

SOCIAL ENTREPRENEURSHIP: EVOLUTIONS, CHARACTERISTICS, VALUES AND MOTIVATIONS

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Abstract: *Social entrepreneurship has known a constant evolution as of the second half of the XXth century. Despite some ambiguities within the definition of the term and the circumscription of the social entrepreneurship activity, it differentiates by a series of characteristics, values and motivations: its social mission, the highlight on persistence, altruism, morality. The paper is a theoretical - synthesizing undertaking on the definitions, evolutions and characteristics of the social entrepreneurship. The comparative analysis of social entrepreneurship and profit-oriented entrepreneurship highlights the following as the main characteristics of social entrepreneurship: its social mission, the capitalization and combination of resources for covering certain unsatisfied needs, the creation and development of social equity, the production of goods and social services at the lowest costs. The conclusions highlight the issues that the social entrepreneurs have to deal with, but also the opportunities of permanent development for this sector.*

Keywords: *social entrepreneurship; social entrepreneurship emergence; characteristics.*

JEL Classification: *L31; O35; A113; D64.*

1. Theories on the Apparition of Social Entrepreneurship

The entrepreneurship term is generally associated with the private sector and profit, which somewhat renders paradoxical the jointure between terms "entrepreneurship" and "social". However, when it is regarded as the initiation and implementation of an activity, it does not act within the economic field alone, but also in the social, political or cultural field.

The conceptualization of the term has gone through several phases, within which the sphere of the term has been under a permanent extension: from the activity of producing "new things", meaning an innovating activity (Schumpeter, Say, Marshall, Hagen etc.) to all those who own their own business (Van Der Sluis et al., 2008), then to those who work on their own or work within a company which is also owned by them (Berglann et al., 2011).

As of the second half of the XXth century, a new concept finds its place within the economic literature, the concept of social entrepreneurship, which is different from the classical one as it does not aim at profit, but at social objectives (Noruzi et al., 2010, Weerawardena & Mort, 2006) and of which Bornstein (2004) states that it can change the world, and Harding (2004) regards it as a new economic engine. Borzaga, Defourny (2001) even talks about a coincidence "between the emergence of the first experiences of social enterprises, at the end of the 1970s, on the one hand, and the decline in the rates of economic growth and the rise of unemployment that occurred in the same decade, on the other" (p.352). The decrease of economic performances in the Western countries has deeply affected the social security

systems by technically imposing the entry of other agents on the goods and social services market, respectively the entry of social entrepreneurs.

A peculiar situation seems to stand out in Japan, where, for a lot of time, it was considered that the state is the only one responsible for social issues. This opinion has changed a lot lately as the social entrepreneurship sights out underserved communities, old people, women, etc. Tanimoto (2008) analyses a new social entrepreneurship strategy, respectively the social innovation clusters, which include "social enterprises, support organizations and research institutes are located, interrelated in the neighbourhood, and promote social innovation"

The non-profit entrepreneurship will have to perform activities that have a social impact (decrease of poverty and social exclusion, increase of educational quality, environment preservation, decrease of drug consumption, etc.) in order to attract resources and receive financing. Thus, a new area of entrepreneurship which is also understood in a different manner: narrowly, it only sights out enterprises with social objectives (Thompson, 2002), and widely, it sights out enterprises that, along with the social objectives, they also aim at profit (Lepoutre și colab., 2013) or the ones that, besides profit, also follow social objectives (Johnson, 2000, Light, 2006, Bornstein, 2004). Dees synthetizes the social enterprise spectrum in the following table:

Table 1. The social enterprise spectrum

	Purely Philanthropic	Mixed motives	Purely Commercial
Motives, Methods, and Goals/Key stakeholders	Appeal to goodwill Mission driven Social value	Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Source: Dees, 1998, p.59

Dees characterizes the exclusively philanthropic entrepreneurship in terms of reasons, methods and objectives by: appeal to goodwill, mission driven and social value, and, in terms of stakeholders, by: pay nothing (beneficiaries), donations and grants (capital), volunteers (workforces) and make in-kind donations (suppliers).

On the other hand, the purely commercial entrepreneurship is defined in terms of reasons, methods and objectives by: appeal to self-interest, market driven and economic value, and, in terms of stakeholders, by: market-rate prices (beneficiaries), market-rate capital (capital), market-rate compensation (workforces), and market-rate prices (suppliers).

In the middle of the two edges there are the "hybrid" enterprises which aim at both social and economic objectives, even if the highlight is on one or the other category of objectives.

