

Searching for a Social Entrepreneurship Model: Narrating Tensions between Economic and Humanistic Pursuits

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Abstract: Social Entrepreneurship is a rising and growing field of research and action all over the world. The various definitions of the social entrepreneurship concept by writers agree that social entrepreneurship is about adopting an innovative and business-like approach to addressing social needs or problems. The purpose of this paper is to contribute to the ongoing research dialogue on the complexities embedded in modeling successful social entrepreneurship through narrating the tensions of using a business model to generate funds to support a social cause. We use a case study approach to conduct this exploratory study. We find in the same venture tensions between humanistic and economic pursuits generally at various stages of the entrepreneurial process and specifically in the four areas of opportunity description, resource mobilization, organization building and the venture concept.

Key words: entrepreneurship process; social entrepreneurship; social venture

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1. Introduction

Social Entrepreneurship, a concept still in its infancy (Roberts & Woods, 2005), is a rising and growing field of research and action all over the world (Nicholls, 2006). Without necessarily quantifying outcome researchers agree that social entrepreneurship has become a global phenomenon that impacts society by using innovative approaches to solving social problems. Research and writer focus has been on the identification of high impact entrepreneurs and has not necessarily developed methodologies that allow the systematic identification and assessment of the many initiatives, typically at local level, that can become the huge social entrepreneurship success stories of tomorrow (Brooks, 2008). This exploratory paper seeks to make a contribution to this growing field through showing the challenges of applying entrepreneurship models to understanding social ventures.

Combining a businesslike approach within the framework of an organization with a social mission can create strategic and operational cultural tensions in the same venture (Dees, 2001, 2012). We use a case study to illustrate the tensions between charity and problem solving. We also outline the complexities embedded in modeling successful social entrepreneurship. In narrating the case we have excluded information that might lead to the identification of the organization or the individuals involved. The overall objective of this study is to contribute to the ongoing narrative of challenges of modelling social entrepreneurship. While we do not bring in new concepts

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the uniqueness of our case makes an important addition to the diversity of the pool of cases referenced in social entrepreneurship research.

2. Background

The case is of a US registered faith based not for profit organization that can be argued to have adopted the concept of social entrepreneurship. It operates social ventures in a country in Southern Africa. The mission of the organization is to bring lasting hope to children at risk so that they can embrace adulthood as independent and contributing members of society. These children are given a home, food and shelter and an education. Of particular importance to the organization within the context of its mission is that the children are given a family, a future and hope. It rescues and cares for what it describes as orphaned and vulnerable children. It seeks economic sustainability. The organization is dedicated to establishing programs that will nurture the children and expand allowing more vulnerable children to be shown God's love.

The children live in a village set up with local mothers. The organization asks for donor child sponsorship to cover education, food, clothing, healthcare, gifts, love and hope. The case has a board in the United States and a local board in the African country. Local operations are headed by an expatriate manager who has moved from the US to Africa on a missionary work permit. It is this local director, known in the organization as the CEO, who we describe as the entrepreneur. The CEO's primary responsibility is to implement the organization's mission of providing hope to the children described above.

In entrepreneurship theory the entrepreneur is central to the entrepreneurial process. Our case entrepreneur fits the model of an entrepreneur based on his involvement in the activities researchers have generally categorized as constituting the entrepreneurial process. He identified a business opportunity, researched its potential, mobilized resources, and founded a venture based on the idea's potential for positive returns. In this paper we describe the venture founded by the entrepreneur as a project in an effort to distinguish it from the rest of the organizational frame work within which the entrepreneur operates. The case entrepreneur describes his goal in embarking on the business project as providing financial support to the social activities. This goal is consistent with the organization's stated aspiration for economic sustainability.

3. Literature

After years of entrepreneurship definition research writers now prefer to use the term entrepreneurship to describe a set of activities that includes opportunity identification and creation of a venture to pursue that opportunity (Dorado, 2006). There have been various definitions of the social entrepreneurship concept by writers and scholars. Social Entrepreneurship research is still in an embryonic stage (Roberts & Woods, 2005), and scholars are yet to agree on a unified definition (Short et al., 2009). Brooks (2008) argues that the various definitions of social entrepreneurship have contained three common concepts. The first is that social entrepreneurship addresses social problems or needs that are unmet by private markets or governments. The second is that social entrepreneurship is motivated primarily by social benefit. The third is that social entrepreneurship works with, not against, market forces. We see this third claim to mean that social entrepreneurs adopt a businesslike approach to social innovation, and that the difference between social entrepreneurship and commercial entrepreneurship is not in the entrepreneurship process but in the description of the rewards sought. Schmitz and Scheuerle (2012), describe the businesslike approach in social entrepreneurship as social value

creation through economic means.

