SOCIAL ENTREPRENEURSHIP:
TAKING STOCK AND LOOKING AHEAD

Johanna Mair
SOCIAL ENTREPRENEURSHIP: TAKING STOCK AND LOOKING AHEAD

Johanna Mair¹

Abstract

This essay sets out to take stock of existing endeavors to conceptualize Social Entrepreneurship. We illustrate the context-specific nature of the phenomenon and derive implications for fostering social entrepreneurship as a positive force for social and economic development. The paper has two main objectives: first, to stimulate a productive agenda for future research that goes beyond questions of ‘who’ and ‘what’ by pursuing the important considerations of ‘where’, ‘why’ and ‘how’; and second, in so doing, to generate real insights for advances in both theory and practice.

Keywords: social entrepreneurship, institutions, capitalism.

¹ Associate Professor, Strategic Management, IESE

Social Entrepreneurship: a Trend or More?

Social entrepreneurship is trendy! Every year in February social entrepreneurs mingle with the CEOs of the world’s largest corporations and prominent politicians at the World Economic Forum in Davos. Social entrepreneurs are the VIPs at other global events such as the Clinton Global Initiative and they are the favourite investees of the ‘new’ philanthropists: the Jeff Skolls or Bill Gates of this world. Although the academic interest in social entrepreneurship is increasing – calls for special issues are launched; international academic conferences and workshops are organized – research and scholarly investigation into the phenomenon can hardly be regarded as the catalysing force behind the recent momentum on social entrepreneurship.

Instead one could argue that it has been elite endorsement of the phenomenon by the leaders of powerful communities – political, business, philanthropic and celebrity – that has stimulated the broad interest in and public exposure to social entrepreneurship as a defining trend of the twenty-first century. What is special about social entrepreneurship as a trend is that its diffusion occurs in parallel within different domains, each with separate networks and agendas. Ideas associated with social entrepreneurship have permeated several different spheres of society and kick off development within these realms. In politics, for example, it has inspired proactive legislation for community and social enterprise and debates on the future of the welfare system under the UK’s Blair administration (Grenier, 2009). In association with the 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 increasingly in the developed world (Seelos and Mair, 2007). In finance the latest discussion reflecting social entrepreneurship centre’s around social stock markets, socially-responsible investing, and the creation of a new asset class (Emerson, 2003). Finally the field of philanthropy has witnessed a dramatic shift towards strategic and impact orientation (Letts and Ryan, 1997) inspired by the business acumen of successful social entrepreneurs. While at present these trends occur in their defined domains, the potential exists for social entrepreneurship to blur the long-established boundaries between the public, private and citizen sectors. This process could occur in two stages: the first involving a blending mainly at the discursive level; but in a second stage this blending might well occur at the level of behavior, for example, by the exchange and alignment of practices and professional standards.
So is social entrepreneurship just hype, a fashion or something more? In fact, for researchers, whether it is a trend or indicative of something greater does not matter; it is more important to understand why social entrepreneurship exists in the first place, and what the implications are. This chapter sets out to take stock of existing endeavours to conceptualize around the phenomenon. It then goes on to illustrate its context-specific nature, and finally to derive implications for fostering social entrepreneurship as a positive force for social and economic development. The objectives of this chapter are twofold: first, to help stimulate a productive agenda for future research that goes beyond questions of ‘who’ and ‘what’ by pursuing the important considerations of ‘where’, ‘why’ and ‘how’; and second, in so doing, to generate real insights for advances in both theory and practice.

A Variety of Meanings and a Variety of Perspectives

In parallel with the number of articles in the 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, non-profit organizations adopting commercial strategies, social cooperative enterprises, and community entrepreneurship are just some of the distinct phenomena discussed and analysed under the ‘umbrella construct’ of social entrepreneurship. 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 refer to a variety of actors and activities as social entrepreneurs and social entrepreneurship. The Table 1 illustrates the diversity in both discourse and phenomena. Although all these phenomena embrace a social impact dimension, they differ substantially with respect to the actors, contexts and mechanisms at play, and theories of social change.

From a research perspective, social entrepreneurship is currently clearly enjoying an ‘emerging excitement’ (Hirsch and Levin, 1999) from various disciplines and theories, yet as a scholarly field of investigation it faces two major challenges. First, many of the perspectives and research fields it engages, such as entrepreneurship theory or the literature on non-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 rigour. Hirsch and Levin (1999) elegantly label those who are concerned with relevance as ‘umbrella advocates’ because they promote broad views and emphasize the messy and complex nature of the phenomenon and social life in general. Conversely, they label researchers who emphasize methodological rigour ‘validity police’ as they call for narrow views built on stringency, validity and reliability.

