Further Readings


**Social Entrepreneurship**

Social entrepreneurs create social value through the use of the entrepreneurship model. Social entrepreneurship relates to many business forms but fundamentally exists as a model that organizations are able to use in pursuit of goals directed toward building value for the society within which they are embedded. Organizations built on this model follow closely with the traditional path of entrepreneurship, pursuing perceived opportunities to achieve their goals. The key to understanding social entrepreneurship lies in acknowledging that it transcends traditional business model boundaries and can occur in any sector of business, such as in the private for-profit or not-for-profit sector or in the public sector.

To engage in social entrepreneurship, the organization is typically driven by a social entrepreneur. The social entrepreneur shares many similar skills with the traditional entrepreneur. These shared skills are identified as designing a mission with the core purpose to create and sustain value; pursuing new opportunities to serve the mission; engaging in continuous innovation, adaptation, and learning; acting boldly without being limited by the resources currently available; and exhibiting a level of heightened accountability to the stakeholders affected and for the outcomes as a result of the mission. The distinguishing factor for social entrepreneurs is that they create social value through the use of this model to create economic value.

While the entrepreneurial skill set is very similar between the traditional entrepreneur and the social entrepreneur, there is a large difference regarding their individual value orientation. Social entrepreneurs are more likely to have experienced some sort of transformative experience during their life, which pushes social improvement to the front of their core values. Most social entrepreneurs are also very active in the social sector throughout their lives, beginning at an early age. This social activism is then combined with their entrepreneurial skill set to enable them to pursue their social missions through social entrepreneurship.

Social entrepreneurship can often be confused with other business models or practices that are designed to create accountability to society within the business sector. Two other terms that are sometimes misused are *social ventures* and *social enterprises*. Both social ventures and social enterprises are the legal entities that are created as an end result of social entrepreneurship.

It is also useful to distinguish between a social venture and a social enterprise. Most frequently, the term *venture* is used to describe organizations that are the result of a venture capital investment, but with social ventures this is the result of social venture capital. The term *enterprise*, on the other hand, is typically associated not with an organization built on venture capital but with one that secured its financing through other means. Regardless of the methods of financing, both social ventures and social enterprises are two possible outcomes of social entrepreneurship. Social entrepreneurship must also be differentiated from terms such as *sustainable enterprises*, *corporate social responsibility*, and *business ethics*. While it is possible for a social venture, or a social enterprise, to practice social responsibility or sustainability, they are different concepts within the same theoretical sphere of social awareness.

**A Brief History**

Although social entrepreneurship has only recently received significant academic and professional attention, the fundamental concept has been in practice by individuals throughout the history of business enterprises. Some examples from the past include David Brower (the United States), Vinoba Bhave (India), Florence Nightingale (the United Kingdom), and Jean Monnet (France). David Brower was the Sierra Club’s first executive director and built it into a global network designed to serve environmental issues. Vinoba Bhave founded the Land Gift movement in India, allowing the redistribution of more than 7,000,000 acres of land to the landless untouchables, individuals who were low-caste Hindus and viewed as “polluted” and separated from the rest of society. Florence Nightingale
revolutionized health care through the foundation of the first school for nurses. Jean Monnet led the reconstruction of France after World War II and established methods to integrate Europe economically.

These individuals pursued their missions and extensively influenced the societies around them through creativity, leadership, and a vision of social improvement. These acts are distinguished from those of other socially conscious individuals by the entrepreneurial methods used to pursue their social goals. These social entrepreneurs paved new paths to pursue these ideas. Individuals such as these, along with countless social advocacy groups and community initiatives, have all set the foundation from which the current identity of social entrepreneurship has been derived.

Social entrepreneurship began to gain visibility and definition through the work of Bill Drayton and his founding of Ashoka in 1980. Ashoka became the first to pioneer into the concept of “social venture capital,” providing funding for entrepreneurial individuals in pursuit of social change through innovation. The founding of Ashoka marked the beginning of social entrepreneurship as a functional and practical business theory. As social entrepreneurship continues to gain prominence and validity, it is becoming an increasing popular topic of academic discussion.

