

## Social entrepreneurship: A critical review of the concept

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### Abstract

This paper undertakes an analytical, critical and synthetic examination of “social entrepreneurship” in its common use, considering both the “social” and the “entrepreneurship” elements in the concept. On both points, there is a range of use with significant differences marked by such things as the prominence of social goals and what are thought of as the salient features of entrepreneurship. The paper concludes with the proposal of a suitably flexible explication of the concept: social entrepreneurship is exercised where some person or persons (1) aim either exclusively or in some prominent way to create social value of some kind, and pursue that goal through some combination of (2) recognizing and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources.

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### 1. Introduction

The concept of social entrepreneurship has become well established in business. Popular as well as scholarly books and articles are written about the characteristics of organizations thought to engage in social entrepreneurship. It holds a place in the curriculum of leading business schools, and it is the subject of numerous professional and academic meetings. There are associations devoted to studying and implementing social entrepreneurship, and there are numerous web sites on which one may become acquainted with the concept and receive information and/or advice on putting into it practice. There are even special editions of prominent business journals,

like this one, dedicated to the realm of social entrepreneurship.

Anyone who samples this array of material may be left wondering exactly what social entrepreneurship *is*. Is it just the application of sound business practices to the operation of non-profit organizations as some seem to suggest (Reis, 1999), or is it a more radically different approach to the business of doing good? It is said that “social entrepreneurship is emerging as an innovative approach for dealing with complex social needs” (Johnson, 2000: 1), especially in the face of diminishing public funding. What is it that makes this approach so promising? Indeed part of answering these questions rests on understanding what the phenomenon is. Commentators, both scholarly and popular, and advocates of every kind, understand it in a variety of ways. The concept needs to be clarified just to make those comments and that advocacy intelligible.

There are other and very practical reasons for wanting to be clear about what constitutes social entrepreneurship. For one thing, social entrepreneurship may call for quite different standards of evaluation

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when compared with standard forms of entrepreneurship. Second, if there is reason to believe that social entrepreneurship *is* a promising instrument for addressing social needs, it may call for added support in the form of legislation and other sorts of social policy. Third, it may well be that the mix of managerial competencies appropriate to successful pursuit of social entrepreneurship differs in significant ways from the mix relevant to success in entrepreneurship without the social component. This paper does not attempt to settle these important issues, which clearly point to further research questions. It is, however, meant to satisfy a necessary condition of addressing those matters. It is essential to begin by being clear what social entrepreneurship *is*. This paper undertakes this fundamental task.

To begin with, the conceptual geography of “social entrepreneurship” is considered as that term is generally used. The paper therefore begins with an analytic and “reportive” enquiry. Scholarly proposals as to the content of the concept are considered, as well as less reflective uses of the idea, in many cases testing the former against the latter. The overall aim is to discover what characteristics of an activity are explicitly or implicitly considered relevant to applying the label “social entrepreneurship.” That investigation reveals, as mentioned, a variety of distinguishable uses ranged along two continua; one having to do with the social element in the concept, and the other concerning the entrepreneurial component. That leads to the addition of a critical and synthetic factor to this study. Reasons will be given for maintaining a degree of permissiveness in the definition while trimming off certain ranges of use that make the notion insufficiently discriminating. In the conclusion of the paper, accordingly, a suitably flexible explication of the concept is proposed; one that gathers together certain core elements implicit in common usage while omitting certain others that broaden its application to the point where it is hardly selective. The result, it is hoped, will assist in recognizing and evaluating what goes on in the real world of dealing with social problems.

An assumption is made in this paper concerning the relationship between social entrepreneurship and what is called “social enterprise.” Social enterprise as an *activity* (normally represented by using the term without a definite or indefinite article) is commonly equated (as several quotations will illustrate) with social entrepreneurship. For purposes of this article, we will accept that similarity. It is assumed in what follows that elucidating the concept of social entrepreneurship amounts to elucidating the notion of social enterprise as an activity,

and the practice of other writers in using the terms interchangeably is followed here. The relation between social entrepreneurship and social enterprises, i.e. particular organizations or institutions, is more complex, but will be left at an intuitive level for purposes of this paper.

One can ask fruitfully both what makes social entrepreneurship *social*, and what makes it *entrepreneurship*. On both points, there is a variety of perspectives.

