

Social Entrepreneurship: A Different Perspective

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Abstract: Entrepreneurship has long been acknowledged as a major force for economic development, however, only recently has the important role social entrepreneurship plays in contributing toward both economic and social wellbeing been recognized. Nevertheless, there is still no singular established definition on social entrepreneurship has been agreed upon. Many scholars believed that social entrepreneurship is exclusively for non-profit organizations that solely focus on social missions, however, the limited view of social entrepreneurship is argued and discussed in this paper. Thus this paper reviews the meaning of social entrepreneurship from various authors and extends the scope of social entrepreneurship from the limited and exclusive understanding towards a lateral and extended view, which includes hybrid organization that has both financial and social goals.

Keywords: Social entrepreneurship; Hybrid organization; Entrepreneurship; Social venture; Social enterprise.

To cite this paper:

Rahim H.L. and Mohtar, S. (2015). Social Entrepreneurship: A Different Perspective. *International Academic Research Journal of Business and Technology* 1(1): 9-15

INTRODUCTION

Entrepreneurship has long been acknowledged as a major force for economic development (Schumpeter, 1934), however, only recently has the important role social entrepreneurship plays in contributing toward both economic and social wellbeing been recognized (Christie and Honig, 2006; Dees, 2001; Harding, 2004; Schultz, 2009). Social entrepreneurship is a relatively new field of inquiry (Mair et al., 2006), and generally considered to be following the pattern of the early study of commercial entrepreneurship (Light, 2008). As yet there is no single, widely agreed upon definition of social entrepreneurship (Light, 2008) and has created a huge debate on a singular agreed term. This has caused confusion to those who are trying to understand the true meaning of social entrepreneurship. Hence, this paper reviews the meaning of social entrepreneurship from various authors and extends the scope of social entrepreneurship from the limited and exclusive understanding towards a lateral and extended view.

ENTREPRENEURSHIP

In order to understand the term social entrepreneurship, one must start with an understanding of the word “entrepreneurship,” for the word “social” merely modifies “entrepreneurship” (Martin & Osberg, 2007). One needs to realize that the term social entrepreneurship is a subcategory of entrepreneurship, thus it is an extension of the entrepreneurial model used in the for-profit sector. In order to have a theoretical understanding on social entrepreneurship, the link between entrepreneurial theory and social entrepreneurship should be studied.

The most common conception of entrepreneurship generally involves the creation of a new business (Dees, 2001). However, it is a very vague explanation for a term that has long history and more significant meaning. The term entrepreneur was originated in French economics as early as the 17th and 18th centuries. In French, it means someone who undertakes to do a job (Dees, 2001). Though this explanation does not reflect the term entrepreneurship yet, but it build up the foundation of understanding what is the meaning by entrepreneur.

In 19th century, a French economist by the name of Jean Baptiste Say defined entrepreneurs as the individual that shifts economic resources out of an area of lower and into an area of higher productivity and greater yield (Dees, 2001). He was the first to add a fourth actor and attribute a definite position to the entrepreneur as distinct from the capitalist (Schumpeter, 1954). Jean Baptiste Say believed innovation belonged to the entrepreneur. The entrepreneur was creative and combined resources in a revolutionary way as to bring about innovative change and added value. The entrepreneur was seen as distinct from the capitalist who merely managed the labor and the land to realize accrued capital (Say, 2001). His writing helped legitimize and secure the role of the entrepreneur, and the inclusion of entrepreneurship among the major facets of economic theory ensured the entrepreneur would be included in future research

Later on in the 20th century, Joseph Schumpeter (1934), described entrepreneurs as the innovators who drive the creative-destruction process which is considered as the defining element of capitalism. Schumpeter described that entrepreneur reforms or revolutionizes the pattern of production. He further added that entrepreneurs are the change agents in the economy. By serving new markets or creating new ways of doing things, they move the economy forward. Schumpeter (1975) claimed the following:

“We have seen that the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, and untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on.”

