

SOCIAL ENTREPRENEURSHIP

Darius A. Tent*

Abstract:

Social entrepreneurship is an increasingly important concept in the study of voluntary and nonprofit organizations as it turns out to be the updated version of the latter. Although the popularity of this concept is rapidly increasing within our days, little is known about what individual characteristics might describe a social entrepreneur or how social enterprises differentiate themselves from business enterprises. This paper suggests that social entrepreneurs nowadays are college-educated individuals that overstepped the entry-level business experience, are independent and constantly connected to the globalization process. So that we can suggest ways in which this important actor of the civil society can be better understood, and perhaps helped to flourish, we must first be able to identify him or her.

Keywords: social enterprise, traditional social sector, non-governmental organizations, entrepreneurial skills, voluntary action, social added value

The need for social entrepreneurship

At global level there is a desperate rush between societies to bring in new and innovative approaches in addressing some of the history's most persistent social problems. These problems are usually known as a tough social situations that are delicately but, yet inefficiently approached by the governments or market places¹.

Due to the fact that these topics were never making the top of any government's agenda, unless it was an electoral year, during history they have been the driven objective of nongovernmental organizations or civil society organizations. These are also known as the traditional saviors in

* Darius-Alexandru Tent, PhD Candidate, at the College of European Studies (BBU, Cluj-Napoca, Romania) is a specialist in International Relations and European Studies, a strategic management consultant and teacher of Business Studies at Transylvania College, the Cambridge International School in Cluj, Romania.

Contact: darius.a.tent@gmail.com.

¹ Frank J. McVeigh, Loreen Wolfer, *Brief history of social problems – A critical thinking approach*, Oxford: University Press of America, 2004, pp. 363 – 405.

terms of social problems. Their range of operations still is very complex, addressing issues from education and health services to environmental conservation.

By accessing the legal framework in any country, any person or company can build nongovernmental organizations and in essence they function independently from any government.

There are also cases in which governments totally or partially fund NGOs; still they maintain their nongovernmental status by excluding government representatives from membership in the organization. This terminology remains to be used only in the case of some organizations that pursue a wider social aim. We must keep in mind though that NGOs are not overtly political organizations such as political parties.

The main characteristic of this century is the speed with which goods, capital, labor and information move around the globe. This speed has also been transferred or applied to the manner in which social issues keep on multiplying in several corners of the world. Although the traditional social sector has had serious finances in addressing some of these global issues their rate of return has not been satisfactory.

Moreover the global social problems are becoming more acute, while their efficiency rate remains the same. All this seems to be due to the lack of entrepreneurial skills in approaching a matter that must be solved with very limited resources. Therefore it is not enough for us only to have at disposal finances and be willing to help. Additionally, we must have the proper entrepreneurial skills beside the big heart in order to transform these problems into feasible objectives. It is believed that social enterprises have this capacity as they emulate the behaviors of business enterprises, which aim for efficiency, performance, stability and flexibility².

A more sustainable impact can only be achieved if resources are handled in a way to seek performance by accounting every inflow / outflow, constantly seeking to improve their rate of return and decrease the

² Jonathan Boswell, *Social and Business Enterprises (RLE: Organizations): An Introduction to Organizational Economics*, 1976,

[<https://books.google.ro/books?id=0nKAAAAAQBAJ&pg=PA21&dq=social+and+business+enterprises&hl=en&sa=X&ved=0CCIQ6AEwAWoVChMI7Lvg5M2WyAIVidYUCh0jSgpC#v=onepage&q=social%20and%20business%20enterprises&f=false>], 22 September 2015.

running costs. Nowadays without the right skill, the intention of doing a good can easily bring in bad consequences.

Taking in considerations the world wide situation described above, this provides social entrepreneurship with one of the histories grates chance to become the main engine in creating social added value.

With the taxation system as main tool to increase to governmental budget, the governments have come to realize during history that taxes can only be grown up to a limit³. Once they have crossed that limit they might cause riots and revolutions, while social problems don't have a limit of growth.

