
Rethinking Social Entrepreneurship and Social Enterprises: A Three-Dimensional Perspective

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Abstract

This chapter enriches the theory of social entrepreneurship by rethinking social entrepreneurship in a three-dimensional disciplinary perspective. In order to confirm the extraordinary features of social entrepreneurship and social enterprises in creating social value and achieving social outcomes, a three-dimensional development and value view of social enterprises are proposed. Entrepreneurship is held to be a family of three dimensions, consisting of commercial entrepreneurship, humanistic entrepreneurship, and social entrepreneurship. In the chapter we argue that such an approach could bring fresh development to social entrepreneurship as well as to commercial entrepreneurship, not only for a deeper understanding of different parts of social entrepreneurship, but also as a basis for understanding that the model presented could influence the future work of institutions, the policy measures to be taken, and the fact that this model will make possible a better understanding of the phenomena. In fact, the model, which integrates commercial entrepreneurship, social entrepreneurship and humanistic entrepreneurship, is a tool for describing these three different dimensions. In this chapter, the model is developed, while its policy implications will be considered later in the book.

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4.1 Introduction

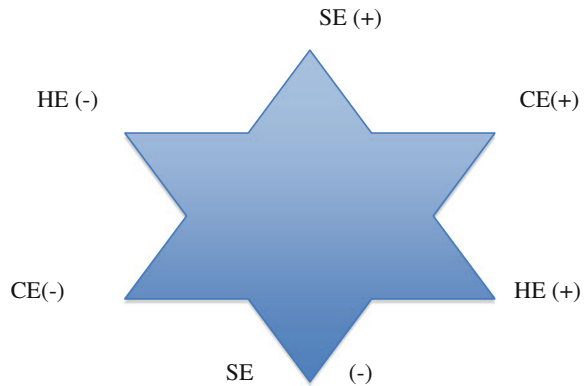
The knowledge explosion in the natural sciences and technology has hidden the influence of the social sciences and the humanities on world development since the Industrial Revolution in the mid-eighteenth century. The driving force behind development seems to be solely technological change exploiting natural resources: the role of social and humanistic sciences and technology have been marginalized. Yet entrepreneurial activities should be thought of in terms of commercial, social, and humanistic dimensions, as a dynamic, complex process drawing on a wider knowledge system. Entrepreneurial processes are relevant to ‘social technology’, as in the social relations first coined by Helmer et al. (1966), as well as to ‘humanistic technology’ such as mental tests and didactics focusing on human care, and ‘commercial technology’. Such three-dimensionally coded knowledge leads to a three-dimensional value view of the cornerstones in social entrepreneurship and social enterprise research.

Social entrepreneurship follows the pattern of commercial entrepreneurship, and is considered an entrepreneurial activity with an embedded social purpose (Dees 2001; Light 2008; Austin et al. 2006). In general, definitions are derived from the integration of these concepts. Following the tradition of entrepreneurship research, social entrepreneurship is defined as a process of social value creation, in which resources are combined in new ways to meet social needs, stimulate social change, or create new organizations (Moss et al. 2008). As ‘innovative and effective activities social entrepreneurship focuses strategically on resolving social problems and creating opportunities to add social value systematically by using a range of organizational formats to maximize social impact and bring about social change’ (Nicholls 2006).

4.2 A Three Dimension Knowledge System of Entrepreneurship

Entrepreneurship can be fruitfully investigated by disciplines as varied as economics, sociology, finance, history, psychology, and anthropology, each of which uses its own concepts and operates within its own terms of reference (Low et al. 1988). Social entrepreneurship refers to many concepts such as social entrepreneurs, not-for-profit organizations (NPOs), social enterprises, social businesses, corporate social responsibility (CSR), and social innovation. Equally, as a complex process, social entrepreneurship too can be productively investigated using the disciplinary input of economics, sociology, finance, public policy and administration, business administration and management, ethics, politics, history, education, psychology, and anthropology: again, each uses its own concepts and operates within its own terms of reference. For example, Lehner and Kansikas (2011) summarize social entrepreneurship as an emerging research field that has been well received by authors from a variety of disciplines such as sociology (Hockerts et al.

Fig. 4.1 Entrepreneurship:
A three-dimensional
knowledge base



Note: (+) positive; (-) negative

2010), entrepreneurship (Chell et al. 2010; Corner and Ho 2010), (public) management (Bagnoli and Megali 2009; Meyskens et al. 2010), ethics (Cornelius et al. 2008), finance (Austin et al. 2006), politics and institutions (Dey and Steyaert 2010), and psychology and education (Chand and Misra 2009). In fact social entrepreneurship processes rely on such disciplinary knowledge for its value creation per se. In *Chaps. 1* and *3* we develop the range of research perspectives seen in the literature in recent years.

