Examining the Significance and Impact of Social Entrepreneurship

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Abstract

Social entrepreneurship has garnered a significant amount of attention over the last decade or two. With so much emphasis on economic and financial return, governments and commercial businesses often neglect or provide insufficient attention towards the social and natural environments. This recent surge in non-profit and social activity from social entrepreneurs is proving to be an effective means of doing business, stirring up much controversy amongst scholars along the way. This paper dives into the hotly debated definition of social entrepreneurship and examines the types of opportunities and challenges associated with new phenomenon. Then, the report concludes with a discussion on the complexity of social entrepreneurship and why future research is needed.

Keywords: Social Entrepreneurship Corporate Social Responsibility, Social Enterprise, Social Value Creation, Legitimacy

1. Introduction

Since the beginning of time, the primary purpose and function of a business has been to generate profit. If a business isn’t producing more revenue than what it costs to get it, it will inevitably fail. Shareholders, investors and many other stakeholders understand this, incentivizing businesses even more to make a profit. Otherwise, incumbent and potential investors alike may withdraw their contributions and look to another business to invest in. Additionally, since it is the investor’s money the business is using to conduct its operations, it is the business’ responsibility to maximize the value of their shareholders’ money, which comes in the form of maximizing profits. This is what comes with a principal-agency relationship under economic theory. Enhancing economic growth in areas like employment, production and consumption is how these firms address social welfare (Bahmani, Galindo, & Mendez, 2012). For these firms, their contribution toward society is limited to their corporate social responsibility to generate value for the firm and its stakeholders.

This, however, is not the only way to conduct business. Recent financial blunders, like Enron and WorldCom, demonstrate how commercial entrepreneurs’ reckless pursuit of short-term opportunities can damage nations’ financial well-being, social welfare, and the corresponding environment (Nga & Shamuganathan, 2010). In response, new forms of organizations with origins dating back as early as the 1950s have prominently emerged, attracting much attention over the last decade. Instead of focusing their missions towards profit maximization, these businesses exist almost exclusively to serve the deficiencies within the social environment (Murphy & Coombes, 2009). These organizations are driven by a vision championed by their respective founders, known popularly as social entrepreneurs. In Victoria Johnson’s review (2009) over social entrepreneurship, Ashoka, an organization founded in 1980 by Bill Drayton for the purpose of unearthing and cultivating social entrepreneurs, states, “Social entrepreneurs are individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps.” (p. 341). Rather than operate to generate their own profits, these businesses understand that they can create far more value by serving causes outside the organization. For social entrepreneurs, it’s all about creating external value and enhancing, rather than competing against, others.

1.1. Literature Review

Dacin, Dacin, and Tracey (2011) touch on the many critiques and potential topics for research relating to social entrepreneurship. A study conducted by Lepoutre, Justo, Terjesen, and Bosma (2013) designed a methodology for measuring the complex effects of social entrepreneurial activity. Next, Bielefeld (2009) discusses the commonly misused distinction between social entrepreneurship and social enterprise, and why defining social entrepreneurship is so challenging. Then, Santos (2012) follows with positive theory applied to social entrepreneurship concerning the comparison between value creation and value capture. In a review work conducted by Paul C. Light, Johnson (2009) attempts to derive a definition for social entrepreneurship. Moving from there, Dacin, Dacin, and Matear (2010) analyze the various types of entrepreneurship and how they compare and contrast. In Wiley and Berry’s (2015) research, they look into the methods and performance of entrepreneurial education in school programs. Concerning entrepreneurial orientation, Young and Grinsfelder (2011) analyze the various skillsets that should qualify a social entrepreneur. Pless (2012) then follows with a review of the research and methodologies crafted by recent studies and aca-
demic journals. Montgomery, Dacin, and Dacin (2012) discuss the capacity and potency of collective action, and how working collaboratively can generate greater social change. Once again, potential research opportunities for social entrepreneurship are explored by Kickul, Terjesen, and Justo (2013) as well as a review of the current condition of social entrepreneurship research. Gawell (2013) takes an insightful dive into the compelling causes that motivate social entrepreneurs to take action. The research by Bloom (2009) discusses how social entrepreneurship can benefit society and the economy, including possible market opportunities for corporate brand-building initiatives. Garrow (2009) also marks a review of Light’s work, attempting to distinguish levels of social entrepreneurial activity. Acs, Boardman, and McNeely (2013) explore the social value of social entrepreneurship, charity, and philanthropy, and how the differences between commercial or productive entrepreneurship and social entrepreneurship are irrelevant.

