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Part I
**Identifying Actors and Measuring
Performance and Sustainability of
Social Entrepreneurial Ventures**

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Activist or Entrepreneur?: An Identity-based Model of Social Entrepreneurship

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Executive summary

Recently, a considerable amount of attention has been paid to social entrepreneurship in both the academic and practitioner sectors. This topic has a multidisciplinary attractiveness because of its impact on governments, communities, and organizations. As a result, it is important to untangle the factors that contribute to the development of these social ventures and to the individuals who found them.

The purpose of this chapter is to examine how the dual focus of the social entrepreneur identity relates to the way in which these individuals decide to structure their organizations. In particular, we argue that the social entrepreneur identity is composed of both the activist and the entrepreneur identities, and that the salience of one identity over the other leads to either a for-profit or a nonprofit organization. Specifically, we argue that the more salient activist identity is more likely to lead to the founding of a nonprofit organization, while an individual with a more salient entrepreneur identity is increasingly likely to found a for-profit venture.

Nonprofit organizations, especially, have been encouraged to find other funding streams, and reduce their reliance on more dependent forms of funding. However, it has become evident that this is easier said than done. We contend that by understanding how social entrepreneurs identify themselves and how this identification contributes to the organizational structure decision, we can help them construct and activate the cognitive schema that will recognize more profitable business opportunities without sacrificing the potential social contributions these organizations make to their local communities.

Introduction

Recently, there has been an explosion of interest in the phenomenon of social entrepreneurship. It is an attractive area for practitioners, policy makers, the media, and business schools because it addresses several issues in society (Dees, 2000; Thompson, 2002; Alvord *et al.*, 2004; Brainard & Siplon, 2004). Social entrepreneurship is a uniting concept that demonstrates the usefulness of business principles in achieving social goals (Dees, 2000).

For the purposes of this chapter, we define social entrepreneurship as a process that includes the identification of a specific social problem and a specific solution (or set of solutions) to address it; the evaluation of the social impact, business model and sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double- (or triple-) bottom line (Robinson, forthcoming). The term social entrepreneurship is an umbrella term that includes social enterprises, social venture capital, and social purpose organizations. It is a term that is being used all around the world to describe the people, the ventures, and activities that innovate for the social good. Social entrepreneurs that span these sectoral boundaries are particularly adept at innovation.

Social entrepreneurship research

This approach to defining social entrepreneurship allows for future research directions and for clearer distinctions from 'traditional' entrepreneurship. Social entrepreneurs have increasingly garnered more attention because of their value to governments, corporations, and individuals. Especially during times of economic decline, the need for such entrepreneurs is crucial because many local communities need a social revival as much as they need economic development (Thompson *et al.*, 2000). However, in poor economic climates, the sustainability of these social ventures, particularly nonprofits, becomes exceedingly vulnerable due to decreases in donations or grants. As a result, these organizations are being urged to develop profit-based ventures to become more self-sufficient (Zietlow, 2001). Unfortunately, past research has demonstrated that while there is a wealth of individuals who can recognize a good idea once it has been presented, few are able to initially discover the opportunity and expound upon it. Thompson *et al.* (2000) note that 'it is, of course, easier to develop leadership and project management skills, and

to help people translate ideas into realized opportunities, than it is to teach them to spot the opportunity in the first place.'

The organizational form of social ventures

What motivates this chapter is the variety of social ventures we have observed and interviewed as part of an extensive research study of social entrepreneurs. In the course of our research we have collected data on both nonprofit and for-profit social ventures. We have been puzzled by how this variation was not easily explained by existing theories of strategic management nonprofit management or entrepreneurship and set out to develop a theoretical explanation for what we saw in our field observations.

For this chapter, we focus on an early decision in the life cycle of a social venture: the decision to be a for-profit or nonprofit organization. In the United States, social ventures can elect to be legally organized as a 'for profit' company or a 'nonprofit' organization. There are two differences between for-profit and nonprofit entities. Nonprofit companies cannot pay any dividends to board members because they are not 'shareholders' of the company. While there is no mechanism for building personal wealth through a nonprofit organization, the misnomer is that nonprofit organizations make 'no profits.' In fact, many are profitable, but the profits from year to year must be reinvested into the organization.