The knowledge system covering these fields can be divided into three fields—commercial, social, and humanistic—which represent the three dimensions or directions for development on the ground. Entrepreneurship research can concern each of the primary dimensions, or all three. Here we will rethink social entrepreneurs and social enterprises using just such a three-dimensional perspective (see Fig. 4.1).

Entrepreneurship is the process of realizing the opportunities in the marketplace and mustering the resources required to exploit these opportunities for long-term gain. Usually, entrepreneurship is simply understood as starting up new business enterprises. In fact, besides resulting in new organizations, as in Schumpeter Mark I, it may play a part in revitalizing mature organizations, as in Schumpeter Mark II (Malerba and Orsenigo 1996). Entrepreneurship can serve to reduce unemployment and poverty, and it is a route to prosperity. There are any number of terms bracketed with entrepreneurship: classic, traditional, commercial, business, financial, social, societal, civil, civic, public, political, cultural, tourism, institutional, eco, and so on. To clarify the scope of entrepreneurship as a research field, we suggest viewing commercial, humanistic, and social entrepreneurship as three basic parts of entrepreneurship. Other various entrepreneurship can be addressed along with the three or at their intersections, depending on their focus on financial, humanistic, or social missions.

4.2.1 Commercial Entrepreneurship

Commercial entrepreneurship refers to the creation of economic value through new organizations or new combinations of organizations, and starting a business with profit motive, and relies on established commercial accounting and market-based measures of performance (Moss et al. 2008). In the literature it is also mentioned as traditional, classic, business, or financial entrepreneurship, in contrast with our general theme here, social entrepreneurship. Commercial entrepreneurship has a very large and ever expanding literature covering a number of different fields. Here our main concern is to describe commercial entrepreneurship briefly. We would argue that commercial entrepreneurship can have a positive or negative outcome, depending on what type we are talking about, or of course sometimes a combination of negative and positive factors, which is one reason why we have modelled like a star in which a number of alternatives could feature in combinations of positive and negative values, while the arrows represent situations where either positive or negative values dominate. In such cases, one can argue that the main interest would be the total net impact. One example could be the case of creative destruction from a Schumpeterian perspective, where a negative outcome would be the loss of employment opportunities for companies that have to shut down as a result of competition from commercial entrepreneurship, but where the total long-term perspective could be assumed to be positive. A negative net effect for commercial entrepreneurship could be that it is about producing products, which will have negative net environmental effects.

4.2.2 Humanistic Entrepreneurship

Humanistic entrepreneurship, for example, could be the targeting of humanistic missions or a focus on human happiness or quality of life. The Red Cross, Habitat for Humanity International, and community food banks are all examples of organizations behind humanistic entrepreneurship efforts. These enterprises are not normally owned and run by individuals or governments, and the resources they generate are used to sustain their own operations. It has been argued that the social world and humans are much too complex to be studied since humans and society do not have fixed rules that always have the same outcome, and they cannot be guaranteed to react the same way in a certain situation (Lundström and Zhou 2011). In this chapter, we will discuss the humanistic dimension as an internal value for existing and new organizations, creating a common value that all individuals working in the organization can relate to. Humanistic entrepreneurship is then the creation of such a value, either when the organization is started or when an existing organization creates such internal values during their existence. A positive internal humanistic value could, of course, be related to social perspectives; for example, if a company, prompted by its internal values, creates CSR projects for, say, the Red Cross or organizations working with environmental

development projects. A negative net humanistic value could be created for companies, for example, in the tobacco industry, which even if they have a positive internal value will run into difficulties if they attempt to create CSR projects. The combination of internal and external values for the humanistic dimension can give negative or positive net effects for an organization.

4.2.3 Social Entrepreneurship

Social entrepreneurship is a concept that represents a variety of initiatives, activities, processes, and approaches to create and sustain social value by using more innovative approaches. Two very different domains are combined in the dualistic aim of creating social value while at the same time achieving economic sustainability (Nicholls 2006; Hockerts and Wustenhagen 2010). Therefore, social entrepreneurship research has to cater for a dual logic—social *and* entrepreneurship. The social mission at the heart of social entrepreneurship primarily aims to create social value over and above the usual positive externalities of profit-seeking business. Social entrepreneurship ranges from macro-level interventions that fill ‘institutional voids’ in existing societal structures, and arrangements such as Grameen Bank’s and BRAC’s work in Bangladesh, to micro-level technological solutions for local market failures such as Kickstart’s development and marketing of a new, low-cost foot pump for agricultural irrigation in East Africa (Nicholls 2009).

