

EDITORIAL

Social entrepreneurship and enterprise: International and innovation perspectives

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This paper provides an overview of social entrepreneurship and social enterprise, making reference to pertinent literature. Internationally the distribution of social enterprises is uneven and there are noticeable differences that reflect national differences in welfare, labour market and ideology. Essentially however social enterprises seek business solutions to social problems and in order to do so, we argue, it is necessary for social enterprises to foster innovation. The papers included in this volume present different models and theories of how this might be achieved. All the authors place emphasis on the need to develop a sound theoretical platform and raise methodological problems common to management research. Additionally, the papers raise policy issues, such as how outcomes of social enterprise are valued and prioritised in different societies. The work discussed points to how social enterprise may offer innovative solutions to help solve problems of social integration, socially dysfunctional behaviour and socio-economic development. It indicates the need for further research, especially to test further the models comparatively. Finally this body of work builds on and extends our thinking about entrepreneurship, and the need to tie it into social, cultural, civic and political agenda.

Keywords: entrepreneurship; social entrepreneurship; social enterprise; innovation; social policy; social integration; interdisciplinary approach

International attention is increasingly being given to social entrepreneurship and social enterprises. Numerous institutions, such as international organizations (e.g. World Bank), world-class universities, governments, public agencies, private corporations and entrepreneurial firms are paying attention to the phenomenon and dedicating resources to social entrepreneurship. This special issue on social entrepreneurship from international and innovation perspectives has provided due attention to this rapidly emerging area in the subject domain of entrepreneurship by soliciting the contribution of papers that encompass inter-disciplinary and cross-cultural approaches.

As with any newly emerging field, one of the major concerns has been the issue of definition and conceptualization of social entrepreneurship (Christie and Honig 2006). Social entrepreneurship has been defined in various ways. A broad definition of social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, or in the corporate social entrepreneurship (usually in the form of CSR-related activities) or in the non-profit sector (Dees 1998; Dees and

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Anderson 2003; Austin, Stevenson, and Wei-Skillern 2006). Recently, Zahra et al. (2009, 519) have proposed a definition, which highlights innovation at the core of the process: '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 organisations in an innovative manner'.

The central driver for social entrepreneurship is the social problem being addressed in an innovative and entrepreneurial way. Social enterprises tackle a wide range of social and environmental issues and operate in all parts of the economy with a view to social value and wealth creation (Chell 2007). The decision to form a particular form of social enterprise should depend on which format would most effectively mobilize the resources needed to address a particular social or environmental problem (Austin, Stevenson, and Wei-Skillern 2006). Social enterprise has been defined by the UK Government as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders' (DTI 2002, 2003). This definition adds another dimension to the discussion by highlighting the underlying financial motivation of sustainability of the social enterprise. Given these aspects of social entrepreneurship as entrepreneurial activity and social enterprises as organizations in which this activity manifests itself, a broader conceptualization of social entrepreneurship, which underscores innovative, social value creating activity that can occur within or across the not-for-profit, business or government sectors (Austin, Stevenson, and Wei-Skillern 2006; Zahra et al. 2009) is adopted in developing this special issue.

It is worth noting that three interacting sets of factors have influenced the development of social enterprises internationally: demand side factors (i.e. public wanting services from social enterprises as customers); supply side factors (essentially the supply of social entrepreneurs) and contextual and institutional factors impacting on the relation between the two (Spear 2006). Drawing on a comparative research project on the social enterprise activity in 15 European countries, Borzaga and Defourny (2001) suggest three factors to explain country variations in the Europe: (1) the level of development of the economic and social systems; (2) the characteristics of the welfare systems and of the traditional third sector and (3) the nature of the underpinning legal systems.

The authors note that the economic weight of social enterprises is unevenly distributed throughout Europe. In Italy, for example, there are thousands of social enterprises that provide a range of social services including the work of integration of disadvantaged people. In other countries, such as Sweden and Finland, the number of social enterprises is considerable; however, they are mainly active in specific fields, such as employment services and kindergartens. In contrast, Greece and Denmark represent countries where a very small number of social enterprises exist. Germany and the Netherlands exemplify the countries in which the existing social enterprises are not clearly differentiated from public or traditional third-sector organizations. However, social enterprises in these countries present innovative characteristics either in the services or products provided or in the methods of production. In the UK, social enterprises have undergone high growth rates with high levels of success in the pursuit of their aims. There one might argue that the propensity for growth qualifies the activity of social enterprise as an entrepreneurial activity.

