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ABSTRACT

The emerging field of social entrepreneurship is in need of theoretical theories that contribute to the discipline and help it to grow just like any other disciplines. The majority of the literature on social entrepreneurship focuses on defining the concept rather than developing a testable theory. In addition, most of the studies are conceptual with very few empirical studies. This study explored the theories that give social entrepreneurship theoretical foundation and also establish the domain within the field of entrepreneurship. The theories are Opportunity-Based Entrepreneurship Theory, Schumpeterian Theory of Innovation, Human Capital Theory, Social Capital or Social Network Theory and Resource-Based View (RBV). The implication of the study is that it contributes to the understanding of the body of knowledge in the field of social entrepreneurship.

Keywords: *Human Capital Theory, Opportunity-Based Entrepreneurship Theory, Schumpeterian Theory of Innovation, Social Capital and Resource-Based View (RBV)*

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INTRODUCTION

The definition of the word “entrepreneurship” is not an easy task due to its multi-faceted nature and multi-disciplined boundary (Schaper *et al.*, 2011). Moreover, there is a lack of consensus on the definition of “entrepreneurship” (Carsrud and Brännback, 2007; Gartner, 1988; Veciana, 2007). Throughout the years, numerous definitions of entrepreneurship have been produced by researchers from various disciplines. However, to date, there is a general agreement that no universally accepted definition of entrepreneurship has been produced so far (Carsrud and Brännback, 2007; Gartner, 1988; Veciana, 2007). Though difficult and challenging, identifying a definition for entrepreneurship is necessary. The reasons are simple so as to be able to identify new emerging trends in the field and to develop more theories related to it (Bruyat and Julien, 2000).

The word “entrepreneurship” is derived from the French word “entreprendre”, which means “to undertake” or “to do something”. Some early works on defining “entrepreneurship” could be dated back to 18th century by a group of economists, such as Richard Cantillon, Adam Smith, Jean Baptiste Say, John Stuart Mill, and Carl Menger Hermann (Veciana, 2007).

According to them, the different definitions of entrepreneurship focused on (i) Processes; (ii) Behaviors and, (iii) Outcomes. The first category of definition is focusing on “what entrepreneurs do”. The definitions has centred on activities or processes of entrepreneurship, such as “creating something new” (Hisrich and Peters, 2002), “pursuing opportunities” (Stevenson and Jarillo, 1990), “discovering, creating and exploiting opportunity for future goods and services” (Venkataraman, 1997). Meanwhile, the second category is focusing on “who are entrepreneurs”. The definitions highlight the specific behaviors of individuals, for examples “competitive and driver of market process” (Kirzner, 1973) and “creative and innovative” (Schumpeter, 1934). Lastly, not to forget about the outcomes- or results-focused

category of definitions, which focusing on “what entrepreneurs produced”. The outcomes are normally referred to contributions such as “creation of new organizations” (Gartner, 1988).

Social Entrepreneurship

The term social entrepreneurship was first used on literature on social change in 1960s and 1970s. It came into widespread use in the 1980s and 1990s promoted by Bill Drayton, the founder of Ashoka i.e innovators for the public. From the 1950s to 1990s, Michael Young was a leading promoter of social enterprise and in the 1980s was described by Professor Daniel Bill at Havard University, as the world’s most successful entrepreneur of social enterprises because of his role in creating over 60 new organization’s worldwide including a number of schools for social entrepreneurship in the United Kingdom. Although the terms are relatively new social entrepreneurs and social entrepreneurship can be found throughout history.

Social Entrepreneurship is a process of recognizing a social problem and uses entrepreneurship skills to organize, create and manage a venture to bring social change (Nteere, 2012). The main aim of social entrepreneurship as well as social enterprise is to further social as well as environmental goals. Social entrepreneurship is the work of a social entrepreneur, who assesses success in terms of the impact the social enterprise has on society. While Social entrepreneurs often work through non-profit organizations and citizen groups, many entrepreneurs work in private and government sectors. Austin *et al.*, 2006 defines social entrepreneurship as “entrepreneurial activity with an embedded social purpose”

Social Business

Is one which aims to be financially self-sufficient, if not profitable, in its pursuit of social, ethical or environmental goals. A social business seeks to profit from acts that generate social improvement and solves a broader human development purpose.