With the increase in practical applications of social entrepreneurship, it has become clear that it is a viable model within any of the business sectors. Social entrepreneurship is often categorized as a cross-sector model, in which the organizations applying the model often lie somewhere in the middle of the continuum that runs between the private for-profit and not-for-profit sector and the public business sector, blurring the boundaries of these traditional business sectors. However, as blurred as these boundaries may become, the legal distinctions between organizations in each of these sectors still exists, making it useful to examine the distinctions between each.

The For-Profit Sector

Social entrepreneurship within the for-profit sector references organizations that are legally defined as existing to generate profit, while the organization defines its primary mission as one grounded in social improvement or development. When considering these for-profit organizations, it is important not to confuse the act of social entrepreneurship with the act of stewardship. The stewardship model describes organizations that acknowledge their responsibility to society and act on those responsibilities but still identify their primary objective as that of generating profit. For the for-profit social entrepreneur, the ultimate objective is to design a process that allows the organization to generate profit as a by-product of its improvements to society, as opposed to generating social value as a by-product of profit.

By maintaining the for-profit business model, it is easier for these organizations to achieve long-term financial sustainability. This occurs because the organization is often more successful at obtaining sustainable revenue streams. These revenue streams are more stable because the organization understands that its products must not only be socially beneficial but also just as attractive as a competitor’s product, even if the competitor isn’t driven by the same social standards. This is the result of consumers who may not know, or care, about the social mission behind the company.

Another variation of social entrepreneurship also occurs frequently within the for-profit sector—social intrapreneurship. Similar to social entrepreneurship, social intrapreneurship has become increasingly popular over the last decade. The distinguishing characteristic of entrepreneurship and intrapreneurship is that intrapreneurship occurs within preexisting organizations, often creating extensions of the same business or expanding into new businesses. One of the attractive features of intrapreneurship is the ability to fund these efforts through the preexisting organization. Thus, often the efforts of intrapreneurship are more successful because the risk of financial failure is smaller when the organization is backed by a secure revenue stream.

Excellent examples of for-profit social entrepreneurship can be found in organizations such as Newman’s Own or Ben & Jerry’s. Founded in 1978 by Ben Cohen and Jerry Greenfield, Ben & Jerry’s began with a single ice cream shop. Explosive growth netted Ben & Jerry’s sales of more than $155 million by the year 2000, amid rumors of Ben & Jerry’s becoming the target of takeover interest. The rumors were confirmed as Ben & Jerry’s was acquired by Unilever, an Anglo-Dutch corporation, in early 2000.

Nothing in the foregoing overview captures the spirit of social entrepreneurship undergirding Ben & Jerry’s. In 1985, company founders Ben and Jerry institutionalized their long-standing commitment to social and environmental issues by establishing the Ben & Jerry’s Foundation, funded through donation of 7.5% of the company’s annual pretax profits. The
company has not relegated its social and environmental action to its funding of the Foundation. At every decision point, the leadership of Ben & Jerry's has sought to provide social benefits from the ongoing operation of their primary business. Among many other initiatives, in a successful effort to divert its ice-cream waste from the local wastewater treatment facility, Ben & Jerry's began feeding a pig farm with its ice-cream waste; the company helped establish a nonprofit initiative known as “1% for Peace”; they came out against bovine growth hormone, based on concern about its adverse economic impact on family farming; introduced Rainforest Crunch ice cream through its scoop shops, with sales of the ice cream indirectly benefiting rainforest preservation efforts; and to help combat Vermont dairy farmers’ losses during a period of volatile prices in the dairy industry, Ben & Jerry's paid a dairy premium totaling half a million dollars to the family farmers who supply the milk for Ben & Jerry's ice cream.