The impact of personality traits and demographic factors on entrepreneurial orientation is covered in the research of Nga and Shauganathan (2010). Sud, VanSandt, and Baugous (2009) discuss the role of institutions in the operational structure of social entrepreneurship and how they establish organizational legitimacy. In an analysis of numerical and statistical data, Van Ryzin, Grossman, DiPadova-Stocks and Bergrud (2009) analyze the demographics factors that associate with social entrepreneurship. Murphy and Coombes (2009) discuss elements of social entrepreneurial discovery and how to model it. In Lumpkin, Moss, Gras, Kato, and Amezcu’a’s (2013) analysis, social entrepreneurship is applied to a multitude of contexts, including start-up, operation and entrepreneurial orientation. The research by Dees (2012) differentiates the values of charity and problem-solving and how they can apply to social entrepreneurship in the future. Finally, Bahmani, Galindo, and Mendez (2012) focus their discussion on non-profit organizations and their association with social entrepreneurship, social capital and economic growth.

Social Entrepreneurship: Analyzing its Significance and Impact
Social entrepreneurship has taken the business world and business academia by storm. The redirection of the organization’s focus from profits to social and environmental enhancement outside the company creates a new wave of benefits and challenges for entrepreneurs. Not unlike other forms of innovative change, social entrepreneurship is still clouded with much uncertainty. In addressing this recent phenomenon in business activity, this report will discuss the murky definition of social entrepreneurship, the opportunities it creates, the challenges it faces, and the critical need for further research.

1.2. Defining Social Entrepreneurship
The actual definition of social entrepreneurship is currently a center of considerable controversy. In fact, the only generalization regarding social entrepreneurship that garners any kind of consensus is their ability to leverage resources to address social issues such as freedom, equality, and tolerance – all necessary components for a healthy social environment (Murphy et al., 2009; Dacin, Dacin, & Matear, 2010). Beyond this simple generalization is where definitions tend to diverge. Some scholars define social entrepreneurship as a process where non-profit organizations may facilitate business principles, while others may describe it as conventional entrepreneurship following corporate social responsibility, an outcome of organized philanthropy and social innovation, or as nothing more than economic ventures creating positive social externalities (Dacin et al., 2010, p.38). According to Tina and Peter Dacin, and Margaret Matear in their study of social entrepreneurship, social entrepreneurship is typically defined across four key factors: the individual characteristics, operational proximity, process and resource utilization, and mission of the social entrepreneur (2010). A further study in review concluded that a definition based on individual characteristics simply leads to more discussion; a concrete definition is never reached (Dacin et al., 2011). In fact, some believe the range of topics relating to social entrepreneurship is too vast; a single definition is impossible (Bielefeld, 2009). Nevertheless, most attempts to define social entrepreneurship focus primarily on the mission statement. To some degree, there is a relative consensus that a social entrepreneur at least balances between economic and social value creation. In fact, economic value creation is partly necessary for the creation of social value (Acs, Boardman, & McNeely, 2013). Without economic sustainability, these businesses may not generate enough resources to create social value. On one hand, it cannot be ignored that social value creation may lead to economic outcomes that produce more financial resources to carry out social value initiatives (Acs et al., 2013). Therefore, one may say that social value creation is inevitably tied to some form of economic value creation, regardless of whether or not it is stated in the business’ mission statement.

1.3. Distinguishing Social Entrepreneurship
Social entrepreneurship and the creation of social value can be recognized across a broad range of business structures – a natural consequence of its ambiguous definition. The tie between the two business pursuits of commercial and social value can be visualized when observing the characteristics of non-government organizations (NGO), hybrid social enterprises, and socially-committed regular enterprises. NGOs are not-for-profit organizations whose primary objective is social value creation, but at least 5 percent of their revenues are dependent on market-based income (Lepoutre, Justo, Terjesen, & Bosma, 2013). Hybrid social enterprises are intuitively organizations that share both commercial and social objectives, often with social objectives in mind but with private organization as a means to this end (Lepoutre et al., 2013). Finally, there are also regular enterprises that primarily pursue commercial and for-profit objectives, but also contribute to some degree towards social means. These varying organizational structures illustrate to some degree what the social entrepreneurial spectrum looks like.

