

SOCIAL ENTREPRENEURSHIP: ANALYZING LITERATURE AND PROPOSING A COMPREHENSIVE MODEL

Aidin Salamzadeh
University of Tehran, Iran
Email: salamzadehaidin@gmail.com

Yashar Salamzadeh
Payam Noor University, Iran

Mehran Nejati
Universiti Sains Malaysia, Malaysia

ABSTRACT

Nowadays, entrepreneurship, specifically social entrepreneurship (SE), is drawing the attention of so many scholars, researchers and policy makers. Social entrepreneurs play a critical and significant role in any economy. They are known as social change agents, which are able to make fundamental contributions to economic and social development. However, there is not a common view about the topic, especially in the field of SE. This paper seeks to elaborate the concept of SE, as a unique and distinct concept. In order to do so, the paper reviews the existing literature on SE and proposes a model to put together the concepts and ideas and provide a comprehensive and common view for the beneficiaries of this phenomenon. This paper will rebuild the existing view of the SE as a two-sided fact, which includes 'Social' and 'Entrepreneurship' dimensions.

Keywords: Social Entrepreneurship, Social Change, Model

INTRODUCTION

Social entrepreneurship, entrepreneurial social activity, or social ventures might convey the same meaning at the first glance. Nevertheless, defining social entrepreneurship and making difference between it and other related areas, is not an easy task. Definitions and conceptualizations exist in this field of study, which range from broad to narrow. We briefly review those close areas and go through the main issue in question, i.e. social entrepreneurship.

The for-profit sector as well as the non-profit sector is undergoing the transition stage. Different terms have been used to show the boundaries between these two sectors, such as 'blended value' (e.g. Emerson, 2003; Nicholls, 2009), 'shared value' (e.g. Porter and Kramer 2011), 'profit seeking' (e.g. Thompson, 2002). One might ask that how these two concepts differ, while both are propelled to be socially responsible. Or, more precisely, what is the main difference between social enterprises and social entrepreneurship organizations. Why non profit organizations or civil society organizations (CSOs) tend to take advantage of entrepreneurial activities? The answers to these questions will be provided later on.

Terms such as 'social business', 'social enterprise' (Cannon, 2000), 'social entrepreneur', 'social ventures', 'civic entrepreneur' (Henton et al., 1997) and the like, are becoming hazy and bringing a variety of interpretations to our minds. Again, it should be noted that the main concept in this study is social entrepreneurship, and any other term is used to clarify and distinguish between this concept and others.

SOCIAL ENTREPRENEURSHIP: LITERATURE REVIEW AND ANALYSIS

Social entrepreneurship is an emerging, controversial and attracting field of study (Austin et al., 2006), as it is put today. The significant amount of definitions, frameworks, models, and regulatory considerations in the last three decades is a witness to this fact. Social entrepreneurship includes a vast range of personal initiatives, trends and social organizational structures (Roper & Cheney, 2005). This phenomenon is generally conceptualized as a two-sided entity, which includes 'social' and 'entrepreneurial' dimensions (Peredo & McLean, 2006). This type of entrepreneurship is somehow confusing; because so many scholars and policymakers do not consider an entrepreneurial aspect for this type of socio-economic activity. Nevertheless, there are some reasons behind the engagement of these institutions in entrepreneurial activities. The reason in United States of America was government funding cutbacks in the 80's (Kerlin, 2006), in Europe it was because of the crisis of the welfare state and increased unemployment (Kerlin, 2006; Spear & Bidet, 2005), and in Asia, it seems to be a result of the lack of governmental supports, except in some countries.

Dees (1998) speaks of social entrepreneur as a type of entrepreneur. In order to define this phenomenon, we might tend to divide the concept into two parts: 'social' and 'entrepreneurship', as it is almost a well known and routine way of defining this influential concept. In order to do so, we define entrepreneurship as the process of identification (or creation), evaluation and exploitation of opportunities (Shane & Venkataraman, 2000) via creative destruction (Schumpeter, 1942). Social aspect of the concept is also significant to be defined. But we go far beyond this minimal view, and review the existing definitions, conceptualizations, models and frameworks.

