



## **Present and future of social entrepreneurship: alternatives theories and research**

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**Abstract**

The process of creating new value is central to the field of entrepreneurship. Social entrepreneurship has led to an emerging stream of research that is of interest to researchers and academics in management, strategic management, and entrepreneurship. To understand theories on social entrepreneurship, two internally consistent theories are presented describing how entrepreneurial opportunities are formed, and the discovery theory and creation theory are described. The implications of these theories are listed, along with a discussion of some of their broader theoretical implications for the fields of entrepreneurship and strategic management. Within the field of social entrepreneurship an emerging area of investigation can be found in the entrepreneurship and not-for-profit marketing literatures. A review of the literature in a number of domains reveals that it is fragmented and that there is no coherent theoretical framework. In particular, current conceptualizations of social entrepreneurship fail to adequately consider the unique characteristics of social entrepreneurs and the context within which they must operate. This paper addresses the implications for social entrepreneurship theory and management practice, and discusses policy directions.

**Resumen**

El proceso de la nueva creación de valor es fundamental en el campo de la iniciativa empresarial. El emprendimiento social ha dado lugar a una corriente de investigación emergente de interés para los investigadores y estudiosos de la gestión estratégica, y el espíritu empresarial. Para entender las teorías sobre el emprendedor social, se presentan dos internamente consistentes de cómo se forman las oportunidades empresariales, se describen la teoría del descubrimiento y de la creación. Es un área emergente de investigación dentro de la iniciativa empresarial y sin fines de lucro. Una revisión de la literatura emergente revela que no existe un marco teórico coherente. Específicamente las conceptualizaciones actuales de emprendimiento social no tienen en cuenta de manera adecuada las características únicas de los emprendedores sociales y el contexto en el que deben operar, en esta comunicación se abordan las implicaciones para la teoría emprendimiento social así como las políticas a seguir.

**Keywords**

Entrepreneurship theory; Discovery theory; Creation theory; Social enterprise

**Palabras clave**

Teoría del emprendimiento; Teoría del descubrimiento; Teoría de la creación; Emprendedor social

## 1. Introduction

Dictionaries tell us that the etymology of the word entrepreneur derives from the French verb *entreprendre* and the German word *unternehmen*, both of which translate as 'to undertake' (Carton et al. 1998). This dictionary definition of entrepreneurship may be adequate for general communication but not for research and policy formulation. Operational definitions, on the other hand, specify the characteristics of physical objects (e.g. a machine tool) or highly abstract objects (e.g. achievement motivation) and how such characteristics are to be observed, and are therefore more useful in research (Cooper and Schindler, 2003).

Social sector leaders will exemplify these characteristics in different ways and to different degrees. The closer a person gets to satisfying all these conditions, the more that person fits the model of a social entrepreneur. Those who are more innovative in their work and who create more significant social improvements will naturally be seen as more entrepreneurial.

The main purpose of this study is to review entrepreneurship literature. The paper defines and explores the origins of the word "*entrepreneur*" and looks back at the past. The first section develops a theoretical framework to improve understanding of entrepreneurial theories. The second section discusses the main strengths of the theories from a teleological point of view – discovery and creation– and seeks to explain these entrepreneurial actions in terms of their impact on the ability of entrepreneurs to create and exploit opportunities. Most theories on the entrepreneur are characterized by two suppositions. Firstly, entrepreneurship is a "*good*" thing, with beneficial outcomes for the structure or system in which it occurs. Secondly, entrepreneurship is observable as a behavior that can be attributed to some definitive theoretical attribute capable of differentiating the entrepreneur (actor) from the non-entrepreneur (non-actor).

We begin by analyzing the different contributions to the theory of the entrepreneur to uncover some common theoretical insights: epistemological, philosophical and psychological evidence from the literature portrays the entrepreneurial spirit using similar conceptualizations of the preventive role of uncertainty in entrepreneurial action (Sommer and Haug, 2011). We then go on to provide an interpretation of the different entrepreneurial theories. Finally, a pragmatic and a conceptual approach to the difficult task of reconciling contentious philosophical perspectives is put forth.

This study is based on information taken from the literature on entrepreneurship theory. The sources used were databases, PsycINFO, and Stanford University Entrepreneurship Research, among other bases from several European and American universities. Therefore, it is a qualitative approach with an analysis characterized by a conceptual analytical discussion.