Lifecycle 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 (such as Ashoka, the Schwab Foundation, the Skoll Foundation 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 term ‘social entrepreneurship’ across political and economic realms. These organizations,
however, are also heavily engaged in shaping the meaning of social entrepreneurship. Founders or managing directors provide their views on ‘what social entrepreneurship is’, ‘what social entrepreneurs do’ and ‘who they are’ (Drayton, 2002; Martin and Osberg, 2007; Elkington and Hartigan, 2008) and therefore critically shape identities at the field level and influence field boundaries. This chapter pays tribute to these effects and considers social entrepreneurship as a phenomenon in the making. Nevertheless it attempts to integrate and synthesize existing theoretical and practical perspectives on social entrepreneurship.

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

<table>
<thead>
<tr>
<th>Phenomenon under study</th>
<th>Description</th>
<th>Key author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community entrepreneurship</td>
<td>The community is the entrepreneurial actor and beneficiary. E.g., a village engaging in fair trade coffee farming and selling.</td>
<td>(Peredo and Chrisman, 2006; Johannisson and Nilsson, 1989)</td>
</tr>
<tr>
<td>Social change agents</td>
<td>Individuals who alter public perceptions about (specific) social issues. Examples range from John Elkington, the founder of sustainability, to Bono, of the group U2.</td>
<td>(Waddock and Post, 1991; Drayton, 2002)</td>
</tr>
<tr>
<td>Institutional entrepreneurs</td>
<td>Individuals or organizations that alter social arrangements and the institutional fabric hampering development.</td>
<td>(Mair and Marti, 2009; Marti and Mair, 2009)</td>
</tr>
<tr>
<td>Social ventures</td>
<td>Business ventures that provide a product or service that creates social or environmental benefit, such as the production and distribution of biodegradable water bottles.</td>
<td>(Dorado 2006; Sharir and Lerner, 2006)</td>
</tr>
<tr>
<td>Entrepreneurial non-profit organizations</td>
<td>Non-profit organizations that engage in commercial activities to create an income stream and enhance financial sustainability.</td>
<td>(Fowler, 2000; Frumkin, 2002)</td>
</tr>
<tr>
<td>Social enterprise</td>
<td>Organizational forms following principles of cooperatives.</td>
<td>(Borzaga and Defourny, 2001)</td>
</tr>
<tr>
<td>Social innovation</td>
<td>Innovation understood broadly and including processes and technology for the social good.</td>
<td>(Alvord, Brown and Letts, 2004; Phillips, Deiglemeier and Miller, 2008)</td>
</tr>
</tbody>
</table>

A Perspective: Social Entrepreneurship as a Context Specific – Local – Phenomenon

An assessment of activity labeled as social entrepreneurship, for example, by examining the work of Ashoka or Schwab fellows, reveals that where social entrepreneurs operate affects what they do and how they do it.

In too many places on this planet the economic, social and political institutions (such as markets, companies, charities and bureaucracies) that are designed to cater to the basic needs
and rights of individuals in society are failing to serve large segments of the population. As a result millions of people remain marginalized, locked into an informal system that does not guarantee the right to be paid fairly, to be treated equally or to access education and health services, often leading to situations of chronic poverty. Even in so-called ‘developed’ countries, too many people are falling through the cracks. On the other hand, new problems are continually being created as a result of the very same institutions, organizations and individuals striving to satisfy other perceived needs or wants in society. In economic terms these are usually called externalities and have paradoxically resulted in the resurgence of a whole new set of unfulfilled basic human needs. For example, pollution caused by companies in their competitive race for growth and technological advances, leads to new basic needs for clean air and water. Rapid economic growth and radical transformation of social, economic and cultural life, often as a result of technological change, has led to increased inequalities both within and between countries across the globe.

Armartya Sen (1999) has argued that these basic human needs are also, in fact, basic human rights. Sen refers to them as ‘instrumental freedoms’ that enable development by fostering individual capabilities. Whether one takes a needs or a rights-based approach, few would argue that these ubiquitous fundamentals are not being delivered by society to all of its members. Building on this approach, I suggest that one way of ‘making sense’ of social entrepreneurship is to view it as individual and/or collective actors addressing the opportunity spaces created by these failures. They may be fulfilling the role of delivering products, services or institutions that existing organizations in the public, private or voluntary sector do not provide. Or they may address needs newly created either by legitimate activities (for example market externalities created by pollution or climate change), or by illegitimate actions (such as child labour). As the latter example illustrates, needs may be created by social change as well as economic or political change.

