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A conceptual study of social entrepreneurship

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Abstract

Social entrepreneurship is a unique entrepreneurship which is totally driven by the societal problems. Business entrepreneurship focuses on wealth creation and is of interest because of its potential to fuel economic development whereas social entrepreneurship focuses on ‘making the world a better place’ and creating social capital. Social entrepreneurs are driven by an ethical obligation and desire to improve their communities and societies. In this back drop an attempt is made to highlight the importance, ethics and preparation of young social entrepreneurs. All the relevant data was collected through review of available literature.

Keywords: Social entrepreneurship, societal problems, economic development, social capital.

Introduction

Social entrepreneurship commonly defined as, “entrepreneurial activity with an embedded social purpose.”(Austin, Stevenson & Wei-skillern, 2006) [2] Has become an important economic phenomenon at a global scale (Mair & Marti, 2006; Zahra, Rawhouser, Bhawe Neubaum & Hayton, 2008). Haugh’s (2005) identified eight themes that she believed would strengthen and deepen our collective knowledge of social entrepreneurship. These themes are: defining the scope of social entrepreneurship, the 5 environmental context, opportunity recognition and innovation, modes of organization, resource acquisition, opportunity exploitation, performance measurement, and training education and learning about social entrepreneurship.

Social entrepreneurship is a new, emerging field challenged by competing definitions and conceptual frameworks, gaps in the research literature, and limited empirical data (Mair& Marti, 2006; Nicholls, 2006). A number of scholars argue that entrepreneurship is a process that can be applied to the creation of economic or social ends. Drucker (1985) suggested that “the entrepreneur always searches for change, responds to it, and exploits it as an opportunity” regardless of whether that opportunity is commercial or social in nature. Often, however, the focus in “entrepreneurship” studies is on only “forprofit” activities while the term “social entrepreneurship” has focused primarily on activities with social purposes. In recent years, the term “social entrepreneurship” has emerged to describe the application of entrepreneurial activities with an embedded social purpose. Business entrepreneurship focuses on wealth creation and is of interest because of its potential to fuel economic development whereas social entrepreneurship focuses on ‘making the world a better place’ and creating social capital. Peter Drucker (1979, 453) introduced the concept of social enterprise when he advocated that even the ‘most private of private enterprise is an organ of society and serves a social function.’ Increasingly, researchers are looking beyond entrepreneurship as only having an economic component or Schumpeterian purpose where entrepreneurs spur innovation and speed up structural changes in an economy, but also recognize a social component which acknowledges that people pursue their need for independence or have no alternative options for work and hence engage in self-employment (Bosma, Wennekers, and Amoros 2011).

Social Entrepreneurship Vs Social Corporate Responsibility

Social corporate responsibility involves a business making a profit while doing something ethical based on the needs of multiple stakeholders. A social entrepreneurship, on the other hand, exists with the goal of reaching out to those in need. According to Martin & Osberg, in

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Social Entrepreneurship, three main components are the basis for true social entrepreneurship and it includes an existing imbalance subjugates an impoverished segment of the population, someone notices the imbalance and uses creativity and action to help and a new balance develops and life is better for the formerly impoverished group as well as, often, society as a whole.

Can a For-Profit Organization Develop Social Entrepreneurship?

The opportunity exists for a business to create a socially responsible entrepreneurship plan, but a great deal of commitment, at all levels of the organization, will be required to implement the new plan. A business leader who is inspired to begin such a course of action will not be able to engage in 'business as usual' and expect to succeed as a social entrepreneur. A company that is doing one positive thing while still doing multiple other unethical things is not likely to reach the esteemed height of an organization that exists solely to help people. By examining a societal problem, business leaders can explore ways to develop products and programs that fit into the realm of social entrepreneurship.

Ethics of social entrepreneurship

Despite the extensively recognized importance of social entrepreneurship, concerns persist over the ethics of its practice. Some believe social entrepreneurship represents a harmful marriage between opposing values. The increased emphasis on efficient and profitable market models dramatically clashes with many of the founding ideals of the public sector and NGOs dedicated to fostering the public good (e.g., Eikenberry and Kluver, 2004). Critics also charge the application of organizational models that stress competitive practices is incongruent with, and even dangerous to, the values of the traditional social models. These values emphasize community participation, transparency, due process and stewardship (Alexander and Weiner, 1998).

