The social value of productive entrepreneurship

Zoltan J. Acs · Mary C. Boardman · Connie L. McNeely

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Abstract As a critical contribution to the literature on social entrepreneurship, this paper provides structure and clarity to this concept, situating it within the context of charity and philanthropy as sources of social value creation. Identifying social entrepreneurship as creating both social and economic value, we discuss productive, unproductive, and destructive entrepreneurship in terms of social value creation. To illustrate these issues comparative case studies are presented on Microsoft Corporation and Grameen Bank. Even if their successes have been derived from different motivations, these highly innovative ventures have created significant economic and social value.

Keywords Social value creation · Social entrepreneurship · Philanthropy · Charity

JEL Classifications D64 · L26 · M14 · P12

1 Introduction

Evidence suggests that social entrepreneurship, despite substantial growth as a field of research, still lacks a unified and clear definition (Peredo and McLean 2006; Short et al. 2009; Dacin et al. 2010). For example, some researchers equate social entrepreneurship with non-profit organizations in general, while others discuss it particularly in terms of philanthropy or focus on related activities linked explicitly to social objectives (Reis and Clohesy 2001; Austin et al. 2006; Zahra et al. 2009; Dacin et al. 2010). Another approach views social entrepreneurship as charitable or philanthropic activities sustained through revenue generation. However, while philanthropy and charity are relatively clear and established concepts within the literature, it is not always clear where social entrepreneurship fits within this context (Dees 2001; Seelos and Mair 2005; Light 2006; Mair and Marti 2006; Martin and Osberg 2007; Short et al. 2009).

Furthermore, distinctions between social entrepreneurship and what is often called commercial, economic, or traditional entrepreneurship are often fuzzy, using social impact and social value creation as defining features (Acs and McNeely 2008). On the one hand, some consider economic value to be entirely separate from social value; on the other, economic value is sometimes treated as a type of social value; still many other scholars find themselves somewhere between these poles (Peredo and McLean 2006;
Auerswald 2009). Building on this discussion, we outline how the distinctions between productive, unproductive, and destructive entrepreneurship are critical for understanding entrepreneurship and social value creation (Baumol 1990; Murphy and Schleifer 1991; Desai and Acs 2009).

Specifically, we argue that social value creation constitutes the main distinction between these entrepreneurial types. Moreover, economic value can be framed in terms of social value depending on the context in which it is produced and its overall effect. Therefore, in section two, we consider the concept of social entrepreneurship through a wider lens that includes possibilities for commercial entrepreneurship in the creation of social value in addition to economic value. In this, we take a different approach than other scholars such as Austin et al. (2006), who treat social and commercial entrepreneurship as necessarily distinct.

Accordingly, we seek here to bring clarity to two issues:

1. The role of social entrepreneurship in relationship to charity and philanthropy as creators of social value; and
2. The relationship among entrepreneurial forms in the creation of social value.

We then, in section three, examine social entrepreneurship relative to charity and philanthropy in light of their more established definitions and, especially, in light of their role as providers of social value. To better understand the broader context in which social entrepreneurship is a powerful source of social value creation, we delineate similarities and differences with philanthropy and charity along a variety of dimensions. In this way, the distinctive features of social value created by social entrepreneurship are delineated.

Section four applies this rationale more explicitly to the entrepreneurship component of social entrepreneurship. Often conceptions of social entrepreneurship tend to be process or behavior oriented, while conceptions of the social entrepreneur focuses on founders, and conceptions of the social enterprise itself rely on outcomes or manifestations (Light 2006; Dacin et al. 2010). Building upon this understanding, we invoke notions of productive entrepreneurship relative to social value creation, particularly in contrast to unproductive and destructive entrepreneurship (Baumol 1990; Murphy and Schleifer 1991; Peredo and McLean 2006; Desai and Acs 2009; Desai et al. 2010). We define productive entrepreneurship as creating both social and economic value, whereas unproductive and destructive entrepreneurship create economic value for the entrepreneur but do not result in a net social value creation. The advantage, at least conceptually, of applying entrepreneurial principles to social value creation as we suggest is the clarity, purpose, and vision that it offers for framing fundamental questions of social entrepreneurial relations and scope (Dacin et al. 2010).