Drucker considers that social entrepreneurs '... change the performance capacity of society' (Gendron, 1996), while Schulyer (1998) calls them as individuals who have a vision for change. Both definitions convey a fragile note: social entrepreneurs are change agents of a society, but their change is mainly in line with social needs and problems, not necessarily market. Sharir and Lerner (2006) named them change agents as well, which act to create and sustain social values without limiting themselves to current resources.

As Spear (2000) notes, social entrepreneurship is entrepreneurship in a social context for non-commercial organizations. Leadbeater (1997) argues that social entrepreneurs are recognizers of resources in small quantities that would meet more social needs. He shows the sources of social entrepreneurship amongst three spheres of economic activity (public, private, and voluntary), as well. He argues that social entrepreneurship occurs at the intersection of these three sectors. Thompson (2002) refers to the existence of social entrepreneurship in the non-profit sector. Reis (1999) argues the proximity of business and market based skills to social services. Such businesses tend to challenge their earnings by engagement in activities to face social service problems and shortcomings. However, some authors argue that it arises not from the individual but from an organization's social mission (Weerawadena & Mort, 2006).

Fowler (2000) has produced a complex social entrepreneurship typology, highlighting three categories of entrepreneurial social activities: 'integrated social entrepreneurship', 're-interpretation', and 'complementary social entrepreneurship'. Drayton (2002) studied the citizen sector, their entrepreneurial talent on solving social problems and stick-to-itiveness until the job is done.

Social transformation, creating innovative solutions to social dilemmas, mobilization of ideas, capacities and resources, was presumed as the main roles of a social entrepreneur (Alvord et al., 2004). Tan et al. (2005) enumerate some characteristics for a social entrepreneur, in their eyes a social entrepreneur is an innovative risk taker individual who makes profit for society.

Seelos and Mair (2005) highlighted the role of social entrepreneurship in efficiently catering to basic human needs that exist in market and other entities have failed to satisfy. Mair and Marti (2006) believe that social entrepreneurship encompasses a wide range of activities including: enterprising individuals, social purpose business ventures, new types of philanthropists, and non-profit organizations. Nicholls (2006) categorizes the institutions, according to the level of integration between the social aspects and business activities, into three groups: embedded, integrated, and external.

In the literature, there is a comprehensive definition for this matter, argued by Peredo and MacLean (2006). In their stand point of view, 'social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value ('envision'); (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.'

Anderson et al. (2006), however, in their study suppose it as '... a multidimensional construct involving the expression of virtuous behavior in order to achieve a social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and decision-making characteristics of innovativeness, pro-activeness, and risk taking.'

Certo and Miller (2008) argue that social entrepreneurship is nothing but a sub-discipline within the field of entrepreneurship. Their attitude toward its definition is somehow similar to our primary interpretation. They presume that social entrepreneurship involves the recognition, evaluation, and exploitation of opportunities which result in social value. From their point of view, social value is of paramount importance, and personal or shareholder wealth comes next.

Zahra et al. (2009) propose a typology of social entrepreneurs. In their typology, social entrepreneurship '... encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.' Some authors, such as Neck et al. (2009) provide a classification of social entrepreneurs according to two dimensions: their mission, and their achieved degree of impact. They consider it vital to develop indicator for measuring social entrepreneurship.

Institutional Economic Theory (North, 1990; 2005) was at the core of many recent studies. For example, Townsend (2008) argued the perceived institutional ambiguity, institutional factors and the choice of organizational forms for social entrepreneurial ventures. Mair and Marti (2009) argued the institutional voids and processes, while Nicholls (2009) referred to reporting and auditing practices used by social entrepreneurs. In

another paper, Nicholls (2010) analyzed the new landscape of social investment and its institutionalization. Urbano et al. (2010) investigated the social entrepreneurship from an institutional perspective. They examined how these institutional factors affect the emergence and implementation of social entrepreneurship.

A process based view of social entrepreneurship was recently proposed by Perrini et al. (2010). In this view, the need for consistency between individual, organization and contextual factors was highlighted. Their view aims at scaling up social change. Sud et al. (2009) believe that 'social entrepreneurship cannot reasonably be expected to solve social problems on a large scale for a variety of reasons'. They have labeled the reasons as follows: organizational legitimacy pressures, isomorphic pressures, political pressures, structural pressures, and moral pressures.

