What’s Holding Back Social Entrepreneurship? Removing the Impediments to Theoretical Advancement

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ABSTRACT This article summarizes four contributions that were presented in a Professional Development Workshop at the 2013 Academy of Management conference. The goal of the workshop was to discuss impediments to the theoretical advancement of social entrepreneurship. This paper’s first two contributors discuss assumptions and boundaries of social entrepreneurship, exhibiting contrasting views of whether theory should be aggregated or disaggregated. The other two scholars focus on specific topics that advance social entrepreneurship research, specifically, studying the implicit normative underpinning of social entrepreneurship and social innovation processes. This is part three of a three-part series dealing with the future of social entrepreneurship research and theory.

KEY WORDS: Social entrepreneurship, social business, social innovation, theory development

Introduction

Social entrepreneurship (SE) is receiving increased attention from scholars, practitioners, customers, the civil society, governments, and entrepreneurs—both in developing and developed countries. Large interest in SE from...
practitioners is evidenced in data from the Global Entrepreneurship Monitor project (Terjesen et al. 2009): the percentage of the adult population that is involved in social entrepreneurial activities is 2.8% on average for all 49 countries included in the study, with above average activity in the United States of 5% and 3.08% in Western Europe. This represents hundreds of thousands of people who are involved in SE activities all over the globe. More pointedly, the number of individuals involved in starting social enterprises is on the rise and likely to accelerate over time should the current growth trajectory continue.

Yet, it seems that SE theory lags behind its practice (Dacin, Dacin, and Matear 2010; Murphy and Coombes 2008). A number of researchers have highlighted factors that might act as obstacles to the theoretical advancement of the field. First, there is missing agreement on the domain, boundaries, meaning, and definitions of SE (Peredo and McLean 2006; Perrini 2006; Short, Moss, and Lumpkin 2009), which is leading to ongoing confusion amongst scholars and practitioners alike. Such conceptual confusion might ‘serve[s] as a barrier to cross-disciplinary dialogue and theory-based advances in the field’ (Dacin, Dacin, and Matear 2010). Second, a lack of rigorous research methods (Short, Moss, and Lumpkin 2009) limits the advancement of the field. Third, there is a limited conceptual understanding of the role of SE in light of traditional economic assumptions (Santos 2012). Fourth, impediments to theory development might arise due to the applied language, which is limited by conventional language (Steyaert and Dey 2010) or monological narrations based on ‘utopian rhetoric and their emphasis on newness’ (Dey and Steyaert 2010).

While addressing the multitude of issues is a formidable task, researchers have already started to overcome the lack of theory within SE. For example, Dacin, Dacin, and Matear 2010 suggests that there is a lot to be gained if SE is considered a unique context in which existing theories, currently applied to entrepreneurship research, are used to understand social mission-related phenomena. Santos (2012) provides a thought-provoking article that advances our understanding of SE in light of existing economic and management theory. Mueller et al. (2011) further suggests greater scholarly inclusion by removing the perception that social and economic value creation in SE is ‘good’ while traditional profit motivated entrepreneurship is somehow ‘bad’.

In sum, scholars in our field are aware of impediments to SE theory building, and fortunately, fruitful ideas for overcoming these impediments to SE theory development are emerging. Through a Professional Development Workshop (PDW) held at the Academy of Management in 2013, a space and forum was provided that allowed further scholarly reflection on what is impeding theoretical advancement in our field. This PDW was named: ‘What’s Holding Back Social Entrepreneurship? Removing the Impediments to Theoretical Advancement.’ This article is based on four presentations that were delivered in this workshop and the resulting discussion among both the participants and presenters.
Rethinking Assumptions and Boundaries of Social Entrepreneurship

The first two scholarly contributions discuss the boundaries and assumptions of SE. Newbert argues that the broad range of different ‘socially beneficial activities’ currently summarized under the term SE need to be disaggregated into several smaller ‘tents’, in order to find or create theories that help us understand different phenomena. In addition to advocating for clearer theoretical boundaries, he also argues that the assumptions of dominating market-centric profit maximizing economic models are outdated, and need to be ‘revitalized’ in order to capture today’s social enterprises. In the second paper presented, Senjem also mentions that the definition for SE is too broad. However, he does not recognize broadness as an obstacle, but rather, as an opportunity. He recommends that scholars acknowledge overlapping ‘affinity area’ such as corporate social responsibility (CSR), sustainability, and entrepreneurship. Instead of viewing these ‘affinity areas’ as competing theories, Senjem suggests that scholars identify common dependent variables (DVs), independent variables (IVs), and sample sources in order to add value to these ‘sister areas’.

