

# FORUM

Invited article

## SOCIAL ENTREPRENEURSHIP AND SOCIAL BUSINESS: RETROSPECTIVE AND PROSPECTIVE RESEARCH

Social Entrepreneurship and Social Business (SE/SB), inclusive business, businesses with social impact and a higher purpose are becoming increasingly important both in academia and the business world (Sassmannshausen & Volkmann, 2013). Since the influential article by Dees (1998), many different perspectives about social entrepreneurship and social business have been discussed in academia. On the management side, these types of businesses have also proliferated in the last decades. Yunus with his work leading Grameen Bank has inspired many other entrepreneurs and organizations to create a new kind of business more embedded with a social purpose.

The main purpose of the Social Entrepreneurship and Social Business (SE/SB) field is to diminish vulnerabilities and social inequalities in the world. Indeed, SE/SB are emerging as practitioners of market forces that play an integrative role in bridging sustainable business models with society needs, that still exist because of opportunities arising from government gaps.

According to Yunus (2010), one of the goals of SE/SB is to reduce poverty. Therefore, another stream of thought that is aligned with SE/SB is the Base of the Pyramid (BoP). From the seminal article by Prahalad and Hart (2002) much has been debated about BoP and how businesses might have a social impact. From a first approach based on the idea of a market base, the BoP field has evolved to a more inclusive perspective that has some relations to the concepts of SE/SB and currently has some of the same challenges of creating more inclusive approaches.

The purposes of this article are twofold: firstly to examine some of the main themes discussed about SE/SB up to the moment and secondly to present some major themes that we believe will be the focus in the next years.

### RETROSPECTIVE VIEW

In a retrospective view, the field of SE/SB has evolved in many dimensions in the last decade. A qualitative analysis of the field, based on perceptions from the literature and from the ecosystem of SE/SB, indicates four central themes (for a quantitative analysis see Sassmannshausen & Volkmann, 2013).

The first theme is about conceptualization, which is important for any new field. There are many different perspectives to define social businesses (Comini, Barki, & Aguiar, 2012). Currently, the sector presents several concepts: including business, social entrepreneurship, and business with social impact, among others. Although different, they all have in common the notion of using a business model with a higher purpose, financially sustainable and that has a social impact (Young, 2007).

Yunus (2010) is one of the leading advocates of the social business concept, with his argument of “no loss, no dividend”. He believes that social businesses have the social impact as their main objective and that all profits should be reinvested in the organization. For Yunus (2010) there is another type of social business: the one owned by the poor and that the profitability of the organization goes to them as a means to alleviate poverty.

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However, this is not the only perspective. Chu (2007), for instance, argues that, in order to have a higher impact, social business should distribute dividends to shareholders. This would be the best way so as to attract more investments.

Moreover, in Europe, social enterprise is recognized as a legal form of organization in most countries and tends to include nonprofit organizations. It is also often based on cooperatives, with beneficiary participation and that intend to address issues as social inclusion and employment (Comini et al., 2012; Kerlin 2006; Travaglini, Bandini, & Mancinone, 2009).

When defining social businesses, it is important to differentiate them from traditional businesses. Although similar in many venues, these two types of organizations have some differences. The most accepted difference regards their purpose (Austin, Stevenson, & Wei-Skillern, 2006; Martin & Osberg 2007). Social entrepreneurs are similar to traditional entrepreneurs, but they tend to focus on filling a gap or a basic need of society. Basically, social entrepreneurs attempt to create and sustain a social value as their main drivers (Dees, 1998). In the words of Martin and Osberg (2007, p. 35),

Unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, and may even provide substantial upside for investors, the social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own.

The second important discussion is about the dilemmas inherited by the definition. Social businesses bring within the concept a dichotomy that is difficult to deal. How can businesses be more social? Despite some good examples of this possibility, there is still a big discussion about the positive impact that traditional businesses or even social businesses might create.

On one side, authors such as Porter and Kramer (2011), Mackey and Sisodia (2013) and London and Hart (2011) claim that traditional businesses might have a higher purpose and not seek only profits. In this perspective, instead of a trade-off between profits and social impact, there could be a win-win situation, in which investments in the social arena could benefit the businesses. The concept of social business by Yunus (2007, 2010) goes beyond in the sense that these organizations have as their main goal the social impact, and business models are the engine to foster it.

