

# **Social Entrepreneurship (SE)**

## **Topic 1. Social Business—From Dream to Reality**

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# Introduction

Increasing interest in finding social solutions to socio-economic problems such as social exclusion and market failure has stimulated numerous projects and initiatives that combine economic, social and ecological goals into a 'triple bottom line'.

# Background and Introduction

1. SE has established centres of learning at Glasgow Caledonian University as well as Stanford and the University of Birmingham
2. Focus on the work of social entrepreneurs like

John Bird - The Big Issue

Muhammed Yunis - Grameen Bank

In 2015 the Big Issue generated sales of £30.6M and employed 2,000 vendors

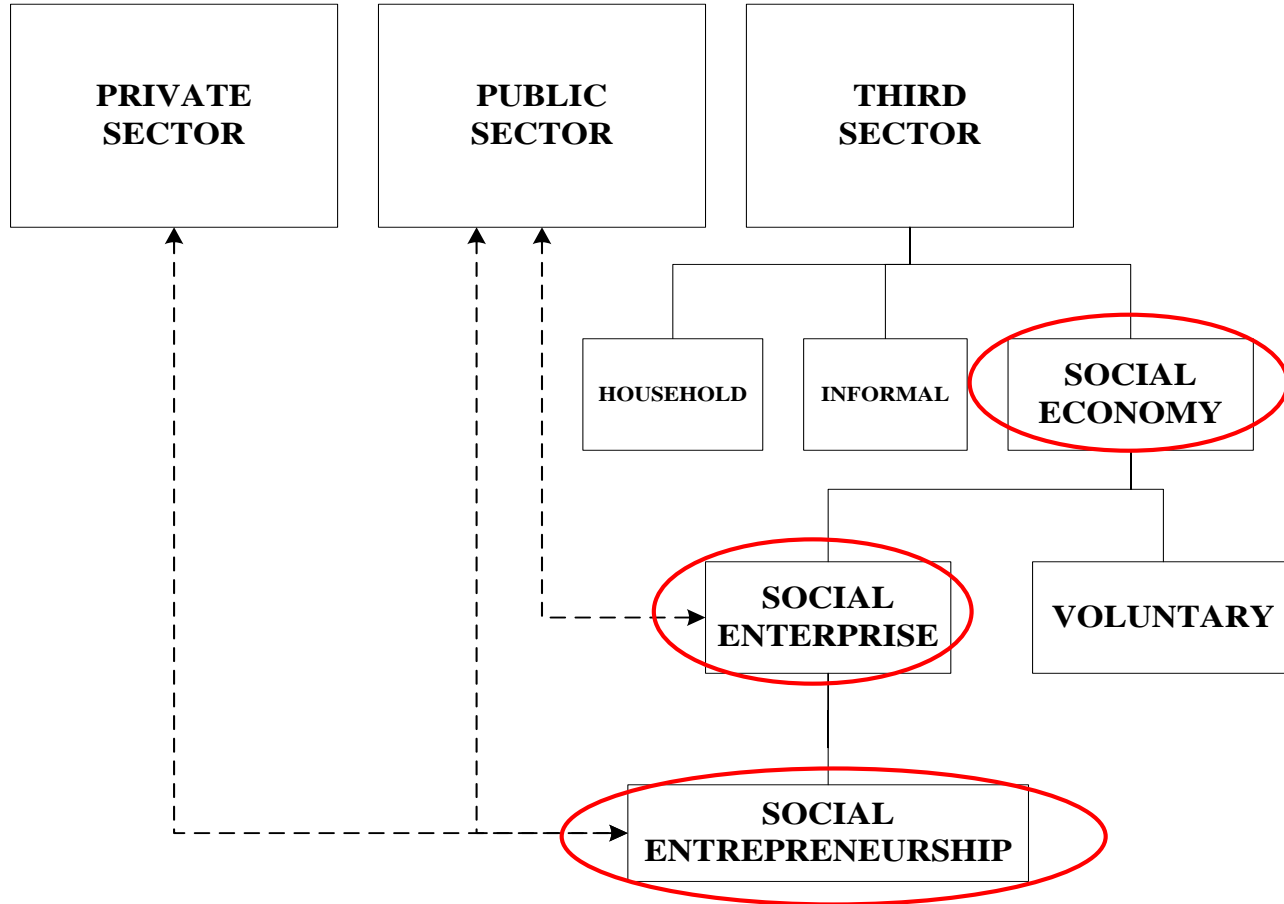
Grameen bank founded in 1983 has over 8 million borrowers and has been formative in the development of 9.4m of the world's poor.