With the recent emergence of social entrepreneurship in academic terminology, the distinction between a social entrepreneur and a social enterprise is often confused. While a social entrepreneur is loosely defined as a change agent, as an individual or some form of network, with missions exclusively aimed toward not-for-profit ends, social enterprises cover the majority of the remaining spectrum. Social enterprises can fall under “nonprofit, for-profit, and government activity” (Bielefeld, 2009, p.72). There is also less ambiguity associated with its definition: an organization that leverages its resources in such a way that creates positive externalities for itself and the social environment, and minimizes its corresponding negative externalities (Bielefeld, 2009). While there is a distinction between the two, the focus of this research is more towards the concept of social change as a business agenda, making the distinction trivial. In review, social value creation and commercial gain are often interconnected in business-to-business and consumer interchange, making it difficult to distinguish what is social entrepreneurship and what is productive entrepreneurship (Acs et al., 2013). Many circumstances of social value creation may not arise from altruistic behavior, but from some form of derived self-interest. In contrast, commercial entrepreneurship can be socially responsible, ethical, and altruistic in its own right. In reference to the prior discussion of corporate social responsibility, the commercial activity resulting in the generation of wealth and financial profits can create social utility for corresponding stakeholders. For example, an IT company like Microsoft can create positive social value through the expansion of communication and the amplification of overall productive capacity for all their customers – all while generating profits for the firm. As it pertains to entrepreneurship, if wealth is generated through some form of mutually beneficial exchange, social and commercial value can be achieved. In this context, dis-
tinguishing the motive behind the transaction can be difficult. For this reason, some research argues that the distinction between the two pursuits is unnecessary—the point is that social value was created and it doesn’t have to be mutually exclusive (Acs et al., 2013). To conclude, most definitions of social entrepreneurship focus on some form of social value creation for neglected stakeholders as part of the core mission behind a business’ operations. While its definition is largely ambiguous and free-ranging in scope, social entrepreneurship presents many opportunities for growth and innovative ways to make an impact.

1.4. Opportunities

Stakeholders in today’s market economy have always harbored a prospective desire for organizations to address social problems and create positive social value. However, the use of the term “social entrepreneurship” is only a recent trend. Tina Dacin, Peter Dacin and Paul Tracey elaborate on this by describing how its visibility is enhanced by networks of organizations explicitly committed to praising social entrepreneurial efforts (2011). The altruistic actions performed by these social entrepreneurs have become increasingly more celebrated among circles within the media, news, and businesses alike, particularly those performed by more high-profile celebrities. Therefore, this form of recognition creates an appeal for prospective organizations to pursue ways to address such social concerns. This leads to many opportunities through social entrepreneurship, including social value creation, image, collective behavior and social networks, culture and storytelling, and demographic implications.

1.5. Social Value Creation

The first and most direct opportunity captured through social entrepreneurship is the creation of social value. In some circles this is known as “creative destruction,” (Garrow, 2009, p. 654) or the replacement of an unjust social equilibrium with a more just one. Some common targets of social change include capital provision, business development assistance, improvements in education and health, resources provisions, relief through products and services to the poor, and many others (Bloom, 2009). The existence of social entrepreneurship helps to boost innovation, sustainable solutions, and empowerment over control (Acs et al., 2013; Santos, 2012). Innovation is the natural product of social change agents making an impact in the community, and it is effective too. According to Ashoka, more than half of the members in their network of social entrepreneurs have impacted national legislation within 5 years of their inception (Santos, 2012).

Additionally, social entrepreneurs seek to create sustainable solutions, as opposed to sustainable advantages (Santos, 2012; Lumpkin, Moss, Gras, Kato, & Amezgua, 2013). This approach seeks to either address the root causes of such problems directly, or create a system that “continuously addresses the problem” (Santos, 2012, p.345), thus creating a lasting solution that creates positive externalities for all parties. Finally, for-profit institutions largely seek to capture maximum market share, implying a need for control of the market and necessary resources (Santos, 2012). Social entrepreneurs instead seek to empower their stakeholders. Rather than capture some form of economic value for themselves, social entrepreneurs seek to increase the skills and utility of individuals or entire groups in their respective pursuits, focusing more on the vitality of the entire collective economic system (Santos, 2012).