To illustrate these issues relative to productive and social entrepreneurship, we provide comparative case studies as concrete examples of these concepts in section five. Focusing on Microsoft Corporation and Grameen Bank, we move beyond typical approaches to social entrepreneurship. We demonstrate that, in analytical and practical terms, distinctions between social and economic value creation are not necessarily salient. In fact, founders’ intentions seem to be less important than outcomes in terms of actual social value created. This seemingly simple point is also somewhat radical, flying in the face of some of the most basic assumptions invoked in notions of social entrepreneurship (Austin et al. 2006; Light 2006).

Both Microsoft and Grameen are for-profit businesses and have created both economic and social value. However, Grameen Bank is typically viewed as a social enterprise and Microsoft Corporation as a commercial enterprise. Despite their different characterizations, the evidence suggests that, in these cases, economic and social values are intertwined, both resulting in significant economic and social impact. These cases demonstrate the importance of productive entrepreneurship in the creation of both economic and social value. This is the first examination to our knowledge of the value creation process across what is generally perceived as a commercial (Microsoft Corporation) and a social (Grameen Bank) venture. We conclude with a summary and suggestions for future research.

2 Social entrepreneurship in context and effect

Arguments have been made that entrepreneurship conceptually should be modified to include creation of

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1 Unless, of course, that is the specific analytical concern.
both social and economic value (Light 2006; Mair and Marti 2006; Peredo and McLean 2006; Chell 2007; Zahra et al. 2009), especially since social and commercial entrepreneurs tend to have similar traits. Both types create value, compete, and distribute the value created among stakeholders. Moreover, this process is embedded within a society and should be sustainable. Entrepreneurs of all kinds manage scarce resources, operate through networks, and recognize and act on opportunity. In productive entrepreneurship, both social and economic value is created, and they are difficult to separate, although this often has to do with the questions being asked and what is being measured (Chell 2007).

The notion that social entrepreneurship creates social value is often vague and does not always view the commercial aspect as necessary or even beneficial (Austin et al. 2006; Dacin et al. 2010). This is not entirely appropriate since social enterprises often have what is referred to as a double bottom line, including both social and commercial purposes. That is, social enterprises have the ability to be self-sustaining and/or generate profit while simultaneously creating something of value for society (Dart 2004; Peredo and McLean 2006; Seelos and Mair 2005; Auerswald 2009; Zahra et al. 2009).

To think of social entrepreneurship as separate from commercial entrepreneurship may not be useful.² For example, social entrepreneurship is not necessarily purely altruistic, and commercial entrepreneurship can be socially responsible and ethical in practice. In fact, commercial entrepreneurs, concerned with their own best interests, can generate both economic and social value; profit does not necessarily exclude or negate other motives (Mair and Marti 2006; Peredo and McLean 2006). Also, economic value can be treated as reflecting social value, depending on its context and effect. Moreover, we note that the explicit motivation of the entrepreneur is not necessarily a requirement for social value creation. To put it another way, an entrepreneur can state social goals without actually creating social value, and there is no reason to suggest that in order to create social value, an entrepreneur must state this as an explicit goal. If the entrepreneurship (with all that entails in the entrepreneurship literature) creates social value, then it is social entrepreneurship.

Social enterprises are often difficult to distinguish from productive commercial ventures, but we argue that this distinction is not always useful or necessary. Entrepreneurship can be symbiotic when success is determined through the provision of benefit to one’s community, be it local, regional, or global in scope. A local store owner who brings goods to one’s village provides something of value, and earns a living doing it. The person is not necessarily altruistic, nor does he/she have to be. At the same time, a large biotech firm that innovates and saves lives also provides something of benefit. True, it is in exchange for money, at some commercial value. However, few would argue that the community is not better off for the firm’s efforts.

When an entrepreneur creates wealth through mutually beneficial exchanges and/or innovation, money is exchanged for something the buyer values. In essence, economic wealth is created along with social value, however, defined by those willing and able to pay. To put it another way, when people trade money for something they value, both economic wealth and social value is created.

The social impact of an entrepreneurial innovation can be seen in changes that occur in communities or social groups. Innovations can have an impact on the way people relate to one another, engage in society, and build social capital (Putnam 1993, 2000; Coleman 1988, p. 98), with social value reflecting positive effects for individuals, for communities, and for society. Social value can also be seen at the micro level, such as in the benefit a person gains from purchasing a new technology, medication, or even a trip to the grocery store. At the individual level, social value is what a person values more than the money paid, such as a computer or a prescription. At the societal level this can be truly transformational.

