Social Entrepreneurship and Broader Theories: Shedding New Light on the "Bigger Picture"

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[a] The first three authors of the article were the conveners and organizers of the Professional Development Workshop “Social Entrepreneurship and Broader Theories: Shedding new Light on the Bigger Picture” at the 2011 Annual Meeting of the Academy of Management. The following authors are the respective presenters that were selected via a call for presentations prior to the conference.

This is a pre-print author version of the article:

Zeyen, A, Beckmann, M, Mueller, S, Dees, JG, Khanin, D, Kruger, N, Murphy, PJ, Santos, F, Scarlata, M, Walske, J & Zacharakis , A 2013, 'Social Entrepreneurship and Broader Theories: Shedding New Light on the “Bigger Picture”' *Journal of Social Entrepreneurship*, vol 4, no. 1, pp. 88-103., 10.1080/19420676.2012.725422

Opinion piece

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Abstract

This article documents the results of a research workshop bringing together six perspectives on social entrepreneurship. The idea was to challenge existing concepts of the economy, the firm, and entrepreneurship in order to shed new light on social entrepreneurship and on our existing theoretical frameworks. The first two contributions use a macro-perspective and discuss the notion of adaptive societies and the tragedies of disharmonization, respectively. Taking a management perspective, the next two focus on the limits of conventional assumptions in management theory, particularly human capital theory and resource-based view. The final two contributions follow an entrepreneurship perspective highlighting the usefulness of mobilization theory and the business model lens to social entrepreneurship. Despite this diversity, all contributions share that they challenge narrow definitions of the unit of analysis in social entrepreneurship; they illustrate the aspect of social embeddedness, and they argue for an open-but-disciplined diversity of theories in social entrepreneurship research.

Keywords

Adaptive efficiency; tragedy of the commons; resource-based view; mobilization theory; business models

Introduction

The field of social entrepreneurship is receiving increased attention. Governments in Europe and the United States now embrace social entrepreneurship as a driver of innovation and of solutions to complex societal problems. Examples are the Office of Social Innovation and Civic Participation initiated by the Obama Administration, or the Social Innovation aspect within the Europe 2020 Flagship Initiative Innovation Union. In light of the recent global economic and financial crisis, some have welcomed social entrepreneurship as a much-needed alternative or complement to an economic system mainly driven by profit maximization and self-interest. Across the world, organizations such as Ashoka – Innovators for the Public® or the Schwab Foundation for Social Entrepreneurs promote social entrepreneurs as agents of change who have the potential to transform the societies in which they operate.

On the academic front, social entrepreneurship is a dynamic field of research these days (e.g. Short *et al.* 2009, Dacin *et al.* 2010). However, even though many see social entrepreneurship as an important element in the “bigger picture”, there has been little research aiming to contribute to the conceptual understanding of its economic role (Santos 2009) and its influence on prevailing concepts in management and entrepreneurship. We propose that a broader perspective on social entrepreneurship that explicitly engages in a discussion with or even challenges contemporary concepts of the economy, the firm, and entrepreneurship could advance our theoretical understanding of social entrepreneurship. Also, we suggest linking social entrepreneurship research with more established disciplines and theoretical fields on the organization of society and the firm. We strongly believe that combining these perspectives with social entrepreneurship research will be fruitful and inspiring in two directions. On the other hand, other disciplines and theoretic fields can provide a number of enlightening insights helping to capture various roles social entrepreneurs play in society. Such interaction may reveal both the untapped potential of social entrepreneurship and establish its boundaries and limitations

Taking the mission of the Academy of Management in earnest, we followed the call to “make sense of today’s global complexity and multiplicity by thinking in broad and integrative ways” and sought to apply this approach collectively to social entrepreneurship. In a Professional Development Workshop (PDW) on “Social Entrepreneurship and Broader Theories: Shedding New Light on the Bigger Picture” we asked scholars to present integrative approaches that combined social entrepreneurship with bigger picture perspectives from the social sciences. This article is based on the selected presentations that were delivered at the 2011 AOM. These discussions share the goal of broadening the perspective on social entrepreneurship by challenging contemporary concepts and assumptions on the macro, management, and entrepreneurship level. Moreover, each presentation aimed to outline possible future research avenues for social entrepreneurship scholars.

This article is structured as follows. In section 2, the contributions follow a macro-level perspective on social entrepreneurship and its role in society. In section 3, the authors elaborate on the applicability of contemporary management theories to the field of social entrepreneurship. Finally, in section 4, the two inputs enhance our notion of opportunity recognition, resource mobilization and business models in a social entrepreneurship setting. The article concludes with a summary of the key insights and overarching implications for future research.

A Macro Perspective On Social Entrepreneurship

For social entrepreneurship research, taking on a macro-level perspective can deliver valuable insights. First, Greg Dees elaborates the idea of adaptive efficiency and shows how it relates to social entrepreneurship. Then, Dmitry Khanin discusses the tragedies of disharmonization (manifested in an analysis of property rights) and their influence on the existence and role of social entrepreneurship organizations.

