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Social enterprises and corporate enterprises: Fundamental differences and defining features

### Permalink

<https://escholarship.org/uc/item/4cc7q1m5>

### Journal

Journal of Entrepreneurship, 20(1)

### ISSN

0971-3557

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### Publication Date

2011-03-01

### DOI

10.1177/097135571002000101

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Peer reviewed

# Social Enterprises and Corporate Enterprises: Fundamental Differences and Defining Features

The Journal of Entrepreneurship  
20(1) 1–32

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Development Institute of India

SAGE Publications

Los Angeles, London,

New Delhi, Singapore,

Washington DC

DOI: 10.1177/097135571002000101

<http://joe.sagepub.com>



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## Abstract

To date, most efforts to define social entrepreneurship have focused on adapting existing management theories on entrepreneurship and non-profits rather than distinguishing the organisational purposes and structure of social entrepreneurship from traditional for-profit organisations. There is little consensus among academicians and practitioners alike as to what social entrepreneurship is and what it is not. To articulate a clear and non-ambiguous definition of social entrepreneurship, it is necessary first to understand the distinguishing features of social entrepreneurial ventures compared with corporate entrepreneurial ventures and non-profit organisations. This article differentiates these ventures in terms of their motives, goals, antecedent conditions, processes, role of the entrepreneur and outcomes. In doing so, it provides a brief summary of the state of knowledge in the emerging field of social entrepreneurship and raises new questions and hypotheses for future research on this topic.

## Keywords

social entrepreneurship, corporate entrepreneurship, NPOs, NGOs

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There has been growing dissatisfaction with both the market and the state as mechanisms for addressing contemporary social, economic and environmental problems. The state is accused of stifling initiatives, creating unresponsive bureaucracies and generally absorbing escalating shares of national income. The market, on the other hand, has been criticised for ignoring human needs and producing untenable social inequalities. The very nature of capitalism and repeated government failures to solve the most pressing social problems of our time has led to an increasingly frantic search for a new approach that does not rely solely on the market and/or the state to deal with socio-environmental problems (Salamon, 2001; Salamon, Sokolowski & List, 2003). Reasons for this search include a growing sense that the welfare system in Western European as well as in North American countries has become overloaded and the expectations of the system are not aligned with reality. Moreover, some scholars have argued that the inadequacy of the state welfare system has stifled initiatives, absolved people of personal responsibility and encouraged dependence on the government (Fraser & Gordon, 1994; Salamon et al., 2003).

As well, globalisation has vastly reduced the state's ability to be an agent of development, stimulating new ideas on the role of the government in modern economies. Concepts such as 'assisted self-reliance' or 'participatory development' that stress the engagement of grassroots energies and enthusiasm through non-governmental organisations (NGOs) have been proposed as the 'third way' or 'middle way'<sup>2</sup> to confront the socio-environmental problems of our time (Salamon, 2001). The fall of socialism has further deepened the scepticism about the capability of the government to satisfy the full range of human needs and has led to the formation of market-oriented cooperative enterprises and NGOs. The increasing prevalence of the television, Internet and wireless technologies has increased people's awareness of the ecological crisis facing our planet and the connections between nations and their peoples. At the same time, the combined effect of increasing levels of literacy and the spread of information and communication technologies such as computers, fibre-optic cables, fax machines, televisions and satellites have made it far easier for people to organise and mobilise resources to alleviate these problems (Salamon, 2001; Stokols, Misra, Runnerstrom & Hipp, 2009).

The result has been the unprecedented growth of 'social enterprises', variously known as the 'civil society', 'voluntary sector', 'social sector', 'third sector', 'independent sector', 'mission-based sector', 'non-profit sector' and 'non-government sector'. 'Civil society' can be considered a loosely organised and largely informal sector consisting of non-profit organisations (NPOs), non-governmental organisations (NGOs), and social entrepreneurial ventures (SEVs). The forces of the free market have been the driving force behind the growth of the social sector (Bornstein, 2007). The objectives of such institutions are to provide goods and services that the market or public sector is either unwilling or unable to provide, to develop skills, create employment and foster pathways for the integration of socially excluded people.

Efforts to define 'social entrepreneurship' have focused primarily on the characteristics and traits of a social entrepreneur (Alter, 2004; Alvord, Brown & Letts, 2004; Dees, 2001; Martin & Osberg, 2007; Thompson, Alvy & Lees, 2000; Thompson, 2002). For example, social entrepreneurs are said to be visionary leaders who possess a strong ethical orientation, a high degree of social focus, ambitiousness and the capacity for continuous adaptation, creativity, resourcefulness and resilience (Bornstein, 2007; Dees, 2001). However, many of these traits and skills are associated with corporate entrepreneurs as well (Gitman & McDaniel, 2008; Gordon, 2006). It is reasonable to ask, therefore, how social entrepreneurs differ from business entrepreneurs. More specifically, *what values, motives and behavioural repertoires distinguish a social entrepreneur from a corporate entrepreneur?* One might ask whether social entrepreneurs differ in the way these personal characteristics and traits are put to use. For example, social entrepreneurs use their entrepreneurial talent to create a positive social change, whereas corporate entrepreneurs use their entrepreneurial finesse to create personal wealth. Generating 'social value' is more important to a social entrepreneur whereas corporate entrepreneurs are more focused on the generation of 'economic value'. A social entrepreneur seeks to invest his or her resources in problems that make more 'social sense'. On the other hand, a corporate entrepreneur seeks to invest in issues that make more 'economic sense' (Ashoka.org; Wei-Skillern, Austin, Leonard & Stevenson, 2007).

In an effort to clearly distinguish social enterprises from other types of entrepreneurial ventures and lay the foundation for systematic empirical work in this area, this article: (i) summarises what is known about

social enterprises and social entrepreneurship as well as corporate enterprises and entrepreneurship and (ii) distinguishes between the two in terms of their defining features, antecedents, processes and outcomes. By doing so, it raises new questions and hypotheses for further investigation.