Setting the Stage for Theory Development: A ‘Small Tent’ Approach

Newbert suggests that since SE is ‘poorly defined’ (Mair and Marti 2006, 36) and a ‘loose concept’ (Lyon and Fernandez 2012, 64), it has become ‘an immense tent into which all manners of socially beneficial activities fit’ (Martin and Osberg 2007, 30). This is problematic, with regard to the advancement of the field, as only in the presence of clear boundaries can a community of like-minded scholars pursue a targeted research agenda from which a legitimate paradigm can emerge (Gartner 2001). While all socially beneficial activities are certainly worthy of scholarly attention, the antecedents, processes, and outcomes associated with these activities differ and simply cannot be predicted or explained in the same way; in other words, given the level of variation and heterogeneity amongst these types of social actions, they require different theory. In sum, the ‘immense tent’ of socially beneficial activities need to be disaggregated into several smaller ‘tents’, within which distinct communities of scholars can study and advance homogenous phenomena, in order to improve our understanding of them.

In demarcating the boundaries among these ‘small tents’, care should be taken to ensure that the respective phenomena are properly defined. Accordingly, SE ought to be positioned among other socially beneficial activities by drawing upon both of the constructs (social and entrepreneurship) from which the term derives. Given that entrepreneurship has been defined throughout history as a novel, profit-seeking activity (i.e., Schumpeter 1934), it is essential that SE (as one form of entrepreneurship) be defined, in part, as a function of these dimensions. When combined with the pro social agenda inherent by all socially beneficial activities, a robust, comprehensive, and nuanced definition of SE can be deduced: *a novel, pro social activity that creates value for both the firm and society-at-large.*
Yet, defining SE is only half the battle for theoretical advancement. The other half entails identifying (or developing if need be) the necessary theory to predict and explain it. Unfortunately, management theory (the parent discipline of entrepreneurship) is dominated by neoclassical economic assumptions where firms are strict profit-maximizers, creating and capturing as much value as possible without regard to other members of society (Donaldson 1990). In light of the poor applicability of such thinking to any pro social behaviour, scholars have advocated either de novo theory-building, to uncover the cause-and-effect relationships specific to SE (Nicholls 2010b), or contextualizing extant theory to correspond to the idiosyncrasies of the social context (Dacin, Dacin, and Matear 2010).

While these paths are plausible going forward, both approaches implicitly assume that SE is a relatively rare occurrence among organizations, an idiosyncratic activity confined to a niche context. If, however, successful organizations regularly engage in novel activity that is intended to create value for themselves and for society, then the real problem is not that we need new theory, or that we need to retrofit extant theory for atypical situations, but rather that we need to revolutionize existing theory so that it more accurately reflects the comprehensive reality of what organizations generally endeavour to do. This is in light of evidence that for-profit organizations are increasingly engaged in pro social initiatives (Kistruck and Beamish 2010), and are opting to formalize that commitment by legally incorporating, for example, as low-profit limited liability companies (L3Cs) or benefit corporations (B-Corps), which are new corporate forms within the United States. This is coupled with the growing adoption of fee-for-service models among non-profit organizations (Alvord, Brown, and Letts 2004), leaving traditional non-profits, who do not engage in income-generating activities, increasingly outside the mainstream.

Unfortunately, the assumptions underlying the types of questions management theory seeks to answer are predominately economics-driven, such as: why organizations exist (i.e., transaction cost economics), how should they be managed (i.e., agency theory), why do some organizations outperform others (i.e., theories of competitive advantage), how can organizations cooperate (i.e., strategic alliance theory), etc. Thus, these economic theories are not useful in understanding the actions of the growing population of organizations using an alternative (i.e., social) calculus to drive and evaluate at least part of what they do. Because ‘[t]he subjects that drive the economy are not merely animated maximization-algorithms but human beings in deep and manifold relations with their socio-cultural contexts’, we must ‘transform the neoclassical teachings of the past’ (Dierksmeier 2011, 280). Essential to this process is revitalizing the outdated assumptions upon which our theories are grounded, so that they more accurately reflect the motivations and objectives of today’s socially entrepreneurial organizations. Of course, our ability to understand them is only possible if we disaggregate the ‘immense tent’ in which most forms of socially beneficial activity reside into multiple ‘small tents’. Once we can agree on (in this case) whom social entrepreneurs are and are not, focused conceptual and empirical scholarship can begin to reveal why socially entrepreneurial organizations exist, how they are managed, why some
outperform others, and how they cooperate. Armed with such knowledge, we can then identify where the prevailing neoclassical assumptions are inconsistent with the reality and, by transforming them to better reflect today’s organizations, building not only better firms, but also better theory.