The Not-for-Profit Sector

Not-for-profit social entrepreneurship is represented by organizations that have legally defined themselves as existing for some other purpose than to generate profit, a direct inverse to for-profit organizations. However, within this model, many of these organizations are engaging in what would typically be classified as for-profit business practices to attain sustainability within their business model.

Within the not-for-profit sector, three primary types of organizations exist—public benefit, mutual benefit, and religious. The most common use of social entrepreneurship within this sector is within those designated for public benefit. This is because of the nature of the models; a public benefit not-for-profit exists to benefit the public. Both mutual benefit and religious not-for-profits are less focused on widespread social improvement and are more focused on providing services for a very specific audience. However, it is still possible for social entrepreneurship to exist in each of these types.

The social entrepreneurship model is often mistakenly associated with social activism within the not-for-profit sector; however, the two concepts are fundamentally different. Social activists pursue a social goal as their main mission but are distinguished from social entrepreneurs because they pursue these changes external to the business environment. The distinguishing factor in social entrepreneurship is that these organizations pursue their social goals while simultaneously engaging in market-driven activities. Organizations acting in this sector are typically less financially independent than those in the for-profit sector. With not-for-profit organizations, the fiscal gains through entrepreneurship act less as a method of profit generation and sustainability and more as a method of offsetting their costs or expanding their programs. While they are not as financially independent as their for-profit counterparts, the offset expenses do allow these organizations to engage in more creative opportunities that may not be possible through grants and donations alone.

However, with the expansion of revenue streams for these organizations, an issue arises with the allocation of these subsidizing revenues. Within the United States, any income a not-for-profit generates that is not substantially related to the social purpose of the organization becomes taxable. This is the result of the competition for the consumer's purchasing power. Many for-profit organizations feel that without the tax an arena is created for unfair competition. For many not-for-profit organizations, this means that becoming entrepreneurial and seeking new revenue streams may not be as effective as hoped.

Ben & Jerry's is again instructive on this point. Perhaps the company's most notable foray into social entrepreneurship has been the establishment of the PartnerShop program, a series of scoop shops that are independently owned and operated by community-based nonprofit organizations. Ben & Jerry's waives the standard franchise fees and provides additional support to help nonprofits operate strong businesses among youth and low-income folks by providing economic development and employment opportunities. It should be noted that social entrepreneurship has been around for centuries in the form of enterprises such as gift shops and thrift shops associated with churches and museums.

The Public Sector

Outside of entrepreneurship in the private sector, it becomes more difficult to engage in social entrepreneurship, often because of inherent political and administrative constraints. Whereas the not-for-profit organization can be burdened with donors and grants who have predefined goals for the organization, the public organization is also held to often more stringent
preestablished rules, regulations, and legislation. However, where the public sector has succeeded in engaging in social entrepreneurship, such efforts have enabled the institutions to expand beyond their previous constraints, thereby increasing the effect and reach of their mission. The driving force for entrepreneurship in the public sector has been a combination of a need for increased resources to fund specific programs and for a way to counteract the perceived inefficiencies of government programs.

Given that entrepreneurial activities such as risk taking are often looked down on by the public and government officials, social entrepreneurship often occurs much more frequently than intrapreneurship. Typically, entrepreneurship occurs when tasks are outsourced from local governments to organizations created specifically to coordinate specific tasks for the government outside of the public sector where it is able to function beyond the typical regulatory constraints. These organizations are then able to not only support the programs or entities they were designed to support through their services or products but are also able to generate extra revenue by expanding their programs to other organizations that can derive benefit from them.

There exist numerous examples of social entrepreneurship within the public sector. Following years of developing customized information technology applications for in-house use, the City of San Diego outsourced its information technology function to a standalone not-for-profit entity, the San Diego Data Processing Corporation. One principal goal of this initiative has been to successfully market governmentspecific technology applications to other California municipalities, all while continuing to meet the technology needs of the elected officials and staff of San Diego. Product endorsements and “city stores,” which sell items such as customized street signs, are becoming increasingly common; at the state and national levels, adopt-a-highway programs represent efforts by governmental agencies to engage in social entrepreneurship that serves to offset the high cost of road maintenance through revenue-generating alliances with private business enterprises.