As a result of this legal structure, nonprofit organizations have tax-exempt status under federal and state law. They do not have to pay any income or sales tax and can accept donations and contributions from individuals, corporations, foundations, and other nonprofit organizations. The contributing organizations are given incentive to donate funds and resources to these organizations because the contributors receive significant tax alleviation for doing so.

In the age of social entrepreneurship, the decision to be a for-profit or a nonprofit company is an important one because of the message it sends to potential stakeholders and funders. Therefore, the 'for profit or nonprofit' question was one that they took under careful consideration. In our field work, it was not unusual to see social ventures that were for-profit companies.

Our inclusive definition of nonprofit and for-profit organizations as social ventures begs the question: Why would a social entrepreneur choose one organizational form over another? We believe the answer lies in how a founder's identity influences the social entrepreneurship process. Our field work points toward two predictors of this outcome: the

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personal/social identity of founders and the type of opportunity they pursue.

In the next section we explain the usefulness of identity-based theories for our predicting the organizational form of the social venture. Then, we describe how the type of social entrepreneurial opportunity can partially moderate the relationship between a founder's identities and the organizational form they choose for their ventures.

Identity-based theories

What do we mean by a founder's identity? Psychologists and social psychologists have conducted rigorous research on the concept of identity. Identity-based theories can be grouped into two categories: identity theories and social identity theories. They share some key components – namely self-definition – but have some key differences, which are important for our discussion of the founders of social ventures. We discuss each below.

Identity theory

Identity theory (Stryker, 1968, 1980, 2001) describes the way in which individuals define themselves; it is the answer to the fundamental question 'Who am I?' and provides an individual guidelines on how to behave. In other words, an identity is associated with a certain expectation of behavior which, when enacted, validates that individual's identity such that each time, for example, a parent cares for a child, he is confirming to himself and others that he is a parent (Stryker & Burke, 2000). Most important to identity theory, and the key concept for this chapter, is that individuals have multiple identities, which are organized hierarchically, according to their salience to that individual (Stryker, 1968, 1980). While individuals possess multiple identities, they are not all equally important, but differ based on their prominence to that individual (McCall & Simmons, 1978). These identities are more central to that individual and reflect how committed an individual is to that identity. For example, an individual may define herself as an African-American, female, scholar, suggesting the ranking order of those identities. This centrality has been shown to play a significant role in how individuals behave in organizations (Ashforth & Mael, 1989; Lobel & St. Clair, 1992; Frone *et al.*, 1997; Farmer *et al.*, 2003). While some identities are found to be consistently salient (i.e. demographic characteristics),

the salience of other identities is based on how committed an individual is to responding to what is required in that environment (Stryker & Burke, 2000).

Social identity theory

Whereas identity theory describes the machinations by which individuals label themselves (Ashforth & Humphrey, 1997), social identity theory speaks to the means by which these labels are activated in a social context (Tajfel & Turner, 1986; Ashforth & Mael, 1989; Hogg & Terry, 2000). Social identity is based on three concepts: categorization, identification, and comparison. Social categorization is an individual's method of sense making, allowing that individual to reduce the uncertainty of their social environment. In this way, one is able to order her social interactions and understand her place in them, as well as the place of others. This categorization process results in the creation of a prototype and the accompanying prototypical behavior from that individual (Hogg & Terry, 2000).

The categorization process outlined in social identity theory does not necessitate identification with that category. Identification is the degree to which individuals see themselves as belonging to that group. Ashforth and Mael (1989) define identification as 'the perception of oneness or belongingness.' Although the personal identity brings forth a view of ourselves independent of our social environment, our social identity is guided by how we identify with others in that group. Once we have established the social structure and have ordered our environment, we then ask ourselves 'how similar am I to others in this group?' Categorization has been found to be an almost immediate process, subject to the minimal group paradigm, and difficult to avoid (Tajfel & Turner, 1986; Ashforth & Humphrey, 1997). However, identification is quite different in that it varies within groups (Dutton *et al.*, 1994; McGarty, 2001). Although an individual may categorize herself to a particular group, that categorization does not assume identification with that group (McGarty, 2001). The degree to which one identifies with a particular group is reflective of the way in which that person was socialized.

