



Social Entrepreneurship – Implications for Management Practice

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1. Introduction

The state's reduced role in the provision of social services, especially in some countries such as the USA or the UK, and the increasing entrepreneurial approach of third sector organizations, have led to the rise of social entrepreneurship which has become a "practical response to unmet societal needs" (Haugh, 2007: 743). Our globalized world has created numerous unmet societal needs such as stabilizing climate (Gore, 2006; Stern, 2006), the sustainable use of limited natural resources (WWF, 2008) and overcoming poverty (World Bank, 2007; United Nations, 2009).

Social entrepreneurs try to fulfil these numerous unmet needs by linking their mission to creating and sustaining social value, not just private value (Dees, 1998: 4). In comparison to non-entrepreneurial third sector organizations, social entrepreneurs apply innovative, proactive and risk-taking strategies (Helm and Andersson, 2010). The most prominent example is Muhammad Yunus' Grameen Bank idea for which he received the Nobel Peace prize in 2006. The mission of Grameen is to bring people out of poverty (Seelos and Mair, 2005). It fulfils its mission by granting microcredits to small entrepreneurs, and by doing so, has successfully gotten millions of people out of poverty (Haugh, 2007). Therefore, its founder upholds the claim that social entrepreneurs are the solution to meet the urgent needs of society (Yunus, 2009).

Due to the potential of social entrepreneurship, dedicated foundations such as Ashoka, the Avina Foundation, the Schwab Foundation and the Skoll Foundation try to identify social entrepreneurs in order to support their activities and their development. One of the prime selection criteria for their support is to demonstrate social impact. All together these foundations invest more than \$75m annually in selected social entrepreneurs (Ashoka, 2010; Avina Foundation, 2009; Schwab Foundation, 2002; Skoll Foundation, 2009). Most of these

foundations have been set up by successful entrepreneurs, such as Jeff Skoll, who are likely to measure the return on investment of their philanthropic donations as accurately as the EBITDA of their companies. Encouraging social entrepreneurial initiatives has also been on our governments' agenda for a while now, even in parts of the world where governmental actions against exclusion and poverty are more common (European Commission, 2003).

Academic research has assisted practitioners in exploring the new phenomenon of social entrepreneurship and distilling its concepts and learning. A search on "social entrepreneurship" done in July 2010 resulted in more than 450 academic publications on the ProQuest and EBSCO databases. The focus of this research ranges from definitions of social entrepreneurship (see e.g. Martin and Osberg, 2007), to various in-depth case studies (e.g. Bornstein, 2007), or to the measurement and scaling of social impact (Kramer, 2005).

At the same time, different societal actors ask entrepreneurs and corporations to manage businesses responsibly and to increase their social and environmental performance (Basu and Palazzo, 2008; Spitzeck, 2009; Zadek, 2004). The literature deals with similar challenges such as defining corporate responsibility (Garriga and Melé, 2004), generating empirical evidence by in-depth case studies (Spitzeck, 2009; Zadek, 2004), as well as measuring and improving corporate social or environmental performance (Delmas and Blass, 2010; Wood, 1991).

The similarity of challenges raises the question of what mainstream entrepreneurs, managers and organizations can learn from social entrepreneurs. Austin (2006), for instance, claims that social entrepreneurship can have value for corporations and introduced the concept of corporate social entrepreneurship. This creates a further link between the findings of social entrepreneurship research and well-established research fields such as entrepreneurship, corporate entrepreneurship or intrapreneurship.

2. The Four Components of Social Entrepreneurship

Social entrepreneurship is a multi-dimensional and dynamic construct, just like entrepreneurship (Bacq and Janssen, forthcoming). Gartner's (1985) global frame of analysis, developed for entrepreneurship, can be used to analyze social entrepreneurship literature because it integrates all variables studied in the latter: (1) the features of the individual(s), i.e. personality traits, expertise, family background or demographic characteristics; (2) the process, i.e. the actions undertaken by the individual(s) to set up the organization; (3) the organization itself, including its characteristics and its strategy; and (4) the environment, being the sum of exogenous variables. Applying this well-established model to social entrepreneurship may help to shed light on synergies between different fields of research and practice.

For the Social Innovation School, one of the leading schools of thought interested in social entrepreneurship, the role of *the individual* is central in its conception of social entrepreneurship. This school could be compared to the School of Traits in the entrepreneurship field. Their view of the social entrepreneur can be summarized as follows: he/she is a visionary individual who is able to identify and exploit opportunities, to leverage the resources necessary to the achievement of his/her social mission and to find innovative solutions to social problems that are not adequately met by the existing systems. Some works have tried to determine if social entrepreneurship is (or should be) individualistic or collective. However, very much as in entrepreneurship research, research on the social entrepreneur has focused on his/her characteristics and has tried to compare social and “traditional” entrepreneurs. The contributions of Glunk & van Gils as well as Clarke & Dougherty focus on that aspect. Both review findings focus on the knowledge, skills and attitudes that potential future social entrepreneurs need to develop. Glunk & van Gils describe initiatives aiming at supporting potential social entrepreneurs among students and summarize methods, contents and expected outcomes of this approach. Their contribution thus informs how entrepreneurs, as well as intrapreneurs, in the social innovation space might be educated, trained and socialized. The paper by Brenneke & Spitzack also starts by examining the personal characteristics of social intrapreneurs. It defines social intrapreneurs as people having knowledge about the organization and its market environment, possessing entrepreneurial as well as social skills, and being driven by societal values to achieve social impact. It shows that social entrepreneurship helps organizations to find the sweet spot between business and responsible management creating profitable solutions to society’s most pressing problems.

