

Similarities and differences between social entrepreneurship and commercial entre...



**ASSIGN
BUSTER**

Similarities and Differences Between Social Entrepreneurship and Commercial Entrepreneurship

Contents

Introduction.....	1
Definition of Entrepreneurs.....	1
Definition of Social Entrepreneurship.....	2
Definition of Commercial Entrepreneurship.....	3
The impact of social and commercial entrepreneurship.....	4
Literature Review of the Similarities and Differences Between Social and Commercial Entrepreneurs.....	4
Similarities.....	4
Entrepreneurial process.....	4
Seek outcomes.....	5
Both belong to entrepreneurship field.....	5
Differences.....	5
Market-driven and mission-driven.....	5

Outcomes measurement.....6

The approaches..... 6

Examples of Social Entrepreneurship.....7

Toms.....7

Nika water..... 8

Food Cloud.....9

Faire Collection..... 9

Application.....10

Clear mission is important to social entrepreneurship..... 10

Balance social mission and market value..... 11

Internal organization management.....11

Conclusion..... 12

References.....13

The Similarities and Differences

Between Social Entrepreneurship and Commercial Entrepreneurship

Introduction

Social entrepreneurship has been receiving greater recognition during the last years (Stryjan 2006; Weerawardena and Sullivan Mort 2006; Nicholls 2008, in Bacq and Janssen). With the vigorous development of social entrepreneurial activities, a comparative analysis of commercial entrepreneurship and social entrepreneurship emerged in recent days. This essay will illustrate the similarities and differences between social entrepreneurs and commercial entrepreneurs from traits, operational process, outcomes perspectives. Also will provide some social entrepreneurship examples to have a further understanding of social entrepreneurship concept and its business model.

Definition of Entrepreneurs

The vocabulary of “ entrepreneur” originally came from French economics, which means someone undertakes a significant project or activity (Dees, 1998). Jean Baptiste Say indicates that entrepreneurs especially be used to describing venturesome individuals who advanced economic progress using new and better ways of doing things. Schumpeter identifies entrepreneurs are change agents in the economy, who drive the process of capitalism. Both Say and Schumpeter regard entrepreneurs as someone engaged in new, profit-seeking business ventures, through which serving its responsibilities (Dees, 1998).

While contemporary management and business hold a broader view of entrepreneurs. According to Drucker, entrepreneurs are those who ‘ search for change, responds to it, and exploits it as an opportunity’. Howard Stevenson says entrepreneurs do not only see and pursue opportunities but

also have the capability to mobilize the resources of others to achieve their entrepreneurial goals. Thus, the definition of entrepreneurs is not limited to business start-ups, and it can be applied both in the private sector and the social sector (Dees, 1998).

Definition of Social Entrepreneurship

Vega Kidwell (2007) defines the social entrepreneurs as ‘ an individual who addresses a serious societal problem with innovative ideas and approaches that have not been tried successfully by private, public, or nonprofit sector entities’. Dees (1998) suggests that social entrepreneurship combines the passion of a social mission with an image of business-like discipline, innovation, and determination. Social entrepreneurship is the creator of new models that provide products and services that directly meet the basic human needs that are still unsatisfied in current economic or social institutions (Seelos and Mair, 2005). Another point of view is that social entrepreneurship is about construction, evaluation, and the pursuit of opportunities for social change (Roberts and Woods 2005). For Nicholls (2008, 23), Social entrepreneurship is a group of innovative and effective activities. Its strategic focus is to solve social market failures, systematically using new resources and organizational forms to create new opportunities, increase social values, maximize social impact, and achieve change. Social entrepreneurship is also expressed as “ innovative, social value creation activities occurring within non-profit, commercial and/or public/government sectors or across sectors” (Austin, Stevenson, and Wei-Skillern, 2006, 1).