Note that the distinction between social and conventional/commercial entrepreneurship was referred to, either directly or indirectly, in the literature; but clearly from the above mentioned reviewed literature, it is possible to highlight the role of social aspect of SE. Nonetheless, as recommended by Short et al. (2009), scholars are better to frame their future researches using established theories, such as contingency theory, creation theory and so on.

METHODOLOGY

Induction and qualitative research approach were undertaken in this paper. Induction is a common method to build theories, while deduction is used to test existing theories. Since the issue of SE, as it is now, is not easy to be tested through existing theories which are mainly interdisciplinary in nature, in this study we try to pave the way for future studies by providing a model.

The methods used in this article are literature review and analysis, expert interviews, and focus group sessions. The authors focused on the reference articles, journal papers, and books to review and analyze the literature. After a deep exploration in the literature, a preliminary framework was proposed. Then, expert views were added to the mentioned framework and some corrections were done. At last, during a series of well-organized focus group sessions, the model was finalized and approved.

Proposing a Comprehensive Model for Social Entrepreneurship

Social entrepreneurship is a significant field of study for scholars, academics and even policymakers, as discussed earlier. Based on the review of conceptual SE articles and papers (Short et al., 2009), the research in this domain will not accelerate until theoretical relationships become more explicit and measurable. In this paper, authors try to mainly concentrate upon proposing a more comprehensible and comprehensive model of SE. Therefore, a schematic view of the model will be illustrated.

We consider social entrepreneurship as a process which includes following dimensions: entrepreneurship and all its components with a different view toward 'value' at individual or firm level; and a philanthropic and humane orientation, with generally social goals and missions which results in social value creation, social changes and sustainable development.

As it is illustrated in Figure 1, social entrepreneurship occurs when Individual-Opportunity Nexus (Shane, 2003) is considered, but in broader sense we would better include organization as a social entrepreneur. It should be noted that social entrepreneurs, in our model, need to deal with environmental and contextual elements to fulfill their tasks: Social idea formation, opportunity creation (e.g. Alvarez & Barney, 2005; Baker & Nelson, 2005; Loasby, 2002; Sarasvathy, 2001; Langlois & Cosgel, 1993; Gartner, 1985; Casson, 1982; Schumpeter, 1934), discovery (e.g. Kirzner, 1973), opportunity evaluation, opportunity exploitation (e.g. Nelson & Winter, 1982), and social value creation (e.g. Gartner, 1988; Austin et al., 2006; Weerewardena & Mort, 2006). This process will result in social goal and mission accomplishment, and social responsibility realization. It is crystal clear that any entrepreneurial activity will result in economic value creation, but the reason we highlighted the social value creation in the model, is due to the fact that social achievements of these entrepreneurs should be as significant as possible to be called social entrepreneurs. Social entrepreneurs are social change agents who mobilize their resources (existing or needed) and abilities to realize social changes and sustainable development.

In the first step, social entrepreneurs seek to form social ideas. Social ideas are originated from social needs, shortcomings, social imbalances, and so on. When the idea is generated, social entrepreneurs reveal two general types of behavior: opportunity creation or discovery. The choice depends on the applied paradigm. When the approach is selected, the social opportunity will be needed to be evaluated. Entrepreneurs generally use business plans, feasibility studies or some other methods to evaluate the opportunity. Then, exploitation methods will be used to create economic and social value. Here, the value proposition concept is instrumental. Through this process goals and missions will be accomplished and social responsibilities realized. Comparing the realized SE status against new social goals and missions, a feedback loop will influence the idea formation, and the process will continue.

Additionally, the success and realization of a social entrepreneurial activity hinges on the consideration of environmental and contextual elements. The main elements are as follows: social missions statements and goals;

international culture; national culture; belief in accepted social values; economic situation; political stability; social situation; entrepreneurial infrastructure.

