Chapter 1. An Introduction to Social Entrepreneurship

What is entrepreneurship?

We often hear talk of entrepreneurship as if it were a modern concept. For example, we might hear that an organization needs to modernize by “thinking and acting more entrepreneurially.” Or we read that value in the modern American economy is increasingly driven by entrepreneurs.

However, the concept of entrepreneurship is not new. The word derives from the French entreprendre, or “to undertake,” and its importance in the process of production was described by economists 200 years ago. These early economists noted that production processes required labor (mental and physical human effort), physical capital (plant and equipment), human capital (knowledge and expertise), and land (natural resources). But production also required something less tangible: managerial skill and the willingness to take risks for a venture. This was the human part of an endeavor that would be “left over” if you took away sheer manpower and technical know-how.

Over the years, in trying to pin down this magical element in venture creation, businesspeople and scholars have gone beyond management talent and risk to what is the real core of entrepreneurship: opportunity recognition, innovation, and a quest for results. The economist Joseph Schumpeter, often called the “Godfather” of our modern understanding of entrepreneurship, described the phenomenon as follows in 1934:

First of all there is the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty. ... Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself. From this aspect, economic action becomes akin to sport... The financial result is a secondary consideration, or, at all events, mainly valued as an index of success and as a symptom of victory, the displaying of which very often is more important as a motive of large expenditure than the wish for the consumers’ goods themselves. ... Finally, there is the joy of creating, of getting things done, or simply of exercising one’s energy and ingenuity. ... Our type seeks out difficulties, changes in order to change, delights in ventures.¹

A succinct definition of entrepreneurship that we often hear today is that it is the process of pursuing opportunities without limitation by resources currently in hand. The key here is the

word *process*. Many authors about entrepreneurship in the commercial world describe this process as consisting of five parts.

1. **Opportunity recognition.** Entrepreneurship begins with the recognition that an opportunity exists to create value. For example, an entrepreneur may perceive an opportunity contained in a demographic shift, a change in consumer tastes, a new public policy, or an unmet need.

2. **Concept development.** An opportunity cannot yield a valuable venture without its translation into a business concept. For example, a change in consumer tastes may open the door to a new product geared to the change, or the improvement of an existing technology. It is important to note that an opportunity and a business concept—for-profit or otherwise—are not the same thing. And as one entrepreneurship expert notes, confusion between the two is "one of the leading causes of product and business failure."\(^2\)

3. **Resource determination and acquisition.** If an entrepreneur proceeds to develop a business concept, the next step involves the determination and acquisition of sufficient resources. These resources generally include money, of course, but they are not limited to the financial dimension. The entrepreneur also needs information, and human resources as well. For example, the decision to start a business requires money to cover start-up costs, information about the market one is entering, and usually, some human assistance in executing the plan.

4. **Launch and venture growth.** After an opportunity is recognized and resources acquired, the venture can be launched. Then, an entrepreneur grows the venture in a way that will maximize its payoff. This frequently means continuing to invest, developing a larger business strategy, retaining (as opposed to acquiring) human resources, and dealing with inevitable conflict.

5. **Harvest the venture.** Ultimately, the entrepreneur exits from the venture, ideally in a way that maximizes his or her benefit. Exit may mean taking a company public, selling it to another company, liquidating assets, or passing the venture on to one’s heirs.

The entrepreneurial process is arguably the most important creative force in the American system of private enterprise. For example, we often hear that large corporations are cutting jobs, and it is true that more than 5 million jobs disappeared at Fortune 500 firms between 1980 and 2000. Over the same period, however, 34 million jobs were created, mostly in small businesses and fast-growing new firms.\(^3\) Today, nine percent of Americans are involved in entrepreneurial activity, and are either providing jobs to others, or are planning to do so within the next five years.\(^4\)

**What is social entrepreneurship?**

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Social entrepreneurship is a much newer concept than commercial entrepreneurship, and has been defined in many ways over the past few years. The variance in definitions has been substantial enough that one standard definition has yet to emerge clearly. However, practically all of the definitions have contained one or more of the following concepts, articulated by major writers on the subject.