## 2. What makes social entrepreneurship entrepreneurship?

Dees (1998) speaks for many when he declares, “Social entrepreneurs are one species in the genus entrepreneur” (p. 3). One place to begin a review of social entrepreneurship is with a consideration of what constitutes the genus. In what follows, it is assumed that defining “entrepreneurship” is logically linked with defining “entrepreneur” in that entrepreneurship is what entrepreneurs do when they are being entrepreneurs. Defining either term defines the other by implication.

There is no scholarly consensus on what it is that entrepreneurs do when they are being entrepreneurial. Venkataraman, editor of *Journal of Business Venturing*, has observed: “... there are fundamentally different conceptions and interpretations of the concept of entrepreneur and the entrepreneurial role, consensus on a definition of the field in terms of the entrepreneur is perhaps an impossibility” (Venkataraman, 1997: 120). The approach here will be, once again, to explore the range of common use and to argue for a “precising definition” (Salmon, 1995) drawn from that range.

### 2.1. The “minimalist” sense

There is a relatively unsophisticated use of “entrepreneur” especially common in the popular press. An entrepreneur is simply one who starts up and/or runs a small business. Some dictionary definitions reflect this use. *The Canadian Oxford Dictionary*, for instance, defines “entrepreneur” as “A person who starts or organizes a commercial enterprise, especially one involving financial risk” (Barber, 1998: 467). You could call this a “minimalist” understanding of entrepreneurship. On this reading, a *social* entrepreneur will simply be someone who organizes and/or operates a venture or corporation, which features social goals in one of the ways explicated later in this paper.

## 2.2. The “business methods” approach

According to a somewhat enlarged, but still “popular” understanding of entrepreneurship, the entrepreneurial element in social entrepreneurship is linked closely with borrowing from the outlook and methods of market-driven enterprise. “The key to social enterprise,” writes Pomerantz (2003: 26),

involves taking a business-like, innovative approach to the mission of delivering community services. Developing new social enterprise business ventures is only one facet of social entrepreneurship. Another facet is maximizing revenue generation from programs by applying principles from for-profit business without neglecting the core mission.

Many accounts in the press, and in material used by not-for-profits and others for training, reflect this “business methods” emphasis.

## 2.3. In favor of a more developed sense

Students of social entrepreneurship who concentrate on its entrepreneurial facet are, however, inclined to draw more specifically on the scholarly literature on entrepreneurship and apply it to the social sphere. The result is a more demanding definition of the entrepreneurial component of social entrepreneurship. This is arguably the more appropriate approach to take to understanding entrepreneurship in general and social entrepreneurship in particular. In outlining the existing range of use of the concept, it must be recognized that social entrepreneurship is sometimes understood merely as the initiation and/or management of a social enterprise, perhaps with some explicit recognition of any risks involved in these activities. It seems that the more exacting definition brings into play features that make the notion of entrepreneurship, including social entrepreneurship, a useful conceptual tool. The contention of this paper is that the more scholarly understanding of the concept allows for the recognition within the body of those who launch or administer (social) enterprises a set of individuals and groups who have the capacity to create significantly greater value, often in a shorter period of time, and thus make uncommon contributions to the world of enterprise in which they are engaged. We do not argue that a scholarly review produces a neat definition with a sharply-designated set of individually necessary and jointly sufficient conditions. Instead, the investigation points in the direction of a number of features which may be variously combined or weighted, but are

positively relevant to considering something an example of entrepreneurship. The result is somewhat flexible, but still enlarged and a more useful view of the entrepreneurial function.

Researchers point to the derivation of the word “entrepreneur” from the French *entreprendre* and the German *unternehmen*, both of which mean literally “to undertake,” as in accepting a challenging task. They refer to the groundbreaking development of the concept by Cantillon (1680–1734) and Say (1767–1832), and to the vital contribution of Schumpeter in the 20th Century (see, e.g. Dees, 1998: 2f). What emerges from examining the writings of these scholars is the picture of entrepreneur as risk-taker and innovator who, when successful, contributes fundamentally to creating economic value. Tan, William and Tan (2003) arrive at a similar understanding of the concept by considering “intuitively plausible examples” of entrepreneurs and non-entrepreneurs, and consulting the *Oxford English Dictionary*. “Entrepreneurship,” they conclude, “is the process of attempting . . . to make business profits by innovation in the face of risk” (2003: 10).