## **Social Enterprises and Social Entrepreneurship: State of Knowledge**

In general, social enterprises are oriented towards reversing an *imbalance in the social, structural and political system*<sup>3</sup> by producing and sustaining *positive social change*,<sup>4</sup> which could be a product of religious impulses, social movements, cultural or professional interests, sentiments of solidarity and mutuality, altruism, and more recently, the government's need for assistance to carry out public functions. They provide a private means to pursue public purposes outside the confines of the market and the state (Halpern, 1997). Service delivery is not the exclusive mission of social enterprises, rather they act as social change agents taking up the role of educators and advocates challenging society to respond to human problems mainly through transforming public policy (Ryan, 1999). Indeed, it is such social movements that have led to the civil rights movement, the battle for a cleaner environment, the fight for equality for women and many other social causes that have changed the world (Salamon & Anheier, 1992). Because of their unique combination of private structure and public purpose, their generally smaller scale, connections to citizens, flexibility and capacity to tap private initiative in support of public purposes, SEVs have surfaced as strategically important potential partners in the effort to forge new solutions to existing social problems. Since social enterprises are member-controlled and people-centred, and the benefits of the sector's activity are frequently non-monetary in nature, their primary socio-economic purpose is to contribute to the maintenance of economic and social cohesion within a particular community or society (Oatley, 1999). In other words, drawing on the work of scholars in this field, we define social enterprises as *high-impact ventures that address long-standing socio-environmental problems, focus on long-term collaborative community capacity building, rely on collective*

*wisdom and experience, foster the creation of knowledge and networks and facilitate sustained positive social change* (Martin & Osberg, 2007; Wei-Skillern et al., 2007).

Most attempts at theory development in the area of social entrepreneurship have been guided by management theories and terminology and have tried to differentiate social entrepreneurship from corporate entrepreneurship (compare Guclu, Dees & Anderson 2002; Thompson et al., 2000; Wei-Skillern et al., 2007). A recent bibliography of social entrepreneurship (Trivedi, 2010a) reveals that most of the literature in this area originates from the fields of business, non-profit and voluntary sector management. Since these theories build on and adapt existing management theories of entrepreneurship, terms and phrases such as 'identifying an opportunity', 'procurement of resources', 'leadership skills' and 'replacing economic value creation with of social value creation' are commonly found (Mair & Martí, 2006; Martin & Osberg, 2007; Thompson et al., 2000; Thompson, 2002; Wei-Skillern et al., 2007). Whereas these conceptual frameworks and definitional attempts are valuable in that they expand and refine existing corporate theories and broaden the meaning of entrepreneurship, they also have created a situation in which almost every form of for-profit organisation, non-profits, and charitable foundations can be classified as a social enterprise.

Similarly, despite the academic interest generated by social entrepreneurship and its popularity in both corporate and voluntary sectors, foundational questions continue to persist in the expanding literature in this field (Haugh, 2005). One key question that remains to be satisfactorily answered is simply: How can we define 'social entrepreneurship'? Or, what is a 'social enterprise'? These fundamental questions arise to a certain extent from the fact that the concept of social entrepreneurship is inherently complex, and it is difficult to map its conceptual boundaries; and partly from the fact that relatively few theoretical and/or empirical analyses of social entrepreneurship, per se, have been published to date (Trivedi, 2010a).

Adding to the definitional confusion prevalent in this field is the fact that there exist fundamental differences in how SEVs are understood and defined worldwide, particularly in the US as compared to Europe. Scholars in the United States have emphasised entrepreneurial culture

and the individual entrepreneur's efforts in creating, managing and sustaining the venture (Boschee & McClurg, 2003; Dees, 2001) more than collective or community-owned efforts. Terms such as 'social economy'<sup>5</sup> are not part of the scholarly literature in the United States. In contrast, in European countries, social enterprises are characterised by stakeholder democracy where SEVs must benefit the community, have group objectives and shared aims, and decision-making power is more distributed and not based on capital ownership (Bull, 2008).

Whether intentional or otherwise, SEVs have blurred the boundaries between government, business and the non-profit sector in search of better solutions to social problems. Dees (1996) is optimistic that such a blurring of boundaries between what were considered vastly different organisations creates a vast range of entrepreneurial opportunities for creative and efficient ways to create social good. The social enterprise revolution has pushed non-profits towards sounder financial and fiscal planning, created more dynamic and flexible organisations, encouraged the adoption of creative and innovative solutions to age old social problems and pushed organisations towards efficiency and effectiveness and the achievement of measurable results (Seedco Policy Center, 2007). Clohesy (2003), however, argues that such a blurring of sectoral boundaries has raised more questions than answers. For example, what is an appropriate balance between social value creation and efficiency? How can social change be accomplished on a larger scale without compromising or eroding the social mission and staying within the boundaries of the non-profit sector?

## **Defining Features, Antecedents, and Goals of Social Enterprises Compared with Corporate Enterprises**

### *Differences in Definition and Goals of Social Enterprises, Corporate Enterprises and Non-Profit/Non-Governmental Organisations*

There is relatively little contention about the definition and goals of corporate/business entrepreneurship. A *business organisation* is defined

as a 'commercial enterprise, profession, or trade operated for the purpose of earning a profit (economic value creation) by providing a product or service' (Friedman, 2007). These businesses vary in legal form ranging from sole proprietorship, corporations, partnerships, to limited-liability companies. Corporations and businesses aim to generate economic value for personal and stakeholder wealth maximisation (Friedman, 1970). They are created as a result of a perceived economic opportunity (Sahlman, 1996). The concept of a 'social enterprise' (SE), on the other hand, is inherently complex and little consensus has emerged in the literature thus far as to what it means, what its distinguishing features are, and how and why they come about (Trivedi, 2010b).

To date, efforts to define SE have conceptualised it in terms of the *characteristics of a social entrepreneur* (Alter, 2004; Dees, 2001; Thompson, 2002), the *processes of social entrepreneurship* (Wei-Skillern et al., 2007) and the *outcomes SE generates* (i.e. from purely social to socio-economical) (compare Jeffs, 2006; Mair & Martí, 2006). These definitional efforts can be distilled into four common themes: (i) an emphasis on 'social goals' as opposed to economic gains; (ii) the social activist role played by the social entrepreneur; (iii) elements of entrepreneurship and innovation (at least in most examples) and (iv) creating and using economic profit as a means to solve a social problem rather than as an end in itself.