1. Social entrepreneurship addresses social problems or needs that are unmet by private markets or governments.
   - "Social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations."^5
   - "Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the welfare state will not or cannot meet."^6
   - "Social enterprises are private organizations dedicated to solving social problems, serving the disadvantaged, and providing socially-important goods that were not, in their judgment, adequately provided by public agencies or private markets."^7

2. Social entrepreneurship is motivated primarily by social benefit.
   - "Social entrepreneurship is a multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve a social mission."^8
   - "Social entrepreneurs are people with new ideas to address major problems who are relentless in the pursuit of their visions...who will not give up until they have spread their ideas as far as they possibly can."^9

3. Social entrepreneurship generally works with—not against—market forces.
   - Social entrepreneurs "pay increasing attention to market signals without losing sight of their underlying missions, to somehow balance moral imperatives and the profit motives—and that balancing act is the heart and soul of the movement."^10
   - Social entrepreneurs "combine innovation, entrepreneurship, and social purpose and seek to be financially sustainable by generating revenue from trading."^11

A useful definition of social entrepreneurship employs these concepts, and ties them to the way we understand the commercial entrepreneurial process. Considering social entrepreneurship to be related to commercial entrepreneurship in this way is not radical. In fact, one of the most common claims about social entrepreneurs is that they adopt a "business-like approach" to social

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innovation. The primary difference, as we shall see throughout this book, is not the nature of the entrepreneurial process itself, but rather the denomination of the rewards sought. In fact, social entrepreneurship maps into the traditional commercial entrepreneurship process neatly.

1. **A social entrepreneur recognizes an opportunity to create social value.** This might take the form of an obvious or not-so-obvious social problem, or an unmet social need. Two aspects of social opportunity recognition are especially noteworthy. First, social entrepreneurs tend to see opportunities where others see only threats and tragedies. For example, where most people see a blighted industrial zone, a social entrepreneur might see an opportunity for cooperative gardening, or a park. Second, an unmet social need might involve an actual unfilled demand, such as a group of inner-city parents who are unsatisfied with their local public school. Alternatively, however, it might involve a demand that is still “latent”; that is, the social beneficiaries might not know the benefit they could receive. For example, parents might not even know what kind of educational improvements their children could be experiencing, or not understand the importance of these improvements. Clearly, latent demand is a much more complicated type of opportunity for a social entrepreneur than actual demand, because it involves selling the direct beneficiaries on the idea as well as the other steps in the entrepreneurial process. The process of identifying opportunities is the subject of chapter 2.

2. **The opportunity leads to the development of an enterprise concept.** The enterprise concept has several basic parts. First, the social entrepreneur identifies specific new products, and/or new markets to be served. For example, the opportunity to serve the homeless might involve the creation of a new soup kitchen or shelter where these people are concentrated, or an expansion of other, existing homelessness relief operations to cover the people in this area. Second, the social entrepreneur identifies and defines the actual social rewards to be gained from the successful enterprise, and sets enterprise goals in terms of these rewards. This second step has no clear corollary in the world of commercial entrepreneurship, where the metric is usually very clear: profits, or something related (such as market share). Social entrepreneurs face the challenge of denominating the value of their enterprises in such a way that it is identifiable, defensible, and measurable. For example, a missionary organization might denominate value in terms of the number of converts that stay with their faith for a certain length of time, and set a goal of reaching (if not converting) everyone in a specific area. The failure to identify and denominate social returns and set goals at this stage is a key reason that many social enterprises do not succeed.

Other parts of the enterprise concept development involve generating information about the market. Campbell (1998) lists these parts: Gauge the commitment to the enterprise; develop the infrastructure; generate and screen ideas for execution; conduct feasibility studies; and plan the venture. Chapter 3 goes into detail about acquiring market information at this stage.

3. **Resource needs are determined and the necessary resources acquired.** Social enterprises are reliant on three main types of resources. First, there are financial needs. Financial resources

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come from earned revenues, philanthropy, and governments. The latter two are especially important at this early stage because typically, a social enterprise has nothing to sell (yet). Chapter 5 discusses the main avenues for philanthropy: individual, corporate, and from foundations, as well as the growing importance of venture philanthropy. Second, there are human resource needs. These come in the form of donated and paid human resources. The volunteer resources are at the level of staff, or leadership—often the board of directors. The biggest human resource input usually comes from the social entrepreneur him- or herself. Third, there are human capital resources. This refers to education, experience, knowledge, and expertise to make an enterprise operational and competent. For example, a social entrepreneur intent on starting a school voucher program must identify not just the money and labor needed to start the venture, but also the necessary political and technical knowledge about this kind of cause.

