

Social Entrepreneurship

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*Accepted for publication in L.P. Dana (Ed.), The Encyclopedia of Entrepreneurship,
Edward Elgar*

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'Social Entrepreneurship'

The concept of 'Social Entrepreneurship' has attracted considerable attention in the last decade or more, though arguably the phenomenon to which it applies has been with us for a very long time. The term appears with notable and increasing frequency in scholarly books and articles as well as the popular press. 'Social entrepreneurship' has become conspicuous in the vocabulary of governmental public policy in the UK and elsewhere. It is promoted by influential and wealthy foundations, and prominently featured in the curriculum of highly-ranked business schools with numerous professorships in the subject.

A proposed definition

The concept of 'social entrepreneurship' applies the notion of entrepreneurial intervention, drawn from the world of business economics, to attempts at addressing social problems. Social entrepreneurs, then, "are one species in the genus entrepreneur" (Dees, 1998, p. 2). They are people who act 'entrepreneurially' in pursuit of social value.

This much is obvious and agreed upon by those who use the concept and those who study the phenomenon it represents. But there is considerable variety in the more detailed understanding of both what it is to be entrepreneurial, and what it is to be *socially* entrepreneurial (Peredo & McLean, 2006; Tan, Williams, & Tan, 2005). We propose the following elaboration of the concept, and argue below for its plausibility: Social entrepreneurship is an activity aimed primarily at the creation of social value over and above the usual positive externalities of profit-seeking business. It involves alertness to the need for social good and the means to create it,

as well as innovation, willingness to bear risk, and resourcefulness in the face of scarce assets.

What makes social *entrepreneurship entrepreneurial*?

There is no scholarly consensus amongst business scholars on what it is that entrepreneurs do when they are being entrepreneurial (Venkataraman, 1997). Notwithstanding the debate that continues on this subject (see, e.g. Brenkert, 2002; Shane & Venkataraman, 2000), a survey of the literature suggests the following list of characteristics to be included in a reasonably 'developed' understanding of entrepreneurship. First and obviously, entrepreneurs attempt to create new value. Second, they show a capacity to recognize and exploit opportunities to create that value (Kirzner, 1973). Third, they exhibit a degree of innovation in attempting to produce it (Schumpeter, 1934). Fourth, they are willing to bear risk in the process of value creation (Knight, 1921). Fifth, they are resourceful in the sense that they recognize or value resources not recognized by others (Kirzner, 1997).

There is no attempt to specify the elements in this 'definition' with great precision, and the ways in which they might be combined, even the degree to which all must be present, should be understood flexibly. The real world of value creation is varied and untidy and a proper understanding of entrepreneurship must reflect that fact.

Two elements are deliberately omitted from the above list of characteristics. First, it is not assumed that entrepreneurs necessarily launch or operate organizations, though they frequently do. There is a common use of 'entrepreneur' simply to designate someone who sets up and/or operates a small business (Barber, 1998, p. 467). But if we are paying attention to the specific contributions to value

creation represented in the developed concept of 'entrepreneurship', there are good reasons for saying that not all businesses or start-ups are entrepreneurial (Carland, Hoy, Boulton, & Carland, 1984), and not all entrepreneurs launch new organizations (Shane & Venkataraman, 2000). Second, this definition should not be taken to include the widespread assumption that entrepreneurship is normally exercised by individuals. It has been pointed out (Peredo, 2003; Peredo & Chrisman, 2006; Peterson, 1988) that entrepreneurship is at home in relatively 'collectivist' cultures; and Thompson (2002) has reminded us that social entrepreneurship in particular may well be an activity carried out by a group, with its members dividing and sharing roles as in a performance.

What Makes Social Entrepreneurship *Social*?

The value social entrepreneurs aim to create and amplify is social value beyond the positive externalities such as employment and income that profit-seeking ventures normally produce. There is, however, a range of opinion concerning the place that social aims must occupy in social entrepreneurs' goal structure. Closely related to that issue is the question of how compatible social entrepreneurship is with profit-seeking on the part of the entrepreneur.

At one extreme are those who would require that social entrepreneurs be driven exclusively by social goals. Accordingly, there is a considerable body of literature (e.g. Dees, Emerson, & Economy, 2002) that locates the concept of social entrepreneurship in the world of not-for-profit (NFP) undertakings. Many of these will be activities that receive income in the course of their operation—in fact there is a sub-group who would confine the idea of social enterprise entirely to income-generating operations, but it seems arbitrary to rule out those who inventively and

resourcefully pursue a social good without engaging in any form of exchange. On this 'NFP' view, however, any income generated in the course of social entrepreneurship must be strictly reserved for achieving the social purpose in view, accepting that providing a living for the social entrepreneur and/or the employees of a social enterprise, if one is formed, may be among the legitimate means to that end.