Social Entrepreneurs and Adaptive Societies. By J. Gregory Dees

Societies around the world are facing significant social problems for which they often do not have cost-effective solutions. They also face uncertainty and rapid changes (in everything from technology to migrating populations) that lead to new, complex, and shifting problems, and open the door to new approaches to solutions. In order to improve their efficiency and effectiveness at solving social problems now and in the future, societies need to be more innovative and adaptive. They need what Nobel Prize winning institutional economist Douglass North calls "adaptive efficiency."

Unlike the traditional notion of allocative efficiency, which is static, "adaptive efficiency" is dynamic and concerns a society's ability to solve problems and adjust over time. As North puts it, "Adaptive efficiency, therefore, provides the incentives to encourage the development of decentralized decision-making processes that will allow societies to maximize the efforts required to explore alternative ways of solving problems." (North 1990, p. 81)

Firms can serve as the basis of this decentralized problem solving. However, established organizations of all types are constrained by asset specificity, restricted competencies, cultural biases, bureaucratic rules, political pressures, and legal or strategic boundaries in the range of problems or new problem solving approaches they can or will explore. As a result, societies benefit from the presence of independent entrepreneurs. As Rosenberg and Birdzell argue, "New enterprises are useful devices for experimenting with innovation, because they can be established on a small, experimental scale at relatively low-cost and therefore in large numbers, and their efforts can be intensely focused on a single target." (Rosenberg and Birdsell 1986, p. 276)

Independent social entrepreneurs perform an important complementary role by engaging in a highly flexible, decentralized innovation, experimentation, and problem-solving that expands the portfolio of options available in a society for dealing with its current and future social and environmental problems, thus providing an essential ingredient for enhancing its adaptive efficiency. Yet, having social entrepreneurs is not enough. The degree of success of this decentralized problem solving depends on the effectiveness of a set of "supporting institutions" (including the legal, cultural, and organizational environment) in promoting an adequate level of social entrepreneurship. This includes improving the effectiveness of social entrepreneurs, and capitalizing on (learning from) their activities, including their failures. Societies that would capitalize on the decentralized problem solving of social entrepreneurs would be wise to heed the observation of Richard Nelson (1994), one of the founders of evolutionary economics, who points out, "For an industry with special input and skill needs, growth and effectiveness is strongly conditioned by how rapidly and effectively a support structure grows up." (p. 55) Social entrepreneurship is a field with special input and skill needs. It often cuts across old organizational silos, combining subject matter expertise (in health care, education, environment, etc.) with business, management, and organizational skills.

Creating a supportive-but-disciplined institutional environment is particularly important for social entrepreneurship. Given that the field is emerging, and still nascent, we cannot rely on established markets to do the sorting, selecting, and scaling the more effective efforts; the "markets" for social impact are notoriously inefficient in sorting out the ineffective organizations, capturing the lessons, and selecting the most promising innovations for further investment.

One of the main barriers to capitalizing fully on the activities of social entrepreneurs is that we rarely have good, timely, rigorous, cost-effective measures of social impact. Without good measures, it is hard to sort the successes from the failure or to learn lessons from these experiments. As North notes, "We must also learn from failures, so that change will consist of the generation of organizational trials, and the elimination of organizational failures. There is nothing simple about this process . . ." (1990, p. 81) In fact, to think in bi-modal terms of success and failure is too simplistic, since we have learned that approaches that work well in one place do not necessarily work as well in others. Creating a cost-effective learning structure is a significant challenge.

Channeling resources to the most promising ventures is also complicated. Philanthropy plays a role here, as donors to charitable organizations often do not pay close attention to the financial reporting of the nonprofits that they donate to, even when measures are available. Instead, philanthropists are driven by other factors, emotive factors, not closely related to performance. Some of this can be traced to a culture that treats social entrepreneurship as a form of charity, as opposed to a rigorous form of rational problem solving. Charity is about showing "caritas" or compassion. For some, it is a decision of the heart and analytics just pollute it.

Further, because the concept of decentralized social problem solving through social entrepreneurs is new and existing "markets" for this activity are inefficient, few (if any) societies have created the kind of institutional environments that are particularly effective at promoting and capturing the benefits of the work of social entrepreneurs. Many societies have dysfunctional systems and barriers in place, leading to sub-optimal outcomes. If social entrepreneurs are to deliver on their promise of serving as a learning laboratory for societies (Dees 2009), making them more adaptively efficient, then institutional, cultural, and organizational changes will be required to provide the supportive-but-disciplined environment needed for increasing and harvesting the benefits of this activity in a cost effective way. Active institution building and shaping must parallel the expansion of social entrepreneurship, particularly in the areas of a) performance measurement, b) mechanisms to harvest and share knowledge, and c) designing financial markets or similar structures to improve the selection and investment processes.

The questions for discussion: How we can stimulate the creation of an environment conducive to getting the most out of the decentralized problem solving of social entrepreneurs? What can we learn from effort to support business entrepreneurship? How is social entrepreneurship different?

Social Entrepreneurship and the Tragedy of the Commons. By Dmitry Khanin

Social entrepreneurship strives to solve societal problems (e.g. Dees 1998). Such problems are often explained by market failures (Austin *et al.* 2006). From this perspective, the role of social entrepreneurship is to help society reduce or eliminate the causes and consequences of market failures. What are such causes and consequences? And why is it that markets and governments responsible for market regulation do not generate more efficient outcomes? Answering this question may help us advance our understanding of social entrepreneurship.