4. *The social entrepreneur launches and grows the venture.* The venture’s launch is followed by growth, which can be fast or slow, and often involves an expansion of the organization’s size or scope of operations. In all cases, however, growth should follow a tangible business strategy, which includes a plan to meet growing human and financial resource needs, delegation of responsibilities from the social entrepreneur to others, a process for dealing with and negotiating inevitable conflicts, and a coherent plan to measure progress in terms of the social value metric defined in an earlier stage. For example, imagine a social entrepreneur intent on starting an arts and culture district (a zone in which the official or unofficial attraction is the arts) in a downtown area. A typical measure of social value for such an enterprise might be the number of arts patrons served per month in the designated area. The beginning of this project could involve the connection of the activities of two downtown arts groups in close proximity. However, there must also be strategy for growth, which most likely will involve expanding in budget, activities, and geography: More arts groups connected, geographic designation and signage sought from the city, a comprehensive arts website developed, and so forth. This expansion path should be explicit, and include plans for staffing and financing, and for removing obstacles to the project. It also must include progress measurement, meaning regular monitoring of the number of arts patrons in the district. Chapter 6 covers these issues in detail.

5. *Goal attainment and beyond.* One part of the social enterprise process that is often neglected is a plan for goal attainment. By this, I do not mean simply planning to reach a venture goal, but rather what to do once this goal is reached. There are at least four possibilities for a social enterprise that has measurably reached its goals: It can shut down, it can redefine itself to meet a new social mission, it can settle into a stable service equilibrium, or it can integrate into another venture. For example, imagine a social enterprise that seeks to vaccinate children in a certain region against a preventable disease. The performance metric is fairly obvious—the number or percentage of kids vaccinated—and the goal is to vaccinate enough kids that the disease can no longer spread within this community. Once it meets this goal, the enterprise can shut down, or turn its energies to other challenges, such as vaccinating in other communities, or fighting other diseases. Alternatively, it might seek to roll the venture, which has demonstrated its effectiveness, into a larger government public health program.
Figure 1.1 The process of social entrepreneurship

TEXT BOX: The Grameen Bank’s social entrepreneurship process

In 1974, a Bangladeshi economics professor named Muhammad Yunus visited a small rural village in Bangladesh in an effort to connect the economic theories he was teaching with the real-world poverty of his native country. What he found in the tragedy of rural poverty was a major social opportunity, and the seeds of a social enterprise that has since transformed the way the world understands poverty relief.

Professor Yunus saw that rural people were generally skilled and hardworking, but the returns to their skills were limited by their lack of access to credit to buy materials for their trades. For example, he found many women who made baskets for a living. Unable to obtain loans from any banks—because they had no collateral—the craftswomen were forced to borrow materials from middlemen in exchange for the right to sell the baskets at a punitively-high commission. This left the women without a sufficient profit margin to buy any materials in the future—sending them back to the middlemen.
The opportunity Professor Yunus recognized in this problem was that the poverty of a village could be eased with access to just a few dollars in credit. According to Yunus, “Unleashing of energy and creativity in each human being is the answer to poverty,” and unleashing this energy and creativity was a question of a relatively small amount of money. The enterprise concept was a new kind of bank, which made “micro-loans,” loans that were so small that no collateral was necessary. Low interest rates meant that craftspeople could earn a fair profit on their work, and slowly build up the capital to reinvest, grow their trades, and rise from poverty. The denomination of returns to this enterprise would be the rising incomes of rural poor borrowers, and the falling poverty rates in their villages. To execute this enterprise at the beginning, the resources Professor Yunus needed were funds, expertise, and energy. Funds came from depositors and donors; expertise and energy came largely from Mr. Yunus himself.

The venture was launched in 1976, making a small number of loans to the inhabitants of one local village. Experiencing spectacular results, including a loan repayment rate of 99 percent, the enterprise growth occurred quickly, spreading loans to neighboring areas. In 1983, the project was named Grameen Bank under a Bangladeshi government charter (which was necessary to make it a legal banking institution). It continued to grow, and by 2005 had more than 1,500 branches in nearly 50,000 villages, covering about 70 percent of the country. It had approximately five million borrowers and annual revenues of about $80 million. Its loans had grown beyond business development, also to include loans for housing, education, and basic subsistence for beggars.

Professor Yunus has attained many of his original goals over the past 30 years, with measurable evidence of high rewards, in terms of the rising incomes among the Bank’s borrowers and the falling poverty rates in the villages the Bank serves. The Grameen Bank has also spawned thousands of replicas around the developing world, which have helped millions of poor people to help themselves out of poverty by giving them recourse to the fruits of their own private enterprise.

Further reading


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How much social entrepreneurship is occurring?