Those who are interested in the commercial aspects, such as venture capitalists, often focus on the economic value, looking through the commercial entrepreneurship lens. On the other hand, those interested in the social value creation may examine the enterprise through the social entrepreneurship lens. Both lenses are appropriate, and choosing a lens depends upon the particular interest or question. In fact, it is entirely possibly to look at an enterprise in both the wealth generated and the social value in the goods/services offered. As individuals can play

² Barring social critique and philosophical challenges.
multiple roles, so do entrepreneurs and their ventures. In this paper we argue that explicit intent to create social value and/or awareness of their social value creation is not necessary. While this is in disagreement with other scholars (Austin et al. 2006; Dacin et al. 2010), we argue that stated intent does not always reflect outcome.

3 Social entrepreneurship within the charity-philanthropy nexus

For our purposes, social entrepreneurship can be fruitfully considered within the contexts of both charity and philanthropy, representing related, yet different approaches to social value creation. Charity has been described as “generosity and helpfulness, especially toward the needy or suffering; aid given to those in need; an institution engaged in relief of the poor; [or] public provision for the relief of the needy.”3 Philanthropy, however, as developed in the Anglo-American tradition, is not charity. Instead, it is viewed in a more participatory sense, enabling those in need to help themselves. Here, we might invoke Lao Tzu’s famous maxim to explain this difference in perspectives on charity and philanthropy: “Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.” In fact, Bill Drayton has made similar references when discussing the value of social entrepreneurship.4

Moreover, note that philanthropy, as opposed to bequests or charity, has further been expressed as the only “proper” way to dispose of wealth in a capitalist system, framed as operating to maintain the social order and giving direction for entrepreneurial efforts (Carnegie 1901; Appleby 2010). From this position, charity is “appropriate” only in situations of sudden changes of condition or accidents, i.e., primarily for humanitarian disaster relief, social insurance, etc., employed only for exceptional circumstances in the immediate term. Related arguments posit charity as possibly stabilizing in the short run, but philanthropy as likely to be more stabilizing over time and providing lasting benefit (Carnegie 1901).

At a fundamental level, notions of philanthropy reflect a profit orientation that encompasses ideas about wealth as a means for creating social value and public benefit, while at the same time acting to maintain and develop the capitalist market system. In this scenario, wealth is an outcome of productive entrepreneurship that, in turn, produces opportunities for social entrepreneurship and social value creation (Carnegie 1901).

Accordingly, philanthropy creates a positive feedback loop in providing opportunity for future entrepreneurs to create wealth (Acs and Phillips 2002). As such, entrepreneurship, philanthropy, and opportunity constitute a sustainable cycle for both economic and social institutional development, as defined within the broader system (Auerswald and Acs 2009; Schramm 2006). Based on the literature, we suggest the following six basic dimensions, reflected in Table 1, as particularly useful for analyzing how social entrepreneurship is situated within the charity-philanthropy nexus: role, social structure, purpose, sustainability, financing, and time frame.

3.1 Role

The role of charity in society is arguably that of income redistribution from the haves to the have-nots (or have-less), regardless of the circumstances surrounding how those statuses came to be (Carnegie 1901; Appleby 2010). Alternatively, philanthropy, as discussed above, has been framed as a means for reconstituting capital and deliberately creating opportunity through venues such as education. As such, philanthropy creates social value, albeit indirectly, through the opportunity it provides. A good example would be a person getting an education funded by philanthropy, who then goes on to create social value in a career.

The role of social entrepreneurship in society is that of social value creation through innovation and mutually beneficial exchanges to solve problems. It creates social value directly through addressing problems that are identified and able to be addressed in the short- to medium-term. As any successful and growing venture or sector leads to growth and development, in this way social entrepreneurship can create opportunity, albeit indirectly. In this way it is distinct from charity and philanthropy in that it does not involve direct giving, as in charity, or deliberate opportunity creation, as in philanthropy.