Dees (1998), in pursuing his conviction that social entrepreneurs are one kind of entrepreneur (p. 3), draws on historical and current scholarship concerning entrepreneurship. From Say he adopts the element of value creation; from Schumpeter he takes up the notion of innovation and change. He supplements these on the basis of proposals made by current-day scholars such as Drucker (1985) and Stevenson (e.g. Stevenson, Roberts, & Grousbeck, 1989). Dees credits Drucker with amplifying Say’s concept to stress the entrepreneurial activity of recognizing and exploiting opportunities. He applauds Stevenson for adding the notion of resourcefulness; the refusal to be constrained by prevailing resource limitations. On this basis, Dees defines the entrepreneurial aspect of social entrepreneurship as including (1) the recognition and “relentless” pursuit of new opportunities to further the mission of creating social value, (2) continuous engagement in innovation and modification and (3) bold action undertaken without acceptance of existing resource limitations. The suggestion that emerges is that the above three elements of recognizing opportunities, innovating in some way and displaying resourcefulness should be considered prime candidates for inclusion in the amplified notion of entrepreneurship. In addition, the capacity to endure risk, which Tan et al. (2003) represent many others in including, should be added to the list.

#### 2.4. *Entrepreneurs as commendable*

Perhaps the most elaborate model of social entrepreneurship is that developed by Mort, Weerawardena and Carnegie (2003). They argue that social entrepreneurship is a “multidimensional” construct formed by the intersection of a number of defining characteristics. Referring to a variety of scholarly work on entrepreneurship (e.g. Gartner, 1988; Mintzberg, 1991; Singh, 2001; Stevenson & Jarillo, 1990; Stevenson et al., 1989), they state that social entrepreneurs first of all “exhibit a balanced judgment, a coherent unity of purpose and action in the face of complexity” (Mort et al., 2003: 82). This propensity, they argue, allows the social entrepreneur to balance the interests of multiple stakeholders and to maintain his/her sense of mission in the face of moral intricacy. Second, social entrepreneurs excel at recognizing and taking advantage of opportunities to deliver, in a superior way, the social value they aim to provide. Finally, social entrepreneurs exhibit in the social arena the risk-tolerance, innovativeness and “proactiveness” displayed by commercial entrepreneurs in their setting.

At least one characteristic in this list goes beyond what is suggested in other applications of the concept of entrepreneurship to social enterprise. The notion of balanced judgment and steadiness of purpose is an addition to the ideas of opportunity-recognition, risk-tolerance, innovativeness and resourcefulness already encountered. This proposal raises a general issue in explicating the concept of entrepreneurship, perhaps especially when it is placed in the context of a social mission. It is arguable that with this suggestion, Mort et al. move from describing a social entrepreneur to describing a commendable or successful social entrepreneur. (In describing the “social” element of social entrepreneurship, they describe the social entrepreneur as “entrepreneurially virtuous” (Mort et al., 2003: 82), and expand on that notion using concepts from virtue theory in ethics.) There appear to be echoes of this inclination even in the more restrained list given by Dees (1998). For instance, he describes the social entrepreneur as one who “relentlessly” pursues new opportunities to pursue the social mission and engages in “continuous” innovation (p. 4).

Suggestions of this kind are common in the literature aimed at elucidating the idea of social entrepreneurship. Entrepreneurs, especially social entrepreneurs, are described in terms that emphasize the value of their contributions. The aim of the description is often to celebrate their accomplishments and encourage others

to emulate and/or support them. It is natural enough in these circumstances that commentators extend their “definitions” of the phenomenon to include normative characteristics, but there are good reasons to resist the temptation.

In offering their own account of social entrepreneurship, Tan et al. (2003) argue persuasively that any plausible definition of “entrepreneur” must allow for unsuccessful entrepreneurs, given that we would all agree there are many cases deserving that description. Similarly, we maintain that any explication of the idea of social entrepreneur must allow that some will have selfish motives behind their social mission, or be less than relentless, or be uneven in their performance, or be otherwise less than exemplary. Once again, it seems obvious that there are many examples of such things in the real world. Dees (1998) labels his own definition as “idealized” (p. 4), explicitly suggesting that actual cases will exemplify his list of characteristics unevenly and partially. A plausible conclusion is that a satisfactory definition of the entrepreneurship component of social entrepreneurship should avoid building in the notions of success or estimability and allow for social entrepreneurs who may be unsuccessful, inconsistent, and otherwise less than exemplary.