Similar to the for-profit sector, there is significant evidence of social entrepreneurship in the number of new organizations forming in the United States. Figure 1.2 illustrates the growth of all

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http://www.oneworldonepeople.org/
nonprofits with annual gross receipts above $25,000 from 1996 to 2004. It shows that nonprofits in general grew by three percent per year. Even more impressive growth occurred among public charities (hospitals, schools, arts groups, social welfare agencies, etc.) and private foundations. It is important to keep in mind as well that these data leave out two highly-dynamic types of organizations: houses of worship, and grassroots organizations. In other words, this probably significantly underestimates the levels of social entrepreneurial activity today in the American economy.

Figure 1.2. Social venture growth, 1996-2004

Starting a venture is only one type of social entrepreneurship that is occurring in the U.S. Harder to measure are the enterprises “embedded” in established activities. For example, author Peter C. Brinckerhoff (2000) lists six categories of possible ventures for a social entrepreneur.\(^\text{15}\)

1. Starting a new product or service.
2. Expanding an existing product or service.
3. Expanding an existing activity for a new group of people
4. Expanding an existing activity to a new geographic area
5. Acquiring an existing business
6. Partnership or merger with an existing business

The first category of social entrepreneurship is the one we most frequently think of, and which is reflected in Figure 1.2. However, the best reaction to a social opportunity might be to leverage existing resources to create new services, or serve new people and areas. For an existing organization that sees a new opportunity, it may be most appropriate to acquire or partner with another organization that is better-positioned to meet the opportunity. The absence of a brand new venture does not necessarily make it any less socially entrepreneurial.

While social entrepreneurship can occur in many ways, we should also note that not every activity that falls in Brinckerhoff’s categories should be classified as social entrepreneurship. On the contrary, it is easy to see how practically any of the categories can deviate from the process of social entrepreneurship. A new or expanded service is not necessarily based on a new opportunity, and a new opportunity may not be developed into any useful service. Acquiring or partnering with an existing business is frequently non-entrepreneurial, inasmuch as the opportunity and enterprise concept are not new. This is not to say that a non-entrepreneurial venture is worse or better than an entrepreneurial one; just that they differ in tangible ways.

**Theories of social entrepreneurship**

What explains social entrepreneurship? One might be tempted to answer this question by simply going back to the beginning of the social entrepreneurship process: Social entrepreneurship occurs because of a perceived opportunity. Yet this is circular reasoning, in that the opportunity defines the beginning of social entrepreneurship—it doesn’t cause it. We need a theory of how and why the whole process of social entrepreneurship is stimulated, and for this we turn once again to the well-developed literature on commercial entrepreneurship.

There are five basic theories of entrepreneurship, most of which are complementary to one another.

1. **Environment.** Under this view, entrepreneurship is a latent condition in the population. It is stimulated when the environment is conducive to it. This environment can be inside a firm, in one’s social circle, or even in public policy and politics.\(^\text{16}\)
2. **Resources.** The theory of entrepreneurship focuses on the availability of resources for new ventures. The idea here is that the availability of financial capital, human resources, and human capital are the key to understanding why entrepreneurs decide to try and exploit an opportunity.\(^\text{17}\)
3. **Perturbation.** Also known as “displacement,” this theory argues that entrepreneurship occurs when people are displaced from their regular business routines by political, cultural, or economic factors.\(^\text{18}\)
4. **Personal traits.** The class of theories holds that there are identifiable traits of an “entrepreneurial personality.” Entrepreneurship occurs because people with these traits are able to operationalize their tendencies.\(^\text{19}\)
5. **Preparation.** Related to personality traits is the idea that entrepreneurship can be taught, and hence it depends on factors such as education and work experience.\(^\text{20}\)


Social entrepreneurship can be understood with the same set of theories. Figure 1.2 illustrates how the forces represented in these theories can work together to trigger the social entrepreneurship process. The first three forces are external to social entrepreneurs, while the last two are internal. Together, they can reinforce or weaken the likelihood of the initiation of the social entrepreneurship process.

![Diagram of external and internal forces for social entrepreneurship]

**External forces**
- Environmental factors
  - Social climate conducive to social entrepreneurship
  - Political climate that facilitates social innovation
- Availability of financial and nonfinancial resources
- Perturbation of the environment
  - Political change
  - Cultural change
  - Economic change

**Social entrepreneurship process begins**

**Internal forces**
- Entrepreneurial personality traits
- Preparation to exploit opportunities
  - Education
  - Experience

Figure 1.3. The forces on social entrepreneurship

The aggregate model in Figure 1.3 is useful not just for combining and understanding the various strands of theory on entrepreneurship, but also for predicting where we are likely to find social entrepreneurship, and even how we can best stimulate it. For example, we should predict a relatively high level of social entrepreneurship activity where the social and political climate is congenial to the idea of meeting social needs through private initiative, where resources are available to develop ventures, and where changes are occurring that make a social need perceptible. Furthermore, the people in this environment most likely to start social enterprises are those with sufficient background, and an “entrepreneurial personality.”