Socialization is an iterative process wherein one learns the norms and values associated with group membership and solidifies one's place in that group. Ashforth and Mael (1989) describe this as the socialization-identification-internalization process. Although identification and internalization are distinct, they are related in that one leads to the other. Dutton (1994, p. 239) defines identification as the 'degree to which a person defines him or herself as having the same attributes that he or

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she believes defines the [group].’ The more an individual learns about the group and the norms associated with group membership, the more he is able to identify with that group. As he continues to identify with the group, he begins to internalize this information such that it becomes embedded within the individual’s thought process and, as such, behavior. This process also continues to inform the personal identity, thereby creating an identity-social identity cycle that contributes to the identity construction process.

The third component of social identity, and key to this chapter, is the comparison process that takes place in social situations. Essentially, individuals create an ‘us-v.-them’ dichotomy, where the in-group represents that individual’s target group while the out-groups consist of all relevant opposing groups. Relevance is an important concept for social identity theory because these groups help form the basis for inter-group comparisons. These relevant groups give in-group members an understanding of their stance in the social order and prompts an appropriate response to these comparisons (David & Turner, 1999). Tajfel & Turner (1979) initially noted that these comparisons were made to help individuals maintain a positive self-concept, especially to improve one’s self-esteem, although the self-esteem hypothesis has not been clearly supported (Long & Spears, 1997). However, in the face of threats to the self-concept, appropriate responses vary from changing the outcome or the referent on which the comparison is based, to bolstering the negative distinction, wearing it as a badge of honor (Tajfel & Turner, 1985).

We argue that social entrepreneurs may experience an internal conflict between their social identities as both an activist and an entrepreneur. As identity theory posits, social entrepreneurs will ascribe to the label with which they identify most and to which they are most committed. However, some may consider the very label ‘social entrepreneur’ an oxymoron because it speaks to two identities, particularly two social identities, which may directly oppose each other. The term creates an internal conflict for the individual, wherein one identity represents the in-group, while the other constitutes the relevant out-group. It is our intention to outline how this conflict affects the development of social enterprises.

An identity-based theory of social entrepreneurship

Through our field work it became clear that the founders of these social ventures had different motivations for starting their ventures. This led us to want to understand how they described themselves and whether

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these self-descriptions influenced the social venture creation process. Our intention is to link identity theory and social identity theory to social entrepreneurship as a means to explain the different foci of these social ventures. Specifically, we argue that social entrepreneurs often experience a tension between two identities and that the salience of each of those identities will help predict the type of venture these individuals will elect to found.

An invariable theme in both identity theory and social identity theory is the idea that an identity's salience is amongst the most consistent predictors of individual behavior outcomes (Stryker, 1980; Tajfel & Turner, 1984; Brickson, 2000; Briley *et al.*, 2002). Stryker found that behavior is a function of the relationship between an identity's salience and the choices to which it is related. He defines salience as a 'readiness to act out an identity as a consequence of the identity's properties as a cognitive structure or schema' (Stryker & Serpe, 1994: 17). These identity schemas are the 'cognitive generalizations' that influence how an individual processes self-related information (Deaux *et al.*, 1995). As different circumstances call for a particular response, that individual will match what is expected in that situation with their most salient identity and behave accordingly. In other words, an individual who identifies herself as a 'student' will follow certain behavioral expectations in an academic setting, where this social identity is more salient, particularly as the in-group 'student' compares to the out-group 'teacher.' The willingness to meet those expectations demonstrates a commitment to the role and further confirms that identity for that individual (Serpe & Stryker, 1994; Stryker & Burke, 2000).