### 3. What makes social entrepreneurship social?

There is broad agreement that social entrepreneurs and their undertakings are driven by social goals; that is, the desire to benefit society in some way or ways. This is another way of saying that the social entrepreneur aims in some way to increase “social value,” i.e. to contribute to the welfare or well being in a given human community. Disagreement takes place over the location social goals must have in the purposes of the entrepreneur or his/her undertaking.

#### 3.1. *Exclusively social goals and not-for-profit status*

At one extreme are those who hold that some social goal(s) must be the *exclusive* aim of the social entrepreneur. As social entrepreneurship scholar, Dees (1998) states “For social entrepreneurs, the social mission is explicit and central ... Mission-related impact becomes the central criterion, *not* wealth creation. *Wealth is just a means to an end for social entrepreneurs* [emphasis added]” (p. 3). The claim that any wealth generated is just a means to the social end suggests that financial benefit to the entrepreneur has no place among the goals of the undertaking. Accordingly,

a large body of literature (e.g. Dees, Emerson, & Economy, 2002) locates the concept of social entrepreneurship in the world of non-for-profit (NFP) organizations. This idea may even be taken to include associations aimed at delivering some social good or service without engaging in any form of exchange, i.e. with no “earned income” activities. Anderson and Dees (2002), for instance, ask the question whether earned income generation, resulting from some form of exchange of a product or service, is essential to social entrepreneurship. Their answer is emphatic: “No! It is not. Social entrepreneurship is about finding new and better ways to create and sustain social value” (p. 192). On this understanding, a scheme to distribute grocery-store leftovers to the needy might then—at least as far as its goals and structure go—qualify as social entrepreneurship. You could find social entrepreneurs inventing ways to deliver shelter or health or education, without necessarily charging fees or looking for any return from their beneficiaries or supporting their endeavors with earned income.

Other commentators are less permissive. The Northland Institute (2001), for instance—a body founded in 1996 “to improve the effectiveness of community development organizations”—represents a constituency which links social entrepreneurship with “social enterprise,” a term it defines as “the use of earned income strategies by nonprofit organizations.” The Institute is one of many participants in the field who cite the “double bottom line ... the art of simultaneously pursuing financial and social returns on investment.” On this view, social entrepreneurship necessarily involves “enterprise,” in the sense of some form of income-generating venture; bent, however, not on profit but on social benefits. NFPs taking this route are often described as “hybrids” (e.g. Davis, 1997) in recognition of the way that they combine non-profit with for-profit organizational features. A notable example of this form of enterprise would be the Grameen Bank in Bangladesh (see Grameen Communications, 1998) and other microcredit lending agencies who extend small loans to the poor who would not qualify for credit with standard lenders. Their aim is to improve the condition of their clientele, and profits are turned back into increased lending capacity. To take another example, *The Big Issue* is a quality, general-interest magazine sold on the streets of Scotland and now in other parts of the world. What led some scholars of social entrepreneurship to call it “the most prominent example of social entrepreneurship in the U.K.” (Hibbert, Hogg, & Quinn, 2002: 288) is its vendors; homeless people who have undertaken a rehabilitation

program under the auspices of a foundation supported by magazine sales. The vendors become independent business people supported by profits they make on each magazine (*The Big Issue Foundation*, 2004). More familiar examples of this kind of activity are the not-for-profit craft centers that carry on their business in order to provide a market for craftspeople in poor countries without markets.

These examples illustrate what Fowler (2000) has usefully labeled “integrated social entrepreneurship” (p. 645). In this form of income-generating activity, the undertaking is itself aimed at producing beneficial social outcomes. So a lending institution may be set up in order to bring a benefit to creditors and not just to create income to be used in support of some other helpful undertaking. Selling *The Big Issue* is, by itself, meant to help those who sell it, and not just provide revenue for some other worthwhile undertaking.