These predictions—especially those concerning the external forces—are consistent with what a number of commentators have identified as the one of the key differences between the United States and the countries of Western Europe. Many authors have attributed America’s relatively high level of civic participation to the social and political environment, the ready availability of resources for good causes (including philanthropy and volunteer labor), and the fact that the America’s dynamic culture and economy create constant change. In fact, this observation is not new. The French nobleman Alexis de Tocqueville wrote his classic book *Democracy in America* in 1835. This was a study of the civic peculiarities of America. What Tocqueville found most remarkable about the U.S., compared with Europe at that time, was the number and variety of private, voluntary associations he found in America, which were supported through voluntary
gifts of time and money and dedicated to every sort of social purpose. In other words, he found evidence of dramatically different levels of social entrepreneurship.

Americans of all ages, all conditions, and all dispositions constantly form associations... The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.21

Who are social entrepreneurs?

Just as there have been many early definitions of “social entrepreneurship,” a number of attempts to define “social entrepreneur” have also emerged over the years. One definition comes from Dees (2001), who calls social entrepreneurs “change agents in the social sector” who

- adopt a mission to create and sustain social value (not just private value);
- recognize and relentlessly pursue new opportunities to serve that mission;
- engage in a process of continuous innovation, adaptation, and learning;
- act boldly without being limited by resources currently in hand; and
- exhibit a heightened sense of accountability to the constituencies served and for the outcomes created.22

This definition tells us more about what social entrepreneurs do than who they are. However, personal traits and preparation—the internal forces of entrepreneurship and social entrepreneurship—are important to understand. We can reframe the question in this way: Who tend to become social entrepreneurs? There has been considerable demographic and psychological research on entrepreneurs that can help us describe social entrepreneurs with some precision.

To begin with, some scholars have studied entrepreneurs’ innate characteristics—their demographic traits, for which they are not necessarily responsible. A number of provocative studies have found that there are, in fact, some groups with an elevated likelihood of engaging in entrepreneurial activity. For example, Saxenian (2000) describes research finding that immigrants tend to be highly entrepreneurial.23 Studies also show that first-born children are most likely to become entrepreneurs, and that entrepreneurship often occurs at milestone years (e.g. 30, 40, 50), when people feel restless.24

Some studies have looked at innate characteristics that specifically predict social entrepreneurship. There is evidence that gender matters, for example. While most social entrepreneurs are men, the ratio of men to women is much lower than it is among commercial entrepreneurs.25 Some scholars argue that social entrepreneurs are disproportionately likely to have suffered a personal trauma in their lives, such as depression, alcoholism, or drug addiction.26

While interesting, these facts do not really get us much closer to understanding the true entrepreneurial identity, however. Demographics do not determine entrepreneurship; they simply correlate with the characteristics that do. For example, the fact of immigrating probably does not spur entrepreneurial behavior in and of itself. Rather, immigrants may be entrepreneurial because of their experiences overcoming adversity, or perhaps because of an entrepreneurial self-selection toward becoming an immigrant in the first place.

More useful than innate characteristics, therefore, are the psychological attributes of social entrepreneurs. There are five that are most frequently identified in studies.27

1. **Innovativeness.** Given the fact that entrepreneurship typically involves innovation, it is not surprising that entrepreneurs tend to be innovative people. That is, they develop new ideas to meet specific challenges.

2. **Achievement orientation.** Entrepreneurs are nearly always exceptionally goal-oriented people. They set personal goals naturally, and measure progress toward these goals.

3. **Independence.** Entrepreneurs are notoriously independent. Most are highly self-reliant, and many naturally prefer to work alone toward their goals.

4. **Sense of control over destiny.** Entrepreneurs rarely see themselves as victims of their environment, but rather as in control of their own destiny. This may be due to the tendency to see negative circumstances as opportunities instead of threats.

5. **Low risk-aversion.** While there is no evidence that any rational person—including entrepreneurs—seek out risk for the sake of it, there is evidence that entrepreneurs are more tolerant of risk, and more creative at finding ways to mitigate it.

6. **Tolerance for ambiguity.** Entrepreneurs are generally more comfortable than other people situations that are dynamic and not particularly clear-cut.