Tanimoto (2008) presents the situation of the non-profit sector related to the profit sector in a similar manner, specifying that between them there are "intermediate corporations and cooperatives, but they are not so developed as well in Europe" (p.4). Leadbeater (1997), on the other hand, identifies the social entrepreneurship sector as being at the cross-cut between the public and the private sectors and at the cross-cut between each of them and the volunteering sector, and he considers that this may be the promoter of the accumulation of social equity and of the new institutions paired with new ideas, as a condition for social-economic modernization. As to social enterprises aiming at profit as well, it must be specified that, beyond certain competition related disadvantages in relation to profit-oriented enterprises consisting of a managerial capacity and credibility which are low on the market, less qualified workforce, a poor health condition of impaired employees, social enterprises also benefit from a series of advantages such as: fiscal facilities, the possibility of using volunteering, attracting donations, facilities for procurement and products sale, etc., which would allow them to gain profit.

However, as opposed to Skloot (1988), an adept of "Creating Ventures To Earn Income", Dees (1998) draws the attention upon the fact that the preoccupation of social enterprises for gaining profit could alienate them from their social mission: "Like the proverbial tail wagging the dog, commercial funding can put a non-profit away from its social mission" (p.58). He highlights the fact that "non-profits should keep in mind that commercial programs don't need to be profitable to be worthwhile" (p.64).

On the other hand, many enterprises that aim at profit, especially the large corporations, perform Corporate Social Responsibility (CSR) activities. Tanimoto (2008) intercepts three dimensions of CSR: the adoption of an ethical conduct, a conduct of social fairness within the performance of business; the performance of certain social businesses such as "R&D of environmentally friendly products, Development of products and services for the handicapped and the elderly, Eco-tours, Fair trade, and Community development project"; philanthropic activities such as: "Community Support Utilizing Corporate Management Resources, Social contributions: 1) through donations, 2) through utilizing of their facilities and employees, 3) through core business activities" (p.6). Sure enough, CSR is also a component of corporate marketing, as the purpose is the image improvement within the community. Unlike social enterprises that get financing and attract external resources, the CSR activity is performed with own resources.

A synthesis of social enterprises in terms of source of income, objectives and property, is found in the report of Social Enterprise London entitled *Introducing Social Enterprise* (2001):

It is noticed that the Private sector, Socially responsible business, Social enterprise and Charity and voluntary sector cross in terms of source of income or purposes or property. The government is the only one to not have cross points in such terms; however, it is responsible for the economic policies and legislation within the field.

Therefore, Private sector, Social enterprise and Socially responsible business gain income out of sales; the purpose of Social enterprise, Charity and voluntary sector and partially of Socially responsible business is the social purpose; as to property, the sectors are clearly delimited between the private, social and public property.

Table 2. Social Enterprise in A Wider Context

	Private sector	Socially responsible business	Social enterprise	Charity and voluntary sector	Government
Income source	Enterprises-Income from Sales			Grants and Donations	Taxes
Goal	Private goals	Social goals			Political goals
Ownership	Private ownership		Social ownership		Public ownership

Source: Social Enterprise London, 2001, p.3

These points of interest also generate a certain interdependency between sectors to the meaning that "a community in which social enterprises operate clearly benefits from redistributive action, the enterprises improve their reputation and engender relations of trust. In turn, social enterprises, like other third sector organisations, also influence redistributive public policies. By providing services to new groups of people with needs not fully recognised by public policies, they can move public resources toward these services.

Moreover, social enterprises often mix their productive role with more traditional advocacy activities in favour of the same or other groups of users" (Borzaga, Defourny, 2001,p. 356).

Leadbeater (1997) identifies the possibilities by which social entrepreneurship may be supported by the private, respectively public sector. Thus, the public sector may provide managerial consultancy, more extended financial arrangements for social projects, competences and technical resources, initial and growth financing, association with mature social enterprises. The public sector may contribute in various ways to the support and development of social entrepreneurship: local administrations may set up special departments to provide for a good connection and to represent social entrepreneurship within local councils; the national states may improve and simplify the legislation within the field, they may support the creation of a wider network of social entrepreneurs or they may improve the tax policies to the favour of social entrepreneurship; the European Union itself may support this sector by a better financing of social entrepreneurship projects, respectively by facilitating research in this field (pp.80-84).

According to Tanimoto (2008), the method of organization of social enterprises depends on several constraints: market constraints (a project with a high social value but a small number of consumers must be based mostly on donations), financial constraints (the access to loans from banks is limited in terms of banks that regard the loan as risky, as well as in terms of investors due to the difficulties in reimbursement) and social constraints (there is a certain lack of trust in non-profit organizations which are often associated with lack of professionalism, volunteering) (p.13).