Social entrepreneurship can lead to significant changes in the social, political, and economic contexts for poor and marginalized groups. It is also typified by creativity and bricolage—the use of available resources, practices, cultural artefacts, or institutions in new combinations to achieve change (Mair and Martí 2006; Nicholls and Cho 2006). Running a school in a society where the value of education is well recognized and subsidized by the government could be an example of social entrepreneurship, if the school uses an innovative approach to focus on a section of the population for whom schooling is not yet available (for example, marginalized people) or to address a specific area where positive externalities are still neglected, for example, technology or music education (Santos 2010). In our perspective we also see entrepreneurship education as such a specific area. A positive value for social entrepreneurship is then about innovative behaviour that will have a positive overall effect, while a negative social-entrepreneurship value would be if the outcomes measured as a social innovation were negative—for example, if an innovative school project increases the social imbalance in the system.

In Fig. 4.1 we have chosen to illustrate the relationships between commercial entrepreneurship, social entrepreneurship, and humanistic entrepreneurship by a star figure, with the positive or negative outcomes shown by the arrows, but even the rest of the diagram displays combinations of both negative and positive effects. Our assumption is that these three different dimensions and combinations of dimensions will be of increasing importance in the future, and that almost all types of organization will have to relate to each one of them. In later chapters we will

develop our thinking of what implications this type of model mean for possible policy measures to be taken.

4.2.4 Three Types of Entrepreneurship and None are Dichotomous

Humanistic entrepreneurship, social entrepreneurship, and commercial entrepreneurship occupy different positions along the same continuum. 'In fact, just as sustaining economic value in the market necessitates that for-profit firms generate some value for society, creating enduring value in the social domain (as do social entrepreneurial firms) requires value generation of the type that enables participation in the market economy' (Surie and Ashley 2008). In 2000, social entrepreneurship was defined as a form of business entrepreneurship by arguing that the traits and behaviours of successful social entrepreneurs closely mirror characteristics of successful business entrepreneurs, but required an extra dose of visionary ideas, leadership skills, and a commitment to helping others (Thompson et al. 2000). The research that explores social entrepreneurship in combinations of organizational types could include research involving commercial entrepreneurs seeking to enter the traditional non-profit marketplace.

The paradigms as well as the methodological fits in the social entrepreneurship literature have been shown to differ from commercial entrepreneurship literature. Cummings's legitimacy criteria may not be applicable in social entrepreneurship (Lehner and Kansikas 2011). What distinguishes social entrepreneurship from commercial entrepreneurship is its different focus on social value creation or financial performance, as well as on value creation or value appropriation (Santos 2010). Social entrepreneurship's emphasis is on social value creation or fulfilling a social mission; in essence, it is not about upholding particular 'values', but about the creation of value. A central difference between commercial entrepreneurship and social entrepreneurship is that social entrepreneurs are primarily driven to also create value for society, not only to appropriate value for themselves. Humanistic entrepreneurship differs from both commercial entrepreneurship and social entrepreneurship since it reflects more about the internal value formation combined with the type of products or services that a company are working with. However, as can be seen from Fig. 4.1, all three dimensions are interrelated and are not distinct subsets.

4.3 Social Entrepreneur, Social Business, and Social Enterprise

Entrepreneurship is the act of being an entrepreneur. Defourny and Nyssens (2008) provide the following comment: 'simplifying a little, one could say that social entrepreneurship was seen as the process through which social entrepreneurs

created social enterprises'. Social entrepreneurs and social enterprises are the eternal themes and central research focuses of social entrepreneurship. Social enterprises include social businesses, which combine a social purpose with a clear business proposition, and NPOs.

4.3.1 Social Entrepreneurs

Entrepreneurs are often contrasted with managers and administrators, who are said to be more methodical and less prone to risk-taking. Such person-centric models of entrepreneurship have proved to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals. Still, a vast literature has found that certain traits seem to be associated with entrepreneurs (Swanson and Zhang 2010). Schumpeter saw entrepreneurs as innovators, and underlined their role in changing the business norms of capitalism. Today, an entrepreneur is usually defined as one who applies innovative thinking, finance, and business acumen in an effort to transform innovations into economic goods, and ultimately an enterprise.

There have been social entrepreneurs throughout history; however, the label and the public attention date from the 1970s. Typically, social entrepreneurs are defined as entrepreneurs with a social mission (Dees 2001; Martin and Osberg 2007). Social entrepreneurs are almost always defined as individuals. For instance, Ashoka defines social entrepreneurs as individuals with 'the committed vision and inexhaustible determination to persist until they have transformed an entire system who go beyond the immediate problem to fundamentally change communities, societies, and the world'. In reality, a social entrepreneur may be an individual, a group, a network, an organization, or an alliance of organizations that seek sustainable, large-scale change through pattern-breaking ideas in what governments, NPOs, and businesses do to address significant social problems (Light 2008).

