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## Entrepreneurship and Social Entrepreneurship: A Trend or a Real Factor for a Prosperous Future?

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### The Current Economic Situation in the Arab World

The Arab world consists of 22 countries, members of the Arab league. The countries included are (in alphabetical order): Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen. According to the data published by the World

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Bank (World Bank Data, 2020), the listed countries of the Arab world have seen significant update in the gross domestic product (GDP) over the last decade. Overall, all of the Arab League countries have \$4739.60 billion in 2019, which represents 17.11% increase compared to 2010. The interesting fact about this growth is that the industrial and manufacturing growth was negative during this period (industry grew by -5.56%,

**Table 3.1** GDP growth and structure, Arab world, 2020–2019 (World Bank Data, 2020)

Country	Gross domestic product		Agriculture		Industry		Manufacturing		Services	
	\$ billions		% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP	% of GDP
	2010	2019	2010	2019	2010	2019	2010	2019	2010	2019
Algeria	161.2	170	8	12	50	37	40	24	38.2	45.9
Bahrain	25.7	38.6	0	0	45	42	14	18	53.7	54.9
Comoros	0.9	1.2	30	33	12	9	n.a.	n.a.	53.2	53.5
Djibouti	1.1	3.3	n.a.	1	n.a.	17	n.a.	3	n.a.	75.2
Egypt, Arab Rep.	218.9	303.2	13	11	36	36	16	16	46.2	50.5
Iraq	138.5	234.1	5	2	56	56	2	n.a.	39	42.2
Jordan	26.8	43.7	4	6	29	28	20	19	60.2	61.8
Kuwait	115.4	134.8	0	0	66	60	6	7	47	54.1
Lebanon	38.4	53.4	4	5	14	13	8	8	71.9	75.9
Libya	74.8	52.1	2	n.a.	78	n.a.	4	n.a.	n.a.	n.a.
Mauritania	5.6	7.6	17	19	38	25	7	8	39.9	45.7
Morocco	93.2	118.7	13	11	26	26	16	16	51	50
Oman	57	77	1	3	66	47	58	38	28.2	52.6
Qatar	125.1	183.5	0	0	73	58	13	9	26.7	46.5
Saudi Arabia	528.2	793	3	2	58	47	11	13	39.2	50.4
Somalia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sudan	61.7	18.9	34	28	23	31	8	12	41.1	32.3
Syrian Arab Republic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tunisia	44.1	38.8	8	10	29	23	17	14	56.7	59.2
United Arab Emirates	289.8	421.1	1	1	53	46	8	9	46.7	53.1
Yemen, Rep.	30.9	27.6	8	4	44	30	8	n.a.	27.4	14.3

while manufacturing sector grew by -1.46%). Interestingly, the major contributor to the GDP growth was the services sector that increased on average by 5.79%. For more details, please refer to Table 3.1.

However, certain countries from the Arab world belong to high-income group of states, heavily dependent on oil. These countries include United Arab Emirates, Oman, Bahrain, Saudi Arabia, Oman, Qatar, and Kuwait. In this regard, these economies are going through some significant changes that are directly connected to the drop in oil prices that affected the entire region of Middle East. For the mentioned economies that are in many ways the economic growth leaders, the GDP growth rate reached its maximum value in 2012, coming to 6.6%, and then dropping to 2% in 2014. Furthermore, the exports of goods and services decreased with the simultaneous increase in the level of imports. Another indicator that is also relevant for entrepreneurship is that the unemployment rate increased to 11.5% on average in 2014 while the rest of the world experienced an average unemployment of 5.6% (Dzenopoljac et al., 2017).

According to El Namaki (2008), the small business sector, as a powerful tool for economic growth in the Arab region, does not play as important role as in some other parts of the world. Entrepreneurship and consequently the small business management are the source of employment; new business ideas adds value to the economy as a whole, it stimulates exports and replaces the needed import with domestically produced goods and service, and thus positively affects the international trade balance of the country. Unlike some other world economies (e.g., Ireland, Thailand, Japan) where this sector represents the foundation of many industries in the country, the Arab world on average does not seem to benefit from the entrepreneurship in that amount.

However, the government efforts in the Arab countries are significant towards boosting entrepreneurship and small business development. For example, in Kuwait, one of the richest oil-producing economies in the Arab world, the government tried to support individuals with innovative business ideas and initiated the creation of the Kuwait National Fund for Small and Medium Enterprise Development in 2013 with total invested capital of \$6.1 billion in order to promote and support entrepreneurs (Dzenopoljac et al., 2021). On the other hand, the effects of such initiatives are not yet fully visible, nor do they create significant value for the

economies in question. Overall, the sector of small- and medium-sized enterprises (SME) does not, unfortunately, play the same role and shows the similar value-creating features in Arab countries as it does in other parts of the world. One of the indicators of entrepreneurial activity is defined as the propensity to enterprise, which reflects the relationship between self-employment and the total number of economically active population within one country. When it comes to Arab countries, on average, this indicator has lower values than those elsewhere and it does not show the dynamic behavior in economies like South and East Asia, for example. In general, there are many reasons for this, but they can be categorized as pre-entry flaws, precarious existence of those who enter, lack of tools for survival, and not knowing how to exit (El Namaki, 2008). Additional factor is the specifics of the culture and individual's motivation to take risks, compared to the job security often offered by the government and public sectors in certain countries.