In fact these are growing with the speed of light and while governments keep on addressing the same problems for centuries, they neglect some of the updated features of these problems.

The growing number of MBA graduates that occupy upper management positions within the social sector, point out the increased interest towards this sector. Voluntary action has nowadays begun to be manifested by people which posses intellectual capital, management expertise and even talent in dealing with social problems. The inefficiency of the traditional social sector has also significantly contributed to the growing success of social entrepreneurship.

The new era has also marked the appearance of a new profile for the classical philanthropists. Unlike his or her ancestors, money is not given away for charity and then waits for someone to create a change in the world due to this. Instead they get involved, their follow the circuit of their money, measure their impact and conduct analyses in order to measure the efficiency of their actions. Better-said, modern philanthropist follows each stage his or her money goes through within the "chain of production".

The main difference between traditional social sector approaches and social entrepreneurial approaches can be defined at best through an analogy between demand and will. Demand is known as having the willingness to buy something, but in the same time being able to pay for it.

³Patrick James Caraga, *The Economic and Compliance Consequences of Taxations – A report on the Health of the Tax System in New Zealand*, 1998,

[<https://books.google.ro/books?id=0nKAAAAAQBAJ&pg=PA21&dq=social+and+business+enterprises&hl=en&sa=X&ved=0CCIQ6AEwAWoVChMI7Lvg5M2WyAIVidYUCh0jSgpC#v=onepage&q=social%20and%20business%20enterprises&f=false>], 22 September 2015.

On the other side, a wish is defined as a willingness to acquire something but lacking the financial possibility to do so. That “something” lacking from the traditional social sector is known as entrepreneurial skills⁴.

In order to recover the time, which was lost by the traditional social system in fighting with the global social problems, social entrepreneurs work hand in hand with business enterprises, as sometimes the latter funds the actions of the first. Innovative partnerships have taken place between nonprofits and businesses, emerging into a formula that combines both social and commercial goals. In these alliances public agencies might also join in. Societies have started the race of finding the best ways for providing the most problem oriented goods and services offering in these businesses a great opportunity for experimenting with several organizational models. The achievement of the desired social impact relies on the development of effective performance management systems⁵.

Understanding social entrepreneurship

The academic literature defines the concept of social entrepreneurship in various ways, but the common root stands in the fact that some groups of stakeholders are more important than the shareholders. What this observation tries to underline is the clear difference between social enterprise and business enterprise.

While business enterprises are purely profit oriented businesses where the interests of the shareholders are followed in a biblical manor, when it comes to defining social enterprises it is all about using the resources you have at disposal for the sake of those for which you initially started this business, the people in need⁶.

⁴ David Bornstein, Susan Davis, *Social Entrepreneurship: What Everyone Needs to Know*, 2010, [https://books.google.ro/books?id=XC2vfM1ZjuwC&printsec=frontcover&dq=social+entrepreneurship&hl=en&sa=X&ved=0CB4Q6AEwAGoVChMI4_mw0eaqxwIVh74UCh2VKQGE#v=onepage&q=social%20entrepreneurship&f=true], 14 August 2015.

⁵ David Bornstein, *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, 2007, [https://books.google.ro/books?id=P_g8gVyuEgC&printsec=frontcover&dq=social+entrepreneurship&hl=en&sa=X&ved=0CCYQ6AEwAWoVChMI6LHxrtWyxwIVhdUaCh1cjwG-#v=onepage&q=social%20entrepreneurship&f=false], 14 August 2015.

⁶ Bob Doherty, George Foster, Chris Mason, John Meehan, Karon Meehan, Neil Rothero and Maureen Royce, *Management for Social Enterprise*, New York: SAGE Publications Ltd., 2009, pp. 25-54.

Therefore common root of all definitions of social entrepreneurship is the creation of social value, rather than personal wealth. By starting with the idea that our business could have a positive change in the world we may describe social entrepreneurship as a set of business techniques aiming to find solutions to social problems. This concept may be applied to a variety of organizations of different sizes, aims, and beliefs.