This section addresses the subject of the antecedents of economic (markets) and political (governments) failures by distinguishing among three tragedies of disharmonization (Khanin 2011) related to different types of allocation (or rather misallocation) of property rights. Each of the three tragedies of disharmonization discussed below creates some specific problems defined respectively as overconsumption, underinvestment and strategic behavior. Property rights literature could provide additional insights into the nature of social entrepreneurship by categorizing the types of market and government failures that require social entrepreneurial intervention.

Generally speaking, the three tragedies of disharmonization describe situations in which individuals and/or organizations seek to act rationally and yet, paradoxically, create negative and apparently irrational or even nonsensical outcomes. The best-known tragedy of disharmonization is the tragedy of the commons first introduced by Hardin (1968). The tragedy of the common arises when common goods are overused by individuals and/or organizations and ultimately exhausted. Hence, the cost of individual consumption or rather overconsumption increases the social costs borne by the community as a whole. To illustrate his argument, Hardin (1968) gives an example of individually owned cattle grazing on a jointly owned and used pasture. Since each farmer can pass on the cost of keeping extra cattle to the community while bearing a small fraction of the additional cost as one of its members, the result is overproduction of cattle and depletion of the critically needed common resource that could be difficult to restore. The solutions proposed to mitigate the effects of the tragedy of the commons are "mutual coercion that is mutually agreed upon" (Hardin 1968) or communal self-regulation (Ostrom 1990, 2010). However, neither solution is perfect. Although the tragedy of the commons may not be as "tragic" as Hardin argued (1968), it still presents a serious problem that could be difficult to manage for many communities (Ostrom 1990, 2010). As such, the tragedy of the commons remains one of the most important antecedents of market failure creating the need in social entrepreneurship.

The second form of the tragedy of disharmonization is the tragedy of the anti-commons (Heller 1998, 2008). The tragedy of the anti-commons arises when property rights are highly fragmented making access to commonly owned and/or controlled resources extremely difficult. The main problem is how to unbundle property rights that are excessively fragmented since the tragedy of the anti-commons results in underinvestment depriving society of its resources. The post-socialist era in Eastern Europe represents one of the best-known examples of the tragedy of the anti-commons (Heller 1998). For instance, after privatization in Russia, the multiple owners holding decision rights with regard to valuable storefront property could not come to an agreement as to how it could be used and managed. As a result, economic activity became concentrated in street kiosks whereas previously state owned and recently privatized stores remained unoccupied for a long time. Heller (2008) argued that the tragedy of the anti-commons results in different types of gridlocks and suggested a number of strategies to deal with them, for instance, use language to "stop and name gridlock" and "unlock the gridlock" through a number of social activities such as monitoring, philanthropy, and voluntary agreements.

The third type of the tragedy of disharmonization is the tragedy of the semicommons (Smith 2000). It emerges when common resources and private resources are intermingled giving rise to strategic behavior, i.e. attempts by individual profit maximizers to take advantage of the commonly owned resources (e.g., dumping private waste into the ocean). "Strategy-proofing" (Fennel 2004) or setting specific boundaries and norms (Smith 2000) could help deal with the tragedies of the semi-commons. However, it remains, similar to other tragedies of disharmonization, a major source of market failures creating the need in social entrepreneurship.

The three outcomes of the tragedies of disharmonization—overconsumption, underinvestment and strategic behavior—may form different combinations (see Table 1). Analyzing these combinations could provide a starting point for examination of social entrepreneurial ventures (SEVs). Rather than seeing them merely as symptoms of market failure, these tragedies can be conceptualized as opportunities in the context of social entrepreneurship. Social entrepreneurship can lead the way in addressing the problems of overconsumption, underinvestment and strategic behavior. Employing a property rights perspective may not only help explain why markets and governments commonly fail but also shed light on the phenomenon of social entrepreneurship and how to unlock its potential. Researchers could try to identify variations in SEVs' strategies depending on the type of the tragedy of disharmonization that serves as its principal antecedent. Moreover, scholars may examine the contingency conditions underlying each type of tragedy. In sum, research on social entrepreneurship could be enhanced through the addition of a new theoretical approach that comes from the property rights and law literatures.

Table 1

Social Entrepreneurship and the Tragedies of Disharmonization

	Over-consumption (secondary factor)	Under-investment (secondary factor)	Strategic behavior (secondary factor)
Over-consumption (primary factor)	X	ToC: O /U: the Akatu Institute Brazil (reduce O by making smart consumption choices)	ToC: O /S: Richard Jefferson, the BiOS, Australia (invest in areas overlooked due to the focus on O)
Under-investment (primary factor)	ToA: U/O: Feed Program, Ellen Gustafson, Haiti: provide better food choices to reduce O	X	ToA: U /S: Baggio, CDI, Brazil: offer resources to the poor to overcome problems when U results in S
Strategic behavior (primary factor)	ToS: S /O: Tasneem Siddiqui: provide fairness-based solutions to reduce S leading to land speculation and O of the privileged few	ToS: S /U: Bart Weetjens, APOPO, use smart technology to solve inveterate problems as a result of S-induced U	X

A Management Perspective on Social Entrepreneurship

After broadening our macro-level perspective on social entrepreneurship, we now shift the focus towards management theories and their applicability to social entrepreneurship. First, Filipe Santos starts off the discussion by challenging their underlying assumptions, particularly the underlying model of man. Second, Jennifer Walske, Mariarosa Scarlata, and Andrew Zacharakis then elaborate this notion by examining the suitability and applicability of two specific theories, namely resource based view and human capital, to social entrepreneurship.