On the other hand, Crane, Palazzo, Spence, and Matten (2014), for instance, believe that most of the time there is ten-

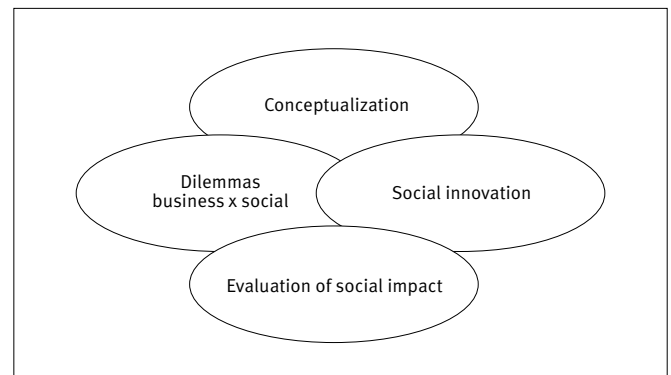
sion between the social impact and the profit generation than a win-win possibility. Moreover, according to Epstein and Yuthas (2010) even organizations with a social mission and working with microfinance suffer from the tension between social and financial objectives.

One third issue is related to social innovation. Many authors believe that social businesses need to do things differently and therefore it is important to understand the processes and challenges of social innovation (Dees & Anderson, 2003; Lettice & Parekh, 2010; Mulgan, 2006). Social innovation might be defined as new ideas that seek to develop ways to improve the society (Mulgan, 2006; Murray, Caulier-Grice, & Mulgan, 2010). The research on social innovation is mostly based on the processes of creating a social innovation and how social entrepreneurs and private organizations could benefit from it.

Finally, a fourth aspect that is being researched with more emphasis is how to measure social impact, an obvious step for organizations that aim at a social purpose. Although the literature on social impact is vast (Khandker, Koolwal, & Samad, 2010), there is not an easy way to perform it.

One of the main issues is to define clearly cause-effect relationships and isolating other causes that might have been the cause of the social impact (Khandker et al., 2010). Moreover, when measuring social impact it is easier to evaluate the outputs than the outcomes, that is, most of the times, the real objective of the organization. Figure 1 presents the main research topics of SE/SB in a retrospective view.

Figure 1. Retrospective view of main research topics SE/SB



## PROSPECTIVE VIEW

In our view, some of the previous discussions will still be important, but the field is fluid and some will diminish and new ones will appear. As the field of SE/SB becomes more mature, the two first issues will be better articulated: both conceptualization

and the dilemma of the tension between social and financial will probably move to the background and give place to other more complex subjects.

On the other hand, the process of social innovation and mainly the measurement of the social impact are themes that must gain more importance due to their central role in the sector that is seeking a higher level of professionalism and impact. Investors, entrepreneurs and researchers have still a long way to go to define processes of social innovation and to advance in methodologies to measure social impact.

Due to the need to replicate and scale good experiences, one question that still must be better explored is how to foster SE/SB? Indeed, few researchers have analyzed strategies and business models that might be used more successfully by SE/SB. Getting insights from other literatures, like the Resource Based View (RBV) from strategy, culture organization, or brand community might be an opportunity for new research venues.

Aligned with this question is the problem of how to create and define social impact? Embedded in this issue there is the idea of how to better define the possible benefits of a SE/SB and how to create a social impact in a deeper way. There is also a discussion in the tension between relevance of the impact and number of people impacted. Some organizations impact many people, but in a smooth manner. On the other hand, some organizations are very impactful to fewer people. The discussion is how and to what extent it is possible to impact many people in a deep way.

Moreover, few researchers have discussed the possibilities and difficulties of linking social and environmental impact. As Hart argues “what happens if companies today think about taking a great leap all the way to the base of the pyramid and vetting technologies and business models there?” (Hart, 2005, p. 27). There is a huge avenue to analyze innovations that take into account simultaneously social, environment and business models.

Another stream of thought is the role of Multinational Corporations (MNCs). In this case, at least three research possibilities appear: the first one is how MNCs can include social businesses in their supply chain and therefore foster these organizations in a more sustainable way. Private companies are dominant in marketplace and their buying power makes all the difference for social entrepreneurs that are willing to gain some opportunities in these large companies.