These are the psychological ingredients for an entrepreneurial orientation. Something else is necessary, however, for a socially entrepreneurial orientation. According to Bornstein (2005) a social entrepreneur is characterized by "initiative, creativity, energy, obsessive focus on results, capacity for self-correction, profound understanding of the market and, above all, a deep commitment to building a just and humane world."28 To the list above, therefore we might add one more characteristic.

7. **Community awareness and social concern.** Social entrepreneurs see the value of social rewards, and are willing to devote their talents and energies to accumulate these rewards.

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26 Barendsen, Lynn, and Howard Gardner (Fall 2004). "Is the Social Entrepreneur a New Type of Leader?" Leader to Leader, pp. 43-50.
Figure 1.4 illustrates how psychological attributes work together to help create a social entrepreneur.

![Diagram of characteristics of a social entrepreneur]

As useful as the model in Figure 1.4 is for describing and predicting who is a social entrepreneur, much research remains to be undertaken on the entrepreneurial and socially-entrepreneurial character. One important question is which of the characteristics in Figure 1.3 are necessary to stimulate entrepreneurship, and whether any combination is sufficient. In addition, little is known about the possible interactions between some of these characteristics. Morris (1998) explores one such interaction, with intriguing results. He asks how innovativeness and low risk aversion combine with each other, and derives four possible outcomes, only one of which triggers entrepreneurship. These combinations are summarized in Table 1.1. Entrepreneurs have low risk aversion and are highly-innovative. Non-innovative people who are open to risk are gamblers; innovative people who are not open to risk are dreamers; and non-innovative, risk-averse people are “stuck.”

Table 1.1 The combination of risk aversion and innovativeness in triggering entrepreneurship

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<th>High risk aversion</th>
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<td>Highly-innovative</td>
<td>Dreamer</td>
<td>Entrepreneur</td>
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<td>Not innovative</td>
<td>Stuck</td>
<td>Gambler</td>
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Another issue about the socially-entrepreneurial character is how it relates to leadership. Clearly, in many cases a social entrepreneur needs to lead as well as innovate. I have often heard that these competencies rarely occur in the same individual, although I have not seen evidence that this is necessarily so. Waddock and James (1991) constructed the following list of important leadership characteristics for social entrepreneurs.\textsuperscript{29}

1. The social problem is characterized by extreme complexity, which the social entrepreneur is somehow able to bound into a vision that has the potential to reshape public attitudes when implemented.

2. Social entrepreneurs are individuals with significant personal credibility, which they use to tap critical resources and actually build the necessary network of participating organizations.

3. The social entrepreneur generates followers' commitment to the project by framing it in terms of important social values, rather than purely economic terms, which results in a sense of collective purpose among the social entrepreneur and those who join the effort.

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\textbf{TEXT BOX: Benjamin Franklin, social entrepreneur}
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Benjamin Franklin (1706-1790) is one of the best-known of America's founding fathers. He was a scientist, statesman, business, and writer. One of the most famous men in colonial and revolutionary America, his career and writings are still held up as an excellent example of the American spirit.

Franklin was the quintessential entrepreneur, inventing and bringing to market dozens of products and services, from the Franklin stove, to bifocal eyeglasses, to the glass harmonica. Seeing and exploiting dozens of opportunities over his lifetime, he became a very rich and powerful man. Not surprisingly, there is ample evidence that he possessed all the characteristics of an entrepreneur. Consider the following famous quotations from his pithy writings.

\begin{itemize}
\item \textit{Innovation}: "When you're finished changing, you're finished."
\item \textit{Achievement orientation}: "He that lives on hope will die fasting."
\item \textit{Independence}: "Three may keep a secret, if two of them are dead."
\item \textit{Sense of control over destiny}: "God helps them that help themselves."
\item \textit{Low risk aversion}: "He that would fish, must venture his bait."
\item \textit{Tolerance of ambiguity}: "The way to be safe is to never be secure."
\end{itemize}

But Franklin’s genius also extended to social entrepreneurship. He created the first fire
deptment and introduced the idea of fire insurance. He founded philosophical societies,
hospitals, and colleges. He invented many devices out of community concern, such as the
streetlamp, flexible catheter, and the lightning rod.

In 1731 Franklin created the first public library in Philadelphia, doing so out of clear interest for
the public good. He later wrote in his autobiography that this library “was the mother of all the
North American subscription libraries, now so numerous. It is become a great thing itself, and
continually increasing. These libraries have improved the general conversation of the Americans,
made the common tradesmen and farmers as intelligent as most gentlemen from other countries,
and perhaps have contributed in some degree to the stand so generally made throughout the
colonies in defense of their privileges.”