3 http://www.merriam-webster.com/dictionary/charity
4 http://www.ashoka.org/.
3.2 Social structure

Charity works within the given social structures such as class, socio-economic status, etc., operating through vehicles such as humanitarian assistance and individual donations. Although designed to aid those in need, it does not affect any meaningful change in social structural positions. Alternatively, philanthropy creates opportunities that can enhance social mobility and affect socioeconomic or class status.

Social entrepreneurship also can offer opportunities for social structural change, whether deliberate or as an unintended consequence. In theory, if the impact is great enough (whether from a single enterprise or in the aggregate), it can alter the social structure, possibly at many levels, and not necessarily in predictable ways. As with the commercial value created through productive entrepreneurship, the social value component can alter the social structure and create opportunity through development. In fact, it could be argued that development itself may be a form of social value.

3.3 Purpose

The purpose of charity in society is to alleviate immediate suffering (Carnegie 1901; Appleby 2010). While some may challenge this conception, the literature on charity does not frame it as creating any deep social change relative to underlying social problems. It is primarily presented in terms of direct or pressing action, as in disaster relief. Alternatively, philanthropy is aimed at providing opportunities to help people help themselves (Carnegie 1901).

The purpose of social entrepreneurship is to improve social conditions (or alleviate persistent social problems by forging a new stable equilibrium). This can range from a single small business to large-scale social change. As in any productive enterprise, it often involves improving conditions or providing something that has been lacking, whether that is clean water, goods/services people demand, and/or the benefit of an innovation. Moreover, it is provided for mutually beneficial exchange, that releases trapped potential or alleviates the suffering of the targeted group.

3.4 Financing

Charity is primarily financed through donations. A charitable institution relies on donor funding not only to meet start-up costs, but also to continue operations. Alternatively, philanthropy is financed mostly through foundations, to make investments back into society. This process is enacted through entrepreneurs creating foundations that support social objectives, e.g., funding education, knowledge, and opportunity. Foundations vary in size, scope, structure, and mission, and are independently funded through endowments, bypassing the need for fundraising (Schramm 2006; Desai and Acs 2008).5

A distinguishing feature of social entrepreneurship, as in any form of entrepreneurship, is that it is funded through a business model (Dees 2001). Social entrepreneurs need start-up funding through loans, equity, grants, etc. The enterprise has to at least break even to sustain itself, even if considered non-profit. If an enterprise that is reliant on donor funds to operate and, by definition, hands out resources without getting anything in return, it becomes in function a charity. That is, that which receives donor funds and gives them to others is by definition a charity, even if they do not refer to themselves as such. However, a venture that is self-sustaining functions in the same way as any commercial enterprise would. Interestingly, Kistruck and Beamish (2010) provided some evidence that for-

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5 Thus, philanthropists are only minimally accountable to outsiders and can pursue social objectives as they choose or define.
profit firms had an easier time integrating a social purpose than non-profits had of integrating financial sustainability or profitability into their existing social purpose in developing countries.

3.5 Sustainability

Since charity is a vehicle for income redistribution and is reliant on donor funding to maintain operations, by definition it is not sustainable. Alternatively, philanthropy, through the foundation, is self-sustaining. Often, foundations that are intended to be perpetual have an endowment that is invested. The proceeds of the investments fund the foundation’s activities, similar to a university’s endowment. Other times, foundations are formed for a particular purpose for a set time frame, or until the money is spent. In this way, they do not rely on outside funding, be it revenue generation or donors (Schramm 2006).

Using a business model, social entrepreneurship by definition is sustainable, primarily through revenue generation, in much the same way any successful enterprise would be. An enterprise reliant on donor funds for operations is not sustainable and is functionally indistinguishable from charity, regardless of intent.

3.6 Time frame

Charity is designed to alleviate immediate suffering; the response is quick and the impact is short-lived (Carnegie 1901). Alternatively, philanthropy typically is aimed at long-term impacts. Indeed, in some cases, philanthropic ventures have lasted well over 100 years (e.g., as exemplified in many U.S. universities), creating opportunities as part and parcel of their purpose. Depending on economic conditions, the foundation can last indefinetly, with a long-term impact (Schramm 2006). On that same note, opportunity created by philanthropy often cannot be realized in the short term.