In line with the mentioned characteristics of economic development of countries in the Arab world, as well as with challenges that entrepreneurs face within these economies, the Global Entrepreneurship and Development Institute created their methodology (GEDI methodology) and Global Entrepreneurship Index (GEI) for ranking the countries in the world (currently 137 of them) in terms of the level of development of the entrepreneurship ecosystem. The GEDI methodology takes into account entrepreneurial attitudes, abilities, and aspirations of the local population, which are afterwards weighted against the prevailing social and economic “infrastructure” of the country. This infrastructure entails contemporary features like broadband connectivity and the transport links to external markets. The results of the process are 14 pillars, which are used to quantify and measure the health of the regional entrepreneurship ecosystem. These pillars include opportunity perception at national level, startup skills, risk acceptance, networking, cultural support, opportunity perception at individual level, technology absorption, human capital, competition, product innovation, process innovation, capacity for high growth, internationalization intentions, and availability of risk capital in the country (Acs et al., 2018). Table 3.2 shows the values of GEI for the countries in the Arab world, according to the latest available data

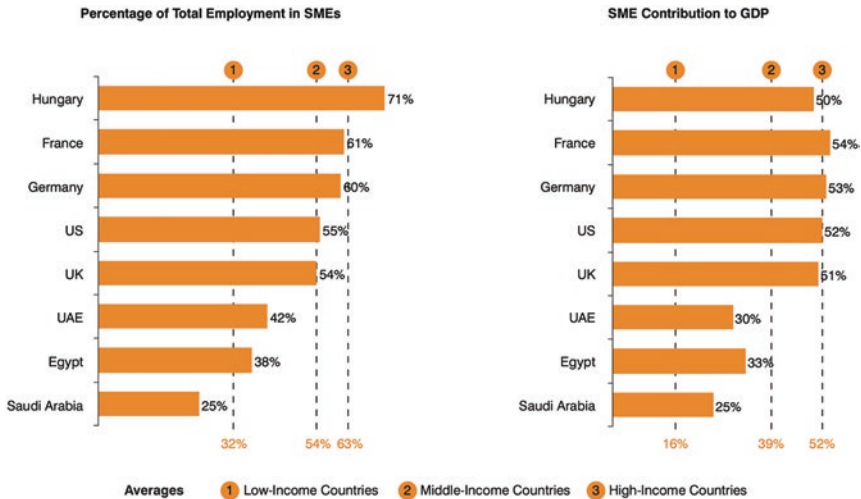
**Table 3.2** Global entrepreneurship index ranking of Arab countries in 2018

No.	Country	Rank globally	GEI increase (%)
1	Qatar	22	55
2	United Arab Emirates	26	53
3	Oman	33	47
4	Bahrain	35	45
5	Kuwait	39	43
6	Tunisia	40	42
7	Saudi Arabia	45	40
8	Jordan	49	37
9	Lebanon	59	32
10	Morocco	65	29
11	Egypt	76	26
12	Algeria	80	25
13	Libya	104	19
14	Mauritania	136	11

Source: Acs et al. (2018)

from 2018. The data for Comoros, Djibouti, Iraq, Somalia, Sudan, and Syrian Arab Republic are not available in the GEDI database.

Among the countries who are regularly surveyed for the mentioned 14 criteria of quality entrepreneurship ecosystem, the countries from the Arab world have shown increase in two areas mostly, which are product innovation and risk capital. This increase is particularly visible in the countries from the Middle East and Northern Africa (MENA). The overall entrepreneurship activity of the MENA region economies shows improvements over the past decade, but this is far from enough for these countries to be able to strive and, in case of oil-dependent economies, to diversify their economies. One of the biggest challenges in the region is reducing the unemployment levels, which in some Arab countries have double digits. Yemen, for example, has 35% unemployment rate. Entrepreneurial activity and SME development are considered the biggest contributor to reducing unemployment. According to the World Economic Forum, the Arab countries and generally countries in the MENA region need to create 75 million jobs by the end of 2020 in order to only sustain the current unemployment rates. Ultimately, the entrepreneurship sectors should become and sustain their key roles as important GDP contributors (World Economic Forum, 2011). For comparison



**Fig. 3.1** SMEs contribution to employment and GDP. (Source: European Commission SME Performance Review; US Department of Statistics; OECD; UNECE; World Bank; Zawya; Booz & Company)

purposes, the total employment in SMEs and SME contribution to countries' GDP are shown in Fig. 3.1.

Figure 3.1 reveals the comparison between certain developed and developing countries in terms of SME performance and contribution to countries' GDP. What is noticeable here is that countries from the Arab world (like UAE, Egypt and Saudi Arabia) are ranked very low in areas of how many people are employed in the SME sector and in terms of SMEs' contribution to GDP. Saudi Arabia, for example, has SME performance that is ranked between low- and middle-income countries, although it is one of the wealthiest countries. This observation opens two avenues for future discussion. The first one is that there is evident need for these economies' diversification (mainly for oil dependent countries) and the second one is the fact that all these countries possess high latent potential for boosting entrepreneurship and SME development due to their still high income from oil production.

The current situation regarding entrepreneurship and small business development is twofold: on one side the situation is not positive since the

entrepreneurs' and SMEs' performance are seen as the vital for economy due to certain internal and external obstacles. On the other hand, this same situation creates additional space and potential for development. One important note should be pointed out when discussing the need of richer economies in the Arab world to diversify and to turn more towards entrepreneurial ventures. This note revolves around the fact that the available financial resources and existing government support can be directed not only towards developing the SME sector but also towards a new trend in global business, which is labeled as social entrepreneurship.

