

## Studying Social Entrepreneurship and Enterprise

Rob Paton, The Open University  
(r.c.paton@open.ac.uk )

### Unpacking entrepreneurship

The valency of the label entrepreneur in new contexts reflects the cultural influence of business values in society as well as policy pre-occupations with change, innovation and renewal in public services. The question of course is whether and in what ways this is a helpful metaphor. Table 1 maps some of the different contexts in which the term entrepreneur may be used – from the Schumpeterian ideal, risking all to wreak creative destruction, through to attenuated or rhetorical uses (those who imitate developments observed elsewhere, at little if any personal risk). But note that change can still arise in all these contexts – most change is gradual and adaptors may trigger processes they had not envisaged.

	<b>Markets</b>	<b>Hierarchies</b>	<b>Networks, movements and communities</b>
<b>Innovators</b>	'Heroic' entrepreneurs	Corporate intrapreneurs; public entrepreneurs	Social/policy entrepreneurs; social inventors; original thinkers
<b>Adaptors</b>	'Normal' entrepreneurs	Isomorphic imitators	Disciples and revisionists

*Table 1: Varieties of entrepreneurship*

More analytically, the concept of entrepreneurship can be unbundled into its recurring elements – Table 2.

	<b>'Classic' entrepreneurship</b>	<b>Extended or metaphorical entrepreneurship</b>
<b>What is the innovation (if any)?</b>	Product, process or service (but typically technology-focussed)	As before, but may also concern practices or policies
<b>What is started?</b>	A business enterprise	Or a programme, project, association, campaign, or policy initiative
<b>What is the context?</b>	A new or existing market	Or an organization, community, professional field, policy network or social movement
<b>What is at risk?</b>	Private equity; personal financial solvency	And/or public /charitable funds; reputations
<b>Who does it?</b>	One or a few determined individuals with the right connections and support	

*Table 2: Recurring elements of entrepreneurship*

The possibilities created in this way are illustrated with five deliberately divergent examples in Figure 1. The first two of these – The Big Issue and the Fairtrade marque -

remain embedded in market contexts and are commonly cited as examples of social enterprise or entrepreneurship. The Open University is a case of state entrepreneurship (and contrasts interestingly with the parallel, private development starting shortly afterwards, of what has become the University of Phoenix, now by far the largest university in the US). The other two examples – of ‘open source development processes’ and non-violent direct action – are cases of what may be called ‘social inventions’: both in their way are extremely important, but have not given rise directly to an organization, enterprise or institution. While the range of these examples may be useful in underlining the point that private firms hold no monopoly on innovation, it is not clear that discussing the non-organizational instances in terms of entrepreneurship adds very much to our understanding. Hence, what follows is an argument for extending the concept and study of entrepreneurship into social enterprise contexts (which I will define as *hybrid organizations*), but not to the point where it becomes a purely metaphorical usage.

### **Locating social enterprise in the world of organizations**

Most US writing on social enterprise locates it against and in relation to private enterprise (Dees). A common definition is in terms of the use of business practices for social purposes. Arguably, this reflects the dominance of the corporation in the current political economy. In practice, of course, and as with much private enterprise, the state and public funding are seldom very far away.

