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Social entrepreneurship : taking stock and looking ahead

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Social entrepreneurship: a trend or more?

Social Entrepreneurship is trendy! Every year in February social entrepreneurs mingle with the CEO's of the world's largest corporations and prominent politicians at the World Economic Forum in Davos. Social Entrepreneurs are the VIPs at global events such as the Clinton Global Initiative. And finally, social entrepreneurs are the favorite investees of the "new" philanthropists, i.e., the Jeff Skolls or Bill Gates's of this world.

Furthermore, the academic interest in social entrepreneurship is increasing: the number of academic articles in peer-reviewed journals is raising; international academic conferences about social entrepreneurship are mushrooming; and finally a number of business schools have started to hire "social entrepreneurship" faculty. The latter is typically correlated with the increasing demand for courses by students and, in some places such as the United States, the endowment of dedicated chairs on social entrepreneurship.

Interestingly however it was the endorsement by the elite or leaders of specific communities (in this context politicians, business men and celebrities) that has stimulated the broad interest in and the exposure of social entrepreneurship as a defining trend of the 21st century.¹

What is special about social entrepreneurship as a trend is that its diffusion occurs in parallel in different social worlds. Ideas associated with social entrepreneurship have permeated different spheres of social life and kick off development within these worlds: in politics, for example, it has inspired a series of proactive legislative efforts to address social issues under the UK's Blair administration; in business, in association with label business at the base of the pyramid (BOP) it has stimulated thinking and acting around new business models with and for low income populations in the developing- and now also increasingly-developed world; in finance the "talk of today" reflecting social entrepreneurship centers around social stock markets and socially-responsible investing; and finally, the field of philanthropy has witnessed a dramatic shift towards strategic and impact orientation. While at present these trends occur in their defined social spheres, the potential exists for social

¹ See Williams (1999) for a similar argument in the area of entrepreneurship.

entrepreneurship to blur the long-established boundaries between the public, private and citizen sectors... at least at the discourse level.

So is social entrepreneurship just hype, a fashion or more? No matter whether it is a trend or more, it is important to understand why social entrepreneurship exists in the first place, and what the implications are. This essay sets out to take stock of existing endeavors to conceptualize around this phenomenon, to illustrate its context specific nature, and finally to derive implications for fostering social entrepreneurship as a positive force for social and economic development.

Variety of meanings – variety of perspectives

In parallel with the number of articles in public press and journals, the number of definitions used to describe the phenomenon of social entrepreneurship has also notably increased. Social entrepreneurship means different things to different people. It also means different things to people in different places. Social venturing, not-for-profit organizations adopting commercial strategies, social cooperative enterprises, and community entrepreneurship are just some of the distinct phenomena discussed and analyzed under the “umbrella construct” of social entrepreneurship.²

I deliberately emphasize “distinct” phenomena, since the entrepreneur, the entrepreneurial process and the activities involved, as well as the environment that enables or triggers entrepreneurship, all differ substantially. Research and public discourse refers to a variety of actors and activities as social entrepreneurs and social entrepreneurship. The following table illustrates the diversity in discourse and phenomena. Although all these phenomena embrace a social impact dimension they differ substantially with respect to actors, contexts and mechanisms at play.

² Hirsch and Levin (1999) introduce the term “umbrella construct” to describe emerging areas of research without clearly defined conceptual boundaries.

Phenomenon under study	Description	Key Author
Community entrepreneurship	The community is the entrepreneurial actor and beneficiary. E.g., a village engaging in fair trade coffee farming and selling.	(Peredo and Chrisman 2006)
Social change agents	Individuals who alter public perceptions about (specific) social issues. Examples range from John Elkington, the founder of Sustainability, to Bono, of the group U2.	(Waddock and Post 1991)
Institutional entrepreneurs	Individuals or organizations that alter social arrangements and the institutional fabric hampering development.	(Mair and Marti 2008)
Social ventures	Business ventures that provide a product or service that creates social or environmental benefit, such as the production and distribution of biodegradable water bottles.	(Dorado 2006)
Entrepreneurial not-for-profit organizations	NFPs that engage in commercial activities to create an income stream and enhance financial sustainability.	(Fowler 2000)
Social enterprise	Organizational forms following principles of cooperatives.	(Borzaga and Defourny 2001)
Social innovation	Innovation understood broadly and including processes and technology for the social good.	(Alvord et al. 2004)