Social entrepreneurship is a relatively new business model, defined by Gregory Dees (2001) as "a social entrepreneurial organization that places a social mission as the priority over creating profit or wealth, tackling social issues with a business-like approach." Similarly, Austin et al. (2006) define social entrepreneurship in a broader way as "innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors." In order to properly continue our debate regarding the value creation, justifications, and challenges, we need to assert the main philosophical and practical differences between the traditional way of viewing entrepreneurship, as seen by Schumpeter (1943), and the model of social entrepreneurship. There are two main distinctions between entrepreneurship and social entrepreneurship. The first distinction is related to the measure of success, or value creation indicator. For capitalism-oriented entrepreneurs, significant value is created when there is consistent growth in sales and when there is positive difference between costs and revenues, both in short and long term. When seeing social entrepreneurs as an actor of social change in a society, this measure of success is vague and often not visible. The business environment of social entrepreneur does not visibly reward the work. The markets rarely value social improvements clearly. The indicators that could show the success of social entrepreneurship are survival and growth of social enterprise. These two are far from good indicators of efficiency and effectiveness of socially oriented entrepreneurs. The second important difference is the organization and establishment of the market itself in which these two entrepreneurs exist. Usually, entrepreneurs can thrive in relatively secure, stable, and well-established product markets, where the rules of competition apply. On the other hand, social entrepreneurs often

target economies and markets that fail to provide stability for business ventures. These markets do not possess the right discipline, and social entrepreneurs need to rely on donations, volunteers, and other sorts of external support (Dees, 2001).

This definition of social entrepreneurship reveals the potential of it being implemented successfully in the rich Arab countries. These countries possess the adequate resources to support this business model more than certain low-income Arab countries, which can ultimately lead towards creativity, innovation, and wealth spill-over in the region. This rather sounds as a utopia, which is why this chapter seeks to find the answers to what extent the concept of social entrepreneurship is seen as viable business approach in the region. In other words, we seek to reveal whether social entrepreneurship is merely a trend or a real factor for a prosperous future in the Arab world and beyond.

## **Entrepreneurship and Social Entrepreneurship as Trends**

The interest in social entrepreneurship in the regions of Middle East and Northern Africa (MENA) has grown significantly in recent years. However, it is rather questionable to what extent this interest is rooted in real understanding and knowledge of the concept. It is clear and evident that the region covered by the countries of Arab world possesses enormous potential for successful application of social entrepreneurship philosophy. There are two main reasons for this, as mentioned earlier. The first one is the fact that many Arab countries are underdeveloped, with very high unemployment rates that in certain cases surpass 30% of economically active individuals. On the other hand, countries like Qatar and United Arab Emirates experience high economic growth and create surplus in their national budgets that could fuel the growth of entrepreneurship and social entrepreneurship in particular.

The consequences of Arab Spring revealed some of the deeply rooted socio-economic problems that have existed in the MENA region for decades. The entire region has an approximate population of over 345 million people where around 50% are people under the age of 25.



However, the number of unemployed people in the region reaches around 20 million. Nevertheless, this abundance of young but unemployed people in the region represents a noteworthy demographic challenge and an opportunity at the same time. In line with this, the logical and chosen path for the future development of these economies harnessing this entrepreneurial youth energy is the basis for future added value and source of innovation and new job creation across MENA (Jamali & Lanteri, 2015).

Besides the issue of unemployment, MENA region possesses many other diverse problems and challenges that are within social and economic areas. These include scattered poverty areas throughout the MENA region, while on the other side there are countries whose people enjoy elitist access to quality health care and education. Finally, in many parts of the region, certain gender inequalities exist. Among all Arab countries, excluding rich, oil-producing economies, between 30 and 40% are heavily affected by poverty. For example, statistical data from 2014 reveal that 23% of people in the entire MENA region live on less than \$2 per day. In countries that are not rich with oil, only one-third of population on average can afford public health services. The percentage of employed women reaches only around 26%, which is one of the lowest globally. For comparison purposes, the world average in terms of female labor is 51% (Jamali & Lanteri, 2015). As shown in Table 3.1, there are obvious economic inequalities among the Arab world countries. Additionally, when observing GDP per capita in the region (Fig. 3.2), one can clearly see the discrepancies between the oil-rich countries (Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia) and the rest of the countries in the region.

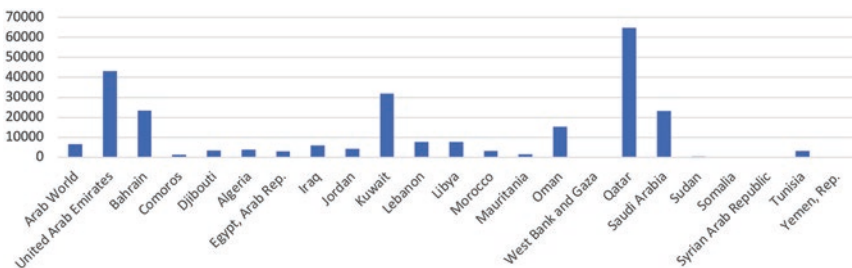


Fig. 3.2 GDP per capita in Arab World, 2019. (Source: World Bank Data (2020))