Finally, social entrepreneurship provides charity. Charity is a common virtue sought and valued by most cultures and religions, and has the ability to benefit both parties (Dees, 2012). When an actor performs a generous act of charity, they experience “psychological [and] spiritual benefits” (Dees, 2012, p.322), while the recipient naturally receives something of tangible or intangible value. This form of altruism also helps stimulate a culture of giving, which is naturally appealing to aspiring social entrepreneurs and their stakeholders while also promising a form of sustainabil-

1.6. Image

As the visibility of social entrepreneurship grows, so too does the volume of individuals and prospective companies who identify with it. Now that these respective groups can assume the identity of a social entrepreneur, the behavior of these groups can begin to align with what is expected from social entrepreneurs (Dacin et al., 2011). As these particular groups continue to get lauded as social heroes to the public, they begin to establish a legacy, creating a stronger association with social entrepreneurship (Dacin et al., 2011). This formation of identity then leads to a never-ending cycle of benefits. Since social entrepreneurship has the capacity to appeal to broader range of stakeholders, there is a larger basket for potential funding sources (Lumpkin et al., 2013). As these additional resources become available to successful social entrepreneurs, a greater commitment to the cause will follow (Dacin et al., 2011). In the end, stronger commitment opens the door to even more resources, opportunities, and even further commitment to their cause and identity as social entrepreneurs, implying a self-perpetuating cycle of progress. In summation, social entrepreneurship creates a positive brand image and recognition that incentivizes businesses to pursue social change, as well.

This form of recognition can also place pressure on existing companies to engage in more ethical and socially-responsible business practices. To illustrate, more businesses continue to shift towards green, or ethically and environmentally responsible, businesses practices in the way they source and produce their products. Proponents of corporate social responsibility continue to pressure organizations to behave ethically, while politicians are asked to promote social equality and address the negative effects businesses may have on the environment (Dacin et al., 2011). This is the effect of isomorphism or in this context, the tendency of organizations to “become more homogenous in time” (Sud, VanSandt, & Baugous, 2009, p. 204). To maintain customers, resources, political power, and institutional legitimacy, organizations experience pressures to conform to new industry standards for operation (Sud et al., 2009, p. 204). With the rise of social entrepreneurship in the national spotlight, companies are becoming increasingly more exposed to brand image and negative publicity if they don’t adhere to more socially responsible practices. Simply put, social entrepreneurship creates an image than companies want to emulate; it attracts customers.

1.7. Collective Social Entrepreneurship and Social Networks

One of the many ways that social entrepreneurship can influence social change is through collective action. Social movements play integral roles in creating grand-scale social change. Some examples of related successes include “wind-energy and grass-fed meats” (Montgomery, Dacin, & Dacin, 2012, p.376), and civil rights movements in the 1960s. These broad movements and social pressures can inspire change using the power of collective action, which is captured through interwoven networks of activists, professions, media, and other movements to inform and inspire participation from relevant stakeholders (Montgomery et al., 2012, p. 376). These movements provide channels for the incubation of innovative ideas, support and legitimacy, and ultimately meaningful change (Montgomery et al., 2012). Community cooperatives can pool a diverse group of consumers, organizations, and movements to collaborate towards the advancement of local standards of living (Montgomery et al., 2012). Finally, organizations from different sectors seeking to address social change can collaborate through cross-sectoral social partnerships (CCSPs). These unique partnerships tackle complex social problems by sharing critical
resources, utilizing their collective leverage, and building instant legitimacy. In many cases, a single organization will not yield enough clout and resources to create effective social change, and there is great potential for a single entrepreneur or non-profit organization to will under pressure or lose sight of its moral values (Sud et al., 2009). In this context, social entrepreneurs can seek strength in numbers to help create a more potent action plan towards social change. The pooled resources and deep networks that arise from collaboration can contribute towards grander and far more effective social change.

One way social entrepreneurs can access collective power is through social networks. Some organizations, like Ashoka, Schwab, and Skoll, fund and celebrate social entrepreneurial activities (Dacin et al., 2011; Johnson, 2012; Santos, 2012; Wiley & Berry, 2015). During these events, social entrepreneurs gather from around the world and share their stories with one another, providing a potential network for these entrepreneurs to share ideas and broaden their influence. For example, an entrepreneur can share their story with another from another region. Should the opportunity materialize, the other entrepreneur can share these stories or spread awareness of the storyteller’s social impact, thus potentially influencing a similar movement in a new region as well as broadening the brand image of the speaker. In this case, the simple identity as social change agents can create a network among social entrepreneurs that can strengthen each other’s influence as well as share new innovations in how to carry out social change. The broader the network, the more potent a social entrepreneur is in impacting social change, the mark of success.