These four basic themes noted earlier are useful in helping to distinguish social enterprises from corporate enterprises. However, because these themes may apply to non-profits, NGOs, and charitable organisations, Harding (2006) argues that it is even more challenging to clearly distinguish social enterprises from voluntary civil society organisations. Another important limitation inherent in these definitions is their reliance on traditional corporate language and concepts. Although some have argued that one of the unique features of a social entrepreneur is his/her ability to combine elements of both the business and the voluntary/social sector to address social problems (Giddens, 1998; Sharir & Lerner, 2006), Johnson (2003) believes that using terminology such as 'revenue streams' and 'return on investment' when referring to social goals serves to anchor social entrepreneurial approaches in business language and creates ideological discomfort for many social entrepreneurs committed



to improving societal conditions. Further, most attempts to define social entrepreneurship are individualistic in their conception and fail to acknowledge collective forms of social entrepreneurship. Alter (2004), for instance, believes that cooperative<sup>6</sup> movements are perhaps the root of entrepreneurial activities in the social sector.

Although current definitional efforts in the field of social entrepreneurship seem unable to distinguish it from other traditional NPOs,<sup>7</sup> a careful review of the motives and goals of SEVs reveals the fundamental difference between these two types of organisations (Trivedi, 2010b). Both NPOs and SEVs aim to mitigate a particular social problem, but SEVs go one step further as they strive for bringing about positive social change. NPOs may not necessarily aim for a positive social change (Dees, 2001; Mair & Martí, 2006; Martin & Osberg, 2007). Similarly, the *primary goal* of an SEV is to identify and address *long-standing unsolved social problems* (e.g. the custom of dowry in India), while NPOs identify and address social problems that may or may not be long standing and unsolved (Alter, 2004; Alvord et al., 2004; Bornstein, 2007; Mair & Martí, 2006; Martin & Osberg, 2007). For instance, emergency disaster relief programs are not long-standing social problems. Dart (2004) argues that SEVs differ from other non-profits in terms of strategy, structure, norms and values and represent a radical innovation in the non-profit sector. Corporations/businesses, on the other hand, primarily aim to identify and address unfulfilled market demands (e.g. technologically advanced products such as computers and mobile communication devices). Market demand may or may not be long standing but what is important for businesses is that there exists a growing market for these needs.

### *Differences in Antecedent Conditions of Social Enterprises, Corporate Enterprises and NPOs/NGOs*

A key difference between social and corporate entrepreneurship that has received relatively little attention in the literature are the factors influencing the origin of social entrepreneurial ventures. One of the defining features of social entrepreneurship is the existence of a social problem.

While economic opportunity is at the heart of a commercial enterprise, socio-environmental problems are at the core of a social enterprise. Commercial entrepreneurs look for an opportunity to create and satisfy new needs (and wants), whereas social entrepreneurs focus on serving basic and long-standing socio-environmental needs. For an opportunity to be considered viable, commercial entrepreneurs require a growing market size or growing demand. For social entrepreneurs, on the other hand, recognised social needs, market failure and repeated unsuccessful attempts by the government to address socio-environmental problems are reasons enough to pursue the social goal (Austin, Stevenson & Wei-Skillern, 2006).

Market failure often results from the inability to pay for services by those who need them (Austin et al., 2006). The development of SEVs are largely a result of traditional market failures and underdeveloped public approaches to address some of the most pressing socio-environmental problems (Wei-Skillern et al., 2007). Hence, market failure, which is a problem for corporate enterprises, is an opportunity for social enterprises.

For corporate entrepreneurs, therefore, the emphasis is on the generation of market/economic value versus use/social value (Suarez-Villa, 2009a), whereas it is the other way round for social entrepreneurs. Whereas commercial entrepreneurs must justify the economic value of their product/service, it seems that social entrepreneurs need little or no external financial or economic justification for their venture. The generation of use/social value is reason enough for social entrepreneurs to pursue their mission. Use value is not entirely dependent on market value as a product/service can have use value even though there is no market value. An example of product or service that possesses use/social value but not market value is the vaccine for Black Fever. This vaccine could have helped save many lives if produced and distributed, but was not because it was not profitable and marketable owing to a small market size (Skoll Foundation). However, the term 'use value' refers to the utility of the product or service to individuals and therefore tends to have narrow scope. Thus, social value<sup>8</sup> is a more representative term and has a broader scope when placed in social context as compared to use value, since dealing with complex socio-environmental problems often necessitates creative and innovative approaches (Suarez-Villa, 2009a).

## Characteristics of Social Entrepreneurs Compared to Corporate Entrepreneurs

Prior research has found many parallels between social and commercial entrepreneurs when it comes to personality and behavioural traits (Drucker, 1989; Gitman & McDaniel, 2008; Gordon, 2006). There are some essential personal characteristics of these entrepreneurs that contribute to the success of the venture. A recent empirical study conducted by Sharir and Lerner (2006) identifies eight variables that contribute to success of a social venture. Out of these eight variables, five are directly related to the qualities of the entrepreneur, namely, the *entrepreneur's social network, commitment, previous management experience, ability to integrate the vision* and to *establish strategic alliances*. Similarly, a study of the characteristics of social entrepreneurs in the United States found that social entrepreneurs are more likely to have high social capital (Ryzin, Grossman, DiPadova-Stocks & Bergrud, 2009). Although such studies of the personal characteristics of social entrepreneurs provide useful information about the leadership and organisational skills of such individuals, they do not explain the essence of these traits, why they are important and how social entrepreneurs use them to achieve their social mission and create and sustain social change. More research is required to understand what values, motives and behavioural repertoires distinguish a social entrepreneur from a corporate entrepreneur.