Is Social Entrepreneurship Research Getting Lost in the Crowd?

While SE is trending toward a broad definition, with this comes perils including the problem of getting lost in its affinity disciplines such as: CSR, sustainability, and entrepreneurship. I suggest that SE research can be stronger by taking its inspiration from the DVs, IVs, and sample sources within affinity disciplines. By aligning with closely related disciplines, SE research can broaden its reach, while exploring and showcasing what unique value it brings to other research conversations. Broad SE definitions include thinking of SE as ‘activities and processes to enhance social wealth’ (Zahra et al. 2009, 519). Similarly, Austin, Stevenson, and Wei-Skillern (2006, 2) define it as ‘entrepreneurial activity with an embedded social purpose’. Furthermore, Mair and Marti (2006, 37) define SE as ‘a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs’.

There are obvious overlaps that have occurred within these broad definitions of SE and its affinity disciplines. For example, CSR overlaps with the social focus of SE, in that this definition of CSR takes ‘into account stakeholders’ expectations and the triple bottom-line of economic, social, and environmental performance (Aguinis 2011, 855)’. Sustainability and sustainable entrepreneurship research overlap with the social wealth notion of SE, and this definition includes ‘...economic and non-economic gains to individuals, the economy, and society’ (Shepherd and Patzelt 2011, 137). In addition, ‘...pursuing opportunities to address social needs’ overlaps with an emerging conceptualization of entrepreneurship: ‘Entrepreneurship is the process of addressing these three factors (solving problems of uncertainty, innovation, and resource allocation) for the creation of personal wealth and societal benefit’ (York and Venkataraman 2010, 452).

Just as the field of entrepreneurship has benefitted by focusing on a broad definition, SE will benefit also. This broad definition of SE is good, in that it helps to challenge scholars’ assumptions within our affinity disciplines (Mair and Marti 2006). However, there is still something at its core, which is unique about SE: that it builds positive externalities (Santos 2012) and that it is a unique context in comparison to traditional entrepreneurship (Dacin, Dacin, and Matear 2010). Martin and Osberg (2007) suggest that what is unique about SE is its focus on opportunity identification to create a new, just, and stable equilibrium to make others better. In essence, we can improve SE research by mimicking practicing social entrepreneurs, thereby creating greater inclusion: we can add value to our affinity areas such as CSR, sustainability, and entrepreneurship by identifying common DVs, IVs, and sample sources with SE.
For DVs, we should further operationalized performance within the CSR literature. For example, there are numerous SE efforts, such as Impact Reporting and Investment Standards (IRIS), for measuring the social impact of organizations. Those studying sustainability often excel at measuring environmental impact, but then struggle when measuring corporations’ contributions to society. We can therefore add value by studying the social capital across multiple dimensions. For entrepreneurship, with its focus on growth as a DV, our research can add new dimensions to growth such as assessing tipping points for the creation of new social equilibriums.

For IVs, we can contribute to CSR by looking at the governance process, including how stakeholders are represented on company boards. In sustainability research, we can make contributions to value chain activities by examining how the degree of communication between design and manufacturing affects employee well-being. Within the entrepreneurship realm, we can contribute to understanding the life cycle process by examining social mission trade-offs over the life of an organization.

Finally, we can make contributions to SE theory through the research samples we use. For example, CSR tends to focus on large established organizations. We can add value by studying large firms that establish new foundations, or forge government partnerships, amplifying change due to their scale. In sustainability research, where studies are done on firms in new markets, we can add value by understanding new equilibriums that are often set due to social innovations. Given entrepreneurship’s focus on start-ups, we can use samples of new social-centric organizations to answer questions about why and how mission matters in the nascent entrepreneurial process and as a social enterprise experiences growth. In summary, SE will not get lost in the crowd, as long as we perceive theoretical and domain overlaps as opportunities to create mutually beneficial value for scholars and practitioners alike.