As with any enterprise, social entrepreneurship can be short-lived or last for decades. However, given a dynamic market system, the nature of the social value can create change. Thus, the enterprise must change in order to be sustainable. Even if a particular venture lasts indefinitely, the exact nature and social value created is likely to change in the long run.

4 Entrepreneurship and social value creation

In a seminal article entitled “Entrepreneurship: Productive, Unproductive, and Destructive,” William Baumol (1990) underscored the importance of considering the full range of entrepreneurial activity. Baumol observed that, while entrepreneurship can be productive, it can also be unproductive and destructive. While important in general, this point is particularly relevant in the developing world. In many rapidly developing countries, opportunities for-profit can outpace the evolution of institutions, increasing opportunities for-profit through rent-seeking (Murphy 1993). Indeed, without strong regulatory regimes in place, economic activities in underdeveloped countries have been found to be predatory and extractive. Accordingly, Baumol (1990, p. 897) extended Schumpeter’s list of entrepreneurial activities to include activities of “questionable value” to society, e.g., rent-seeking, tax evasion, and avoidance, forming his conception of unproductive entrepreneurship.

In other words, we argue that destructive entrepreneurship is rent-destroying and decreases social value (Desai and Acs 2009; Desai et al. 2010). On the other hand, productive entrepreneurship generates social value, along with profit, or at least breaks even. Specifically, whenever resources are shifted from destructive to productive entrepreneurship, or from less productive to more productive activities, social value is created (Weitzel et al. 2010).

Given these considerations, it appears that the double bottom line approach (Austin et al. 2006) to social entrepreneurship is correct in that all productive entrepreneurship has a double bottom line and shareholder wealth and social value creation need not be in conflict (Schramm 2010). However, the social value component is not always explicit. In fact, if social value creation is present in all productive endeavors it should be measured in these terms as well. This approach is also consistent with the social innovation literature where social entrepreneurs innovate and create economic and social value (Dees 2001; Ashoka 2010) (Table 2).

Most developed countries have evolved formal institutions to prevent or absorb rent-seeking and/or rent-destroying behavior, so it is simply less obvious in these places. In developing countries with political instability, destructive entrepreneurship is likely to be
most prevalent (although it occurs in some forms across countries) (Acs and Laszlo 2010).

In summary, we define social entrepreneurship to be entrepreneurship that creates social value. There are two main components to this: social value creation and entrepreneurship. We then discussed the social value creation component, and how it is distinct from charity and philanthropy. We outlined exactly where the entrepreneurship component fits within the productive and destructive entrepreneurship context. Also, we make a distinction between stated intentions and outcome. Social value creation goals can be stated with no social value created, and social value creation is not dependent on stating goals as such. From this perspective, we can now consider concrete examples of social value creation in different settings and different motives.

5 Grameen Bank and Microsoft Corporation

These comparative cases illustrate social impact and value creation through commercial and social entrepreneurial efforts. We look to two organizations in particular, both widely recognized for their innovative approaches and success in two major industries: banking and software. These organizations were both founded in 1973 as for-profit businesses and have become known around the world: the Grameen Bank of Bangladesh and the Microsoft Corporation, founded by Muhammad Yunus and William Gates, respectively. However, while both have created significant amounts of wealth, their explicit motivations and goals have been quite different. One was private and profit-driven, while the other, also private and profitable, was socially motivated. Indeed, Yunus and the Grameen Bank together have become the poster child of social entrepreneurship (Peredo and McLean 2006).

As previously mentioned, some take the position that a for-profit organization is not social entrepreneurship. However, we find that perspective to be unnecessarily limiting. Instead, we suggest that attention to for-profit organizations as innovators with varying approaches and goals can be highly instructive and provide a more nuanced depiction of entrepreneurial social impact. Grameen Bank and Microsoft Corporation provide us with representative stories of wealth creation and social value creation based on different practices, encompassing different assumptions, and driven by different motivations. Our purpose here is to use these cases to better understand the social impact of entrepreneurial innovation, and find that these organizations have much in common, despite different motives and stated goals.