The research shows that an entrepreneurial personality can manifest itself in many ways. For
example, Miner (1996) has identified four distinct entrepreneurial “types.” There is the
“personal achiever” who innovates autonomously, the “super-salesman” who innovates through
service to others, the “real manager” who is an entrepreneur from within an established
organization, and the “expert idea generator” who relies expertise and creativity for innovations.
These types have parallels in social entrepreneurship as well. Personal achievers look to start
social ventures. Super-salesmen are usually found in fundraising and development, innovating in
the way they identify and serve donors. Real managers take established social enterprises to new
heights. And expert idea generators make it possible to meet social missions in new and
innovative ways.

So far, this discussion of the entrepreneurial character has focused on the individual. However,
this is not to imply that individuals must work alone in order for a social enterprise to succeed.
Indeed, teams and networks are often necessary. For example, teams can provide synergy
between people with complementary talents and diverse perspectives. Teams can mitigate
enterprise risk by increasing the resources and sources of assistance for an enterprise. Wider
interests and expertise can also mean greater potential for growth. There are potential costs from
working in groups as well, however. For instance, as groups grow, an enterprise can become
more unwieldy and maneuverable. Enterprises can also be vulnerable if teams dissolve, or
become locked in uncreative “groupthink” (an unhelpful conformity in team members’
perspectives).

Myths about social entrepreneurship

Given the many definitions of social entrepreneurship floating around over the past decade, it is
unsurprising that a number of myths have appeared as well. The last part of this chapter
dispenses with the most common ones.

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Myth 1. Social entrepreneurs are anti-business. One extremely common misperception about social rewards is that they are incompatible, or at odds with, financial rewards, and thus social entrepreneurs tend to be positioned opposite the commercial world. This is usually false. Many social entrepreneurs come out of the world of business, cutting their teeth in the commercial world before making social innovations. In his bestselling book Begging for Change, Robert Egger tells about the nightclub career, and the dream of starting his own club, that he had before ever thinking of starting the DC Central Kitchen, his innovative nonprofit to serve hungry and homeless people in Washington, DC. Many other social entrepreneurs operate in the world of philanthropy, where there is a disproportionate number of wealthy individuals from the world of business. Furthermore, some of the most interesting social enterprises—discussed in a later chapter—involve collaborations between commercial and nonprofit organizations, in which the missions of the organizations are properly aligned for mutual benefit.

Myth 2. The difference between commercial entrepreneurship and social entrepreneurship is greed. Related to the first myth, there is a common misperception that, while commercial entrepreneurs are motivated by greed, social entrepreneurs are motivated by public good. This injects a moral dimension into social entrepreneurship that, while attractive, is not substantiated by the evidence. First, there is no evidence that commercial entrepreneurs are especially greedy. On the contrary, recall Joseph Schumpeter’s famous claim that, for entrepreneurs, “The financial result is a secondary consideration, or, at all events, mainly valued as an index of success and as a symptom of victory...” In other words, commercial entrepreneurs are more likely to be goal-obsessed than money-obsessed. Second, many social entrepreneurs are also commercial entrepreneurs. In fact, some of the most influential venture philanthropists—such as Andrew Carnegie or John D. Rockefeller 100 years ago, or Bill Gates today—made their fortunes as commercial entrepreneurs. Acs and Phillips (2002) show that in fact, social entrepreneurship is usually predicated on entrepreneurially-derived wealth that is donated for social purposes.

Myth 3. Social entrepreneurs run nonprofits. Most of the examples in this book are from the nonprofit sector, but nonprofit status is neither necessary nor sufficient to make social entrepreneurship. On the contrary, the social entrepreneurship process described above can occur in any sector and with any legal status. Informal grassroots organizations can sometimes be ideally-suited to exploit social opportunities quickly and effectively, particularly when the resources needs are rather modest. Governments can sometimes do engage in social entrepreneurship, although as we shall see in a later chapter, this is rarer because of the public-sector forces that frequently inhibit innovation and the willingness to take risk. Finally, commercial organizations can and do act in socially-entrepreneurial ways, especially when commercial and social missions align.