Data for several countries are not available for 2019 (West Bank and Gaza, Sudan, Somalia, Syria, and Yemen), but it is estimated that, for example, GDP per capita in Qatar is around 30 times higher than in Yemen. These discrepancies between the Arab countries create additional opportunities for social entrepreneurship initiatives. Through social entrepreneurship, economies would significantly benefit, together with government efforts, civil society organizations, and many evident corporate social responsibility activities by many large corporations in the region. According to the latest available data in regard to social entrepreneurship, currently there are 78 recognized social entrepreneurs in the Arab region who are between 35 and 44 years of age and usually hold post-secondary degree. Interestingly, the areas in which these social entrepreneurs operate are education, talent development, health care, and women empowerment. What is also important to denote is the fact, as mentioned earlier, that the main source of social entrepreneurship activities originate from stable economies, like the ones in the Gulf area, while the main recipients of social entrepreneurship initiatives are turbulent environment like Libya and Syria. It is noticed that many of the mentioned Gulf countries are riding on this new trend and try to create partnerships with recognized international institutions in order to foster the development of entrepreneurial ventures (Jamali & Lanteri, 2015). However, it is sometimes not easy to establish whether certain social entrepreneurship efforts really make change, or they are rather a passing trend, since lately social entrepreneurship narratives are “being broadcasted on television and published in newspapers, practitioner books and scientific journals as one of the very latest fashion trends that has penetrated researchers’, politicians’, and journalists’ discourse in equal measure” (Dey, 2006).

The current discussion on social entrepreneurship is in line with a broader initiative that requires to transform from capitalism into a more ethical and socially inclusive framework. This means that the consumers are increasingly concerned with the way the products are manufactured, they look for ethical practices in business while the corporate social responsibility is expected from big companies. Additionally, there is evident pressure on politicians to develop and apply policies that are promoting social equality and socially responsible behavior of businesses. All these factors led to a wide array of research in the area of social

entrepreneurship that does not properly focus on the issue it tries to solve, but rather on academic debates about proper definitions. In addition, the research published in this area is mainly conceptual and not empirical, which ultimately means that this academic approach will not produce a valid approach towards social entrepreneurship that could actually be followed. It is worth mentioning that the current research domain of social entrepreneurship suffers from certain biases that limit its potential and validity. Firstly, social entrepreneurs are mainly pictured as individuals, with heroic characteristics, which usually focuses on individual successes of these entrepreneurs. This approach limits their ability to learn from failure. Secondly, the focus on social entrepreneurs as heroes ignores the role that certain social enterprises play in this regard. Finally, these individual heroes are seen as persons who will somehow save the world, who are altruistic and put social goals above profitability. While this concept of goals in social entrepreneurship is perceived as a valid point, it neglects those entrepreneurs who are also driven by economic motives (Dacin et al., 2011). All these elements mentioned above make it difficult to assess the true effect on economy, social equality, and better allocation of resources of one country.

The problematic part of social entrepreneurship compared to traditional view of entrepreneurship, where the financial goals, like profitability, are the main measure of entrepreneur's success, is measuring its benefits on society. In other words, how can one measure the social impact of social entrepreneurship on people, economy, or society as a whole? (Ebrashi, 2013). In the Arab countries, more specifically in the MENA region, the main motives for social entrepreneurship are considered to be reducing high unemployment among young people in the region, solving issues like resource allocation and environmental challenges, equal accessibility to services in a country, and promoting good governance (Greenwald & Constant, 2015). After the Arab Spring, there was an optimistic view of the region's future, in both economic and social aspects. One of the ways that was seen as a possible avenue through which the regional challenges can be addressed was social entrepreneurship. The region was flooded with investment conferences and social entrepreneurship startup competitions, which started the creation of social entrepreneurship ecosystem. This ecosystem combined the social mission with

principles of doing business, trying to make it a sustainable option that could restore and build social and economic equality. This was especially important and urgent, bearing in mind that several countries in the Arab world suffered a great deal after the Arab Spring. For example, Egypt encountered immense losses in the tourism industry when revenues in this area dropped by 43% in 2014 and caused many people to lose their jobs and turn to other forms of unregistered businesses. These issues are further reinforced by the fact that several countries (e.g., Egypt, Morocco, and Yemen) have high illiteracy rates, reaching 50%. Additionally, illiteracy rates are about 20% higher within female population. These reasons were seen at the time as the main driver for social entrepreneurship. For example, after these unrests in the region, certain countries showed more than usual interest in entrepreneurship activities. In Tunisia, for example, according to Global Entrepreneurship Monitor data, around 88% of people saw entrepreneurship as a viable and attractive mode of employment and career path (Zanganehpour, 2015).

To what extent these entrepreneurial in social area have yielded actual social and economic benefits is a different question. The need for a different approach was evident since the global non-profit sector lost its credibility in the region. Additionally, the traditional social institutions, like public social organizations, religious organizations, and non-governmental organizations, were either unwilling or incapable of coping with the new social challenges that rose after the political and social unrests at the time. This gave an opening to social entrepreneurship as an attractive modus operandi. This approach “seeks to transform society through revolutionary and disruptive experiments in ownership, human/user-centered design, open-sourced operating platforms, equitable decision-making and governance structures, fair incentives, and distributed responsibilities traditionally at the heart of the activities in either the public or private realm” (Zanganehpour, 2015).

