THE SOCIAL VALUE OF PRODUCTIVE ENTREPRENEURSHIP

Zoltan J. Acs
George Mason University – School of Public Policy

Mary C. Boardman
George Mason University – School of Public Policy

Connie L. McNeely
George Mason University – School of Public Policy
The Social Value of Productive Entrepreneurship

Zoltan J. Acs  
Mary C. Boardman  
Connie L. McNeely  
George Mason University

Abstract

As a critical contribution to the social entrepreneurship literature, this paper first engages the concept of social entrepreneurship. Situating it within the distinctive context of charity and philanthropy, it provides structure and clarity. Next, it identifies related sources of social impact and value creation, positing social and economic value creation as potentially overlapping. It then provides comparative case studies focusing on Microsoft Corporation and Grameen Bank, to illustrate these issues relative to productive and social entrepreneurship. Recognized as highly successful innovative ventures, these two enterprises have had profound social impact on the world, even if that impact is derived from very different perspectives and motivations.

Key Words: social value creation, social entrepreneurship, philanthropy, charity

JEL: L26

Acknowledgements: We thank Philip Auerswald, Alex Acs, Sameeksha Desai, Siri Terjesen, Henry Etzkowitz, Joseph Sani, and seminar participants in the School of Public Policy at George Mason University, the Stern School of Business at New York University, and the Colloquium for Measuring the Social Value of Innovation at the University of Arizona for their valuable comments, insights, and contributions to this paper.
1. Introduction

Evidence suggests that social entrepreneurship, despite substantial growth as a field of research, still lacks a unified and clear definition. For example, some analysts equate social entrepreneurship with non-profit organizations in general, others discuss it particularly in terms of philanthropy, or even focus on related activities linked explicitly to social objectives. Although sometimes a point of contention, still others have framed social entrepreneurship as a form of corporate social responsibility. Another hybrid view describes social entrepreneurship as charitable or philanthropic activities sustained through revenue generation. Indeed, many seem to view social entrepreneurship as a type of giving, akin to philanthropy and charity. Yet, while philanthropy and charity are relatively clear and established concepts within the literature, it is not always clear where social entrepreneurship fits within this framework (Dees 2001; Light 2006; Mair & Marti 2006; Martin & Osberg 2007; Short, Moss, et al. 2009).

Furthermore, distinctions between social entrepreneurship and what is often called commercial, economic, or traditional entrepreneurship are often fuzzy, turning on assessments of social impact and value as defining features (Acs and McNeely 2008). On the one hand, some analysts consider economic value to be entirely separate from social value. On the other hand, economic value is sometimes treated as a type of social value. Still, many scholars find themselves somewhere between these poles (Auerswald, 2009). Accordingly, identifying the boundaries and relationships between social and commercial entrepreneurship remains critical for understanding social impact and value, both in theory and applied.
We seek here to bring clarity to two issues: (1) the role of social entrepreneurship in relationship to charity and philanthropy as a creator of social value; and (2) the role of productive and destructive entrepreneurship in the creation or destruction of social value. As a first step, we consider social entrepreneurship relative to charity and philanthropy and, especially, in light of their role in social value creation. We delineate similarities and differences along various dimensions to better understand the broader context in which social entrepreneurship is defined and enacted.

Building upon this understanding, we next invoke notions of productive entrepreneurship relative to social value creation, particularly in contrast to unproductive and destructive entrepreneurship. We define productive entrepreneurship as resulting in social value creation, whereas unproductive and destructive entrepreneurship do not have this component. This leads us to further consider social entrepreneurship more broadly to include commercial entrepreneurship that creates both social and economic value. Generally speaking, 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. The advantage of applying entrepreneurial principles to social value creation is the clarity, purpose, and vision that entrepreneurship offers more generally.

To illustrate these issues relative to productive and social entrepreneurship, we provide comparative case studies as concrete examples of these concepts. Focusing on Microsoft Corporation and Grameen Bank as representative examples, we move beyond typical approaches to discussing social entrepreneurship. We demonstrating that, in analytical and practical terms, distinctions between social and economic value creation
are not necessarily salient, and founders’ intent seems to be less important than outcome, given such value creation. This seemingly simple point is at the same time somewhat radical, flying in the face of some of the most basic assumptions invoked in notions of social entrepreneurship. 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 commercial. Despite their different characterizations, the evidence suggests that, in these cases, economic and social values are intertwined, both resulting in significant social impact. This is the first paper to our knowledge that has examined the value creation process in what is generally perceived as both a commercial (Microsoft corporation) and a social (Grameen Bank) venture.