# Background and Introduction cont'd

- ▶ Interest in SE extends beyond universities to government policy
  - ▶ Barrack Obama's launch of the Office of Social Innovation 2009
  - ▶ UK's Social Investment Roadmap in 2014

SE holds an increasingly important stake in the UK economy, 4.2% of the population involved (SEFORIS 2014).

# Three Concepts



•Deakins and  
Friel, 2012

# Defining Social Entrepreneurship

## Definitions of Entrepreneurship and Social Entrepreneurship

Definition of Entrepreneurship (Timmons, 1994:6)	Definition of Social Entrepreneurship (Dees, 2001:4)
<p>“creating and seizing an opportunity and pursuing it regardless of the resources currently controlled...it is a human creative act...it usually requires a vision...it involves building a team...of sensing opportunities and finding and marshalling resources and ensuring the venture does not run out of money.</p>	<p>“Social entrepreneurs play the role of change agents in the social sector, by:</p> <ul style="list-style-type: none"><li>- Adopting a mission to create and sustain social value</li><li>- Recognizing and relentlessly pursuing new opportunities to serve that mission;</li><li>- Engaging in a process of continuous innovation, adaptation, and learning;</li><li>- Acting boldly without being limited by resources currently in hand; and</li><li>-Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.”</li></ul>

# Defining Social Entrepreneurship

Notable theories of Entrepreneurship define it in ways that sit comfortably with SE

Example:

The creation of the Big Issue by John Bird demonstrates:

1. The character traits mentioned by Knight (1921), Kirzner (1979) and Meredith and Neck (1982);
2. The opportunity focus mentioned by Schumpeter (1942) and Timmons and Spinelli (20107)

Kraus (2014) highlights a key challenge facing SE is to distinguish it from other types of commercial and charitable activity.

# When does Entrepreneurship Become Social Entrepreneurship?

The difference best demonstrated through the goals and achievements of SE's

## SE's their organisations and defining characteristics

<b>SE</b>	<b>Firm</b>	<b>Social Purpose/social need</b>	<b>Social value created</b>
John Bird	The Big Issue	Homelessness and social exclusion	Economic and social benefits to homeless people
Tim Smit	Eden Project	Sustainability and environmental conservation/education	Local wealth, employment and educational outcomes
Jamie Oliver	Fifteen	Youth unemployment	Economic and social advantage, jobs and awareness of youth issues
Mohammed Yunus	Grameen Bank	Alleviation of poverty through affordable credit	Economic wealth stability, social advantage

# The Difference Between Social Entrepreneur & Social Entrepreneurship, while we are on the subject of definitions...

## Social entrepreneur

- Anyone who starts a social enterprise (SEFORIS, 2015)
- Anyone who uses earned income to deliver a social Mission (Boschee and McClurg (2003)
- Anyone who engages successfully in social innovation (Dees 2003; Defourney and Nyssens, 2014)