Based on the above definitions it can be inferred that social entrepreneurship is mission-oriented and the social mission lies in the central, their objective is improving society rather than wealth creation. It combines business and social causes together with aim of resolving the existing issues in society in an innovative way, thus improve the living conditions or life quality of human beings. Young and Lecy (2013) indicate social entrepreneurship is hybrid combining of profit pursue and non-profit pursue, it should balance social goals and market success in some way. What is more, the value of social entrepreneurship is determined by the social impact and social value it has created.

Definition of Commercial Entrepreneurship

Traditional entrepreneurs seek to take advantage of entrepreneurial opportunities, new products, services, raw materials, markets and organizing methods so as to enable enterprising individuals create value that exceeds economic growth (Eckhardt and Shane 2003, p. 336) Stevenson (1983) defined entrepreneurship as seeking opportunities outside of the tangible resources that you currently control. Kao (1993) identifies entrepreneurship as a procedure of adding something new and something different with the purpose of creating wealth for individuals as well as adding value to society. James, Howard, and Jane (2006) point out that commercial entrepreneurs do benefit society through new and valuable goods, services, and professions, and can produce transformative social impacts. Commercial entrepreneurship refers to the ability to create or identify business opportunities (Shane and Venkataraman 2000) (Bruyat and Julien 2001).

(Shane and Venkataraman 2000) from the perspective of value creation (Bruyat and Julien 2001).

From above definitions, it can conclude that commercial entrepreneurship is motivated primarily by profit, they seek economic growth by providing valuable goods or services to the individuals and society. The objective of commercial entrepreneurship is creating wealth and adding value to society, the value of commercial entrepreneurship could be measured by the monetary terms, which is much easier than that of social entrepreneurship.

The impact of social and commercial entrepreneurship

Both social entrepreneurship and commercial entrepreneurship are very important to society since they can generate social impact which is beneficial to society from different aspects. To some extent, their goal is the same, make the world a better place.

Commercial entrepreneurs are trying to meet people's needs, satisfying people by offering superior products or services, further making the life of people better. A good commercial entrepreneur could bring significant positive impact to society, such as curing disease using advanced medical technology, for example, the hepatitis B virus vaccine reduced HBV infections at a large scale. The Internet makes communication much more convenient than before, which has boosted the global economy dramatically. It is undeniable that there are many social issues that the public sector has not been able to solve thoroughly, such as poverty, unemployment, pollution etc. It is social entrepreneurs who are willing to take risk to resolve social problems, improving society. Although the wealth created by social
<https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

entrepreneurs might less than commercial entrepreneurs, the social impact could not be neglected.

Literature Review of the Similarities

and Differences Between Social and Commercial Entrepreneurs

Similarities

Entrepreneurial process

According to Catford (1998), both commercial and social entrepreneurs focus on vision and opportunity, as well as the ability to persuade and empower others to help them turn their ideas into reality. They are willing to put effort and take the risk to make the idea come true. Identifying opportunities and transforming big vision into manageable, achievable operations is a quality that every entrepreneur should possess. First of all, entrepreneurs need to find out the social needs and market demand. Sometimes people feel inconvenient or dissatisfied with something, but they just can't tell what exactly the problem is and how to solve it. Entrepreneurs need to identify public pain points and provide effective solutions.

Seek outcomes

Second, both the commercial and social entrepreneurs seek outcomes that can be measured and quantified (Gina and Roland, 2007). According to them, entrepreneurs seek returns on investment which is a percentage return on the monetary investment in a venture; while, the achievement of social entrepreneurs could be measured by metering the social return on

investment, which is calculated in financial perspective that expresses the value of the enterprise to society.

Both belong to entrepreneurship field

Third, social entrepreneurship is sub-species of entrepreneurship (Dees, 1998). As mentioned above, social entrepreneurship is doing business with social goals. They also pursuit profit to make sure social enterprises could have sustainable development in the future.