Next, we examine the context within which social entrepreneurship may be a powerful source of social value creation. Section three accepts that social value creation is one part of the social entrepreneurship phenomenon. It therefore fits social entrepreneurship into the other major social value creation activities, charity and philanthropy. In this way social entrepreneurship is both anchored in the social value creation chain and its distinctive features are clearly delineated. Section four does this for the entrepreneurship component of social entrepreneurship, suggesting that all productive entrepreneurship creates both social and economic value, whereas unproductive and destructive entrepreneurship does not create value (social or economic) for society. Section five provides a case study of Grameen Bank and Microsoft Corporation that demonstrates the importance of productive entrepreneurship in the creation of both economic and social value. The case study provides evidence that donor intent may be
less important than economic and social outcome in evaluating entrepreneurship. We conclude with a summary.

2. Social Entrepreneurship in Context and Effect

Arguments have been made that entrepreneurship conceptually should be modified to include creation of both social and economic value (Chell 2007), 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\(^1\). 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. In fact, 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 mention the commercial aspect. This is not entirely appropriate since social enterprises have a commercial bottom line and one that is based on the creation of other values. 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; Auerswald, 2009). To think of social entrepreneurship as dichotomous with commercial entrepreneurship may not be useful, particularly in a capitalist social order and market system.\(^2\) For example, social entrepreneurship is not necessarily purely altruistic, and commercial entrepreneurship can be socially responsible and ethical in practice. Commercial entrepreneurs, concerned with their own best interests, can generate both

---

\(^1\) Sustainability as we use it in this paper can refer to environmental, financial, and/or social.

\(^2\) Barring social critique and philosophical challenges.
economic and social value. Profit does not necessarily exclude or negate other motives (Mair & Marti, 2006), and 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.

A more profitable way of thinking of social entrepreneurship, since it can create both commercial and social value, might be to frame it in terms of a spectrum, with innovative, sustainable nonprofits on one end and productive commercial entrepreneurship on the other. If the entrepreneurship (with all that entails in the entrepreneurship literature) creates social value, then it is social entrepreneurship.

These ventures are often difficult to distinguish from productive commercial entrepreneurship, but we argue that this distinction is not always useful or necessary. Entrepreneurship can be symbiotic in that 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 it.

By creating wealth through mutually beneficial exchanges and/or innovation, the entrepreneur also can create social value, measured as wealth or another form of social benefit. However, those who are interested in the commercial aspects, such as venture capitalists, will focus on the economic value, looking only through the commercial entrepreneurship lens. Those who are interested in the social value creation will examine
the enterprise through the social entrepreneurship lens. Both lenses are appropriate, and choosing a lens depends upon the particular interest or question. As individuals can play multiple roles, so do entrepreneurs and their ventures -- awareness is not necessary.

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 and society. From this perspective, we can now consider some concrete examples of these points, examining their effect on social value creation in different settings.

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. Based on the literature, as reflected in Table 1, we suggest six basic dimensions as particularly useful distinctions for analyzing these relationships: Role, Social Structure, Purpose, Sustainability, Financing, and Time Frame.

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.” Philanthropy, however, as developed in the Anglo-American tradition, is not charity. Instead, it is viewed in a more active or participatory sense, referring to enabling those in need and are willing 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."

3 http://www.merriam-webster.com/dictionary/charity
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.\(^4\) From this position, charity is "appropriate" only in situations of sudden changes of condition or accidents, i.e., 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 provide lasting benefit.

At a fundamental level, such notions of philanthropy reflect a profit orientation that encompasses incentive structures addressing ideas about wealth as a means for creating social value and public benefit, while 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.