Table 1: A snapshot of phenomena discussed under the umbrella construct of social entrepreneurship

From a research perspective, social entrepreneurship is currently clearly enjoying an “emerging excitement” from various disciplines and theories, yet as a scholarly field of investigation it faces two major challenges. First, many of the perspectives and scholarly fields it engages, such as entrepreneurship or the literature on not-for-profit organizations,

largely lack theoretical consensus themselves and, therefore, it is not surprising that a consensus on how to define and operationalize social entrepreneurship has not been achieved. Second, social entrepreneurship research is caught in between seemingly conflicting demands for relevance and rigor. Hirsch and Levin elegantly label the former as “umbrella advocates” as they promote broad views and emphasize the messy and complex nature of the phenomenon and social life in general, and the latter “validity police” as they call for narrow views built on rigor, validity and reliability.

Life-cycle assessments of umbrella constructs in various areas of research suggest that whether social entrepreneurship as an academic field will collapse or become permanent critically depends on its continued endorsement from practitioners (Hirsch and Levin, 1999). In the case of social entrepreneurship the continuing support by foundations that have been created with a clear mandate to foster social entrepreneurship (e.g. Ashoka, the Schwabfoundation, the Skollfoundation, or Echoing Green) might also be of importance. These organizations have been instrumental in mobilizing resources and awareness and have clearly contributed to the diffusion of the labels across the social and economic worlds. This essay pays tribute to its “phenomenon in the making” stage and considers and integrates the theoretical and practical perspectives of social entrepreneurship.

A perspective: Social entrepreneurship as a context specific – local - phenomenon

An assessment of social entrepreneurship reveals that *where* social entrepreneurs operate affects *what* they do and *how* they do it.

In too many places on this planet, basic human needs (such as education, food, shelter, etc.) persist because existing organizations – companies or public sector organizations - do not cater, or do not cater effectively, for these needs. On the other hand, new problems are continually created precisely because of the actions of individuals and organizations. These newly “created” problems lead, as a consequence, to new basic human needs arising ubiquitously, largely in the form of externalities but also in other forms. For example, pollution caused by companies in their competitive race for technological advances and

growth leads to new basic needs (such as the need for clean air, water, etc.). Rapid economic growth and radical transformation of social and economic life in many parts of the world lead to a resurgence of basic human needs.

In a nutshell, social entrepreneurship acts upon an opportunity space of

- a) persistent human needs caused by the lack of products, services, or institutions provided by traditional actors, i.e., governments or markets, or
- b) needs newly created by traditional actors through both legitimate activities, e.g., market externalities such as pollution or climate change, or illegitimate actions, e.g., child labor.

Contrary to widely-held popular beliefs, basic needs are not only present in developing countries. A number of indices issued by national and international organizations, as well as barometers such as the Human Development Index and GDP indices, inform us regularly about the economic, social and political situation and condition in a country. Yet these reports reflect average performances/results of countries and therefore represent, at best, proxies for how countries do. Indices rarely reflect local realities and “everyday states” encountered at the local level.