From a different angle, social entrepreneurship could be seen as a gathering of many business people with solid experience in the fields of management, finance and human relations sharing their know-how and experience along with money and ideas, in order to generate social welfare by removing some of the existing problems. In my opinion, this is one of the most relevant definitions as it points out the difference between the state and a social enterprise, both aiming to provide social welfare.

While the first focuses on resources in order to make itself noticed, the latter focuses on the opportunity. One of the most important features of social entrepreneurship remains the fact that this tool which generates social value can flourish in any business, regardless if it's non-profit, in public or private sector⁷.

The social entrepreneurial spirit also gives us the opportunity to chip in for a new business environment in which not only that can become more enriched from a financial point of view, but in the same time can be highly motivating and self-esteem rewarding as your work help other tens, hundreds, thousands or millions of people around the world⁸.

We should imagine social entrepreneurship as a process through which citizens build or transform certain institution in order to provide advance up-to-date solutions to social problems such as poverty, illness, illiteracy, environmental destruction, human rights abuses and last but not least corruption, so that our lives would turn out for the best.

Unlike business enterprises, the opportunities available to a social entrepreneur are very diverse. In order to create a sustainable social enterprise it is not enough to merely combine concepts from social and

⁷ Bob Doherty, George Foster, Chris Mason, John Meehan, Karon Meehan, Neil Rothero and Maureen Royce, *Management for Social Enterprise*, New York: SAGE Publications Ltd., 2009, pp. 1-22.

⁸ Carmel McConnell, *The Happiness Plan – Simple steps to a happier life*, Ontario: Pearson Education, 2007, pp. 230-265.

commercial legislation. You must develop a new conceptual framework and tailor your strategies according the ethos of social entrepreneurship.

Although nowadays all social enterprises are relatively new or still emerging and some of them have not left the experiment status, their future success requires a strategic and systematic approach.

Understanding what makes a social enterprise a unique institution can come in hand when explaining the aims of this concept. Firstly, social enterprises have as a corner stone the social mission⁹.

As already mentioned above, personal interest is left behind for the interest of the community. Therefore, social entrepreneurs who do the day-to-day running of these businesses have made the common good their personal interest. Without this key ingredient the entire project cannot function properly or provide the expected results.

The traditional social sector has always relied on philanthropic support in order to conduct its activity. We cannot state that the cash flow records of a social enterprise are totally different when we analyze the main inflows. What is really different is the management of these financial resources.

A social entrepreneur will always know how much she or he needs in order to successfully run a business on a yearly basis in order to achieve its pre-established objectives, while in the case of nongovernmental organizations or civil society organizations every penny counts and any sum will do¹⁰.

The mission here does not have an exact aim. Therefore your rate of success shrinks significantly if your aiming to hit a target that you cannot see or foresee. The difference between the traditional social sector and social enterprises continues to accentuate as we discuss about the people who manage these institutions.

⁹ Benjamin Gidron, Yeheskel Hasenfeld, *Social Enterprises: An Organizational Perspective*, 2012, [https://books.google.ro/books?id=l1HK2dBzGhEC&pg=PA83&dq=social+mission+of+enterprises&hl=en&sa=X&ved=0CCUQ6AEwAWoVChMIz_7zyeWWyAIVxkAUCh2QTAMo#v=onepage&q=social%20mission%20of%20enterprises&f=false], 02 September 2015.

¹⁰ Udai Prakash Sihna, *Economics of Social Sector and Environment*, 2007, [<https://books.google.ro/books?id=djijfij8ZxAC&pg=PA123&dq=traditional+social+sector&hl=en&sa=X&ved=0CCQ6AEwAWoVChMIisz2nueWyAIVhFsUCh0keAHq#v=onepage&q=traditional%20social%20sector&f=false>], 25 August 2015.

