



## **SOCIAL ENTREPRENEURSHIP**

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## Introduction

Studies of business entrepreneurship tend to focus on the individual, and the economic aspects of starting a new enterprise and subsequent business development. This paper is concerned with developing a framework which allows both economic and social dimensions of entrepreneurship to be analysed. It reveals a differentiation between the conventional popular model of the individual entrepreneur creating their own enterprise from initiatives involving more than one person, and from initiatives which involve a more formal, institutional focus of entrepreneurial activity. This type of entrepreneurial activity is most common where some level of local development is prominent, and infrastructure is established to allow this development activity to take place. The framework is developed to accommodate the often neglected collective or pluralistic dimension of entrepreneurship. The paper draws on the behavioral approach (Gartner, 1989) to adopt a straightforward definition of social entrepreneurship – the creation of a social enterprise (co-op, mutual or voluntary organisation); but the social dimension of entrepreneurship is examined within the research: by exploring the extent to which social or community goals played a part in its formation and subsequent operation.

The growth in studies on entrepreneurship has paralleled that of studies of small and medium enterprises (SMEs), since the 1980s. This literature is quite diverse, both in disciplines and in themes under which such studies are classified; a major conference in the field (Babson conference) indicates 25 fields of study – partly based on disciplines and partly based on empirical categories (e.g. strategy and growth, family business, networks, franchises, etc). . Until recently this has not been matched by the level of studies in social and public entrepreneurship, however this is beginning to change, particularly in the area of social entrepreneurship.

As indicated above, although nonetheless it is recognised that there are strong similarities between the two fields (social enterprises and SMEs), this paper is concerned with institutional forms associated with the social economy: co-ops and mutuals and not-for-profits. However it is important to recognise some similarities, and draw on the SME literature on entrepreneurship, as well as with the rather sparse literature from not-for-profit studies and social enterprise studies. The approach here adopted, is exploratory, aiming at constructing a theoretical basis for analysing the empirical data collected, in order to reveal the distinctive nature of social entrepreneurship. It is important to contribute to a greater understanding of the social economy (co-operatives, mutuals and voluntary organisations or non-profits), since it forms a prominent part of developed economies (Ciriec, 2000). Indeed, co-operatives are also prominent in many less developed countries, with over 700m. co-operators worldwide. And the social economy field forms an important part of many developed economies – ranging from 3.3% to 16.6% of employment in different countries in Europe (Ciriec, 2000), and yet very little research has been done on entrepreneurship in the sector. This study takes some small steps in redressing this situation, with the hope that it may also inform mainstream entrepreneurship research.

Initial thinking (based on anecdotal evidence and the literature) indicates that entrepreneurship may have several features that distinguish it from that in the commercial stock company sector. For example, Cecop<sup>1</sup> (1978) identified five

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<sup>1</sup> CECOP = The European federation of worker and social co-ops.

different types of model for the creation of a co-operative – including worker buyout, and spinoff. Institutions have also played central roles in the entrepreneurial process of co-ops (Cornforth et al, 1988) – this may be seen in possibly the most economically successful worker co-ops currently - the Mondragon co-operatives of Northern Spain, where the co-operative bank (Caja Laboral Popular) had an enterprise division which nurtured and supported entrepreneurs. Similarly, in Italy the growth of social co-operatives during the last two decades would not have been possible without the consorzi or consortium of local co-operatives that provides management services and supports the growth of new social co-operatives (see Spear, Leonetti & Thomas, 1994 for an analysis of the potential of social co-operatives). There are also particularly interesting examples of institutional roles in entrepreneurship in the UK, and Sweden, where co-operative development agencies have been central to the creation of large numbers of worker co-operatives. There is some theoretical argument for this institutional form of support for entrepreneurship as a way of compensating for deficiencies –Abell (1983), and Fanning, C. and McCarthy, T. (1983) argue that co-operatives suffer an entrepreneurial problem since greater returns would accrue to an entrepreneur if he/she formed an organisation which they owned exclusively rather than one shared with others. This begs a number of questions about the adequacy of individualistic economic theory when examining social or collective activity.