The common understanding of the term entrepreneur was being laid out by Jean Baptiste Say and Joseph Schumpeter. Building from that understanding there are many researchers amplified the concepts by them. One of the most prominent modern theorists of entrepreneurship to do that was Peter Drucker. In his book titled *Innovation and entrepreneurship: Practice and principles*, Drucker (2007) stated the following:

“Entrepreneurship rests on a theory of economy and society. The theory sees change as normal and indeed as healthy. And it sees the major task in society - and especially in the economy – as doing something different rather than doing better what is already being done. That is basically what Say, two hundred years ago, meant when he coined the term entrepreneur. It was intended as a manifesto and as a declaration of dissent: the entrepreneur upsets and disorganizes. As Joseph Schumpeter formulated it, his task is creative destruction.”

Though Drucker (2007) agreed on the basis of entrepreneur’s definition by Jean Baptiste Say and Joseph Schumpeter, he added that he does not sees entrepreneurs as the cause of change but he but sees them as exploiting the opportunities that change creates. He further described entrepreneur as a person that always searches for change, responds to it, and exploits it as an opportunity. Drucker (2007) stated the following:

“And it is change that always provides the opportunity for the new and different. Systematic innovation therefore consists in the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or social innovation.”

Based on the definition laid out by the theorists, in can be said that entrepreneur is an innovator that creates and exploits opportunity, consequently creating value and change towards the economy and society.

SOCIAL ENTREPRENEURSHIP

Entrepreneurship is a well-accepted field, both practically and theoretically. But while entrepreneurship is a very developed and matured field, its subcategory of social entrepreneurship is very much the opposite (Mohtar and Rahim, 2014). Social entrepreneurship is a very young concept and is very much sought off in the practical world, however it is still considered in its infancy stage in academic platform. (Johnson,2002; Roberts and Woods, 2005).

However, in recent times the field of social entrepreneurship research has gained much pace and attention due to the fact that there are numerous number of scholars are interested and have done research on the particular topic (Zahra et al., 2009). In addition, new journals were launched in relation to the social entrepreneurship topic (Halkias and Okpara, 2011) such as Social Enterprise Journal (Haugh, 2005). Even more established journals have shown interest on this topic, for example, Entrepreneurship Theory & Practice journal which published a special issue on social entrepreneurship in 2010 (Nicholls, 2010).

The term social entrepreneurship was firstly introduced by William Drayton, a MacArthur Fellow (Barendsen and Gardner, 2004; Dees, 2007). It is emerging in the world “given the new strategic environment where the social half of society’s operations is becoming as entrepreneurial, competitive, productive and powerful as business” (Ashoka, 2004). In terms of literature, social entrepreneurship is associated with few elements such as innovation, pro-activeness and risk-taking (Helm, 2007), innovation and inclusiveness (Jefferis, 2006), value-added and inclusiveness (Waddock & Post, 1991) as well as leadership (Henton et al., 1997; Dees, 2009).

Social entrepreneurs have the unique abilities of recognizing the complex social problems and working through it in a new way that raises public awareness of the problem through their vision, work and activities. They seek fresh opportunities and produce positive impact by using leadership and management methods (Dees, 2009). The social entrepreneurs work towards getting profit while creating change by providing community value (Ashoka, 2014; Dees, 1998; Johnson, 2000; Johnson, 2001; Johnson, 2001 b; Teagle, 2000), towards building a sustainable community (Johnson, 2000).

They believe that by inclusiveness and interdependence of the community (Ashoka, 2014; Henton et al., 1997), changes could be made that would bring the world forward (Henton et al., 1997) They connect sectors, stakeholders and diverse community networks (Henton et al., 1997; Teagle, 2000) by building a strong, resilient and productive relationship between the private, public and civil sectors (Henton et al, 1997). The networking relationship between communities is being used to get even bigger community relationship by creating bridges in order to pool resources (Henton et al, 1997; Dees, 1998; Johnson, 2001b).

Social entrepreneurs are problem solvers with innovative solutions for unsolved community needs (Dees 1998; Johnson, 2000; Johnson, 2001; Teagle, 2000) by mobilizing and using scarce resources in inventive ways (Dees, 1998; Henton et al.. 1997; Johnson, 2000; Johnson, 2001).

They are considered as leaders in enhancing the community and the world (Henton et al., 1997). They empower the others by expressing their passion in order to create a better world and creating positive changes. (Johnson, 2000; Johnson, 2001). They are networkers and motivators, conveners and teachers, drivers and integrators, agitators and mentors (Henton et al., 1997).

“Social Entrepreneurs are the harbingers of change, devising new ways to provide support and development for those excluded from the opportunities of the new society” (Handy, 1997). It was also suggested that there is a pressing need to create a huge numbers of social entrepreneurs in the market (Yunus, 2008).