Social entrepreneurship as seen in this essay refers to a process of catering to locally-existing basic needs not addressed by traditional organizations. Depending on the need addressed, the process involves the provision of a good or service and/or the creation of missing institutions or the change of inadequate ones. However the main objective is to change or modify social and/or economic arrangements. While financial sustainability through earned income represents an important pillar of social entrepreneurship, it is not a sufficient condition. In fact, in some situations the target group’s ability to pay becomes an important hurdle towards financial sustainability. Thus the main purpose is social change by altering institutional and/or economic arrangements that determine the social, economic and political day-to-day realities at the local level. It is the local context that shapes opportunities for social entrepreneurship and determines strategies and tactics employed. These strategies and tactics reflect an entrepreneurial approach to action characterized by, first,

resourcefulness (without necessarily having the resources in hand); second, the ability to recombine resources into new value-creating configurations (“bricolage” or ‘DIY’ of material, institutional and cultural resources); and finally, creative and innovative, i.e., novel ways of doing things.

A short example to illustrate the nature of social entrepreneurship emphasizing the need for localized solutions.

The current hype about microfinance suggests that giving the poor access to financial products is the recipe for social and economic development. This can be misleading, as microfinance alone, or better standard banking activities alone, do not affect and therefore change the social structure that makes economic development difficult in the first place. Very often it is the non-banking activities coupled with the banking activities that creates the social value and provides the lever for social change. Therefore, from the perspective adopted in this essay, just giving credit and loans without empowering women in Bangladesh would hardly qualify as social entrepreneurship.

The key to social entrepreneurship is therefore an explicit or implicit “theory of change”. This theory of change is manifested in strategies, tactics and the (business) model, i.e., the configuration of resources and activities. This perspective also invites a more agnostic view on who the social entrepreneur is. In other words, this perspective suggests that, depending on the needs addressed and the local conditions shaping the entrepreneurial approach, the actor can be an individual entrepreneur, an established organization or even a social movement. Also the choice of the organizational form is more a reflection of the particular problem at hand rather than a paradigm issue. In other words, for-profit and not-for-profit are seen not as a defining characteristic of social entrepreneurship but as a specific choice to be made depending on the overall model to address social needs. As mentioned before, certain needs in certain contexts lead more easily to for-profit models when the willingness and ability to pay exists.

How social entrepreneurship varies across economic and cultural contexts

If the opportunity space for social entrepreneur is defined by the specific local social, economic and political arrangements, then it is not surprising that the social entrepreneurship phenomenon manifests itself differently in different contexts. As a result, and similar to the social entrepreneurial actor, researchers, policy makers or businesses have to situate the phenomenon in its context.

A useful typology to understand entrepreneurship across economic and cultural contexts distinguishes between

- The liberal economy: The market mechanism is the best way to shape and maintain economic and social justice. The US economy is an example.
- The cooperative economy: The state plays an important role in redistributing wealth; markets are conditioned by regulative interventions. Most European economies function according to this principle.
- The informal economy: Neither the state or the regulated market can create wealth and social justice. Affiliation to social groups determines the creation of – mostly local - wealth and justice. Many countries of Latin America and Asia as well as India are examples of informal economies.³

The main variables considered in this typology to understand entrepreneurship in general are the role/power of the government versus the role/power of markets. Is this typology also useful for “making sense” of *social* entrepreneurship across contexts? We believe so. The typology allows us to identify macrotrends and/or make general statements about, for example, the likelihood of social entrepreneurship taking place as well as the origin and/or type of needs addressed by the social entrepreneur. Broad statements or testable propositions comparing social entrepreneurship across these three contexts could be addressed by following this typology. For example,

³ This typology has been put forward by the authors / initiators of the World Entrepreneurship Forum

Proposition 1: The likelihood of social entrepreneurship is higher in liberal economies than in cooperative economies.

Straightforward arguments to support this proposition include: In liberal economies many social needs are not taken care of by the state and the public sector and therefore the volume of needs not catered for is higher. Also liberal economies are traditionally characterized by a more entrepreneurial mindset and activity in general. Thus an entrepreneurial approach represents a “natural” way to address the problem or need.

The way a particular need is address is also shaped by the particular context, and propositions to be derived could include:

Proposition 2a: Social entrepreneurship in a liberal economy typically relies on market-based mechanisms to address a social need.