1.8. Culture and Storytelling

As it was hinted in the previous section on networks, events like the ones held by Ashoka can influence future generations of change agents. Offered courses through universities also help promote social entrepreneurial concepts to younger generations. In an analysis observing the status and volume of social entrepreneurial courses, Ashoka was referenced in 2014 declaring a 200 percent increase in the total number of university-held social innovation offerings since 1999, indicating growth in the culture of social entrepreneurship (Wiley & Berry, 2015). Through storytelling and teachings about the successes (and failures) related to social entrepreneurship, a culture of social change valuation can emerge. Events like the ones held by Ashoka can be characterized as rituals that aid in the influence of social value orientation for individuals and organizations in such a culture (Dacin et al., 2011).

As a result, these rituals may reinforce the heroic identity associated with social entrepreneurship. Media outlets can then pass along these stories, offering narratives that support such heroism under conditions of adversity (Dacin et al., 2011). This art of storytelling helps perpetuate a culture of social change and clarifies its context within society. All told, these narratives hold significant influence in carrying on cultural messages supporting the creation of social value. Not only do these narratives help identify specific organizations, the markets they serve, and legitimize the products and services they provide, they also illustrate how wide and diverse an audience they can influence. The rise of social entrepreneurship has served as inspiration for cultures favoring charity and moral sanctity, and those relating to problem-solving and innovative thought (Dees, 2012). Both routes, whether by heart or head, further social progress. In conclusion, heroic narratives play a large role in influencing a perpetual culture of social value creation, and with a potential of appealing to a very large, diverse scope of cultural settings, leading to a notion of cultural sustainability.

1.9. Demographic Implications

Demographic data offers interesting insight about social entrepreneurship and the opportunities it presents. The following data is provided by the London Business School’s Social Entrepreneurship Monitor and its report on the Global Entrepreneurship Monitor (GEM) UK project (Van Ryzin, Grossman, DiPadova-Stocks, & Bergrud, 2009). According to the GEM report, about 3 percent of the UK’s working population was classified as social entrepreneurs, and these people were more likely to be either women, young, or well educated (Van Ryzin et al., 2009). After a complete analysis, Van Ryzin et al. concluded from the CivicPanel project in 2007 that young, female, non-white, college-educated, and/or healthy individuals were more likely to be social entrepreneurs (2009). Additionally, if an individual works more hours, has ever run a business, happens to be a big city resident, is happier, is expressive and outgoing or is more liberal, they too are more likely to identify as social entrepreneurs (Van Ryzin et al., 2009). This analysis shows how social entrepreneurship offers a purpose and a livelihood to those identified above and also shines a light on how those not listed above can “do better”.

In summation, through means including social value creation, a positive image, the unification of a diverse set of people or through the development of a culture, social entrepreneurship creates a broad range of ways to effect positive change. However, not unlike a vibrant rose, social entrepreneurship comes with its fair share of thorns.

1.10. Challenges

In spite of these beneficial opportunities, social entrepreneurship faces many difficult challenges, as well. Some of these challenges include heroic characterization, institutional complexity, and scalability and social power.

1.11. Heroic Characterization

This section bridges both challenges presented to aspiring social entrepreneurs as well as the need for reformed research. As discussed earlier, the role of heroic characterization through narratives and storytelling in social entrepreneurship is rather significant. Clif Bar is heralded for its green business practices and low employee turnover; Subway is acclaimed for its efforts in incorporating favorably sourced ingredients and products in the fast food industry; Costco is renowned for its remarkably low employee turnover ratio and low-priced goods sold in bulk that lower-income individuals may actually afford. These stories are a part of what drives social entrepreneurship. However, these stories are problematic for a couple of reasons: they neglect learning from failure, they provide too much focus on the individual level of analysis, and they distort the motives and missions of social entrepreneurs (Dacin et al., 2011).

Naturally, social entrepreneurs produce an abundance of powerful narratives that promote related funding and recognition. However, the excessive focus on the heroic successes of these ventures draws too much attention away from the necessary failures that normally accompany them. Think about professional athletes and how many current entrepreneurial success stories can relate to them. Every now and then, an athlete will produce a documentary or a published account of the many struggles they endured during their rise to stardom. Generally speaking, the moral behind these stories focuses on how repeated failure has emboldened them to achieve more. Michael Jordan was cut by his JV basketball team in high school, only to become a 6-time national championship and a legendary sports icon in the NBA. Thomas Edison famously claimed to have found 2000 ways not to make a light bulb – an optimistic translation for failure. In short, social entrepreneurs need to understand that success come from the learning associated with abundant failure.