## Social entrepreneurship

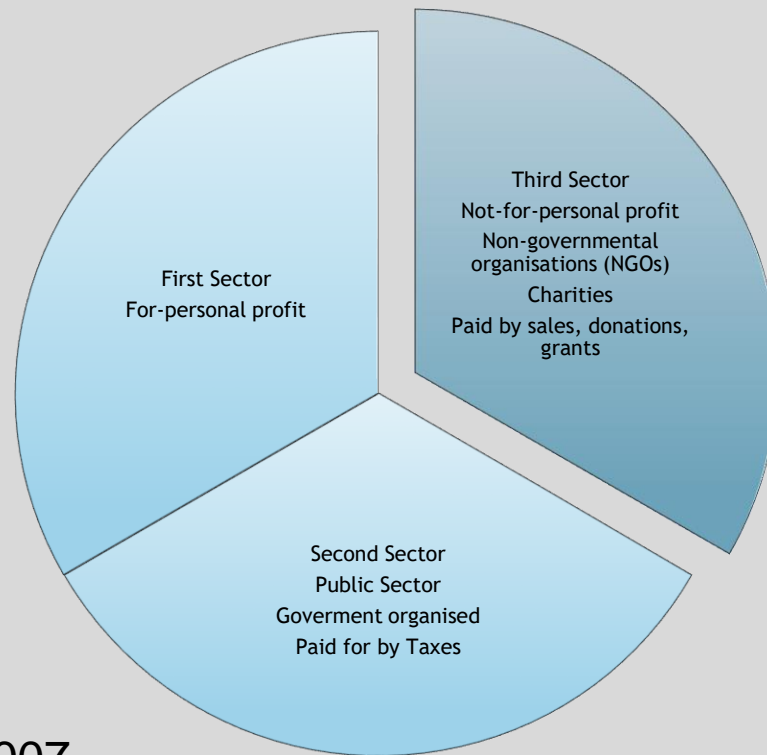
- A process that starts with recognition of an opportunity to deliver social benefit; can mean starting a business or business expansion (Martin and Thomson, 2010; Choi Majumbar, 2014). It is a practice that extends to firms and communities and can be understood by the same theories as entrepreneurship, albeit it has social impacts as well as financial (Alvin C. Jones, 2009)

# The Problem of Definition

Two schools of thought that give rise to markedly different views of social entrepreneurship.

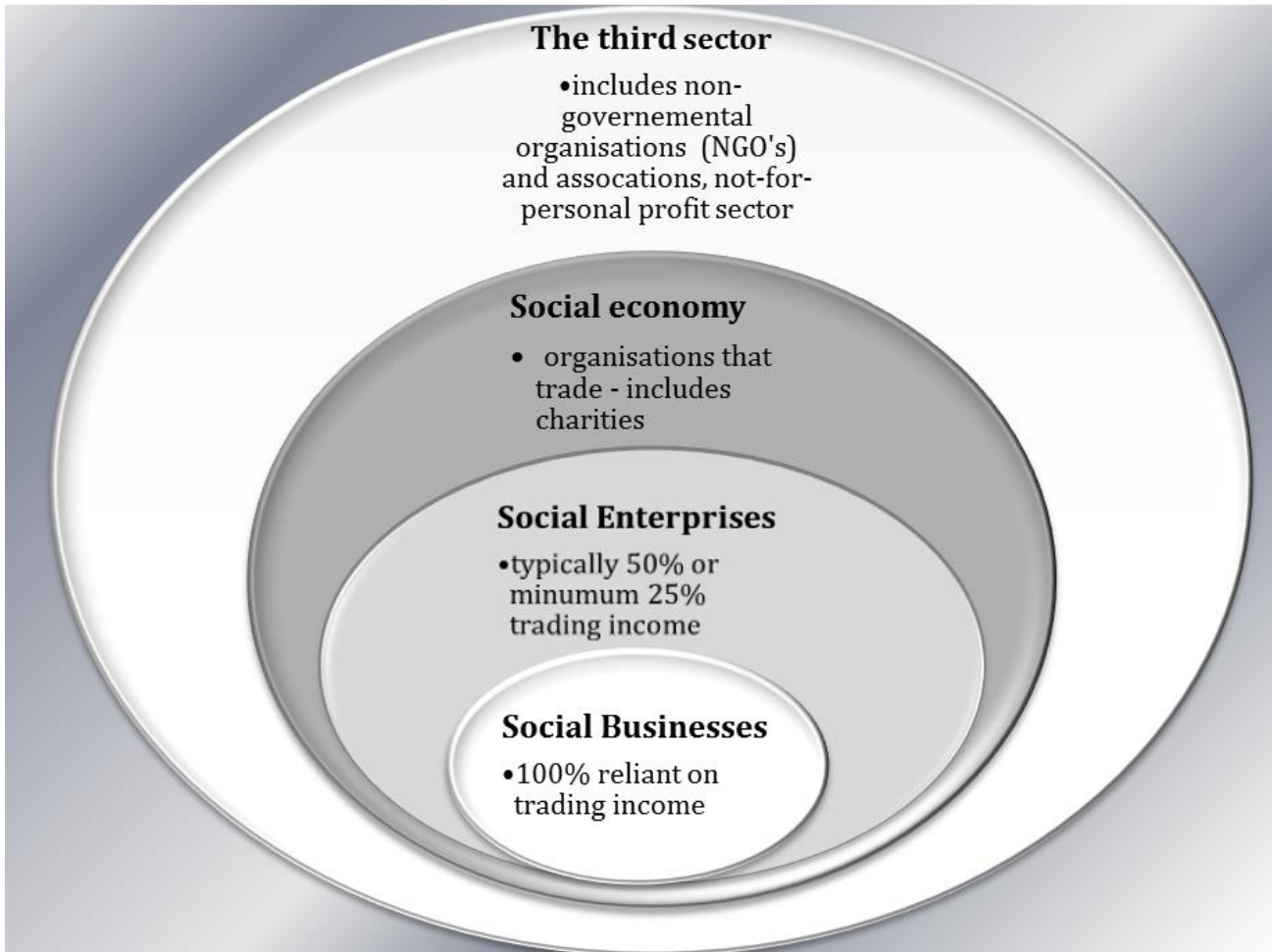
School of Thought	Author	Definition of Social Entrepreneurship
Social Innovation School of Thought	Austin et al. (2007) J. Gregory Dees (2001)	An innovative, social value-creating activity that can occur within or across the non-profit, business, or government sector.
Earned Income School of Thought	Boschee and McClurg (2003) Yunus and Weber (2010)	Any person, in any sector, who uses earned income strategies to pursue a social objective. Social entrepreneurship entails self-sufficiency from earned income.