Contrary to widely-held popular beliefs, unfulfilled 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 conditions in a country. Yet these reports reflect only the average performances and results of countries, and are poor proxies for the ‘everyday states’ and realities encountered at the local level.

Social entrepreneurship as viewed in this essay refers to a process of catering to locally-existing basic needs that are not addressed by traditional organizations. Depending on the need addressed, the process usually involves the provision of goods or services and/or the creation of missing institutions or the reshaping of inadequate ones. However, the main objective is to change or modify the social and/or economic arrangements that create the situation of failure to satisfy basic needs. 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, and social entrepreneurial organizations may also access resources through patrons.

The defining purpose of social entrepreneurship, regardless of the financial model, is to effect social change by altering the social, economic and political day-to-day realities at the local level. It is therefore the local context that shapes opportunities for social entrepreneurship and determines the strategies and tactics employed. These strategies and tactics reflect an entrepreneurial approach to action characterized first by resourcefulness (without necessarily
having the resources in hand); second, by the ability to recombine resources into new value-
creating configurations (‘bricolage’ of material, institutional and cultural resources); and finally
by creative and innovative, that is novel ways of doing things.

One of the most widely celebrated social-entrepreneurial innovations is microfinance. 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 thereby change the social
structure that makes economic development so difficult in the first place. Very often it is the
non-banking activities of organizations offering access to credit (such as training and
education) which, when coupled with the banking activities, create social value and provide the
lever for social change. From the perspective offered in this chapter, simply giving credit and
loans without also empowering the 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, that is the
configuration of resources and activities. This perspective also invites a more agnostic view on
who is the social entrepreneur. 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 (Mair and
Marti, 2006). Also the choice of the organizational form is more a reflection of the particular
problem at hand rather than a paradigm issue. For-profit and non-profit should not be seen as
defining characteristics of social entrepreneurship but as a specific choice that is made to best
suit the overall model and the local context. As mentioned above, certain needs in certain
contexts lend themselves more easily to for-profit models when the willingness and ability to
pay exists. In addition the legislative context and especially fiscal law implications are
important decision criteria in the choice of for-profit or non-profit organizational set-up.

How Social Entrepreneurship Varies Across Economic and Cultural Contexts

If the opportunity space for social entrepreneurship is defined by the 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, researchers, policy makers or
businesses have to situate the phenomenon (or the social entrepreneurial actor) in a specific
context in order to understand it fully. The vast body of research undertaken on ‘varieties of
capitalism’ (see Jackson and Deeg, 2008 for a recent review) provides a useful lens to
understand entrepreneurship across economic and cultural contexts. Following this research
tradition and applying a stylized classification to the contexts where social entrepreneurship
takes place conform to three main types: 1) the liberal economy, in which the market
mechanism is considered the best way to shape and maintain economic and social justice (the
United States economy is an example); 2) the cooperative economy, in which the state plays an
important role in redistributing wealth, and markets are conditioned by regulative interventions
(for example most European economies), and 3) the informal economy, in which neither the
state nor the market can create wealth and maintain social justice but instead affiliation to
social groups determines the local creation and distribution of wealth and justice (a good
example is India, but many countries of Latin America and Asia also conform to this type).
In applying this typology to understand entrepreneurship in general, the main variables considered are the role and power of the government versus the role and power of markets. Is this typology also useful for ‘making sense’ of social entrepreneurship across contexts? I believe so. The typology allows us to identify macro-trends and/or make general statements about things; such as the likelihood of social entrepreneurship taking place in a particular context as well as the origin and/or type of needs addressed by the social entrepreneur. I argue that such an approach provides a fruitful avenue for much-needed empirical efforts to understand social entrepreneurship. Differentiating between these three contexts would allow us to develop theory and gain evidence on the occurrence of social entrepreneurship. For example, the following testable proposition comparing social entrepreneurship across these three contexts can be derived following the thrust of existing theory as applied to the phenomenon of social entrepreneurship.

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

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

The second important area in which existing knowledge and literature on varieties of capitalism could be beneficial for enhancing our understanding of social entrepreneurship is in the explanation of variance. That is, how do the ways social entrepreneurial initiatives address specific needs vary across different contexts? Potential 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.

Or formulated in a comparative way:

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

While I view existing research on varieties of capitalism as hugely beneficial to inform emerging theorizing efforts and empirical endeavours I argue in this chapter that the complexity involved in social entrepreneurship requires existing typologies to be paired with additional variables that capture the local economic, social, cultural and natural heritage characterizing the specific microcosm in which the social entrepreneurial initiatives are operating.