Austin et al. (2006) suggests that the main difference between social and commercial entrepreneurs is the nature of the opportunities and the mission of the venture: while market failures create problems for the effective functioning of commercial entrepreneurs, for social entrepreneurs market failures represent opportunities. Thus, one of the key distinctions between social and commercial entrepreneurs is their mission: social entrepreneurs aim at creating social value for the public good, while commercial entrepreneurs aim at creating economic value for venture owners. 'For social entrepreneurs the social mission is explicit and central ... Mission-related impact becomes the central criterion, not wealth creation' (Dees 2001). Social entrepreneurs are not philanthropists, charitably caring for disadvantaged populations, but rather are focused on social problems and use business skills and knowledge to create innovative initiatives, build new social arrangements, and mobilize a variety of resources.

Though social entrepreneurs as economic agents fulfil a unique role in the economic system, and cannot be substituted by any other category of actor, they

have the same capacities as commercial entrepreneurs. According to Gopinathan (2010), the characteristics of successful business entrepreneurs include hard work, health and energy, persistence, and confidence, and that they are very active self-starters who go to the essence of the matter, and focus on business requirements and emotional issues. These are very important attributes for social entrepreneurs, too. The difference is that social entrepreneurs burn for a social mission too; they have noticed a need in their community or somewhere in the world, and have come up with a way of remedying the problem. The social entrepreneur generates the followers' commitment to the project by framing it in terms of important social values, rather than purely economic terms, which results in a sense of collective purpose on the part of the social entrepreneur and those who join the effort (Waddock and Post 1991).

4.3.2 Social Enterprises

Social enterprises increasingly play active roles in the economy, contributing to social economy, as 'The social economy is essentially a collection of social enterprises' (Smallbone et al. 2001, p. 88). As an organization that applies business strategies to achieving philanthropic goals, be they for-profit or non-profit, a social enterprise can be used to make money as well as to solve social issues, but first of all it must have a dominant social objective; by contrast, the dominant goal of a commercial enterprise is to maximize profits for the benefit of its owners. For social enterprises, their mission could be to work in the public interest or attain public service objectives. Social enterprises also provide jobs, innovation, and general wealth.

A commercial enterprise is not suited to addressing most social problems, because there is usually no profit to be made by doing so. Even it takes into account the social value and social impacts of its operations, they are essentially enterprises, not social enterprises. Social enterprises, conversely, do not always aim to offer any benefit to their investors. They also exhibit economic behaviour that seems inconsistent with social motivations. However, as a social enterprise, it must be self-sustaining through its for-profit operations as a social business, or by attracting donations from foundations, government, or private philanthropies such as NPOs.

We would agree that social enterprise does not necessarily include the entrepreneurship component. Social entrepreneurs are not always to be found in the non-profit sector. Social enterprise consists of social businesses and NPOs. In essence, commercial enterprises seek social value and social solutions to their financial performance; social enterprises exploit business approaches to solve social problems, and it is this kind of social enterprise that is termed a social business in order to distinguish it from other types of social organization. Social businesses play both an economic and a societal role. They are not NPOs—at most they can be viewed as for-moderate-profit organizations.

Another kind of social enterprise is a social NPO, defined as an organization, usually formed for social, philanthropic, or similar purposes, in which there is normally no transferable ownership interest and that does not carry on business with a view to distributing its profits for the financial gain of its members. NPOs with social missions, goals, and impact do not have any main business activities, taking the shape of foundations, associations, and government-affiliated institutions. They rely on funding in the form of grants or donations from various sources, including successful commercial activities, to work towards social objectives—not to generate any business profit, but rather to embrace sustainable financial resources to enable them to have a social impact. NPOs may create commercial subsidiaries (social businesses) and use them to generate employment or revenue that serves their social goals. For-profit organizations may donate some of their profits or organize their activities to serve social goals. In other words, NPOs attract resources to advance and sustain their social activities.

4.3.3 Social Businesses

Some social enterprises could be viewed as businesses with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profits for shareholders and owners. One such social enterprise is a social business. The term as first coined by Muhammad Yunus in his book *Creating a world without poverty: Social Business and the future of capitalism* (2007) as a non-loss, non-dividend company designed to address a social objective within the highly regulated marketplace of today. Targeting a social issue directly, it is distinct from an NPO because the business will seek to generate a modest profit to be used to expand the company's reach, improve its products or services, or in other ways subsidize its social mission—a social business is not an NPO, and uses business approaches to achieve social objectives.