**Securing Funding for Social Entrepreneurs**

Similar to profit-oriented entrepreneurship, social entrepreneurship is often a process undertaken by individuals who have a vision and are pursuing that vision. Funding for these ventures can come from grants, donations, or what has been called social venture capital. Social venture capital, first defined by Ashoka, is the process of securing funding to advance the interests of the organization through investors who wish to have a stake in the organization. As such, social venture capital is often focused within the for-profit sector of social venturing; however, it is possible for social venture capital to be invested in not-for-profit sector ventures as well.

An important issue in building social venture capital has been designing a way for investors to receive feedback from the organizations they have invested in to know whether their investment has been successful or if the organization is not doing as well as it should be. In the typical venture, this can be done through simple financial analysis and benchmarking as the organization develops and evolves. With a social venture investment, this is much more difficult because of the difficulty of measuring social impact. The success with developing these social feedback tools is evident through the rising number of organizations that have been created to provide social venture capital such as Ashoka, Social Venture Partners, the Social Venture Capital Foundation, the Schwab Foundation, and others.

**Measurement Tools for Social Entrepreneurship**

Regardless of the sector social entrepreneurship occurs in, it has become increasingly important to design methods to measure the impact social entrepreneurship has on its stakeholders. Much of the measurement throughout its history has relied on qualitative, case-based research. While this type of research has been able to define the areas that social entrepreneurship affects, it is less effective at measuring the actual level of impact that it has on society. The need for measurement has led to the development of tools that allow organizations to measure both financial and social impact. This is frequently called double-bottom-line (DBL) or triple-bottom-line (TBL) analysis. TBL divides the goals of an organization into three sectors—social, environmental, and financial. DBL divides the goals into two sectors—social and financial. DBL is the more often cited tool within social entrepreneurship, but both attempt to achieve the same goal of dividing the organization’s impact into defined areas and measuring the effectiveness of that impact in each area.
To measure the goals of an organization using DBL, they are often redesigned in a way that allows the impact on society to be quantitatively measured. This enables the organization to track the success or failure of its social initiatives similarly to that of a financial initiative. Columbia University’s Research Initiative for Social Enterprise (RISE) is one group that has contributed to this research. They have identified and analyzed several methods for identifying and measuring social impact. Their efforts have identified social impact measurement in three key areas of analysis—processes, impact, and monetization. Process analysis allows organizations to measure the correlation of their outputs with their social goals. Impact analysis allows organizations to analyze the effect these outputs have on society and compare them with the next best alternative for their resources, a method that is equivalent to measuring the opportunity costs of the organizations’ operational processes. Monetization analysis allows the firm to place dollar values to its social impact and is the most effective in demonstrating a direct correlation between money invested and the social return.

One example of monetization analysis is social return on investment. This method, designed by REDF (formerly the Roberts Enterprise Development Fund), is used to develop a cost-benefit analysis of a social project. Rubicon Landscape Services used this method to analyze the impact their organization made by employing people with disabilities and economically challenged individuals. By calculating the amount of money they were saving the government in social service costs and the amount of additional tax revenue generated through their employment, they were able to measure the impact this program had on society with a precise dollar amount.

All three measurement methods enable the social entrepreneur to gauge his or her success at using the organization’s resources in the most effective manner to support the social mission. In addition to the RISE project, many other organizations have also begun developing their own private and publicly available measurement tools, which provide a way for social venture capitalists to measure the impact of their investment, as well as a way for organizations to gauge their own success and make adjustments as they grow.