As was stated earlier, defining identity allows people to understand their role in society and provides a guideline to act. Individuals who define themselves as social entrepreneurs should have an understanding of what that role requires and set forth to fulfill those expectations. By fulfilling those expectations, they confirm that identity to themselves as well as to others. However, the term 'social entrepreneur' itself connotes two identities. We argue that it is the more salient of these identities that dictates the type of venture these entrepreneurs will organize. Like other entrepreneurs, social entrepreneurs must be able to recognize an opportunity where there appears to be none. Unlike other entrepreneurs, however, social entrepreneurs must reconcile a decision that may seem, on the surface, to contradict itself. They must answer the question 'how can I make a living enacting social change?' In some ways, they must decide whether they are profiting from a problem, or contributing to the solution. We define two identities based upon our field work that help

us to simplify the complex process of social venture creation: activist identity and entrepreneurial identity.

Activist and entrepreneurial identities

The activist identity speaks to the part of the social entrepreneur that is focused on making a social impact. An activist is an individual who often uses confrontational action in to address an issue. This individual recognizes that there are those in the community who are not receiving what they need, and often deserve, and make it their business to change their situation. The activist is not as interested in growth as she is in the enactment of social change. Her primary focus is on using an idea that stems from the community's need and developing a venture in response.

The founder with an entrepreneur identity is an individual who concentrates more on their business model and will be energized by the notion that their idea has the potential for growth and development. The ideas are interchangeable, but the resulting success of their business venture will be the primary motivator.

These identities, when taken individually, have different, potentially opposing motivations and measures of success. We contend that individuals with a salient activist identity will be more inclined to start nonprofit ventures, while individuals with more salient entrepreneurial identities will be more likely to start for-profit ventures.

An identity-based model for social venture creation

We propose an identity-based model of social entrepreneurship (Figure 1.1). It is based on the tenets of identity theory (Stryker, 1980), which addresses the labeling process of identity construction (Ashforth & Humphrey, 1997) and social identity theory (Tajfel & Turner, 1986), highlighting particularly the comparison dimension of that construct. We use this model in an effort to show how the application of these theories can affect the social entrepreneurship process.

Identification with a particular identity is partially based on the salience of the out-group for that individual (Ashforth & Mael, 1989). The more salient the out-group, the more that individual will identify with their in-group. This cyclical identification–internalization process produces an increased acceptance of the in-groups' values and as a result, a greater inter-group distinction. This dichotomy creates a tension for social entrepreneurs who must cognitively manage the conflict

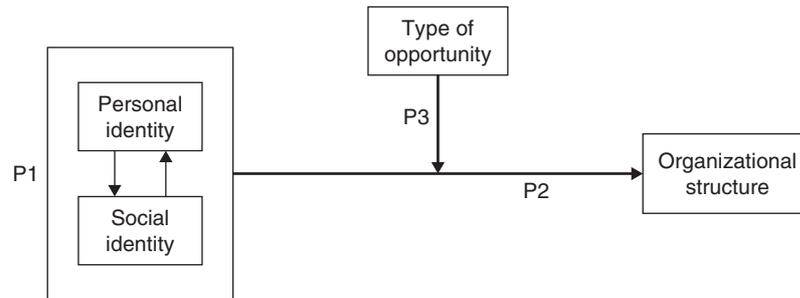


Figure 1.1 Identity-based model of social entrepreneurship

between the activist and entrepreneur identities. However, this is difficult to do when an individual is forced to deal with two different identities simultaneously (Green, 1978). As such, social entrepreneurs must resolve this conflict by either ordering or separating these identities (Ashforth & Mael, 1989). In other words, to respond to this conflict, social entrepreneurs must attend to either their activist identity or their entrepreneurial identity to engage in the founding process successfully. This leads to our first proposition:

Proposition 1: *The relationship between an individual's personal and social identities will create a conflict between the activist and entrepreneur identities such that one will be more salient for the individual than the other.*

The primary goal for those with a salient activist identity is to find ways to address social issues. These individuals recognize that the best way to meet these needs is to engage in their own venture, as oppose to working for someone else. It is almost as if the need to address these issues prompts the development of an enterprise by default. Activists will be primarily concerned with the social needs around which their passion revolves, and less clear on how to use a profit-making business model to address those needs.

