

Social entrepreneurship essay sample

[Business](#), [Entrepreneurship](#)



1. Terms of Reference

The report aims to define the concept of social entrepreneurship in the backdrop of the traditional and contemporary theories and definition on entrepreneurship, innovation and creativity. It studies the nature of social entrepreneurs and analyse the role of entrepreneurship in the economy and society. It highlights the importance of social entrepreneurship and its contribution to the society.

The second part of the report engages in a self-reflective exercise and objectively assesses my entrepreneurial behaviour and personality traits. It also acts as an indicator of the personal knowledge, skills and attitudes that might impact my personal or career aspiration thereby identifying the future development needs. This follows with a future action plan to exceed my potential as an entrepreneur based on the strengths and weaknesses identified.

2. Introduction

Over the years, the phrase social entrepreneurship has earned a great deal of attention from the marketing professionals and scholars. The phrase “social entrepreneurship” can be regarded as the one that is best suited to the present times as it serves as a combination of social mission and the discipline of business-innovation. The present scenario is the time which gives an opportunity to address the social problems with the entrepreneurial approaches.

Of late we have witnessed that many philanthropic and governmental institutions have failed to achieve the desired goals and outcomes. The social sector has been seen to be afflicted with the stigma of inefficiency, ineffectiveness and unresponsiveness. Thus, the need for social entrepreneurs in the society has emerged in the new century.

It is to be noted that the concept of social entrepreneurship might be new as an area of research and studies, but we have always had social entrepreneurs though they were called by different names. There have been examples of institutions that can be said to fall under the genre of social entrepreneurship. One of the examples is World Bank. However, the new phraseology “ social entrepreneurship” is also important as it suggests the distortion of sector boundaries.

Social entrepreneurship is not just restricted to not-for-profit ventures, but it can include business ventures with a social purpose such community development banks that are for-profit in nature, or hybrid organisations with profit as well as non-profit elements or homeless shelters which begin with the business ventures to train and employ the people who stay there. The social entrepreneurs work with an objective to find the most effective way of serving and fulfilling their social mission (Dees, 1998).

2. 1 Definition

Entrepreneur and Innovation

The word entrepreneur is generally referred in the context of starting a business; however, such a description of the term does not throw light on the

specific meaning implied through the word. The word entrepreneur is originally derived from French, meaning someone who “ undertakes” a specific project with an action plan. In the 20th century, the word became more popular with the economists like Joseph Schumpeter who described entrepreneurs as the innovators, the people who are driven by a “ creative destruction” process- a process that is driven by those individuals who are innovators and believe in replacing the old model of doing things with the new. According to Joseph Schumpeter, the entrepreneurship is linked with the innovation (Schumpeter, 1942).

Entrepreneur:

‘ An entrepreneur is an individual who brings together the factors of production in an innovative way to generate economic value’.

‘ The entrepreneur is rewarded from the economic rent generated as a return for accepting risk’.

According to Schumpeter (1942), the entrepreneur’s main function is to revolutionise the entire process of production. They do so by thinking or devising a new way or trying a new technology to produce the commodity. Thus, Schumpeter’s entrepreneurs can be regarded as the agents of change who create new ways of producing commodity and things and propel the economy in an advanced direction.

Innovation:

' Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service' (Drucker, 1985).

' When an enterprise produces a good or service or uses a method or input that is new to it, it makes technological change. The first enterprise to make a given technical change is an innovator. Its action is innovation' (Schmookler, 1996).

2. 2 Meaning of Social Entrepreneurship

Social entrepreneurship as a concept can be understood in the above light and related theories on entrepreneurship and innovation. The definition of social entrepreneurship can be built upon on the premise of the several studies on the subject. The definition given below combines Say's concept of value creation, Schumpeter's notion of innovation and change agents, Drucker's idea of opportunity and Stevenson's concept of resourcefulness. It can be stated as follows:

Social entrepreneurs are those that act as change agents in the social sectors by adopting and working towards a mission that creates and sustain social not private value, by identifying new opportunities to serve the mission, by involving themselves completely in the process of continuous innovation, adaption and learning, by exhibiting a bold behaviour by not being limited to the current available resources and showing a great sense of responsibility and accountability for the set outcomes and goals (Dees, 1998).

3. Difference between Social and Business Entrepreneurs

The concepts of entrepreneurship that has been worked on upon Say, Schumpeter, Drucker and Stevenson provide much understanding to figure out the subtle nuances between the social and business entrepreneurs. These ideas are not just restricted to the theoretical models and framework but they also have practical application in both social as well as business sector. The definitions and theories that have been proposed by these writers throw light upon the mental tendencies and behaviour exhibited by the entrepreneur. Such behaviour can be manifested both in private as well as public sector.

