



A typology of social entrepreneurs: Motives, search processes and ethical challenges[☆]

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ABSTRACT

Social entrepreneurship has been the subject of considerable interest in the literature. This stems from its importance in addressing social problems and enriching communities and societies. In this article, we define social entrepreneurship; discuss its contributions to creating social wealth; offer a typology of entrepreneurs' search processes that lead to the discovery of opportunities for creating social ventures; and articulate the major ethical concerns social entrepreneurs might encounter. We conclude by outlining implications for entrepreneurs and advancing an agenda for future research, especially the ethics of social entrepreneurship.

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1. Executive summary

Social entrepreneurs make significant and diverse contributions to their communities and societies, adopting business models to offer creative solutions to complex and persistent social problems. We propose that social entrepreneurship “encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner”.

In this article, we highlight social wealth as a metric for measuring the contributions of social entrepreneurship within the context of total wealth maximization. To us, “total wealth” comprises both economic and social wealth. Our proposed metric, therefore, acknowledges that any economic and social value created may offset the economic and social costs incurred. It also takes into account the forgone costs of other opportunities not pursued.

Building on the work of Hayak, Kirzner and Schumpeter, we also identify three types of social entrepreneurs: Social Bricoleur, Social Constructionist, and Social Engineer. Social Bricoleurs usually focus on discovering and addressing small-scale *local* social needs. Social Constructionists typically exploit opportunities and market failures by filling gaps to underserved clients in order to introduce reforms and innovations to the broader social system. Finally, Social Engineers recognize systemic problems within existing social structures and address them by introducing revolutionary change. As a result, these entrepreneurs often destroy dated systems, and replace them with newer and more suitable ones. Given these differences, we propose that these three types of

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social entrepreneurs vary in how they discover social opportunities (i.e., search processes), determine their impact on the broader social system, and assemble the resources needed to pursue these opportunities. We also discuss ethical issues unique to each type of social entrepreneur.

A key contribution of our article is highlighting key ethical concerns encountered when uniting economic thinking with the desire to generate social wealth. These challenges vary based upon social entrepreneurs' motives, the resources needed to pursue their ambitions, as well as the governance and control mechanisms employed to regulate their behaviors. Because the goals of social ventures are deeply rooted in the values of their founders, balancing the motives to create social wealth with the need for profits and economic efficiency can be tricky. Applying new and untested organizational models also raises concerns about the accountability of the actors involved. Furthermore, social entrepreneurs operate in domains with scant governance and oversight. This enables some to cut ethical corners or place their personal agendas and economic objectives ahead of the fiduciary needs of their clients. We conclude by outlining key implications for social ventures' founders and entrepreneurs. We also offer an agenda for future research on the ethics of social entrepreneurship.

Social entrepreneurship is an important topic that has sparked ongoing discussion and debate (Austin et al., 2006). Some scholars have begun to delineate the distinct domain of this phenomenon, examine its potential to address social problems, and explore its implications for wealth creation (Austin et al., 2006; Bornstein, 2004; Davis, 2002; Dees et al., 2004; MacMillan, 2005). To some, social entrepreneurship offers innovative solutions to complex and persistent social issues by applying traditional business and market-oriented models (Spear, 2006; Dorado, 2006; Mair and Noboa, 2003; Pearce and Doh, 2005). As such, social entrepreneurship provides an alternative to a culture of greed and selfishness (Hemingway, 2005; Mintzberg et al., 2002). Still, others view social entrepreneurship as a vague and poorly understood concept (Martin and Osberg, 2007) whose practice raises thorny ethical concerns (Fowler, 2000). These issues reflect the unique values that social entrepreneurs hold and the search processes they follow in identifying, evaluating and exploiting opportunities.

In this article, we have two objectives. First, we build on the work of Hayek (1945), Kirzner (1973) and Schumpeter (1934) to advance a typology that identifies three types of social entrepreneurs. These entrepreneurs vary in how they define opportunities, view their missions, acquire resources, and address social ills. Second, we use the proposed typology of social entrepreneurs to explore various ethical issues encountered in practice. Entrepreneurial activities are often associated with the opportunity to cut ethical corners (Barendsen and Gardner, 2004; Kuratko and Goldsby, 2004). Yet, balancing social wealth with the desire to make profits and maintain economic efficiency is no simple matter. The new and untested organizational models that social entrepreneurs follow often raise concerns about their accountability and contributions. To fully appreciate these concerns, we first discuss the importance and domain of social entrepreneurship.

2. The importance and domain of social entrepreneurship

Throughout the world, socially conscious individuals have introduced and applied innovative business models to address social problems previously overlooked by business, governmental and non-governmental organizations (NGOs). These entrepreneurs have played a vital role in ameliorating adverse social conditions, especially in underdeveloped and emerging economies where resource scarcity and corruption among governments and even NGOs severely limit the attention given to serious social needs (Prahalad, 2005; Zahra et al., *in press*). Social entrepreneurs have also become highly visible agents of change in developed economies, where they have applied innovative and cost-effective methods to address nagging social problems (i.e., poverty, gender inequality, etc.) that have defied traditional solutions (Cox and Healey, 1998). The movement by several countries to "marketize" the social service sector (Salamon, 1999) has also fueled the desire to use the efficiency of competitive markets to improve social performance (Goerke, 2003; Zahra et al., 2000). Several governments, including that of the US, have also dramatically cut federal spending on social services such as education and community development (Lasprogata and Cotton, 2003), creating a need for entrepreneurial activities to raise funds and address social needs.

The global movement toward privatization and marketization has also profoundly influenced not-for-profit organizations and NGOs, pressuring them to address the gaps left in the provision of social services. Though funding for these activities from traditional sources has declined (Wolverton, 2003), the costs of delivering these programs have increased (Leadbetter, 1997). Consequently, more and more not-for-profit organizations attend to an expanding set of complex social needs, yet rely on fewer funds. This has prompted some not-for-profits to apply entrepreneurial strategies and business models. This includes forming collaborative relationships to finance and operate programs that pursue their social missions (Foster and Bradach, 2005; Chell, 2007; Pearce and Doh, 2005). These institutional changes have also given rise to a variety of social ventures (Dorado, 2006; Thompson and Doherty, 2006).

Despite the growing scholarly interest in social entrepreneurship (Hemingway, 2005), there is no clear definition of its domain. This task has been complicated by social entrepreneurship's numerous manifestations, and the breadth of the scholarly communities studying the subject. Furthermore, the term itself combines two ambiguous words connoting different things to different people (Mair and Marti, 2004). Disagreements persist about the domain of entrepreneurship (Shane and Venkataraman, 2000; Zahra and Dess, 2001) and adding the value-laden prefix "social" further exacerbates this definitional debate. Table 1 presents 20 definitions and descriptions of social entrepreneurship or social entrepreneurs found in the literature. In presenting these definitions, we do not strive to find a statement encompassing all aspects of these diverse definitions. Rather, we provide a definition that integrates common points of view and facilitates the development of a heuristic to measure the creation of total wealth.

Entrepreneurs, including those who have found and lead social ventures, usually pursue multiple goals that include a diverse set of personal objectives (Kahneman and Tversky, 1979; Baker et al., 2005). Commercial entrepreneurs are largely driven by

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