In the majority of nongovernmental organizations or civil society organizations, mostly volunteers perform the basic day-to-day operations, while every managing director receives a regular paycheck; the process is totally reversed in the case of the latter. The main reward for most social entrepreneurs rarely relies on financial incentives, but more and more on intrinsic rewards.

They also rely on volunteers in order to efficiently run their business and achieve their objectives, therefore operating managers act as role models in terms of voluntary work. Social entrepreneurs focus more on helping those in need to get a qualification, find a job or get better, having in mind the concept that a person with an income will start motivating and supporting all her or his siblings¹¹.

Therefore to social mission of social enterprises is to help others stand on their own feet, become self sufficient and even provide support for others. The traditional social sector aims to solve the problems by simply covering them with short-term solutions, creating a constant dependency of those in need.

Moreover, social enterprises have more in common with business enterprises than with the traditional social sector. This can also explain while most of the sponsorships that come from business enterprises are directed towards projects coordinated by social entrepreneurs. After the recent economic crisis, even the money that is donated for the greater good must have a clear path following and end result.

Corporate social responsibility, although most of the times only performs window dressing for the image of the companies, has also made most companies realize, that it is extremely important to be able to measure what social impact the money you return in the society to address several social costs, will generate. Therefore nowadays is no longer sufficient to just give something in return for the externalities you have generated as a

¹¹ Leslie Crutchfield, Heather McLeod Grant, *Forces for Good – The Six Practices of High-impact Nonprofits*, 2012,

[<https://books.google.ro/books?id=Y34IBngAm1oC&printsec=frontcover&dq=traditional+social+sector&hl=en&sa=X&ved=0CDcQ6AEwBWoVChMIisz2nueWyAIVhFsUCh0keAHq#v=onepage&q=traditional%20social%20sector&f=false>], 10 September 2015.

company. More important has become the scale of the social impact, any business action, might generate¹².

The main advantage social enterprises have over business enterprises is that there will be no government standing in their way when merging in order to create monopolies.

In fact, in this scenario it is also in the interest of the government of each country to have as many monopolies as possible created through mergers, takeovers or even joint ventures, because this way every state will end up with powerful and skilled partners which will provide a significant aid in generating social welfare.

The challenge of scale can be a unique feature that describes social enterprises. Due to the scarcity of resources and the weight of the final goals the demand for efficient social programs often remains virtually limitless¹³. It might seem hard to record one million dollars revenue in some private sectors. Even more harder if not impossible, by looking in every social sector, might be to provide a feasible and long lasting solution to the problems of millions of people.

If in the case of business enterprises every progress is rewarded or every failure attracts a penalty, social enterprises do not have to put up with this pressure, as expectancies from the stakeholders are not of the same level. Of course the sums received and later used as budgets to implement these social programs might significantly rise or shrink depending on the final outcome. Also, the credibility of the social entrepreneurs in the eyes of their corporate partners play a significant role in how these sponsorships are allocated. Therefore pressure, although it's in a milder form, still exists even for businesses operating in the social sector.

In terms of governance the differences exist not only in comparison with the traditional social system, but also in the case of corporations. The

¹²Sri Urip, *CSR Strategies*, 2010,

[<https://books.google.ro/books?id=540rRIT4AFQC&printsec=frontcover&dq=CSR&hl=en&sa=X&ved=0CCQQ6AEwAWoVChMIksTpi-yWyAIVhFwUCh1mJAg9#v=onepage&q=CSR&f=false>], 20 August 2015.

¹³Jill Kickul, Sophie Bacq, *Patterns in Social Entrepreneurship Research*, 2012,

[<https://books.google.ro/books?id=7TofTKzpozUC&pg=PA294&dq=scarcity+of+social+enterprises&hl=en&sa=X&ved=0CCoQ6AEwAmoVChMI2Y7HuvKWYAIVBVIUCh3qxwbB#v=onepage&q=scarcity%20of%20social%20enterprises&f=false>], 15 August 2015.

board of leadership, the composition of the governing team and even the membership characteristic of social enterprises are building and operate under different principles¹⁴.

