SOCIAL ENTREPRENEURS: HOW ARE THEY DIFFERENT?

Prior studies have demonstrated that entrepreneurial motivations, resource endowments, and strategic choice play important roles in the success of entrepreneurship. This paper attempts to elucidate the uniqueness of social entrepreneurs, to better understand what motivates social entrepreneurs, and how do they compete.

Introduction

This paper attempts to examine what factors differentiate social entrepreneurs. More specifically, we investigate how social entrepreneurs differ from “conventional entrepreneurs” in terms of their motivation, personal characteristics, and strategy choices.

This first set of variables that are of interest to us is the unique characteristics of social entrepreneurs. What motivate them to engage in social entrepreneurship? Is the set of antecedent factors, including their motivations and resource endowments different from those who engage in the more conventional profit-seeking entrepreneurship? The upper echelon theory (Hambrick & Mason, 1984) posits that the firm is a reflection and extension of the entrepreneur. As such, the firm’s strategic choices, behaviours, and performance are, to a large extend, influenced by the demographic characteristics of the entrepreneurs (Smith et al., 1996), their social connections (Geletkanycz & Hambrick, 1997), their perceptions of the environment (Kiesler & Sproull, 1982), and their decision-making styles (Eisenhardt, 1999). The upper echelon theory is consistent with the resource based view of the firm (Barney, 1991; Hunt & Morgan, 1995; Penrose, 1959; Peteraf, 1993), which posits that each organization is endowed with a finite amount of resources; and such resource endowment provides the firm opportunities to gain competitive advantages. Specially, as Penrose (1959) asserts, human capital, in this case, the skills, experience, and personal characteristics of the entrepreneurs are the key resource endowments for the firm.

More recently, Ketchen, Hult and Slater (2007) argue that resource endowment, per se, does not automatically lead to superior firm performance. Instead, they argue, the resource-performance link is mediated by the firm’s strategy choice. That leads to the second set of variables that are of interest to us: “Do social entrepreneurs do things differently?” Academic scholars have identified a number of strategic choices as critical success factors for the performance of entrepreneurial firms. There are, of course a wide spectrum of strategic options available to entrepreneurs and social entrepreneurs. In this paper, we focus of the implementation of market orientation (MO) (Cano, Carrillat, & Jaramillo, 2004; Kirca, Jayachandran, & Bearden, 2005; Kohli & Jaworski, 1990; Narver & Slater, 1990) and entrepreneurial orientation (EO) (Covin & Slevin, 1991; Jauch, Osborn, & Martin, 1980; Lumpkin & Dess, 1996; Lumpkin & Dess, 2001; Lyon, Lumpkin, & Dess, 2000). Zhang, Bruning and Sivaramakrishnan (2007) demonstrate that both MO and EO have unique and significant positive influences on firm performance. Are social entrepreneurs unique in terms of their
strategic orientations? More specifically, do they engage in social entrepreneurship primarily to fulfill a market demand? Or do they do so primarily to achieve their internal goal?

The objective of this paper is three-fold. First, by reviewing the extant literature, the author attempts to summarize the existing knowledge on social entrepreneurship, in terms of their entrepreneurial motivation, personal entrepreneurial characteristics, and entrepreneurial strategic choice. Second, the author attempts to contrast the uniqueness of social entrepreneurs in terms of their motivations, personal characteristics, and their strategic choices to that of more conventional profit-seeking entrepreneurs. Third, we want to test the differences in relationship. That is, to investigate whether social entrepreneurs would do things differently given the same set of operant conditions.

**Literature Review**

Academic scholars have long engaged in the research of what factors drive entrepreneurship. Various levels of governments, particularly in Canada and the United States, have made substantial investments in developing infrastructures and policies that encourage entrepreneurship. Prior research has identified several factors that are positively correlated with entrepreneurial behaviors and intentions. However, the extant knowledge on the motivations for entrepreneurs is vague; little is known about under what circumstances, which factor, or a certain combination of factors becomes the dominating driving force.

Prior research has identified that entrepreneurs vary in their motivations, as to why they start their own businesses. For example, what motivates male entrepreneurs is significantly different from what motivates female entrepreneurs. This paper intends to identify the motivational differences between entrepreneurs in for-profit businesses and those engaged in non-for-profit social entrepreneurship.