- A key attribute of social business is that increased revenue corresponds to an incremental social enhancement.
- Social enterprise are for more than profit, using blended value, business models that combine a revenue generating business with a social value generating structure or component.
- In his book creating a world without poverty, social business and the future of capitalism, Professor Muhammad Yunus defines what a social business is and it must have the following requirements:-
 - a) Social objectives:- It must have positive social objectives that is the social services provided by the business to the poor : health, education, poverty and environment
 - b) Community ownership- needs to be owned by the poor or disadvantaged for example. Women, young people or the unemployed.
 - c) Non- profit distribution: - Investors may not after having had their investment paid back take profit out of the enterprise as dividends.

Professor Muhammad Yunus a key proponent of the social business model argues that capitalization is too narrowly defined i.e. the concept, whereby an individual focuses on profit maximization, and ignoring other aspects of life e.g. religious, emotional and political.

Domain of social entrepreneurship

Within the field of entrepreneurship, have emerged sub-fields that include; Economic, Ecopreneurship/ environmental, Social entrepreneurship, and Entrepreneurship education and training.

Table 1: Sub-Fields of Entrepreneurship

Sub-field	Description
Economic	The aim is to start ventures to maximize the profit
Ecopreneurship/Environmental	The aim is to contribute to preservation of the natural environment
Social	The aim is to start ventures to bring social change
Entrepreneurship education and training	The aim is to enable trainees to gain, knowledge, skills and change their attitude towards entrepreneurship/improve performance

LITERATURE REVIEW

Opportunity-Based Entrepreneurship Theory

According to Peter Drucker entrepreneurs does not cause change (as claimed by the Schumpeterian or Austrian school) but exploit the opportunities that are brought by change (in technology, consumer preferences, social norms). He defines an entrepreneur as someone who searches for changes, responds to it and exploits it as an opportunity. For Drucker, starting a business is neither necessary nor sufficient for entrepreneurship (entrepreneurship must not have a business). Not every new organization would be entrepreneurial or represents entrepreneurship. According to Drucker, an entrepreneurial firm must

innovate or be change oriented. Drucker also makes clear entrepreneurship does not require a profit motive. In his book of *innovation and entrepreneurship* he says that no better test for a history of entrepreneurship should be found than the creation of the modern university, and especially the modern American university. He then explains what a major innovation this was at that time. He also devotes a chapter of entrepreneurship in public service institutions (Drucker, 1985).

Hovard Stevenson- added an element of resourcefulness to the opportunity oriented definition based on research he conducted to determine what distinguishes entrepreneurial

management from administration management. He suggests defining the heart of entrepreneurial management as “the pursuit of opportunity without regard to resources currently controlled”. He found that entrepreneurs not only see and pursue opportunities that elude administration managers; entrepreneurs do not allow their own initial resource endowment to limit their options. Entrepreneurs mobilize resources of others to achieve their entrepreneurial objective. Administrators allow their existing resources and their job description to constrain their visions and actions (Nteere, 2012).

According to Opportunity-Based Entrepreneurship Theory, an entrepreneurial firm must not aim to make profit, be innovative or be change oriented; this is the essence of a social enterprise firm. Also the social entrepreneurs need not be limited by the resources currently held as they can mobilize resources from others to achieve their social mission.

Schumpeterian Theory of Innovation

Schumpeterian theory places emphasis on innovative entrepreneurs who upset and disorganize the existing way of doing things. Schumpeter saw an entrepreneur as someone who creates a firm, implements ‘new combinations of means of production’, and an innovator. In his theory of economic development, the entrepreneur’s role is to disturb the status quo (the general equilibrium) through innovation. He claimed that all change that altered the normal circular flow of industry was as a result of entrepreneurship, and he called this force the “creative destruction of capital”. Creative destruction is a process of industrial mutation that revolutionizes the economic structure from within, destroying the old one, creating a new one. Schumpeter (1934) argued that innovation by the entrepreneur leads to gales of creative destruction as they cause old inventories, ideas, technologies, skills and equipment’s to be obsolete. Schumpeter argued that innovation was to be found in entrepreneurial efforts to; 1)offer new products

and services, 2) new markets, 3) new production methods, 4) new sources of supply and 5) developing a new organization. According to Schumpeter, entrepreneurship is the source of change. Innovation creates new activities and markets. He proposed that profits are the result of firm innovation.

The most important part of Schumpeterian theory of innovation to social entrepreneurship is that a social entrepreneur should create a social enterprise, create new combinations of means of production, be innovative and cause social change by causing disequilibrium in the market.