There are studies that have investigated the entrepreneurship process, with a main suggestion that it is made up of components. As a process, entrepreneurship has been described as a complex contextual event, which is the outcome of many influences (Gartner, 1985). According to Gartner (1985) the entrepreneurial process involves several activities the main being identifying an opportunity and creating a venture in pursuit of that opportunity. Dorado (2006) classifies entrepreneurial tasks into three analytically distinct processes. The first focuses on opportunity identification, the second on resource mobilization and the third on organization building.

At the centre of the entrepreneurial process, is the person who is influenced by the context in which the process takes place. Skill attributes associated with successful entrepreneur activities include entrepreneurial and managerial skills (Chandler & Hanks, 1994; Lerner et al., 2002; Knots et al., 2003). The entrepreneur plays a central, often dominant, role in strategic decision making. We see the process of entrepreneurship as drawing from both the individual and the context. The context is what is described in management theory as the environment, generally defined as being composed of factors that exert an influence on the individual or organization (Daft, 2012; Hitt et al., 2011).

Dees (2012) outlines tensions between charity and problem solving. These include the non-analytic approach in charity versus analytic reasoning in problem solving, sacrifice versus investment, giving versus markets, relieving versus markets, caring for the people versus empowering them. Visscher (2008) suggests that in social venture impact assessment a market approach be adopted where donors are classified among other investor stakeholders. The question our research seeks to answer is the feasibility of adopting business principles in the management of a business project founded in the social benefit context. This is an area writers have not said much about. We see Dees's (2012) concept of tension between charity and analytic reasoning as an appropriate guide to our investigation.

4. Methodology

We use a case study (Yin, 2003) to explore the feasibility of adopting business principles in a social venture. We provide a narrative of a specific case of social entrepreneurship in an African country. Given the exploratory nature of this study we consider a case study approach most appropriate. The complexity of, and the need to study the entrepreneurial phenomenon in its real life context are additional reasons to support this approach. Case studies are a common way of doing qualitative research (Stake, 2000), and allow use of multiple sources of evidence to investigate contemporary phenomenon in its real life context (Yin, 2003). Selection of the case was based on the case's uniqueness in clearly combining the two views of our research focus, economic and humanistic perspectives. We presented the case background in an earlier section.

Data gathering combines various methods such as semi structured interviews with key case constituencies, namely the president of the board, the case entrepreneur and the manager responsible for day to day operations of the project, as well as desk research of published organization information. We concur with Yin (2003) in that case descriptions have rich information that can be a basis for multiple analyses. The patterns emerging from the case study data allowed us to use selected entrepreneurship conceptual models to guide the analysis.

5. Conceptual Framework

In this section we present an outline that guides our investigation and frames the presentation of the

presentation of our findings. Because we are not claiming to have developed a model we limit our discussion of this framework to establishing our interpretation of the terms as used by the researchers cited. It is our proposition that the use of business models to recommend operational models for social ventures is tension ridden. Hence the model guiding the investigation shows entrepreneurship process sources of tensions between commercial and social entrepreneurship.

5.1 Opportunity Identification

Central to the definition of entrepreneurship is opportunity identification (Dorado, 2006; Timmons, 2009). Dorado (2006) argues that opportunity identification is a cognitive process. According to Timmons (2009) a good idea is not necessarily a good opportunity. Entrepreneurs see an opportunity in problem solution. Entrepreneur motives have been researched widely. In this paper we adopt Dorado (2006) classification of entrepreneur motives in a way that differentiates commercial and social entrepreneurship in terms of the benefit sought. Brooks (2008) suggests that social entrepreneurship addresses social problems and that social entrepreneurship is motivated primarily by social benefit. We examine the case opportunity guided by these arguments about the meaning of opportunity in social entrepreneurship.