There are many different perspectives on why individuals are motivated to start new businesses. One group of major barriers of entrepreneurship is perceived uncertainty. Meijer et al. (2007) demonstrate that technological, political, and resource uncertainties have negative effects on entrepreneurship. In contrast, an entrepreneurial motivation is one of the major enabling factors for entrepreneurship; it initiates entrepreneurial capital (Audretsch & Keilbach, 2004a), and moderates the positive link between entrepreneurship and economic performance (Audretsch & Keilbach, 2004b). Motivated human capital has positive and significant relationships with regional innovation (Lee, Florida, & Acs, 2004).

Traditionally, entrepreneurship has been associated with the ultimate capitalistic behavior for profit maximization. However, evidence suggests that most entrepreneurs enter and persist in business despite the fact that they have both lower initial earnings and lower earnings growth than in paid employment (Hamilton, 2000). Particularly in the case of non-for-profit social entrepreneurship, entrepreneurial motivation may be derived from enjoyment of control or maximization of services provided (Auteri 2003). Therefore, understanding entrepreneurial motivation is a critical step. Prior studies often categorize entrepreneurial motivation into individual factors, environmental factors (Taormina & Lao, 2007), and organizational factors. Sriram, Mersha, and Herron (2007) argue that these antecedent factors interact with each other, as well. They reveal, for example, that resource availability moderates the relationship between entrepreneurial skills and achievement. Furthermore, they demonstrate that opportunities exist for government initiated interventions to stimulate and enhance entrepreneurial success. All of these factors affect management strategies and the growth of small businesses (Dobbs & Hamilton, 2007).

On the subject of social entrepreneurship, while there has been a substantial body of literature starting to emerge from a number of domains, the literature is even more fragmented (Weerawardena & Mort, 2006). To start, the construct of social entrepreneurship has been defined in a number of ways. For example, it has been defined by its mission of social change and the development of client
group (Prabhu, 1999); or its outcome of maintaining both economic and social returns (Canadian Centre for Social Entrepreneurship, 2001). Weerawardena and Mort’s (2006) multi-dimensional conceptualization of social entrepreneurship includes the basic elements of entrepreneurship – innovativeness, pro-activeness, and risk-taking (Covin & Slevin, 1991) – and the additional dimensions of being responsive to social mission, organizational sustainability, and environmental dynamics.

**Entrepreneurial Orientation within not-for-profit organizations**

While the term “entrepreneurship” in the strategy literature primarily refers to the act of new entry, such as starting a new company, entering into a new market, or developing a new product, “entrepreneurial orientation” (EO) refers to the processes, practices, and decision-making activities that lead to new entry (Lumpkin & Dess, 1996). EO involves not only the intentions but also the actions of key players functioning in a dynamic generative process aimed at new venture creation. The key dimensions that characterize an EO, Lumpkin and Dess argue, include a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.

The majority of EO researchers treat EO as an organizational-level construct (e.g., (Atuahene-Gima & Ko, 2001; Covin & Slevin, 1991; Lumpkin & Dess, 2001; Naman & Slevin, 1993; Zhou, Yim, & Tse, 2005) These researchers are primarily interested in assessing how well an organization’s EO level predicts its on-going financial performance, much like the investigation of the efficacy of a firm’s MO. For example, Covin and Slevin (1991) investigated companies’ entrepreneurship behaviours at the organizational level. They argue an organizational-level EO is not about what is going on in the individual’s mind; it is more about the manifested outcomes of the entrepreneurial oriented processes and behaviours, such as how often a firm enters into a new strategic business, the extent of expansion, and the development of new market(s) and new product(s). Lumpkin and Dess (1996) use small corporations and strategic business units (SBUs) in larger corporations as their unit of analysis. The enduring benefits of EO are not limited to small corporations. Organizational level entrepreneurship is a means of growth and strategic renewal for larger firms, as well (Guth & Ginsberg, 1990).

Krausse et al. (2005) examine EO both on an organizational level and on an individual-level. An individual-level EO centers on the perceptions and behaviours of the entrepreneurs or the top managers of an organization, because individual entrepreneurs play important roles, particularly in the early years of the operation of the firm. Krausse et al. (2005) find hierarchical ordering relationships between these individuals’ personalities, their individual EO levels, the organizational-level EO for the companies they manage, and the performance of those companies.