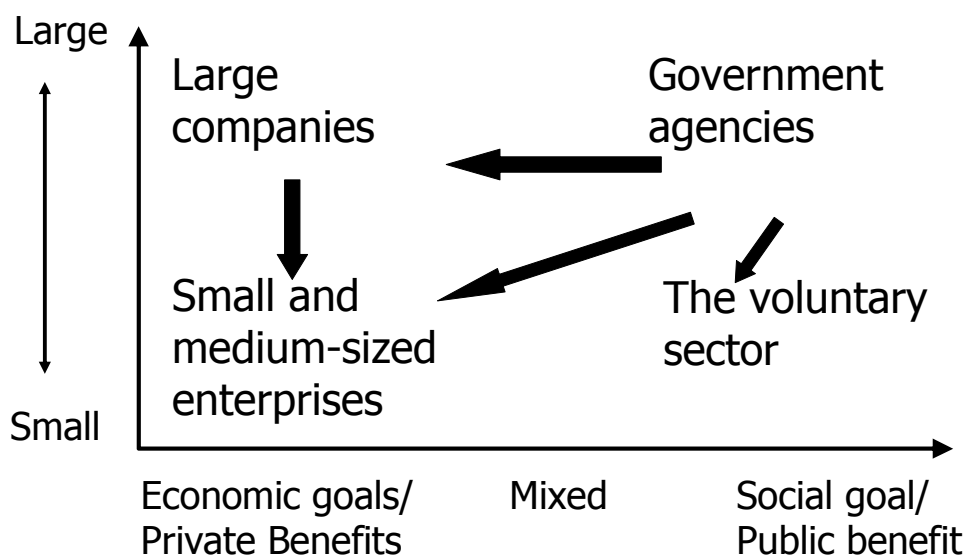
For an alternative perspective, let us map the world of organizations using two dimensions that are widely seen as having profound and pervasive impacts on the nature of an organization and of its management processes. The first of these is its primary purpose, which will necessarily also underpin its value system: at one end of the spectrum we have shareholder capitalism, where companies exist to pursue economic goals and deliver private financial benefits. At the other end there are those that pursue social goals of one kind or another and exist to deliver public benefits. This dimension could also be characterised in terms of ownership, or in terms of critical environmental influences constraining the organizations – whether those of commercial markets or of a political and institutional environment.

The second dimension concerns the size of the organization or as I would prefer to say, its degree of institutionalisation. Large, established organizations have more formal procedures, and they are more likely to shape and control their market – they can be worlds unto themselves. Using these dimensions we can immediately locate four familiar organisational forms: large companies; governmental agencies of one sort or another; small and medium-sized businesses; and voluntary and nonprofit organizations. And 20 or 30 years ago, those were the principal taken-for-granted organisational categories. Management training and consulting were all done differently in and for these different contexts.

<b>What is started-up?</b>	<b>The Big Issue</b>	<b>Fairtrade marquee</b>	<b>The Open University</b>	<b>An 'open source' development process</b>	<b>An independence/civil rights campaign</b>
<b>What is the innovation?</b>	Homeless people as a distribution channel (linking initial work integration <i>with</i> direct supporter involvement)	Ethical guarantee to consumers	Large scale, technologically enhanced learning system, with new division of academic labour	Creative commons license - using property rights to extend the public domain	Non-violent direct action - visibly confronting power holders in ways that sap legitimacy
<b>What + whose risks?</b>	Charitable funds	Personal effort + charitable funds	Public funds Political capital	Personal effort + reputation	Personal well being
<b>What is the context?</b>	Diffuse social concern and policy vacuum	Socio-religious movement	Inertia in Higher Education	Community of interested professionals	Social movement
<b>Who are the entrepreneurs?</b>	Networked Individual	Many and various	Harold Wilson, Jenny Lee, Sir John Horlock...	Linus Torvalds among others	Ghandi

Figure 1: Extending entrepreneurship – five examples

The trouble is that this map is still far too crude. There are many intermediate forms, both as regards size – think of business franchising, and federations of organizations. And as regards *hybrids*, those with mixed social and economic purposes. Indeed, essentially, the map is out of date – the world has changed. One big story of the last 20-25 years has been the emergence of a new generation of green and ethical businesses (eg, involved in Fairtrade, or providing environmental products and services). Another, even bigger story, has been the recognition that mega-organizations are impossibly difficult to run – in a world that is changing rapidly they are unmanageable. So large companies have out-sourced non-core activities and re-structured into federations of business units. And governments, of course, have been doing the same – the general trend has been for the state to retreat from direct involvement in the delivery of services. See Figure 2.



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Figure 2: *The changing world of organizations*

This has meant, first, privatisation – the contracting out of ancillary services, and the creation of regulated private monopolies out of erstwhile public utilities. Secondly, the government has contracted out to non-profits on a large scale – hence the rapid growth of the voluntary sector over the last decade. A third element in the same general trend has been towards the creation and use of partnerships of one kind or another. Some, under the PFI, have been prompted by rather dubious financial considerations; others have managerial rationales to do with challenging existing practices.