Myth 4. Social entrepreneurs are born, not made. Among my graduate students in nonprofit management, I sometimes run into the belief that either they are social entrepreneurs, or they aren’t. Recalling the discussion from the last section, this deterministic view of social entrepreneurship places too much weight on the idea that the typical characteristics of the entrepreneur are all about nature, rather than nurture. This is obviously not so for education and

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experience. However, it is also true that people can be taught to be more innovative, independent, and goal-oriented than they otherwise might be. Similarly, there is abundant evidence that people can gain a sense of control over their destiny, become more comfortable with risk and ambiguity than they otherwise might be, and have their level of community awareness raised. In short, while some people certainly naturally possess more socially-entrepreneurial characteristics than others, there is evidence that these characteristics can be fostered as well.

**Myth 5. Social entrepreneurs are misfits.** The stereotypical social entrepreneur is someone who strikes out on his or her own because of an inability to work for others. Yet this has no empirical basis in reality. In fact, what the literature consistently demonstrates is that entrepreneurs and social entrepreneurs come in many varieties, including people embedded inside organizations and working in teams. In one study of commercial entrepreneurs, for example, Vesper (1980) identified the solo, self-employed person as only one of nine entrepreneurial types.34

**Myth 6. Social entrepreneurs usually fail.** Risk is a real component of social entrepreneurship, as a later chapter will show. However, it is commonly overstated in both commercial and social entrepreneurship. Kirchhoff (1993) shows that, contrary to popular intuition, most businesses do not fail. For example, in 1993 he found that more than half of the U.S. businesses started in 1977 were still functioning, and that less than half of those that had closed had actually failed.35 Similarly, Cordes, et al. (2001) show that, of the nonprofit health and human service organizations started in 1992 or later, more than 70 percent were still operating at the end of 1996.36

**Myth 7. Social entrepreneurs love risk.** It is one thing to assert that social entrepreneurs tolerate risk more readily than non-entrepreneurs, or that they are better equipped to mitigate risk than others. It is another thing entirely to say they like risk, which is what people often imply. In fact, there is little evidence that anyone seeks risk per se, except perhaps people with a pathological gambling dependency. In fact, a later chapter will show that social entrepreneurship involves calculated risk-taking. This implies as much about the ability to calculate as it does about the willingness to take risks.

**Summary**

- Social entrepreneurship as a process that starts with a perceived social opportunity, translates it into an enterprise concept, ascertains and acquires the resources necessary to execute the enterprise, launch and grows the enterprise, and harvests the future upon attainment of the enterprise’s goals.
- Social entrepreneurship can take many forms, from starting a business, to expanding an organization, to partnering with another firm.

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• There are multiple stimuli for the social entrepreneurship process. These include environmental factors, resource availability, a change in the social entrepreneur’s environment, his or her preparation to see and exploit social opportunities, and personality traits.
• Research has identified several personality traits most closely linked to entrepreneurship. These include innovativeness, achievement orientation, independence, a sense of control over one’s destiny, relatively low risk aversion, and a tolerance for ambiguity. Social entrepreneurship also requires a sense of community or social need.

Review case with discussion questions

The Program for Appropriate Technology in Health (PATH) is a socially-entrepreneurial nonprofit based in Seattle Washington. It was founded in 1977 to adapt existing medical technologies in developed countries for use in the developing world. The organization is active in more than 100 countries in Africa, Asia, South and Central America, and the former Soviet Union. According to the organization’s mission statement,

PATH is an international, nonprofit organization that creates sustainable, culturally relevant solutions, enabling communities worldwide to break longstanding cycles of poor health. By collaborating with diverse public- and private-sector partners, we help provide appropriate health technologies and vital strategies that change the way people think and act.

One product PATH has developed is SoloShot, a cheap syringe which automatically disables after one use so that needleshaing is impossible—and thus accidental transmission of many communicable diseases such as AIDS and hepatitis are prevented.

1. The President of PATH, Christopher J. Elias, has been quoted as saying, “Success means we set clear goals and milestones for individual and company performance.” How might you denominate the social rewards from the SoloShot program? How would you structure the “goals and milestones” toward success? What would constitute success?

2. Outline a plausible social entrepreneurship process for SoloShot, starting with a perceived social threat and ending with the attainment of social goals. Be specific about each step of the process.

3. What are the external forces most likely to have stimulated the social entrepreneurship process for SoloShot? Be specific.

4. What are the internal forces most likely to have stimulated the social entrepreneurship process for SoloShot? Be specific.

5. Which of Brinckerhoff’s social entrepreneurship categories does PATH fall into?

6. In a case like SoloShot, where social entrepreneurship occurs within an organization already formed, which of the entrepreneurial personality characteristics do you think are probably most important?

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38 See www.path.org.