Regarding the excessive focus on individuals, it’s important to recognize the social entrepreneurial activities of diverse organizations and teams. Additionally, managers can create social value from within the organization, which is described as “socially in-
trapreneurial” (Wiley & Berry, 2015, p.386) behavior. This idea can be applied within organizations with client programs designed to promote social value creation at all levels of the respective organization. Such programs can include active leadership support for aspiring social entrepreneurs, formal policy fostering innovation, or supportive management structures for decision-making across the various layers organizational authority (Wiley & Berry, 2015).

Lastly, a common assumption that social entrepreneurs will “save the world” (Dacin et al., 2011, p.1205) distracts from the real motivation and interests behind them. The notion that socially entrepreneurial activity is the product an omnipresent superhero with undying resilience overlooks the collective networks of change agents fighting for large-scale social change from within extant organizations (Johnson, 2009). It’s not about “saving the world,” it’s about making it better. For aspiring social entrepreneurs, they need to understand this if they want to be truly successful or at least impact real, positive social change (rather than personal glory and wealth accumulation).

1.12. Institutional Complexity

Social entrepreneurs face a variety of competing institutional pressures, much in the same way all entrepreneurs do. One such pressure stems from the need for effectively focused management of predominantly social value creation, social capture, or both, which may at times conflict with one another (Dacin et al., 2011; Santos, 2012). Social entrepreneurs must address issues that concern both ideologies as well as the satisfaction of both of their respective stakeholders, which may entail a competition between the virtue of charity and the skill of problem-solving (Dees, 2012). On the operational level, this can prove difficult. Most prominent is the issue of proving both social and economic competence (Dacin et al., 2011). Going one step further, another study argues that any ambiguity in the firm’s focus between the two can muddle the firm’s identity, thus damaging legitimacy of the organization and its mission (Santos, 2012). The diverse range of issues that arise from this operational and managerial conflict may be too much for some aspiring social entrepreneurs to survive, let alone create enough value for each corresponding set of stakeholders.

Additional research suggests that issues can arise from the newness of certain social innovations. An unfamiliarity associated with these advances creates a form of liability for aspiring social entrepreneurs, which highlights the importance of establishing organizational legitimacy. Organizational legitimacy, in the context of this report, is simply the “means by which organizations obtain and maintain resources” (Sud et al., 2009, p.202), which is tied to the organization’s attractiveness, perceived utility, and relevance in achieving social value creation. As discussed in the prior paragraph, this presents a potential managerial challenge regarding how to balance these pressures of legitimacy. What area should an institution establish first, economic or social legitimacy? Can one be achieved without established legitimacy of the other? Furthermore, socially-oriented forms are responsible for more unique value creation compared to commercial firms, resulting in greater stakeholder dependency, where misapplication of resources, such as charitable giving, can create unintended consequences (Dees, 2012). Social entrepreneurs’ focus on long-term survival makes failure in these contexts even less of an option; the firm must create some form of social or environmental value, not just financial value, for the company and its mission (Santos, 2012). The diverse range of issues that arise from this operational and managerial conflict may be too much for some aspiring social entrepreneurs to survive, let alone create enough value for each corresponding set of stakeholders.

1.13. Scalability and Social Power

One challenge facing social entrepreneurs is the scalability of their venture. In relation to social entrepreneurship, scalability refers to the degree of ease and speed associated with the growth and expansion potential of an opportunity (Lumpkin et al., 2013). With long-term sustainability often the primary focus, it is crucial for social entrepreneurs to demonstrate the growth potential of their social ventures in order to retain external funding (Lumpkin et al., 2013). Some regions may be more difficult for a social entrepreneur to influence social change in. For social entrepreneurs with a more locally embedded influence, there is a need to discover effective network strategies or activities that may promote further scalability (Dacin et al., 2011). This alludes to the more challenging side of networks and their role in social entrepreneurship. Without influence, there is no social change. Therefore, competition may arise between social entrepreneurs as they vie for influence among the more powerful actors in society, like government officials, the media, celebrities, and others.

