



THE SOCIAL ENTREPRENEUR

The Business of Changing the World



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Changing the World

edited by
Robert A. Danielson



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CHAPTER ONE

WHAT IS SOCIAL ENTREPRENEURSHIP?

David Bosch

A Picture of Social Entrepreneurship

The Loft Coffee Shop just outside of San Antonio serves fresh pastries, a full lunch, a waffle bar on Saturday mornings, and coffee and specialty drinks. Most people are unaware at first that this enterprise is actually a work of Riverside, a United Methodist church. In fact, Riverside was birthed out of The Loft Coffee Shop. The Loft Coffee Shop's stated goal is to "provide . . . a quiet respite . . . a place for community gatherings and activities . . . to give back locally and internationally . . . to breathe life into others" (Gosnell 2010). The Loft wanted to engage the culture and create community instead of following the older church model of erecting a church building and assuming people would come. The Loft has drawn people who would not normally be drawn to a church. They have also provided a space for Bible studies, mom's groups, and teenage groups. They not only began a church, but they formed the Hope Center—a combination thrift store, food pantry, and social service resource referral service.

The Loft Coffee Shop is a picture of social entrepreneurship. In the coming pages we are going to explore even further what social entrepreneurship is and who is the social entrepreneur. Additionally, we will discover the importance of being intentional about the multifaceted nature of social entrepreneurship. Finally, we will explore some initial next steps for involvement.

What Is Social Entrepreneurship?

To answer this question, we first have to answer the question: What is entrepreneurship? Entrepreneurship is the activity related to taking initiative to innovate and create. Thus, entrepreneurs are instrumental in the creation of new enterprises, the growth of the economy, the promotion of learning, and innovation in the world. This is true of both the commercial entrepreneur that is engaged primarily in growing the economy, but also for social entrepreneurs that are motivated by fostering positive social change. Because of this, government leaders, business incubators, development organizations, and academic institutions are interested in encouraging entrepreneurial activity. Christians and their churches also need to be involved in encouraging this entrepreneurial activity.

Social entrepreneurship, which involves starting an organization with the resolve of achieving positive social change, has been on the rise in recent decades. The study of social entrepreneurship has also been increasing in recent years, but there are no clear definitions of what it is exactly. Some researchers have found it to only apply to nonprofit ventures (Thompson 2002), while others see it as a hybrid model of sorts where profits are generated in order to fulfill the organization's social mission (Nicholls 2010).

While there are many definitions of social entrepreneurship, most see it as referring to the creation of organizations

attempting to impact positive social change. Professor J. Gregory Dees (1988) contended that social entrepreneurs develop organizations along a continuum of enterprises ranging from purely philanthropic to purely commercial (see Table One). However, Dees (2001) stated the distinguishing feature of social entrepreneurship is keeping the social mission central and explicit. Thus, Dees described social entrepreneurs as being focused on social value creation by advancing a positive social change. Dees’s definition is the most commonly used and cited in the social entrepreneurship literature.

The Social Enterprise Spectrum (Adapted from Dees)			
	Purely Philanthropic	←————→	Purely Commercial
Motives, Methods, Goals	Appeal to Goodwill; Mission-Driven Social Value	Mixed Motives; Mission- & Market-Driven Social & 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 & Grants	Below-Market Capital, or Mix of Donations and Market-Capital	Market-Rate Capital
Workforce	Volunteers	Below-Market Wages, or Mix of Volunteers and Fully Paid Staff	Market-Rate Compensation
Suppliers	In-Kind Donations	Special Discount, or Mix of In-Kind and Full-Price Donations	Market-Rate Prices

Table One

As mentioned, one of the key attributes of social entrepreneurship is the focus on social value creation. It is true that purely commercial entrepreneurship has a social aspect, as individuals are engaged in exchange and social value is created through the process of conducting business. However, what makes social entrepreneurship distinctive from purely commercial entrepreneurship is the primary focus on social value creation rather than economic value. As we will see, this is most likely driven by altruistic reasons and a concern for others. Thus, the driving motivation of social entrepreneurs is social value for the public good.

Isn't This Just Business as Mission?