From its inception, EO has always been a multi-dimensional construct. There is no consensus in the EO literature, however, which group of elements, or dimensions of strategy-making process should be considered under the EO umbrella. Miller and Friesen (1978) identified eleven strategy-making process dimensions that include adaptiveness, analysis, integration, risk taking, and product market innovation. Some of these dimensions, such as how much risk managers are willing to take, and how innovative the products have to be, were later adopted in the conceptualization of an entrepreneurial strategic orientation (Covin and Slevin 1991; Lumpkin and Dess 1996).

Covin and Slevin (1991) began their investigation of entrepreneurship with a grounded theory approach, which generated a large number of items that would characterize entrepreneurial behaviours. Covin and Slevin (1993) propose that three key factors underpin an entrepreneurial orientation, which include innovation, pro-activeness, and risk-taking. Kreiser, Marino and Weaver (2002) empirically tested this more parsimonious model of EO and found evidence to support the convergent validity, discriminant validity, and cross-cultural validity for the three-dimension construct.
The following three propositions contrast the unique manifestation of EO in the specific context of social entrepreneurship.

**Innovation.** As mentioned above, all entrepreneurs can be characterized by their desire and ability for innovation. Social entrepreneurs often have the beliefs of “I can do it better” mentality. Hence, in contrast to conventional entrepreneurs in for-profit business ventures, social entrepreneurs are more likely to place emphasis on procedural innovations, as in providing similar services pre-existing, but better, quicker, more effective, and more efficient. In contrast, product innovations are more compatible to profit-seeking entrepreneurs.

*P1a* Profit-seeking entrepreneurs are more likely to place emphasis on product innovation.

*P1b* Social Entrepreneurs are more likely to place emphasis on procedural innovation.

**Pro-activeness in competition.** As pro-activeness and aggressiveness in competition prescribes, entrepreneurs are supposed to be more aggressive than their managerial counterparts, and seem to have the tendency of engaging in cut-throat competitive practices. However, social entrepreneurs may not see such cut-throat type of competitive behaviour being constructive. Instead, they are more likely to engage in collaborative behaviour coping with competition. This is because their competitive environment is unique; and cut-throat competition may not fit with their ideology, or not seen as beneficial for the survival of the social entrepreneurial organization.

*P2a* Profit-seeking entrepreneurs are more likely to compete by aggressive strategies.

*P2b* Social Entrepreneurs are more likely to compete by collaborative strategies.

**Risk-taking.** Entrepreneurs are inherently risk-takers. When they believe in what they can do, they are not hesitant of doing it. One of the boundaries, of course, is the rationality of cost-benefit analysis. For the social entrepreneurs, since profit is not one of their major concerns, they would start doing the things they believe in, even if it means costing more money. Thus, they often score even higher on the risk taking scales than their conventional friends in entrepreneurship.

*P3a* Profit-seeking entrepreneurs are more likely to focus on financial risks.

*P3b* Social Entrepreneurs are more likely to focus on social risks.

**Environmental Motivation**

Casson & Wadeson (2007) use the concept of a project as a metaphor for the opportunity process. If an individual agent sees the apparent gap for improvement they may be motivated to act if the benefits outweigh the associated cost. Entrepreneurial motivation could be as simple as the lower the opportunity costs of individuals, the more likely they are to undertake entrepreneurial activity (Amit, Muller, & Cockburn, 1995). For social entrepreneurs, because making a profit is not their primary focus, they are more likely to exclusively focus on the maximization of benefits of the services they provide, and are less concerned about the costs associated with it. Hence, we believe that there is a difference in terms of their focus of analysis of entrepreneurial opportunities.

*P4a* Entrepreneurs assess opportunities by examining costs and benefits.
Social Entrepreneurs assess opportunities by examining benefits of such activities.