Social Entrepreneurship and Broader Theories of Management. By Filipe Santos

Social entrepreneurs and social enterprises aim to create value for society through the creation of sustainable solutions to neglected societal problems. As discussed in Santos (2009), they exhibit particular advantages compared to commercial approaches when tackling problems that exhibit positive externalities. This is particularly true when these externalities benefit disadvantaged or excluded populations, who are often not well served by governments. This theory has consequences for some of the fundamental assumptions and concepts currently applied in management theory.

On an individual level, social entrepreneurship forces us to question a basic assumption about human behavior. Instead of pursuing self-interest and profit-maximization principles, social entrepreneurs start organizations for the explicit purpose of mitigating or solving societal problems. With this shift in focus, the underlying assumption of human behavior in the economy as being driven by self-interest may no longer apply. Instead, the behavior of economic agents may be driven by the interest for others as well.

The decision to put value creation ahead of profit-maximization has consequences on a firm level as well. In traditional management theory, a firm focuses on value capture. Social entrepreneurs, however, focus on value creation. They are not interested in keeping the value for themselves or their stakeholders; they want to generate value for society by providing sustainable solutions. Thus, we might reconsider the theory of the firm that considers firms as entities that engage in a network of contracts to produce outputs, capturing surplus rents. We may even reconsider the firm being the focal unit of analysis in management theory. The center of the social entrepreneur's interest is the solution. While a firm or a legal entity might still be used as a vehicle to organize work, the social entrepreneur uses partnerships and the power of the beneficiaries themselves to generate societal value. Thus, the firm loses its centrality while the architecture of the solution gains importance.

The fact that social entrepreneurs put the solution of a problem in the center of their interest has consequences for another key concept in general management theory: the concept of building and maintaining competitive advantage. Porter's Five Forces aim to identify the key drivers that influence the competitive advantage of a firm within an industry (Porter 1980). This view begs for reconsideration in the face of social enterprises whose goal is to build and share sustainable solutions to societal problems. Instead of choosing the most attractive industries given its potential for profit, social entrepreneurs may actually choose the most difficult industries (lowest income consumers, hardest to serve, with more spillovers which are hard to capture) in order to create more value. Furthermore, while traditional enterprises might engage in a strategy of controlling resources that are VRIN (i.e., valuable, rare, imperfectly imitable, and non-substitutable) (Barney 1991), social entrepreneurs aim to mobilize resources that are abundant, cheap, and locally available. By foregoing the objective of attaining a competitive advantage, models based on intellectual property protection are being replaced by models based on open source mechanisms that allow a solution to be co-developed and shared by many stakeholders.

Social entrepreneurship not only challenges assumptions and concepts of management theory but also questions entrepreneurship theory: While commercial entrepreneurs aim to address most profitable opportunities, social entrepreneurs address difficult societal problems (e.g., Seelos and Mair 2007, Zahra *et al.* 2009). This brings about various challenges regarding the implementation of sustainable solutions. For example, investors need to be convinced not by prospects of profits but by prospects of impact. This new lenses, in turn, requires social entrepreneurs to measure and communicate societal value creation which is much more challenging than providing organizational-centric profit and loss statements and balance sheets. Pricing can be another challenging issue. While traditional entrepreneurs might focus on increasing the willingness to pay, social entrepreneurs often have to cope with the inability to pay. They might need to think of revenue models where payment and beneficiaries are not the same actor or establish revenue models based on cross-subsidizing mechanisms.

Summarizing the above-mentioned thoughts, it is clear that social entrepreneurs and social enterprises challenge some basic assumptions on which our current understanding of management and entrepreneurship is built on. As social entrepreneurship scholars we therefore face difficult challenges in adapting our theories which, at the same time, constitute a wonderful research opportunity: Rather than trying to make social entrepreneurs better traditional managers, we need to develop and validate management theories and tools that are coherent with the logic of social entrepreneurship and enterprises.

Exploring Theoretical Fit of the Resource Based View and Human Capital Theory. By Jennifer Walske, Mariarosa Scarlata, Andrew Zacharakis

The promise of social entrepreneurship is that individuals can create novel business ideas to address society's most pressing problems, such as poor access to food, clean water, healthcare, and education (Yunus 2010). Indeed, social entrepreneurs have two objectives: to create self-sustaining enterprises and to solve identified social problems. As such, social enterprises (SEs) are known to have a dual identity, also referred to as a hybridity (Austin *et al.* 2006, Certo and Miller 2008, Nicholls 2010). For those that invest in SEs, we argue that this dual identity also exists.