With everything said, it is extremely hard to see whether social entrepreneurship is a trend or a real factor of economic growth and social equality advocate. On one side, there have been burning issues in the region that require a different approach compared to the traditional Schumpeterian entrepreneurship. On the other, it is questionable whether the region is ready to understand and properly engage in social

entrepreneurship activities. In this sense, one might conclude that social entrepreneurship is an evolving scientific discipline, still young and underexplored when viewed academically. Furthermore, the concept is even newer in the Arab World countries and needs proper guidance and government support, which ironically represents another challenge. The irony of social entrepreneurship stems from the clash between the ideas of funding, ways of operations, and expected outcomes. Like it will be presented in the next segment of this manuscript, the majority of social enterprises is still dependent on public funding, grants, and donations. These still heavily depend on Schumpeterian ways of doing business. Funds received in this way later need to be managed in a business-like manner in order to achieve expected financial outcomes. Finally, we expect that social entrepreneurship yields social benefits, often not related to financial outcomes. Here lies the irony of this concept: how to create sustainable, self-sufficient model of socially responsible entrepreneurship, whose mission should be society benefits above the financial ones? As this is a complex and yet not fully investigated area, the conclusion can be set in this way, when discussing the Arab World: the social entrepreneurship approach in this region at early stages does represent the trend currently. However, this trend has a promising future, if properly nurtured by the main stakeholders, like government and non-profit organizations. It is up to the regional players to not let social entrepreneurship wind up merely as a fashionable trend but rather as the agent of change.

## **Entrepreneurship and Social Entrepreneurship as a Real Factor of Growth**

The social enterprises have seen significant development in the UK, which is often seen as the pioneer in the areas of social enterprise development, applied practices, investment, and social value in general. According to the State of Social Enterprise Survey 2017 (Temple, 2017), there are around 70,000 social enterprises registered in the UK, with £24 billion contribution to the GDP of economy and employing nearly one million people. Although the added value from social enterprises may seem high, we must note that the UK's GDP in 2017 reached £2,115,296 million or

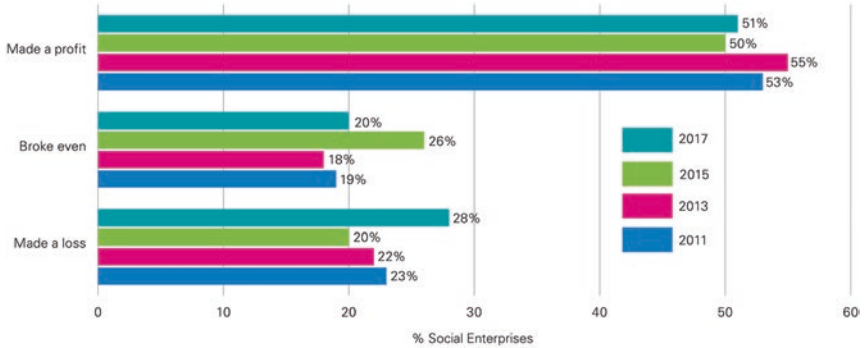


Fig. 3.3 Profitability of social enterprises in the UK in 2017

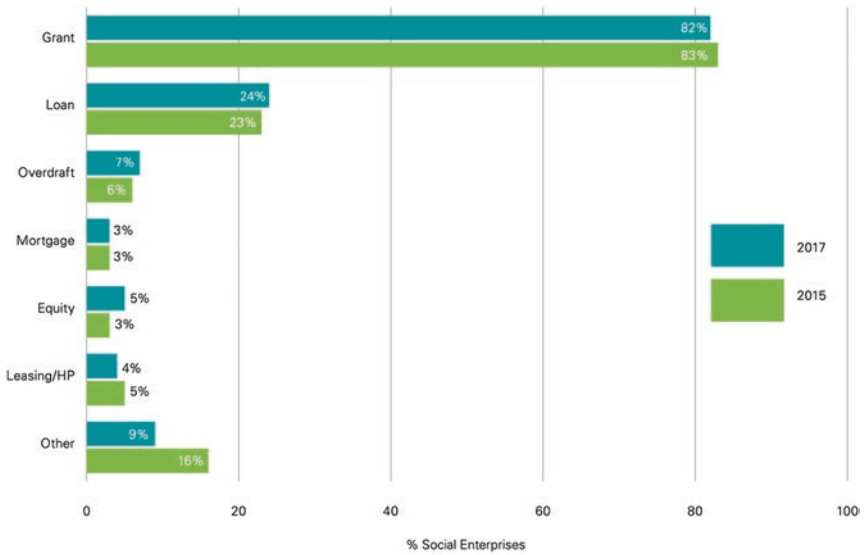


Fig. 3.4 Form of finance sought for in social enterprises in the UK in 2017

around £2.1 trillion (Statista, 2020). This means that the effective contribution of social enterprises in the UK is around 1.13%. The social enterprise survey in the UK revealed some interesting facts about the state-of-the art in this country. For example, the survey showed that this sector has outperformed traditional SMEs in several areas, like turnover

growth, innovation, business optimism, start-up rates, and diversity in leadership. On the other hand, 70% of these enterprises were able to break even, leaving one-third of enterprises in loss (Fig. 3.3). The main pressure comes from the need to establish stable cash flow because of the need for working capital. Additionally, the sector showed decline in recruitment and level of optimism in general.

There is also an issue of finding the finance source at the right time, which limits growth significantly (Fig. 3.4). The additional challenge is the fact that these enterprises are mainly funded through various grants (82% of them sought this type of funding in 2017). This is a big obstacle for social enterprises in the Arab World as well. The public sector in the UK is the main source of income for social enterprises (59% of social enterprises that has turnover more than £5 million are funded by the public sector). The mentioned survey also showed that one in eight of those with public sector income is getting funded by various European programs (Temple, 2017). Although some might say that the social enterprises are showing growing and even promising outlook, the level of actual contribution is far from expectations, especially seeing the level of dependence on external public funding and grants. Also, globally, the proportion of sustainable investing in most developed regions in the world (Europe, United States, Canada, Australia/New Zealand, and Japan) has been increasing in the past decade, according to the Global Sustainable Investment Review (2018).