Unique Resource Endowment

From a resource-based view, unique resource endowment, including the possession of information, is a source for sustained competitive advantage. Knowledge is dispersely distributed (Dew, Velamuri, & Venkataraman, 2004). Education, experience and environmental dynamism magnify one's growth aspirations (Wiklund & Shepherd, 2003). Agency theory suggests that asymmetric information combined with personal motive or self-gain makes it difficult to maximize firm output. Instead, the agents who know it better would likely to maximize his/her own gains by starting his/her own new businesses. Longitudinal data illustrate that motivation to engage in entrepreneurship has more to do with the belief that performance depends largely on individual actions (Evans & Leighton, 1989). Thus, the combination of possession of unique resources, complemented by personal characteristics, such as confidence (Busenitz & Barney, 1997) and willingness to take risks (Kihlstrom & Laffont, 1979) contribute to one’s impulse of starting a venture. For social entrepreneurs, in addition to the knowledge, experience, and skills required for starting their own businesses, they would have to have prior exposure to the causes they feel so passionate about. The experience with such causes could be a positive one, whereas they have personally experienced the benefits of such SE, and wish to give back to the society, or, they might have had a negative one, and perceive that they could have done better.

Entrepreneurs typically possess internal locus of control, high level of need for achievement, and more business experience.

Social entrepreneurs have similar resource endowment like entrepreneurs. In addition, they tend to have more experience with social causes related activities.

Embedded Networks

Individuals differ in terms of their perception of opportunities because of the differences between the networks they are embedded in (Arenius & De Clercq, 2005). In some ways networks represent a significant portion of receptor capacity within geographies. Jack (2005) illustrates how ties are instrumental for business activity, knowledge sharing, information transfer, and on-going business reputations. Thus government agencies and professional associations, such as chambers of commerce, play a role as facilitators for entrepreneurship.

Entrepreneurs typically have close relationships with a network of other entrepreneurs.

Social entrepreneurs have close relationships with a network of other social entrepreneurs.

Strategy Choice

Prior research in Entrepreneurial motivation indicates a relationship exists between motivation and strategy choice (Dobbs & Hamilton, 2007). However, no research has investigated the relationship between motivation and any specific strategy types. This study investigates how Entrepreneurial motivation influences the selection and implementation of MO and EO. Zhang et al. (2007) reveal that while both MO and EO are positively correlated with firm performance, their influences follow different paths. Market-oriented firms achieve market success by first appealing to their customers, ensuring customer satisfaction, and cultivating customer loyalty. In comparison, entrepreneurial-oriented firms opt to aggressively pursue product related innovation.
Entrepreneurs are more likely to be market-oriented.

Social entrepreneurs are more likely to be entrepreneurial-oriented.

Implementation, Learning, and Change

Baker and Sinkula (1999; 2007) suggest that learning occurs in organizational processes and should be accounted for in theoretical models. A firm’s generative and adaptive learning can shape and re-shape the entrepreneur’s motivation and strategic priorities. However, such propositions are yet to be supported by empirical evidence. Thus, there is a pressing need to investigate the evolution of Entrepreneurial motivation and the dynamics between contextual circumstances and strategic choices. As the business grows, entrepreneurs’ personal situation changes, and the competitive environment changes, Entrepreneurial motivations, goals, and competitive strategies change as well.

Van de Ven (1992) proposes that a process can be viewed as the sequence of steps that describes the pattern over time. Van de Ven and Poole (1995) theorized four motors of change, including Evolution, Dialectic, Lifecycle, and Teleology. The teleological motor of change, for example, describes a constructive change process within a single entity, where learning drives the cycle of goal formulation, execution, appraisal, and revision steps. Dass (2004) reports that this perspective is one of the most frequently employed approach in recent empirical studies of strategy management. This proposed study will also take this perspective. An action-based research (Austin & Bartunek, 2003) involves both solving real problems and contributing to theory at the same time. The principal investigator of this proposed research has worked with government agencies that are trying to help entrepreneurs to grow their businesses. Hence, opportunity exists for conducting action-based research program that not only develop knowledge of how entrepreneurs implement marketing strategies, but also help them in implementing marketing strategies more effectively.

Entrepreneurs typically modify their behaviours over time through teleological motor of change.

Social entrepreneurs are more likely to engage in action based behaviour modification.

