

Pros and Cons of Social Entrepreneurship

Pearce, J. M. and Elkington, J. D.

Department of Economics, Mande Bukari University, Mali

ABSTRACT

The nascent field of social entrepreneurship is growing rapidly and attracting increased attention from many sectors. The term itself shows up frequently in the media, is referenced by public officials, has become common on university campuses, and informs the strategy of several prominent social sector organizations. But interest in social entrepreneurship transcends the phenomenon of popularity and fascination with people. Social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart. This review work will focus on the advantages and disadvantages of social entrepreneurship in the society today.

Keywords: Social entrepreneurship, media, and Sectors.

INTRODUCTION

Social entrepreneurship is attracting growing amounts of talent, money, and attention, but along with its increasing popularity has come less certainty about what exactly a social entrepreneur is and does. Any definition of the term "social entrepreneurship" must start with the word "entrepreneurship." The word "social" simply modifies entrepreneurship [1]. If entrepreneurship doesn't have a clear meaning, then modifying it with social won't 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 about something new to the world [2]. On the negative side, entrepreneurship is an ex posts term, because entrepreneurial activities require a passage of time before their true impact is evident.

Social entrepreneurship is an approach by individuals, groups, start-up companies or entrepreneurs, in which they develop, fund and implement solutions to social, cultural, or environmental issues [3]. This concept may be applied to a wide range of organizations, which vary in size, aims, and beliefs [4]. For profit entrepreneurs

typically measure performance using business metrics like profit, revenues and increases in stock prices. Social entrepreneurs, however, are either non-profits, or they blend for-profit goals with generating a positive "return to society" [5]. Therefore, they use different metrics. Social entrepreneurship typically attempts to further broad social, cultural, and environmental goals often associated with the voluntary sector in areas such as poverty alleviation, health care and community development. At times, profit-making social enterprises may be established to support the social or cultural goals of the organization but not as an end in themselves. For example, an organization that aims to provide housing and employment to the homeless may operate a restaurant, both to raise money and to provide employment for the homeless [6]. In the 2010s social entrepreneurship was facilitated by the use of the Internet, particularly social networking and social media websites. These websites enable social entrepreneurs to reach numerous people who are not geographically close yet who share the same goals and encourage them to collaborate online, learn about the issues, disseminate information about the

www.idosr.org

group's events and activities, and raise funds through crowd funding.

Entrepreneurial Characteristics

The entrepreneur is attracted to this suboptimal equilibrium, seeing embedded in it an opportunity to provide a new solution, product, service, or process [7]. The reason that the entrepreneur sees this condition as an opportunity to create something new, while so many others see it as an inconvenience to be tolerated, stems from the unique set of personal characteristics he or she brings to the situation - inspiration, creativity, direct action, courage, and fortitude. These characteristics are fundamental to the process of innovation [8]. The entrepreneur is inspired to alter the unpleasant equilibrium. Entrepreneurs might be motivated to do this because they are frustrated users or because they empathize with frustrated users. Sometimes entrepreneurs are so gripped by the opportunity to change things that they possess a burning desire to demolish the status quo. In the case of eBay, the frustrated user was Omidyar's girlfriend, who collected Pez dispensers. The entrepreneur thinks creatively and develops a new solution that dramatically breaks with the existing one. The entrepreneur doesn't try to optimize the current system with minor adjustments, but instead finds a wholly new way of approaching the problem. Omidyar and Skoll didn't develop a better way to promote garage sales [9]. Jobs and Wozniak didn't develop algorithms to speed custom software development [10]. And Smith didn't invent a way to make the handoffs between courier companies and common carriers more efficient and error-free. Each found a completely new and utterly creative solution to the problem at hand. Once inspired by the opportunity and in possession of a creative solution, the entrepreneur takes direct action. Rather than waiting for someone else to intervene or trying to convince somebody else to solve the problem, the entrepreneur takes direct action by creating a new product or service and the venture to advance it [11]. Jobs and Wozniak didn't campaign