Specifically, a new class of investors has emerged; Philanthropic VCs (PhVCs). In contrast to traditional venture capital (TVC) firms, whose primary aim is to provide a return of investment for its limited partners (Gompers and Lerner 2002), venture firms that invest in the social sector have the dual objective of garnering both a social return and a financial return on their investments (Letts *et al.* 1997). This dual identity poses a challenge for conventional management theories that assume only one corporate objective, namely profit maximization. To explore this topic further, we pose the following research question: how can one account for, describe and empirically investigate the dual identity and organizational hybridity of firms? To answer this question, we apply two theories: Resource-Based View (RBV) theory (Barney 1986) and Becker's (1964) Human Capital (HC) theory to the analysis of PhVC firms.

RBV theory argues that a firm's competitive advantage lies in its stock of valuable resources (Dierickx and Cool 1989), which cannot be easily imitated or substituted by competing firms (Wernerfelt 1984, Barney 1986). Resources thus enable and constrain the specific strategies of an organization (Barney 1991). An important resource that Barney (1991) identifies is the firm's HC. Management theory further suggests that HC is of great relevance to a new firm's survival and early success (Stinchcombe 1965, Beckman and Burton 2008). Prior venture capital (VC) research has also demonstrated that much of a nascent venture firm's success is dependent on the HC of its partnership and founders (Walske and Zacharakis 2009, Zarutskie 2010). Therefore, in our research, we apply both RBV and HC theory to the comparative study of PhVC and TVC firms.

First presented by Letts, Ryan, and Grossman (1997), PhVC applies the VC investment model (Tyebjee and Bruno 1984, Gompers and Lerner 2002) to the funding needs of SEs. Such funding is accompanied by stewardship services, which adds value to the funded SEs and their management teams. There are also some similarities between PhVCs and TVCs, as PhVCs are dualistic, borrowing distinctive elements from both the social and commercial sectors (Austin *et al.* 2006, Certo and Miller 2008). Some aspects of the founders' HC were the same across both firm types, including: venture capital, finance, entrepreneurship, management and consulting experiences. Our findings also show that the HC, in fact, differs between PhVC and TVC firms (Scarlata *et al.* 2012). PhVCs were found to have higher levels of non-profit, government, and social entrepreneurship experiences in comparison to TVC firms, evidencing the dual identities of PhVC firms.

While this research shows the importance of HC in assessing a firm's resources, we believe that traditional RBV theory may be less appropriate when measuring a SE's success. We argue that RBV theory is typically cited as a way for firms to create a competitive advantage in the marketplace (Wernerfelt 1984, Barney 1991). However, if the aim of a SE is to address and solve social issues, and is not to garner the highest profitability, does securing a competitive advantage for SEs really apply?

Specifically, if the dependent variable for measuring a SE's success is not its revenue growth, nor its profitability, but is instead, its social impact, how does this change our interpretation and application of RBV theory? An example is a product that was created to alleviate the health effects of starvation, Plumy'nut, which is a food bar distributed by UNICEF to prevent severe malnutrition in impoverished regions. The social impact of that product might be higher if it is actually imitated and produced by many firms across many "local" geographic regions, thereby increasing its reach and social impact. As participants of the 2011 AOM PDW session suggest, while the end product or service of a SE must create customer value, it does not need to create this value exclusively. In fact, the social impact of a SE's product may be greater if it is copied by other firms. In effect, instead of scaling across many localities itself, a SE can scale its social impact by encouraging other SEs to mimic its efforts. As such, instead of resources being rare, inimitable, and nonsubstitutable, the greatest social impact might be achieved if they are valuable, yet common, transferrable and substitutable (i.e., VCTS).

This example calls to question how PhVCs should be screening their investments, and how they are going to secure a financial return on their investments. If PhVCs have an investment thesis, which is to fund social enterprises with VCTS instead of VRIN, how will PhVC garner a financial return? And how acceptable is it for PhVC firms to sacrifice financial return for increased social return, by allowing the intellectual property of their portfolio companies to be copied? Encouraging imitation does run counter to a basic screening mechanism for most TVC firms; TVC partners typically screen potential investments by the amount of competition in their investee's end markets during their due diligence process, to ensure that their portfolio companies have a competitive advantage over market alternatives (MacMillan *et al.* 1985).

In closing, two examples have been given of how RBV theory hits and misses when analyzing the hybrid corporate form. In the first case, we apply RBV theory to understanding the differences in the resources of a PhVC firm, in comparison to a TVC firm, based on the HC of its founders. In the second case, we discuss how the dependent variable of the social enterprise may differ from that of more traditional social enterprises, suggesting a difference in measures of success between TVC and PhVC firms. Within social enterprise scholarship, our research adds a greater understanding to PhVC by identifying the types of human capital commonly present in PhVC firms. Our research also informs social entrepreneurs as to the types of investors typically found within PhVC firms. In the second case, we discuss a scenario in which RBV theory may not adequately explain SE performance objectives, or that of its funders, as a firm's primarily objective may be to increase its social impact instead of its competitive advantage.