Formulated in a comparative way:

Proposition 2b: Social entrepreneurship in liberal economies is characterized more by market mechanisms than compared to social entrepreneurship in cooperative economies or informal economies.

Yet to deal with the complexity involved in social entrepreneurship we suggest that this typology has to be paired with additional variables that capture the local economic, social, cultural and natural heritage characterizing the specific microcosm the social entrepreneur is working in.

For example social entrepreneurship in India, Bangladesh and Pakistan is shaped by the political context, more specifically by the political problems since independence. In India, for example, many social entrepreneurs address the huge gap that exists between formal legislation (that recognizes no discrimination across social strata) and social reality (the prevalence of the caste system). In Bangladesh, social entrepreneurial organizations such as BRAC or Grameen have assumed the role and activities of absent or ineffective government. In addition the opportunity space for and activities of social entrepreneurs in this part of the world is also shaped significantly by the natural disasters occurring on a regular base (e.g., flooding and hurricanes in Bangladesh and the Western part of India, as

well as earthquakes in Pakistan). Social entrepreneurs have created organizations that complement and substitute for missing action by national and international relief activities.

In many Latin American countries the political heritage of weak and corrupt governments and public sectors has encouraged entrepreneurial solutions to social problems. An additional important factor to understand the entrepreneurial activity in this part of the part is the strong influence of the Church. Traditionally the churches have encouraged many entrepreneurial – or informal - approaches to social issues. More recently the entrepreneurial spirit developed under such regimes has independently taken off. However, similar to South East Asia, it is the specific political and socio-cultural context that has shaped social entrepreneurship.

In traditional liberal economies, such as the US, local social and cultural aspects do affect social entrepreneurship. Specific target groups, such as Native Americans or inner city poor, that have been to some extent ignored by public social systems are at the center of social entrepreneurial activities. Another important opportunity space for social entrepreneurs in liberal economy countries such as the US is the weak execution of public responsibilities. For example, the public education system is failing in a number of aspects and one of the biggest criticisms is that it fosters educational equality. Social entrepreneurs such as Wendy Kopp set up Teach for America to address this failure and come up with innovative ways to tackle the specific problem and to make sure that “one day, all children in this nation will have the opportunity to attain an excellent education”(www.teachfor america.org) .

Finally, in Europe new socio-demographic trends such as increased immigration from Africa and Eastern Europe pose important challenges to the portfolio of social services offered by the public sector. Also, new needs emerge when traditional ways of doing things clash with newly-arising ways of doing things. For example, in Germany the traditional shared belief about how to raise children (women with children under four should stay at home to look after them) clashes with the new career models for women. The lack of social infrastructure to take care of babies thus provides an opportunity space for social entrepreneurs.

An important point to note: the boundaries of these models are in flux. For example, we can see that the cooperative model present in many European countries are blurring and becoming infused with elements from the liberal economy model present in the US. At the same time we observe many countries with a long informal economy tradition build up a fast-track liberal economy-based sector within the country. In other words we will, and already do, have countries where principles from two or three models govern in parallel within one country. Conflict or tension between models might then provide additional opportunity spaces for social entrepreneurs, or at least affect the operating conditions, i.e., the entrepreneurial environment for them.

These examples illustrate an important – probably the most important - role of social entrepreneurship. Social entrepreneurs and their models provide a proof of concept. Many “needs gaps” persist because existing businesses or public organizations fail to address them or address them inadequately. Filling one such gap is social entrepreneur David Green who, working with the Aravind Eye Hospitals in India, has been able to produce intraocular lenses at a fraction of the traditional cost while still making a profit. Businesses often shy away from addressing basic needs as they do not see the business case, i.e., the potential to make profits. Because of the strict rules of the game, such as quarterly earnings reports, as well as cognitive limitations (thinking out of the box is hard), businesses rely on someone else to provide the proof of concept. Similarly, governments often shy away from experimenting and engaging in new ways of addressing social problems, simply because their rules of the game are determined by a four to five year run to re-election.

