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

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, confusion 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” entrepreneur 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>Article</th>
<th>Definition</th>
<th>Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drayton (2002)</td>
<td>Social entrepreneurs see something in society that is stuck, that is not working and envision a systemic change that will allow them to shift society to a new and better way. They have a drive that will not stop until it is done.</td>
<td>1) A powerful, new, system-change idea, 2) creativity, 3) entrepreneurial spirit to drive change across society, and 5) strong ethical fiber.</td>
</tr>
<tr>
<td>Mort, Weerawardena &amp; Carnegie (2003)</td>
<td>Those who are driven by the social mission of creating better social value than their competitors which results in their displaying entrepreneurially virtuous behavior.</td>
<td>1) Balanced judgment, 2) a coherent unity of purpose and action in the face of stakeholder complexity, 3) creates better social value for clients, 4) innovative, 5) proactive, 6) risk-taking propensity, 7) passion</td>
</tr>
<tr>
<td>Roberts &amp; Woods (2005)</td>
<td>Social entrepreneurship is the construction, evaluation, and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals.</td>
<td>1) Passion, 2) dogged persistence, 3) creativity, and 4) see things differently, 5) recognize the importance of thinking like a business</td>
</tr>
<tr>
<td>Hartigan (2006)</td>
<td>Entrepreneurs whose work is aimed at progressive social transformation.</td>
<td>1) capacity to envisage what does not exist and make it happen, 2) innovative, 3) resourceful, 4) opportunity aware</td>
</tr>
<tr>
<td>Korosec &amp; Berman (2006)</td>
<td>Individuals or private organizations that take the initiative to identify and address important social problems in their communities. They exhibit vision, energy, and ability to develop new ways of alleviating social problems.</td>
<td>(1) See opportunity, (2) have an entrepreneurial personality, (3) work well in teams and provide collaborative leadership, and (4) have a genuine, long-term, focused commitment to their communities</td>
</tr>
</tbody>
</table>

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, 2006). 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 (Schoderbeckett al.,

<table>
<thead>
<tr>
<th>Article</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dart (2004)</td>
<td>Diffs from the traditional understanding of the nonprofit organization in terms of strategy, structure, norms, values, and represents a radical innovation in the nonprofit sector.</td>
<td>Ashoka; Schwab Foundation for Social Entrepreneurship</td>
</tr>
<tr>
<td>(Ligane &amp; Olšen, 2004)</td>
<td>A seed-stage or early-stage venture that is designed to be profitable and that has an integrated social mission. The social impact of its operations is greater than the industry standard.</td>
<td>Wilson Turbopower; Mobius Technologies; Bronx Arts; and, Calvert Social Investment Note Program</td>
</tr>
<tr>
<td>(Peredo &amp; Chrisman, 2006)</td>
<td>Entails a community acting corporately as both entrepreneur and enterprise in pursuit of the common good.</td>
<td>Mondragon Corporation Cooperative; Retirement Living at Elliot Lake; Communal Sheep Farms of Quero; Friday Fairs at Chaquicocha</td>
</tr>
<tr>
<td>Korosec and Berman (2006)</td>
<td>Organizations and individuals that develop new programs, services, and solutions to specific social problems and those that address the needs of special populations.</td>
<td>Children’s Place at Home Safe; Fair Oaks Community Center; Medbank; and North Greenwood Health Resource Center</td>
</tr>
<tr>
<td>Harding (2004)</td>
<td>They are orthodox businesses with social objectives “whose surpluses are principally re-invested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (p. 41).</td>
<td>ECT group recycling; Greenworks; Ashoka;</td>
</tr>
<tr>
<td>Hartigan (2006)</td>
<td>A business to drive the transformational change. While profits are generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need effectively. Wealth accumulation is not a priority—revenues beyond costs are reinvested in the enterprise in order to fund expansion (p. 45).</td>
<td>Grameen Bank; Schwab Foundation; Project Impact; Aurolab; Aravind Eye Hospital; DMT Toilets; SEKEM; easybeinggreen; and Irupana</td>
</tr>
</tbody>
</table>
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.

Fig. 2: Figure 2
A Continuum of the Concept of Social Commerce
Quadrant I represents organizations that are driven by a social mission and do not need to make a profit. They do not get addicted to the market, but instead rely on community support, trust, and karma to succeed. Some examples include the Salvation Army and Oxfam. Financial sustainability is achieved from donations and grants.

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

Quadrant II represents organizations that are driven by both a social mission and a profit requirement. They are often hybrids between social enterprises and traditional businesses. Examples include microfinance organizations.

Quadrant IV represents the most familiar, classic approach to business: those firms that primarily have a market-driven mission. They are driven by profit, and they cease to function as they are bought by competition or forced into some form of bankruptcy.

As can be seen in Figure 3, the social entrepreneur can exist in any of the four resulting quadrants. Each offers a different set of challenges and opportunities.

References:


As can be seen in Figure 3, the social entrepreneur can exist in any of the four resulting quadrants. Each offers a different set of challenges and opportunities.


www.Bizstats.com


The Transient Organization Quadrant

The Tipping Point Quadrant

Unfortunately, the costs to society of this approach are rising rapidly. Pollution, corruption and propaganda are being controlled by this economic system. As a result, they must continue to thrive. If market demands change and their offering is no longer interesting, the organization ceases to function.

Quadrant I

Quadrant II

Quadrant III

Quadrant IV

The Social Entrepreneur

Market-driven Mission

No Profit Required

Socially-driven Mission

Fig. 3: Figure 3

The Social Entrepreneurship Matrix

Emergence: Complexity and Organization