As the term social entrepreneurship is still in its infancy, there is still a huge debate on an agreed definition of it (Dorado, 2006). The most common definition of social entrepreneurship is that social entrepreneurs focuses primarily on its social missions while wealth creation is not a goal as it is deemed as a mean or tool to accomplish the social missions (Dees, 2007). The organization focuses on social value creation that differentiated social

entrepreneurs from business entrepreneurs (Shane, 2003). Dees (2001) explained how social entrepreneur is different from business entrepreneur:

“For social entrepreneurs, the social mission is explicit and central. This obviously affects how social entrepreneurs perceive and assess opportunities. Mission-related impact becomes the central criterion, not wealth creation. Wealth is just a means to an end for social entrepreneurs. With business entrepreneurs, wealth creation is a way of measuring value creation. This is because business entrepreneurs are subject to market discipline, which determines in large part whether they are creating value.”

SOCIAL ENTREPRENEURSHIP – THE DIFFERENT PERSPECTIVE

Many scholars believed that social entrepreneurship should be focusing on social missions solely and profit-oriented organization with social mission objectives should not be categorized as social entrepreneurship (Dees, 2001; Dees, 2007; Shane, 2003, Gandy,2012; Helm; 2007). However, though Gandy (2012) and Helm(2007) argues that way, both of them agreed that social entrepreneurship is a part of entrepreneurship and in many ways, social entrepreneurship is just an extension of the entrepreneurial model used in the for-profit sector. Dees (2001) also defined social entrepreneurship as “social entrepreneurship can include social purpose business ventures, such as for-profit community development banks, and hybrid organizations mixing not-for-profit and for-profit elements.” Thus he agreed that there’s possibility of having hybrid organization that have both profit and social goals. Social entrepreneurship definitions and understandings that been proposed contradicts and creating more confusion on what is the meaning of social entrepreneurship.

Social entrepreneurship should not have the narrow view by exclusively defining it by non-profit organizations that focuses on social missions only. Looking back on the definitions of an entrepreneur, it says that entrepreneur is an innovator that creates and exploits opportunity, consequently creating value and change towards the economy and society. Therefore, if we add the word social to the word entrepreneur, why does profit has to be out of the picture? Financial goals can be in the picture as long as the organization has social mission as well.

Many scholars have started to realized about this issue and supported the idea of hybrid organization which is referred as social enterprise or social venture as well (Dorado, 2006; Townsend & Hart, 2008). This type of social entrepreneurship focuses on blending business and social goals (Dees, 1998; Dorado, 2006; Townsend & Hart, 2008). Their organizational performance is evaluated by both financial and social outcomes (Clark et al., 2004). These hybrid organizations prove that there is a possibility of maximizing wealth while being socially responsible (Dorado, 2006). Thus, a profit oriented organization might be managed in an entrepreneurship management style as long as it has social goals as well (Hartigan, 2006). It is suggested that the reason behind this hybrid organization is the personal motivation of the social entrepreneur in reaching out towards the community’s needs (Townsend & Hart, 2008).

Terjesen et al. (2011) has conducted a study called “Global Entrepreneurship Monitor Report on Social Entrepreneurship”. In their study, they did interviews with 150,000 adults in 49 countries during 2009, and documented the prevalence of social entrepreneurship in a population by means of a standardized survey in each of the countries. Table 1 illustrates the findings. It shows that averagely economically hybrid social entrepreneurship organizations (1.30) have the higher prevalence rate compared to non-profit social organization (1.05). All of the regions in this world have more (or at least the same) averagely economically hybrid social entrepreneurship organizations compared to non-profit social organization except Western Europe and United States of America. Based on the study, it seems unfair to exclude the hybrid organizations from the definition of social entrepreneurship while they are the major player in social missions.