**Researching Specific Topics to Move Social Entrepreneurship Forward**

The next two contributions suggest specific research topics in order to move forward SE research and advance SE theory. Ehrenhard claims that SE research is hampered by definitional debates, deterring researchers from coming into the field for the wrong reasons, and limiting implicit normative underpinnings. He thus proposes that scholars adhere to a pragmatist approach that concentrates on the following three topics: (1) taking a closer look at the motivations of SE researchers, (2) the ‘implicit normative underpinning of social entrepreneurship’, and (3) performance aspects of social enterprises. In the final contribution of this article, Robinson argues that we need to better understand the process of social innovation, and claims that while there is extensive literature on technology transfer, there is a lack of research on the practices that support knowledge transfer from the social, behavioural, and economic sciences to SE.
Expanding the Debate: Research Motivations, Social Problems, and Performance

Much effort is spent on defining what SE is, exactly (Zahra et al. 2009). In contrast, a pragmatist approach aims to study both what works and is useful within SE research (e.g., Dewey 1929). Naturally, we need to understand each other as scholars, but definitions can also obscure and hamper collective problem solving. For example, how does one determine if something is a social problem? Perhaps the bottom of the pyramid constitutes a market, but how does that work for environmental issues? To what extent do social entrepreneurs also need to aim for social transformation (cf. Nicholls 2010a; van den Broek et al. 2012; Zahra et al. 2009)? In particular, I suggest expanding the debate surrounding SE research into three areas, namely: (1) motivations for researching SE, (2) the implicit normative underpinning of SE, and (3) performance aspects of social enterprises. I will conclude by drawing implications for the closely related fields of non-profits and ‘regular’ for-profit business.

Why is SE such a hot research topic? I see four primary reasons: First, SE is a broad phenomenon, and many domains, both inside and outside of management, contribute to it (see, Dacin, Dacin, and Tracey). Second, SE currently generates a lot of scholarly discourse, and therefore provides good publishing opportunities in a variety of journals. Third, developed world governments, amidst a general retrenchment, are grasping at SE as a kind of panacea, and thus providing substantial research funding at all levels. Finally, what may be the strongest motivator of all: altruism — quite simply, it feels good to study how the world may be improved.

Altruism, however, might also be the reason why theoretical development in SE is being held back. SE, like leadership, is almost by definition good and thus implicitly normative (also see, Dacin, Dacin, and Tracey). In most views SE is ‘good’ because the primary motives are ‘social’ goals, rather than profit maximization. But does that mean that profit-driven organizations are ‘bad’ and ‘a-social’? Three key issues are often not recognized. First, a substantial number of non-profits have decided to take on the more fashionable label of social enterprise. Yet, organizations that do not aim for financial profit — as surplus funds are re-invested into the non-profit — are not necessarily deemed to be social enterprises, if for example, they do not also have sourcing for generating revenue, reducing their grant dependencies. Second, in practice, the majority of corporations do not solely aim for profit maximization, as they also seek to gain multiple stakeholder support, and thus we saw the rise of CSR over the last two decades. While there are rapacious firms that maximize short-term profits at the expense of society, most companies aim to balance profit seeking with the interests of stakeholders, in order to safeguard their long-term future. Third, what is seen as a ‘social problem’ varies over place and time. Ending hunger, infant mortality, and disease may be ‘universally’ recognized social issues, but what about the issue of women’s rights? The priority and definition of which varies significantly across the globe? And what about micro-credit institutions that charge enormously high interest rates?
Are these social enterprises or pure profit maximizing firms? Or even terrorism (Abdukadirov 2010)? Hence, we can only really understand the phenomenon if we also study disputed, what is and is not, SE as well.

And finally, with respect to performance, how do organizations benefit from framing themselves as social enterprises (Millar et al. 2012)? Do they receive more funding and income due to an improved reputation? What is the proposed and actual effectiveness of different legal forms for social enterprises? Profit making, lying at the legal heart of the business form, can be a strong incentive for innovation, while foundations in most countries have legal constraints on profit making and capital. Studying the performance of social enterprises, therefore, demands benchmarking the impact of the typologies of social enterprises. But why limit research to the social enterprise form if the concept is such a strong motivator? With less reliance on government funding, non-profits may learn to use entrepreneurial methods to improve their revenue models (cf., Millar et al. 2012). As was evidenced by the recent financial crisis and accounting scandals within the United States, firms may learn to move towards more systemic and long-term strategies (also see, Zahra, Newey, and Li 2014). It is no coincidence that many successful for-profit firms also have missions that are inspiring and inherently social.

Social problem solving is an important human activity. SE and the development of effective social policy are two approaches to social problem solving (Mintrom and Norman 2009; Robinson, Mair, and Hockerts 2009; Short, Moss, and Lumpkin 2009; Zahra et al. 2008). In other words, new policy and new venture creation are acts of social innovation that benefit society. Surprisingly little is known about the process of social innovation, in terms of what practices support the effective transfer of knowledge from the social, behavioural, and economic (SBE) sciences into new social policy. While there is an extensive literature stream on technology transfer between the physical sciences, engineering, and the private sector (Carlile 2004; Dougherty and Dunne 2011; Henderson and Cockburn 1996; Owen-Smith and Powell 2004; Powell, Koput, and Smith-Doer 1996), there is virtually no research on the mechanisms and practices that facilitate this in SBE sciences to benefit SE.