Some may argue that from a Christian perspective social entrepreneurship is the same thing as “Business as Mission” or BAM. BAM is a term used to describe many different aspects of Christians involved in business. According to authors Neal Johnson and Steven Rundle (2006), many people use the terms “Tentmaking,” “Marketplace Ministry,” and “Business as Mission” synonymously, causing confusion in the discussion. However, all of these terms can also have distinct meanings; therefore, it is important to clarify the differences between social entrepreneurship and Business as Mission. Thus, in regards to this discussion, the term “Business as Mission” is defined in a way that is consistent with the first think tank held on BAM in Thailand, which laid out four distinctives (Tunehag, McGee, and Plummer 2004):

- ◆ BAM is profitable and sustainable
- ◆ Intentional about kingdom of God purposes and impact on people and nations
- ◆ Focused on transformation and multiple bottom lines
- ◆ Focused on the world's poorest and least evangelized

Even more specifically, Rundle (2014) reports that there appears to be a consensus around key elements—such as BAM is self-funded, laity-driven, intentional, holistic, and cross-cultural. Because of this distinction, BAM is not the Christian business person that works for a company (local or multinational) in a cross-cultural context, nor is it businesses that happen to be run by Christians (unless they are being intentional about transformation and focused on the world's poorest and least evangelized). Finally, this definition also excludes businesses that Christians establish as a cover, front, or means to have access to people. What distinguishes BAM from social entrepreneurship is BAM's focus on the world's poorest and least evangelized in a cross-cultural context. Social entrepreneurship operates in a broader context. Therefore, in many ways, BAM can be viewed as a subset of social entrepreneurship, but not synonymous with social entrepreneurship.

Who Is the Social Entrepreneur?

Becoming an entrepreneur, starting an organization, is a planned behavior and an intentional act (Bird 1988). Hence, the essence of entrepreneurship—the creation of new enterprises—is essentially the same regardless of whether it is for profit or for social reasons (Mair and Noboa 2003). There are common characteristics of those who intend to start an organization, some of which are the following:

- ◆ Creativity
- ◆ Innovation
- ◆ A family history of entrepreneurship
- ◆ An ability to recognize opportunity and to take advantage of it

As stated above, the mission of social entrepreneurs is social value for the public good. Thus, even though the essence of

entrepreneurship is similar for both the commercial and social entrepreneur, the motivations between the two are different (Mair and Noba 2003). Since values impact motivations and behaviors, there appear to be differences in personal values for individuals with social entrepreneurial intent. Therefore, an understanding of values is necessary in order to understand how values could impact a person's intention to start a social venture.

Values may be related to an individual's self-identity, and as such they influence and regulate an individual's behaviors (Lord and Brown 2001) as they serve as guiding principles around which one bases life decisions. Furthermore, individuals find meaning in work by doing work that is in congruence with their value system (Ros, Schwartz, and Surkiss 2007). Therefore, it would make sense that social entrepreneurs would be altruistic and others-centered, since social entrepreneurship involves impacting change so that people's lives are transformed in a positive way. In fact, in a recent study, openness to change and benevolence were positively related to social entrepreneurial intent (Bosch 2013). Other research (Mair and Noboa 2003) has found that social entrepreneurs have the following values:

- ◆ Others-directed
- ◆ Empathy
- ◆ Benevolence
- ◆ Charity
- ◆ Consideration for others

The Importance of Intentionality

Because a major distinctive of social entrepreneurship is the desire for social value creation, the social entrepreneur has to be intentional in determining the impact of the social venture. There has been a push to measure this impact much like commercial entrepreneurs value wealth creation by measuring

profit. As a result, social entrepreneurs measure not just the economic bottom line of profit but also multiple bottom lines. Much like the multiple definitional differences in social entrepreneurship, there are multiple variations of the bottom lines that social entrepreneurs should measure. Most all agree, however, that the economic bottom line of profit should be measured—even in non-profit entities. Likewise, there is wide agreement that social capital should be measured. Environmental impact is often discussed as the third bottom line to measure, while Christian ventures tend to measure spiritual impact as the third bottom line. The main thing to be aware of is that, depending upon who is discussing the issue, they may define triple and multiple bottom lines differently. We have decided to describe multiple bottom lines as the “triple bottom line,” made up of the following categories:

1. Economic
2. Social
3. Spiritual

Economic Capital

Economic capital is economic sustainability. For those social enterprises operating on the left side of Dees’s (1988) spectrum of being purely philanthropic, this is an issue of being good stewards of the donors’ gifts and contributions. This can be measured in terms of fee growth, donation growth for future and expanded work, working capital, and even net profitability.

For social enterprises operating on the right side of the continuum of being purely commercial, profitability is one of the most important factors in terms of economic sustainability. Author Ken Eldred (2005) calls profit the lifeblood of a company. If a social enterprise is not relying on outside donors or financial assistance, it is not sustainable or able to produce social and spiritual capital if it is not profitable. Without profits

a company is unable to grow, employ and serve more people, or protect itself against economic fluctuations and downturns. This can be measured by revenue growth, net income, working capital, and other profitability metrics such as return on assets (ROA) and return on investment (ROI).