Amin, Cameron, and Hudson (2002) stressed the idea that international differences in social enterprises reflect differences in welfare systems, in political and institutional contexts in particular, such as lack of a publicly funded welfare system in the US, a strong welfare system in Europe and the contraction of the welfare system in the UK as observed at the time of the study, the latter having boosted the role of the social economy. However, Amin, Cameron, and Hudson (2002) argue that such observations should be qualified by contextual factors, such as population growth, increased longevity and immigration, and as such specialized calls on any welfare system. In Austria, for example, social enterprises form part of an active labour market policy, since they provide a means to quality and reinstatement of the long-term unemployed into employment and society more generally (Loidl-Keil 2002). Such social enterprises, therefore, maintain a relatively high degree of business-like nature, whereas in other European countries, the term 'social enterprise' becomes a lot less clearly defined. For example, Loidl-Keil (2002) refers to Finland and Sweden, where, because of socio-economic conditions, social enterprises are not differentiated to such a large extent from 'enterprises' per se. They also refer to the example of the US, where social enterprises are usually run as 'branches' of for-profits, financed by the surpluses of the latter. Borzaga and Santuari (2000) refer to the example of Italy, where social enterprises are firmly based in the tradition of co-operatives, which have functioned as providers of employment in an employment market system that needed some form of social solidarity.

The extent to which 'best practices' from different systems can be studied and emulated has been reported as very limited, not because of its potential usability, but because no existing models and networks for such knowledge sharing yet exist (Laville and Nyssens 2001). Finally, from a cross-cultural perspective, following Holden (2002, 59), we are considering how knowledge sharing could be done by facilitating 'a synergistic action and learning at interfaces where knowledge, values and experience are transferred into multicultural domains of implementation'. The strong emphasis of values, which is related to social enterprises, makes this a perfect candidate for this approach.

The need to know more about social enterprises and the social entrepreneurship process is driven by a number of factors; there is a policy debate, which has led to a strengthened agenda for creating an enabling environment for the development of social enterprises in, for example, the UK and other OECD countries. Further, the global and national context against which social entrepreneurship has developed entails addressing the globally applicable issues related to a 'paradigm of corporate accountability'. Increased privatization of public services and government contracting as well as an increased 'efficiency' focus of the public sector, local economic as well as regional and urban community development are some of the enabling conditions of social enterprise. Social enterprises are arguably promoting a special kind of *social capital* because individuals, who are concerned with a particular (social) problem or follow a certain ideology, are brought together to succeed in designing an economic and social activity around it (Laville and Nyssens 2001). Social enterprises, in that sense, demonstrate their ability to be economically innovative when they constitute 'intermediary areas' (Evers 1995), mobilizing social capital by transferring it from the private to the public sphere. Given the nature of these debates, it is time to consider the nature of social enterprise and social

entrepreneurship, and how capability in social enterprise might be developed (Chell, Karataş-Özkan, and Nicolopoulou 2007).

Drawing on the concept of social economy, Defourny (2001, 16–8) suggests nine characteristics that characterise social enterprises. The first four reflect the economic and entrepreneurial dimensions, the other five are social factors, which include an explicit aim to benefit the community, an initiative launched by a group of citizens, a decision-making power not based on capital ownership, a participatory nature, which involves the various parties affected by the activity and a limited profit distribution. Focusing on the economic and entrepreneurial aspects, first, there exists a focus on a continuous activity of producing goods and or selling services. Social enterprises are engaged in redistribution of financial flows with an objective of direct involvement in the production of goods or provision of services to people on a continuous basis. The provision of such goods or services represents one of the main reasons for the existence of social enterprises. Second, social enterprises are characterized by a high degree of autonomy as they are created by a person, social entrepreneur or a group of people and are governed by them in the framework of an autonomous project. They are independent from public authorities or other organizations, unlike traditional non-profit organizations. Third, a significant level of economic risk is involved. Those who set up a social enterprise assume the risk of the initiative. Their financial viability relies on the efforts of the members of the social enterprise to generate and secure sufficient resources, an entrepreneurial process that is managing risk and uncertainty. Finally, by utilizing both voluntary and paid workers, the activity carried out in the social enterprises requires a minimum level of paid workers, in contrast to what often is the case in ‘economic’ enterprise.

The fact that social enterprises are defined around the concept of a ‘multiple’ bottom line would appear to circumscribe them in a different light than economic enterprises. In practice, it suggests greater complexity at the managerial level for ensuring sustainability. Thus, where social enterprises have attracted little grant-aid, the directors of the social enterprise would, presumably, need to be just as, if not more, entrepreneurial and innovative as the economic entrepreneur whose primary goal is wealth creation and capital accumulation (Chell 2007).