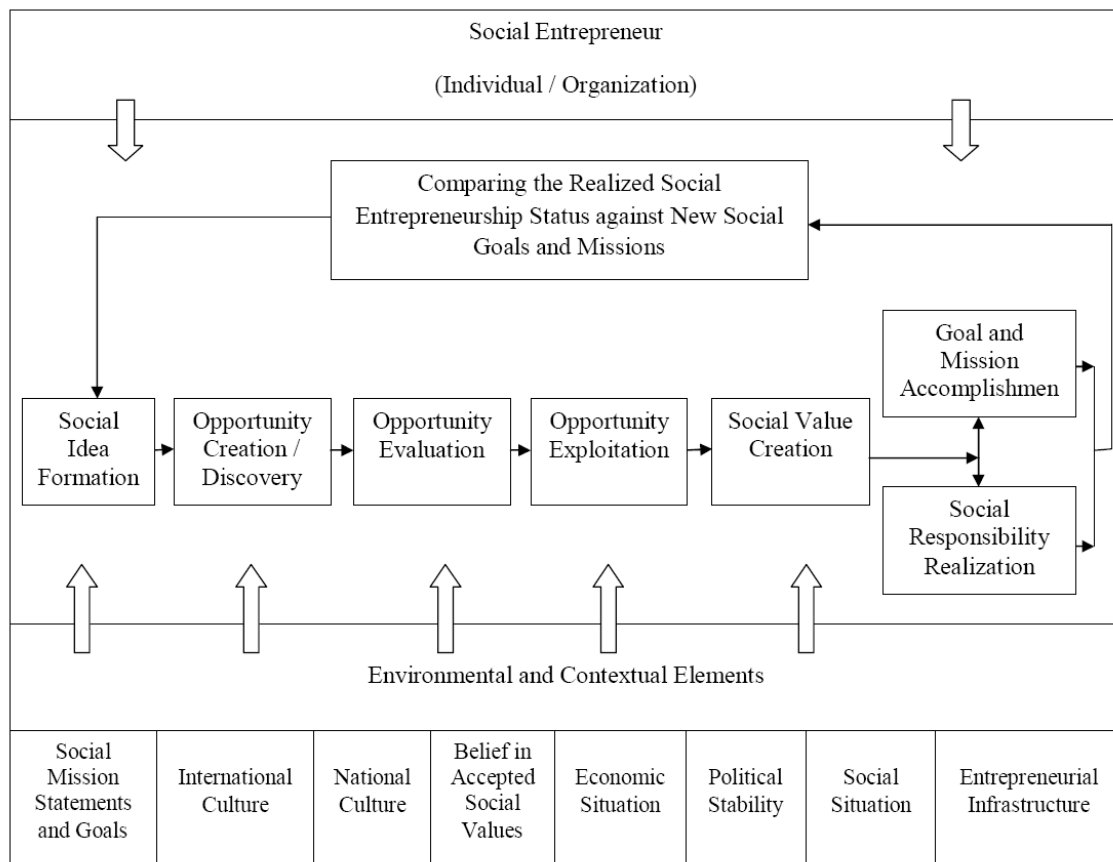


Figure 1: Social Entrepreneurship Model

CONCLUSION

Contrary to the common belief that individuals and firms engage in entrepreneurial activities in order to make profits and economic gains, a considerable amount of social entrepreneurial activities are witness to the fact that social value creation and solving societal problems are of paramount importance from the eyes of entrepreneurs. This paper set out to answer the question: What is social entrepreneurship, and what makes it unique? In order to answer this question, in this paper, we primarily reviewed and analyzed the literature on SE. Then, a model was proposed to elaborate the meaning of SE. It should be noted that the expert views and focus group sessions helped us consolidate the views and propose a comprehensive and comprehensible model. In a nutshell, social entrepreneurship could be defined as a recurring process starting from social idea formation, and going through some steps toward social value creation, which leads to social changes and sustainable development.

Social entrepreneurship as a concept which can no longer be taken for granted is fading away. Proposing models, like the one in this paper, aims at clarifying and elaborating the concept in question. The importance of a unifying model which is able to define SE better, is not needed to be over interpreted. A common view for scholars, academics, policy makers and all other beneficiaries is a worthy achievement. However, there is a need to consider the concept in different contexts, linking the social entrepreneurship models to other micro and macro models, promoting social entrepreneurship attitudes amongst various beneficiaries of the society, and providing a better context for social entrepreneurship to take place.