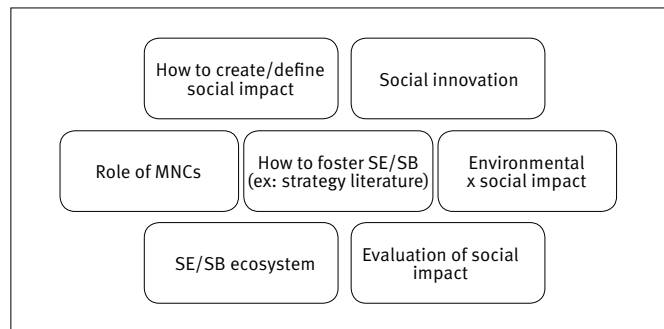
The second issue is how MNCs can incorporate the learning and innovation brought from the social business arena to their own businesses. In other words, how the business might have a higher purpose and embed the concept that “doing good might be good for the business”.

The third point regarding MNCs is the importance of the social intrapreneur. Besides some exceptions (Grayson, McLaren,

& Spitzbeck, 2014; Sustainability Report, 2008), few researchers have addressed this subject. However, this is a theme that will probably grow. One of the reasons is that there is a new generation of employees in large companies that want to perceive a different purpose for their work.

A final point is the possibilities of researches on the ecosystem. Besides analyzing the business models, a different perspective is to analyze the environment in which SE/SBs are inserted. What is the role of the Government, incubators, accelerators, investors and other agents? Moreover, there is a growing field of social finance that has a direct impact in SE/SB. In these cases, for instance the literature of relationship, agency theory, cooperation and collaboration might be the basis for this discussion. Figure 2 presents the main research topics of SE/SB in a prospective view.

Figure 2. Prospective view of main research topics SE/SB



## SE/SB FORUM

This forum presents three articles that discuss some of the issues raised before: the dilemmas of SE/SB, the link between social and environment impact and how to foster SE/SB.

lizuka, Varela, and Larroudé’s (2015) article on “Social business dilemmas in Brazil” examines the tensions and dilemmas faced by social business in Brazil as they try to balance a social and ethical goal with the need to develop a business venture. Based on an exploratory qualitative case study of Asta, a network selling artisan products made by low-income groups by catalogue, they identify and analyze a number of tensions faced by the organization, in particular how to: measure business performance, maximize sales channels, value diversity, develop a brand name, manage the various structures, cultures and practices used by different production groups, and finally how to balance results/income generation/growth/and responsible environmental practices.

The article makes a theoretical contribution by building on Smith, Gonin, and Besharov’s (2013) four variables of per-

formance, organization, belonging and learning by arguing that tensions tend to generate dilemmas, which contribute to the meaning and understanding of social businesses through an ongoing process of creating meanings and understandings.

In “Microfinance and climate change impacts: The case of *Agroamigo* in Brazil”, Moser and Gonzalez (2015) explore the relationship and potential impact of climate change on microfinance through a study of *Agroamigo*, the largest rural microcredit program in Brazil. Natural disasters such as droughts and storms affect assets and therefore the ability of microfinance clients to repay loans. Using document analysis of *Agroamigo*'s financial reports, field observation and interviews with national managers, a regional manager, coordinators, credit agents, and clients, they gathered data on the design and performance of products for extreme weather events, along with client experiences of such events. Findings indicate that *Agroamigo* aims to enhance community resilience to climate change by offering lending mechanisms that help clients in poor areas respond to the impact of climate change. However, the authors argue that these do not go far enough, and make recommendations for improvement and possible adaptive actions, including playing a more proactive role by diversifying its portfolio and assessing renewable energy sources as a new market opportunity.

Román-Calderón, Odoardi, and Battistelli (2015) use the concept of the psychological contract to examine whether employees' perceptions of the fit between their values and the social mission of the organization led to greater identification. They argue that employees of such organizations are often driven by a social cause, and therefore a match between the ideological values of the employee and those of the organization is important in establishing productive and cooperative relationships. Based on a survey carried out in a Columbian socially-oriented, for-profit hybrid organization aiming to help disadvantaged women, the authors assess workers feelings of being respected, their job satisfaction, organizational citizenship behavior, and turnover intentions. They conclude that a perceived fit has a positive impact on identification, and that employers need to recognize the need to align the organization mission with personal values through improved communication strategies.

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