Differences

Market-driven and mission-driven

Dees, Emerson, and Economy (2001) state that the biggest difference between social entrepreneurs and commercial entrepreneurs is ' the nature of the immediate return each trend to seek'. It is said commercial entrepreneurs are market-driven, by contrast, social entrepreneurs are driven primarily by an organizational mission. Brouard (2006) points out that social entrepreneurs pay more attention to social roles and commercial roles being accessory. As mentioned above, the mission-related impact is the central standard of social entrepreneurs rather than economic value (Dees, 1998). Furthermore, social entrepreneurs will reinvestment the majority of profit in social mission rather than distribute them to stakeholders (Bacq and Janssen, 2011). By contrast, even commercial entrepreneurs integrate the social responsibilities, they don't give it the top priority. Commercial entrepreneurs are bound by market discipline, and it is market discipline determines if firms creating value. If they do not generate value, they are

<https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

often driven out of the business. Here, market-driven could be understood as profit-driven. Commercial entrepreneurs have to profit-driven because the sufficient economic value could help firms grow.

Outcomes measurement

The outcome of commercial entrepreneurship could be simply measured by monetary and tangible terms (James, Howar, and Jane, 2006). Dees (1998) claims that for commercial entrepreneurs, wealth creation is a way of measuring value creation. Thus, the performance of commercial entrepreneurship could be measured by the market share, the market value of the firm, net profit, customer satisfaction, quality, and firm's assets etc. On the other hand, for social entrepreneurship, the mission-related impact becomes the central criterion, not wealth creation (Dees, 1998). Hence, the performance of the social entrepreneurship could be gauged by social impact and social change. Such intangible and soft outcome creates a big challenge for measuring the outcome of social entrepreneurship, because of the non-quantitative, multifactorial, temporal dimensions, and different perception of social change (James, Howard, and Jane, 2006). Welsh European Funding Office (2003) suggests that a soft outcome could be measured by distance traveled approach.

The approaches

There will be widespread differences between the two approaches in terms of the way in which human and financial resources are mobilized and managed (Bacq and Janssen, 2011). In order for a company to be

competitive in the market and grow steadily, commercial entrepreneurs
<https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

typically employ competitive and promising employees and pay them accordingly. Remuneration is recognition of their work, and employees are attracted to the company because of competitive rewards. In addition, the company's interests will be distributed to all stakeholders and invested in new projects. However, human resource of social entrepreneurship could contain full-time staffs, part-time staffs, and volunteers. Majority of social entrepreneurs could not compensate employees with competitive wage compared to commercial entrepreneurs because of their venture (James, Howard, and Jane, 2006) and they are usually small, resource-constrained (Bridgstock et al. 2010). Also the employees of social entrepreneurship value more on non-monetary compensation obtained from work (James, Howard, and Jane, 2006). What is more, as Bacq and Janssen (2011) state that social entrepreneurs will reinvest in the social mission when they have a surplus than distributing to all stakeholders. So there is a big difference between social and commercial entrepreneurs when it comes to managing finance and human resource.

Examples of Social Entrepreneurship

Toms

While traveling in Argentina in 2006, TOMS Founder Blake Mycoskie witnessed the hardships faced by children growing up without shoes, and he started Toms shoe program. It is a social program that is linked to its social enterprise. The concept is that every time a customer buys a pair of shoes, Toms will donate a pair to the children in need, one for one. (Toms, 2018). It is reported that the company was one of the first companies to adopt a one

for one system (Business Insider, 2016). Toms currently works with more than 90 giving partners across 70 countries around the world, and it has distributed more than 86 million pairs of brand new shoes to children in need (Toms, 2018). Over 2 million children have been protected from hookworm with medication and Toms Shoes provided by the Giving Partners (Toms, 2018). Now, Toms has expanded into several other social programs that like Toms shoes, giving back to society. For Toms eyewear purchases, Toms will offer prescription glasses, eyesight-saving surgery or medical treatment to help the person in need. The same goes with Toms bag, Toms will use the profit to provide safe water and safe birth to disadvantaged people who live in developing countries. Some people would say they are a company with a mission, but the founder Mycoskie says, ' we didn't start a company with a mission, but our mission has become a company' (Business Insider, 2016).