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, 2008). This process is enacted through entrepreneurs creating foundations that support social objectives, e.g., funding education, knowledge, and opportunity. The principal mechanism through which philanthropy acts

\(^4\) Related perspectives typically reflect, for example, Carnegie's position that, as expressed in his volume the *Gospel of Wealth*, philanthropy could create opportunities for those who are willing to work for them (Carnegie 1901; Appleby 2010, p.203-04). At the same time, this philosophy was built upon notions of the "deserving" and "undeserving" poor, with Carnegie arguing that charity enabled laziness and rewarded bad behavior, and the wealthy depicted as trustees for the public benefit.
is the foundation, which varies in size, scope, structure, and mission. They are also independently funded through endowments, bypassing the need for fundraising (Desai and Acs, 2008).

**Role of Social Value Creation**

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. Alternatively, philanthropy, as discussed above, has been framed as a means for reconstituting capital and creating entrepreneurial opportunity. As such, it creates social value, albeit indirectly, through the opportunity it provides.

*Social Entrepreneurship:* The role of social entrepreneurship in society is that of a change agent or social innovator. Social entrepreneurship creates social value through innovation and mutually beneficial exchanges.⁵

**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 effect any meaningful change in social structural positions. Alternatively, philanthropy creates opportunities that can enhance social mobility and affect socioeconomic or class status.

*Social Entrepreneurship:* Social entrepreneurship also can offer opportunities to 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.

---

⁵ In turn, such entrepreneurship can often create opportunity as a byproduct of social value creation.
**Purpose**

The purpose of charity in society is to alleviate immediate suffering. While some analysts 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 for fundamental shifts in circumstances.

*Social Entrepreneurship:* The purpose of social entrepreneurship is to improve social conditions. As in any productive enterprise, it often involves improving conditions or providing something that has been lacking, whether that is clean water or the benefit of an innovation. Moreover, it is provided for a mutually beneficial exchange.

**Financing**

Charity is primarily financed through donations. A charitable institution relies on donor funding not only to meet start-up costs, but to continue operations. Alternatively, philanthropy is financed by reconstituting wealth, mostly through foundations, back into society. Foundations are set up and designed to create an endowment, providing an independent and self-sustaining source of funding.\(^6\)

*Social Entrepreneurship:* A distinguishing feature of social entrepreneurship, as in any form of entrepreneurship, is that it is funded through a business model (Dees, 2001). Involving start-up funding -- through e.g., 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 them back, it becomes in function a charity. That is, it receives donor

---

\(^6\) Thus, philanthropists are only minimally accountable to outsiders and can pursue social objectives as they choose or define.
funds and gives them to others. However, a venture that is self-sustaining functions in the same way as any commercial enterprise would.

**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; it does not rely on outside funding, be it revenue generation or donors.

**Social Entrepreneurship**: 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.

**Time Frame**

Charity is designed to alleviate immediate suffering; the response is quick and the impact is short-lived. 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 indefinitely, with a long term impact. On that same note, keeping in mind that philanthropy addressed deeper, structural issues, the opportunity created by philanthropy cannot be realized in the short term.

**Social Entrepreneurship**: 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 -- and, more, the enterprise must change in order to be
sustainable. Thus, even if a particular venture lasts indefinitely, the exact nature and social value created is likely to change in the long run.

[Insert Table 1 about here]

4. Entrepreneurship and Social Value Creation

In a seminal article entitled “Entrepreneurship: Productive, Unproductive, and Destructive,” William Baumol (1990, p. 898) underscored the importance of considering the full range of entrepreneurial activity that is of particular salience here. Noting that that the entrepreneur is fundamentally engaged only in activity aimed at increasing wealth, power, and prestige, Baumol observed that, while entrepreneurship can be productive, it is not inherently economically healthy and can also be unproductive and destructive. While important in general, this point holds particular relevance in, for example, many rapidly developing countries where opportunities for profit can outpace the evolution of institutions, widening the scope of rent-seeking or worse activities. 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.

However, in presenting his argument, Baumol offered no additional insight into destructive entrepreneurship. Addressing this issue, Acs and Desai (2009) shift the lens from Baumol’s focus on entrepreneurship that creates output (productive) and entrepreneurship that is redistributive (unproductive) to propose a theory of destructive entrepreneurship centered on three basic propositions.
Proposition 1: Destructive entrepreneurship has a negative effect on Social Value. This proposition is implicit in Baumol's and related treatments of the concept. However, Acs and Desai (2009) include an additional proposition to clarify why it has a negative effect on the economy.