## 2. Origins of the word "*entrepreneur*". A look back at the past

The word entrepreneur is always connected with starting a business, but this is a poor application of a term that has a very rich history and a much more significant meaning. Historical perspectives have played a role in the theoretical development of entrepreneurship since the very start of the concept. As mentioned previously, the word entrepreneur originated in French economics as early as the 17th and 18th centuries. More specifically, it came to be used to identify audacious individuals who stimulated economic progress by finding new and better ways of doing things. The French verb *entreprendre*, meaning 'to undertake', was originally translated from the German verb *unternehmen*, which has the same meaning. It denotes someone who "*undertakes*" or launches a significant project or activity.

As Martin and Osberg (2007) explain, Jean Baptiste Say (JBS) was a French economist writing at the turn of the 19th century, and commonly credited with giving the term this particular meaning. JBS (1803) had classical liberal views and was an advocate of competition, free trade, and lifting restraints on business, and provided two examples:

1. He used the rapid rise of the eighteenth-century English textile industry over the earlier dominance of Belgian woolens and German cotton products to develop the theoretical distinction between “*scientific*” ability and “*entrepreneurial*” skill (which he defined as combining production factors) and to argue that the supply of entrepreneurship was critical in determining the wealth and growth of a nation’s economy.
2. Likewise, he used the example of the introduction of tea as a commodity in the seventeenth-century, which contributed to extending Dutch trade with China.

During the nineteenth and early twentieth centuries the notion of entrepreneurship was not employed. In the works of Adam Smith and David Ricardo there was no distinctive role for entrepreneurship, not even in the sense of pulling production factors together, as JBS had. “*Entrepreneurship*” was finally reintroduced into economic theory in the second half of the nineteenth century by Mill, Say, Amasa and Walker, Marshall, Knight and others (Hébert and Link, 2009).

Initially, there was a tendency to conceive it primarily as a managerial function, and the dynamic and innovative connotations that the term has today were not present. Mill (1848) describes entrepreneurship as the “*labour and skill required for superintendence*”. Say (1855) defines entrepreneurship as the act of combining production factors. Knight described it as successful new combinations that disrupted market equilibrium and the source of “*entrepreneurial profits*” (Jones and Wadhvani, 2006).

It is relevant to this paper that social and scientific research into entrepreneurship focused not only on entrepreneurs and their firms, but also on the structure of and changes in the industries, markets, societies, economies, and the political systems in which they operated. Most researchers worked to understand how historical context and social structure shaped the emergence, amount, and character of entrepreneurship within a particular national setting.

The research found that entrepreneurship varied significantly over time and place and was essentially determined by historical and social context (Landes, 1949; Ranis, 1950; Cochran, 1953; Kellenbenz, 1953-4; Sawyer, 1954; Parker, 1954; Landes, 1958; Cochran, 1959; Morris, 1967; Yamamura, 1968; Sass, 1978 mentioned by Jones and Wadhvani (2006). By the 1960s, however, this stream of research was losing momentum among historians.

At the same time that American business historians were shifting their attention from entrepreneurship to organizations, social scientists interested in the subject were embracing a comparative-historical approach in a series of large-scale studies designed to scientifically identify and analyze the key traits or roles associated with entrepreneurship in modern societies.

As a result, historical research on entrepreneurship continued to flourish in the 1960s and 1970s, primarily in the work of sociologists, psychologists, and heterodox economists. Most of the landmark entrepreneurship studies of this era embraced comparative-historical methods as essential to the study of entrepreneurship. Jones and Wadhvani (2006) provided the following examples:

- McClelland’s *The Achieving Society* examined the levels of his achievement orientation indicator over long stretches of historical time.
- Hagen’s *On the Theory of Social Change* analyzed the historical emergence of innovation and technological creativity in England, Japan, Colombia, and Burma (Hagen, 1962)
- Wilken’s comparative study of entrepreneurship delved even further into the histories of Great Britain, France, Germany, Japan, the United States, and Russia (Wilken, 1979).
- Moreover, for the first time, the social scientific research of this era explored the historical record on entrepreneurship in the developing regions of Africa, Latin America, and Asia (Kilby, 1971; Leff, 1979).

This historical approach to research in the 1960s and 1970s was largely an extension of the sociological approach to entrepreneurial history that Jenks and Cochran had developed two decades earlier. On the whole, most researchers continued to view entrepreneurial behavior as determined by one's social environment.