There are good reasons, however, not to confine the notion of social entrepreneurship to NFP activities. Perhaps the most salient is that it is hard to see how crossing the border between NFP and for-profit operations disqualifies an entrepreneur as social. Margaret Cossette, for instance, used a grant of \$4,000 to turn a small public-sector program into a NFP enterprise providing home care for rural seniors in a small U. S. county who needed an alternative to nursing home care (Boschee, 1995). Most would consider Cossette to have been a social entrepreneur. When Medicaid money came available that allowed her to fund more clients, Cossette lacked the capital she needed to support the increased demand. Since her NFP status disqualified her for bank credit, Cossette transformed her venture, Missouri Home Care, into a for-profit organization. She secured her loan, expanded her service many times over, and turned her business into a multi-million dollar enterprise serving several thousand clients. Assuming that Cossette's activities qualified as social entrepreneurship before they became profitable, it is hard to see how they lose that status when profit-seeking became an added feature.

Cases like this (for others, see Peredo & McLean, 2006, p. 61) suggest that profit-seeking undertakings may indeed be instances of social entrepreneurship. But, assuming the social entrepreneur aims at producing social value, how strong a commitment to making money is allowed in addition? The well-known ice cream franchise, 'Ben and Jerry's', combined profit-seeking with social activism from its

founding in 1978. In 1985, the company's founders endowed the 'Ben and Jerry's Foundation' to support community-oriented projects, and continued to fund the foundation with 7.5% of the company's annual pre-tax profits. Are Ben and Jerry social entrepreneurs?

It is important to draw a distinction between the social entrepreneur and the founder and/or operator of a social enterprise. Most commentators on social enterprises see them as NFP organizations engaged in revenue generation and aimed at a social cause while operating with business disciplines (see, e.g. Alter, 2004). It was argued above that there is no reason to limit the activity of social entrepreneurship to NFP ventures. On the other hand, even if Ben and Jerry's fails to qualify as a social enterprise, it seems hard to deny that their innovative approaches to social improvement (e.g. its 'PartnerShop' program, which Unilever retained after acquiring the company in 2000) amount to social entrepreneurship.

It must be admitted that a good deal of the literature on social entrepreneurship links it explicitly with the creation and/or operation of social enterprises, just as the study of business entrepreneurship has often focused on the development and running of business firms. But in both cases it seems important to insist (as pointed out above) that value-seeking activity, which is alert to opportunity, innovative, risk-bearing and resourceful, need not lead to the formation of a new organization. The creation of a social enterprise is only one possible expression of social entrepreneurship. Another may be to introduce a new initiative within the structure of an existing organization—public, for-profit or NFP. Yet another is to initiate a completely informal but highly innovative and resourceful arrangement whereby something usually wasted is turned into a resource for the poor. And still another may be the intentional pursuit of a social good by means, which are chosen

in part because they are highly profitable. Each of these may be, in its own way, entrepreneurial and highly productive of social good.

Potential and Concerns

A consequence of the above argument is the recognition that there have been social entrepreneurs throughout history, though the label and public attention given to the phenomenon date only from the 1970s. The phenomenon itself, with its goal of creating new social value, is clearly of huge potential benefit to a society. Plainly, the activity of social entrepreneurs, and the work of social enterprises (as mentioned, the two are often run together), are especially important where societies have been unwilling or unable to provide the institutions for delivery of such social goods as health care, education and employment. This function is especially crucial in addressing the problems in so-called 'developing' countries, where cycles of social deprivation entrench the poverty that afflicts their citizens. But the role of the social entrepreneur has also become highlighted in many 'developed' countries with the retreat from government-led, publicly-supported welfare networks, and a consequent shift of responsibility to independent agents within civil society and the community at large. Societies may depend increasingly on alert, inventive, risk-taking and resourceful persons and groups who are socially motivated and work toward the creation and distribution of social goods.

Some worries about social entrepreneurship arise from the increasing attention paid to the concept and the label. To some eyes, it is a reflection of that ideological shift that focuses increasingly on the individual and admires both the discipline of market interaction and the sound business practices that are supposedly fostered by that discipline. The very concept of entrepreneurship, drawn from the

world of business and economics, adds weight to the sense that it is business activity and market forces that should be counted on to provide all of a society's goods, including social goods. Those who distrust this outlook may be concerned that the concept of 'social entrepreneurship' brings with it echoes of a dangerous ideology.

Allied with this may be the concern that promoting the idea of social entrepreneurship as a means of addressing social problems in the 'developing' world risks reinforcing and advancing a narrow, culturally-conditioned notion of entrepreneurship: the heroic individual using business methods to bring help to people by encouraging them to adopt mainstream 'western' entrepreneurial approaches. Creative and resourceful means of addressing the needs of underprivileged peoples are needed now more than ever, but there may be cautions that we must take care in promoting their occurrence not to underwrite an alien and finally unhelpful form of social change.

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