The social entrepreneurship matrix as a “tipping point” for economic change

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Abstract

As social entrepreneurs and the enterprises they create gain momentum in the marketplace, research aimed at better understanding the effects of this growing form of social commerce has burgeoned. However, consensus regarding how a social entrepreneur differs from a traditional one or exactly how a social enterprise or social entrepreneurial program differs from other forms of social commerce has not been reached. Indeed, confusions involved in defining social entrepreneurship can hamper attempts to apply the constructs and methods of complexity theory to this burgeoning new arena of “social capital.” To remedy this lack of clarity and, accordingly to more fully grasp the nature of social entrepreneurship, the current paper introduces the diagramic construct of the Social Entrepreneurship Matrix (SEM). Using a systems thinking perspective, the Matrix combines entrepreneurial mission concerns with enterprise profit requirements. It is hoped the interaction that results can serve as a mechanism for better conceptualizing and exploring social commerce.

Introduction

As social entrepreneurs and the enterprises they create gain economic strength, research to understand the phenomenon has burgeoned (Drayton, 2002; Dorado, 2006). Not only does the literature contain rich descriptions of dedicated individuals creating a variety of socially beneficial and profitable businesses (Van Slyke & Newman, 2006), there has also been a concerted effort to differentiate these achievements from those of traditional entrepreneurial efforts (Dart, 2004; Harding, 2004). A clear distinction between the two would help investors, analysts, researchers as well as other interested stakeholders, be better able to value the strategic and operational outcomes each brings to the marketplace. However, to date, most of the efforts at differentiation have done more to confuse the issues rather than clarify them (see, e.g., Mort et al., 2003; Peredo & Chrisman, 2006). One prominent avenue of differentiation has focused on identifying personal traits that distinguish between social and traditional entrepreneurs (Roberts & Woods, 2005; Drayton, 2002) while another has sought to differentiate business approaches by who funds a given type of enterprise (Ligane & Olsen, 2004; Hartigan, 2006).

Interestingly, no one has yet offered a way to practically develop the social enterprise approach to business as a mechanism for fundamental economic change in the marketplace. Even while Dart (2004) seeks to legitimize the social enterprise approach, we are still lacking the unifying guidance needed to propel the phenomenon forward. The current paper seeks to re-conceptualize previous efforts and provide a framework for distinguishing between entrepreneurial efforts, including socially conscious ones, and the types of businesses they create. The paper seeks to use the integrating properties of systems thinking to offer guidance for assessing social enterprise opportunities (Fuller & Moran, 2001).

Social entrepreneurship defined

Whether because the notion of someone starting a business for reasons other than profit maximization might seem oxymoronic to some or because there is something fundamentally different about individuals who choose to do this, much research on social entrepreneurship has focused on identifying characteristics that make such individuals stand out (Dees, 2001; Fiet et al., 2006). Table 1 provides a sample of the ways social entrepreneurs have been defined in the literature as well as the characteristics that have been attributed to their success.

It is interesting that Table 1 points out how efforts to distinguish social entrepreneurs from traditional ones has led to a finding of greater similarity than difference. For example, the evidence indicates that all entrepreneurs are passionate, driven individuals, who believe their ideas will make the world a better place, regardless of whether they receive the title of “social” entrepreneurs or not (Hayward et al., 2006). Take, for example, Howard Schultz of Starbucks Coffee Company. Based on the definitions and traits listed in Table 1, he could readily be categorized as a social entrepreneur. He is a passionate, socially-conscious individual, who has based his coffee business on offering people a sense of community, comfort, and extended family. He is also the first entrepreneur in the U.S. to provide stock options and healthcare access to part-time employees (Schultz, 2004). Yet, he is commonly considered a well-intentioned, successful traditional entrepreneur.

So far, therefore, it does not appear that there is a distinguishing set of traits that delineate social from traditional entrepreneurs.
Rather, the differentiating factor appears to be the nature of the mission the entrepreneurs select for their businesses (Mort et al., 2003). Social entrepreneurs focus more on social concerns, while traditional ones focus more on market-oriented ones. Both seek profits to drive their businesses forward and both seek to make important changes in the marketplace. The difference appears to be in the degree of intent. Figure 1 offers a practical way to conceptualize this mission-driven distinction.

Entrepreneurs can exist in either direction along the continuum, depending on how they define their mission. An entrepreneur who defines his or her organization in terms of social causes would be on the left side of the continuum; one who combines market-defined interests with those of social causes would be in the middle; and one who chooses a market-only orientation would be on the right side of the continuum.