**Criticism of Social Entrepreneurship**

Critics of social entrepreneurship, and corporate social responsibility, believe the purpose of business activity is to serve the interests of stockholders, leaving social action to entities existing beyond the private for-profit sector. These critics argue that business leaders are ill equipped to make informed social decisions and that business leaders are solely responsible for acting in a manner that benefits the individuals who have employed them. This stance is grounded in the theory that economic returns and social returns are inherently at odds with one another, causing the pursuit of one return to reduce or eliminate the other.

Social entrepreneurs have found that this stance is inadequate for serving the needs of the community. Entities beyond the private for-profit sector have been unable to provide for many of the needs of the community. Social entrepreneurs have identified this gap in service as a viable business opportunity. The businesses built on these opportunities have a positive link between economic returns and social returns, both within the organization, and in its influence on its stakeholders. Thus, although many critics believe that social responsibility is counter to economic responsibility, social entrepreneurs have found a method that allows the two to act in parallel.

**Education**

Along with the growing number of social investment and analysis organizations, social entrepreneurship has also become increasingly popular with universities and other educational institutions. Many business schools have not only introduced social entrepreneurship into their MBA curriculum but some have also begun to build centers focused specifically on social entrepreneurship. Examples include Duke University’s Center for the Advancement of Social Entrepreneurship, Columbia University’s Research Initiative for Social Enterprise, and Oxford University’s Skoll Centre for Social Entrepreneurship. In addition, competitions have come up to promote social entrepreneurship within these universities, such as the Global Social Venture Competition held at the University of California, Berkeley. Universities have also begun to reward competitors within traditional business plan competitions for being socially cognizant of their impact on society.

**Conclusion**

Social entrepreneurship has become an increasingly influential business model. It allows for organizations in all sectors of business to ground themselves on socially conscious missions and goals while still
retaining the beneficial traits that have been previously available only to the for-profit sector. Social entrepreneurs are able to do this through recognizing and pursuing feasible business models that provide innovative products and services, allowing it to generate revenue while still serving its primary social goal. Social entrepreneurship has been given the opportunity to grow in impact and popularity due to its increased presence in the business and academic realms and will continue to expand as a viable business model as the global society continues to call for more socially conscious and accountable organizations.

—Lance Schaeffer and Craig P. Dunn

See also Business Ethics; Capitalism; Corporate Social Responsibility (CSR) and Corporate Social Performance (CSP); Deontological Ethical Systems; Entrepreneurship, Ethics of; Market Socialism; Profit Maximization; Corporate Social Responsibility as; Social Accountability (SA); Social Activists; Social Ethics; Stewardship; Strategic Corporate Social Responsibility; Utilitarianism

Further Readings


Social Ethics

Ethics is the application of normative standards to assess right action. Social ethics focuses on the ethical reflection as it pertains to social structures and communities of persons such as our government, school systems, and church organizations and refers to a set of standards around which we organize our lives and from which we define our duties and obligations. It results in a set of norms that establishes acceptable behavior patterns and is concerned with what people ought to do. Examples of social ethical dilemmas that occur in the business environment are privacy rights; sexual harassment; gender, age, and race discrimination; child labor; and environmental protection.

Who Determines What Is Normative?

From a social constructionist perspective, what a society or organization considers to be “ethical” is a product of dialogue among its members. Dictionary definitions of ethics and ethical support this view. It is the members of a particular group that define what is or what is not ethical based on the meaning making done in their own processes of dialogue.

Dialogue originates in the public sphere, and those words, statements, and expressions are essentially actions performed with social consequences. Kenneth Gergen argues that dialogue is a form of coordinated action and the meaning of any utterance depends on its functioning within a relational environment. Because meaning is born in relationship, an individual’s lone utterance contains no meaning. Rather, it provides the potential for meaning, a potential that can only be realized through another’s contribution. This back and forth dialogue is the key building block to creating shared meaning and a shared reality. The central focus of generative dialogue is to bring realities (such as systems of social ethics) into being and bind them to particular patterns of action.