Nika water

Nika is a company that selling bottled water in America, and it invests its total profit on social programs. They aim to end poverty and disease by offering education and safe water, sage hygiene environment in less developed countries like Ethiopia, Ecuador, Kenya etc. in these regions, clean water is a scarce resource (Nika, 2018). The United Nations estimates that in 2005, 1. 1 billion people (20% of the global population) did not have access to safe and affordable drinking water, and 2. 6 billion people (40% of the global population) did not have access to safe sanitation (Nika, 2018). Water-related diseases are one of the most devastating consequences of the general lack of clean water, not only damaging life but also damaging the local economy. It is estimated that as many as 135 million people will die

<https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

from these water-related diseases by 2020 (Nika, 2018). Besides, the local economy and family budget are also depleted by the constant need to purchase expensive medicines to counter the effects of drinking polluted water. An effective way to improve poverty and disease is to provide clean water and sanitation. The overall objectives of the Nika project include four items, water, education, hygiene and health (Nika, 2018). They provide a well and a school in each village, providing toilets and sinks. Then, children don't have to travel for 2.5 hours twice a day to collect water, avoiding the risk of being raped on the road, and children can have more time to learn (Nika, 2018). These four goals are not only to give them better conditions but more importantly, to be sustainable.

Food Cloud

It is reported that Irish consumers and businesses throw 1 million tons of food a year, and one in ten live in poverty (Food cloud, 2018). Food cloud team provides a simple and scalable solution - an application and platform that makes redistribution of the remaining food as simple as possible, matching businesses with sufficient foods to charities in the community. Retailers and businesses use the app to upload detailed information about their remaining food, and local charities receive text messages that notify them. The charity can then collect the donations and distribute them to the individuals they support. The platform also connects to the volunteer network where volunteers track the record of the food they acquired and give the directions to the volunteers who drive, then drivers will deliver the food to charities (Food cloud, 2018). They use a new way- Internet technology- to solve the existing food waste problems. As of now, 18, 782, <https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

157 Kg of food saved in Ireland and the UK; 41, 320, 745 meals redistributed to charitable causes; saved approximate 20. 45 million Euro of charities; 9500 plus charities and community groups, 4000 plus retails and partners work with Food cloud. They are aiming to reduce 35, 636, 353 tonnes of carbon dioxide in five years. What is more, this Irish social enterprise is now expanding their business globally.

Faire Collection

Amanda Judge is the founder and CEO of the Faire Collection, who founded the company when she interviewed rural women in Ecuador for a master's thesis on poverty reduction strategies (Faire collection, 2018). She is very interested in the development of South America, giving up her stable income in the financial services industry and going to poverty alleviation projects in some of the most desolate areas of Central America and South America. Judge identified the primary reason why craftsmen's families were caught in a cycle of poverty, it is the lack of access to profitable markets. They have to accept any price that the middleman asks (Faire collection, 2018). Judge returned to the United States with a box of jewelry designed with artisans and then walked to the store in Harvard Square in Boston until she had her first client. Faire collection employed disadvantaged people at a fair wage, committing to providing a better life for hundreds of artisans and bringing sustainable change to poor communities in South America. Faire Collection now supplies handmade products made in Ecuador and Vietnam to thousands of boutiques around the world as well as many major clients- including Tommy Bahama, Anthropologie, DKNY and J. Jill.

From above 4 social programs, we can find that they are using something new or innovate idea to solve social problems. Furthermore, social programs could have many forms, giving back to society (Nika water), employing disadvantaged people (Faire collection), or innovating model (Food cloud).