Several other studies of social entrepreneurial traits and qualities have explored how such personal, social, and organisational skills contribute to the success of the SEV. For example, one key attribute of social entrepreneurs identified in prior research on the topic is *entrepreneurial credibility*. *Reputation* or *credibility* is vital for social entrepreneurs to be able to tap into their social networks to garner and mobilise resources. Credibility does not necessarily mean personal charisma, but rather the ability to assemble and effectively utilise many resources (Waddock & Post, 1991). The ability to develop a network of relationships is a hallmark of visionary social entrepreneurs (Thompson et al., 2000). Kramer (2005) argues that people identified as social entrepreneurs are often under scrutiny for their capabilities, character, and leadership abilities by their target population. *Personal credibility* is equally important for commercial entrepreneurs during the initial stages of business development,

although their *professional credibility* is what matters most as their business ventures evolve over time. Credibility is a key factor for social entrepreneurs as it also helps to maximize others' commitment to the collective purpose championed by the leader. It is precisely the leader's credibility that helps social entrepreneurs to maintain a clear focus on the overarching goals (or vision) of the organisation (Waddock & Post, 1991).

Orloff (2002) identifies 'high quality leadership' as an essential prerequisite for the emergence of a social venture partnership and its continued success. *Transformational leaders*<sup>9</sup> motivate people to achieve *transcendent* or *end values* such as liberty, social justice, and equality (the ends over means), whereas *transactional leaders*<sup>10</sup> motivate people or followers to achieve *modal values* such as honesty, responsibility, fairness and honouring commitments (the means over ends) (Burns, 1978). Similarly, Waddock and Post (1991) posit that in order to achieve the value embedded in the collective vision it is necessary for a social entrepreneur to embrace *end values* rather than *modal values*. Such a leadership style can attract followers who take up the SEV's mission and social values and carry forward or enhance them realising the common vision of the SEV and fostering collective purpose.<sup>11</sup> Commitment to collective action is essential for holding the organisation together and enhancing feelings of community and value-added collaboration among employees and/or volunteers. Decision-making power is more distributed as transformational leaders rely on collective wisdom, experience of the community, employees as well as partners, and understand the importance of collaborative capacity building.

Corporate entrepreneurs also have to demonstrate a similar type of leadership style. However, while intrinsic motivation among followers or collaborators is necessary for a social entrepreneur to maximise the benefits of the venture, extrinsic motivation may be sufficient for their counterparts. Efficiency and effectiveness seem to be more essential for corporate entrepreneurs, while value-added collaboration is more important for social entrepreneurs. Decision-making power is also rather limited to the management in corporate ventures. All of these personality and behavioural characteristics should be systematically and empirically assessed in future research on the distinctive features of social and corporate entrepreneurship.

## Distinguishing Processes of Social Entrepreneurship as Compared with Corporate Entrepreneurship

Socio-environmental problems are inherently complex and social entrepreneurs are very adept at recognising these complexities. Waddock and Post (1991) argue that social entrepreneurs not only have a unique ability to recognise the complexities of socio-environmental problems but they are also able to frame the problem in a new way that increases public awareness of the problem through their vision. They identify *situational multiplexity*,<sup>12</sup> *crisis (relevancy of the problem)* and *interdependence (requirement of multiple collaborators)* as factors that lead to innovative vision. Whereas innovation, competition and profits are the driving forces for commercial entrepreneurs, social entrepreneurs foster *innovation* and *inclusiveness*, which enable them to bring about a positive change in the system and the society (Jeffs, 2006).

Social entrepreneurs are usually supported by volunteers who share a common vision of mitigating socio-environmental problems. Since profit generation or maximisation is not at the centre of such ventures, resource mobilisation for social enterprise is very different compared with traditional businesses. Social entrepreneurs are the main propellers of resource generation in their organisation. Along with their personal wealth, they rely heavily on their social networks to carry forward their mission. Social entrepreneurs understand the necessity of being inclusive to generate a feeling of ownership and sense of value-added participation<sup>13</sup> among collaborators. Value-added participation is at the heart of collective social action (Waddock & Post, 1991). Peredo and Chrisman (2006) also emphasise the importance of inclusiveness. They argue that lack of ownership is the main reason that many poverty alleviation programmes have devolved into global charity since most projects are conceived and managed by development agencies rather than members of community.

A different type of inclusiveness is however encouraged in commercial enterprise. Since the product/service offered by commercial entrepreneur is either new or more technologically advanced than other similar products/services that are available in the market, the ownership (trade secrets or intellectual property) are generally closely guarded. However, inclusiveness is encouraged in the form of *vertical/horizontal integration*<sup>14</sup>

through the supply chain management process, where everyone involved in the production of the product or service, from the raw material manufacturer to the distributors of final product, are all working in coordination to achieve economic efficiency and effectiveness.

Some corporate leaders are able to adopt a hybrid style of leadership whereby they are successful in creating a sense of psychological ownership for the organisation among its employees. Van Dyne and Pierce (2004) highlight many positive influences of sense of ownership on employee morale, motivation, behaviour and productivity. However, it is important to note that this leadership style is pivotal for a social entrepreneur to ensure the success of the venture, but not for a corporate entrepreneur.

Commercial entrepreneurs are relatively less bounded by resource constraints. They have varied sources of financial support available to them based on their economic proposition (e.g. the market, venture capitalists, banks), and they can afford the best human resources available. Personal social networks are equally important in the initial stages of a new business venture, but the focus shifts to professional networks as the venture grows.

Another point of contrast is the issue of long term financial planning in both kinds of ventures. Whereas strategic financial planning is often overlooked by social enterprises, it is of vital importance in commercial ventures. Yet, the importance of strategic financial planning is gaining importance in the social entrepreneurial world to ensure a revenue stream so essential for sustaining the venture (Boland, 2002; Boschee, 1997). In SEVs, the social entrepreneur's sustained efforts are required to garner funding for his/her social cause unless s/he is able to create self-sustaining financial system whereby others (including community members) can take charge of the management of the initiative and generate sufficient resources to sustain it.