In closing, we suggest future research, exploring how RBV theory can be best applied to the emerging field of social entrepreneurship. Are there some cases where having a competitive advantage is deemed essential in order to ensure the lowest cost products for base of the pyramid populations[i]? Alternatively, are there other cases that demonstrate how a company's quest to secure a competitive advantage dilutes its social impact and prevents other firms from solving a social problem expediently? Finally, while H C theory provides a very specific perspective on firm resources, a more general RBV perspective can inspire future research on other critical resources that hybrid social enterprises use differently in comparison to their for-profit counterparts. As we further understand and evaluate these new hybrid corporate forms, we suggest, we may also need to create or significantly modify our most cited management theories, including RBV theory.

An Entrepreneurship Perspective on Social Entrepreneurship

The final two contributions take an entrepreneurship perspective on social entrepreneurship. Here, Patrick Murphy focuses on resource mobilization and opportunity recognition and its specificities in a social entrepreneurship context. Norris Krueger then further enhances the entrepreneurship perspective by taking a closer look at business models and business model research.

Mobilization and Opportunity Recognition. By Patrick Murphy

Opportunities are a central and distinct element of entrepreneurship. Indeed, opportunity identification and recognition have been the topic of intense consideration and inquiry in commercial (Venkataraman 1997, Shane and Venkataraman 2000, Alvarez and Barney 2007) and, more recently, in social entrepreneurship research (Murphy and Coombes 2008, Zahra *et al.* 2008, Corner and Ho 2010).

Traditional commercial entrepreneurship and social entrepreneurship both call for individuals who are passionate about the opportunities. Yet, what distinguishes the social entrepreneur is the desire to generate social value. This objective, simple as it may seem, can and does add complexity. Whereas traditional business models are typically rooted in the "task-environment" (i.e., interfacing with competitors, suppliers, customers, distributors), social venture business models deal additionally with the "general environment" (social, and environmental). This second level of the environment tends to be more complex and also change over longer stretches of time than the task environment. As such, social entrepreneurs must implement more complex business models, spanning both levels of the environment, to generate social value.

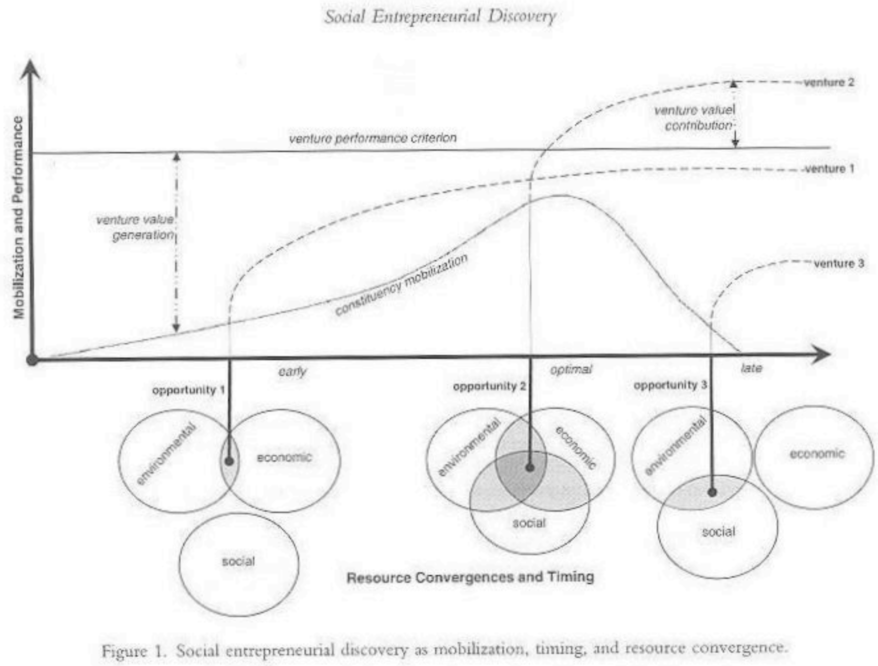
Awareness and mobilization are two distinct elements central to the generation of social value. A real social entrepreneurial opportunity only begins to form when constituents living within and without the community in question are (a) aware of a certain need, (b) share values about it, and (c) can be mobilized to do something about it. Mobilization of constituents is a "large-scale voluntary public support of a social purpose or cause" (Murphy and Coombes 2008, p. 327). The social entrepreneur and his or her venture is the catalyst for coordinated support of the social cause or mission.

When the degree of mobilization increases, something very interesting happens. The increase leads to the *convergence* of the triple bottom-line (i.e., environmental, economic, and social resources). For instance, there may be a need for a community in a rural area to have clean water. To be sure, it is a need that exists objectively. However, addressing this need will happen if and only if, community members and other stakeholders are aware of the problem and have shared values and interest to address it. They must therefore agree that something needs to be done (and can be done) to change the situation. In this way, social entrepreneurship can be conceptualized as "the creation and undertaking of a venture intended to promote a specific social purpose or cause in a context of mobilization" (Murphy and Coombes 2008, p. 326).