Where to go from here ... Implications for different levels

Social entrepreneurship can provide a positive force to not only spur economic development directly but also, and especially, to provide a fertile ground for economic development and to ensure its sustainability. Social entrepreneurs provide the fertilizer in the form of social capabilities and therefore address inequalities in different dimensions (social, economic, and

political) that can be a source of unbalanced progress and that make development vulnerable.

Implications from the admittedly-limited systematic understanding of social entrepreneurship we have generated over the last decade can be summarized as follows.

The entrepreneurial individual

While in an ideal world social entrepreneurs would be replaced by governments or business after they developed the proof of concept, we are afraid new opportunity spaces for social entrepreneurship arise every day across the globe. How can we support social entrepreneurs? The recent momentum to include social entrepreneurship in the curriculum of business schools is important. It illustrates alternative career paths and /or opens the minds of future CEOs to see opportunities to collaborate with social entrepreneurs. Enhanced social and environmental consciousness might even increase the chances that some future social needs never surface. However educating future business leaders and/or educating a future generation of professional managers of social entrepreneurial organizations in this area is only the tip of the iceberg. A promising avenue lies in integrating social entrepreneurship into high school education and undergraduate programs. In addition to the next generation we would also place greater emphasis on the potential inherent in the “older generation”. With increased life expectancy and enhanced living conditions, we can draw from a large pool of highly-educated and experienced retired people who represent a powerful resource for social change agents or supporting social change efforts. For example, Dr. G. Venkataswamy (known as “Dr. V”), the founder of the Aravind Eye Hospitals, started his initiative only after he had officially retired from public services. It is now the largest eye hospital group in the world (www.aravind.org).

As mentioned, support organizations such as Ashoka have been instrumental in mobilizing support structures across sector boundaries. Sustained efforts by not only the financial, business, multilateral, and public sectors but also the academic sector, will be critical to maintaining the current momentum for social entrepreneurship.

The entrepreneurial environment

The momentum for social entrepreneurship is also dependent on favorable contextual conditions. These conditions refer to economic but also to social dimensions. The current momentum, for example, makes social entrepreneurs fashionable. All 'hype' reduces over time and loses momentum. Thus it will be critical to maintain an elevated social status of social entrepreneurs. Of course it matters to people whether being a social entrepreneur is "cool" or not. The challenge in the coming years will be to find a good balance between attributing "social hero" stories to social entrepreneurs and creating a solid role associated with status in our societies. The biggest task, that of sustaining the role of social entrepreneurs in economic and social life, is faced by governments. While some countries, such as the UK, have been proactive in drafting favorable legislation, others are lagging behind. Again, consolidating social entrepreneurship beyond the hype requires the provision of solid legislative frameworks ranging from organizational forms to taxation.

Entrepreneurial actions

At the current stage we see experimentation, but we more is needed. We have too few models where we can confidently talk about "best practice". The role of academia at this stage is important. Academics can follow and examine emerging practices; some of them will fail and some of them will succeed. What is important is to follow and document the process, and to capture both failures and successes along the way. Academics especially could assume the role of watchdogs. As a reflection of the hype, we are currently observing a transposition of practices from the business world to social entrepreneurship that might have detrimental effects. The quest for growth, an imperative in the business world, has been adopted by the social entrepreneurship world. Not surprising if we consider the scale and magnitude of social needs in the world. Yet this trend leads to the application of consulting templates and performance measurement schemes designed for and used in very different contexts. How to evaluate performance in the case of social entrepreneurship?

While one of the obvious weaknesses of the social sector is limited accountability for results as well as inefficiencies, the solution is not to import performance benchmarks and practices. Social impact can not be reduced to simple and measurable indicators; social impact reflects the local realities and therefore comparing impact across needs and across contexts is difficult. Finally academics also should not shy away from documenting and theorizing the dark sides of social entrepreneurship: inefficient use of resources as well as undermining opportunities for traditional business are just a few examples that require more empirical and conceptual examination to inform both theory and practice.