Pearce and Elkington against mainframes or encourage users to rise up and overthrow the IT department; they invented a personal computer that allowed users to free themselves from the mainframe. Moore didn't publish a book telling mothers how to get more done in less time; she developed the Snugli, a frameless front- or backpack that enables parents to carry their babies and still have both hands free [12]. Of course, entrepreneurs do have to influence others: first investors, even if just friends and family; then teammates and employees, to come work with them; and finally customers, to buy into their ideas and their innovations. The point is to differentiate the entrepreneur's engagement in direct action from other indirect and supportive actions. Entrepreneurs demonstrate courage throughout the process of innovation, bearing the burden of risk and staring failure squarely if not repeatedly in the face. This often requires entrepreneurs to take big risks and do things that others think are unwise, or even undoable [9]. For example, Smith had to convince himself and the world that it made sense to acquire a fleet of jets and build a gigantic airport and sorting center in Memphis, in order to provide next-day delivery without the package ever leaving FedEx's possession. He did this at a time when all of his entrenched competitors had only fleets of trucks for local pickup and delivery, they certainly didn't run airports and maintain huge numbers of aircraft [8]. Finally, entrepreneurs possess the fortitude to drive their creative solutions through to fruition and market adoption. No entrepreneurial venture proceeds without setbacks or unexpected turns, and the entrepreneur needs to be able to find creative ways around the barriers and challenges that arise. Smith had to figure out how to keep investors confident that FedEx would eventually achieve the requisite scale to pay for the huge fixed infrastructure of trucks, planes, airport, and IT systems required for the new model he was creating [9]. FedEx had to survive hundreds of millions of dollars of losses before it reached a cash-flow positive state, and without a

committed entrepreneur at the helm, the company would have been liquidated well before that point.

Challenges of social entrepreneurship

Because the world of social entrepreneurship is relatively new, there are many challenges facing those who delve into the field. First, social entrepreneurs are trying to predict, address, and creatively respond to future problems [10]. Unlike most business entrepreneurs, who address current market deficiencies, social entrepreneurs tackle hypothetical, unseen or often less-researched issues, such as overpopulation, unsustainable energy sources, and food shortages [11]. Founding successful social businesses on merely potential solutions can be nearly impossible as investors are much less willing to support risky ventures. The lack of eager investors leads to the second problem in social entrepreneurship, which is the pay gap [10]. Elkington and Hartigan note that “the salary gap between commercial and social enterprises remains the elephant in the room, curtailing the capacity of [social enterprises] to achieve long-term success and viability” [12]. Social entrepreneurs and their employees are often given diminutive or non-existent salaries, especially at the onset of their ventures [2]. Thus, their enterprises struggle to maintain qualified, committed employees. Though social entrepreneurs are tackling the world's most pressing issues, they must also confront skepticism and stinginess from the very society they seek to serve [1]. Another reason social entrepreneurs are often unsuccessful is because they typically offer help to those least able to pay for it [10]. Capitalism is founded upon the exchange of capital (most obviously, money) for goods and services. However, social entrepreneurs must find new business models that do not rely on standard exchange of capital in order to make their organizations sustainable [4]. This self-sustainability is what distinguishes social businesses from charities, which rely almost entirely on donations and outside funding.