However, unlike the earlier work, the social scientific research of the 1960s and 1970s was shaped by a narrower conception of historical context; it focused on identifying specific traits or personalities that were considered markers of a distinctively "modern" outlook. The older historical literature sought to understand the substantial variations in entrepreneurship caused by historical and institutional contexts.

In contrast, the newer social scientific work searched for what were believed to be modal traits and personalities that distinguished modern societies from pre-modern ones. Sociologists, for instance, focused on theories that considered the role of social norms and legitimacy as well as social mobility in understanding the supply of entrepreneurship in a society (Parsons and Smelser, 1956; Hoselitz, 1957; Katzin, 1964; Lipset, 1967; Marris and Somerset, 1969; Wilken, 1979 mentioned by Jones and Wadhvani (2006). Psychologists focused on such factors as the achievement-orientation and status-orientation of individuals within a population to consider their likelihood of engaging in entrepreneurial behavior (McClelland, 1961; Hagen, 1963; McClelland, 1965; Hagen, 1967; McClelland and Winter, 1971 mentioned by Jones and Wadhvani, (2006). In each case, researchers indicated the trait, personality or orientation as uniquely modern.

The formal economic theory presenting the concept of entrepreneur and entrepreneurship is first recognized in the essays of Cantillon (1734), who described the entrepreneur as an agent who purchased the means of production for combination into marketable products (Gedeon, 2010). Cantillon refers to this individual as an 'undertaker,' acknowledging that such a person undertook or managed large scale projects and acted as a go-between in sizeable transactions (Kumar, 2010).

The entrepreneur was any individual who was self-employed and did not directly work in a production process. The author therefore makes a clear distinction between the capitalist and the entrepreneur. He also included beggars and thieves in his definition of entrepreneurs, as they were not working for an employer and therefore faced economic uncertainty. From Cantillon's early description we can visualize many of the characteristics and qualities later theorists would focus on in an attempt to define more accurately what an entrepreneur was and how they engaged in economic activity (Martin, 2004).

It was found that the disappearance of entrepreneurship from economic debate has a long history. Smith (1776), in the *Wealth of Nations*, clearly separates the functions of the capitalist from those of the manager, emphasizing the fact that the profits accumulated by the capitalist excluded the wage paid to management, citing these as payment for the labor of inspection and direction.

## 2.1. Definition of entrepreneurship

Dees (1998) considers that Schumpeter, who was most closely associated with the term in the 20th century, described entrepreneurs as the innovators who drive the "creative-destructive" process of capitalism. In addition, von Mises (1949) stated that it was the entrepreneur who determined the course of production in a society's economic organization. Hébert and Link (2009) said of von Mises that he recognized that the key to entrepreneurial profit was the decision-making capacity of the entrepreneur. Whereas there are numerous operational definitions of entrepreneurship in literature, there are broadly speaking only two plausible approaches to defining it operationally:

1. Psychological approach
2. Behavioral approach



Carton, Hofer, and Meeks. (1998) defined the psychological approach as asking who the entrepreneurs are, observing them, and then defining entrepreneurship inductively based on their characteristics as persons and on what they do as entrepreneurs. This approach is also referred to as the trait approach, and it tries to establish a causal link between the characteristics of entrepreneurs and their actions.

Past empirical research and literature cite the following characteristics of behavioral entrepreneurs: the need for independence; locus of control; propensity for taking risk; creativity and innovation. These characteristics involve the individual's mindset and include self-confidence, persistence, passion, and the desire to achieve. They also depend on opportunities, society and the individual's background. Entrepreneurs are not necessarily born with these characteristics, but can acquire them through life experiences.

The psychological aspect is only part of the process; skills and the environment are also necessary. The psychological approach is useful in bringing to the fore the pertinent point that entrepreneurial abilities can be directly developed by education, training, and experience, which provide the competencies, knowledge and skills required to carry out all or part of the entrepreneurial process.

The behavioral approach is to ask what the entrepreneurial activity is, and then to define entrepreneurs as those who engage in such an activity. This approach focuses on the entrepreneurial process and not on the characteristics of the entrepreneur (Carton et al. 1998). Following the entrepreneurial process approach, Bygrave and Hofer (1991) defined entrepreneurship as involving actions associated with the perceiving of opportunities and the creation of organizations to pursue them.

For Pretoris et al. (2005), entrepreneurship is about the actions of people who perceive opportunities in the market, take risks, gather or combine resources, and establish and grow organizations to meet such market needs for profit as well as reward (figure 1).