A social business operates much like a profit-maximizing business, in that the company as a whole grows financially and generates a profit. The only difference is that the company's shareholders and investors only recoup their initial investment rather than receive dividends. For example, through Grameen Bank, Yunus demonstrated how social businesses can harness the entrepreneurial spirit to empower poor women and alleviate their poverty.

A social business must have financial sustainability. Investors get back their investment back, but no more, as no dividend is paid over and above the principal. When all the investments have been repaid, the company profit stays within the business to finance expansion and improvements. The purpose of a social business investment is purely to achieve one or more social objectives through the operation of the company, since no personal monetary gain is desired by the investors. The company must cover all costs and generate revenue, but at the same time it must achieve its social objectives. True, many entrepreneurs running a for-profit

enterprise will make charitable payments through the enterprise, fully expecting to make a loss in the process; however, unless the primary purpose of the company is social, it will not be considered to be social business. Therefore, a social business is driven to generate changes, not profits, to achieve certain social and humanistic goals.

4.4 From CSR to Blended Shared Values

Enterprises may pursue social responsibility goals that conflict with traditional corporate shareholder priorities, or may donate most of their profits to charity in addition to achieving financial performance. Social entrepreneurship research based on competing logics has shown how some social ventures are more 'entrepreneurial' and less 'social' (Moss et al. 2008). Our aim in the following is to highlight the three-dimensional value view that describes how human, social, and economic values are embedded in enterprise objectives.

CSR is a form of corporate self-regulation, integrated into a business model, which emphasizes 'social responsibility' for the company's operations and encourages care of the environment, consumers, employees, and communities. The term came into common use in the late 1960s and early 1970s. Proponents argue that corporations enjoy greater long-term profits if they operate with a CSR perspective, while critics argue that CSR is a distraction from the economic role of business. The presumed trade-off between economic efficiency and social progress has been institutionalized in decades of policy choices. CSR programmes have emerged largely to improve firms' reputations, and are treated as a necessary expense. The UN has developed 'Principles for Responsible Investment', launched on 27 April 2006, as guidelines for investing entities.

Nevertheless, Hockerts (2008) found that most firms conceptualize CSR primarily as a tool to reduce risks and operational costs. This is partly due to weak connections between enterprises' societal awareness and financial performance. Business has traditionally been viewed as a major cause of social, environmental, and economic problems. Put differently, a company's interest is held to be in conflict with the broader community surrounding it. Social responsibility is usually seen as an irresponsible use of shareholders' money as well.

Blended value, first coined by Jed Emerson, refers to a business model that combines financial and social outcomes generated by all organizations, considering both financial value and social value creation, for 'In truth, the core nature of investment and return is not a trade-off between social and financial interest but rather the pursuit of an embedded value proposition composed of both' (Emerson 2003, p. 35). In addition, as part of the blended value model, Emerson suggests that organizations need to develop more holistic accounting practices that reflected their full value-creation activities. The two types of value creation are intrinsically connected, rather than being in opposition in a zero sum equation. Blended value can be distinguished from CSR and corporate philanthropy because the social

impact is at the heart of the value proposition, rather than as a side effort (Nicholls 2009).

Similarly, the concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in the communities in which it operates. In the old, narrow view of capitalism, business contributes to society by the profits, wages, purchases, investments, and taxes it generates. Measuring an enterprise's success, one often needs only to look to the money expended and benefits achieved. The concept of shared value resets the boundaries of capitalism. By better connecting company success with societal improvement, it opens up many ways to serve new needs, to achieve efficiency and differentiation, and to expand markets. Profits involving a social purpose represent a higher form of capitalism, resulting in creating a positive cycle of company and community prosperity (Porter and Kramer 2011). Blended value in all essentials has the same implications as shared value.

Corporate managers tend to take into account social-value creation as a parallel task to commercial value creation, rather than passively noting the social responsibility inherent in CSR. In addition, it is not only companies that should think in terms of shared value, but also government and other institutions. In this perspective, shared value could be seen as closely connected to what we would call the humanistic dimension.

4.5 From Double Bottom Line to Triple Bottom Line

Frumkin (2002) defines social entrepreneurship as a combination of supply-side orientation and instrumental rationalism, providing 'a vehicle for entrepreneurship' that 'creates social enterprises that combine commercial and charitable goals'. Lynch and Walls (2009) prefer to 'mission versus margin', or the requirements that many social entrepreneurs face to sustain their socially oriented operations by running profitable enterprises. Double bottom line is a business term used in socially responsible ventures and investment, and which concerns both financial performance and social impact; it also drops the distinction between economic and social value. It is suggested by the previous authors to adopt the total wealth standard to understand the combinations of both economic and social wealth generation. All businesses, whether public and private sector, have to measure their fiscal performance and social impact. When the ecological dimension is also emphasized in measuring an organization's performance, it is referred to as the triple bottom line (Kneiding and Tracey 2009).