Proposition 2: Destructive entrepreneurship is rent-destroying. The distinction between unproductive and destructive entrepreneurship has been tenuous (and, therefore, often ignored) because the furthest frontier of research tends to end with “rent-seeking.” However, Acs and Desai (2009) argue that destructive entrepreneurship has a negative effect on development because the activity is not merely rent-seeking, it is rent-destroying. However, they also consider that activities and resources can be shifted to the other forms of entrepreneurship.

Proposition 3: Whenever resources are shifted from destructive to productive entrepreneurship, or from less productive to more productive activities, social value is created. In this case, emphasis is placed on the effect of productive entrepreneurship on the creation of social value as activity is shifted out of destructive and unproductive entrepreneurship, or to more productive uses in general (Weitzel et al., 2010).

Given these considerations, while recognizing activities aimed at increasing wealth, power, or prestige and motivations to capture rents, as outlined in Table 2, we see that, in the case of productive entrepreneurship, entrepreneurs create social value, whereas they destroy social value as destructive entrepreneurs. In the case of
unproductive entrepreneurship, entrepreneurs are rent-seeking but they do not destroy social value.\(^7\)

[Insert Table 2 about here]

Our assumption of uncertain political economy means that destructive entrepreneurship is most likely to occur in developing countries with some degree of political instability (although it occurs in some forms across countries). Most developed countries have evolved formal institutions to prevent rent-destroying and/or rent-seeking behavior, so it is simply less obvious in these places. The theory suggests that in developing countries, shifting resources from unproductive or less productive activities to those that are more productive will appear to create more social value than in more developed countries (Acs and Szerb, 2010).

5. **Grameen Bank and Microsoft Corporation**

We offer here comparative cases to illustrate creation of social impact and value 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 more purely financial while the other, also private and financial, was more socially motivated. Indeed, Yunus and the Grameen Bank together has become the poster child of social entrepreneurship (Peredo and McLean 2006).

---

\(^7\) This is consistent with Baumol’s conception of unproductive entrepreneurship as redistributive.
As previously mentioned, some analysts 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 impact 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.

**Grameen Bank: Empowering Women and Strengthening Communities**

Understanding the social impact of Grameen Bank requires attention to 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.8

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.

---

8 These Yunus quotes were posted on www.grameen-info.org, accessed 1/12/08.
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 percent of the total members elected to the reserved seats.\(^9\)

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.\(^10\) 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

\(^9\) Reported on http://www.grameen.com/bank/GBGlance.htm, accessed 1/12/08

\(^10\) See the website (www.grameen-info.org) for a delineation of the Sixteen Decisions.
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.’

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).

**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 several 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

---

11 In the Microcredit Summit Report (2007).
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. 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 percent of the software market share (conservatively) and contributing to the employment (directly and indirectly) of about 42 percent 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 principally or directly guided by a principle of social value. Its overriding motivation and mission is profit, and it is not organized around a social problem as is typically invoked
in discussions of social entrepreneurship. While it is not defined explicitly as a social entrepreneurial venture, the potential for social impact is clear, irrespective of intent.

However, 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.\footnote{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.}

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.
Discussion

In establishing the Grameen Bank and Microsoft, both Muhammad Yunus and William 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 and social impacts. Despite these commonalities, there are important contrasts differentiating them as entrepreneurial actors, particularly in terms of missions, opportunities, and outcomes.

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.

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 the 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 itself 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 that the merit of these, but rather that they are social and their broader impacts and implications require further investigation.

6. Conclusion

Adding to the themes previously discussed, we emphasize that 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 creating opportunity and sustainability, to the extent that broader cultural values and societal interactions across levels and units of analysis.
Social entrepreneurship and philanthropy are arguably fundamentally different in that they are, as ideal types, completely voluntary. 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.