5.1 Grameen Bank: Empowering Women and Strengthening Communities

Since Grameen Bank is widely considered to be a social venture, and many scholars find purpose important in assessing if a venture qualifies as social entrepreneurship (Dacin et al. 2010), it is important to discuss the assumptions and mission driving its activities. Three basic assumptions guided Grameen Bank action: first, that poverty is not due to a lack of skills, but rather to inefficient social and economic institutions (Acemoglu and Johnson 2006); second, that the poor have unrecognized or under-utilized skills; and, third, that the poor are creditworthy. Therefore, as Yunus explained, “Grameen created a methodology and an institution around the financial needs of the poor, and created access to credit on reasonable terms enabling the poor to build on their existing skills to earn a better income in each cycle of loans.” By so doing, the Grameen Bank has been able to fulfill its mission, which focuses on helping the poor help themselves out of poverty, particularly women (Grameen Foundation 2008).

Over and above economic gains stands the goal of social transformation, changing norms and creating
new ways of relating in the form of empowerment and social capital. Through Grameen Bank programs, women who were once socially excluded and marginalized have become empowered and engaged in their communities. They have found the means to challenge norms and social structures that had been mechanisms of oppression. In fact, there is a high correlation between the time that they spend in Grameen Bank programs and levels of empowerment (Hashemi et al. 1996). These women also display increased civic engagement and participation. For example, in a 2003 local government (Union Porishad) election, 3,059 Grameen Bank members ran for and were elected to seats reserved for women, constituting 24% of the total members elected to the reserved seats (Grameen Bank 2008).

In addition to empowering women and encouraging their community participation and decision-making, the Grameen Bank also has acted to challenge cultural norms and transform the social system. The bank programs and lending requirements are aimed at raising awareness and providing resources and opportunities for establishing individual and group networks, building solidarity and trust among members, i.e., increasing their social capital. For example, as part of their loan agreements, the women are requested to respect and act in accordance with the Grameen Bank’s “Sixteen Decisions” (which are recited at the beginning of group meetings), calling for social transformation and providing a moral framework and ideology for life changing experience and empowerment. The social value and impact of the Grameen Bank are translated through these decisions, which encompass the social entrepreneurial mission. As Peter Goldmark, former president of the Rockefeller Foundation, once commented,

Grameen Bank is not based on transactions. It is based on commitment. It deals in something more than contracts. It builds on a compact and business sense... It’s the only bank in the world with its own birth control policy. Its members make this pledge: ‘We shall plan to keep our families small.’ It’s the only bank in the world with its own marriage policy. Its members make this pledge: ‘We shall keep the center free from the curse of dowry. We shall not practice child marriage’.7

Furthermore, while the main stakeholders of the Grameen Bank are poor women, the social impact of Grameen Bank is felt throughout their communities via the groups of borrowers created around the Grameen Bank and their extended networks. Also, the programs and meetings held in villages by Grameen Bank credit agents give women opportunities to learn, share ideas, and relate in ways that build trust and solidarity, enhancing social capital. These in turn provide the women with the credibility (creditability) and trustworthiness that increases their capacity to attain loans and accumulate assets (Grootaert 1999).

5.2 Microsoft: effecting technological and societal change

Examining the social impact of Microsoft presents a different and complex challenge. For our purposes here, we separate the company from its product innovations. On the one hand, we consider the social impact created by the innovative software attributed to Microsoft. On the other hand, Microsoft as a corporate entity arguably has provided socially relevant services to its clients and society at large.

As a corporation, Microsoft has contributed to many community-based and broader social initiatives, ranging from assisting law enforcement in the fight against online predators with the Child Exploitation Tracking System to enabling people with disabilities to develop various job skills. Microsoft claims to have improved skills and opened up new opportunities to more than 135 million people around the world. Although the depth and scale of the impact relative to the wealth generated by Microsoft certainly can be questioned, it is undeniable that, for example, the education of millions of students and the functional lives of thousands of persons with disabilities have been assisted or improved by Microsoft products and programs. Thus, while Microsoft as a corporate entity is not organized around a social problem and its primary mission is not the creation of social value, it has had a positive social impact—the achievement of which it trades upon to increase its market capacity.

6 See the website (www.grameen-info.org) for a delineation of the Sixteen Decisions.

7 In the Microcredit Summit Report (2007).
In fact, one could claim that, as commented by Barro (2007),

By any reasonable calculation Microsoft has been a boon for society... A conservative estimate, in a model where software serves as a new variety of productive input, is that the social benefit of Microsoft’s software is at least the $44 billion Microsoft pulls in each year. When capitalized with the same ratio (22) that the market applies to earnings, this flow corresponds to a valuation of $970 billion. Thus, through Microsoft’s future operations, Gates is creating a benefit to the rest of society of about a trillion dollars...And this counts only the likely future benefits, giving no weight to the past.