Application

1. A clear mission is important to social entrepreneurship. It is clear that each program has its particular mission. Because social program and social enterprises usually have multiple stakeholders who have different and conflicting expectations. Jonker, William, and Meehan (2014) state that a clear, focused mission statement can guide all the major decisions that nonprofit must make, in particular regarding which new projects need to be implemented, what needs to be avoided, and which decisions need to be revoked etc. Therefore, social entrepreneurs need to identify the most fundamental problems in the fields they want to change, and find out the precise social mission, so that they can plan and develop the most appropriate programs and strategies. If the mission is unclear and ambiguous, it is easy to have divergences and get lost in the direction of future development. Only when the mission is clear can we identify who is our customers, which market segments are we going to serve, and how we are going to approach the mission. With clear mission social, enterprises could mobilize corresponding personnel and funds, and avoid unnecessary waste of resources.

2. Balance social mission and market value. Social enterprises' objective

is achieving dual missions which are financial sustainability and social
<https://assignbuster.com/similarities-and-differences-between-social-entrepreneurship-and-commercial-entrepreneurship/>

purpose (Bob, Helen, and Fergus, 2014). Social entrepreneurs need to consider its economic creation as they strive to fulfill their social mission. If there is not enough revenue to sustain their programs expenditures, this means that their programs may break down and they will not be able to achieve their goals. This is a loss for beneficiaries, society, the company as a whole. Social enterprises have to seek economic value so that they can have sustainable development, serving beneficiaries longer without worrying about the fund. Meanwhile, social entrepreneurs need to have insight into market change and trends, such as technology, culture, politics and so on. Social entrepreneurs should follow the pace of society, use the latest technology, understand the latest cultural development trends, expand new resources, and change their strategies according to the situation. Furthermore, social enterprises should not blindly seek profits only and forget their original social mission. Thus, social programs require managers to leverage a balance between social logic (value creation) and market/commercial logic (value capture) (Santos 2012).

3. Internal organization management. Social programs and enterprises have multi-level organization structure, it has a leadership team, full-time staffs, part-time staffs, volunteers, supporters etc. Whether it is a formal employee or a volunteer is an important human resource of the company, but the complexity of the staff structure will bring some drawbacks. Different perspective and values of each person will cause divergences in opinions and will lead to disharmony in the work environment. In particular, volunteers are those who can choose to

leave at any time, as long as they believe that the company's

regulations are not in their own interest (Royce, 2007). According to the survey by Liu and Ko (2012), the turnover rate of social enterprises with volunteers and full-time workers is higher than that of a single-structured organization with only full-time employees or volunteers. The management team should try to make a harmonious environment between different human resources, and put attention to the management of internal organizational structure while pursuing the social mission and social influence.

Conclusion

Social entrepreneurship is the whole procedure of an individual or organization using new and innovative ways to resolve social problems. There are similarities and differences between social entrepreneurs and commercial entrepreneurs. Similarities are both of them have the ability to find opportunity and make a significant impact on society. Differences are commercial entrepreneurs try to meet people's needs, while, social entrepreneurs seek to reduce the needs. The difference can be described as 'giving a man a fish' versus 'teaching a man to fish' (Vega Kidwell, 2007). Social entrepreneurship differentiates from the non-profit organization. Because social entrepreneurs seek social change and finance sustainability at the same time, it is hybrid management between profit pursuit and non-profit pursuit. Social entrepreneurship contains social programs and social enterprises, and various models including giving back to society, giving work opportunity to disadvantaged people, innovating new idea/ways to resolve existing social issues.

References

- Brouard, F. (2006) ' L'Entrepreneuriat social, Mieux Connaitre le concept', *Paper presented at the annual conference of the Canadian council for small business and entrepreneurship, in Trois-Rivie` res, Canada .*
- Dees, J. G. (1998). ' The meaning of " Social Entrepreneurship."', *In Comments and Suggestions In Kauffman Center for Entrepreneurial Leadership* (pp. 1-5). <https://doi.org/10.2307/2261721>
- James Austin, Howard Stevenson, Jane Wei-Skillern (2006) *Social and Commercial Entrepreneurship: Same, Different, or Both?* [PDF] Available at: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1540-6520.2006.00107.x> [Accessed 19 December 2018]
- Kao, R. W. (1993). ' Defining entrepreneurship: past, present and?', *Creativity and Innovation Management* , 2(1), 69-70.
- Stevenson, H. H. (1983) *A perspective on entrepreneurship (Vol. 13)* . Cambridge, MA: Harvard Business School.
- S. Bacq* and F. Janssen (2011) ' The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria', *Entrepreneurship & Regional Development* Vol. 23, Nos. 5-6, June 2011, 373-403
- Bruyat, C., and P. A. Julien. (2001) ' Defining the field of research in entrepreneurship', *Journal of Business Venturing* 16, no. 2: 165-80.