- ✓ New forms of behavior, innovation, business creation. Kyrö (1996)
- ✓ Creating business opportunities perception. Veselainen & Pihkala (1999)
- ✓ Way of thinking that emphasizes business opportunities. Krueger *et al.* (2000)
- ✓ Creating business. Cromie (2000)
- ✓ Creating products and services, creating and exploiting opportunities, business building Mitchell *et al.* (2002)
- ✓ Exploiting opportunities, business creation, innovation, risk taking, proactivity, team building .Yamada (2003)
- ✓ Coordination of the contracted work, relying on a risk uncertain work and innovation. Parker (2003)
- ✓ Creation of new business. Korunka *et al.* (2003)
- ✓ Creation of a new organization, search and identification of the opportunity analysis and business viability. Kruger (2004)
- ✓ Creating a new company. Grundsten (2004)
- ✓ Creation and / or business expansion. Bastos *et al* (2004)
- ✓ Special type of economic activity, but also a way thinking, style and type of behavior. Zotova & Arkhipov (2005)
- ✓ Creation and realization of the opportunity to create business. Wood (2005)

Figure 1: Entrepreneurship concepts by author, 2014

## 2.2. Theories on the entrepreneur

Teleological theories on entrepreneurial action can be defined as:

1. The doctrine that there is evidence of purpose or design in the universe, and that this provides proof of the existence of a Designer
2. The belief that certain phenomena are best explained in terms of purpose rather than cause
3. The final cause of the study should be seen systematically as a phenomena (Alvarez and Barney, 2007a)

On the other hand, teleological theories of human action explain human behavior in terms of the impact of that behavior on the ability of individuals to accomplish their purposes. In general, these theories assert that behavior that helps people accomplish their purposes is more likely to occur than behavior that does not (Katsikis and Kyrgidou, 2009). Examples of teleological theories in the social sciences include the motivation theory in psychology (Maslow, 1943; Herzberg, 1976), functional theory in anthropology (Lesser, 1935), and institutional theory in sociology (Alvarez and Barney, 2007a). In general, all teleological theories of human action must make three critical assumptions (figure 2).

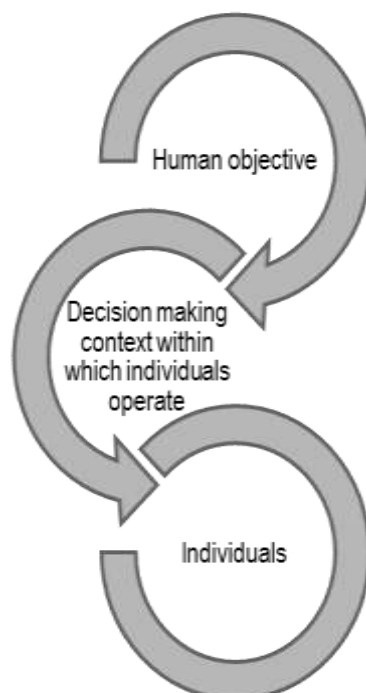


Figure 2: Teleological theories of human action by author (2014)

Alvarez and Barney (2007b) maintain that, when different teleological theories generate different predictions about the same human actions, these predictions are usually related to differences in one or more of these three critical assumptions. Consequently, they are an effective basis upon which to compare and contrast various teleological theories of human action. Both of the theories identified in this paper—discovery theory and creation theory—are examples of teleological theory and thus have much in common. (Shane, 2003 reference by Alvarez and Barney, 2007b).

Moreover, as teleological theories, both discovery and creation seek to explain these entrepreneurial actions in terms of their impact on the ability of entrepreneurs to form and exploit opportunities.

Most theories on the entrepreneur are characterized by two suppositions. Firstly, that entrepreneurship is a “good” thing, with beneficial outcomes for the structure or system in which it occurs; and secondly, entrepreneurship is observable as a behavior that can be attributed to some definitive theoretical attribute capable of differentiating the entrepreneur (actor) from the non-entrepreneur (non-actor). Both theories recognized in this paper (discovery theory and creation theory) are important because:

1. They are examples of teleological theory and thus have much in common. They both seek to explain the same dependent variable actions that entrepreneurs take to form and exploit opportunities. In this context, entrepreneurial action is defined as any activity taken by entrepreneurs to create and exploit opportunities.
2. As teleological theories they seek to explain these entrepreneurial actions in terms of their impact on the ability of entrepreneurs to generate and exploit opportunities.
3. However, while the discovery and creation theories have much in common, they often generate different predictions about when specific entrepreneurial actions will be more or less effective in enabling entrepreneurs to create opportunities.