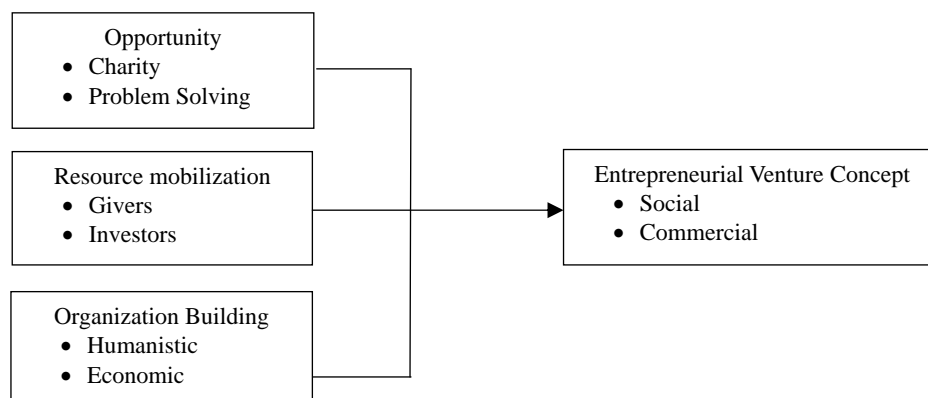


Figure 1 Research Model

5.2 Resource Mobilization

The approach adopted in this section focuses on the actions taken to mobilize resources for the entrepreneurial organization. We also examine how these resources are used and accounted for. There is a broad range of literature on the meaning and classification of resources in social ventures. Key resources include Human Capital, which writers have described as the range of knowledge and skills a person has accumulated (Davidsson & Honig, 2003).

Human capital can also be described as entrepreneur competences. The entrepreneur competences widely documented in literature are described as encompassing the total ability of the entrepreneur to perform the entrepreneurial role successfully (Man et al., 2002; Jiao, 2011). Social capital is another component of venture resources. This has also received extensive documented research and is generally said to come from a founder's social network (Bornstein, 2004).

The third type of resource that we consider is financial capital. Our focus is on the source and to some extent use of financial resources. Use of external funds, whether donated or from commercial investors, according to Dorado (2006), creates the need to consider the financial sustainability of the venture, demands accountability and creates a need to measure performance. We investigate who is financing the case projects and how financier stakeholder expectations are managed.

5.3 Organization Building

Organization building is about the practical logistics of launching and managing a venture. Building an organization is about relationships and processes. Key organizational processes and systems have to be put in place. In the context of the entrepreneurial process model Timmons (2009) uses the term team the same way Dorado (2006) calls it organizational building. General management theory describes the organizing function as prescribing relationships and deploying organizational resources to achieve strategic goals (Daft, 2012). Because we do not deem an extensive discussion of organization theory necessary in this entrepreneurship theory driven paper suffice to say we examine the case organization operational systems.

We investigate whether our case supports the literature reviewed in an earlier section that suggests that social entrepreneurs adopt a businesslike approach to social innovation. We examine the case organization through a concept Schmitz and Scheuerle (2012), describe as a social value creation through economic means.

5.4 Entrepreneurial Venture Concept

The paper is about the way the concept of entrepreneurship is narrated. Our main proposition is that the way the opportunity is described, objectives sought and messages communicated when mobilizing resources, relationships and systems developed to pursue an opportunity impact the accepted narration of entrepreneurship. We see this as the outcome. The idea of serving in a profitable and financially sustainable way has been gaining popularity (Eakin, 2003; Dorado, 2006). Our question is can this goal be attained?

6. Findings

In this section we present the results of the investigation. We follow the model outline discussed in the previous section to frame the presentation. Because we used the case study method we generated rich information that allowed us to do an analysis in line with the guiding framework. Thus what follows is not raw data but findings presented with an analytic lense.

6.1 Entrepreneurial Opportunity

The case is within a case. A not for profit organization saw an opportunity in providing a social benefit to a targeted group of people in need. Pursuit of the opportunity resulted in creation of a project that required a project manager responsible for strategic and day to day oversight of the project. The organization hired an individual with an entrepreneurial mindset. A question that came as we conducted the research was Gartner (1988) question of "Who is an Entrepreneur?" The not for profit organization or the case manager? In the conduct of his project management work the case manager (entrepreneur), while working as the CEO for a faith based, not for profit organization with a social mission adopted a business approach regarding the founding of a business venture. He states the goal of the business venture as to generate funds to help support the mission of the organization.

A detailed project analysis is beyond the scope of this paper. Suffice to say opportunity identification was in line with the cognitive approach of problem solving suggested in entrepreneurship literature. The opportunity was of a commercial business with potential for profitability and growth. Pursuit of this opportunity is done as a commercial business project within a faith-based organization with a social mission. Do not for profit organizations run profitable ventures?

6.2 Resource Mobilization

Our focus was on financial providers. Our research approach did not allow us access to the actual amounts involved. We established that a project proposal was presented and approved. Donor funds were raised to allow the

business venture to take off. Venture expansion was also supported by donor funds.

6.3 Organization Building

With the launch of the business venture our case entrepreneur assumed a broader range of responsibilities. His portfolio of activities now included the original charity related duties of overseeing the village and the business venture activities of establishing business policy and processes. After five years of wearing these two different hats the case entrepreneur was granted authority to hire a business manager to assume business management responsibilities. An experienced business manager was hired to assist the entrepreneur in running the venture. Consistent with his understanding of organizing the first task of the business manager was to collect information on relationships, policies and procedures.