ACKNOWLEDGEMENT

The authors wholeheartedly acknowledge the brilliant ideas and comments of Professor Ghanbar Mohammadi Elyasi, reviewers of earlier drafts of the article including Professor Seyed Ali Akbar Ahmadi and also contributors in focus group sessions. Besides, the third author would like to acknowledge the support of Universiti Sains Malaysia (USM) through providing vice-chancellor award.

REFERENCES

- Alvarez S.A., Barney J (2005). How entrepreneurs organize firms under conditions of uncertainty. *Journal of Management*. 31(5): 776-93.
- Alvord, S.H.B., David; Letts, C (2004). Social Entrepreneurship and Societal Transformation: An Exploratory Study. *The Journal of Applied Behavioral Science*, 40(3): 260-282.
- Anderson, R. B., Dana, L. P., & Dana, T. E. (2006). Indigenous land rights, entrepreneurship, and economic development in Canada: 'Opting-in' to the global economy. *Journal of World Business*, 41(1): 45-55.
- Austin, J., Stevenson, H., Wei-Skillern, J. (2006). Social and commercial entrepreneurship: same, different or both? *Entrepreneurship: Theory & Practice* 30 (1): 1-22.
- Baker, T., Nelson, R. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*. 50: 329-366.
- Cannon, Carl (2000), Charity for profit: how the new social entrepreneurs are creating good by sharing wealth, *National Journal*, June 16: 1898-1904.
- Casson, M. (1982). *The entrepreneur: An economic Theory* (2nd ed). Oxford: Edward Elgar
- Certo, S. T. & Miller, T. (2008). Social entrepreneurship: Key issues and concepts. *Business Horizons*, 51(4): 267-271.
- Dees, J.G (1998), The Meaning of Social Entrepreneurship - accessed August 29, 2010: <http://cdi.mecon.gov.ar/biblio/docelec/dp4012.pdf>.
- Drayton, William (2002), The Citizen Sector: Becoming as Competitive and Entrepreneurial as Business, *California Management Journal*, 12(1): 29-43.
- Emerson, J. (2003). The blended value proposition: Integrating social and financial returns. *California Management Review*, 45(4): 35-51.
- Fowler A. (2000), NGOs as a moment in history: beyond aid to social entrepreneurship or civic innovation? *Third World Quarterly* 21(4): 637-654.
- Gartner, W.B. (1985) A conceptual framework for describing the phenomenon of new venture creation. *Academy of Management Review*. 10: 696-706.
- Gartner W.B. (1988). 'Who is an entrepreneur?' is the wrong question. *American Journal of Small Business* 12(4): 11-32.
- Gendron, G. (1996), 'Flashes of genius: interview with Peter Drucker', *Inc.*, May 16, 18(7): 30-37.
- Henton, Douglas, John Melville & Kimberly Walesh (1997), *Grassroots Leaders for a New Economy. How Civic Entrepreneurs Are Building Prosperous Communities*, San Francisco: Jossey-Bass Publishers.
- Kerlin JA. (2006), Social enterprise in the United States and Europe: understanding and learning from the differences. *International Journal of Voluntary and Nonprofit Organizations* 17(3): 246-262.
- Kirzner, I. (1973) *Competition and Entrepreneurship*. Chicago and London: University of Chicago Press.
- Langlois, R. N, Cosgel, M. M. (1993) Frank knight on risk, uncertainty, and the firm: A new interpretation. *Economic Inquiry*. 31(3): 456-465.
- Leadbeater, C. (1997). The rise of the social entrepreneur. London: Demos.
- Loasby, B. J. (2002). The organizational basis of cognition and the cognitive basis of organization. In M Augier, JG March (Eds.), *The economics of choice, change and organization, essays in memory of Richard M. Cyert*: 147-167. Cheltenham, UK: Edward Elgar.
- Mair, J. & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1): 36-44.
- Mair, J. & Marti, I. (2009). Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing*, 24(5): 419-435.
- Neck, H., Brush, C. & Allen, E. (2009). The landscape of social entrepreneurship. *Business Horizons*, 52(1): 13-19.
- Nelson, R., Winter, S. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Belknap Press.
- Nicholls, A. (2009) We do good things, don't we?: Blended Value Accounting" in social entrepreneurship Accounting, Organizations and Society 34(6-7): 755-769.
- Nicholls, A. (2006). *Social Entrepreneurship: New Models of Sustainable Social Change*. New York: Oxford University Press.
- Nicholls, A. (2010). The institutionalization of social investment: The interplay of investment logics and investor rationalities. *Journal of Social Entrepreneurship*, 1(1): 70-100.
- North, D. C. (1990). *Institutions, institutional change and economic performance*. Cambridge University Press, New York.
- North, D. C. (2005). *Understanding the process of economic change*. Princeton: Princeton University Press.
- Peredo, A. & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41: 56-65.