As previously stated, when different teleological theories produce different predictions about the same human actions –in this case, entrepreneurial actions– these different predictions are usually related to one or more differences in the three critical assumptions that all teleological theories must make.

The theories recognize that opportunities occur when competitive imperfection exists in a market or industry. However, those theories differ in their analysis of the origin of competitive imperfections. In the discovery theory, competitive imperfections are assumed to arise exogenously, from changes in technology, consumer preferences, or some other attributes of the context within which an industry or market exists. Shane (2003, p.23) mentioned by Barreto (2012) cites technological, political and regulatory changes, and social and demographic changes as examples of the kinds of events that can interrupt the competitive equilibrium that exists in a market or industry, thereby forming opportunities. This emphasis on exogenous shocks as the forces that create opportunities has several important implications for discovery theory.

### **2.2.1. Discovery theory**

The Discovery theory has received much more attention in the literature (Eckhardt and Shane 2003; Alvarez et al., 2014; Keyhami et al., 2015; Suddaby et al. 2015). The three critical assumptions of discovery theory as presented in this literature are summarized in Figure 3.



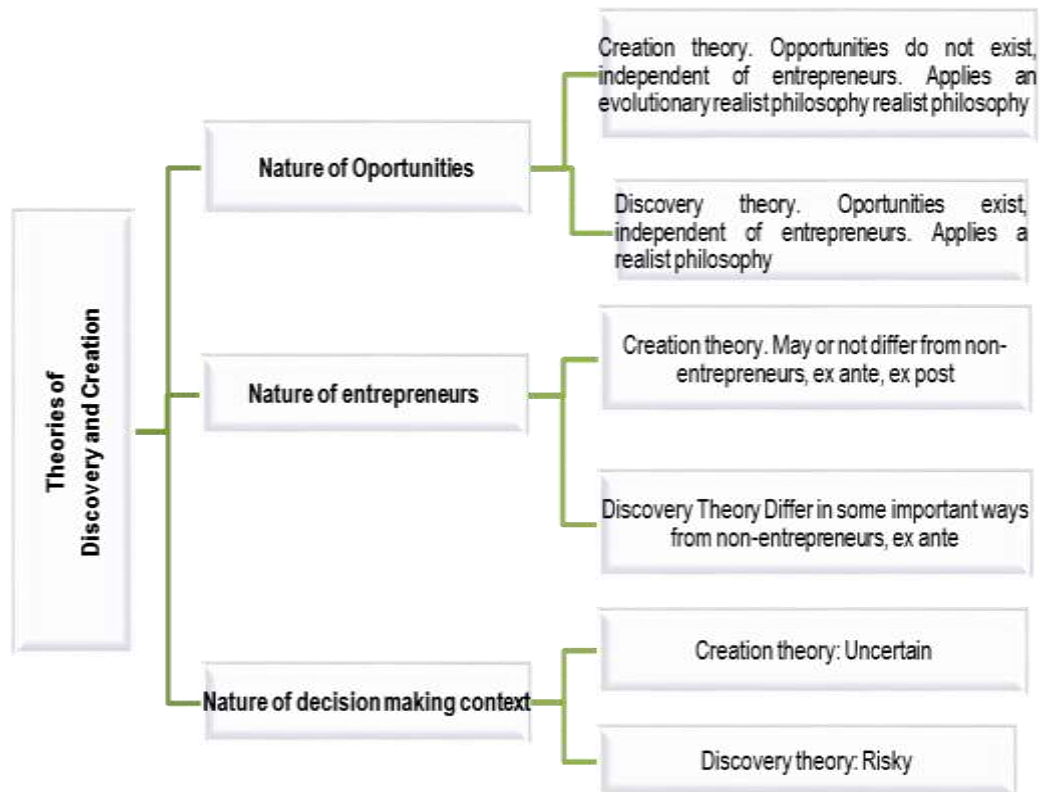


Figure 3: Central assumptions of discovery and creation theories of entrepreneurial action

This paper classifies the three components of discovery theory under the headings of objectives, entrepreneurs and decision making context (Alvarez et al. 2014).