Individuals with a salient entrepreneurial identity will approach these ventures differently. These individuals primarily focus on ways in which they can financially benefit from their ideas, the difference being that their ideas will be geared towards effecting social change. They will attempt to marry their entrepreneurial and social interests to create a profitable venture that will also satisfy their need to make a difference. This leads us to our second proposition.

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Proposition 2: *The for-profit/nonprofit decision for a social venture will be directly related to the individual's most salient identity.*

2a. *Founders with a more salient activist identity are more likely to found nonprofit social ventures.*

2b. *Founders with a more salient entrepreneurship identity are more likely to found for-profit social ventures.*

The moderating influence of opportunity

The second aspect the model involves is the recognition of the social entrepreneurial opportunity. Entrepreneurship theorists have placed a lot of emphasis on the existence of definable opportunities that entrepreneurs pursue (Shane & Venkatraman, 2000). The pursuit of business opportunity presupposes the identification and discovery of an opportunity and a subsequent evaluation that may (or may not) lead to the pursuit or exploitation of the opportunity. These are critical links for any research program related to foundings, new venture creation, new products, and strategy.

Only recently have scholars struggled to define opportunity in a technical fashion. According to Singh (2001:11), opportunities exist in markets whether an entrepreneur or manager recognizes them or not. This is consistent with Kirzner (1997) and his fellow Austrian economists. They consider everyone a potential entrepreneur because there are potential opportunities everywhere. If we accept this definition of who can be an entrepreneur then it follows that we should also accept the premise that opportunities are everywhere.

Entrepreneurial opportunities are defined as 'situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships' (Eckhardt & Shane, 2003, p. 336). It is the ability of the person acting independently, or within a firm, to combine and recombine these resources to exploit something new and valuable that differentiates an entrepreneur from other people.

Recognizing an opportunity calls for two things: information and resources. An individual needs the information necessary to know how the market works, the organization's place within the market, its ability to meet certain demands, etc. This information will give the person a sufficient account of which consumer needs are not being met, and where and how their company can fill that void. That person will also need access to resources to make an idea a viable opportunity.

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While we agree that prior knowledge is important, perception is an additional factor that influences the recognition of opportunities (Robinson, 2004). Personal experiences and intentional searches form the basis of the entrepreneur's perception of any opportunity. We argue that opportunity identification is influenced by the entrepreneur's perception of what is required to pursue that opportunity. The entrepreneur asks herself strategic questions: What are the benefits of going after this opportunity for me and for others? Do I have the resources to take advantage of this opportunity? What are the risks? Are there any barriers to me pursuing this opportunity? As they ask these questions, social entrepreneurs are influenced by their perceptions about the opportunity and then perform their own risk calculus to choose between the alternatives (Kahneman & Tversky, 1979).

Previous work (Robinson, forthcoming) has described the founding of social ventures as a navigation process of social, economic, and institutional barriers. We go a step further in this chapter and categorize social entrepreneurial opportunities into value-based and issue-based dimensions. Value-based opportunities are those that demonstrate a clear potential for profit and growth to the entrepreneur. Although the idea has a social focus, the primary goal of the entrepreneur is to use this opportunity to create financial value. In our field work, one social entrepreneur stated that the organization was founded based on the need to establish a growth-oriented business that also met the founder's need to be socially responsible. Many environmental organizations would fall under this construct.

Issue-based opportunities are, on the other hand, those discovered when the entrepreneurs are not fiscally driven but are motivated to respond to the social needs of the community. These would include such enterprises as youth- and family-oriented organizations, where the social entrepreneur's primary goal is to develop the means to assist those in need, with little expectation, or sometimes, even interest, in turning a profit.