Arguably, the role and extent of social entrepreneurship activity is developing in a state of flux. Given the values that social enterprises exemplify – enterprise, innovation, competitiveness and social inclusion – (Defourny 2001; DTI 2002), social enterprises aim to create social value rather than personal wealth for the leader–manager (Chell 2007). However, social enterprises are also faced with the challenge to seek business solutions to social problems (Thompson and Doherty 2006) and become and remain sustainable if they are to deliver maximum value along all three aspects of the ‘triple bottom line’ (social, environmental and financial) according to which they are defined. In order to do that social enterprises need to foster innovation as a response to the challenges they are facing. This would include innovation in outlook, behaviours, strategy and operations.

The current special issue has aimed to address, in more detail, various aspects that define innovation for social enterprise from a number of inter-disciplinary and cross-cultural perspectives. Specifically, in terms of the papers contributed to the special issue: whilst it may seem obvious to some, to others it may not be as they are too close to their own models and theories of what social enterprise is. This selection

of papers about social enterprise in a range of countries around the world raises a variety of issues and shows that the expression of social enterprise varies considerably depending upon context, situation and circumstance. We tend to think of social enterprise in positive terms; however, the contexts from which it may emanate may be far from positive. Friedman and Desivilya paint for us a picture of a divided society, at the northern Israeli border with Palestine. They pose a vital practical question of how can one conceive of a means through social enterprise of addressing the problems and deep social divisions that have arisen between these troubled communities. Using an action theory methodology, they present a 'Studio for Social Creativity', which is intended to address the action strategies that may be drawn on to help redefine inter-group relations, enhance social networks, activate social capital, leverage diversity and challenge the existing power structures. This is a huge agenda for social enterprise, but it may also be seen as a means by which social enterprise may empower people to begin to address their social problems whatever and wherever they exist.

Social enterprise has also tended to focus on the resolution of social problems. Whilst that might seem self-evident, a stronger position is that of the prioritization of social value over economic value. Perrini, Vurro, and Costanzo highlight this issue in their paper and also the need to find innovative solutions to persistent social problems. Social enterprise should not be thought of as mundane, rather it may raise profound issues of how to address long-term social needs and how the proposed solution, should it be deemed effective, may be scaled up. In circumstances of environmental volatility, even successful solutions may be threatened; therefore, issues of development within less benign conditions are addressed in this paper. This paper uses the case of a drug rehabilitation centre to illustrate and analyse these issues. Adopting Yin's case study methodology, the authors identify a set of propositions that they argue stem from social enterprise theory relevant to this case and show how the social enterprise process unfolds through the various stages of opportunity recognition.

The next paper also identifies the need for social enterprise as an emerging field to strengthen its theoretical base. It is crucial to go beyond the stories and anecdotes to drawing out the theoretical principles and propositions that enable insights to be gleaned. In addressing this issue, Tapsell and Woods couch their case in Schumpeter's theory of economic development. Linking this to complexity theory, the authors lay a platform of guiding propositions through which they examine emergent theory. Schumpeter's theory of economic disruption and change fits well with complexity theory, these authors argue, because it is within these discontinuities and at the boundaries of change and stability that innovation and entrepreneurship occur. This case is also of interest because counter to Western thought about entrepreneurship and the centrality of individualism as the nexus of entrepreneurial behaviour, it highlights the importance of the collective. This interdisciplinary team focuses on Maori entrepreneurship and identifies self-organization as a means by which collective innovation and enterprise practices may be understood. The social and economic problem being addressed through this paper is that of the social and economic dislocation of people and the need to rebuild a community.

Bridgstock, Lettice, Özbilgin, and Tatli address another social problem that of diversity management and consider how diversity management may be used to

leverage innovation in the policies and practices of social enterprise, in other words, a social agenda within social enterprises. This case, based in the UK, highlights the interplay between social enterprise and diversity management in the areas of innovation, networking, reconciliation and funding; and draws upon field survey and case study data in order to go beyond a narrow view of diversity management that relates only to workforce composition to explore the accommodating characteristics that they argue are distinctive to social enterprise. As such, the authors identify an important gap in the literature. Further, they recognize that, by placing diversity management within social enterprise settings, greater benefits may accrue through links with innovation practices, which they illustrate through rich contextual material derived from a number of diverse case studies. Crucially, this paper recognizes that the management of diversity in small social enterprises is unlikely to be successfully addressed by adopting models from large-scale organizations. Rather, they conceive of networked diversity as the means by which social enterprises may provide innovative solutions to the management of diversity. These solutions may include mechanisms of support and collaboration, education and learning, the identification of diverse and multiple funding sources and reconciliation between stakeholders drawn from different social, ethnic and religious backgrounds. This 'networked diversity' approach raises an important issue, which is the formation of collaborations between social enterprises, corporations and public sector organizations in tackling various social problems (Nicolopoulou and Karataş-Özkan 2009). Recognizing the differences of social enterprises from their commercial counterparts, as a part of this collaborative process, many social enterprises can tap into the resources and relationships of established corporations (Di Domenico, Tracey, and Haugh 2009) and public sector organizations in order to pursue collaborative social innovation for sustainable growth.