The contrast is with “complementary social entrepreneurship,” where an enterprise, which does not in itself produce social benefits, supports some other activity meant to generate the desired outcomes (Fowler, 2000). For example, the Bangladesh Rural Advancement Committee (BRAC) not only supports the foundation of agricultural and credit ventures to empower poor people to support themselves, it has set up revenue-generating enterprises—the BRAC Printing Press, BRAC Cold Storage and the BRAC Garments Factories—to generate profits that will support its core operations.

It is a small step from here to allow that the idea of trading in order to pursue social goals may be extended to include such things as licensing use of an institutional name, and NFPs may be permitted to operate in partnerships with for-profit companies. So Pomerantz (2003) writes,

Social entrepreneurship can be defined as the development of innovative, mission-supporting, earned income, job creating or licensing, ventures undertaken by individual social entrepreneurs, nonprofit organizations, or nonprofits in association with for profits. (p. 25)

Some form of exchange venture in the service of a social goal is still important. However, their activities may now be undertaken in partnership with a profit-seeking partner who is willing to devote at least some of his/her profits to what is considered a good cause.

So far in this review, there is a shared assumption that social entrepreneurship is a NFP concept, and a range of opinion as to whether or to what extent they might or must be involved in some form of revenue-generating



exchange. Indeed a survey of the appearance of the term “social entrepreneurship” in scholarly and non-scholarly publications over a 15-year period suggested that fully 83% of press references to “social entrepreneurship” referred to examples from the NFP sector. This appears to have been decisive in encouraging the authors of the survey to infer that “the social entrepreneur is overwhelmingly a nonprofit sector phenomenon” (Taylor, Hobbs, Nilsson, O’Halloran, & Preisser, 2000: 466), even though they noted that publications aimed at a business audience generally used the term to refer to “social mission,” for-profit businesses.

### 3.2. *Beyond the not-for-profit status: adding profit*

There are good reasons not to confine the notion to NFP enterprises. For one thing, the boundary between not-for-profit and for-profit organizations is anything but decisive. An Australian review panel provides one useful attempt to delineate the NFP sector: “A not-for-profit organisation ... is an organisation that is prohibited under its governing rules or documents from distributing profits to its members, owners or manager” (Review Panel on the Law of Negligence, 2002: 59). Even this sensible prescription leaves what appear to be borderline cases. One hundred percent of after-tax profits and royalties from the “Newman’s Own” line of products are, according to company statements, devoted to “educational and charitable purposes” (Newman’s Own, 2005). Even if it is assumed that the company’s governing rules forbid anything else, it may still seem somewhat strained to call the operation a NFP organization. On the other hand, even if the philanthropic distribution is entirely a matter of Paul Newman’s continuing good will and not company legislation, it nevertheless seems odd to aggregate Newman’s Own with other for-profit enterprises. There would be wide agreement, however, that as long as Newman’s Own qualifies as an example of entrepreneurship, it should be considered *social* entrepreneurship. So there are borderline cases on this matter of profit/not-for-profit classification. And that may suggest that the border should not be regarded as fundamentally important.

This suggestion is underlined by the fact that the border proves to be not only vague but porous. There are examples, which move from one side to the other without appearing to disqualify themselves as instances of social entrepreneurship. Margaret Cossette used a grant of \$4000 to turn a small public-sector program into a successful NFP enterprise for providing home care for rural seniors in a small U.S. county as an

alternative to relocation to nursing-care homes (Boschee, 1995). When Medicaid money came available, which would fund still more clients, Cossette lacked the capital needed to support the greatly increased service. A NFP did not qualify for bank credit. Cossette took her venture, Missouri Home Care, into the for-profit arena, secured her loan and expanded her service many times over. It has become a profitable company with several million dollars in revenue, serving several thousand clients and providing employment for a large number of home-care aides. Jerr Boschee, President and CEO of the Alpha Centre for Social Entrepreneurs, has no hesitation in citing Cossette as an exemplary social entrepreneur (Boschee, 1995: 21).