Finally, a fourth and equally important strand has been the drive to reconstitute the governance, funding and service relationship of public organisations so that they are stimulated to be more enterprise-like. The classic funding relationship – the block grant – created organisations that were, literally, dependent. And such single-focus economic dependence quickly leads to organisational centralisation – as the Aston studies demonstrated years ago - and thus too often to a chronic, low-grade psychological dependence: we are helpless unless we can persuade our sponsoring department to provide more (and unless that department can similarly persuade the Treasury). The aim of the restructuring has been a shift of organisational mindset and behaviour away from dependency and towards economic self-reliance.

The government wants public organisations that see themselves as earning, not asking for their income, and that are therefore more cost-conscious, more alert to new and varied funding opportunities and to new technological possibilities, more adaptive to changing lifestyles, more concerned to demonstrate their continuing contribution – and less convinced of their own self-evident worthiness and

of the enduring rightness of their established practices. In short, governments want the dynamism associated with the private sector married to the social purposes of public and nonprofit organisations. To this end, governments increasingly see themselves as buying policy outcomes, rather than funding organisations. And hence, the increasing use of outcome related funding (a trend affecting universities directly). How, and how well, these efforts will work out is quite another matter - and not in this context my concern.

What I want to highlight is the way in which all these trends are greatly increasing the number and significance of hybrid organisations. In the past schools, colleges, universities, hospitals, museums and welfare agencies would all have been well over to the right of the diagram – with funding determined exogenously, they were left to concentrate on their social missions. Now NGOs, schools, Colleges, Universities, foundation hospitals and museums all operate in more differentiated funding environments, seeking resources from various public and private sources and through markets or quasi-markets. And as these new institutional arrangements are gradually internalised, public and nonprofit bodies are, perforce, becoming, *at all levels*, more conscious of costs and more conscious of economic opportunities. They are increasingly ‘hybrid’ in character pursuing a mix of social and economic goals.

(Reference to Adalbert Evers, EMES and some other European work on the social economy for a comparable analysis in terms of hybridisation – even if narrower in its scope in some respects.)

But note that the government is simply *adding* to the number and variety of hybrid organisations in the central area of this map. Other hybrids have been here for years – see Figure 3. For example, many art galleries and arts centres; well-loved national institutions like the BBC and the National Trust; also private firms dominated by professional norms in health, education and social care; also the new environmental, organic, fair trade and other social businesses – which are continuing a long tradition of philanthropic business.

Indeed, this whole central area turns out to have quite a history: think of the municipal enterprises that brought clean water and sanitation to our cities; think of the co-operative movement that transformed retailing and made unadulterated food widely available in Victorian Britain. Think of Quaker businesses and New Lanark. Think, if you wish, of the foundation of the monasteries, in their heyday major economic innovators and powerhouses in their regions. Bill Drayton’s claim (see Ashoka website, or eg, Bornstein ref) that social entrepreneurship is a recent phenomenon that needs to catch up with entrepreneurship in the private sector may be a persuasive pitch in the context of US business circles, but it is historical nonsense.



Figure 3: The diversity of hybrid organizations

Bringing some history into this discussion highlights two other important points: first, it means we cease to see social enterprises as oddities, as deviant cases. In fact, in historical perspective, the reverse may very well be the case. Arguably Shareholder Capitalism is unusual and deviant - because it is an extreme and unstable form. It is significantly different from stakeholder capitalism as pursued in Japan and the Rhineland; and of course it has been known for years that most small and family businesses pursue a far wider spectrum of goals than profit maximisation.

A second point highlighted by the brief foray into the historical record is that organisations do not stay put in organisational space – they move around. Co-operatives, for example, are often born out of a strong social purpose by a well-documented tendency to degenerate socially partly in consequence of economic success, on occasion. Such processes are not inevitable and can be reversed – unless of course like, Abbey National, which started as a small mutual, they de-mutualise. Likewise, Harrow school was founded to provide an education to 12 poor children in the borough of Harrow – but nowadays outreach to the educationally underprivileged is not what that public school brings to mind. What these cases demonstrate is that although the legal form (mutual, charitable, public etc) may influence and constrain organisational behaviour, it does not determine it. The operative goals (Perrow ref) and values of an organisation can stray a long way from those official goals and values enshrined in constitutional documents. (Universities also illustrate these dangers – especially where companies are a major source of research funding as in bio-medical research.)