For example social entrepreneurship in India, Bangladesh and Pakistan is very much shaped by the political context or, more specifically, by the political problems in those countries since independence. In India, for example, many social entrepreneurs address the huge gap that exists between formal legislation (which 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 shaped significantly by the natural disasters occurring on a regular base (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 world is the strong influence of the Church. Traditionally the churches have encouraged entrepreneurial – or informal – approaches to social issues. More recently the entrepreneurial spirit developed under such regimes has independently taken off. However, similar to South Asia, it is the specific political and socio-cultural context that has shaped social entrepreneurship.

In traditional liberal economies such as the United States, 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 centre of social entrepreneurial activities. Another important opportunity space for social entrepreneurs in liberal economy countries such as the United States 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 inequality. Social entrepreneurs such as Wendy Kopp, who set up Teach for America to address this failure, have come up with innovative ways to tackle this specific problem and to make sure that ‘one day, all children in this nation will have the opportunity to attain an excellent education’ (Teach for America, 2009).

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. New needs are also emerging as traditional ways of doing things clash with modern practices and expectations. In Germany, for example, the traditional shared belief that women with children under four should stay at home to look after them clashes with new career models for women. The lack of social infrastructure to take care of babies and young children during working hours thus provides an opportunity space for social entrepreneurs.

An important point to note here is that the boundaries of these models are in flux. For example, we can see that the cooperative model present in many European countries is blurring and becoming infused with elements from the liberal economy model present in the United States. At the same time we observe many countries with a long informal economy tradition, now building up a fast-track liberal economy-based sector. In other words we will, and already do have instances 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, that is the entrepreneurial environment.

These examples illustrate an important – probably the most important – role of social entrepreneurship. Social entrepreneurs and their models provide 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. Companies often shy away from addressing basic needs as they do not see the business case, that is, 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 Theory and Practice

Social entrepreneurship can supply a positive force not only to spur economic development directly but also, and especially, to provide fertile ground for such growth to take root and to ensure its sustainability. Social entrepreneurs contribute fertilizer in the form of social capabilities and address inequalities across different dimensions (social, economic and political) that can be a source of unbalanced progress making social and economic development vulnerable. Implications we can derive from the admittedly-limited systematic understanding of social entrepreneurship we have generated over the last decade can be summarized as follows.

The Entrepreneurial Individual

In an ideal world, after they had developed the proof of concept, social entrepreneurs would be replaced by governments or businesses. However, in reality, 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 envision opportunities for collaboration 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 is only the tip of the iceberg. A promising avenue lies in integrating social entrepreneurship into high school education and undergraduate programme. In addition to educating the next generation we could 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, the founder of the Aravind Eye Hospitals – Dr G. Venkataswamy (known as ‘Dr V’) – started his initiative only after he had officially retired from public service. It is now the largest eye hospital group in the world (Aravind Eye Hospitals, 2009).

As mentioned previously, support organizations such as Ashoka have been instrumental in mobilizing support structures across sector boundaries. Sustained efforts, not only by 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 favourable 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 for 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 United Kingdom, have been proactive in drafting favourable 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 more is needed. We have too few models to 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. In particular, academics 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 world of social entrepreneurship, which is not surprising if we consider the scale and magnitude of global social needs. Yet this trend leads to the application of consulting templates and performance measurement schemes designed for and used in very different contexts. How do we 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 cannot be reduced to simple and measurable indicators; it reflects local realities and therefore comparing impact across needs and across contexts is difficult. Finally, academics should not shy away from documenting and theorizing about the ‘dark side’ 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 chapter resonates with Salamon and Anheier's 'social origin' approach on the emergence of social sector organizations (Salamon and Anheier, 1996). Accordingly, social entrepreneurship is viewed, 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 that make up this context. For research, social entrepreneurship represents an exciting opportunity to unpack mechanisms driving social and economic development. At this stage of the life cycle of social entrepreneurship research (Hirsch and Levin, 1999) we can be sceptical about efforts to generate ‘grand’ theories of social entrepreneurship. Rather we should see enormous potential in theoretical and empirical efforts that aim at building mid-range theories and unraveling the social mechanisms constituting the phenomenon (Hedstrom and Swedberg, 1998; Davis and Marquis, 2005). Finally we would like to emphasize the potential of social entrepreneurship research to bridge disciplinary divides and inspire the broader field of entrepreneurship to take advantage of building on theories from both sociology and economics (Sorenson and Stuart, 2008).
References