There are many more cases that clearly lie on the for-profit side of the divide but are readily labeled “social entrepreneurship” by reputable commentators. The Schwab Foundation points to Albina Ruiz’s innovative approach to waste collection in the slums of Lima, Perú as an outstanding example of social entrepreneurship (The Schwab Foundation, 2002). Ruiz founded and financed a network of local micro-enterprises that visit each household weekly, collecting and recycling solid waste. The goals of Ruiz’s *Ciudad Salud* (“Healthy City”) extend beyond improving health conditions to providing employment and enhanced living conditions in the area. *Ciudad Salud* has apparently proven very successful in accomplishing these ends. It has turned out to be a profitable undertaking. Accounts of ventures like *Ciudad Salud* make it clear that the social goals drive the enterprise, but profits that may be distributed to owners and operators are also a part of the picture.

### 3.3. *What about other goals? If so, how prominent?*

The cases just cited suggest that profitability is consistent with social entrepreneurship, but social ends still dominate the goal structure of these ventures. What about the case where social purposes are mingled with a strong commitment to making money? The well-known ice cream franchise “Ben and Jerry’s” has had, from its founding in 1978, a strong record of environmental and social responsibility. One of its most remarkable projects is its “PartnerShop” program (still in existence after the purchase of Ben and Jerry’s by Unilever in 2000), which allows select NFP organizations to open a franchise without paying the usual franchise fees. Ben and Jerry’s is a highly profitable corporation and donated more than \$1.1 million to charitable organizations in 2004. As the *New Statesman* asked in reporting the opening of a new venture in Cheshire, England,

linking Ben and Jerry's with an organization tackling inner-city poverty through a number of business ventures (Stephens, 2003), "Is this just ice cream with a fashionable dollop of *corporate social responsibility* or, as its progenitors claim, a market solution to *social problems*?" And is it social entrepreneurship? It seems difficult to deny it that standing. The mission statement displayed on the company's web site blends a firm commitment to profitability with an equally strong social and environmental sense (Ben & Jerry's Home-made Holdings Inc., 2005). These commitments appear to be borne out in company performance.

For some writers, the emphasis on profitability appears to disqualify enterprises like these as the outcome of social entrepreneurship. One influential British writer for instance, defines "social entrepreneur" partly in terms of the organizations they bring into being, which, he contends, must be "social in the sense that they are not owned by shareholders and do not pursue profit as their main objective" (Leadbetter, 1997: 11). Not everyone agrees. Indeed the case for including organizations like Ben and Jerry's is strengthened by taking into account instances of what other authoritative analysts confidently label "social entrepreneurship." The Columbia Business School Social Enterprise Program highlighted the activities of American businessman Gary Hirshberg, whom it considered an outstanding social entrepreneur (*The Social Enterprise Program News*, 2003). Hirshberg founded a yoghurt company committed to organic, environmentally sensitive production, and is proud of the fact that it is highly profitable. He attributes its profitability, in large part, to the loyal following attracted by his company's mission. There is no suggestion that the mission is merely opportunistic or that the enterprise's environmental and social commitments are mere marketing tools. But the goal of profitability appears to rank closely if not equal to the objectives of environmental and social benefits.

What about cases where the social goals appear further down the list of company objectives? Business writers (e.g. Cone, Feldman, & DaSilva, 2003b) have noted that U.S. companies pay relatively little attention to the potential of their charitable activities to enhance their fiscal bottom line, and recommend that they begin doing exactly that. Paying attention in this way has been called "cause branding;" a strategy attracting increasing interest in the competitive world of business. Avon Cosmetics allies itself with the cause of raising breast cancer awareness. ConAgra Foods, one of the U.S.'s largest distributors of processed and packaged foods, joins the fight against child hunger by sponsoring after-

school cafés. Cause-branding is recommended on the grounds that while it provides needed support for worthwhile social projects, it also benefits the profitability of the business, partly by encouraging loyalty among customers and employees. Companies which "demonstrate a sense of social responsibility," it is said, "stand out in a world of increasingly undifferentiated services" (Cone et al., 2003b: 95). Without being entirely cynical, one may get the impression that in at least some cases the social objectives are pursued as much for their marketing value as for their intrinsic merit. It must be admitted that in many such cases the social pay-offs are considerable, whatever the mixture of motives in the company executives electing to align their brand with a social cause. Is this social entrepreneurship?