The impact of technological innovations driven by Microsoft clearly goes beyond the organization itself to include the social impact resulting from software innovation generally. With more than 50% of the software market share (conservatively) and contributing to the employment (directly and indirectly) of about 42% of the information technology (IT) workforce, Microsoft clearly has played a leading role in the impact of IT innovations.

In one way or another, Microsoft innovations have had a broad and transformative impact on human endeavors in the world today. Software development has enormously affected not only the more than one billion people who use computers, but also those who have never seen one. That being said, Microsoft is not explicitly or directly guided by a goal of social value creation. Microsoft’s overriding motivation and mission is profit, and it is not organized around a social problem as is typical in discussions of social entrepreneurship. However, embedded within their goal of profit, Microsoft sells innovative products that arguably have inherent social value. While it is not defined explicitly as a social entrepreneurial venture, the potential for social impact is clear, irrespective of intent.

We also must mention that there is a general lack of consensus on whether some software innovations have had a positive or negative impact on society, particularly as regards impact on quality of life and social interaction. For example, some studies have shown that, while information technologies have enabled communication to an unprecedented degree, those advances have come at the expense of time that people spend interacting (Putnam 2000). Yet, others have claimed that such innovations have provided new possibilities and means for people to interact and build social capital. Still others posit that, even if there is an association between the Internet and the quality of individual interactions, it is not a causal relationship. Either way, we are not asserting that all innovations result in a net benefit for society, and this is likely to be an empirical question.8

As Microsoft advanced its innovations, it shaped standards in the IT industry, introduced new products, and created opportunities for millions. However, exploitation of those opportunities by communities and individuals required particular qualities, aptitudes, resources, and organizations. Microsoft’s innovations have contributed to the “democratization” of information technologies, giving access to millions of people to new technologies and capabilities. However, that democratization operates as a market strategy, not as an expression of ethical boundaries. Microsoft is a for-profit organization, motivated and defined as such. Profit has been the guiding principle of its entrepreneurial activities and market shares have been its overriding goal—and, clearly, it has had a large social impact.

6 Discussion

In establishing the Grameen Bank and Microsoft, both Muhammad Yunus and Bill Gates displayed common traits attributed to entrepreneurs: creativity and innovation, risk-taking, active pursuit of objectives, and the ability to clearly frame their visions and exploit related opportunities. They both introduced radical innovations that created paradigm shifts and systemic transformations in their respective industries. Fundamentally, both Yunus and Gates and their respective organizations shared in common the notion of change and innovation. They both created highly successful for-profit organizations and welcomed and created change through innovation and scale. Both the Grameen Bank and Microsoft have had important economic

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8 E.g., studies conducted in 2000 by the Stanford Institute for the Quantitative Study of Society, the National Public Radio, Kaiser Family Foundation, and the Kennedy School of Government; and by the PEW Internet and American Life Project.
and social impacts. Despite these commonalities, there are important distinctions between them as entrepreneurial actors, particularly in terms of mission.

One key aspect often overlooked in the debate over social and commercial entrepreneurship is the context within which these innovations operate, i.e., whether they operate in local, national, and/or global markets. It is clear that one crucial difference between Grameen Bank and Microsoft Corporation is the geographic context. While both started in emerging markets, Grameen Bank opened up new markets in local, deprived areas in Bangladesh, specifically aimed at establishing and improving the capacities of small and medium sized enterprises. However, over time, Microsoft has sought to encompass national, international, and possibly global markets. It could be that social entrepreneurship in general could have a greater social value contribution on the margin for the developing world.

Also, as we have argued, while both organizations have generated market and social value, they have given different priority to these two notions. That prioritization defined the ways in which they operated, grew, assessed their performance, developed their innovations, and interacted with society. Microsoft was organized with the principal goal of enabling commercial growth and market presence. However, the Grameen Bank gave primacy to social value, over and above market value. Social value, in terms of alleviating poverty and empowering the poor, was its driving force and raison d’être, while market value was viewed primarily in instrumental terms for sustainability, not as an end unto itself.