Thus triple bottom line is now very much a feature of the reporting of corporate social, environmental, and economic performance in CSR. The triple bottom line argues that an organization's long-term viability is dependent on sustaining 'profitability' across all three dimensions. It calls for organizations to develop strategies that maximize on different variables (Elkington 1998), and captures a

broader range of values and criteria for measuring organizational success. Social entrepreneurship has also been called the simultaneous pursuit of economic, social, and environmental goals by enterprising ventures (Haugh 2007).

The term quadruple bottom line has emerged relatively recently to refer to enterprises that attempt to measure their success in creating value in financial, social, environmental, and *cultural* terms (Kabir 2007). We would argue, however, that the most fundamental dimensions for value creation are commercial, humanistic, and social considerations—a three-dimensional value view to which we will now turn.

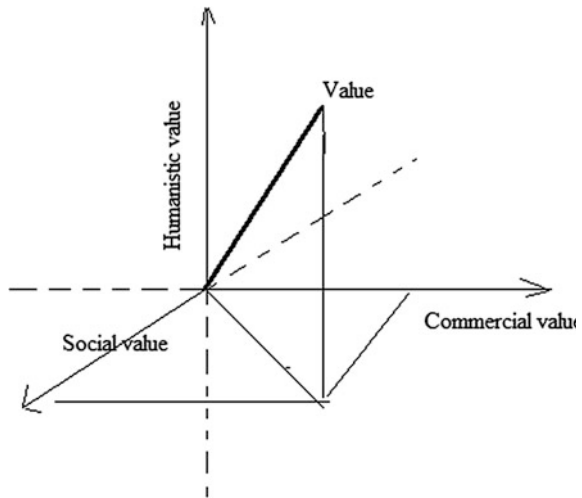
4.6 A Three-Dimensional Value View of Social Enterprises

The humanistic dimension is a critical element in business actions. Companies are expected to show a concern for employees' well-being and social relations, as well as those of the surrounding community. For instance, they find themselves held responsible for human rights abuses. Humanistic values should be involved in their value view, hence the emerging humanistic dimension to corporate values.

Companies may draw particular benefit from concentrating on humanistic values. By helping employees stop smoking and other health-care programmes, Johnson and Johnson has saved \$250 million on health-care costs, a return of \$2.71 for every dollar spent on its health-service programmes in 2002–2008. In another example, Olam International, a leading cashew producer, traditionally shipped its nuts from Africa to Asia for processing, but has since cut costs by as much as 25 % by opening local processing plants and training workers in Tanzania, Mozambique, Nigeria, and Côte d'Ivoire (Porter and Kramer 2011). Therefore, it is an inevitable trend that firms take a three dimensional value view to running their businesses. Such a value view recognizes the corporate value to be garnered from the economic, humanistic, and social dimensions, and can be understood as three dimensional shared value (see Fig. 4.2).

The behavioural motives of an organization may lead to a distinct emphasis within the three dimensional value creations, defining its organizational nature in commercial, humanistic, and social terms. There are hybrid areas among the three value spheres, although each sphere has its own emphasis. There is also a stability problem associated with a business's chosen core value, for the emphasis of the value may shift as the business grows. For example, Compartamos, a microfinance bank, operated for many years as a typical social business, maximizing on social-value creation by lending to the poor and charging interest rates that allowed it to cover costs and reinvest in growth; however, when its new shareholders demanded that it should move to a value-appropriation strategy, the bank lost its 'social' legitimacy, because of its perceived shift from value creation to value appropriation (Pache and Santos 2009). Yunus (2007) criticized Compartamos's actions, writing that it had lost its soul as a social business. Compartamos's leaders had to publish an open letter to defend their actions, arguing that a strategy of value

Fig. 4.2 One example of a three-dimensional value view of an organization



appropriation was the most effective approach to develop the microfinance industry (The Economist 2008; Santos 2010).

In Figs. 4.1 and 4.2 we can see that for each of our dimensions there is a positive and a negative part. One example is that for social values, a company could have a negative influence on, say, its immediate community; equally, as our many examples in this chapter illustrate, one can create a positive value. In a humanistic perspective, an organization could create values that would be very negative for the people working in the organization, or, of course, the opposite could be true. The same is true of the commercial value view. Ultimately, what a company chooses as for its core value is the consequence of a complex negotiation between multiple parties with competing interests (bearing in mind that the internal-value view will in many cases differ from an external-value view of the organization, of course).

In a shared value view, companies can create economic value by creating societal value; in a three-dimensional value view, companies must consider an integral value-creation strategy. Instead of reputation-driven CSR initiatives, a three-dimensional view-driven ventures create societal and humanistic benefits, rather than diminish them, as they achieve financial performance. This is good for training future manager thinking on value integration, and it will benefit the external shared value view for different types of organization.