At least some respected observers are inclined to say that it is. The Harvard Business School included in its online newsletter under the section devoted to "social enterprise" an excerpt from an article describing and recommending "cause branding" (Cone, Feldman, & DaSilva, 2003a). Being engaged in a social enterprise is not necessarily the same as being a social entrepreneur; one must satisfy the conditions of entrepreneurship to qualify for the latter category. But at least the social part of the label seems granted in this case. On this reading, social entrepreneurship should be taken to include undertakings where social goals are added to the firm's objectives, even where they may not rank first in the firm's priorities and may be taken on at least partly for instrumental reasons.

It is tempting to argue that the extension of "social entrepreneurship" to include cases of this kind over-extends the concept. Surely a critical distinction is reached in the placement of social goals in the aims of a venture when the social goals are subordinate to profit-seeking in the following sense. Assume that a venture is fiscally sustainable when its operating costs are met, and profit is whatever is realized over and above that amount. A deciding question appears to be whether a given undertaking pursues any social goals it has only insofar as they are expected to increase, or at least not diminish, its profits. It is tempting to say that only ventures willing to accept a significant reduction in their profits as a consequence of their pursuit of social goals should be considered examples of social entrepreneurship. By implication, firms that would abandon their social aims if they believed they would not create added profit would be disqualified.

While it is tempting to trim common usage in this way, there are good reasons not to. First of all, there is an unavoidably subjunctive mood to this criterion. The

question is, what will a corporation do if faced with a choice? It may be that many corporations do not find themselves brought to the test. In these cases, one can only conjecture what these corporations would do if faced with a choice. Such speculation clearly invites ill-founded judgments. The company itself may not really know. Second, the criterion is an attempt to draw a line in an area where any sharp boundary is arbitrary. What are we to say if a venture decides to de-emphasize, to some degree, but by no means abandon its social objectives in light of perceived penalties in profitability? The degree of reduction in priority of social goals and the magnitude of the perceived penalty are both subject to indefinitely large ranges on a continuum. At what point should it be concluded that an enterprise has shown itself unwilling to accept a reduction in its profits as the price of social aims?

Third, and most significantly, even if these objections could be met, does this criterion really establish a difference worth marking? Suppose that a company goes into the business of providing a novel form of training and job placement for the chronically unemployed because it sees in this an opportunity to make a good profit. Should this be disqualified as an example of social entrepreneurship on the grounds that they would not provide this service if they did believe it to be profitable? Or imagine that a large bank takes the initiative in mounting a sponsored walk to provide a shelter for homeless people, and there is good reason to believe they would not do this if they estimated their staff time devoted to the effort added significantly to

overall operating costs. It seems pointless to disqualify this undertaking as social entrepreneurship. The underlying point is surely that the pursuit of socially valuable outcomes is something worth identifying and fostering, whereas probing the mysteries of motivation is not only difficult but of little practical consequence for present purposes. It has been argued that what makes an undertaking an example of *social* entrepreneurship is the presence of social goals in the purposes of that undertaking.

### 3.4. Points along the continuum of social goals

A range of ways has been outlined above in which the objective of producing social benefits may figure in the goal-structure of an organization. In general, there appears to be a continuum of possibilities, ranging from the requirement that social benefits be the only goal of the entrepreneurial undertaking to the stipulation merely that social goals are somewhere among its aims. It is worth highlighting some points along the continuum, partly because they are the basis for some differences in understanding as to what may be considered social entrepreneurship. Fig. 1 recognizes those points.

At one extreme are the entrepreneurs who are driven *entirely and exclusively* by the aim of producing some form of societal benefit. Some of these will engage in no commercial activity at all. Others will engage in some form of exchange but only on the understanding that any profits are directed back to the venture. Still others in

<i>Place of Social Goals</i>	<i>Role of Commercial Exchange</i>	<i>Example</i>
<b>Enterprise goals are exclusively social</b>	No commercial exchange	NGOs
Enterprise goals are exclusively social	Some commercial exchange, any profits directly to social benefit ('integrated') or in support of enterprise ('complementary')	<i>Grameen Bank ('integrated');</i> <i>Bangladesh Rural Advancement Committee printing press, cold storage, garment factory ('complementary');</i> <i>Newman's Own</i>
Enterprise goals are chiefly social, but not exclusively	Commercial exchange; profits in part to benefit entrepreneur and/or supporters	<i>Missouri Home Care, Ciudad Salud</i>
Social goals are prominent among other goals of the enterprise	Commercial exchange; profit-making to entrepreneur & others is strong objective	<i>Ben &amp; Jerry's</i>
Social goals are among the goals of the enterprise, but subordinate to others	<b>Commercial exchange; profit-making to entrepreneur &amp; others is prominent or prime objective</b>	'Cause-branding'; social-objectivities undertaken by corporations such as banks