When we reflected upon our previous proposition, we were reminded of the exceptions to the rule. In our field work, we came across those founders we would consider having activist identities who created for-profit social ventures. When we examined the start-up of these ventures more closely, we understood that the type of opportunity influenced the approach to establishing the venture. In other words, some opportunities lend themselves to for-profit organizational forms while others lend themselves to nonprofit organizational forms. When activist founders create ventures around issue-based opportunities, the ventures

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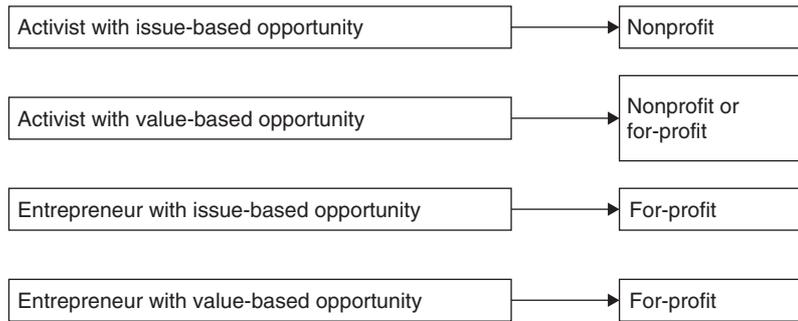


Figure 1.2 Possible outcomes

are usually take on nonprofit form. However, when an activist founder identifies a value-based opportunity, we can envision both for-profit and nonprofit organizations created. Figure 1.2 elaborates on each of the combinations of identity and types of opportunities. We predict that the type of opportunity pursued will moderate the relationship between the most salient identity of the founder and the organizational form.

Proposition 3: *The relationship between identity and profit/nonprofit decision will be moderated by the type of opportunity discovered.*

Discussion

An identity-based model of social entrepreneurship provides a framework for understanding the strategic decisions made in the early stages of a social venture. This model contributes to both theory and practice. In the past, much of the literature in this vein has been structured around the social entrepreneurship definition and has applied entrepreneurship theory to social entrepreneurs. This chapter moves toward developing a theoretical approach to explain the behavior of social entrepreneurs. These individuals represent a very specific type of entrepreneur and are affected differently by the stimuli that motivate other entrepreneurs. Thus, it is important that social entrepreneurship research undergo similar theory development seen in other streams of entrepreneurship literature.

In this chapter, we develop two aspects of a theory of social entrepreneurship. First, we show how the relationship between an individual's personal and social identities operate in the social entrepreneurship context. The role of the activist dictates a certain type of behavior,

while the role of the entrepreneur activates a different type of behavior. Once an individual develops the activist and entrepreneur as their personal identity, their social identity is further confirmed through the self-categorization process. Categorizing themselves as either an activist or entrepreneur necessarily makes one more salient to those social entrepreneurs than the other. This cycle helps an individual's identity further develop and ultimately provides a schema for that individual's behavior.

Secondly, we explain how the salience of either the activist or the entrepreneur identity relates to the venture creation process. Since our social entrepreneurship definition includes both for-profit and nonprofit ventures, we demonstrate how an individual's identity and choice of opportunity to pursue contribute to the creation of one type over the other. In this way we begin to recognize that the social entrepreneurship process is prompted by different mechanisms and begin to construct a theoretical explanation for this difference.

Future research

Developing a theoretical framework to help explain some of the behaviors of social entrepreneurs creates a number of opportunities for future research. This chapter introduces the notion that social entrepreneurs may experience a conflict between their activist and entrepreneur identities, which can influence the way in which they decide to structure their organizations. Does this conflict also contribute to the success or failure of these ventures? If this conflict does pose a problem for social entrepreneurs, future research may move to predict whether these identities can be altered to better ensure a venture's success.

In this chapter we are interested in outlining the tension social entrepreneurs may experience, which mechanisms are used, and how they are used to reduce the negative impact this potential conflict can have on the founding process. However, we only focus on the activist and entrepreneur identities, which compose the social entrepreneur identity. It is important to understand if other parts of an individual's definition of self also influence a social entrepreneur's decisions. For example, how do racial and gender identities relate to the social venture creation? Are some individuals more likely to start a particular type of social venture than another based on how the demographic variables impact their perception of how others view them? To identify the antecedents to a

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social entrepreneur's behavior will further enrich our understanding of the social entrepreneurship process.