# Where Does the Social Entrepreneurial Model Sit Within the Economy?



•Pearce, 2007

# The Third Sector



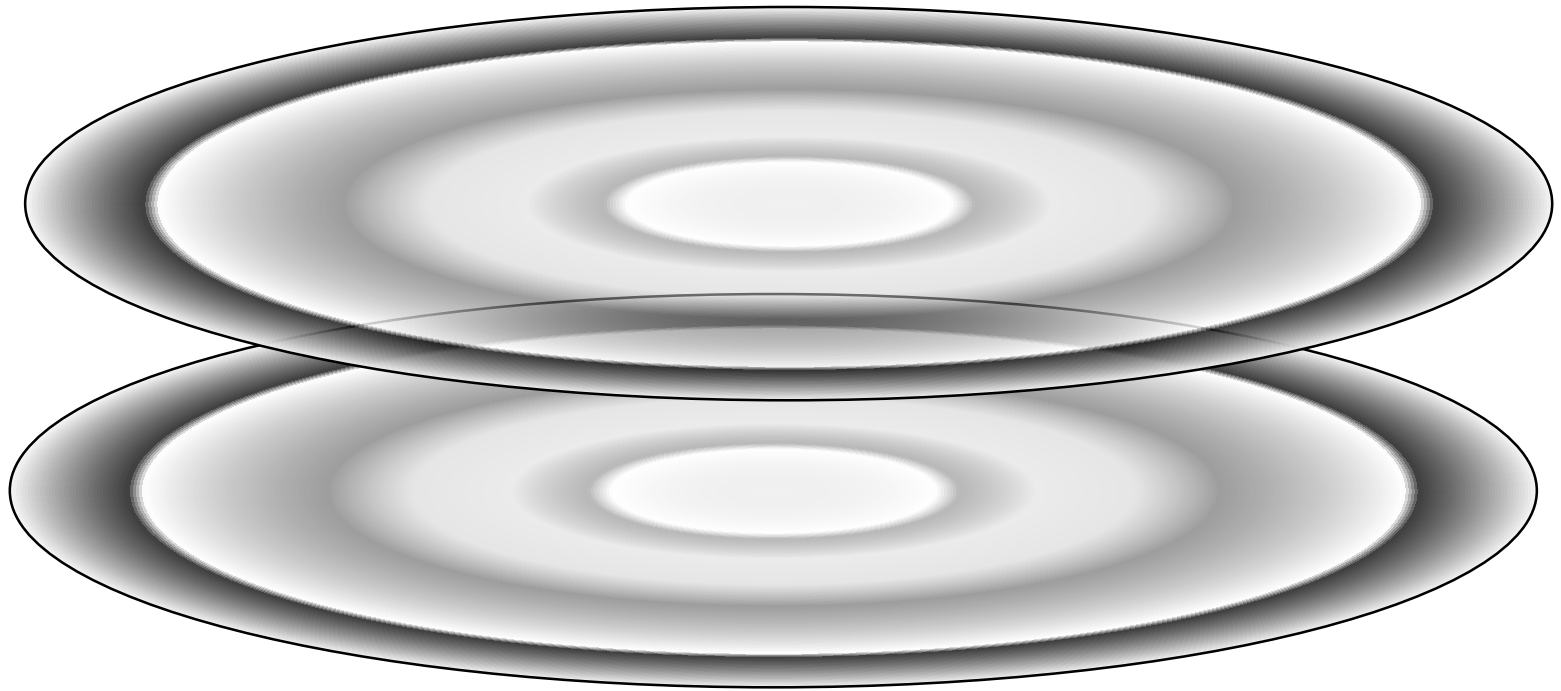
# Social Economy

The social economy: represents the organisations that pursue social goals not undertaken by either government or commercial businesses



Social economy businesses generate income and employment, both paid and voluntary, and aim to address social problems and meet community needs rather than operate for pure profit.

# What is Social Enterprise?



# Classifying a Social Enterprise

**Six defining characteristics and values of  
social enterprise (Pearce, 2007)**

**Having a social purpose**

# Classifying a Social Enterprise

**Six defining characteristics and values of social enterprise (Pearce, 2007)**

**Engaging in trading activities to achieve social purpose (at least in part)**

# Classifying a Social Enterprise

**Six defining characteristics and values of  
social enterprise (Pearce, 2007)**

**Not distributing profits to individuals**

# Classifying a Social Enterprise

## **Six defining characteristics and values of social enterprise (Pearce, 2007)**

**Holding assets and wealth in trust for community benefit**

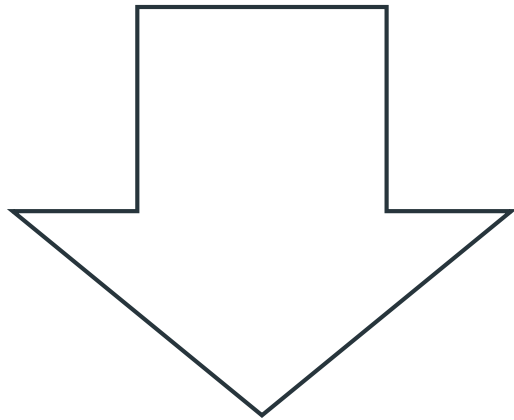