Sustaining social ventures often requires a strong entrepreneurial orientation that is grounded in the use of business models. The Aravind Eye Clinic in India charges some indigent patients the equivalent of US\$4 for a US\$1 cataract lens to help defray the cost of serving even poorer patients who get the implants for free (Prahalad, 2004). Nirmalan *et al.* (2004) found that among India's rural poor, a large percentage need eye care services but do not seek treatments from existing institutions which are inefficient and slow. In contrast, Aravind offers quick, easy-to-access and reasonably priced, quality services that address some unmet social needs. The business model used helps to defray the poor's cost. Still, a focus on business models can also tilt social entrepreneurs' focus away from addressing their chosen causes toward making a profit, shifting services away from the truly indigent to only those who can afford to pay. This may also lead to the denial of services to constituents who are costly to serve. A strong emphasis on entrepreneurial orientation could also cause the reduction, or even the abandonment, of the programs whose outcomes are uncertain, progress is slow, or success rates are difficult to measure (Eikenberry and Kluver, 2004). Thus, while an entrepreneurial orientation can produce desirable change, its effects could also leave clients with compelling needs not served, marginalized, or force some to pay for services that

others may get at a lower rate.

While social entrepreneurs are driven by an ethical obligation and desire to improve their communities and societies, egoism can drive them to follow unethical practices. Egoism is especially relevant because the identity and passions of social entrepreneurs usually compel them to create and lead social ventures. Longnecker *et al.* (1988: 64) observe that, "Entrepreneurial ethics may have their roots in the individualism associated with entrepreneurial behavior," and some have observed social entrepreneurs have the same core temperament as their economically motivated peers (Davis, 2002). This egoistic streak, therefore, may lead some social entrepreneurs to believe that any actions taken to fulfill their ambitions are ethically justified (Longnecker *et al.*, 1988).

Importance

Throughout the world, socially conscious individuals have introduced and applied innovative business models to address social problems previously overlooked by business, governmental and non-governmental organizations (NGOs). These entrepreneurs have played a vital role in ameliorating adverse social conditions, especially in underdeveloped and emerging economies where resource scarcity and corruption among governments and even NGOs severely limit the attention given to serious social needs (Prahalad, 2005). Social entrepreneurs have also become highly visible agents of change in developed economies, where they have applied innovative and cost-effective methods to address nagging social problems that have defied traditional solutions (Cox and Healey, 1998). The movement by several countries to "marketize" the social service sector (Salamon, 1999) has also fueled the desire to use the efficiency of competitive markets to improve social performance (Goerke, 2003; Zahra *et al.*, 2000). Several governments, including that of the US, have also dramatically cut federal spending on social services such as education and community development (Lasprogata and Cotton, 2003), creating a need for entrepreneurial activities to raise funds and address social needs. The global movement toward privatization and marketization has also profoundly influenced not-for-profit organizations and NGOs, pressuring them to address the gaps left in the provision of social services. Though funding for these activities from traditional sources has declined (Wolverton, 2003), the costs of delivering these programs have increased (Leadbetter, 1997). Consequently, more and more not-for-profit organizations attend to an expanding set of complex social needs, yet rely on fewer funds. This has prompted some not-for-profits to apply entrepreneurial strategies and business models. This includes forming collaborative relationships to finance and operate programs that pursue their social missions (Foster and Bradach, 2005; Chell, 2007; Pearce and Doh, 2005). These institutional changes have also given rise to a variety of social ventures (Dorado, 2006; Thompson and Doherty, 2006).

Preparing Young Social Entrepreneurs

A popular Māori proverb says people are the most important thing in the world. 'He Tangata! He Tangata! He Tangata! It is people, it is people, it is people'. There are programmes all over the world to identify and support promising young people to become social entrepreneurs. Ashoka, founded in 1980, identifies leading social entrepreneurs across the world and supports them to build their institutions and spread their

ideas. They provide fellows a global support network for life. Investing in young social entrepreneurs achieves following purposes:

- Develops socially engaged citizens who will contribute to more vibrant communities.
- Empowers young people to solve the obtrusive issues of society.
- It trains entrepreneurs and innovators to grow new business and economic development.

Conclusion

Social enterprises offer great potential for economic, societal and job gains. Not only do social enterprises fulfill their social mission, they can be sustainable from the revenue generated from their trading activity in services and goods. Social enterprises are also playing an increasingly important role in complementing the social services offered by charities as well as government agencies. For the sector to grow and mature to eventually achieve its potential, an enabling environment needs to be created. The sector will benefit from greater transparency and clarity which will allow social enterprises to be more easily recognizable and understood by consumers, entrepreneurs as well as the community they serve. This will also drive the accountability of social enterprises to attract further social investments to catalyze their growth.

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