Human Capital Theory

The term human capital can trace its roots to the early 1960s, when Schultz (1961, p140) proposed that HC consisted of the ‘knowledge, skills and abilities of the people employed in an organisation’. While concise, Schultz’s initial definition of HC is somewhat limited in that it does not take into consideration the concept of ‘value’ and the importance of ‘investment’ in HC. In 1981, Schultz revamped this definition and defined HC as: ‘...all human abilities to be either innate or acquired. Attributes ... which are valuable and can be augmented by appropriate investment will be human capital’ (Schultz 1981, p21).

More than a decade later, Becker (1993, p3) defined HC as the ‘knowledge, information, ideas, skills, and health of individuals’. Becker’s definition, like Schultz’s original classification, is somewhat limited. However, Becker’s definition is interesting as it adds an extra dimension in terms of the ‘health of individuals’. Indeed, the health and well-being of individuals is an important factor in contemporary research which relates to the contextual development of HC within organisations. Bontis *et. al* (1999, p391) defines HC as ‘the human factor in the organisation; the combined intelligence, skills and expertise that gives the organisation its distinctive character. The human elements of the organisation are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the

long-term survival of the organisation'. Bontis *et al* highlight the importance of innovation, change and creativity and its role in HC. Moreover, the definition emphasizes the role of motivation in leveraging these capacities. The definition acknowledges the importance of 'distinctive character'. Finally, it alludes to the outcome of business sustainability, referring to the 'long-term survival of the organisation' Kwabena, (2011).

The most important part of Human Capital theory to social entrepreneurship is that those people who work in social enterprise are supposed to have the capacity to learn new things; innovative and providing the creative thrust which if properly motivated can ensure the long-term survival of the social enterprise. Also the theory evaluate how skills and knowledge developed over time in a social enterprises contributes to the enterprise overall sustainability.

Social Capital or Social Network Theory

The term "Social Capital" originated from the areas of sociology and political science and originally appeared in Hanifan (1916) study of rural schools community centers. Burt's (1924) who defined social capital as "friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital". Nahapiet and Ghoshal (1998) defined social capital "as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" Granovetter (1982), used the term social network theory instead of social capital, highlighting the commonality between the two.

Entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure (Clausen, 2006). Shane and Eckhardt (2003) says "an individual may have the ability to recognize that a given entrepreneurial opportunity exist, but might lack the social connections to transform the opportunity into a business startup. It is thought that access to a larger social network might help

overcome this problem". In a similar vein, Reynolds (1991) mentioned social network in his four stages in the sociological theory. The literature on this theory shows that stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation (Aldrich & Zimmers, 1986). Other researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities (Aldrich & Cliff, 2003., Gartner *et al*, 2004., Kim,

The social entrepreneurs need to use social networks to lobby for funds and to ensure that their ideas are supported by the various stakeholders.

Resource-Based View (RBV)

The resource-based view (RBV) was developed from the concept of Penrose, Schumpeter, and Ricardo (Scherer, 1980) for sustained competitive advantage by using strategic resources. The resource-based approach concentrates on the characteristics of resources and strategies for organization survival, competitive advantage, and long-term performance (Barney, 1991). Resources and capabilities are seen as sources of superior firm performance. The resource-based view assumes that resources are heterogeneity distributed among the firm and are immobile across the firms (Barney, 2001a). External variables are the strategic factors that impact the firm,

Including other stakeholders such as buyers, suppliers, intensity of competition, and industry and market structure (Porter, 1985). These factors impact how resources are conceived, as well as how they are deployed. According to resource-based view, firms with VRIN (valuable, rare, inimitable, and non-substitutable resources) criteria have the competency for achieving high performance (Barney 1991). According to Miller and Shamsie (1996), resources are inputs into an organization's production process that contain tangible and intangible resources, either knowledge-based or

property-based. Property-based resources are tangible resources while knowledge-based resources refer to intangible resources. Both of them are necessary for an organization's operation. In the resource-based view, resource acquisition is an important point because resources with value, rareness, inimitability, and non-substitutability can generate competitive advantages and have a

great influence on organizational performance. The resource-based view will enable social ventures understand how their strategies that they conceive and implement will improve their efficiency and effectiveness. By maximizing on the profits due to better utilization of the resources, the social ventures will be able to achieve their social mission, ensures stakeholders value and be sustainable.

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