To conclude

The perspective on social entrepreneurship put forward in this paper resonates with Salamon and Anheier's "social origin" approach on the emergence of social sector organizations (Salamon and Anheier, 1996). Accordingly we view social entrepreneurship not as an isolated phenomenon but an integral part of a social system. Thus the role, nature and scale of social entrepreneurship cannot be discussed without taking into consideration the complex set of institutional, social, economic and political factors constituting this context. For research, social entrepreneurship represents an exciting opportunity to unpack mechanisms driving social and economic developments. However we are skeptical about efforts to generate a general theory of social entrepreneurship; rather we see social entrepreneurship as an exciting phenomenon to push forward theories of entrepreneurship grounded in sociology and economics.

Example: How social entrepreneurship can be a tool to make development happening

In 1987, Gro Harlem Brundtland put forward the global objective of achieving sustainable development. She had been tasked by the United Nations General Assembly to 'make available a report on environment and the global problematique to the year 2000 and beyond, including proposed strategies for sustainable development'. Brundtland identified finding a path of balanced social and economic development compatible with a notion of social equity across space and time (United Nations General Assembly, 1987) as the main goal for the proposed global efforts. As a minimum, sustainable development should offer people a basic level of subsistence necessary to live in dignity, and an overall level of consumption and use of resources that does not limit the options available to future

generations. However, the report left open the question of how such a balanced development is to be achieved, and emphasized the need for local solutions:

No single blueprint of sustainability can be found, as economic and social systems and ecological conditions differ widely among countries. Each nation will have to work out its own concrete policy implications. Yet irrespective of these differences, sustainable development should be seen as a global objective.’ (United Nations General Assembly, 1987, p. 51)

We view social entrepreneurship as a means to reach abstract objectives such as sustainable development. Even more so we see social entrepreneurship as a phenomenon that instills these important though abstract notions with a sense of reality. One way to conceptualize social entrepreneurship, for example, is to link it directly to the notion to SD. Accordingly, social entrepreneurs provide the products, services or institutions that cater to the basic needs of individuals, the needs of communities or society for enabling structures, as well as the needs of future generations (such as clean air and biodiversity). Again, the main purpose here is to trigger social change that ensures sustainable development.

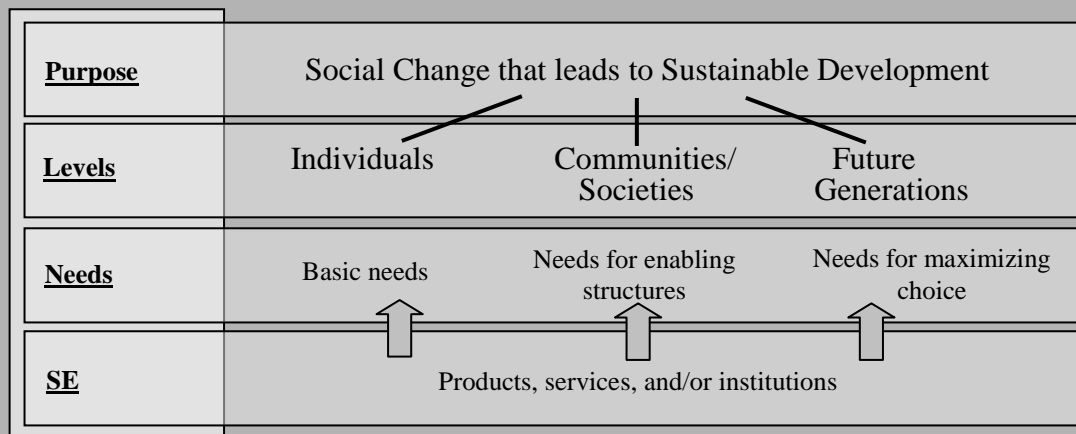


Figure 1: Social entrepreneurship as a “sense making” tool for sustainable development, adapted from Seelos and Mair (2005)

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