Fig. 1. The range of *social* entrepreneurship. Relative boldness of type indicates the relative prominence of social goals and commercial exchange.



this group will allow profits to be generated and distributed but only as an instrumental necessity in supporting their social venture. Most, though not all, of those who use the term “social entrepreneur” will extend the range of its use to include individuals or groups who are *chiefly* motivated by the wish to produce social benefits, but who aim to produce monetary and other benefits for themselves, and perhaps others, as well. Entrepreneurs in this grouping are likely also to allow for, even aim at, profits for themselves and/or others. In this case, however, they are likely to accept profit-making as more than a utilitarian necessity. These people may well wish to do good *and* do well for themselves and any backers. Still others will allow that social goals need only be *among* the objectives of the social entrepreneur, and may even be subordinate to the aim of personal gain. In these cases, profit-making may not only be accepted as a good in itself, it may even be the prime purpose, with social benefits welcomed as an additional and happy outcome. In the extreme case, the social benefits may even be the means by which profitability is achieved.

We have argued that the line between for-profit and not-for-profit enterprises is hard to sustain as a significant boundary on social entrepreneurship. Indeed one thing that emerges from a look at the range of uses given to “social entrepreneurship” is the clear suggestion that the distinctions among public, private and NFP sectors become attenuated. As one reviewer of the literature puts it, “socially entrepreneurial activities blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities” (Johnson, 2000: 1).

#### 4. Conclusion: toward a precisizing understanding of social entrepreneurship

The proposal of this paper—meant to be understood with appropriate flexibility—is that social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value (“envision”); (3) employ(s) innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.

The single most important of these criteria is the first in that it serves, conceptually, to distinguish *social*

entrepreneurship from other forms. There is no exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship. It is a commitment to providing social value that marks the divide between social and other forms of entrepreneur. All of the characteristics mentioned are characteristics that may be had to a greater or lesser degree. Some are specified to be “greater than average” in amount, but there is no way of indicating exactly the point at which this qualifying standard is reached or exceeded. As in the case of the *social* aspect of the target concept, this list represents a catalogue from which particular users of the notion will choose somewhat selectively both as to what they include and how they weight the factors. Arguably, this variability simply reflects the absence of sharp boundaries in the phenomena, even given the “precising” approach adopted in this paper to definition. One obvious piece of advice follows from this observation. It behooves anyone using the concept of social entrepreneurship to make it clear the sense he/she attaches to it.

The summary includes an important departure from what is sometimes taken for granted in discussions of social and other forms of entrepreneurship. It is easy to assume, and the literature often seems to reflect this assumption, that social entrepreneurship is exercised by individuals. As Thompson (2002) has reminded us, it would be a mistake to accept this generalization. Entrepreneurship is best thought of as an extended activity which may well be carried out by a team or a group of people (Stewart, 1989). The characteristics listed above could be thought of as roles in a performance; roles which may be split and/or shared. Others have pointed out that entrepreneurship may find a place in cultural settings where collective, rather than individualistic, thinking prevails (Peterson, 1988). Peredo (2003; Peredo & Chrisman, 2006) actually describes a situation in which is plausible to speak of a community, acting collectively to exercise an entrepreneurship which is plainly social in many of its aspects. To be an entrepreneur may therefore mean being an individual, a member of a group, or an organization who/which carries out the work of identifying and creatively pursuing a social goal.

Social entrepreneurship, as described here, is not a tidy concept. Its untidiness has been argued here to be a reflection of the way that the world is. There are, however, significant landmarks in the complex geography of the concept, and the purpose of this paper has been to advance an understanding of those marks and their importance. The authors submit that the notion as outlined above makes a significant contribution to

understanding the complex phenomenon of directing organizational activity toward the achievement of social purposes.

## Acknowledgement

The authors gratefully acknowledge the helpful comments of *Journal of World Business* reviewers of earlier drafts of this paper.

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