Seelos and Mair (2005) present a useful perspective on sustainable development, where development meets present needs without impairing the ability to meet future needs. This approach is particularly useful in that it can be applied to financial and social, as well as environmental, sustainability. Again, sustainable entrepreneurship operates through the voluntary actions of producers and consumers and, accordingly, both the desire to create value and the need for sustainability are the drivers of social entrepreneurship (Reis & Clohesy, 2001).

While this is not necessary or sufficient for all social entrepreneurship, it is nevertheless important. 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. Also, further research on what are normally 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.
References

Acemoglu, Daron and Simon Johnson (2006). “Unbundling Institutions.” *Journal of Political Economy*, 113(5): 949-005.

Acs, Zoltan J., and Szerb Laszlo (2010). *The 2010 Global Entrepreneurship and Development Index*, Chelthnam: Edward Elgar Publishers.

Acs, Zoltan J., and C.L. McNeely. 2008. "Social Entrepreneurship and the Creation of Social Value: A Conceptual Prolegomenon." School of Public Policy Working Paper, George Mason University.

Acs, Z. J. and R. J. Phillips (2002). "Entrepreneurship and Philanthropy in American Capitalism." *Small Business Economics* 19(3): 189-204.

Appleby, J. (2010). The Relentless Revolution: A History of Capitalism. New York, W.W. Norton & Company, Inc.

Auerswald, P. (2009). "Creating Social Value." *Stanford Social Innovation Review* 7(2): 51-55.

Auerswald, P., Acs, Z.J. (2009). “Defining Prosperity.” *The American Interest Magazine* May/June 4-13.

Barro, J. Robert (2007). “Philanthropy: Earned Fortune.” *Hoover Digest*, Vol. 4. (online: http://www.hoover.org/publications/digest/10678111.html Accessed on 01/18/08.

Baumol, W. J. (1990). "Entrepreneurship: Productive, Unproductive, and Destructive." *The Journal of Political Economy* 98(5): 893-921.

Carnegie, A. (1901). The Gospel of Wealth and Other Timely Essays. New York, The Century Co.

Chell, Elizabeth (2007). “Social Enterprise and Entrepreneurship: Towards a Convergent Theory of the Entrepreneurial Process.” *The International Small Business Journal* 25(1): 5-26.

Coleman, S. James (1998). “Social Capital in the Creation of Human Capital.” *The American Journal of Sociology*, Vol. 94, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure: S95-S120.

Dart, R. (2004). "The Legitimacy of Social Enterprise." *Nonprofit Management & Leadership* 14(4): 411.

Dees, Gregory (2001). “The Meaning of Social Entrepreneurship”. www.gpnet.com/perspective/social_entrepreneurship.htm Accessed on10/12/07
Desai, Sameeksha, Acs, Zoltan J., and Weitzel, Utz (2010). “A Model of Destructive Entrepreneurship”. UNU-WIDER Working Paper No. 34, Helsinki, Finland.

Desai, Sameeksha, Acs, Zoltan J., (2009) “A Theory of Destructive Entrepreneurship” Max Planck Institute of Economics, working paper.

Desai, S and Z. J. Acs (2008). "Democratic Capitalism and Philanthropy in a Global Economy." In Acs and Stough (eds.) Public Policy in an Entrepreneurial Economy, New York: Springer, 281-294.

Drayton, William (2006). “Everyone is a Change Maker: Social Entrepreneurship’s Ultimate Goal.” Innovations, 1(1), 80-96.

Grootaert, Christiaan (1999): "Social Capital, Household Welfare and Poverty in Indonesia". Local Level Institutions Working Paper No. 6, Environmentally and Socially Sustainable Development Network, Social Development Family, World Bank, April. Washington D.C.

Hamer, J. H. (1998). "Money and the Moral Order in Late Nineteenth and Early Twentieth-Century American Capitalism." Anthropological Quarterly 71(3): 138-149.

Hashemi, Syed., Schuler, R., Sidney, S., and Riley, P. Ann (1996). “Rural Credit Programs and Women’s Empowerment in Bangladesh.” World Development, Vol. 24, No. 4: 635-653.

MacFarlane, A. (1978). The Origins of English Individualism. Southampton, UK, Basil Blackwell.

Mair, J. and I. Marti (2006). "Social Entrepreneurship Research: A source of explanation, prediction, and delight." Journal of World Business 41: 36-44.