In the Arab World, there is still a long way to go in terms of understanding and getting engaged in social entrepreneurship. The study published by the Moroccan Centre for Innovation and Social Entrepreneurship (MCISE) revealed that the concept of social entrepreneurship is trendy in Morocco and that is only known to a certain class of people, who are usually with higher levels of education and have significant exposure to international trends. On the other hand, the majority of people in the country are hardly familiar with this term. Additionally, research showed that the main sources of funding of social enterprises are personal funds, membership fees, and government funding. Apart from the financial constraints, these enterprises are significantly limited by the lack of knowledge, experience, and the organizational culture needed to run such an enterprise, as well as required mindset. As pointed out in the report prepared by

Monitor Group and Acumen Fund, the social enterprises, regarded as impact investing, were assessed to have profit potential between \$183 and \$667 billion between 2012 and 2022. However, the main limiting factors include very modest profit margins (10 to 15% at the best), long time to scale their operations, and high risks. These constraints cause only one-third out of 439 promising social enterprises in Africa to be commercially feasible, while only 13% were able to scale their operations to that extent to justify the investments (Koh et al., 2012).

There are positive views on social entrepreneurship as it has the potential for growth and social impact in the Arab World as well. This positivism is again intertwined with strategic philanthropy, corporate social responsibility, and public–private partnerships in the Arab region. The authors with this point of view (Hill & Nocentini, 2015) base their stand on the notion that social enterprises are essential for creating a sustainable impact on society because philanthropy and economic growth and development failed in this regard. Also, the authors claim that these enterprises possess high business potential and significant resilience in volatile markets. Social entrepreneurship is seen as the main option that can deal with major identified social issues in the MENA region. These issues include population growth and pressure on the economy, poverty rates (14% of the population has less than \$2 a day), high unemployment rates, climate changes that are caused by global warming, waste management sector has funding and innovation issues, water scarcity, food security is in question, healthcare issues (where significant portion of the population lives below poverty line, while some countries in the Gulf suffer from obesity), quality of education is considered low in majority of countries in the Arab World (except Qatar, Lebanon, and UAE. All these issues that exist in the Arab World are recognized by the governments, which in turn try to support entrepreneurship and small business development. There are many positive examples in the region showing that entrepreneurial ecosystems are in the making and that system thinking and successful business models are accepted. These initiatives include reforms of educational systems, provision of adequate business regulation and licensing, availability of various financing modes, appearance and support of seed funding (business angels, entrepreneurship incubators and accelerators), promotion of knowledge sharing, business culture change, and the like (Hill &



**Table 3.3** Selected social enterprise accelerators in the region

Sector	Examples
Education	<a href="http://www.imaginek12.com">www.imaginek12.com</a>
Clean energy	<a href="http://www.greenstart.com">www.greenstart.com</a> <a href="http://www.foresightcac.com">www.foresightcac.com</a> <a href="http://www.cleantechopen.org">www.cleantechopen.org</a>
Social enterprise	<a href="http://www.vilcap.com">www.vilcap.com</a> <a href="http://www.agorapartnerships.org">www.agorapartnerships.org</a> <a href="http://www.thefsegroup.com">www.thefsegroup.com</a>
In the MENA region	Nabad (Lebanon; mixed cohorts of for-profit and non-profit groups; <a href="http://www.nabadassociation.org">www.nabadassociation.org</a> ) Nahdet Mahrousa (Egypt; mixed cohorts of for-profit and non-profit groups; <a href="http://www.nahdetelmahrousa.org">www.nahdetelmahrousa.org</a> ) AltCity (Lebanon; mixed cohorts of for-profit and non-profit groups; <a href="http://www.altcity.me">www.altcity.me</a> ) Sustaincubator (Egypt; focus on food, renewable energy, and water; <a href="http://www.sustaincubator.com">www.sustaincubator.com</a> )

Source: Nabti (2015)

Nocentini, 2015). Some of the noticeable social enterprise incubator initiatives in the region are presented in Table 3.3.

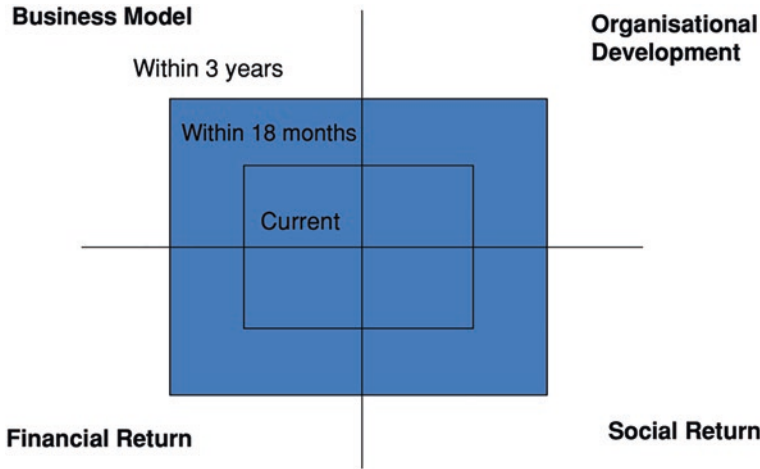
Apart from these, some countries, like United Arab Emirates, have gone even further. In the UAE, the government announced the National Innovation Strategy in 2015 in order to promote innovation, entrepreneurship, and sustainability. This initiative is in line with the findings that, among the countries in the Gulf region, UAE has very high level of entrepreneurial awareness, most likely due to the government's resolve to diversify its oil-dependent economy (Abdo & Paris, 2017). As a result of this approach, the UAE's small- and medium-sized enterprises contribute 53% to the national GDP (Zawya, 2019). Ultimately, initiatives like this and the mindset that supports entrepreneurship in all of its forms make the UAE a very promising terrain for the development of social entrepreneurship, whose effects can produce spillover effects throughout the Arab region. The emergence of social entrepreneurship would mainly address the relatively high unemployment rate in UAE, which was 23.9% in 2012 (Abdo & Paris, 2017).