While many organizations with a single legal governing board often have multiple local advisory boards, depending in how many locations they operate, these sometimes play a de facto governing rule.

Founding fathers of a social enterprise along with the upper management might end up with adjusting their actions according to the will of the advisory boards which do not participate at the day-to-day running of a business and have no pressure on their shoulders in case the objectives are achieved or not.

On the other hand, when it comes to business enterprises, these operate according to the instructions provided by the managers, instructions that express the will and interest of the shareholders. Overall we can state that social enterprises are a hybrid combination between the traditional social sector and business enterprises. Although these navigate on philanthropic capital markets, they bring in major innovations and provide solutions to long lasting problems.

The pan-global marketing mentality of all social enterprises helps them operate based on their real strengths, but in the same time, due to the lack of finances, forces them to constantly improve their strengths in order to attract more and more partners from the business world in the fighting battle against inefficient or unprepared governments. Social entrepreneurship is about applying practical, innovative and market-oriented approaches to benefit the marginalized and the poor. A social entrepreneur is one who has created and leads an organization, whether for-profit or not, that is aimed at catalyzing large scale and systemic social change through the introduction of new ideas, methodologies and changes in attitude.

Conclusions

In the end, we can state that social capital is the single strongest predictor of a social entrepreneur. Social entrepreneurs rely much on their

¹⁴Bob Doherty, George Foster, Chris Mason, John Meehan, Karon Meehan, Neil Rothero and Maureen Royce, *Management for Social Enterprise*, New York: SAGE Publications Ltd., 2009, pp. 190-240.

connections and networks in the community to carry out their mission. But as suggested earlier, social capital could also be a result of, rather than a cause of, social entrepreneurial activity.

This article focuses on delivering an accurate contrast between the traditional social sector, private sector and public sector in such a way, so that the hybrid character of the modern social enterprises can easily be spotted. In addition it states and defines the sketch of the modern entrepreneur. This role within every society is not hard to get, but is extremely difficult to maintain.

In order to become such an entrepreneur a social change must be brought by your commitment with the help of an innovative product or service or a different approach.

Moreover, your initiative must spread and become successfully adapted to other settings. In order to reach that, the entrepreneur must be open to sharing the tools and techniques for successful adaptation. This initiative is very fragile and without the entrepreneur's full commitment in terms of time and energy, it will not be able to sustain itself.

Last but not least, the same entrepreneur acts as a role model for future social entrepreneurs, characterized through unquestionable integrity. On top of every social entrepreneur's agenda, the objective of engaging with a national and global network of similar entrepreneurs, should be written in capital letters.

Bare in mind the fact that you do not necessarily have to make large investment to start being a social entrepreneur. Your skills and experience might be more than suffice. For other persons, who have the right intentions, but also the financial possibility, your set of entrepreneurial skills along with some years of experience in management positions, can be the most important missing piece, in order to complete fragmented puzzle.

Acknowledgements

I acknowledge Prof. Univ. Dr. Vasile Puscas (PhD) for his permanent guidance, useful comments and suggestions given during my research and during editing this article.

Bibliography:**Books:**

1. Doherty, Bob; Foster, George; Mason, Chris; Meehan, John; Meehan, Karon; Rothero, Neil; Royce, Maureen (2009), *Management for Social Enterprise*, New York: SAGE Publications Ltd.
2. McVeigh, Frank J.; Wolfer, Loreen (2004), *Brief history of social problems – A critical thinking approach*, Oxford: University Press of America.
3. McConnell, Carmel (2007), *The Happiness Plan – Simple steps to a happier life*, Ontario: Pearson Education.
4. McVeigh, J. Frank; Wolfer, Loreen (2004), *Brief history of social problems – A critical thinking approach*, Lanham Maryland: University Press of America.