Implications for practitioners

Knowing 'who we are' is important because it paints a picture of how we should operate in our social environment. It informs our behavior, but most importantly, it shapes our perspective; it provides a lens through which we view this world. Where these identities overlap creates a unique vision that may give an entrepreneur a competitive advantage by exposing an idea others would not recognize as an opportunity. However, a singular focus often limits our view. Although there is some benefit to training programs, entrepreneurship workshops, business school programs and the like, they are not enough to help individuals to discover and exploit opportunities or to assure sustainability.

We argue that the 'social entrepreneur' identity is itself a juxtaposition of potentially conflicting view of how the self operates. These individuals are motivated to reduce this conflict by ordering the definition of themselves to guide their behavior. Can social entrepreneurs give the same level of attention to both the activist and entrepreneurial identities sufficiently to operate a successful venture? If not, which should they choose to generate the greatest advantage without sacrificing the other?

If social entrepreneurs do not view themselves as entrepreneurs first, they will not be able to change their perspective, and, as a result, will not be exposed to new opportunities. In addition to these tools, those who are interested in the survival of social ventures should construct a salient entrepreneur identity in order that these individuals can at least balance the activist and entrepreneur identities in an attempt to maximize the financial and social value created. We want to find ways to create and strengthen both the activist and entrepreneur identities as social entrepreneurs such that the width and breadth of their perspectives uniquely positions these entrepreneurs to accentuate their potential for financial growth while simultaneously creating the greatest benefit for the largest number of people they wish serve.

The greatest concern for practitioners lies with the possibility that it is unlikely they can completely balance the activist and the entrepreneur identities. In fact, there is evidence that when organizations are not clear and focused about the identity they want their employees to construct, there is a negative impact on their performance. If that is the case, it becomes necessary to narrow the focus and increase the centrality of either the activist or entrepreneurial identity to that individual. Identity

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theory demonstrates that identity development is cyclical in nature. Past behavior is a predictor of one's identity, which is a predictor of future behavior. One important predictor to our identity is how long we have been in a particular role (Stryker & Serpe, 1994). If an individual has spent a significant amount of time as an activist, understanding and relating to the importance of social issues, it is logical that they will behave based on this identity. If there is a need however, to have these individuals also act as entrepreneurs, it is unfair to expect that they will just do so because the need is there. The cognitive schema necessary to dictate these actions is not readily available to these individuals. For many it is their first time engaging in entrepreneurial ventures. There must be a systematic development of the self-schema for these individuals to begin to view themselves primarily as entrepreneurs and behave as such.

Social identity theory suggests that social entrepreneurs will compare their activist identity to their entrepreneurial identity. We propose that the balance of power must favor the entrepreneurial identity without sacrificing the activist identity to continue to develop sustainable enterprises that also make a difference. We cannot create a dichotomy that pits bottom-line agendas against each other, causing role confusion and damage to the enterprise.

Conclusion

Social entrepreneurship has been defined as the creation of both for-profit and nonprofit enterprises that meet a social need. These ventures often address a dual purpose in that they offer both the economic and social solutions communities need to thrive. However, as economic climates change, funds from donations and grants become more and more scarce and many of these ventures are vulnerable to the whims of change due to their dependence on these funding streams. In order for them to become more self-sufficient, they must be able to change their focus and develop profit-making branches of their enterprises. This, however, seems to be easier said than done. The goal of this chapter was to understand how some factors may influence social entrepreneurs' organizational structure decision, leading them to found either for-profit or nonprofit ventures.

We used both identity theory and social identity theory to help explain the nature of these differences, noting that when the activist identity is salient, individuals are more likely to yield to a dependent funding stream and establish nonprofit ventures, while salient entrepreneurial

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identities are more likely to lead to profit-making ventures. Like most entrepreneurs, social entrepreneurs provide invaluable services that are greatly needed, even though they are just beginning to garner the recognition they deserve. As such, it is important that we understand the nature of the development process so that we can assure greater amounts of success for these organizations. Our identity-based model moves to explain an important step in the process of creating social ventures.

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