- Peredo, A. M. & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1): 56-65.
- Perrini, F., Vurro, C. & Costanzo, L. A. (2010). A process-based view of social entrepreneurship: From opportunity identification to scaling-up social change in the case of San Patrignano. *Entrepreneurship & Regional Development: An International Journal*, 22(6): 515-534 doi:10.1080/08985626.2010.488402.
- Porter, M. E. & Kramer, M. R. (2011). The Big Idea: Creating shared value. *Harvard Business Review*, 1-17.
- Reis, T. (1999). *Unleashing the new resources and entrepreneurship for the common good: A scan, synthesis and scenario for action*. Battle Creek, MI: W.K. Kellogg Foundation.
- Roper, J. & Cheney, G. (2005). The meanings of social entrepreneurship today. *Corporate Governance*, 5(3): 95-104.
- Sarasvathy, S. D. (2001) Causation and effectuation: toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*. 26(2): 243-263.
- Schulyer, G. (1998), Social entrepreneurship: profit as a means, not an end. Kauffman Center for Entrepreneurial Leadership Clearinghouse on Entrepreneurial Education (CELCEE) website (www.celcee.edu/products/digest/Dig98-7html).
- Schumpeter, Joseph A. (1934): *Theory of economic development: An inquiry into profits, capital, credit, interest and the business cycle*. Cambridge: Harvard University Press.
- Seelos, C. & Mair, J. (2005). Social entrepreneurship: Creating new business models to serve the poor. *Business Horizons*, 48(3): 241-246.
- Shane, S. & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research, *Academy of Management Review*, 25(1): 217-226.
- Shane, S. (2003). *A General Theory of Entrepreneurship*. The individual-opportunity Nexus. Edward Elgar: Northampton, MA.
- Sharir, M., & Lerner, M. (2006). Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of World Business*, 41(1): 6-20.
- Short, J.C., Moss, T., Lumpkin, G., (2009). Research in social entrepreneurship: Past contributions and future opportunities. *Strategic Entrepreneurship Journal* .3: 161-194.
- Spear R & Bidet E. (2005) Social enterprise for work integration in 12 European countries: a descriptive analysis. *Annals of Public & Cooperative Economics* 76(2): 195-231.
- Spear, R. (2006). Social entrepreneurship: a different model? *International Journal of Social Economics*, 33(5-6): 399.
- Sud, M., VanSandt, C. and Baugous, A. (2009). Social entrepreneurship: the role of institutions, *Journal of Business Ethics*, 85(1): 201-216.
- Tan, W.-L., Williams, J. & Tan, T.-M. (2005). Defining the 'social' in 'social entrepreneurship': Altruism and entrepreneurship. *International Entrepreneurship and Management Journal*, 1(3): 353-365.
- Thompson, John L. (2002), The world of the social entrepreneur, *The International Journal of Public Sector Management*, 15(5): 412-431.
- Townsend, D. M. (2008). Perceived institutional ambiguity and the choice of organizational form in social entrepreneurial ventures. *Entrepreneurship: Theory and Practice*, 32(4): 685-700.
- Urbano, D., Toledano, N. & Soriano, D. (2010). Analyzing Social Entrepreneurship from an Institutional Perspective: Evidence from Spain. *Journal of Social Entrepreneurship*, 1(1): 54-69.
- Weerawardena, J. & Mort, G.S. (2006). Investigating social entrepreneurship: a multidimensional model. *Journal of World Business* 41(1): 21-35.
- Zahra, S., Gedajlovic, E., Neubaum, D. O. & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24(5): 519-532.