With regard to the example of the clean water project, the convergence of the three triple bottom line resources would happen in the following way. One's social resources might include a relationship with a company that provides technology for installing water supply systems using gravity to supply water from a mountain. Community members, in turn, are then willing to help build the feasible system. Installing a clean water system benefits the environment, as farmers may then stop drilling their own wells that lower the groundwater level. Moreover, the economic resources are also part of the convergence. Those resources come into play in that the constituents providing social and environmental resources are convinced of the project's value and thus willing to donate. In this way, mobilization drives convergence of the economic, environmental, and social resources that underlie a social entrepreneurial opportunity (Murphy and Coombes 2008).

Finally, it is vital to note that social ventures are not divorced from the evolving social systems in which they operate. Therefore, an idea for a social venture can come too early or too late. Timing, therefore, becomes a crucial element and it is related to mobilization. Figure 1 depicts this logic, which illustrates that the right resources are not enough; they also must converge at the right time. For, as Drucker (1985) wrote, the emergence of entrepreneurial activity is almost always case of the right constellation of resources that converge at the right time.

Figure 1
Social Entrepreneurial Discovery



(Murphy & Coombes, 2008, p.. 329)

In summary, emphasizing mobilization and timing as the theoretical foundations of social entrepreneurial discovery is a fruitful line of inquiry for research questions that promise to raise understanding of how and when social entrepreneurs best establish ventures that leverage the right resources to generate social value.

Social Entrepreneurship and Business Models. By Norris Krueger
Don't TASE me…. BRO?

The lean startup phenomenon has gone global and is at the heart of the revolution not only in startups but also new product development and now… social entrepreneurship? The new focus on business models is not only popular; it seems to be a powerful tool. In particular, the obsessive focus with creating value for stakeholders seems apt for social ventures. As social and sustainable entrepreneurs look toward this phenomenon, it is clear that there are equally powerful implications for them. However, it remains to be seen how those implications may differ.

What IS a Business Model?. Business models are the 'recipes' for how a venture becomes sustainable economically. They typically have three critical components: (1) Value Identification – identifying genuine value desired by customers and/or other stakeholders (that is, in their eyes, not the entrepreneur's), (2) Value Delivery—figuring out how to deliver that value, once identified, to intend recipients, (3) Value Capture—if significant value is identified and delivered, rents accrue to the venture (and other stakeholders) i.e., who gets paid and how? The venture's revenue model(s) are usually at the heart of this.

A successful venture needs to develop all three, almost always iteratively. The interplay of the three also is most likely to evolve, making this a seemingly most complex process. Also note that "sustainable" is easily extended to social and environmental sustainability. This makes the process still more complex on the surface but actually offers increased opportunities to design a viable venture.

It's Not a Bug, It's a Feature. The 'lean startup' approach takes this complexity as an advantage (Ries 2011). The only way to build a great business model is to ruthlessly identify every possible assumption that underpins the model, drilling down as deeply as possible—then testing each assumption equally ruthlessly and rigorously. If the assumption passes muster, then proceed; if not, 'pivot' (i.e., adapt your business model).

Two things of relevance for us: the business model will change dramatically (and swiftly); hence the business model is less important than its evolution (Gunzel and Krueger 2012). Second, the lean model appears to be closely associated with the expert entrepreneurial mindset (hence it has big implications for entrepreneurial learning).

Existing business model research has tended to be quite static, focusing on different characteristics of business models and tends to come from a more organization theory and strategy perspective; however, this is a supervening process—dynamic, bottom-up, nonlinear. This suggests that social entrepreneurship researchers have a certain advantage. More important, it means this approach is all but necessary for practitioners.

Interesting Specifics for Research (and Practice?). **"MVP":** A key concept of the lean startup is the "MVP" or "Minimum Viable Product". It builds on the reality that successful ventures launch "too early." (If you are not embarrassed later by your MVP, you waited too long.) Fail early, fail fast, learn even faster. However, failing early can have very different implications to someone fighting disease or hunger than launching a cool web app. Paul Hudnut has been vocal about the need for us to dig more deeply into what "MVP" needs to look like in high-risk, high-stakes settings. This is a golden opportunity for researchers in social and sustainable entrepreneurship.

"**Pivot":** Similarly, the notion of pivots is an arena where social entrepreneurship researchers can contribute. In a social venture, pivots can be extremely difficult given institutional and stakeholder pressures. It is rare that we can manage a true randomized field experiment in our domain, despite the enormous advantages of using them (Kistruck 2011). What we might focus on profitably are pivots at the system level, echoing Bill Drayton's mantra of "re-inventing the whole fishing industry."

Design Thinking: A cliché, we know but as entrepreneurs we know that creating a viable venture is not an optimization problem, it is a design problem. With the complexity of a venture amplified by the added complexity of triple bottom line sustainability, design thinking is imperative. However, it needs to be tested rigorously.[ii]

In sum, we lack rigorous research into business model evolution. Entire tracks on business models were featured at recent European entrepreneurship conferences and it is clear that—because of their constraints—social entrepreneurs may well be the ideal venue to explore business model evolution. Nor would it be excessively optimistic to argue that the practical impact will be higher as well.

p.s. **TASE** = **T**est **A**ssumptions **S**pecifically & **E**xperimentally
BRO = **B**lank, **R**ies & **O**sterwalder[iii]

Conclusion and Implications

We present our concluding remarks in two parts. First, we briefly summarize the key insights from each of the three perspectives. Second, we will outline two overarching research implications generated during the PDW.

