

# Differences between social entrepreneurship and traditional business



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One might wonder, how was social entrepreneurship come to existence?

While the idea of social enterprise go back as far as to 1649 (Spreckley, 1981), the term social enterprise was first introduced by Freer Spreckley in 1978 (Wikipedia (a)). The two words, social and enterprise seem paradoxical to be put together. Entrepreneurs, generally linked to their action of making profits for themselves and the shareholders, seem unlikely to be associated with social interests. While this is not entirely true, but the typical Ebenezer Scrooge type of entrepreneurs will always be in people's minds when describing the traits of an entrepreneur. It might just incomprehensible for some of us, how some entrepreneurs will put aside their interests in making profits for themselves for the sake of any social causes. In this essay we will discuss the similarities between the two entrepreneurship and their fundamental differences.

So, what is this social entrepreneurship and social enterprise exactly? Before understanding the term social entrepreneurship, we need to firstly understand what traditional business entrepreneur itself is. An entrepreneur is an individual who owns a firm, business, or venture, and is responsible for its development (Paggu. com). In order to do so, he or she will manage the resources he had. The aim of a traditional business entrepreneur or commercial entrepreneur is to generate profits from the risks and opportunities he or she is willing to take. A business enterprise therefore would be an entity that is owned by the business entrepreneur to achieve business goals that have been set by the entrepreneur.

As for the social entrepreneurs, Wikipedia define the term social entrepreneur as “ someone who recognizes a social problem and

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uses entrepreneurial principles to organize, create, and manage a venture to make social change". Freer Spreckley, in his work *Social Audit - A Management Tool for Co-operative Working* (1981) describe social enterprise as "an enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise. Traditionally, 'capital hires labour' with the overriding emphasis on making a 'profit' over and above any benefit either to the business itself or the workforce. Contrasted to this is the social enterprise where 'labour hires capital' with the emphasis on personal, environmental and social benefit".

The definition of social entrepreneurship varies from a narrow definition to a wide one. Under the narrow definition, social entrepreneurship is basically the action of applying innovative means and business skills in the non-profit sector. This can be shown by a non-profit organization such as British Deaf Association for example, venturing into business to generate income. The wider definition on the other hand, refers social entrepreneurship as "innovative activity with a social objective in either the for-profit sector, or in corporate social entrepreneurship, or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and non-profit approaches" (Austin, Stevenson and Wei-Skillern, 2006). In this essay, we will use the second, which is the broader definition as the definition of social entrepreneurship.

There are also many types of social entrepreneurs. One might focus entirely on the social cause but other might also focus on the financial gains or profits in order to achieve its social cause. In a way, social

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entrepreneurship can be said as a hybrid of traditional business entrepreneurships and social objectives where social values and commercial practices are mixed.

As both come from the same foundation, it is safe to assume that a social entrepreneurship will have certain similar traits as a commercial entrepreneurship would have. First, social enterprise might also focus on making profit. This for-profit social entrepreneurship will operate in the same as a commercial entrepreneurship, but instead of focusing on increasing the profits for the owner or gaining more dividends for its shareholders, this entrepreneurship will focus on gaining profits for furthering its social missions. The example of this kind of entrepreneurship would be best described by Cooperatives UK. But this might bring problem to the entrepreneurship as it would have to struggle maintaining its original missions while at the same time being competitive in the market.

Another similarity would be that both social and traditional business entrepreneurships will have to mobilize their resources, be it human, financial and others in order to achieve the goal it has set. Both must consider human resources for example managers, employees and funders in the process of running the enterprise. Although there are certain differences in the way both entrepreneurships mobilize their resources, fundamentally they will consider the same things during the process. They will also have to finance the entrepreneurships. This might be through the selling of its products and services for business entrepreneurship or fundraising events for the social entrepreneurship.

While both will have certain similarities between them, there are differences that make the social entrepreneurship unique from its bigger brother, commercial entrepreneurship. The first difference would be the aim, or the mission of both entrepreneurships. While traditional business entrepreneurships usually have the aim of creating profitable gains while maintaining a lower cost of production, social entrepreneurship aims “to accomplish targets that are social and or environmental as well as financial” (Wikipedia (b)) or the ‘three pillars’. For example, Co-operatives UK, a social enterprise, has the aim of “towards the creation of an increasingly successful and sustainable co-operative economy by promoting the interests of co-operatives, increasing awareness and understanding of co-operative values and principles, and supporting the growth and development of new and existing co-operatives” (Co-operatives UK). This main aim of generating profit to further the social and or environmental goals is the fundamental distinguisher between commercial and social entrepreneurship.