Martin, L. Roger and Osberg, Sally (2007). “Social Entrepreneurship: The Case For Definition.” Stanford Social Innovation Review, Spring 2007.

Marx, K. and F. Engels (2005 (1848)). The Communist Manifesto and Other Writings. New York, Barnes & Noble.

Murphy, K. M., A. Shleifer, et al. (1991). "The Allocation of Talent: Implications for Growth." The Quarterly Journal of Economics 106(2): 503-530.

Murphy, K. M., (1993). “Why is rent-seeking so costly to growth?” The American Economic Review 83: 409-14.

Nunn, N. (2007) “Historical Legacies: A Model Linking Africa’s Past to Its Current Underdevelopment,” Journal of Development Economics, 83(1): 157-175.

Peredo Ana Maria and McLean Murdith (2006). “Social Entrepreneurship: A Critical review of the concept.” Journal of World Business, Vol.41:56-65.
Putnam, Robert (2000). *Bowling Alone*. New York: Simon And Schuster.

Putnam, Robert (1993): *Making Democracy Work: Civic Tradition in Modern Italy*. Princeton, N.J: Princeton University Press.

Reis, T. K. and S. F. Clohesy (2001). "Unleashing New Resources and Entrepreneurship for the Common Good: a philanthropic renaissance." New Directions for Philanthropic Fundraising 32(Summer).

Schramm, C. J. (2006b) “Law Outside the Market: The Social Utility of the Private Foundation,” *Harvard Journal of Law & Public Policy*, 30(1), 356-415.

Seelos, C. and J. Mair (2005). "Social Entrepreneurship: creating new business models to serve the poor." Business Horizons 48: 241-46.

Short, J. C., T. W. Moss, et al. (2009). "Research in social entrepreneurship: past contributions and future opportunities." Strategic Entrepreneurship Journal 3(2): 161-194.

Smith, A. (2003 (1776)). The Wealth of Nations. E. Cannan. New York, Bantam Dell

Toqueville, A. (2000 (1835)). Democracy in America. J. P. T. Mayer. New York, HarperCollins Publishers, Inc.

Weitzel, U, D. Urbig, S. Desai, M. Sanders, and Z. Acs,” The Good the Bad and the Talented: Entrepreneurial Talented and Selfish Behavior,” *Journal of Economic Behavior & Organization*, special issue on Experimental Methods in Entrepreneurship Research, edited by A. Acs, D. Audretsch, S. Desai and Isabell Welpe, 76(1), 64-81.

Weber, M. (2009 (1920)). The Protestant Ethic and the Spirit of Capitalism, Digireads.com Publishing.

Zahra, Shaker, (2009), “A Topology of Social Entrepreneurship,” *Journal of Business Venturing*, 2009.

Zahra, Shaker, 2008), “Globalization of Social Entrepreneurship Opportunities,” *Strategic Entrepreneurship Journal*, 3(2), 2008.
Table 1. Social Value Context Dimensions

| Dimensions     | Charity                          | Philanthropy                        | Social Entrepreneurship          |
|----------------|----------------------------------|-------------------------------------|----------------------------------|
| **Role**       | Income Redistribution            | Reconstitution of Wealth            | Change agents/social innovation  |
| **Social Structure** | Takes Structure as Given    | Realign Structure                  | Alters Structure                 |
| **Purpose**    | Alleviate Suffering              | Opportunity Creation                | Improve social conditions        |
| **Sustainability** | Not Sustainable                 | Self-Sustaining                    | Sustainable                      |
| **Financing**  | Donations                       | Foundations                         | Business Model                   |
| **Time Frame** | Immediate                       | Long-Term                          | Medium-Term                     |
Table 2. Entrepreneurial Allocation

| How does the entrepreneur treat rents? | Productive entrepreneurship | Unproductive entrepreneurship | Destructive entrepreneurship |
|---------------------------------------|-----------------------------|------------------------------|-----------------------------|
| Rent-creating                         | Rent-creating               | Rent-seeking                 | Rent-destroying             |
| Does the entrepreneur capture rents?  | Yes                         | Yes                          | Yes                         |
| What is the net effect on social value?| (+)                         | (0)                          | (-)                         |