A broad framework for studying the development of a population of social economy organisations (such as a co-operative or non-profit sector), is that noted by Badelt (1997): to examine three interacting sets of factors: demand side factors (such as customers wanting services from social enterprises), supply side factors (essentially the supply of entrepreneurs) and thirdly, institutional factors influencing the relation between the two (including influence over the choice of institutional form). The focus of this research is firmly on supply side and contextual factors. However this paper does not go into depth about the factors influencing the supply of social entrepreneurs.

The overall aim of this paper is to develop a framework which is appropriate for analysing a range of types of entrepreneurial activity. It draws both from entrepreneurial theory, and from an examination of these two sets of case studies of entrepreneurial practices.

The study also attempted to cover a number of different sectors and explore different types of entrepreneurship. It was concerned to examine the influence of a number of themes – origins of the social enterprise, motivations of entrepreneurs, models of entrepreneurship, external support, social capital, and outcomes. It was hypothesised that social capital might be an important resource in the social economy. It was considered important to consider the role of formal and informal support structures in the entrepreneurial process (even including the possibility that the entrepreneurial process might be distributed outside the boundaries of the new social enterprise for example to include public sector or social economy players and agencies); and it was felt that learning and knowledge management approaches would have important contributions to make in understanding how the necessary skills and know how were acquired, and that this could help explain the differences between success and failure.

The study is part of a larger programme of research which is concerned with developing quantitative and qualitative comparative data on social entrepreneurs across a number of different types of social enterprise operating in different sectors and countries (cf. Spear and Voets, 1995; Cote, 1998; Spear, 2000). This research also fits within a wider field of study on social enterprises i.e. trading organisations

within the social economy (co-operatives, mutuals, community business, and voluntary or not-for-profit organisations), see the work of the EMES network: <http://www.emes.net/en/index.php>.

## **MODELS OF ENTREPRENEURSHIP**

Entrepreneurship is clearly a very diverse phenomenon (e.g. Leighton and Felstead, 1992), but its study and discourse remain dominated by the "great man" school. However, not all writers discuss entrepreneurship solely in terms of the "heroic individual" (often male) who battles against adverse elements to develop a new enterprise. Van de Ven (1993) in a conceptual paper to formulate a research agenda for studying the infrastructure for entrepreneurship argues that "the process of entrepreneurship is a collective achievement requiring key roles from numerous entrepreneurs in both the public and private sectors." In a similar vein, Casson (1995) notes that entrepreneurship can be a distributed process across the public/private divide. He notes that:

"It is not necessarily the case that the private sector requires the best entrepreneurs. Countries such as Japan, France, Germany and Singapore have achieved good economic results using active industrial policies formulated and implemented by entrepreneurial people attracted to high- status jobs in the public sector."

And while there is recognition of the important role of collective forms of entrepreneurship (especially teams) within enterprises (intrapreneurship), there are generally few references to this dimension in the literature.

In the non-profit field, Young (1987) mentions several cases of collective entrepreneurship but does not develop this out as a distinctive factor. But there is generally a dearth of studies of entrepreneurship in the non-profit field.

However in the USA there is a rapidly emerging field of social entrepreneurship studies (see for example Bornstein (2004), Dees (2002), Leadbetter (1997), and Austin et al (2003); this field is also developing in Europe, see for example Nicholls, 2006, Mair et al, 2006). But here too the emphasis is clearly on the individual rather than collective models of entrepreneurship. However as Austin et al (2003) and Mair and Marti (2005) adopt frameworks drawn from the conventional entrepreneurship literature which focuses on processes (of opportunity recognition/construction, and deal-making) rather than focusing on the entrepreneur, this could lend itself to collective processes too.

In my own research (see for example Spear and Hulgard, 2006), it is particularly notable that in contrast to the "heroic" individualistic view of entrepreneurship which is the typical model, the collective nature of entrepreneurship is very prominent in co-operatives.