In accordance to the subject of social power, this leads discussion towards the nasty side of social entrepreneurship. As the stakes and prospective rewards become greater, so does the potential for competition among the currently established social entrepreneurs. Social entrepreneurship is resource or network dependent, in that many regions or organizations (Lumpkin et al., 2013, p.765) do not have access to conventional capital despite having a potentially larger base of stakeholders (Lumpkin et al., 2013). As a result, many social entrepreneurs have to rely on a mix of “income, investments, and donated resources” (Lumpkin et al., 2013, p. 765) to finance their operations. More specifically, such sources include “individuals’ cash donations, grants, endowments and investment income, volunteer labor, and in-kind donations” (Lumpkin et al., 2013). According to recent data, such charitable donations accounted for only 12.3 percent of non-profit financing, while 70.4 percent came from earned revenues for goods and services (Lumpkin et al., 2013). To complicate matters further, social entrepreneurs need enough support to serve the massive range of relevant stakeholders (Acs et al., 2013). This indicates a general need for social ventures and nonprofit organizations to have some form of commercial activity in order to sustain legitimacy and continue their fight for social change. In summation, social entrepreneurs need to effectively balance their operational goals to satisfy both social and economic stakeholders and prove their cause for social change is sustainable in the process.

As illustrated above, the social power of many entrepreneurs can stymie progress of other social ventures, which conflicts with the concept behind social entrepreneurship. This suggests a need for social entrepreneurs to develop more effective conflict resolution strategies. Social and economic stakeholders, can be damaged as well.
Social entrepreneurship is ripe with ambiguity, which is evidenced by its shaky and numerous definitions. Through social value creation, enhanced image, collective power and social networks, culture and storytelling, and demographic empowerment, social entrepreneurship offers numerous opportunities for individuals and businesses to make an impact in the community. However, while there may be ample opportunities, misplaced heroic orientation, institutional complexity, scalability, and competition for social power present challenging obstacles for aspiring entrepreneurs to maintain organizational legitimacy and a successful mission. To address these challenges and achieve more fluid success in this field, the contributing factors toward social entrepreneurship will require further study.

1.14. Future Research

As was alluded to with the ambiguity of social entrepreneurship’s definition, this recent phenomenon in business practice is met with much skepticism and controversy, and significantly more research is needed. One review in 2009 was quoted to have only found “152 relevant articles” (Pless, 2012, p. 317) on the subject. Nicola Pless adds that scholars are now calling for a broader, and yet more focused approach to ongoing research in the field (2012). Wolfgang Bielefeld believes the range of topics is simply too vast; weaving a connection among the numerous findings into a single, coherent theory appears futile (2009). This confused sense of direction and lack of understanding highlights why further research is needed. Below is a discussion concerning associated theoretical and methodological dilemmas, entrepreneurial cognition and orientation, and other research opportunities.

1.15. Entrepreneurial Cognition

An area that needs further attention is how entrepreneurial cognition applies differently to a social entrepreneur, if at all, compared to a conventional entrepreneur. Up to this point, there is little research concerning how social entrepreneurs mobilize resources to launch, expand, and advance their operations (Kickul, Terjesen, & Justo, 2013; Nga & Shamuganathan, 2010). This field should be able to interpret how social entrepreneurs fit under the studies of social psychology and organization science, and how to acquire and allocate the necessary resources to develop legitimacy. As defined in the research conducted by Dacin et al., entrepreneurial cognition is roughly, in this context, the cognitive process used by social entrepreneurs to evaluate and act upon potential growth opportunities or social ventures; through the lens of entrepreneurial cognition, researchers can observe and diagnose how social entrepreneurs think and behave (2011). In this context, the research should focus on the differing circumstances of social opportunity recognition, and what cognitive capacities are necessary to lead social entrepreneurs to think and behave differently in these situations.

Some possible directions may include heuristics, counterfactual thinking and effectuation theory. An exploration relating to heuristics would seek to discover how related actors make decisions in more ambiguous situations, and counterfactual thinking, an ability to envision creative approaches to peculiar problems, could help distinguish social entrepreneurial characteristics (Dacin et al., 2011). Effectuation theory, in short, would help illuminate how these actors respond to complex and uncertain situations without a predetermined plan of action, opting instead to “react” to changing circumstances. This takes context into account when evaluating the decision-making in such situations.