He revealed through our interview with him that he had been surprised when his situational appraisal revealed absence of documented basic organizational processes, operating systems and procedures that he had assumed would be found in a five year old organization. Through the same interview we gathered that the manager's initial impressions had been that the absence of clearly defined operating processes could be explained by overload of responsibilities of the local director, CEO and now entrepreneur. Was the business manager correct in his interpretation of the situation?

The business manager went ahead, driven by his interpretation of the situation and his business management skill set, and designed and documented systems and procedures that he believed would help the project succeed from a business perspective. While we gathered extensive details regarding the recommended operational procedures we decided that describing each of them is not necessary for purposes of addressing our research questions. Two of these recommendations were about human resources management and managing costs. We present a narrative of the case human resource practices and cost management system as background to our resulting resource mobilization questions.

Regarding human resources management the business manager's organistic approach recommendations included human resource planning, and careful selection of employees. The CEO case entrepreneur preferred a humanistic approach that included hiring to serve the local community. The business manager assumed a human resource goal of ensuring availability of skills to meet the needs of the organization. The business venture is in a community with many unskilled and unemployed people. Employing someone from the local community is viewed as a service to the community and performance expectations are not necessarily an implied assumption of the employment contract. Productivity and quality service and product delivery became challenges for the business venture. Employee supervision and performance appraisal were areas of conflict. A new question that emerged in the course of our investigation was, "What is the real purpose of the business venture?"

Regarding cost management on paper the revenue model suggested by the business manager made financial sense. Selling prices were market driven. With cost management profitability was assured. In the environment of the business venture prudent buying is key to cost control. The options to managing costs included buying for cash from suppliers who probably would not provide documentation, or sourcing from the formalized usually more expensive suppliers who would generate the documentation required to meet the accountability expectations of the US based stakeholders. This was a major area of conflict between the CEO and business manager. Who was worried about cost control? How were the financial needs of the organization being met?

Within one year after the hiring of the business manager sales revenue from the project had grown tenfold but the project was making losses, technically failing to make the financial contribution that was the reason for its creation. What went wrong? Or did anything go wrong? Were there other contributions the project was making?

6.4 Venture Concept

Our findings regarding how to conceptualize the venture were summarized by contrasting views presented by interviewees. First, the business manager expressed frustration with what he described as the “system”. Second, the president of the organization’s board said the organization was very happy with the now CEO/case entrepreneur describing the project and business venture as a big success. What is the possible explanation for the conflicting views of the same situation?

7. Discussion

Our investigation left us with more questions that we started with affirming our proposition that there are tensions between attempts to use mainstream entrepreneurship theory to achieve a social outcome. Can social entrepreneurship ventures adopt businesslike principles? Our exploratory case findings suggest that it is challenging.

Without agreement on the definition of the opportunity following through with the rest of the steps in the entrepreneurial process becomes complex. The venture within the project became a source of frustration for the business manager but a joy for the organization founders. The CEO took pride in reporting organizational performance in a way that sustained the satisfaction financial donors receive from knowing they have performed a charitable act. The business manager was driven by problem solving, reasoning, investment and market systems motives. Dees (2006) explains this by arguing that the culture of charity is uncomfortable with commercial or business-like approaches to social problems. This argument undermines and dismisses use of market-based solutions to social problems. To us this argument challenges the definition of social entrepreneurship that we discussed in the literature section. Brooks (2008) summary of social entrepreneurship concepts suggests solution of social problems through economic means.

Our case has shown the challenges throughout the entrepreneurial process. A particularly strong stakeholder conflict was evident in the organizational systems. Documentation of procedures in the case could be likened to a theoretical concept. Even after the systems had been documented, at point of implementation employees would not follow the procedures. The conflict was with carrying out the management functions in the context of the broader mission of the social mission. The social activities in the African country continue getting financial support from donor funds. The project is employing people from the local community a development in line with the mission of the organization. The commercial venture continues to grow in terms of turnover, total capital employed and number of employees, but continues to make losses. The powerful stakeholders, the financial providers and founders of the not for profit organization are excited about the organizational outcome. The website has great pictures described as showing evidence of success.

Our research has established that while profit seeking and charity can each result in measurable and possibly plausible outcomes pursuit of both in the same organization is challenging. Through this study we join the growing number of excited social entrepreneurship researchers. Further research is still required to find conclusive social entrepreneurship models with specific strategies to overcoming the challenges between the economic and humanistic perspectives embedded in social entrepreneurship.

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