Electronic Materials:

1. Bornstein, David (2007), *How to Change the World: Social Entrepreneurs and the Power of New Ideas*,
[https://books.google.ro/books?id=P_g8gVyuEgC&printsec=frontcover&dq=social+entrepreneurship&hl=en&sa=X&ved=0CCYQ6AEwAWoVChMI6LHxrtWyxwIVhdUaCh1cJwG-#v=onepage&q=social%20entrepreneurship&f=false], 14 August 2015.
2. Bornstein, David; Davis, Susan (2010), *Social Entrepreneurship: What Everyone Needs to Know*,
[https://books.google.ro/books?id=XC2vfM1ZjuwC&printsec=frontcover&dq=social+entrepreneurship&hl=en&sa=X&ved=0CB4Q6AEwAGoVChMI4_mw0eaqxwIVh74UCh2VKQGE#v=onepage&q=social%20entrepreneurship&f=true], 14 August 2015.
3. Boswell, Jonathan (1976), *Social and Business Enterprises (RLE: Organizations): An Introduction to Organizational Economics*,
[<https://books.google.ro/books?id=0nKAAAAAQBj&pg=PA21&dq=social+and+business+enterprises&hl=en&sa=X&ved=0CCIQ6AEwAWoVChMI7Lvg5M2WyAIVidYUCh0jSgpC#v=onepage&q=social%20and%20business%20enterprises&f=false>], 22 September 2015.
4. Caraga, Patrick James (1998), *The Economic and Compliance Consequences of Taxations – A report on the Health of the Tax System in New Zealand*,

- [<https://books.google.ro/books?id=0nKAAAAAQBAJ&pg=PA21&dq=social+and+business+enterprises&hl=en&sa=X&ved=0CCIQ6AEwAWoVChMI7Lv5M2WyAIVidYUCh0jSgpC#v=onepage&q=social%20and%20business%20enterprises&f=false>], 22 September 2015.
5. Crutchfield, Leslie; Grant, Heather McLeod (2012), *Forces for Good – The Six Practices of High-impact Nonprofits*, [<https://books.google.ro/books?id=Y34lBngAm1oC&printsec=frontcover&dq=traditional+social+sector&hl=en&sa=X&ved=0CDcQ6AEwBWoVChMIisz2nueWyAIVhFsUCh0keAHq#v=onepage&q=traditional%20social%20sector&f=false>], 10 September 2015.
 6. Gidron, Benjamin; Hasenfeld, Yeheskel (2012), *Social Enterprises: An Organizational Perspective*, [https://books.google.ro/books?id=l1HK2dBzGhEC&pg=PA83&dq=social+mission+of+enterprises&hl=en&sa=X&ved=0CCUQ6AEwAWoVChMIz_7zyeWWyAIVxkAUCh2QTAMo#v=onepage&q=social%20mission%20of%20enterprises&f=false], 02 September 2015.
 7. Kickul, Jill; Bacq, Sophi (2012), *Patterns in Social Entrepreneurship Research*, [<https://books.google.ro/books?id=7TofTKzpozUC&pg=PA294&dq=scarcity+of+social+enterprises&hl=en&sa=X&ved=0CCoQ6AEwAmoVChMI2Y7HuvKWyAIVBVIUCh3qxwbB#v=onepage&q=scarcity%20of%20social%20enterprises&f=false>], 15 August 2015.
 8. Prakash Sihna, Udai (2007), *Economics of Social Sector and Environment*, [<https://books.google.ro/books?id=djiJflj8ZxAC&pg=PA123&dq=traditional+social+sector&hl=en&sa=X&ved=0CCQQ6AEwAWoVChMIisz2nueWyAIVhFsUCh0keAHq#v=onepage&q=traditional%20social%20sector&f=false>], 25 August 2015.
 9. Urip, Sri (2010), *CSR Strategies*, [<https://books.google.ro/books?id=540rRIT4AFQC&printsec=frontcover&dq=CSR&hl=en&sa=X&ved=0CCQQ6AEwAWoVChMIksTpiyWyAIVhFwUCh1mJAg9#v=onepage&q=CSR&f=false>], 20 August 2015.