By comparing and contrasting the experience of these two renowned examples of entrepreneurial innovation, we have brought forth critical similarities and differences, recognizing that the impact of innovation does not happen, scale, or diffuse in a vacuum. Entrepreneurial innovation is the result of dynamic interactions among a variety of institutions and structures, such as markets, political institutions, and culture. Those interactions create openings, opportunities, and challenges that affect the nature and effect the innovation might have on society. Social impact is created as each organization negotiates its way through various institutional and structural layers and relationships.

It is clear that both the developed and developing world have been transformed, and that both societies and individuals have been affected by innovations in information technology. The role Microsoft had in this is difficult to answer directly, but we can venture to say that it was not trivial. Microfinance, clearly a radical innovation, has also had important impacts on the poor by providing credit and banking services. Even the Grameen Bank clients who are still below the poverty line are not as destitute as before microfinance was introduced. Their lot has clearly improved in terms of relative deprivation.

The social impact of innovation is an even more difficult question. Microfinance clearly has the potential for major social impact on the poor of the world. Indeed, “ten years ago, the probability of an idea from Bangladesh affecting a community in Brazil, Poland, or the U.S. was very limited. Now it is common…and becoming more common every year” (Drayton 2006, p. 82). In the same vein, Microsoft has had a profound effect around the world, impacting the billions of people using computers today.

Although Yunus introduced the microfinance innovation to achieve a social mission, and the Grameen Bank has operated in pursuit of related goals, microfinance as an industry innovation needs not have such goals. While it has spread as a means for credit lending to the poor and may ultimately have a broadly transformative social impact, the motivation for many such ventures in the field may be primarily an identification and appreciation of the means by which this niche can be exploited for-profit. Similarly, computer and IT advances have certainly introduced new ways to create and use social capital, as evidenced by the vast array of social media and networking programs available via the Internet today. We are not here arguing the merit of these, but rather that they are social and their broader impacts and implications require further investigation.

7 Conclusion

The paper has examined social entrepreneurship within the context of charity and philanthropy. Providing structure and clarity, it identified social and economic value creation as potentially overlapping. As suggested here, donor intent may be less important than economic and social outcome in evaluating entrepreneurship. All productive entrepreneurship creates both economic
and social value; in this case the concepts overlap. Since we assume that destructive entrepreneurship is most likely to occur in developing countries with some degree of political instability, the proportional split between social and economic value will be influenced by the contextual political economy.

The link between social entrepreneurship and philanthropy goes beyond issues of funding. One of the clearest connections between social entrepreneurship and philanthropy (other than the participants/funders) is the focus on voluntarily creating opportunity and sustainability, to the extent that broader cultural values and societal interactions cross levels and units of analysis. Philanthropists and social entrepreneurs choose to establish various endeavors, and people choose whether or not to participate. In this way, they operate to effect institutional and cultural reproduction, i.e., there is transmission of market culture and values, done so on a voluntary basis. Instead of imposing a structure on top of what already exists, social entrepreneurship works at the individual level within the context of that society, based on assumptions of value within specific contexts.

The link between social entrepreneurship and charity is not as strong as the link between social entrepreneurship and philanthropy. Charity is generally not innovative, does not have a double bottom line and does not lead to sustainability; it leads to dependence. To increase social and economic value, society should have less charity and more social entrepreneurship. A clear example of this point is microfinance, and specifically, a revolving loan fund. If the fund becomes sustainable, by either earning profit or breaking even, then it is no longer dependent upon donor funds. It is not a handout, and is potentially a mechanism that can indefinitely create opportunity, representing both an extension and application of philanthropic principles. (However, if the fund is continuously dependent on donor funding it is indistinguishable from charity).

Future research in this area could profitably look beyond economic value and explore other types of social value relative to entrepreneurial impact, thus contributing meaningfully to the understanding of social entrepreneurship. Identifying other (measurable) forms of social value could also guide social entrepreneurs and aid in developing public and private agendas for societal development and progress. It is possible and likely that social value creation could be empirically determined. Also, further research on what are generally considered social enterprises, and their positions relative to charity or philanthropy models, could help analysts and practitioners gain a better understanding of the nature and impacts of these organizations, as well as aligning their goals with the most effective form of enterprise.

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