Social entrepreneurship is often related to impact investing, although the two concepts are not exactly synonyms. Impact investing is seen as

the tool for supporting social entrepreneurship and it represents a type of investing with the primary aim of creating social impact, with financial returns. As an addition, it is important to note the concept of patient capital, which represents a related investment in the social enterprise that will bring the significant social impact in the long run, but with below-market financial returns. All these investment approaches are relatively unknown and not much investigated in the Arab World, and thus it is needed to address them. One of the possible sources of funding of social enterprises is zakat, which is the obligatory annual payment of Muslims and represents one of the key pillars of Islam. Zakat is a special type of tax where Muslims are required to pay 2.5% of their wealth, which will be forwarded to certain social causes. However, there is extensive debate whether zakat is actually allowed to be used for the purposes of social entrepreneurship, although its nature is very much consistent with the idea of social enterprise (Abdo & Paris, 2017).

In the last segment of assessing the social entrepreneurship's impact on growth, we will present two possible approaches to measuring the performance of social enterprises. Two interesting approaches are based on traditional measures of performance (like return on investment, ROI) and scorecard models of tracking performance. In terms of ROI, a more suitable model of performance was proposed as the Social return on Investment (SROI). The measure differs from traditional ROI approach in a way that it seeks to estimate the direct cost of actions and predict future outcomes, directly linking the metrics to the social value created. However, this measure is far from perfect and suffers from many limitations. For example, one is the fact that when calculating SROI, the costs and paybacks are often quite arbitrarily estimated, which dramatically affects the final calculated value. Additionally, the important limitation is the lagged effect between investment and actual payback, which is usually longer than in normal financial investments (Mulgan, 2010).

Another useful approach in measuring the social value of social ventures is based on the balanced scorecard approach (Kaplan & Norton, 1992). This model requires significant adaptations to the framework of social impact. The model developed by Kaplan and Norton (1992) focuses on private sector companies and manages performance of those companies by simultaneously assessing financial, customer, internal



**Fig. 3.5** The balanced scorecard model for social enterprise. (Source: Meadows and Pike (2010))

processes, and learning potential measures. In order for the approach to be applied to social enterprise, the dimensions are updated accordingly, with inclusion of the time variable, as seen in Fig. 3.5.

The important practical side of applying the balanced scorecard approach to social enterprise is seeing what performance indicators and measures can be used for tracking the performance of such venture. As an illustrative example, a case study of Adventure Capital Fund (ACF) from the UK that was established in December 2002 by the third sector partners, together with three government departments and five regional development agencies.

This type of organization was the first in the country and was created with the goal of trying to move away from grants and donations towards proper investment in social enterprise, with expected social and financial gains. The social enterprises apply for funding from ACF and ACF creates a balanced scorecard with clear performance indicators (Fig. 3.6). In order for social enterprises to be able to achieve sustainable competitive advantage, an example from Fig. 3.6 could serve as a benchmark for the ways in which performance can be monitored in short and long run.

<p><b>Business Model Targets</b></p> <ul style="list-style-type: none"> <li>• Undertake refurbishment programme</li> <li>• Develop prospective and existing tenant services</li> <li>• Complete staff appointment programme</li> </ul>	<p><b>Organisational Development Targets</b></p> <ul style="list-style-type: none"> <li>• Deepen asset and human resources management capabilities to meet new levels of activity</li> <li>• Develop marketing capability</li> <li>• Strengthen management information systems</li> </ul>
<p><b>Loan/Grant Conditions</b></p> <ul style="list-style-type: none"> <li>• 5-year loan with an interest rate of x% per annum and either</li> <li>• Bullet repayment at end of year 5, or</li> <li>• Creation of local investment fund making cash and/or in-kind investments in local community organisations</li> </ul>	<p><b>Social Impact Measures</b></p> <ul style="list-style-type: none"> <li>• Advice and support to individuals, community groups and businesses</li> <li>• Impact resulting from change of ownership</li> <li>• Accountable body function</li> </ul>

**Fig. 3.6** Example of performance measures in a social enterprise operating in business center housing, small businesses, and community organizations. (Source: Meadows and Pike (2010))

All of the proposed research avenues, performance measures and indicators should serve as the basis for proper development of social enterprises in the Arab World. We believe that quality approaches from the UK can serve as a good starting for understanding the potential impact on the region. Considering that the region of the Middle East (data currently only available for this segment of Arab World) is usually the recipient of approximately 10% of globally placed impact investments and that the MENA region is seen as the most challenging for identifying social enterprises opportunities (Wyne, 2015), it is rather difficult to properly assess whether social entrepreneurship really plays a significant role on the economic growth and wealth distribution and re-distribution in the Arab World.

