures.

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