Many scholars have written about the importance of business planning (Massarsky & Beinhacher, 2002; Rouson, 2005; Zietlow, 2001). They argue that sound business planning has a significant impact on the success of a venture. Business planning assistance, in the form of targeted business analysis, market research and strategic planning, could be a valuable resource for non-profits and social enterprises. The question, however, is how can 'business planning' capacities be provided to social entrepreneurial organisations since these organisations vary widely in

terms of their missions. Further, Dees (1998) and Foster & Bradach (2005) caution about the erosion of social concerns with the adoption commercial approaches to self-sufficiency as they might create unrealistic expectations from entrepreneurs and distort managerial decisions, waste resources, and leave important social needs unmet. Boschee (2008) supports this argument as he explains that lack of skills, resources, and the proper mindset can compromise the social mission of the organisation. These scholars (i.e. Dees, Foster & Bradach and Boschee) also stress the need to explore all strategic options<sup>15</sup> including their ability to use the social mission to tap into the financial resources of philanthropic foundations and charitable organisations. Corporate enterprises are well positioned when it comes to financial sustainability as they typically rely on business development techniques and strategic planning. Recently venture philanthropy<sup>16</sup> has gained importance, reflecting a paradigm shift away from the notion of a social sector that merely receives funds from charitable organisations, towards a notion of earned investment through collaborative partnerships (Boland, 2002).

Similarly, the socio-cultural context of a corporate or social venture is very important in influencing the success of both types of entrepreneurs, despite the differences in their goals. The success of an SEV largely depends on the local political, social and cultural context, all of which influence how the local community perceives a social problem and its proposed solution. Similarly, history of success of similar ventures as well as the credibility of the entrepreneur also influence the outcome of the SEV (Waddock & Post, 1991). Social entrepreneurs understand the situational multiplexity, the relevance of the social problem, as well as the unique contextual circumstances surrounding and influencing the social problem and define it appropriately to generate awareness of the problem among others by promulgating an innovative vision.

Social problems exist primarily in terms of how they are defined and conceived within a particular society. Blumer (1971) argues that the societal definition of social problems determines their life cycle, how they are approached, and what is done about them. He adds that understanding the processes by which a society comes to see, define and handle a social problem is extremely important since the social problem is always the focal point for the operation of divergent and conflicting interests, intentions and objectives. This interplay of interests determines

the ways in which society deals with the problem. Thus, a broad understanding of influential contextual factors is a key to the success of SEVs. Commercial entrepreneurs, by contrast, are concerned with broader macro-level contextual factors such as the macro-economic environment, tax and regulatory structure, technological advancements and the larger socio-political environment related to labour, religion and politics (Peredo & Chrisman, 2006).

### **Key Outcomes of Social Entrepreneurial Ventures Compared with Corporate Entrepreneurial Ventures (CEVs)**

SEVs, NPOs and CEVs differ in their *secondary goals*. *Secondary goals* support the primary goals of organisations and these goals may have unintended or intended positive or negative side effects (e.g. corporations and businesses can benefit from ethical consumerism by practicing Corporate Social Responsibility). NPOs and SEVs share a common concern with financial sustainability as their secondary goals; hence, they attempt to grow by planning for the financial sustainability of the organisation. Social entrepreneurs generally try to strike a balance between social and economic value creation through an innovative, visionary approach towards addressing the social problem. They differ from NPOs in that they aim to reverse an imbalance in society or the community by creating sustainable positive social change. NPOs, on the other hand, may or may not aim for sustainable positive social change. In contrast, corporations can have several alternative secondary goals such as improved customer service, corporate social responsibility and improved brand image and value.

Because social enterprises tend to be member-controlled and people-centred, and the benefits of their activities are frequently non-monetary in nature, they aim to contribute to the maintenance of economic and social cohesion in the community (Oatley, 1999). Since such benefits are challenging to measure, it is difficult to gauge the impact or effectiveness of social enterprises as compared with commercial enterprises, in which the expansion of personal and stakeholder wealth is the ultimate goal.



Apart from the benefits available to the target population (section of the population that the SEV directly serves), both types of entrepreneurial ventures can benefit the larger community. Commercial ventures can enhance the prosperity of the community by providing job opportunities and infrastructure (e.g. roads, highways, water and waste management) to community members. SEVs, on the other hand address deep-rooted social problems, social injustice or societal *imbalance* through processes of social change creation and sustenance. Social enterprises mobilise interpersonal and professional networks to create economic and social capital by encouraging citizen engagement and empowering individuals and communities. The difference, however, is that a commercial enterprise will only continue its operation to the extent that the venture is economically viable, whereas SEVs are likely to continue their activities whether they are economically viable or not as they do not aim to increase personal and stakeholder wealth.

Both kinds of ventures create different forms of social value. For commercial enterprises, however, social value creation is not the primary motive, whereas for SEVs it is the primary reason for their existence. Furthermore, commercial ventures are limited in their capacity to create social value. Commercial enterprises generate social value indirectly by generating economic gains, often by bringing resources (e.g. materials, manpower, human capital) into the organisation and creating financially valuable outputs (e.g. innovation in the form a commercial product or technology) for sale outside the organisation. Therefore, the social value created by commercial ventures is intrinsically tied to economic value generation. SEVs, on the other hand, are committed to creating social value within and outside the organisational boundary. For example, social enterprises encourage the sharing of ideas, innovations and best practices with other social enterprises, non-profits, NGOs and some commercial enterprises. They encourage collaboration as opposed to competition with other organisations and foster the creation of knowledge and social networks. In this way, social enterprises spread their resources outside the organisational boundary. Moreover, social enterprises create outputs that may or may not be linked to economic benefits for the organisation (e.g. OneWorld Health produces vaccine for black fever that saves many lives in developing countries even though the market value for this vaccine is low).

Social value is a concept that is difficult to define and measure. Understandably, the evaluation of the processes and outcomes of social entrepreneurial efforts is a challenging task. Some of the most discernible problems in this regard are: (i) how to measure social outcomes? (ii) is it even possible? (iii) what timeline should be used to evaluate such efforts? (iv) how to measure indirect benefits? and (v) is it morally justifiable to evaluate benefits that might not be measurable in the first place through a cost-benefit analysis and attach a monetary value to them? In such a scenario, it is pertinent to ask whether it is fair to compare social entrepreneurial efforts with for-profit entrepreneurial efforts.