As we have discussed that in the present age the sector boundaries are blurring, thus in the present era the understanding of both social and business entrepreneurs can be derived from the traditional and contemporary theories and research material on entrepreneurship. Social entrepreneurs can thus be regarded as one of the species that falls under the genre entrepreneur. These can be simply described as the entrepreneurs that are driven with the social mission (Dees, 2001).

It is to be noted that the difference in mission is one of the distinctive features that differentiates the social entrepreneurs from business entrepreneurs because it is due to the difference in mission that the social entrepreneurs face many challenges that are uncommon in the business entrepreneurship (Dees, 2001).

The social mission is the central motif for social entrepreneurs, thus, the perception and assessment of opportunities for them definitely differ. Unlike the business entrepreneurs, the wealth creation is not the basic criterion on which the actions are based. The mission related outcomes and goals are the central criteria for social entrepreneurs. In the case of social entrepreneurs, wealth serves as a means to serve the social mission.

On the other hand, for the business entrepreneurs, the wealth creation is deemed highly important to measure their value creation in the market. Such entrepreneurs are at the risk of being out of the business if they do not shift their resources to the uses that are economically more productive. It is a known fact that the markets are not perfect, sustainability in the market thus becomes the top most priority for the business entrepreneurs.

The market dynamics are simple for business entrepreneurs. The ability of the entrepreneur to attract the different resources like capital, labour, equipment, etc. in a competitive market place and putting them to the most productive use on economic ground determines the value creation. The venture becomes profitable when the customers are ready to pay more than the production costs of the commodity, good or service (Dees, 2001).

The market dynamics are not that simple for social entrepreneurs. The value creation criterion is also two fold-social improvement or social gains and financial gains for sustainability. As observed the markets do not place much value on the social improvements and the benefits and advantages for people in need. These are the basic elements of social entrepreneurship and

needs to be considered. The value creation thus becomes one of the major challenges for social entrepreneurs.

Social value created in the society is something difficult to measure, thus it becomes much more difficult to assess if a social entrepreneur has created sufficient social value against the resources that have been put to use for that outcome. Unlike the business entrepreneurs, the survival of the social firm can't be regarded as an indicator of its effectiveness. The social purpose organisations also need to compete for the donations, volunteer and other aids required to run an organisation.

The market is seldom aligned with the mission of such organisations' missions. Attracting the resources in the market thus also depend on the assessment of the social value created by the organisation and its venture. Such an assessment is again subjective and cannot be generally documented. Even in the situations when the improvements are measurable it is not possible to track down their impact to one single venture. For example, it is difficult to say that the lower crime rates are due to a particular initiative taken in the direction or just due to the new policy or the better economy.

All these factors account for the dependency of the social entrepreneurs on subsidies, donations, aids, volunteers etc. But this dependency further distorts the working of market discipline. The success and failure in attracting these philanthropic resources might be regarded as an indication of value creation, but such a criterion just serves as a weak indicator at its

best because the allocation of resources by the provider is not always done in the light of the social impact of the venture (Dees, 2001).

4. Characteristics of Social entrepreneurs

The definition propounded by Dees (1998) if expanded further can serve to give us an overview of the different characteristics of a social entrepreneur.

4. 1 Act as Change agents

As described by Schumpeter, the social entrepreneurs are the change agents; they are revolutionaries or reformers driven by a social mission. They harbour bold visions and seek to make changes systematically by directly attacking the causes of the problems. They have the potential to make sustainable developments at each level – local, regional or global.

4. 2 Adopt a mission to create and sustain social value

This characteristic is the distinctive feature of social entrepreneur because this particular trait differentiates them from the business entrepreneurs. Social mission or social welfare and improvement is major outcome of the venture undertaken by social entrepreneur, creating wealth or profitmaking might a part of the model for sustainability of the impact but not an end in itself.

4. 3 Recognise and pursue new opportunities

Social entrepreneurs are not simply driven by social mission but they also involve themselves in identifying opportunities where others see problems and developing new models and approaches to make their vision work.

4. 4 Engage in a process of continuous innovation, adaptation and learning

They break new grounds develop new approaches by engaging in a creative process of learning. They need not be inventors but they have to be creative enough to develop the existing idea in an innovative ways and apply it to structure their program.

4. 5 Act boldly

Social entrepreneurs do not let themselves be inhibited by the limited resources at hand. They leverage maximum from the limited resources by exploring different options like collaboration or other resource strategies. They take calculated risks and keep the options in case of downside or failure.

4. 6 Exhibit a high sense of accountability

Social entrepreneurs display an in-depth understanding of the constituencies served by them and show responsibility for it. They keep taking steps to assure the value created by them. At times they assess their progress by preparing market-feedback mechanisms to analyse the social, financial and managerial outcomes of the venture and use the information to make corrections in their strategy (Dees, 1998).