**Democratically involving members of its constituency in governance of organisation**

**Independent organisation with accountability to defined constituency & wider community**

# EMES Definition of Social Enterprise(2014)

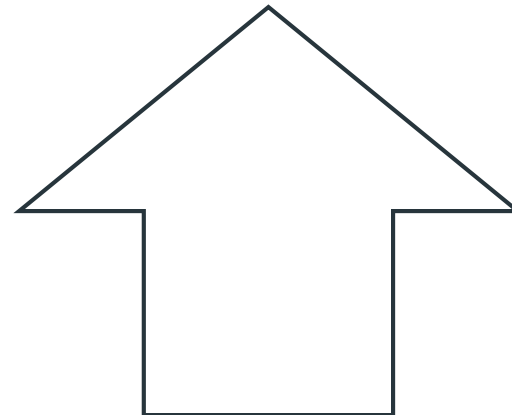
## Economic dimensions

- Continuous activity producing goods or selling services
- A high degree of autonomy
- A significant degree of economic risk
- A minimum amount of paid work



## Social dimensions

- An explicit aim to benefit the community
- An initiative launched by a group of citizens
- Decision making not based on capital ownership
  - Stakeholder involvement
  - Limited profit distribution



# Social Entrepreneurship, Corporate Social Responsibility

- ▶ Christine Volkmann (2012: 36), UNESCO Chair for Entrepreneurship and Intercultural Management, asserts that “social entrepreneurship is not a discreet sector, a synonym for social business, (nor) a new form of corporate responsibility.”
- ▶ We have identified how social entrepreneurship differs from SE
- ▶ How does it differ from Corporate Social Responsibility?