It has been argued that the social marketplace (i.e. the social sector consisting of non-profits and civil society organisations) is generally less demanding of entrepreneurs in the sense that it neither rewards superior performance nor punishes inferior performance as readily as the commercial marketplace (Austin et al., 2006). Yet, such comparisons may be meaningless given the fundamentally different motives of these organisations. The fact that social and corporate entrepreneurs differ on what they perceive as an ‘opportunity’ suggests that little common ground exists for such comparisons. Moreover, attempting to measure social impacts or outcomes through the cost-benefit lens amounts to imposing an economic value on some of the most unquantifiable outcomes. It is unfortunate that the major criterion typically invoked when evaluating entrepreneurial ventures is the economic one.

This is not to suggest that appropriate measures of effectiveness should not be developed, but the need for new measures is dire when funding decisions are guided by such incomplete and inaccurate measures. In a recent report from the Bill & Melinda Gates Foundation’s Impact Planning and Improvement Division, Tuan (2008) identifies important limitations associated with various cost-benefit criteria for estimating social value. Some of the major concerns of using such methods include: (i) use of a monodimensional yard stick for measuring inherently dissimilar outcomes, (ii) the necessity of ‘informed guesswork’ to yield cost-benefit estimates, (iii) unintended consequences of using measurable proxy variables for unquantifiable constructs, (iv) the costs of measurement, and (v) the inability of corporate cost-benefit measures to capture value creation outside the boundaries of the organisation. The dangers of using such evaluation methods are the lure of false precision,

poor construct validity and focusing on a single numerical value or index to indicate whether or not an investment has been successful.

Milton Friedman, among other neo-classical economists, asserted that the only social responsibility of a business is ‘to use its resources and engage in activities designed to increase its profits . . . through open and free competition without any deception.’ (Friedman, 1970). There are numerous criticisms of such pro-capitalist views. For example, Rossouw and Van Vuuren (2004) argue that by its very nature a business needs to serve the interests of society. According to them, businesses derive their ultimate justification not from economic objectives, but from the moral objectives they pursue. Drucker (1979) argued that even the most private of private enterprises is an organ of society and serves a social function. Moreover, increased stakeholder activism has created an environment where businesses can no longer afford to focus solely on profits and are forced to be more responsive to societal needs. A new area of social impact management has emerged that focuses on the intersection of business practice with wider societal concerns that reflects and respects the complex interdependency between these two realities. Gentile (2002) argues that this is a critical part of the contemporary business because without understanding this interdependency, neither businesses nor the society in which they operate can thrive.

The idea of balancing social value with economic value has created an impetus among businesses for jumping on the social enterprise bandwagon. Corporate ventures have been quick to respond to the concept of social entrepreneurship with the idea of *Corporate Social Responsibility* (CSR) to cast off some of its burdens of social costs while achieving what is known as the ‘double bottom line’ (Doane, 2005; Pendleton, 2004). The result has been the emergence of hybrid organisations classified as ‘socially responsible businesses’ defined as, ‘a venture (generally for-profit) that seeks to leverage business for a more just and sustainable world’ (Social Network Venture).

Every year, *Corporate Responsibility Officer* (CRO), a business ethics magazine, produces a list of the 100 best corporate citizens (i.e. companies). CRO’s criteria for exemplary corporate citizenship include positive action in area of environment, climate change, human rights, employee relations, philanthropy, finance and governance. Some of the most infamous companies have made it to this list such as Exxon Mobil,

Monsanto (guilty of many unethical practices, including child labour in India), Gap (responsible for employing child labour in India), Citigroup, and Goldman Sachs Group, Inc. (blamed for outrageously high CEO and executive compensation), Coca-Cola (accountable for ground-water depletion and pollution in developing countries), and Dow (responsible for the Union Carbide gas leakage in Bhopal, India; (<http://www.globalexchange.org/>, [www.bhopal.com](http://www.bhopal.com)). It is, therefore, pertinent to question the validity of *CRO*'s measures of CSR.

Doane (2005) argues that CSR is only a tool to reap the financial benefits of ethical consumerism for certain corporations. She explains that the problem with the assumption of doing well while doing good (also called the 'double bottom line') is that markets do not really work that way, as any investments towards a social cause are not considered 'wise' because they stand contrary to the profit-making motive fostered in capitalist societies. Similarly, Bakan (2005) asserts that just as human psychopaths disguise their dangerously self-obsessed personality by their ability to use charm, CSR may play the same role for corporations. CSR fails to recognise that it is the institution of the corporation itself that may be at the heart of the problem. According to Doane, the CSR movement is winning the public relations game with both the government and the public by lulling us into a false sense of security. In the end, CSR is nothing more than a placebo, leaving us with the immense and ever-increasing challenges of globalisation and corporate capitalism for the foreseeable future. Neo-classical economist and a Nobel Laureate, Milton Friedman, believes that there is only one instance when CSR can be justified when it pursued by a corporation—when it is insincere. He adds that such a strategic view of CSR reduces lofty ideals to a hypocritical window dressing, but it is virtuous when it serves the bottom line (Bakan, 2005).

Contrary to Doane and Bakan's valid criticisms of CSR, some businesses are known to follow ethical and environmentally sustainable business practices without any hidden agenda. Examples of some such businesses include Green Mountain Coffee Roasters, Nordic Naturals (Alter, 2004) and Dean's Beans because of their environmentally sustainable and fair trade practices. It is, however, necessary to clarify that such organisations cannot be classified as SEVs even though they may share some common features, since the *primary motive* of a business enterprise,

albeit a socially responsible one is profit maximisation and not the mitigation of a social problem. For SEVs, on the other hand, financial profit serves as a means towards achieving the primary goal rather than an end in itself (Schuyler, 1998). Similarly, for-profit firms that are in the business of producing and selling high social-value creating goods (e.g. pharmaceutical companies that produce and sell drugs) cannot be considered socially responsible organisations as the decisions of such organisations are strictly guided by the profit motive.

Table 1 summarises the earlier-described distinguishing features (i.e. motive, primary and secondary goals, antecedent conditions, outcomes, role of the social entrepreneur, collaboration needs and value creation) of social enterprises, corporate enterprises as well as NPOs and NGOs.

## Conclusions

This article had three goals: (i) to provide a brief summary of the state of the knowledge in the emerging field of social entrepreneurship; (ii) to distinguish between social enterprises and commercial enterprises in terms of their defining features, antecedents, processes and outcomes; and (iii) to raise new questions for future research on this topic.