Causation Process vs Effectuation Process

Causation process takes a particular effect as given and focus on selecting between means to create that effect. Effectuation process take a set of means as given and focus on selecting between possible effects that can be created with that set of means (Sarasvathy, 2001). Under the casual process the entrepreneurs would have a specific and detailed objective and would be able to segment, define a target market, and develop a positioning strategy immediately. From this view the assumption is that the entrepreneur is confident he or she can attain the necessary resources to implement this approach to achieve the specific and detailed objective that was identified at the onset of the venture. Under the effectual process, the entrepreneurs scan their environment to determine what resources they have at their disposal including volunteers, advisors, corporate entities, working cash flow. The social entrepreneur uses his or her experience, knowledge, and acumen to imagine possible futures based on the given factors at their disposal.

Entrepreneurs are more likely to engage in causation processes.

Social entrepreneurs are more likely to engage in effectuation processes.
Measurement for success – Profit vs Balanced Scorecard

Organizational performance is a multifaceted construct. The financial aspects of performance, such as sales revenue, return on investment and return on assets, are presumably an important goal for most entrepreneurs. However, many strategic decisions may not immediately have apparent impact on financial performance of the firm in the same year. Thus, some seminal works in marketing strategy specify attitudinal measures, such as customer satisfaction and loyalty, as the indicator for performance outcomes; they argue that customer satisfaction and loyalty would have long-lasting impact on the firm’s financial performance (Kohli & Jaworski, 1990). Kirca et al. (2005) suggest that empirical evidence on the direct link between market orientation and financial performance is somewhat mixed, but market orientation has a powerful impact on customer satisfaction and loyalty. Firms that achieve high customer satisfaction tend to enjoy high economic returns (Anderson, Fornell, & Lehmann, 1994). Customer loyalty and customer satisfaction are inextricably linked; customer satisfaction is sequentially linked to customer loyalty, customer retention, and profitability (Rust & Zahorik, 1993).

A balanced scorecard incorporates performance from a customer perspective, internal operational perspective, innovation, as well as financial perspective. More recent developments in the domain of scorecard matrixes have lead to further inclusion of the perspectives of stakeholders, including employees, governments, and societal well-beings. The main benefit of a scorecard-like tool is that it should engender clarity, focus and strategic alignment to orchestrate deliberate direction and the acceptable actions for desired outcomes. Using scorecard-like tools, social entrepreneurs attempt to balance competing resource demands, test the strategic soundness of a particular action, and set clear boundaries. Social entrepreneurial organizations that use this type of strategic tool include Waterloo’s Masters of Business Entrepreneurship and Technology Program, Duke Children’s Hospital, and the United Way (Armitage & Scholey, 2003). The motive is to run these organizations like for-profit organization by addressing internal, customer, learning and growth to achieve financial success.

\[ P10a \text{ Entrepreneurs are more likely to use a traditional scorecard to measure performance.} \]

\[ P10b \text{ Social entrepreneurs are more likely to use a stakeholder scorecard to measure performance.} \]

Implications

Prior studies have demonstrated that entrepreneurial motivations, resource endowments, and strategic choice play important roles in the success of entrepreneurship. This paper attempts to differentiate the uniqueness of social entrepreneurs. The potential theoretical contribution from this proposed research is that we can better understand what motivates social entrepreneurs, and which motivation or set of motivations become dominant under what conditions, hence creating new knowledge of the dynamic nature of the interactions among industry environment, government policies, and social entrepreneurs’ individual characteristics. The potential policy implication from this proposed research is that various governments could better understand the dynamic nature of the drivers of social entrepreneurship, and re-evaluate, and improve policies and investments in infrastructure to support social entrepreneurship.

Future Research

Within Canada, social policies, economical conditions, and technological environment are relatively homogenous. While our research and findings provides value for ex-post evaluation, it does
not provide comparative analysis of alternative circumstances. In this regard, we plan to conduct cross-country analyses in a future study, and seek SSHRC funding. Specifically, this follow-up study involves contrasting the entrepreneurship motivations in Canada to that in China, an emerging market, with considerably higher economic uncertainties, with vague, and sometimes contradicting government policies, scares financial resources, and yet higher potential growth opportunities. The value for such comparative analyses is to provide a better understanding of what could happen in dramatically different environment. Furthermore, it might provide some insight for the Canadian entrepreneurs who wish to venture into such uncertain territories.
References