- Shane, S., and S. Venkataraman. (2000) ' The promise of entrepreneurship as a field of research', *Academy of Management Review* 25, no. 1: 217-26.
- Gina Vega; Roland E Kidwell (2007) ' Toward a typology of new venture creators: similarities and contrast between business and social entrepreneurs', *New England Journal of Entrepreneurship* ; Fall 2007; 10, 2; ABI/INFORM Global pg. 15
- Catford, J. (1998) ' Social entrepreneurs are vital for health promotion – but they need supportive environments too', *Health Promotion International* 13, no. 2: 95-7.
- Welsh European Funding Office (2003) *A Practical Guide to Measuring Soft Outcomes and Distance Travelled* , The Crown Publishing Group
- Bridgstock, R., Lettice, F. M., Özbilgin, M. F. and Tatli, A. (2010). ' Diversity management for innovation in social enterprises in the UK'. *Entrepreneurship & Regional Development* , 22, pp. 557-574.
- Salamon, M. L., Sokolowski, W. S. and List, R. (2003). *Global Civil Society: An Overview. Baltimore , MD : Johns Hopkins Center for Civil Society Studies.*
- Borzaga, C. and Solari, L. (2001). ' Management challenges for social enterprises', *In Borzaga, C. and Defourny, J. (eds), The Emergence of Social Enterprise. Basingstoke: Routledge* , pp. 333-349.
- Cornelius, N., Todres, M., Janjuha-Jivraj, S., Woods, A. and Wallace, J. (2008). ' Corporate social responsibility and the social enterprise', *Journal of Business Ethics* , 81, pp. 355- 370.

- Business Insider (2016) *On the 10th anniversary of TOMS, its founder talks stepping down, bringing in private equity, and why giving away shoes provides a competitive advantage* [Online] Available at: <https://www.businessinsider.com/toms-blake-mycoskie-talks-growing-a-business-while-balancing-profit-with-purpose-2016-6? r= US&IR= T> [Accessed 19 December 2018]
- Toms (2018) *Improving lives* [Online] Available at: <https://www.toms.com/improving-lives> [Accessed 19 December 2018]
- Nika (2018) *The Crisis* [Online] Available at: <http://www.nika.org/the-crisis/> [Accessed 19 December 2018]
- Faire Collection (2018) *Our Journey* [Online] <https://shopfaire.com/about-us-fair-trade-luxury/our-journey-as-a-social-enterprise/> [Accessed 20 December 2018]
- Food Cloud (2018) *How food cloud works* [Online] Available at: <https://food.cloud/how-foodcloud-works/> [Accessed 19 December 2018]
- Kim Jonker and William F. Meehan III (2014) 'Mission Matters Most', *Stanford Social Innovation Review*
- Salamon, M. L., Sokolowski, W. S. and List, R. (2003). 'Global Civil Society: An Overview. Baltimore, MD: Johns Hopkins Center for Civil Society Studies.
- Royce, M. (2007). 'Using human resource management tools to support social enterprise: emerging themes from the sector'', *Social Enterprise Journal* , 3, pp. 10–19.

- Liu, G. and Ko, W.-W. (2012). ' Organizational learning and marketing capability development: a study of the charity retailing operations of British social enterprise', *Nonprofit and Voluntary Sector Quarterly* , 41, pp. 580–608.