Social and corporate enterprises were compared on the following dimensions: (i) *the purposes for their existence*, (ii) *the role of the entrepreneur during the lifecycle of the venture*, (iii) *the entrepreneur's personality and leadership traits*, and (iv) *the essential outcomes of the venture*. Key conceptual differences between social and corporate entrepreneurs and the practical implications were identified and discussed. In doing so, new questions were raised and hypotheses were posed for empirical investigation in future research on this topic. For example, it is hypothesised that a transformational leadership style is essential for the success of a social entrepreneurial venture but not for a corporate venture.

Additional priorities for future research identified in this article are to: (i) develop new constructs and measurement tools for evaluating the processes and outcomes of SEVs; (ii) explicate the influence of antecedent

**Table 1.** Differences between SEVs, CEVs and NPOs based on 11 Dimensions

Dimensions	Social Entrepreneurial Ventures	Corporate Entrepreneurial Ventures	Non-Profit/Non-governmental Organisations
Motive	✓ To bring about positive social change <sup>2</sup> and mitigate the social problem/s <sup>3</sup>	✓ To increase personal and stakeholder wealth	✓ To mitigate the social problem/s
Primary Goal	✓ To identify and address long-standing unsolved social problems	✓ To identify and address unfulfilled market <sup>4</sup> needs/wants	✓ To identify and address social problems that may or may not be long standing and unsolved. For instance, emergency disaster relief programmes are not long-standing social problems
Secondary Goal (Supports the primary goal but can have unintended positive or negative side effects)	<ul style="list-style-type: none"> <li>✓ Growth through economic sustainability</li> <li>✓ Sustainable positive social change</li> </ul>	<ul style="list-style-type: none"> <li>✓ Customer satisfaction</li> <li>✓ Corporate Social Responsibility</li> <li>✓ Brand Image</li> </ul>	<ul style="list-style-type: none"> <li>✓ Growth through economic sustainability</li> <li>✓ May or may not aim for sustainable social change</li> </ul>

(Table 1 continued)

(Table 1 continued)

Dimensions	Social Entrepreneurial Ventures	Corporate Entrepreneurial Ventures	Non-Profit/Non-governmental Organisations
Antecedent Conditions	✓ Government and market failure <sup>5</sup> to address long-standing unsolved social problems	✓ Growing market or potential market growth	✓ Existing or unmet market need and/or social problem
Value Creation	✓ Social <sup>6</sup> /Use value	✓ Economic value	✓ Social/Use value
Outcomes	✓ Mitigated social problem ✓ Sustainable positive social change	✓ Wealth creation	✓ Mitigated social problem
Role of Entrepreneur/ Leadership Requirements	✓ Direct involvement of the entrepreneur in all stages of the venture (identification of social problem, idea generation, implementation and evaluation) ✓ Transformational <sup>7</sup> leader	✓ Direct involvement of the entrepreneur in all stages of the venture (identification of an opportunity, idea generation, implementation and evaluation) ✓ Transactional <sup>8</sup> leader	✓ Large NPOs are generally headed by an advisory board while smaller NPOs are mostly headed by a transactional leader

<i>Collaboration Needs</i>	<ul style="list-style-type: none"> <li>✓ Collaboration occurs at all levels</li> <li>✓ Relies on collective wisdom and experience of population, employees, and partners</li> <li>✓ Collaborative capacity building</li> <li>✓ Involvement of employees and target population in decision-making processes as well as implementation and evaluation of the programme</li> <li>✓ Porous—Social value creation can take place within &amp; outside organisational boundaries</li> <li>✓ Collaboration, as opposed to competition, with different organisations</li> <li>✓ Fosters the creation of knowledge and social networks</li> </ul>	<ul style="list-style-type: none"> <li>✓ Not collaborative in terms of involvement of target population or market</li> <li>✓ High levels of collaboration can occur within the organisation</li> <li>✓ Inter-organisational collaboration is low and mainly for economic gains (Vertical or horizontal integration<sup>9</sup>)</li> <li>✓ Rigid—Social value creation is intrinsically tied to creation of economic value within organisational boundaries</li> <li>✓ Competition with different organisations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Intra-organisational collaboration is high</li> <li>✓ Inter-organisational collaboration can be high and mainly for non-economic gains</li> <li>✓ Population level depending on the nature of the service provided</li> </ul>
<i>Intra-organisational/ Inter-organisational Population/ Market</i>			
<i>Organisation Boundaries</i>			<ul style="list-style-type: none"> <li>✓ Rigid/Porous—differs based on contextual circumstances and type of service provided</li> </ul>

(Table 1 continued)



(Table 1 continued)

Dimensions	Social Entrepreneurial Ventures	Corporate Entrepreneurial Ventures	Non-Profit/Non-governmental Organisations
Organisation Structure	✓ Flat or horizontal ✓ Hierarchical/Vertical for large SEVs	✓ Hierarchical (vertical)	✓ Mainly Hierarchical
Ownership	✓ Collective—Employees, entrepreneur and population are guided by common vision/purpose	✓ Individualistic or restricted—Single ownership or ownership controlled by a small number of employees Entrepreneur and employees are not guided by a common vision/purpose	✓ Large NPO—Restricted (similar to a business model) ✓ Small NPO—Collective

**Source:** Authors' research.

**Notes:** <sup>1</sup> Non-profit is a legal status and SEVs may share that legal status. Non-profits are known as non-governmental organisations in many countries.

<sup>2</sup> Bringing about positive social change refers to structural transformations of political, social and economic systems and institutions to create a more equitable and just society ([http://www.fundforsouth.org/social\\_change.htm](http://www.fundforsouth.org/social_change.htm)).