4.7 Rethinking Social Entrepreneurship

In accordance with three-dimensional thinking, we would suggest it is time to revisit social entrepreneurship, including its nature (social innovation), its actors (social entrepreneurs), and its organizations (social enterprises). Social

entrepreneurship's entrepreneurial goals are steadily expanding along a social vector. People have become accustomed to the idea that everything an entrepreneur does is for the benefit of commerce; however, social entrepreneurs have been content to pursue their non-profit businesses without complaint right from the very beginning of their business careers. Most of them will indeed take a delight in creating social values and change—and it is this that has brought a social dimension to entrepreneurship. Not all entrepreneurs look on commercial profit as the point of entrepreneurship. As a result, social enterprises set out to have a social impact, approaching their values from the social vector. Progress here has been far more rapid than was the case when natural resources and environmental problems were first taken into consideration in sustainable development. Nevertheless, what we would posit as humanistic entrepreneurship involves a humanistic dimension, which further expands the traditional (commercial) notion of entrepreneurship. In general, commercial entrepreneurship looks to the economic benefit, while paying due attention to natural resources and environment protection, as well as CSR; social entrepreneurship looks to the social benefit, adopting entrepreneurial approaches to solve the issues of the social group; while humanistic entrepreneurship looks to internal value systems.

4.7.1 Promoting the Development of Social Groups

What then of the nature of social entrepreneurship? Any society is made up of different social elements, or groups. The powerful, the common, or the vulnerable; women, children, the elderly, white-collar workers, intellectuals, businessmen, government officials: the list is long. The nature of social entrepreneurship finds expression in caring for these social groups in various ways, promoting their development. Some concentrate on poor women, or uneducated children; others on the elderly, the poor; and so on. By comparison, humanistic entrepreneurship concerns the issues of human individuals and the creation of internal values, rather than social groups. In other words, social entrepreneurship, which emphasizes social missions and impact, plays an increasingly important role in social groups' development. Entrepreneurship is used by social entrepreneurs as a way of tackling the existing situation of social groups, especially the poor ones.

A telling example is Rodrigo Baggio and Committee for Democracy in Information Technology (CDI) which provides IT education for poor children and low-income communities (Ashoka 1996; CDI 2013). In founding the first Brazilian NGO committed to tackling the digital divide, Baggio has created a franchise model with CDI, in which communities receive donated computers to be used for job-hunting, as well as social and civic engagement. With over 700,000 CDI students having graduated, Baggio's methods for fighting what he calls 'digital apartheid' are being adopted globally. As he said himself, 'One must believe in the power of communities to transform their social reality by mastering new information and communications technologies'. With a mission to promote the social

inclusion of low-income communities using information and communication technologies as tools to build and exercise citizen's rights, CDI creates Information Technology and Citizens Rights schools (ITCRs) in partnership with community-based associations. Over the years, CDI and Braggio have accomplished much. There are CDI franchises in 763 schools in Brazil and 100 abroad. More than 600,000 people from low-income communities have been certified by CDI's ITCRs. The CDI network has 1,036 volunteers, and generates income for about 1,726 educators from communities where the ITCRs are found. *Time Magazine* named Braggio one of the '50 Latin American Leaders for the New Millennium'.

Similarly, Muhammad Yunus and his Grameen Bank use microcredit and microfinance concepts to empower poor rural women, while Vera Cordeiro, a physician in Brazil and founder of Associação Saúde Criança, began by setting up a health clinic, creating an organization that now works with destitute children and mothers on a broad front (Saúde Criança 2013).

4.7.2 Prizing Social Goals Above Commercial Goals

Radical thinking is what makes social entrepreneurs different from simply 'good people'. They make markets work for people, not the other way around, and gain strength from a wide network of alliances. They can 'boundary-ride' between the various political rhetorics and social paradigms to enthuse all sectors of society.

With radical thinking, social entrepreneurs target the issues that matter to social groups, and in so doing elevate social goals above commercial goals. They live to serve, not to make money, and are satisfied with modest incomes.

Al Etmanski and the Planned Lifetime Advocacy Network in Canada (PLAN 2011) provide a safety net for those in need that can withstand both the death of care-giving parents and unpredictable changes to government-funded support services. Its strength derives from its secure networks of family and friends, increased financial independence, and openings for social contributions and citizenship. PLAN's mission is to help families secure the future for relatives with disabilities and to provide peace of mind. It wants everyone to have access to a good life, which for people with disabilities is exactly the same as anyone else: loving friends and family, a place of one's own, financial security, participation in decision-making, and the ability to make a contribution to society.