If we draw on the work of Carlile (2004) and Dougherty (2004), we see that social innovation processes stem from the application of actionable knowledge, using diverse sources to solve societal problem. Carlile’s (2004) work introduced the framework of ‘transfer, translate, transform’ as descriptions of how knowledge is moved across boundaries. ‘Transfer’ describes moving knowledge, ideas, and inventions across boundaries that share a common language, and perhaps regularly, share knowledge with one another. ‘Translate’ means moving this knowledge across semantic boundaries, which requires interpretation of this knowledge along the way; in other words, the actors negotiate the meaning of words and objects and develop a shared understanding of these words and objects. Finally, ‘Transform’ describes moving
knowledge across pragmatic or policy boundaries, enabling actors to find common ground and useful knowledge. Innovation can be the result of any of these processes and can be used by policy and social entrepreneurs to solve social problems.

Knowledge transformation, the most challenging mode of turning basic knowledge into actionable knowledge, is perhaps the mode that is most relevant to SE. It involves complex ecologies of actors and institutions (Dougherty and Dunne 2011). Scholars such as Lyons (2009) and Mintrom (1997, 2000) have acknowledged the challenge of transforming knowledge from SBE into social and policy entrepreneurship, but less is known about ‘how’ and ‘under what conditions’ these transformations take place. The answers to these questions not only contribute to the field of organization studies, they create new research areas within social policy and entrepreneurship; they also have implications for society. If we were better able to support and encourage these ideas, and allowed them to cross the chasm into practice, we could potentially have more pattern-breaking and scalable social problem solving.

Unfortunately, the lack of understanding holds back the field because we have often disconnected our SE research from other fields of study. The social innovation process connects the work in SE to research and practice in other fields such as social policy, technology innovation, social problem solving, and organizational theory. Drawing on insights from these fields provides SE with new and interesting avenues of exploration and explanation—a challenge we all should be willing to take up.

Conclusion and Implications

In this article, we have collected, introduced, and summarized four recent paper presentations at the Academy of Management conference in 2013, around the topic of ‘What is Holding Back Social Entrepreneurship’, tackling the impediments to theoretical advancement in this nascent area. Through our contributors, we have debated if entrepreneurship theory needs to be aggregated (Senjem) or disaggregated (Newbert). These are, of course, contrasting viewpoints. One scholar suggests that social enterprise research needs to assimilate into smaller subgroupings based on corporate form (i.e., for-profit, non-profit, or hybrid) and corporate purpose. Alternatively, Senjem suggests that we can best advance theory by creating commonality across the differing implementations of social mission within organizations, to build broader theory. The third contributor (Ehrenhard) argues for better metrics in which to measure social impact across all firm types, removing the vagaries associated with this area of study. And finally, our fourth contributor (Robinson) suggests that by looking at knowledge transfer within the SBE sciences, and applying it to new policy development, might, in turn, aid new social venture formation.

This paper is the last of a three-part series dealing with the future of SE research and theory which are based on PDWs held at Academy of Management meetings and published in the *Journal of Social Entrepreneurship* over a
three-year period from 2011 through 2014. The first paper discusses possible directions and perspectives for SE research that could potentially help to 'mainstream' SE (Mueller et al. 2011). In the second article (Zeyen et al. 2013), SE scholars discuss macro-level theory development, applicability of current popular theory, such as the resource based view, and the appropriateness of field based business model development tools, such as Steve Blank’s ‘Lean Launchpad’ approach to customer development (Blank and Dorf 2012).

We hope these Academy of Management forums have allowed SE scholars to reflect and debate theory within the new academic domain of SE, in order to serve as a catalyst for novel theory development and application.

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Note

The first three authors of the article were the organizers of the PDW ‘What’s Holding Back Social Entrepreneurship? Removing the Impediments to Theoretical Advancement’ at the 2013 Meeting of the Academy of Management and editors of this journal article. The following authors were the selected scholars who presented their contributions during the workshop. Despite meticulous review and editing cycles, as well as extensive collaboration with the presenters, mistakes in representing these authors’ contributions can happen and is the responsibility of the PDW organizers.

Q6

References

What’s Holding Back Social Entrepreneurship?