- <sup>3</sup> *Social problem* is a generic term applied to the range of conditions and aberrant behaviours that are viewed as manifestations of social disorganisation. Examples of social problems include poverty, illiteracy, crime, prostitution, mental illness, drug addiction, suicide, ethnic tensions, domestic violence and industrial strife. (Gordon, 2006). In this research, the term social problem also includes environmental problems such as environmental denudation, pollution, and climate change that might not be a direct outcome of 'aberrant' behaviours.
- <sup>4</sup> The term *market* refers to the group of consumers or organisations that is interested in the product, has the resources to purchase the product and is permitted by law and other regulations to acquire the product (<http://www.netmba.com/marketing/market/definition/>).
- <sup>5</sup> Market failure refers to the inability to pay for services by those who need them (Austin et al., 2006). Government failure refers to the inability of local, state, or federal governments to satisfactorily address social problems (Trivedi, 2010b).
- <sup>6</sup> *Social value* encompasses social capital as well as the subjective aspects of the citizens' well-being, such as their ability to participate in making decisions that affect them. (<http://www.businessdictionary.com/definition/social-value.html>). *Use value* refers to the utility of the product or service to individuals and therefore tends to have narrow scope. Social value is a more representative term and has a broader scope when placed in social context compared use value (Suarez-Villa, 2009b).
- <sup>7</sup> Burns (1978) describes *Transformational Leadership* as a relationship in which, 'leaders and followers raise one another to higher levels of motivation and morality.' Transformational leader's transform followers by transforming followers' values and beliefs (Bass & Bass, 2008).
- <sup>8</sup> *Transactional Leadership* is the idea that effective leadership is based on a reciprocal exchange between leaders and followers. Conventional reward and punishment are used to gain compliance from the employees. *Transformational leadership*, on the other hand, involves moral, rather than tangible rewards for compliance (Burns, 1978; Bass & Bass, 2008).
- <sup>9</sup> *Integration (vertical or horizontal)* refers to the combination of two or more companies under the same control for their mutual benefit, by reducing competition, saving costs by reducing overheads, capturing a larger market share, pooling resources, cooperating on research and development, and enhancing competitive advantage. Horizontal integration refers to process of merging similar industries (e.g., buying competing company). Vertical integration refers to the process of buying suppliers of that particular industry (Pallister, 2006).

conditions in the creation of an SEV; (iii) determine how contextual factors facilitate or hinder the success of an SEV and the relative importance of these contextual factors; (iv) explain how SEVs leverage their social mission to ensure financial sustainability; (v) document the value of social and professional networks for achieving the SEV's social mission; (vi) examine the influence of an entrepreneur's personal and professional credibility on the success of an SEV; (vii) analyse how various personal, social, and organisational skills contribute to the success of an SEV; (viii) understand how SEVs foster innovation and inclusiveness and create social value within and outside their organisational boundaries; and (ix) conceptualise and elaborate the construct of social value or social impact as a basis for developing new methods to evaluate it. A broader and more fundamental issue raised in the article is the necessity of separating the scientific study and evaluation of social entrepreneurship from management and economic philosophy in order to develop a more nuanced and accurate conceptualisation of social entrepreneurship and social entrepreneurial ventures.

## Notes

1. This research was supported by a seed grant awarded to Chitvan Trivedi by the Center for Organization Research, University of California, Irvine.
2. The Third Way or Middle Way has resulted from dissatisfaction with both the state (First Way) and the market (Second Way) as mechanisms to solve the interrelated social, economic, and environmental crises of our time.
3. Imbalance is defined as a widely accepted and salient lack of equilibrium in the social justice and power equation of a community or society.
4. Bringing about positive social change refers to structural transformations of political, social and economic systems and institutions to create a more equitable and just society ([http://www.fundforsouth.org/social\\_change.htm](http://www.fundforsouth.org/social_change.htm)).
5. Social economy refers to all initiatives that are not a part of the public economy or the traditional private sector, but where capital and the means of production are collective (Neamtan, 2002, p. 3).
6. Cooperatives are enterprises or organisations that are owned or managed jointly by those who use their facilities or services.
7. Non-profit organisations are associations, charities, cooperatives, and/or other voluntary organisations formed to further cultural, educational, religious, professional, or public service objectives. Their startup funding is provided by their members, trustees, or others who do not expect repayment, and who do not share in the organisation's profits or losses which are retained or

- absorbed. Approved, incorporated, or registered NPOs are usually granted tax exemptions, and contributions to them are often tax deductible. Most NGOs are NPOs. They are also known as not-for-profit organisations. (<http://www.businessdictionary.com/definition/non-profit-organization-NPO.html>).
8. Social value encompasses social capital as well as the subjective aspects of the citizens' well-being, such as their ability to participate in making decisions that affect them. (<http://www.businessdictionary.com/definition/social-value.html>).
  9. Burns (1978) describes Transformational Leadership as a relationship in which, 'leaders and followers raise one another to higher levels of motivation and morality.' Transformational leaders transform followers by transforming their values and beliefs (Bass & Bass, 2008).
  10. Transactional Leadership is the idea that effective leadership is based on a reciprocal exchange between leaders and followers. Conventional reward and punishment are used to gain compliance from the employees. Transformational leadership, on the other hand, involves moral, rather than tangible rewards for compliance (Bass & Bass, 2008; Burns, 1978; Kelman, 1958).
  11. Collective purpose 'refers to the commitment of a collectivity to a course of action that creates, supports, and employs a joint enterprise' (Münch & Smelser, 1992).
  12. Situational multiplexity refers to the successful resolution of long-standing social problems by multiple actors on multiple levels and by multiple means and over a substantial period.
  13. Value-added participation is defined here as the collective and synergistic efforts of collaborators towards the fulfilment of the goals of the SEV.
  14. *Integration (vertical or horizontal)* refers to the combination of two or more companies under the same control for their mutual benefit, by reducing competition, saving costs by reducing overheads, capturing a larger market share, pooling resources, cooperating on research and development, and enhancing competitive advantage. Horizontal integration refers to process of merging similar industries (e.g. buying competing company). Vertical integration refers to the process of buying suppliers of that particular industry (Pallister, 2006).
  15. Includes strategies such as earned income from third-party payer with a vested interest such as a government or corporation, earned income from advertisements and endorsements, philanthropic support in form of cash donations, in-kind donations and volunteer labour.
  16. Venture philanthropy refers to the relatively high level of engagement of the funder in the organisation being supported over an extended time, injecting skills or services in addition to financial resources (John, 2006, p. 7).

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