Business entrepreneurship needs to do research for many aspects of the market before launching its product for example, the market needs and the demand of the product from the market in order to guarantee its success. For success, the market should be large and growing. Social entrepreneurship on the other hand, does not necessarily have to do the same researches as the business entrepreneurships. “A recognized social need, demand, or market failure usually guarantees a more than sufficient market size” for a social entrepreneurship (Austin, Stevenson and Weiskillern, 2006). But the usual problem with these social entrepreneurships is

how well they use the resources they have to achieve their goals. As they have abundant of opportunities, they often miscalculated their chance and often expand without sufficient thoughts and planning been put into consideration. For example, Guide Dogs for the Blind Association (GDBA), tried to expand its operation in 1997, adding new services such as hotel and holiday programs for the blinds to its usual guide dog services. This resulted in a severe financial loss to the entrepreneurship. After scraping these services and went back to its core business in providing guide dogs to the clients, it is finally return to its better financial state. This clearly shows how improper planning nearly cost a social entrepreneurship its existence. It also shows that it is better for a social entrepreneurship to focus on what it delivered best for the cause instead of venturing into unknown areas.

Despite having similarities in this area as stated before, social and commercial enterprises will also have different ways in mobilizing their resources. Commercial entrepreneurships will allocate some of their financial resources to recruit employees and able to retain them with wages and benefits while most social entrepreneurship will have difficulties in recruiting and hiring workers, thus resulting in reliance upon the volunteers. This might be due to the fact that social entrepreneurships rarely have the financial resource or incentives to recruit and retain workers. Ducks Unlimited for example, relies on the help of volunteers to raise funds. The organization has over 50, 000 volunteers which held over 6, 000 fundraising events throughout 2002 (Austin, Stevenson and Wei-Skillern, 2006). This clearly shows the organization's heavy reliance on the volunteers.

Social entrepreneurship will also consider different opportunities than the commercial entrepreneurship. Although both entrepreneurs will invest the scarce resources they have in any opportunities, there are several aspects that both entrepreneurs can't overlook. Both will concern about the customers, the suppliers, the products and other economic related situations. But in commercial entrepreneurship, the focus will be on financial and economic gains while social entrepreneurship will focus on the social returns (Austin, Stevenson and Wei-Skillern, 2006). For social entrepreneurs, the social aim is obvious and clear. This will surely affect how the opportunities are looked at and assessed by the entrepreneurs. All opportunities will centre on achieving the social mission and not increasing wealth and profits. The profits gained are just merely a way to achieve the social objectives.

That has been said, a traditional business entrepreneurship can and may create a change in society by tackling some social problems or even including the problems in its missions as what have been done by many large corporations nowadays, but it is not the primary purpose on which the enterprise was started. On the same side, a social entrepreneurship might also generate some profits but that is not why the entrepreneurship was started in the first place (Social Entrepreneurship).

Compared to commercial entrepreneurship, social entrepreneurship also will have constraints on the type of product it offers and the market which it targeted to. Social entrepreneurship can't change the product as it is tied to the original specified social problems which it addressed in the first place.

Cancer Research UK for example, can't abruptly change its product to <https://assignbuster.com/differences-between-social-entrepreneurship-and-traditional-business/>

support AIDS patients as it would violate its original aims and missions. The volunteers and the funds raised are for that specific cause. This ties it have create stickiness in the range of product and the targeted market. Contrary, business entrepreneurships have freedom in choosing and creating products. They can launch new line of products without having difficulties with the employees and will not have problems with getting funds.

In other words, social entrepreneur might in a way just the same as any other entrepreneurs; they set up businesses and take risks in order to make profits, although some social entrepreneurs don't stress on making profits. But that's where the similarity ends. Asides from that, and also the consideration on how to manage enterprise, both differs greatly from each other. While in business enterprise the profit is shared among the shareholders, social enterprises use their profits towards whatever social aims they want to achieve in the first place. Therefore we can say that the primary difference between social entrepreneurship and traditional business entrepreneurship is the purpose of setting up the enterprise and how they assess their success.

In a nutshell, we can see that there are many differences between the social entrepreneurship and traditional business entrepreneurship although both have similarities in certain aspects. But this can clearly be explained by the fact that the distinction between the two is not by all means a black and white distinction. No enterprise is purely social or purely economic. The difference between the two is merely how much of the traits between the two are applied to the enterprise. “ Charitable activity must still reflect economic realities, while economic activity must still generate social value”  
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(Austin, Stevenson and Wei-Skillern, 2006). But there are still differences between them. Social entrepreneurships emerged as the result of market failure where the gap is not being filled by business entrepreneurships. Social entrepreneurs are also confronted by more constraints than traditional business entrepreneurships. The limitation in resources, funding and strategy might hinder the development to achieve their missions and goals.

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