The emergence of social entrepreneurship "is due to a mix of factors, some being common to almost all countries, though with varying relevance, while others are more specific to one or some of them" (Borzaga, Defourny, 2001,p. 352). The first

factor is the separation of social services financing, which remains under the responsibility of the state, from the provision of such services by social entrepreneurs. Another factor is passing from passive policies for integration onto the labour market, which are promoted by governments, to the active policies, which are proposed by private entrepreneurs.

Even though social entrepreneurship offers only a small part of social security services and employs a small part of underserved persons, it contributes to the positive change of the social system, to local social and economic growth. Thus, social entrepreneurs use a variety of resources, including donations or volunteers, make lower costs.

Social entrepreneurship may be a significant component within the process of growth of the occupancy rate and also within the process of coverage of certain needs, especially if it extends its scope beyond social services, respectively towards the improvement of environment, cultural services, transportation, increase of educational quality, aspects that are already found in some communities. As such, social entrepreneurship exceeds the traditional frame of social economics (the third sector), being incorporated within an innovative activity of resource combination, production of new goods and services to respond to new needs.

2. Social Entrepreneurship Characteristics

The social entrepreneurship definitions and characteristics, which are numerous and varied, focus on certain aspects of the same or on the differences within it and the profit-oriented entrepreneurship. However, all of them have a fundamental common element: role, social mission, regarded as an improvement of the living condition of underserved persons and their families, or as a radical change of the entire social system. Another common element is noticed lately within these definitions, respectively the sustainability of the environment, the social order and the social enterprises.

“Social entrepreneurship is the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market based activities and the use of a wide range of resources” (Bacq, Janssen, 2011).

Social entrepreneurship differentiates from traditional NGO's as it prefers competition instead of cooperation, innovation instead of dedicated practices and as it takes considerable risks. However, research notices that “countries with higher rates of traditional entrepreneurial activity also tend to have higher rates of social entrepreneurial activity” (Lepoutre și colab., 2013)

Some authors consider that “The work of social entrepreneurs creates value in several ways. They operate as a kind of research and development wing of the welfare system, innovating new solutions to intractable social problems. They often deliver services far more efficiently than the public sector. Most importantly, they set in motion a virtuous circle of social capital accumulation. They help communities to build up social capital which gives them a better chance of standing on their own two feet” (Leadbeater, 1997, p.3).

We regard the following as the essential characteristics of social entrepreneurship: the relationship with the community, altruism, morality, persistence and social innovation.

The relationship with the community is compulsory for social entrepreneurship for the performance of its mission. Social entrepreneurship often lingers locally,

enterprises are small, they capitalize the community potential and understand its needs better, given the proximity between demand and offer. Social enterprises must be accepted by the community, which is when the community understands the importance of social enterprises for producing goods and social services, it grows up, it adopts social values, it acknowledges the social issues and gets involved in their resolution. As a matter of fact, volunteers come from the community and social entrepreneurs find great support in their activity, and also a part of resources as donations comes from the community. Many of the products and services performed by social enterprises are intended to private households. Moreover, the community validates the products and services performed within social enterprises, and their quality, as long as such products and services are regarded as a common good. In the end, in the community within which such enterprises work well, the number of workplaces is increased and so is the income of certain persons, the social wellbeing and the degree of social integration.

Altruism is an attitude that derives from moral values that stand for a behaviour that is to the favour of others. In the case of social entrepreneurship, altruism is a sine qua non condition for the success of the activity precisely because it does not aim at its own interest, but at the interest of others; there are cases when social entrepreneurship loses on personal grounds, but wins regarding the interest of those aimed at by its activity. As a matter of fact, "social enterprises make a contribution to the creation of social capital, by developing solidarity and mutual help, by expanding trust and facilitating citizens' involvement in the solution of social problems, through the promotion of volunteering and the involvement of users" (Borzaga, Defourny, 2001, p. 360)

Morality includes the entirety of moral values that are able to support the social entrepreneurship which is associated by Scott & Rothman (1992) with "Companies with a Conscience". These moral values and the unitary action is invoked by Adam Smith in...

The main resource used by social entrepreneurship are people; thus, the interhuman relationships, the social equity must be maintained and developed. The desirable moral values of social entrepreneurship are kindness, trust, compassion, respect and dignity. However, these values must not appropriate the meaning of activity to a dependency on facilities and governmental benefits.