In a similar vein, Smith and Stevens also emphasize the need to develop social enterprise theory and thereby, to distinguish social entrepreneurship from its commercial counterpart. However, these authors focus on how location and differences in geography influence the types of social networks in which social enterprises are embedded. Specifically, they posit that there is a relationship between geographic area and social embeddedness; the nearer the greater the interaction of stakeholders in the social enterprise network of relationships. They note, in particular, that work on embeddedness has considered its role in commercial entrepreneurship rather than in the domain of social enterprise, thus identifying a gap in the literature. Further, structural embeddedness concerns the type of relationships that connect actors. As such, these ties are both spatial and temporal. Moreover, Smith and Stevens argue that different types of social entrepreneurs occur in different types of spaces, from local, regional through to transnational or global. In these ways, they argue that geography plays a critical role in the nature of structural embeddedness of social entrepreneurs.

All the above authors have placed emphasis on the need to develop a sound theoretical platform on which to develop our understanding of the many forms that social entrepreneurship, social entrepreneurs and social enterprises take. On this base, it is possible to see how further work might be developed. For example, more comparative work taking the various models across countries, indeed across continents might be one way forward. Having established that the venturing process and different forms of social enterprise that emerge out of this process are important

areas to investigate further, it is worth highlighting a related research issue, which is sustainable growth of social enterprises. How can social enterprises be managed entrepreneurially with an objective to grow the enterprise and deliver increasing social and economic value? What are the challenges involved in growing a social enterprise? As the ethical foundations of the social enterprise strongly influence its strategies and operations, how should expectations of numerous stakeholders be managed and met effectively during the growth process? These challenging and unanswered questions and many others warrant further investigation.

All the papers raise methodological problems common to management research more broadly. These include dealing with case studies; should they be considered to be unique or are there insights because principles highlighted by the cases are theoretically generalizable or transferable to other contexts? How are outcomes valued and prioritized by society? Social and economic enterprise and entrepreneurship make this a stark issue because they force the juxtaposition of social and economic outcomes. This goes beyond the so-called 'triple bottom line' to another level broadening out from the enterprise itself and its stakeholders to wider society. Whilst these are large questions, they are nonetheless critically important to the functioning of all societies. Social and economic dislocation is evident in developed societies in the western world and is not a phenomenon restricted to developing economies. Moreover, social enterprise and social entrepreneurship may offer innovative ways forward to help resolve problems of social integration, socially dysfunctional behaviour and socio-economic development. Social enterprise presents the society with choices. For example, the prioritization of individualism, much of which may be seen as self-centred and self-serving, contrasted with collectivist solutions where building and developing communities is key to social and economic welfare and well-being. In these ways, social enterprise poses ethical dilemmas for governments, industries and individuals. We therefore see a considerable scope for academics to build on the theoretical, the practical and the policy implications of the work that is displayed in this special issue.

The contribution of this special issue spells out clearly the need to study in-depth a cross-country, comparative dimension of social entrepreneurship, thereby 'operationalizing' the notion of different 'spaces', contexts and situations in which it might flourish; and moreover, to turn to social, anthropological and cultural studies to further understand and explore its nature and variety of forms. It builds on an earlier issue of this Journal, (Volume 16, no. 3), where the discussion for the space of entrepreneurship in society has been opened up by the work of Steyaert and Katz (2004), who focused on geographical, discursive and social dimensions of entrepreneurship. This was expanded on by Johnstone and Lionais (2004) through their article on community business entrepreneurship, which they conceptualized as the entrepreneurial process that can be modified to pursue community goals. The current special issue builds on and furthers the discussion on social entrepreneurship, by differentiating from, and complementing it with, economic entrepreneurship (Short, Todd, and Lumpkin 2009; Chell, Karataş-Özkan, and Nicolopoulou 2006; Chell 2007; Zahra et al. 2009). It operationalizes several of the social issues referred to in the previous special issue through examples highlighting various social problems in different contexts, as key topics in the agenda of social entrepreneurship, which indicate the need to 'tie in' entrepreneurship with social, cultural, civic and political considerations.

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