Just as in the entrepreneurship field, other scholars looked at social entrepreneurship through the lens of the *process*. Originally, this aspect was only about the process by which a new venture is created. In a broader sense, this conception now also refers to how opportunities are identified, evaluated and exploited (Shane and Venkataraman, 2000). Besides the personal aspects, Brenneke & Spitzack address the question of innovations brought by the social intrapreneurs and show that to reach critical mass the social intrapreneur uses the organization’s business as leverage. It also stresses the fact that the concept of social intrapreneurship is ambiguous regarding the relationship between societal impact and profitability. Clarke & Dougherty additionally show that youth-led social enterprises struggle to create effective strategies for social change as they primarily depend on a bottom-up socialization process.

The specificities of the product of social entrepreneurial behaviours, i.e. social entrepreneurial *organizations*, have also been analyzed by researchers. Among the issues regarding these organizations, attention has been paid to the legal form, governance structures, resources or other strategy aspects, such as the mission, the impact of the organization, or the issue of profit distribution. In social

entrepreneurship, the main differentiating element is probably the social mission and its impact on the organization's activities. One of the central questions is the balance between the social mission and the market activities of the organization. Should the economic activity be linked directly to the social mission or should it only finance the social activities, without necessarily being linked to the social mission? Using six cases, Hockerts examines how social entrepreneurial ventures transform sectors by creating disequilibria in market and non-market environments. He also stresses the tensions between the social mission and market requirements. His paper shows that practitioners find it difficult to satisfy requirements of profitability and social impact at the same time. Hockerts observes that organizations either tend to retreat towards the philanthropic core or abandon some social objectives to better perform in the market.

The fourth variable in Gartner's model is the *environment*. The traditional question in this section is how the environment shapes the opportunities of the social enterprise. Clarke & Dougherty describe how the environment limits the social impact of youth-led social entrepreneurship. Hockerts describes how social enterprises shape the market-environment by creating disequilibria. Social entrepreneurs therefore seem to be influenced by, but also proactively influence, the environment in which they operate.

Not all four aspects of Gartner's framework have been treated equally by empirical research. After having stressed that the research on social entrepreneurship published in the past two decades has been primarily dedicated to establishing conceptual foundations, Hoogendoorn, Pennings & Thurik analyze the empirical articles that have gradually appeared since the turn of the century. The 31 identified empirical papers are mostly qualitative and mainly exploratory. They conclude that quantitative hypothesis testing is still lacking and so are sectoral studies. The contribution of Hockerts in this volume is therefore probably the first empirical study addressing sectoral impacts in the space of social entrepreneurship and thus directly addresses one of the gaps identified by Hoogendoorn et al. However, we are in dire need of more empirical research which goes beyond single case study designs in order to consolidate research in social entrepreneurship. The time is also ripe for social entrepreneurship to shift from nonprofit and public policy research to mainstream management issues and research (Short et al., 2009).

3. Implications for Management Practice

The purpose of this special issue is to distill insights in the field of social entrepreneurship for entrepreneurs, managers and business organizations. By following the model of Gartner (1985) we grouped the contributions into insights regarding the entrepreneur, the entrepreneurial process, the organization and finally the environment.

With regards to the entrepreneur, research places an emphasis on the societal motivation of social entrepreneurs. These individuals translate societal concerns into business opportunities. In order to be effective at that, they exhibit values such as empathy and have a deep understanding about the holistic and systemic nature of sustainability issues. Our contributions show that, if we are to foster more social forms of entrepreneurship, we need to train entrepreneurs differently, placing an emphasis on change and a more holistic view of organizational success, as exemplified e.g. by the triple bottom line. Managers and organizations as well as universities therefore might need to rethink their training programmes if they are to support innovation and intrapreneurship in the benefit of society.

Regarding the entrepreneurial process the contributions outline the difficulties of translating societal concerns into feasible products and services. As opportunities stem from societal as well as systemic issues often linked to the 'tragedy of the commons' (Hardin, 1968), profitable business solutions are more difficult to develop. The evaluation of new ideas also becomes more complicated as they often fall between philanthropy and business development. Finally the exploitation of social business opportunities in many cases depends on new partnerships between corporations, NGOs and governmental institutions. The implication for managers and corporations is that they need to learn how to build and work in networks of different societal actors, which have a different vision on what success looks like.

On the organizational level, social entrepreneurship also has important implications for for-profit companies that are asked by their customers and other stakeholders to exert more social responsibility. This is precisely where social entrepreneurship implications intersect with corporate social responsibility issues (Pirson, 2009). Learning from social entrepreneurs, managers today might see opportunities where they once saw risks. Nowadays, more and more for-profit ventures are created from the start on the basis of the discovery of a social opportunity. This is because there is an increasing demand for products and services fulfilling a societal need. Social entrepreneurs develop products and services addressing these social needs and discover new sources of profitability. Social entrepreneurs can inspire management by new forms of revenue generation and the exploitation of opportunities (Grayson & Hodges, 2004; Porter & Kramer, 2006). They exemplify that opportunities are the flipside of risks and challenges.

Finally, social entrepreneurs do not only adapt to a given environment – they envision and create it. Ideas such as Muhammad Yunus' microcredits create new markets and services, bringing disequilibria into existing markets. Inspired by new solutions which create not only financial benefits, but also create, environmental or social value, citizens and consumers become ever more demanding. Managers who are able to foresee societal trends not only avoid risks by this ever more demanding clientele, but might turn out to be social intrapreneurs, turning these new challenges into profitable products and services.

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