## Entrepreneurship and Social Entrepreneurship as Actors for Better Future

One of the main motivating factors for entrepreneurs in general to start their new ventures is considered to be also social good, which means that they are motivated by certain identified social problem for which they consider themselves able to use entrepreneurial principles and create a venture that would benefit this certain target group. When the motivation is seen as social, their main performance indicators include not only revenues and profit but also the social impact of the undertaking (World Economic Forum, 2011). In other words, social entrepreneurs seek to create sustainable change in people's lives whereas this change should affect the community level, not just individual level (Ebrashi, 2013). In order for social entrepreneurship to thrive and attain the needed change in society, certain prerequisites must be met (ElHidri & Baassoussi, 2018):

1. The first and foremost, certain and regulatory frameworks must be enacted or updated in collaboration with the government and various civil society representatives, business and workers' unions.
2. Besides this legal and political framework, a fiscal change should support the development of these enterprises. The fiscal policy should take into account the mixed nature of social enterprises, which at the same time act as private sector entities but also have an important role as public service provider.
3. The policy makers and social enterprises should agree on the selected measures of performance that social enterprises should rely on in their operations. These mutually agreed upon measures would also serve the policy makers in assessing the social impact and strategic decision making in this area in the future.
4. A general institutional body can be established to monitor, suggest, and direct current and future development of the social enterprises sector in certain economy. The body would use the global good practices and would try to adapt to local conditions in order to maximize the positive impact on the country and its development.

5. Educational institutions in the country should focus more on promoting and encouraging the area of social entrepreneurship, through different educational programs, activities, and formal degrees. Furthermore, these institutions, preferably public ones, would significantly encourage research on this topic and targeting the Arab countries in particular.
6. As a special form of support, governments should establish social entrepreneurship incubators that would serve as a starting point for young people with prospective social enterprise ideas. This incubator could serve as a local or regional hub for networking and idea exchange, from which the entire region could significantly benefit.
7. Impact investments should be promoted through official programs, government support through tax incentives and the like. In this way, this type of investment would draw larger corporate investors that could accept this patient investing in the long run.
8. Established social enterprises should receive support in terms of market exposure and penetration, through various trade fairs, exhibitions, and international collaborations. Additionally, these enterprises should be encouraged to use information technologies to their fullest potential.
9. The government can take certain steps towards encouraging all types of corporate social responsibility, which will be focused on environment protection awareness as well as a more balanced distribution of wealth.
10. A very stimulating step towards embracing and supporting social entrepreneurship can consist of establishing legislative in regard to microfinance institutions that would specialize in providing financial support to micro enterprises, which are one of the most common startup forms of social enterprises.
11. Finally, the regulations towards the import and export practices, which could incentivize the social enterprises, should lower the barriers towards international expansion.

The recommendations above will have significant positive implications on the society as a whole. However, all these recommendations represent the optimum scenario, which is difficult to attain but good to aim for.

The difficulties can come from many different sources. For example, the countries might take a long time to enact any of those changes. Also, the society consensus is required for big changes, like regulatory ones. Additionally, establishing different mindset in education also requires huge effort and time. At the end, we must ask ourselves whether the expected impact will ultimately justify all of the investments listed so far. This task requires that policy makers and business owners possess long-term orientation and sense for greater good. Well, something similar to our heroes from the beginning of this chapter.

## Conclusion

Social entrepreneurship is often seen as an act of entrepreneurship with more noble intentions than the ones promoted by Schumpeter (1943). This in no way means that entrepreneurship is a less valuable endeavor. However, the social entrepreneur is somebody who initiates the new venture with primary focus on solving an existing social problem, with financial returns being secondary in his mind. Also, we have seen that social entrepreneurs are often referred to as a hero, who is individualistic in his/her efforts towards achieving their company's social mission. Since the Arab World has seen a lot of political and economic unrest in the recent past, it is expected that social entrepreneurship could successfully cope with these challenges. But one must practice extreme caution here. In order for one scientific field to produce quality outputs in terms of good practices, expected outcomes, practical measures of success, it needs significant time and extensive research efforts. Social entrepreneurship has not yet received this attention and therefore the literature is often scarce. Even more, the literature is scarce when assessing the economic effect of social entrepreneurship in the Arab World.

The economic effect of social entrepreneurship on national economies is currently very limited and, in the UK, which is considered one of the pioneers in this area, this activity contributed only about one percent to national GDP in 2019. On the other hand, bearing in mind long-term orientation of social entrepreneurship, this is to be expected. The dilemma in the Arab World is: do those burning issues in the region, like high

unemployment, decrease in revenues from industries like tourism and oil, and prevailing mindset that might still not be ready to accept the novelty of social entrepreneurship, have time to wait for long term positive effects?

Finally, the need for more just society is in everyone's mind. This question was further deepened with the ongoing global pandemic of COVID-19 that revealed these global inequalities even more and made current economic situation even harder on policy makers, business owners, and general population. This is why social entrepreneurship as a concept is extremely appealing but yet not well understood and researched enough. Governments and all other stakeholders need more tangible proof of its positive effect on economy and society as a whole. The paradox of social entrepreneurship is also seen in the situation that the more issues societies face, the higher the need for such approach. This is especially true for many of the Arab countries that suffer from high rates of unemployment, low levels of literacy and education, and have limited access to public services. Their counterpart countries that enjoy benefits created from oil-producing business, should start considering giving back to the society through social enterprises, corporate social responsibility activities, and impact investment in less fortunate regions. Because the challenging times in which society is currently in require social approach to business. Finally, one interesting question is in the air: if the world did not have mentioned inequalities and societal problems, would social entrepreneurship emerge as an attractive field of study? Probably not. In this regard, social entrepreneurship is needed for society to heal, and afterwards it can transform back into its regular, Schumpeterian form.

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