In 1998, John Wood founded Room to Read to publish local books, fill libraries, and construct new schools in the Himalayas (Room to Read 2012). It stemmed from a promise John made to a school headmaster while he was backpacking in rural Nepal that he would return with books for the children to read. He did return a year later with 3,000 books to fill the school's empty library. In his memoirs, Wood explains, 'Did it really matter how many copies of Windows we sold in Taiwan this month when there were millions of children without access to books?' (Tactics of Hope 2008). Since founding Room to Read in 2000, Wood has applied the rigour of business to improve systems of education, implementing an

expansive growth model that it is hoped will provide ten million children with the opportunity to read and learn by the 2020.

Premal Shah and Kiva, an NPO with a mission to connect people through lending to alleviate poverty, operate by leveraging the Internet and a worldwide network of microfinancial institutions (Kiva 2005–2013). Kiva lets individuals without access to traditional banking systems borrow as little as \$25. Since its foundation in 2005, it has had 791,350 lenders, \$331 million in loans, and a 98.98 per cent repayment rate, and it works with 154 microfinancial institutions, and 450 volunteers in 62 different countries.

4.7.3 Chasing Social Values, not Economic Values

Typically, social enterprises, as social entrepreneurship organizations, achieve social-value creation by commercial means. They chase values along the social vector, not those along economic vector, as is exemplified by International Bridges to Justice, founded by Karen Tse (IBJ 2012). IBJ builds international coalitions to support public defenders in emerging democracies, and uses a replicable sequence of training, structural reform, and international support to pursue the basic right to legal representation and protection from mistreatment:

We envision a world where the basic legal rights of every man, woman and child are respected in case of an arrest or judicial accusation, in particular: the right to competent legal representation, the right to be free from torture and cruel treatment, and the right to a fair trial. It's a world where the institutionalization of fair and effective justice practices have eliminated the use of torture as the cheapest method of investigation.

A world where each and every person is knowledgeable about his/her rights and is empowered to demand that they are upheld in practice.

A world where international human rights standards and relevant local laws are brought to life in the everyday practice of justice, and through the consciousness of each and every actor of the judicial system (IBJ 2012).

Dedicated to protecting the basic legal rights of ordinary citizens in developing countries, IBJ is clearly focussed wholly on social goals, and economic benefit is left to one side in the pursuit of social values.

The PlayPump water system, created by two advertising executives, Trevor Field and Paul Risti, was a simple, low-tech solution to the problem of the lack of clean drinking water in developing countries (Water for People 2013). With Roundabout Outdoor, PlayPumps International developed a water pump technology that doubled as a merry-go-round. The idea was that children would play on the merry-go-round, pumping clean water from deep in the ground to a storage container that is used as a billboard to generate revenue from advertising.

Moreover, there are also organizations that support social entrepreneurship organizations. For example, Social Innovation Park Ltd. in Singapore and its branch in Shanghai, Social Innovation Club, were both originally focus on the disabled (SIP 2008); now it is 'an impartial, not-for-profit organization based in Singapore that incubates social entrepreneurs worldwide to bring positive

innovations to lives and societies’, and provides a ‘platform for the exchange of ideas, network and innovations to build a more inclusive, sustainable and better world’. Obviously, this organization has evolved from a quasi social charity for the disabled into an institution working to strengthen social entrepreneurship and serving a wide range of social groups. Bill Drayton and Ashoka are further example of the efforts made to encourage social entrepreneurship and support social entrepreneurs. Through Ashoka, a global non-profit, Drayton aims to find change-making leaders around the world, provide them with support and modest “social venture capital”, and watch as they transform ingrained institutions and improve lives exponentially.

4.8 Conclusions

In the words of Muhammad Yunus, referring to the current inability of modern economies to solve societal problems, ‘things are going wrong not because of *market failures*. The problem is much deeper than that. Mainstream free-market theory suffers from a *conceptualization failure*, a failure to capture the essence of what it is to be human’ (Yunus 2007, p. 18). Capitalism, too narrowly defined, sees the individual as solely focused on profit maximization to the exclusion of all else. This chapter has proposed a three-dimensional value view with which the confines of capitalist businesses can be overcome; a perspective that combines profit maximization in order to pursue humanistic and social ends.

To sum up, this exploratory study enriches the meta theory of social entrepreneurship research by suggesting a value view based on a three-dimensional disciplinary knowledge system. We would argue that enterprises should be just as concerned with the commercial dimension as with the humanistic and social dimensions. In Figs. 4.1 and 4.2 we introduced a new method in treating values, which will be used later in this book. The method is a new approach in rating both internal and external values for different types of organizations. This chapter therefore also offers a more structured framework with which to contrive a more effective social entrepreneurship policy.

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