Summary of Key Insights

In this article, we presented six different views on social entrepreneurship.

The first two contributions took on a macro-level perspective and explained why social entrepreneurship is beneficial for societies. Greg Dees argued that social entrepreneurs increase the "adaptive efficiency" (North 1990) of a society by decentralizing social problem solving efforts. Thus, social entrepreneurs provide the opportunity of a low-cost learning laboratory for societies. While Dees sees social entrepreneurship as an opportunity for societal learning, Khanin explains social entrepreneurship as a potential approach to offset market failures caused by the tragedies of disharmonization. These tragedies may lead to overconsumption (caused by the tragedy of the commons), underinvestment (caused by the tragedy of the anti-common), or strategic behavior (caused by the tragedy of the semi-commons). Both contributions suggest the importance of functioning institutions, albeit in a different manner. Based on these insights, future research might benefit from further exploring the suggested "supportive-but-disciplined" institutional environment as well as the potential of regulations to overcome the tragedies of disharmonization.

Two contributions of this session challenge conventional management theories. Santos provided a broad view on why social entrepreneurs and social enterprises question the contemporary understanding of why firms exist and how, as economic actors, they create value. He argued that social entrepreneurs challenge fundamental assumptions and concepts of management theory e.g. the self-interest driven human, the organizations' goal of value capture, or the concept of competitive advantage. Walske et al. also call for rethinking conventional theories, specifically, Human Capital and RBV theories as applied to the financial investment mechanisms for entrepreneurial firms. This area is considered of particular interest as PhVCs fund social enterprises that entail characteristics from both the social and the commercial world. As a consequence, the PhVCs need to find mechanisms to cope with these dual identity or hybrid organizations. Their analysis leads to the conclusion that, while applying these theories can be beneficial, a reframing might be necessary, given that the measures of success differs greatly between social entrepreneurs and more mainstream profit motivated entrepreneurs. As such, social entrepreneurs might not seek to build resources that are valuable, rare, imperfectly imitable, and non substitutable (Barney 1991) but that are valuable, yet common, transferrable and substitutable.

Finally, we presented two contributions that focus on main concepts in entrepreneurship research: opportunity recognition and business models. Both contributions suggest that the objective to create social value adds complexity to the social entrepreneur's endeavor to enact an opportunity and develop a business model; they also brought forward proposals on how to handle the increased complexity. Murphy explained how an increase in mobilization can lead to a convergence of environmental, economic, and social resources. Krueger advocates the "lean start-up" approach and design thinking as powerful tools to create viable business models, and suggest further scholarly research on their application towards social enterprises. Both approaches are iterative, nonlinear, and bottom-up thus, focus on the *evolution* of business models. Murphy also stresses the bottom-up approach which seems to be of particular importance for social entrepreneurs who have to create awareness, shared values, and mobilization to create social value.

Two Broader Implications for Future Social Entrepreneurship Research

Based on the six insightful perspectives presented in this article as well as on the lively discussions that took place during the PDW, we propose two broader implications for future research on social entrepreneurship. (1) Although the six contributions are very different in their sources, approaches and insights, they equally draw attention to how social entrepreneurship research could benefit from carefully selecting a relevant type and unit of analysis. In fact, each of the six contributions went beyond a narrow focus on the (profit-maximizing) firm or on the individual hero-entrepreneur. Instead they made the case for a broader unit of analysis—looking at the interplay of institutions, property rights schemes, boundary spanning stakeholder value creation, multiple identities, community mobilization, or the overarching business model architecture. Such broader perspective implies that social entrepreneurship is embedded in the social world.. Social embeddedness, however, strongly highlights, in turn, the social, cultural, and institutional contingency of our research phenomena. Therefore, no single blueprint theory is sufficient to capture the diversity of research interests—which brings us to our second implication. (2) The six contributions in this article highlight the value of simultaneously exploring new paradigms *and* linking them back to more established theories. While social entrepreneurship research can benefit from challenging conventional assumptions (such as in the model of man), it can also be enhanced by existing theories (e.g. property rights, mobilization theory etc.). Social entrepreneurship thus strongly encourages the search for diversity of different research paradigms, methodologies, and theories. This diversity, however, should not be mistaken for an eclectic 'anything goes'. Paraphrasing Greg Dees, what is needed is an "open-minded-but-disciplined" research process that does not only produce new theory perspectives but also seeks to integrate them with existing ones. There are, for example, management theories that do not assume a selfish model of man, but rather, follow concepts of stewardship (Donaldson and David, 1991) or intrinsic motivation (e.g. Deci and Ryan, 1985)—thus creating the opportunity for theory integration. In sum, there is great potential for theoretical learning, suggesting rich research prospects for social entrepreneurship as well as “big picture” theoretical development around this exciting phenomenon.

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Endotes

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[i] According to the United Nation, this is a socio-economic designation for the 4-5 billion individuals that live primarily in developing countries and whose annual per capita incomes fall below $1,500 annually.

[ii] The Stanford D-School is currently investigating this aspect more closely, so is Andrew Hargadon at University of California, Davis.

[iii] So, please DO… "TASE me, BRO"!