# SE and CSR Similarities and Differences

- ▶ CSR definition:
- ▶ The EU (2011)
- ▶ “concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”
- ▶ Similar to SE in the sense of concern for social and environmental matters.

# Key Differences

- ▶ Defining CSR in terms of enlightened self-interest
- ▶ CSR activities serves the profit-maximising interests of the organisation
- ▶ Little little relation with social entrepreneurship and the serving of a social mission
- ▶ Moreover, CSR does not have to be entrepreneurial.

# Social Value and the Impact of Social Entrepreneurship

- ▶ What is social value and how can it be measured?
- ▶ Value defined generally:
- ▶ Grönroos (2011: 242) posits two views of value,
- ▶ Cost benefit analysis on the part of the buyer, and also his own definition that
- ▶ “value for customers means that they, after having been assisted by the provision of resources or interactive processes, are or feel better off than before.”
- ▶ He asserts that success in terms of delivering value can be measured in monetary terms.

# Social Value Creation

- ▶ Social value can be considered the combination of impacts in three key areas, commonly referred to as the triple bottom line: people, planet and profit
- ▶ In social entrepreneurship social value is an end in itself (Agafonou, 2014; Santos, 2012) rather than merely a means of improving commercial performance.
- ▶ Value considered in three ways
  - ▶ Social
  - ▶ Economic
  - ▶ Enviromental

# Social Value and the Impact of Social Entrepreneurship

- ▶ Social value or social impact can be determined according to two broad approaches
- ▶ One mainly quantitative, called Social Return on Investment (SROI)
- ▶ The other mainly qualitative, called the social audit.

# Measuring Social Value

- ▶ Big Issue Value Creation
- ▶ Economic Value
  - ▶ It creates employment for a potentially broad range of constituencies
  - ▶ Provides a source of income for homeless people and core staff alike
  - ▶ It reduces governmental intervention through decreased reliance on the public sector in areas such as health benefits and social care
  - ▶ Through greater economic agency, choice becomes more relevant and this encourages and supports healthy markets and economic prosperity more generally.

# Measuring Social Value

- ▶ Social value creation, on the other hand, is more challenging to measure
- ▶ Social Value and the Big Issue
  - ▶ Combats social exclusion and provides opportunities for homeless people to engage with the world of commerce
  - ▶ Creates an environment for mutual self-help, friendship and development of formal and informal support networks
  - ▶ Homeless people have an opportunity to meet people from a range of socio-economic backgrounds
  - ▶ It improves the confidence of homeless people
  - ▶ It reminds society that homelessness is a real issue that can have dire consequences for those affected.

# Social Value in Communities: Social Capital (SC)

It is defined in various ways by scholars and can be split into three types, each with its own theoretical underpinning

1. Bonding SC - The bonds that exist between families and communities in terms of shared values and norms; this is called bonding social capital
2. Linking SC - Relationships between people from markedly different power or economic structures are referred to as linking social capital
3. Bridging SC- The linkages between different communities, between unemployed and employed people, for example; this is called bridging social capital.

# Measuring Social Capital

We use proxy measures such as

- ▶ Trust
- ▶ Municipality
- ▶ Reciprocity
- ▶ Civil spirit
- ▶ Community cohesion
- ▶ Shared values

# Conclusion

- ▶ SE presented, if a venture fulfils the following defining characteristics then it is SE
- ▶ Social Entrepreneurship test
- ▶ If it fulfils the characteristics of entrepreneurship as generally conceived by academics and practitioners. This criterion is based on Dees' (2007) view that SEs are just a species of the genus entrepreneur
- ▶ If the motive is social benefit and social value creation. This is an undisputed aspect of SE
- ▶ If personal profit is tangential to social mission or irrelevant to it. This sits comfortably with even the most polarised takes on SE
- ▶ If it delivers in terms of successful social impact
- ▶ Social entrepreneurs really do make a difference!

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