Persistence is an important characteristic of social entrepreneurship as only persistent activities can truly bring social value. However, the dependency on donations or subsidies renders the social entrepreneurship's persistence poor, as persistence first of all means financial stability. In 2003, Boschee and McClurg claimed that "as long as non-profits continue to be dependent on contributions from individuals, grants from foundations, subsidies from government and other forms of largesse, they will never become sustainable or self-sufficient" (Boschee, McClurg, 2003, p. 3). Given the above, a varied financing strategy is required, including gained income (Nicholls, 2006, p.148). However, the gained income is not always sustainable given the difficulties that many social enterprises encounter and sometimes the lack of trust in their perception within society. On the other hand, social enterprises are small and thus short-living of an average of 12 years. This is not necessarily a negative aspect, as it is referred to by Schumpeter as being a process of "creative destruction", by which ineffective enterprises or "permanently failing organizations" (Meyer and Zucker 1989) are replaced by other more innovative and efficient ones (Schumpeter, 1950).

In social terms, persistence could also mean the sustainability of the idea of social entrepreneurship or the development of a mentality that favours non-profit activities, volunteering, solidarity in general

Innovation is a general characteristic of entrepreneurship; it is defined by Schumpeter (1934) by five elements: a new good, new production methods, new markets, new sources of raw matters, new organizations. However, profit-oriented enterprises may be successful even when they do not promote innovation, while social enterprises must find answers to the new social realities. As to social entrepreneurship, innovation consists of new products and social services meeting the social needs, new categories of beneficiaries needing such products and services, new social relationships, even a new social system.

An important role in promoting social innovation is played by social innovation clusters defined as "an organizational accumulation, which includes social enterprises, support organizations, funding agencies, universities and research institutions" (Tanimoto, 2008, p.16) and which are responsible for new social solutions and social values. They are distinguished from industrial clusters in that they do not only cover a sector but also include more sectors, they operate outside geographical boundaries and are closely connected to the community.

Cooperation is indispensable to social entrepreneurship. It is performed around a mission, usually the coverage of some unmet needs, and trains supporters, beneficiaries, volunteers, local communities. The mission is a beacon for the whole activity and it is feasible especially when it's a clear one, coherent, ambitious, empowering, but also flexible in order to allow adaptation to new situations that may arise along the way. An important role in this respect is the responsibility of the entrepreneur who must know how to communicate the mission and to spirit the interested parties, to be convincing and to induce innovative thinking, to be visionary and realistic, and, especially, to be a developer of support networks (Leadbeater, 1997, pp. 53-60).

Cooperation also becomes imperative among social enterprises in order to overcome their isolation. A network of enterprises and social entrepreneurs would allow the dissemination of good practices, a specific labour market, exchanges of staff or joint vocational training.

3. Conclusion

Social entrepreneurship crosses the historical eras at a higher or lower intensity depending on the social needs to which no answers or solutions can be found by the state. It takes different forms depending on the era in which it is manifested and also depending on the social entrepreneurs; it differentiates itself from profit-oriented entrepreneurship by pursuing social values above all.

Currently, social entrepreneurship is gradually changing the mentality of the social economy, based mostly on redistribution, into a productive and entrepreneurial behaviour. It is noteworthy for the contemporary era the fact that profit-oriented entrepreneurs have also begun to engage in social missions, under aegis of the social responsibility of corporations (CSR).

Social entrepreneurship is characterised by a considerable degree of internal fragility caused by an insufficiently clear and coherent legislation, doubled by a range of other shortcomings: insufficient awareness of the role of social enterprises in the society and in the economic system; the trend towards isomorphism (option for stable forms,

the beneficiaries of public subsidies); the high costs of managing social enterprises, generated by the competing interests of the employees, volunteers, customers, the local community; small size of social enterprises which do not allow the latter to meet the major challenges of the economic or social grounds. A challenge from the profit-oriented entrepreneurship for the social entrepreneurship is added on the grounds that it does not fall into the consecrated type of entrepreneurship and that it benefits from tax and competition related facilities, as well as from social public and work policies, which often are rigid and incoherent (Borzaga, Defourny, 2001, pp. 361-369).

However, social enterprises have the chance to grow further, to help increase employment, social integration, and to respond appropriately to new social and community needs. This opportunity is supported, on the one hand, by the skills of social entrepreneurs: entrepreneurial, innovative and transformative skills, and on the other hand, by the values of social entrepreneurship: the relationship with the community, altruism, morality, sustainability, innovation, trust, cooperation.

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