- Discovery objectives. Emphasis on exogenous shocks that create opportunities suggests that the discovery theory is predominantly about searching systematically scanning the environment to discover opportunities to produce new products or services. In this search process entrepreneurs must consider both its direction and duration, and have to also guard against confusing local search where opportunities to produce new products or services are modest with global search, where much more substantial opportunities exist.
- Discovery entrepreneurs. The assumption made by discovery theory concerning the nature of entrepreneurs follows on directly from its assumption about the nature of opportunities. Since opportunities are created by exogenous shocks to an industry or market and since these opportunities are objective and thus, in principle, observable, then everyone associated with that industry or market should be aware of the opportunities a shock has created. Of course, if everyone associated with an industry or market knew about the opportunities created by a shock, and were all sufficiently skilled to exploit these opportunities, then they could all try to exploit them (Schumpeter, 1939; Barney, 1986; mention by Alvarez et al. 2014). Kirzner (1997) summarizes the differences between entrepreneurs and non-entrepreneurs with the concept of “*alertness*”. Many potential components of alertness have been identified in the literature, including information asymmetries, different risk preferences, and cognitive differences, among others. Any of these attributes, or any combination of them, might lead some entrepreneurs associated with an industry or market to become aware of opportunities created by exogenous shocks, while others associated with that same industry or market could remain ignorant of these opportunities.
- Discovery decision making context. Finally, in discovery theory the decision-making context within which entrepreneurs choose to exploit an opportunity is assumed to be risky, rather than uncertain. Currently these terms are often used interchangeably in

the entrepreneurship and strategic management literatures (Shane, 2000). However, for purposes of distinguishing between the assumptions of discovery theory and creation theory, these terms have distinct meanings. A decision-making context is risky if decision makers can collect enough information to anticipate possible outcomes associated with that decision, and the probability of each of those possible outcomes. A decision-making context is uncertain if, at the time a decision is being made, decision makers cannot collect the information needed to anticipate either the possible outcomes associated with a decision or the probability of those outcomes.

As objective phenomena, entrepreneurs can use a variety of data collection and analysis techniques to understand the possible outcomes associated with an opportunity, along with the probability of those outcomes. It may take some time and effort to complete these analyses, but, in principle, they can be done when an opportunity is objective in nature. It took many decades to discover the existence of Mount Everest, and still many additional decades to measure its height. But despite these challenges, there was never a question about whether or not, in principle, information about this mountain was collectable.

### 2.2.2. Creation theory

Creation theory is a logical theoretical alternative to discovery theory for explaining the actions that entrepreneurs take to form and exploit opportunities (Gartner, 1985; Aldrich and Kenworthy, 1999; Venkataraman, 2003; Aldrich and Ruef, 2006 mention by Alvarez & Barney, 2007a). Aspects of creation theory have been described by different authors (Baker and Nelson, 2005; Alvarez et al. 2014). The decision making settings defined refer to objective properties of a particular decision-making context, not to an entrepreneur's beliefs about those contexts (Alvarez et al 2010). In creation theory as mentioned by Alvarez and Barney (2007a):

- Opportunities are not assumed to be objective phenomena formed by exogenous shocks to an industry or market. Rather, they are created, endogenously, by the actions and reactions of entrepreneurs exploring ways to produce new products or services.
- Opportunities do not necessarily evolve out of pre-existing industries or markets. The term “*search*” has little or no meaning in creation theory. “*Search*” implies entrepreneurs attempting to discover opportunities like mountains that already exist. Entrepreneurs do not search for there are no mountains to find they act, and observe how consumers and markets respond to their actions.
- “*Bringing agency to opportunities*” is without meaning since opportunities do not exist independently of the actions taken by entrepreneurs to create them. In this view, instead of being passive with respect to the formation of new opportunities, creation theory assumes that an entrepreneur's actions are the essential source of these opportunities - they build the mountains.

Opportunities are social constructions that do not exist independently of an entrepreneur's perceptions. However, when entrepreneurs act to exploit these socially constructed opportunities, they interact with an environment –the market– that tests the veracity of their perceptions. Of course, the market in itself is a social construct, made up of the perceptions and beliefs of numerous other individuals. This form of analysis suggests that creation theory is grounded in what has come to be known as the evolutionary realist perspective in the philosophy of science (Campbell, 1960; McKelvey, 1999; Azevedo, 2002 mention by Alvarez and Barney, 2007(b); Short et al. 2009).

This enactment process is consistent with evolutionary theories of entrepreneurial action, in both evolutionary theory and creation theory, a blind-variation –an action that emerges without any self-conscious planning or foresight– can create a process of action and reaction that leads to the formation of opportunities.