Fortunately, some progress has been made in answering these questions. On the basic level, scholars believe that necessary social entrepreneurial skills include problem-solving ability, ingenuity and creativity, risk assessment, opportunity recognition, consensus building, resource allocation, and persistence (Young & Grinsfelder, 2011). Other named skills include the ability to read complex problems and craft creative solutions for them, to establish credibility for resource procurement, and to build networks for support and how to define their purpose (Young & Grinsfelder, 2011). One study sought to differentiate between the influence of innate characteristics and personality traits on social entrepreneurs’ motivation to start a socially-focused company (Nga & Shamuganathan). Using the Big Five model of personality traits as its measure, the study concluded that a positive relationship exists between many personality traits and social entrepreneurship, such as openness and agreeableness, but noted its limitations with only undergraduate students in its sample (Nga & Shamuganathan). Many of these concepts may sound familiar, as they mostly address general skillsets and issues that even conventional entrepreneurs are concerned with (Acs et al., 2013). In a study conducted by Lumpkin et al., when observing entrepreneurial orientation and its influence on social entrepreneurship, the analysis couldn’t conclude a significant difference between conventional and social orientation (2013). Many of the scholars have come to the same conclusions to this point, noting some form of risk-taking ability, for-profit and non-profit balance in management, and the ability to recognize and implement a plan to address an opportunity. Unfortunately, these findings don’t provide much insightful, conclusive analysis. How social entrepreneurs typically, and successfully make decisions in these contexts may provide valuable insight for aspiring social entrepreneurs in the future.

Theoretical and Methodological Dilemmas and Additional Research Opportunities

One major flaw in current social entrepreneurship research is the lack of applied theory of methodology. In other words, research has primarily focused on various outcomes associated with social entrepreneurship, such as social value creation and stakeholder satisfaction (Lumpkin et al., 2013). Only recently is research beginning to tap into ideas from existing theories, including institutional theory, network theory, and discursive approaches.

Research in institutional theory looks into concerns such as institutional ambiguity and what forms of organizational structure is pursued by social entrepreneurs for social value creation in resource-constrained environments (Dacin et al., 2011). As discussed earlier in this report, networks may play a role in social value creation, which has led to significant interest in how this effects social entrepreneurial institution. With so much focus on individual influence on social entrepreneurship, there is a lack of applied research covering the scope and impact of entire networks, and the degree that social entrepreneurs must rely on them. Lastly, the rhetoric and language used by social entrepreneurs remain the focus of recent research of related discursive approaches (Dacin et al., 2011). However, a single methodological approach can only provide limited conclusive analysis; the scope of discussion relating to social entrepreneurship is too vast (Bielefeld, 2009). Additional issues arise when measuring social value creation. Social value is largely ambiguous. It is intangible, subjective, and challenging to quantify (Lumpkin et al., 2013; Acs et al., 2013). There is a substantial need for standardized accounting measures for calculating social value. Otherwise, discerning the difference between a “social entrepreneur” and conventional firms creating convenient positive externalities, or even the magnitude of its impact thereof, will remain difficult.

Finally, there are a few other areas with room for further study. One journal dive into what calls a social entrepreneur to social action: opportunities, needs, or perceived necessities (Gawell, 2013)? Another analyst sees a research opportunity through marketing tools, such as branding, customer centricity, market segmentation, penetration pricing, franchising, word-of-mouth promotion and sponsorships (Bloom, 2009). Image, as discussed earlier, plays a large role in the appeal of social entrepreneurship and its mission for social change; how social entrepreneurs market themselves can offer some valuable insight. There is still significant potential for more enlightening discovery in the process of social entrepreneurship.
2. Conclusion

To summarize this report, social entrepreneurship is a phenomenon that has generated significant interest recently in the business context. While there is much debate regarding the true definition, social entrepreneurship primarily seeks to address social and environmental problems that are either neglected or ineffectively treated by the government and other commercial entities. These organizations present many opportunities, such as social value creation, enhanced culture, or enhanced image, and come with many challenges, like proving legitimacy, generating capital, or combating conflicts of interests. Lastly, the relative newness, expansive breadth, and complexity of social entrepreneurship insinuate a need for further research and study. Nevertheless, social entrepreneurship introduces an effective means to addressing societal concerns, and has left an indelible impact on the way businesses can operate.

Acknowledgement

We would like to thank Shobha S. Venkat, Australia, for editing and reviewing this manuscript.

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