

## Social Entrepreneurship and Social Enterprise

Ekta M. Mehta

*Umiya Arts & Commerce College, Ahmedabad, Gujarat (India)*

### INTRODUCTION

Social entrepreneurship and social enterprise are topics that have sparked considerable growing interest among leaders in the business, nonprofit, and government sectors as well as among academics in management, nonprofit, and public administration or policy programs. Interest in the academic community can be traced to the late 1970s, which saw the beginning of an agenda among those studying nonprofits and voluntary action to begin examining the relations between the nonprofit, for-profit, and government sectors.

This has grown into a major academic focus and now includes theory and research on the limits of each organizational form; their interactions in industries where they coexist; and the blending, blurring, and combining of market and nonmarket structures and organizational forms. Social entrepreneurship touches upon a number of the issues currently being discussed in departments of economics, sociology, and public affairs. More recently, there has been a significant growth in the number of university centers established for the study and teaching of social entrepreneurship, typically in business or public affairs schools in centers for nonprofit study.

Among nonprofit practitioners, the interest in social entrepreneurship has focused on the generation of earned income. Nonprofits have a long history of earning income. Nonprofit commercial activities in the past, however, were primarily designed to provide services to constituencies the organization was dedicated to serving (i.e., establishing a used clothing store for the poor). In the United States, this picture changed in the early 1980s. The economic slowdown and social service budget cuts during the Reagan administration led a number of nonprofits to either consider or initiate earned income ventures to make up for lost government funding. In 2000, the nonprofit sector became concerned about the possibility of further budget cuts from the George Bush administration. In addition, conservative outlooks in and out of government brought a rise in calls for both the nonprofit and public sectors to invest in market-based solutions to social problems, including paying more attention to earned income as a source of financial sustainability. Accompanying this has been a proliferation of consultants and support organizations as well as a variety of funding sources for these market-based solutions

### ENTREPRENEURSHIP

Before discussing social entrepreneurship in any detail, it is useful to consider entrepreneurship as it has been conceptualized and practiced. This is important because the evolving discussion of social entrepreneurship takes the previous conceptualization of entrepreneurship as its starting point. Therefore, at the very least, all of the factors associated with entrepreneurship are potentially relevant to social

entrepreneurship as well. A further question would be the degree to which social entrepreneurship should be conceptualized and practiced differently. This leads to the possibility of a useful distinction between “social” entrepreneurship and, as it is now sometimes termed, “conventional” or “commercial” entrepreneurship.

Entrepreneurship was first defined in the 1700s. Over the years, a number of different viewpoints toward and definitions of entrepreneurship have developed. Currently, no single definition is accepted by all. Definitions have emphasized a broad range of activities, including the bearing of uncertainty, the creation of new organizations, the exploration of new opportunities, the bringing together of the factors of production, and the production of new combinations. However, two general orientations toward entrepreneurship have been identified. One is focused on the actions of individuals in the market economy. The economist Richard Cantillon (circa 1730) defined entrepreneurship as self-employment.

This discussion highlights one of the problems that has been noted in the field of entrepreneurship. The definition and range of topics covered is so broad that some question whether there can ever be a theory of entrepreneurship. Despite this lack of specificity, the concept is widely used. The Academy of Management Entrepreneurship Division’s (2007) domain statement specifies, “The Entrepreneurship Division’s domain is the creation and management of new businesses, small businesses and family firms, as well as the characteristics and special problems of entrepreneurs.” The division’s major topic areas include

- new venture ideas and strategies;
- ecological influences on venture creation and demise;
- the acquisition and management of venture capital and venture teams;
- self-employment;
- the owner-manager;
- management succession;
- corporate venturing;
- the relationship between entrepreneurship and economic development.

In addition, the number of colleges and universities offering courses related to entrepreneurship is extensive (it was put at over 1,600 in 2005) and textbooks abound. Most of this academic activity is oriented toward present and future managers in MBA programs and specifically covers aspects involved in creating, starting, financing, and growing new ventures. The entrepreneur (on this micro level) is thought of as someone who perceives an opportunity and creates an organization to pursue it. The process is generally conceived of as involving several stages, including

- a creative or innovative idea that is recognized as an opportunity;
- the decision to start a new organization or venture to exploit the opportunity;
- the development of business, marketing, organizational, and financial plans;
- the acquisition of initial capital;
- strategies for market entry;
- strategies and resources for growth; and possibly
- the process of ending the venture.

As can be seen from this listing, in the entrepreneurial process the focus is not primarily on the innovative idea itself, but upon its recognition and development as part of an opportunity. Three components have been held to be critical (Timmons & Spinelli, 2003): the opportunity, the entrepreneur, and the resources needed to start the organization and foster its growth. The business plan integrates these elements into a strategic direction for the organization. Within this process, factors at the individual, social, organizational, and environmental levels are relevant. Personal attributes such as locus of control or experience may interact with environmental opportunities or role models to influence the innovation stage. These and other personal factors such as job dissatisfaction or commitment, social factors such as networks and family, and environmental factors such as resources and competition may influence the decision to launch the venture. Market, resource, and other environmental factors, personal managerial talent, and organizational capabilities will influence the planning, initial implementation, growth, and end stages. All of these factors will be relevant to social entrepreneurship as well.