5. Importance of Social Entrepreneurship

Social entrepreneurship is fundamentally a merge of two concepts- the first social welfare and the second entrepreneurship. The process of social entrepreneurship demands the application of business and entrepreneur principles for the welfare and improvement of the society. Social entrepreneurship is highly important for the economic development policies. It plays a significant role in the growth of society and a substantial part of societal and economic development is delivered through such form of entrepreneurship. Thus, it plays a great role in the creation of economic as well as social values.

5. 1 Development of employment

The creation of job and employment is one of the most important economic values created by social entrepreneurs. Though there is absence of clearly defined data on the number of people employed in social enterprise a study by OECD can serve as an indicator for the percentage of people who are employed in the non-profit organisations in 1998 in 13 countries of the world. The study shows that the percentage of people who are employed in social enterprise across the selected countries ranges from 1 to 7 per cent (OECD, 1998, p. 114).

The major advantage of these social enterprises in employment sector is that they offer employment to those segments of society which is at an employment disadvantage as a result of their disabilities or the long term unemployment resulting from several reasons. These disadvantaged groups when reintegrated into the labour market serve to benefit the community both financially and socially. It is due to this reason that some of the social

enterprises have been said to be an intermediary between unemployment and labour market (OECD, 1998).

5. 2 Innovation

Social enterprises are said to develop new goods and services that are important to the societal growth and economic development. As observed by the Organisation for Economic Co- Operation and Development (OECD) in 1998, the social enterprises cater to the unmet social needs and deliver innovative goods and services which are complementary to the goods and services that are produced by other sectors. These goods also enjoy a greater access to the citizens.

Some of the major issues addressed in the context are the major problems of the society like HIV, crime, drug abuse, illiteracy, mental troubles, etc. These organisations are considered as hotbeds of experiments and ideas as they are capable of designing and implementing new and innovative policies to address the societal problems at different levels like local, regional and central (OECD, 1998).

5. 3 Social Capital

Apart from the value created in the form of financial gains, the social capital is also a major contribution of social enterprises. Though the concept of social value cannot be clearly defined as it is not measurable in quantitative terms, the value created as social benefits holds a great importance for the progress and advancement of the economy. According to Bourdieu (1983) social capital may be defined as the “ aggregate of the actual or potential

resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition” (Bourdieu, 1983).

According to Leadbeater (1997), the most important contribution of the social entrepreneurs is the capital created in the form of social capital. Social capital comes as the most important form of value creation because it is based on the shared values, trust and cooperation. The economies in Japan and Germany are successful as they are based on the similar values- the cooperation ethics of social capital. The importance of social capital as a critical element to eliminate poverty and bring about sustainable economic development is also established by World Bank (2004).

5. 4 Promotion of equity in society

This is the most important contribution of the social entrepreneurship. Social enterprises help to create a balanced and equitable society which serves as a mission for the most of the economic development policies. The social entrepreneurs serve to complement the goal of most public agencies to address the problems of society. They address the social issues driven by their social mission rather than working purely for the maximisation of profits. There are many examples of the same.

An example in the context is the support extended by Yunus’s Grameen Bank to the disadvantaged women. Another similar example in the context is the inclusion of the disadvantaged groups in the labour market and providing

the cheap and reasonable goods and services to the poor by the social entrepreneurs as observed OECD in 2000 (OECD, 2000).

5. 5 Living a life of purpose

The importance of social entrepreneurship is well established in the society. The benefits of training and helping those in need of employment are obvious. Moreover, social entrepreneurship is very important for the individual, too, as it helps one to live a life of purpose and fulfilment.

In order to understand how social entrepreneurship helps in living a life of fulfilment we must analyse the Hierarchy of Needs and Need Levels theory propounded by Abraham Maslow (1970). The levels can be described as follows:

Self-actualisation - the top most level of self-actualisation includes morality, creativity, problem solving, etc.

Esteem - this level includes confidence, self-esteem, achievement, respect, etc.

Belongingness - this level includes love, friendship, intimacy, family, etc.

Safety - this level includes security of environment, employment, resources, health, property, etc.

Physiological - this level includes air, food, water, sex, sleep, other factors towards homeostasis, etc. (Maslow, 1970). [pic]

Figure 1: Maslow's Hierarchy of Needs Pyramid

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From the above pyramid it is clearly evident that the above levels of needs are such that they cannot be satisfied with money. The unfulfilled lives experienced by many rich people are the result of lack of satisfaction for the above levels. The desire to fulfil the higher levels in hierarchy of needs can be accomplished through social entrepreneurship. Social entrepreneurship thus serves to benefit an individual by giving him a purpose in life which is very important.

6. Conclusion

The set of traits and characteristics exhibited by social entrepreneurs are exceptional in nature. Such behaviour is deemed extremely important in the society. The report has shown that social entrepreneurship is important all the levels of the community. It is important as an economic development policy and can serve as a great impetus to the individual, societal and economic progress. Social entrepreneurship shall thus be seen as a positive force and such behaviour must be encouraged.

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