Region	Non-profit SE (%)	Economically Hybrid SE (%)
Western Europe	1.1	1.0
Eastern Europe	0.9	1.1
Latin America	0.8	1.6
South East Asia	0.4	1.0
Middle East & North Africa	0.8	0.8
Caribbean	1.4	2.8
Africa	0.7	0.7
USA	2.3	1.4
Average	1.05	1.30

Source: Terjesen et. al (2011)

Table 1 - Social Entrepreneurship Prevalence Rates

One need to realize that while a certain quarters of the world are wealthy, there are some plagued by poverty and other social ills as well, poverty and inequality persist in this modern world (Rahim et al, 2014; Mohtar and Rahim, 2014). There are unmet social needs that should be addressed. Therefore, it is essential for entrepreneurs to be socially responsible and give back to the community in order to create a sustainable world. Hence, by limiting social entrepreneurship for non-profit organizations only, what are the roles of profit-oriented organizations in combating the social ills? Extending the definition of social entrepreneurship by including the hybrid organization is essential in encouraging more profit oriented organizations to play their part in social missions. This is where social entrepreneurship should be redefined as any organization that has social mission, in regards of non-profit organization that solely focuses on social mission or hybrid organization that has both financial and social goals.

SOCIAL ENTREPRENEURSHIP – THE NEW MODEL

In order to understand social entrepreneurship better, a model of social entrepreneurship was created as shown on Figure 1. Social entrepreneurship is categorized into two different categories; non-profit and hybrid (an organization with financial and social goals) organizations. Traditional NGOs (non-governmental organization) is categorized under non-profit. This is the kind of organization that is neither a part of a government nor a conventional profit oriented business. This type of organization is usually set up by ordinary citizens and may be funded by governments, foundations, businesses, or private individuals. Some has no funding altogether and operated primarily by volunteers.

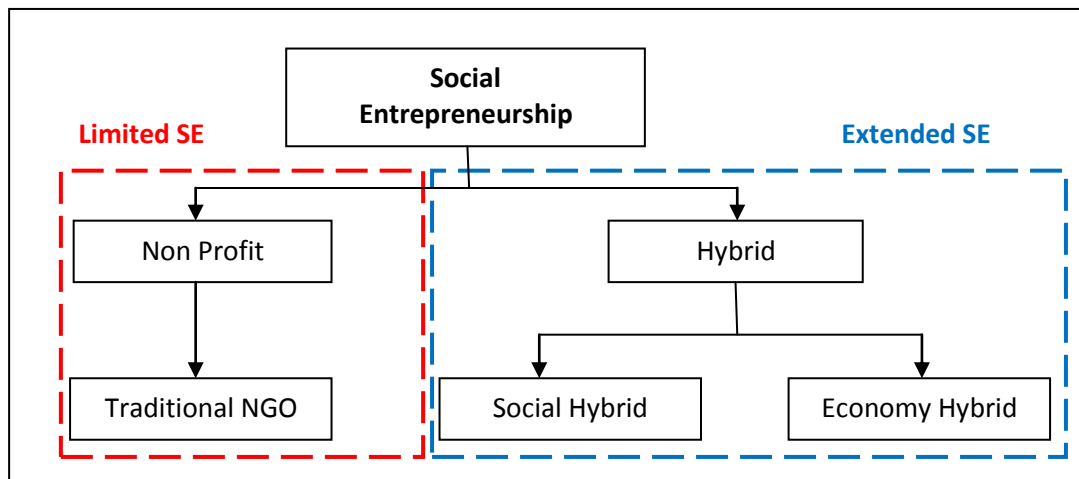


Figure 1 - Social Entrepreneurship Model

The second category is further divided into social hybrid and economy hybrid. Both are organizations with double bottom line goals which have financial and social objectives. What differentiates these two is the primary objective, either more inclined towards social or economy. For social hybrid organization, it focuses more on social missions, while income generation is secondary objective. Usually the financial gains are being used for sustainability of the organization. On the other hand, economy hybrid organization's focal goal is profit. However, it is actively involved in social activities. In other words, socially-responsible business organizations are grouped in this category.

CONCLUSION

Social entrepreneurship should not be exclusively for non-profit organizations with social mission. Just because of the word social, it does not indicate an ultimatum that only an organization with purely social mission could be considered as social entrepreneurship. As long as the entrepreneur has the entrepreneurial characteristics and leading an organization with a social mission, regardless of whether it is a non-profit organization or hybrid organization, the entrepreneur should be considered as a social entrepreneur. Therefore, given the arguments discussed, it is essential to understand it is possible to actively pursue social entrepreneurship activities while having financial goals as well. This would consequently encourage more profit-oriented organizations to adopt social missions too and revolutionize their organization to be hybrid organization that is actively involved in social entrepreneurship.

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