### **SOCIAL ENTREPRENEURSHIP**

Definitions of the term social entrepreneurship and social entrepreneur vary in terms of the details they include. A scan of current definitions of social entrepreneurship reveals definitions such as the following:

- Creation of viable socioeconomic structures, relations, institutions, organizations, and practices that yield and sustain social benefits
- Use of entrepreneurial behavior for social ends
- Art of simultaneously obtaining both social and financial return on investment
- Definitions of social entrepreneurs include
- change agents in the social sector;
- people who take risks on behalf of the people their organization serves;
- path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has strong ethical fiber, and is totally possessed by his or her vision for change; and
- an individual who uses earned-income strategies to pursue social objectives.

Paul Light (2006) has noted a number of limitations in the definitions that have been given. For most, the focus is almost always on individuals as change agents, not on groups or organizations. Social entrepreneurs usually work in the nonprofit sector and are invariably only interested in new programs or solutions, which they generally want to start from scratch. This is opposed to creating innovations through adapting existing programs. Throughout, there are only occasional references to management practices. In addition, social entrepreneurs are viewed as entrepreneurial at all time.

Finally, the use of social enterprise (commercial income) as a key factor is stressed. Light offers a broader definition. In his definition, a social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks large-scale change through pattern-breaking ideas in how governments, nonprofits, and businesses can address significant social processes. In this definition, social entrepreneurs

- do not have to be individuals;
- seek sustainable, large-scale change;
- can develop pattern-breaking ideas as to how or what gets done;
- exist in all sectors (nonprofit, for-profit, and government); and
- need not engage in social enterprise to be successful.

In addition, the quantity of social entrepreneurship can vary greatly across individuals or entities and the intensity of social entrepreneurship can and does ebb and flow over time as circumstances change. This discussion raises a number of central questions, three of which will be discussed in the remainder of the research-paper. The discussion will bring to the forefront major management considerations. We will consider these questions:

- How is social entrepreneurship related to its predecessor (commercial or conventional entrepreneurship)?
- What are the implications for social entrepreneurship of a macro (industry-level) perspective on entrepreneurship?
- What are the implications for social entrepreneurship of a micro (individual- or organizational-level) perspective on entrepreneurship?

### **SOCIAL AND CONVENTIONAL/ COMMERCIAL ENTREPRENEURSHIP**

The question as to the degree to which there are similarities and differences between the new conceptualization of social entrepreneurship and entrepreneurship as it has been previously conceived has implications for theory as well as practice. In addressing this question, a first step would be to examine the connotations of the term "social," as this is what purported to separate the two types of entrepreneurship is. This implies that we need to, and can, clearly separate the social from the nonsocial. In reality, most activity is probably best seen as located somewhere along a continuum that ranges from completely social to completely nonsocial (Nicholls & Cho, 2006). Nevertheless, social entrepreneurship is held to entail activity seeking to advance social objectives. This is accomplished by providing benefits for some group or collective—in any case, benefits that jointly go to more than one individual. Its opposite, private objectives, implies the intention of providing benefits that are restricted to an individual separately from other individuals. An open question, of course, is the degree to which providing private benefits results in beneficial outcomes for the collective. While conceptually clear, this brings up a number of issues in practice that managers may have to confront. As many have noted, social interests are heterogeneous, which means that there are potentially incompatible values and goals that can result in fundamentally different and conflicting social objectives. This raises a number of complex questions, including who gets to define what any given social interest is (the entrepreneur or some other group of citizens) and whose social interests are ultimately pursued and at whose expense. Market failure—will

create different entrepreneurial opportunities for social entrepreneurship and commercial entrepreneurship

- Mission—results in fundamental differences between social entrepreneurship and commercial entrepreneurship
- Resource mobilization—will require different management approaches in social entrepreneurship and commercial entrepreneurship
- Performance measurement—social entrepreneurship will necessitate the measurement of social value in addition to commercial value

#### **BENEFITS OF ENTREPRENEUR**

- Freedom from the constraints imposed by government or philanthropic dollars
- Diversify funding sources
- Fund overhead, innovation, or unpopular causes
- Sustainability for the long term
- Take advantage of new opportunities
- New expectations from funders: asking nonprofits to become self-sustaining
- Desire to meet double bottom lines (social value and income) or triple bottom lines (social value, income, and environmental neutrality)
- Create entrepreneurial spirit in the organization
- Enhanced understanding of clients (needed for commercial success)
- Tests social value (since value can be measured by the willingness to pay)
- Add skills and competencies to organization
- Enhances profile of the organization among funders and community.

#### **CONCLUSION**

The goal of this research-paper has been to shed light on current discussions and debates about social entrepreneurship and social enterprise. These are areas of considerable interest to both practitioners and academics and a wide range of actors have become involved. Developments are being made on both conceptual and practical fronts and significant dollars are being spent by major funders. Both social entrepreneurship and social enterprise, however, raise a number of issues. Social entrepreneurship is just starting to explore and find its definition and place in both the nonprofit and for-profit sectors. Given that it is a manifestation of the powerful process of entrepreneurship, however, it has the potential to make major and positive contributions. If researchers and practitioners together can discover how organizations can promote and harness innovation and creativity and bring these more effectively to bear on social problems, the constituencies of these organizations and society as a whole will benefit greatly. Social enterprise, on the other hand, has been discussed for some time and is being vigorously promoted. Basic questions remain, however, regarding the proper conceptualization and role of market and nonmarket orientations in both the nonprofit and for-profit sectors. These questions and issues have, however, been relatively well identified in the literature and addressing them furthers our understanding of current practices and points to future applications. This will both advance our understanding and improve the management of socially oriented nonprofit and for-profit organizations.

#### **REFERENCES**

- [1] Academy of Management Entrepreneurship Division.
- [2] ICSI entrepreneur books