Creation theory actions need not be “*completely blind*”. They may be deliberate or intelligent or even a random variation that starts the process. However, variations are likely to be quite short-

sighted. The notion of blind-variation emphasizes changes in unforeseen and perhaps even unwanted ways. Rarely will entrepreneurs be able to see *“the end at the beginning”*. In this view there is no *“end”* until the creation process has unfolded, i.e., opportunities cannot be understood until they exist, and they only exist after they are played out in an iterative process of action and reaction (Berger and Luckmann, 1967; Weick, 1979 mention by Alvarez and Barney, 2007b).

As they begin to take action to form opportunities, entrepreneurs' beliefs, formed along the path down which the variations have taken them, can become social constructs that guide the subsequent actions of these entrepreneurs and others associated with an industry or market, including customers. As entrepreneurs act upon their initial beliefs about opportunities and then observe the market responses, beliefs are transformed, reflecting the acquisition and creation of knowledge and information.

### 3. Social entrepreneurship literature review and definition

Social entrepreneurship, commonly defined as *“entrepreneurial activity with an embedded social purpose”* (Austin et al. 2006), has become an important economic phenomenon on a global scale (Zahra et al. 2008). The concept of social entrepreneurship has thus become a large tent (Martin and Osberg 2007) where many different activities are finding a home under the broad umbrella of *“activities and processes to enhance social wealth”* (Zahra et al. 2008) or *“entrepreneurship with a social purpose”* (Austin et al. 2006). As a consequence, the concept of social entrepreneurship is poorly defined and its boundaries with other fields of study remain uncertain (Mair and Martin, 2006).

Some authors consider this inclusive approach to be beneficial for the development of the academic field of social entrepreneurship (Dacin et al. 2010). Based on this approach, they develop arguments on how social entrepreneurship is connected with and may enrich more established fields of inquiry such as structuration theory, institutional entrepreneurship and social movements (Mair and Martin, 2006).

The development of a theory of social entrepreneurship is important because this phenomenon is fundamentally distinct from other forms of economic organization. While our economic theories are based on the assumption of self-interested economic actors, social entrepreneurs exhibit economic behaviors that seem inconsistent with this motivation. While our strategy theories suggest how organizations can develop sustainable competitive advantages, often social entrepreneurship does not seem to involve competitive behavior (Dees et al. 2004).

When we analyzed the concept of *“social entrepreneurship”* we realized that it calls for further investigation; a few opinions on the definition have been found. Any definition of social entrepreneurship should, at the least, reflect the need for a substitute for the market discipline that works for business entrepreneurs. (Dees et al. 2004; Tokarski and Ernest 2012; Suddaby et al. 2015). As Martin and Osberg (2007) state: any definition of the term *“social entrepreneurship”* must start with the word *“entrepreneurship.”* The word *“social”* simply modifies entrepreneurship. If entrepreneurship does not have a clear meaning, then modifying it with *“social”* will not accomplish much either. The word entrepreneurship is a mixed blessing.

- On the positive side, it connotes a special, innate ability to sense and act on opportunity, combining out-of-the-box thinking with a unique brand of determination to create or bring something new to the world.
- On the negative side, entrepreneurship is an ex post facto term, because entrepreneurial activities require a certain amount of time to pass before their true impact is evident.

We have taken the following definition, as it links an emphasis on discipline and accountability with the notions of value creation taken from Say, innovation and change agents from Schumpeter, pursuit of opportunity from Drucker, and resourcefulness from Stevenson (Dees,

2001). In brief, this definition can be stated as follows, where social entrepreneurs play a very important role of change agents in the social sector, as shown in figure 4.