Applying a continuum perspective is useful in understanding the nature of social entrepreneurship for a variety of reasons. First, it allows entrepreneurs to be defined in terms of what they do, rather than for what they are. Second, it introduces the notion of “degree”

Table 1

<table>
<thead>
<tr>
<th>Sample Definitions and Traits for Social Entrepreneurs</th>
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<tbody>
<tr>
<td><strong>Article</strong></td>
</tr>
<tr>
<td>Drayton (2002)</td>
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<tr>
<td>Mort, Weerawardena &amp; Carnegie (2003)</td>
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<td>Roberts &amp; Woods (2005)</td>
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<td>Hartigan (2006)</td>
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<td>Korosec &amp; Berman (2006)</td>
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Fig. 1: Figure 1

A Continuum of the Concept of Social Entrepreneur

into the distinction process so that entrepreneurial efforts can be more realistically assessed. Third, it accounts for the possibility of mission transformation over time. Entrepreneurs who begin with a social mission may be tempted to change to a more market-
driven one depending on operational needs, while those who start with a more market-driven idea may develop very socially conscious practices depending on market demands (Tiku, 2008).

Social commerce defined

In order to fully grasp the potential of social entrepreneurship as a force for economic change, consensus regarding the concept of “social enterprise” also needs to be reached (Dart, 2004). Specifically, some in the literature see a social enterprise as a more efficient outgrowth of not-for-profit institutions, while others see the concept as a for-profit business attempting to address social needs in the marketplace (Harding, 2004). For example, the United Kingdom’s Global Entrepreneurship Monitor has isolated social enterprises into three categories, depending on the form of funding stream used by each. Moreover, it has been argued that a social enterprise is a new form of organization, while others claim it has been around for hundreds of years (Drayton, 2002; Roberts & Woods, 2005). To further demonstrate this lack of consistency, Table 2 provides a review of some recent definitions of a social enterprise.

Regardless of the wide variety of examples and differing perspectives taken on this form of social commerce, the integrating common denominator that consistently remains is the extent to which profits are required to operate the business (Dorado, 2004). Social businesses differ from traditional not-for-profit institutions in that social businesses must have profits to successfully function. Also, they differ from traditional profit-based businesses in that their profits are used to support social causes rather than to increase the wealth of investors, managers, and owners. Figure 2 offers a continuum delineating the nature of this relationship.

Businesses can exist anywhere along the continuum. Institutions not expected to produce profits according to their legal status are on the extreme left side of the continuum, while organizations that are required to produce profits by investors, shareholders, and the government are on the extreme right. Social businesses exist anywhere along the continuum, with an enterprise’s exact location depending on the extent to which it requires profits to sustain itself. Differentiating business options in this manner allows for a more comprehensive conceptualization of social commerce, while keeping attention focused on the bottom line aspects of organizational performance.

The social entrepreneurship matrix

Something all research seems to agree on is that social entrepreneurship is a complex phenomenon not yet well understood (Fuller & Moran, 2001). And, given the power of systems-based theory to explain complex phenomena (Schoederbecket et al.,...
1985; Taylor, 2001), a useful next step in the process of understanding is to consider how factors relevant to social entrepreneurship might interact. Consequently, Figure 3 introduces the Social Entrepreneurship Matrix (SEM), which combines the social entrepreneurial, mission-orientation.
No Profit Required

Quadrant I represents organizations that are driven by both social missions and the need to make profits, achieving economies of scale and a critical mass in the marketplace (Gladwell, 2002).

Quadrant II represents organizations that are not only driven by social missions, but must also make profits to achieve critical mass and impact (Gladwell, 2002).

Quadrant III represents organizations that respond to market needs but are not driven by the need to make a profit. Examples include Live Aid and Partnership for a Drug Free America.

Quadrant IV represents the most familiar, classic approach to business: those firms that primarily have a market-driven mission, with a focus on generating profits. Cease to function as they are bought by competition or forced into some form of bankruptcy.

The Tipping Point Quadrant

Social entrepreneurs in this category focus on using surpluses to drive efficiency of operations and grow their social enterprises beyond critical mass. Some consider this quadrant to be the birthplace of the modern social enterprise (Dart, 2004).

Quadrant III from satisfying that need to support a social cause. Examples include Live Aid and Partnership for a Drug Free America.

The Traditional Business Quadrant

The Traditional Not-for-Profit Quadrant

The Social Entrepreneurship Matrix

Fig. 3: Figure 3