Boundaries of Social Entrepreneurship

Pearce and Elkington
In defining social entrepreneurship, it is also important to establish boundaries and provide examples of activities that may be highly meritorious but do not fit our definition [7]. Failing to identify boundaries would leave the term social entrepreneurship so wide open as to be essentially meaningless. There are two primary forms of socially valuable activity that we believe need to be distinguished from social entrepreneurship [2]. The first type of social venture is social service provision. In this case, a courageous and committed individual identifies an unfortunate stable equilibrium AIDS orphans in Africa, for example and sets up a program to address it for example, a school for the children to ensure that they are cared for and educated [5]. The new school would certainly help the children it serves and may very well enable some of them to break free from poverty and transform their lives. But unless it is designed to achieve large scale or is so compelling as to launch legions of imitators and replicators, it is not likely to lead to a new superior equilibrium. These types of social service ventures never break out of their limited frame: Their impact remains constrained, their service area stays confined to a local population, and their scope is determined by whatever resources they are able to attract [9]. These ventures are inherently vulnerable, which may mean disruption or loss of service to the populations they serve. Millions of such organizations exist around the world well intended, noble in purpose, and frequently exemplary in execution but they should not be confused with social entrepreneurship. It would be possible to reformulate a school for AIDS orphans as social entrepreneurship [3]. But that would require a plan by which the school itself would spawn an entire network of schools and secure the basis for its ongoing support [12]. The outcome would be a stable new equilibrium whereby even if one school closed, there would be a robust system in place through which AIDS orphans would routinely receive an education [11]. The difference between

www.idosr.org

the two types of ventures one social entrepreneurship and the other social service isn't in the initial entrepreneurial contexts or in many of the personal characteristics of the founders, but rather in the outcomes [7]. Imagine that Andrew Carnegie had built only one library rather than conceiving the public library system that today serves untold millions of American citizens. Carnegie's single library would have clearly benefited the community it served. But it was his vision of an entire system of libraries creating a permanent new equilibrium, one ensuring access to information and knowledge for all the nation's citizens that anchors his reputation as a social entrepreneur. A second class of social venture is social activism [6]. In this case, the motivator of the activity is the same, an unfortunate and stable equilibrium. And several aspects of the actor's characteristics are the same, inspiration, creativity, courage, and fortitude. What is different is the nature of the actor's action orientation. Instead of taking direct action, as the social entrepreneur would, the social activist attempts to create change through indirect action, by influencing governments, NGOs, consumers, workers, etc. to take action [5]. Social activists may or may not create ventures or organizations to advance the changes they seek. Successful activism can yield substantial improvements to existing systems and even result in a new equilibrium, but the strategic nature of the action is distinct in its emphasis on influence rather than on direct action. Why not call these people social entrepreneurs? It wouldn't be a tragedy. But such people have long had a name and an exalted tradition: the tradition of Martin Luther King, Mahatma Gandhi, and Vaclav Havel [8]. They are social activists. Calling them something entirely new i.e., social entrepreneurs and thereby confusing the general public, who already know what a social activist is, would not be helpful to the cause of either social activists or social entrepreneurs [1].

Ecosystem of Social Entrepreneurship

The ecosystem framework can be very useful for social entrepreneurs in

Pearce and Elkington formulating their strategy [2]. The need for understanding the ecosystem of social enterprises has been increasingly felt as researchers emphasize on the importance of contextual factors supporting and constraining social ventures [4]. Researchers note that there is a need to understand the ecosystems of social enterprises, as they often operate in a context which is highly localized, interacting with small, local actors, but may also be intimately connected to other systems operating at a broader (regional, country level or even global) level which influence their immediate environment [9]. Many researchers such as P. N. Bloom and J. G. Dees attempted to develop an ecosystem model for social entrepreneurs. The ecosystem model proposed by them comprises of all the actors operating in the ecosystem, as well as the larger environment the laws, policies, social norms, demographic trends, and cultural institutions within which the actors play [6]. Similarly, [10] developed a framework to describe the key elements of the social entrepreneurship ecosystem in which they organized the elements into two broad categories which are capital infrastructure and context-setting factors [12].