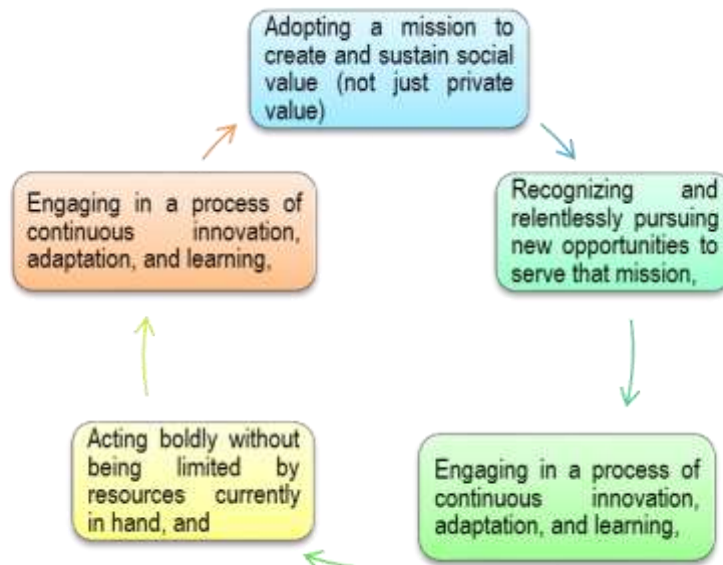


Figure 4: Social entrepreneurship elements of the concept

Social sector leaders will exemplify these characteristics in different ways and to different degrees. The closer a person gets to satisfying all these conditions, the more that person fits the model of a social entrepreneur. Those who are more innovative in their work and who create more significant social improvements will naturally be seen as more entrepreneurial. Martin and Osberg (2007) explain:

- Adopting a mission to create and sustain social value. This is the core of what distinguishes social entrepreneurs from business entrepreneurs, even from socially responsible businesses. For a social entrepreneur, the social mission is fundamental. This is a mission of social improvement that cannot be reduced to creating private benefits (financial returns or consumption benefits) for individuals. Making a profit, creating wealth, or serving the desires of customers may be part of the model, but these are means to a social end, not the end in itself. Profit is not the gauge of value creation, nor is customer satisfaction; social impact is the gauge. Social entrepreneurs look for a long-term social return on investment. Social entrepreneurs want more than a quick hit; they want to create lasting improvements. The main idea is thinking about sustaining the impact.
- Recognizing and relentlessly pursuing new opportunities. Where others see problems, entrepreneurs see opportunity. Social entrepreneurs are not simply driven by the perception of a social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work. They are persistent. The models they develop and approaches they take can, and often do, change as the entrepreneurs learn about what works and what does not work. The key element is persistence combined with a willingness to make adjustments as one goes. Rather than giving up when an obstacle is encountered, entrepreneurs ask, "How can we surmount this obstacle? How can we make this work?"
- Engaging in a process of continuous innovation, adaptation, and learning. Entrepreneurs are innovative. They break new ground, develop new models, and pioneer new approaches. However, as Schumpeter notes, innovation can take many forms. It does not require inventing something completely new; it can simply involve applying an existing idea in a new way or to a new situation. Entrepreneurs need not be inventors. They simply need to be creative in applying what others have invented. Their innovations may appear in how they structure their core programs or in how they assemble the resources and fund their work. This willingness to innovate is part of the

modus operandi of entrepreneurs. It is not just a one-time burst of creativity. It is a continuous process of exploring, learning, and improving. Of course, with innovation comes uncertainty and risk of failure.

- Acting boldly without being limited by resources currently in hand. Social entrepreneurs do not let their own limited resources keep them from pursuing their visions. They are skilled at doing more with less and at attracting resources from others. They use scarce resources efficiently, and they leverage their limited resources by drawing in partners and collaborating with others. They explore all resource options, from pure philanthropy to the commercial methods of the business sector. They are not bound by sector norms or traditions. They develop resource strategies that are likely to support and reinforce their social missions. They take calculated risks and manage the downside, so as to reduce the harm that will result from failure. They understand the risk tolerances of their stakeholders and use this to spread the risk to those who are better prepared to accept it (Dees, 2001).

## 4. Conclusions

### 4.1 Why should we care?

We are concerned that serious thinkers will also overlook social entrepreneurship, and we fear that the indiscriminate use of the term may undermine its significance and potential importance to those seeking to understand how societies change and progress. Social entrepreneurship, we believe, is as vital to the progress of societies as is entrepreneurship to the progress of economies, and it merits more rigorous, serious attention than it has attracted so far.

Clearly, there is much to be learned and about social entrepreneurship, including why its study may not be taken seriously. Our view is that a clearer definition of social entrepreneurship will aid the development of the field. The social entrepreneur should be understood as someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large (Roger Martin and 2007).

Social entrepreneurship attempts to identify the core behavioral dimensions of innovativeness, proactiveness and risk management. Social entrepreneurship is thus identified as a behavioral phenomenon operating within constraints. This research has attempted to identify any key areas where strategy and operations can be aligned in social entrepreneurial service contexts. Finally, we would also like to suggest that Social entrepreneurial organizations need to adopt a culture aimed at innovativeness, proactiveness and risk management.

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