Social Capital

Social capital relates to the justice and relational themes found in Scripture. Social capital is in line with John Wesley's view of service for the public good, that a love of neighbor flows from a love of God. Beyond just being concerned for the shareholders of an organization, growing social capital relates to being concerned for the stakeholders of the organization. Thus, the organization needs to be cognizant of the employees, suppliers, customers, program recipients, and communities in which the organization works. Social capital is relationship-based and it is relationship-driven.

Since the distinguishing feature of social entrepreneurship is creating positive social change, this is a key area of emphasis in social ventures. Some social ills that social enterprises focus on are environmental concerns, poverty, literacy, unemployment, human trafficking, and job skill development, to name a few. Therefore, the social ill that an enterprise is focused on will determine what and how they will measure their social capital.

Spiritual Capital

Spiritual capital is the most important element of the triple bottom line as it sets the tone for how economic and social capital is created. Because of the importance of spiritual capital, the social enterprise needs to be explicit about the outcomes they hope to obtain, as well as how they will measure the impact. This is also one of the most difficult areas to measure impact, as one cannot adequately know an individual's spiritual growth.

Because spiritual capital is the most important element of the three, faith must be integrated throughout the enterprise. Dishonest business practices or exploitive labor practices, as two of many examples, may lead to short-term growth in economic capital, but harm will be done to both social and spiritual capital. Because faith integration throughout the operation of the organization is so important, author Neal Johnson (2009) recommends developing a master plan so that the organization can be intentional about its faith integration.

The Loft Coffee Shop is one picture of social entrepreneurship practicing a triple bottom line. A new enterprise was created that has at its core a vision to create social change and add social value. The revenues (economic capital) from the coffee shop, thrift center, and food pantry are used to sustain the organization. The coffee shop and the thrift center have created community and provided services and help to those in need, which is an example of social capital. Finally, spiritual capital in the forms of Bible studies, changed lives, and the birth of a church has occurred as a result of this social venture.

How Can I Get Involved?

Now that we know what social entrepreneurship is and that values motivate social entrepreneurs, what are the next steps? One way is by bringing one's dormant values, values that the individual already possesses, to the surface. Through the influence of a transformational leader, individuals can learn values over time and through socialization. So, practically, one should be mentored by leaders who are others-directed, benevolent, charitable, and empathetic. Additionally, as a part of the socialization process, an individual should attend workshops and conferences to learn more about what social ventures are doing and how social entrepreneurs started in order to stimulate their

dormant values and increase their self-efficacy for starting a social venture.

Finally, for organizational leaders and others of influence, like pastors and church leaders, it is imperative to understand the spectrum of organizations that can be involved in social entrepreneurship. Since the values related to social justice and benevolence are more strongly associated with individuals with social entrepreneurial intent, and power, achievement, creativity, stimulation, and independence are more highly associated with individuals with commercial entrepreneurial intent, it may be helpful for organizational leaders to understand the specific values of the individual they are working with to guide them in entrepreneurial activities that are congruent with their value system. For example, an individual that places a high value on achievement and independence may be unaware of the broad avenues available as a social entrepreneur. An individual may make the faulty assumption that social entrepreneurship is only about nonprofit work, and they may find nonprofit work undesirable. However, social entrepreneurs can launch an organization along a continuum of enterprises from philanthropic to for-profit with the distinguishing feature of focusing on social value creation. Therefore, if an organizational leader is attuned to the individual's personal value system they can help guide them toward an organizational model congruent with their values.

Even more important than understanding an individual's values is understanding the theological underpinnings of social entrepreneurship to help the individual discover how their faith and theology fit into their calling. These areas will be explored in chapters 2 and 3. Finally, from a practical standpoint, the final three chapters will explore getting a local community involved in social entrepreneurship, writing a business plan, and discovering resources to move the plan forward.

Discussion Questions

1. How would you define *social entrepreneurship*? Can you think of examples that come to mind (both international and domestic)?
2. If you were to start a social enterprise, where would it fall on Dees's spectrum from "purely philanthropic" to "purely commercial"? Why?
3. Which of the common characteristics of entrepreneurs do you have? What about of the common values of a social entrepreneur?
4. Do you agree that spiritual capital is the most important of the triple bottom line? Why or why not?
5. Where would you go to find a mentor or transformational leader to learn more about the values of social entrepreneurs?

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