More recently in 2020, Debapratim Purkayastha, T. Tripathy and B. Das extended the business ecosystem literature to the social policy and social entrepreneurship arena [3]. They developed a comprehensive ecosystem model in the context of the Indian microfinance sector that can be also used by other social enterprises as a framework to understand their own ecosystem and formulate their strategy [5]. The researchers define the ecosystem as consisting of the complex and evolving network of the focal organization (social enterprise) and all other individuals and organizations that the focal organization interact with including competitors, suppliers, complementors, customers, beneficiaries, regulators, resource providers, etc. that directly or indirectly influence each other; their interactions, as also the immediate and the broader

www.idosr.org

environment (economic, social, political, etc.) the organization is influenced by and reside in [5]. The model helps identify all the actors in the complex ecosystem, the capital infrastructure and the context-setting factors.

Role of technology in Social Entrepreneurship

The Internet, social networking websites and social media have been pivotal resources for the success and collaboration of many social entrepreneurs [8]. In the 2000s, the Internet has become especially useful in disseminating information to a wide range of like-minded supporters in short amounts of time, even if these individuals are geographically dispersed. In addition, the Internet allows for the pooling of design resources using open source principles [6]. Using wiki models or crowd sourcing approaches, for example, a social entrepreneur organization can get hundreds of people from across a country (or from multiple countries) to collaborate on joint online projects (e.g., developing a business plan or a marketing strategy for a social entrepreneurship venture). These websites help social entrepreneurs to disseminate their ideas to broader audiences, help with the formation and maintenance of networks of like-minded people and help to link up potential investors, donors or volunteers with the organization. This enables social entrepreneurs to achieve their goals with little or no start-up capital and little or no "bricks and mortar" facilities (e.g., rented office space) [7]. For example, the rise of open-source appropriate technology as a sustainable development paradigm enables people all over the world to collaborate on solving local problems, just as open source software development leverages collaboration from software experts from around the world.

Advantages of Social Entrepreneurship

1. Diversity:

Business aficionados and revolutionaries all know the importance of having an edge. Many social businesses today can benefit of their Unique Selling Point of being "social" and impactful". A new international study by Unilever reveals

Pearce and Elkington that a third of consumers (33%) are now choosing to buy from brands they believe are doing social or environmental good [10]. People are slowly awakening their consciousness and happily rather support something ethical than something is not.

2. Change Pionner / First Mover Advantage:

It always seems impossible until it's done said Nelson Mandela. To steer away from the crowd often makes one seem crazy, but isn't that where all revolutions begin? Moving first makes all risk taking social entrepreneurs have the first mover advantage and effectively be the change pioneers [4]. That's, at least in business, a great position to be in as the road is less trafficked and you have more room for manoeuvre.

3. Positivity Magnet:

Good attracts good, and bad. When you are doing something positive two things are likely to happen, good people will feel compelled to join you, and when that happens bad people will also feel the need to change, or get in your way [3]. If you keep an open door and very transparent policies the world can look in and eventually be amazed, if you are correctly measuring, tracking, assessing, and showcasing your social impact.

Disadvantages of Social Entrepreneurship

1. Lack of Success Cases/History:

But investors, talented people, investors, stakeholders, and key players have a common goal, which is to be where they can succeed. For social entrepreneurs to shift mindsets, they have to gain their trust [9]. It is very hard these days to show accountability and viability of the social business models due to the small number of case histories.

2. Lack of Public Exposure and Recognition:

Truth to be told, more people don't have a clue about social entrepreneurship than not, hence how do you expect them to support a social venture? Whether it's online or offline, very little can be found about them and hence the unexposed public when coming across social entrepreneurship may misunderstand it

[7]. Moreover, people don't trust what they don't know and that causes misconceptions.