This does not exclude the possibility that key individuals could be entrepreneurial, or even play leading roles in a collective process of entrepreneurship, but it does broaden the framework to consider collective processes and individual roles within that, as well as the role of organisations as "places" for entrepreneurship, and in sponsoring it. This has implications for policies promoting entrepreneurship and an enterprise culture (Keat and Abercrombie, 1990).

## **EXTERNAL SUPPORT AND SOCIAL CAPITAL**

Similarly it is clear that contextual and institutional factors may be more relevant in supporting the setting up of social enterprises, compared to conventional SMEs.

In many cases of social entrepreneurship, there has been significant *support from external stakeholders* like development agencies, family, public bodies, voluntary organisations, and federal structures – these seemed important catalysts of entrepreneurial activities.

There are also often diverse patterns of distributed entrepreneurship with external groups or organisations playing key roles in several cases. In some ways this represents *circles of entrepreneurship* around the focal organisation, with the entrepreneurs within the organisation playing central roles, but with a wider group of *supportive external stakeholders* sometimes quite closely and essentially involved. And beyond this a supportive context of players provides resources, and expertise some of which is conventionally supplied, but some of which may be better conceptualised as social capital.

This view resonates with a strand of the literature on networks and the importance of context, for example Johansson et al (1994) argue for the importance of different types of networks to access resources and knowledge; but some of the relations discussed in this paper seem less instrumental, more social, bearing some resemblance to the moral support discussed by Goffee and Scase (1989), in relation to family. It may be that the collective nature of social enterprises facilitates access to social capital.

Federal structures are quite common in the social economy where they often play economic and political roles; thus the new social enterprise with its new goals were to a significant extent shaped by the pull of the federated customer base. This represents a demand side direct involvement in the entrepreneurial process.

External stakeholders also play significant roles, both in influencing the choice of institutional form (social enterprise) and in supporting the entrepreneurial activity over a considerable time. Differentiating between external actors closely involved and a wider circle of support which might be termed social capital is a fine judgement. Social capital was provided in various forms – political support, expertise, assistance, contacts, advice, etc. and by a variety of people from landlords to customers, to various types of business advisor, to neighbouring businesses, family, etc.

And it is frequently not a one way generation of social capital, for example earlier support could be repaid or reciprocated, in the form of serving on the board of social economy development agency, providing reduced cost services to other social enterprise, providing practical help to new social entrepreneurs, etc.

## **LEARNING**

It is clear that learning about entrepreneurship often takes place in two important spheres of operation: amongst and through linkages with customers who are sympathetic to the new business, and it may be that the social enterprise structure helped establish this sympathetic approach; and through the support of others who might similarly be considered sympathisers e.g. local politicians and municipal officers, federal bodies, etc. While family was not an area explicitly examined (and

the literature regards such support as being significant e.g. Goffee and Scase, 1989), it clearly can also be a significant area of support.

At a more formal level, it is clear that development organisations (such as social enterprise business support structure) provide a basis for learning, advice, expertise.

## **CONCLUSION**

Models of social entrepreneurship are distinctive and contrast with conventional entrepreneurship models for SMEs:

- motivations are often quite diverse, but included ideological orientations;
- the rationale for institutional choice is not always so clearly rational, but more obviously *mediated* through professionals, advisers, or support organisations;
- there is often a transitional dimension in many cases of social entrepreneurship (clearly in privatisation situations), and this raises questions about the episodic nature of the entrepreneurial activity - when it starts and finishes.
- entrepreneurship is frequently not of the “heroic individualistic” type but joint, leader + supporters, or team based, or sponsored by organisations;
- there is often distributed entrepreneurship - circles of entrepreneurial activity, with central roles played by the entrepreneurs within the organisation, but with a wider group of external stakeholders sometimes quite closely and essentially involved – including customers, and distributed across public/private sector boundaries;
- through the wider circle of support, social capital is utilised, and subsequently often reciprocated (including through customer linkages);

These findings about social entrepreneurship provide a number of issues for further research on a broader sample of social enterprise (co-operatives, mutuals, voluntary organisations). The findings also point to a different more collective and distributed perspective on entrepreneurship which may warrant more empirical research in the SME sector.

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