3. Lack of Support Structure and Funding:

When you begin a venture support is needed. Unluckily, due to lack of regulations and recognition for social enterprises around the world, the environment is not ideal. Social entrepreneurship is a new road to be paved [2]. Change makers need to struggle harder than regular entrepreneurs and most of the times get stuck due to the lack of investors, regulatory structure, etc. In the United Kingdom, luckily, we have C.I.C. which make the entrepreneurs job easier when facing stakeholders' and public's

Social entrepreneurship is an appealing construct precisely because it holds such high promise. If that promise is not fulfilled because too many "non-entrepreneurial" efforts are included in the definition, then social entrepreneurship will fall into disrepute, and the kernel of true social entrepreneurship will be lost. Because of this danger, we believe that we need a much sharper definition of social entrepreneurship, one that enables us to determine the extent to which an activity

CONCLUSION

Pearce and Elkington validation thanks to mandatory asset locks and public annual records but still, for example, the government hasn't regulated any tax incentives [9].

Therefore the main mission is to open people's eyes, through transparency, and all come together. Emotional intelligence will also play a big role, in my opinion, because the main task is to influence people and convince that shifting the focus from profit to impact is not such a bad idea after all [2]. The crowds will then slowly shift in that direction, helped by the power of communities and technology, and the world will become a better place based on societal progress, non-aggressive innovation, trust, and transparency.

is and is not "in the tent." Our goal is not to make an invidious comparison between the contributions made by traditional social service organizations and the results of social entrepreneurship, but simply to highlight what differentiates them. Lastly, theories of change and impact assessment are two very useful tools that must at all times be used to move further and have enough accountability to have credibility and viability.

REFERENCES

1. Agafonow, Alejandro (2014). Value Creation, Value Capture, and Value Devolution: Where Do Social Enterprises Stand?. *Administration & Society*. 47 (8): 1038-1060.
2. Alvord, Sarah H., Brown, David L., and Letts, Christine W. (2004). Social Entrepreneurship and Societal Transformation: An Exploratory Study. *The Journal of Applied Behavioral Science*. No. 3: 260-282.
3. Bloom, P. N. and Dees, J. G. (2008). Cultivate Your Ecosystem, *Stanford Social Innovation Review*. 6(1): 47-53.
4. Cook, B., Dodds, C. and Mitchell, W. (2003). Social Entrepreneurship: False Premises and Dangerous Forebodings." *The Australian Journal of Social Issues*. no.1: 57-72.
5. Dees, J. G. (2010). The meaning of social entrepreneurship, available in: <https://entrepreneurship.duke.edu/news-item/the-meaning-of-social-entrepreneurship/>
6. Komatsu, T. (2016). Social Innovation Business Models: Coping with Antagonistic Objectives and Assets. *Finance and Economy for Society: Integrating Sustainability*. *Critical Studies on Corporate Responsibility, Governance and Sustainability*. 11. pp. 315-347.
7. Komatsu, T., Deserti, A., Rizzo, F., Celi, M. and Alijani, S. (2016). *Social Innovation Business Models:*

- Coping with Antagonistic Objectives and Assets", Finance and Economy for Society: Integrating Sustainability (Critical Studies on Corporate Responsibility, Governance and Sustainability, Vol. 11), Emerald Group Publishing Limited, pp. 315-347.
8. Lombard, K. J. (2012). Social entrepreneurship in youth culture: Organics, Russell Simmons and Emile 'XY' Jensen. *Journal for Cultural Research*. 16 (1): 1-20.
 9. Martin, R. L. and Osberg, S. (2007). Social entrepreneurship: The case for definition. *Stanford Social Innovation Review*. 5 (2): 28-39.
 10. Thompson, J. L. (2002). The World of the Social Entrepreneur. *The International Journal of Public Sector Management*. 15 (4/5): 413.
 11. Unilever. (2017). Report shows a third of consumers prefer sustainable brands. [online] Available at: <https://www.unilever.com/news/press-releases/2017/report-shows-a-third-of-consumers-prefer-sustainable-brands>.
 12. Wee-Liang, W. J. and Tan, T. (2005). Defining the 'Social' in 'Social Entrepreneurship': Altruism and Entrepreneurship. *The International Entrepreneurship and Management Journal*. no. 3: 353-365