What is the conception of social enterprise that follows from locating them in organisational space in this way? Instead of a tight definition, what we have is a broad and loose definition, one that encompasses a wide variety of forms, some familiar and some more recent. The defining feature of social enterprises is that they are hybrid organizations, pursuing social and economic goals together (indeed these two categories blend together, for example, in many worker co-ops, where the aim is not just to earn a livelihood but to do so in a particular milieu expressive of particular values). The financial and economic considerations are not just a constraint on the real business of doing public good (as in classic public agencies and endowed charitable foundations); and the social considerations are not just a matter of enlightened self-interest, reputation or a way of using conventionally generated profits; the intermingling of social and financial considerations is more integral and systemic; it reaches deep into the organization.

Defined in this way, social enterprise is a broad term encompassing a variety of forms. And in that respect, such a usage mirrors the term private enterprise. This too is broad and includes family firms, professional partnerships, multinational corporations, sole traders, franchise operators; large privately controlled businesses, and so on. If all these trends towards hybridisation are considered together, the recent upsurge of activity is unprecedented, and it is not sensible to attempt to review it here.

## **Towards a research agenda**

Against this backdrop, the importance of social entrepreneurs in envisioning, inspiring and instigating new and better ways of meeting unmet needs, can hardly be underestimated. All the social enterprises we take for granted - and indeed many public institutions - started off as the passion and pre-occupation of one or a few people. All the major social changes and challenges of our time – AIDS, the environment, an ageing population, urban decay, drugs and crime, the new information technologies, globalisation – have seen the emergence of new initiatives and new forms of social action. As innovators, as expressions of emerging social movements and concerns, as society's rapid response force for new issues, social enterprises and those who launch them have made a societal difference, again and again.

Obviously, though, attempts to support and promote social entrepreneurship need to be based on a sound understanding of this complex phenomenon, and not just an appreciation of its value. Moreover, social entrepreneurs and enterprises, like others, can lose their way, run down their assets, fall out with their funders, or fail in other ways (inter-sectoral comparisons of performance are very clear: the differences within a sector are far greater than the differences between them; see Paton 2003). The existing base of knowledge and theory is limited. However, taking together existing studies of entrepreneurship in both social and industrial contexts, we know enough to say what needs to be known. That is to say, an understanding of social entrepreneurship sufficient to underpin policy initiatives would need to take account of:

- The full cycle of entrepreneurship. This means understanding and addressing an extended process, involving the systematisation of replicable models, the emergence of sustainable organizational forms, and leadership succession (many projects formed around particular leaders or circumstances fail to achieve such transitions).
- The variety of forms, including 'intrapreneurship' as well as entrepreneurship. Stereotypes of innovative voluntary agencies and hidebound public service bureaucracies are a misleading half-truth. Work by Osborne and others has shown that innovative voluntary initiatives have often been the means for enterprising public officials to evade or overcome institutional blockages. Likewise, the research would have to include the new forms of green enterprise even when they take a plc form (see eg, Good Energy, or Neal's Yard Remedies); and social impact investing for 'blended returns' where developments are happening very fast.
- The infrastructure or systems needed to recognise, support and sustain social entrepreneurship and social enterprises.

This last may be the most important point. The co-operative movement in different times and places probably provides the best examples to date (including, more recently, Mondragon) of social enterprises that articulated a set of principles and practices that become an institution, and that were capable of creating, sustaining and renewing a substantial asset base. Today, a number of networks are promoting different models and approaches – eg, the Ashoka Foundation, the family of Fairtrade initiatives, Community Finance Institutions (eg associated with the Development Trusts Association). Indeed, one of the main characteristics of the new wave of social enterprises is its diversity in the forms used and the loose-knit social currents on which these draw for support. We can presume that some institutionalisation of new values and practices needs to take place, but whether and to what extent this is happening through the upsurge of various collaborations, networks, sectoral associations, finance providers, intermediaries, learning and support initiatives (etc, etc) remains unclear. Can the diversity of the new wave remain a strength or will it start to look like fragmentation and weakness? How do the new movements become institutionalised, without falling victim to the isomorphic pressures of mainstream institutions (already apparent in some fields – eg, micro-finance)? And in the case of the semi-detached parts of the public sector, how can they be funded and overseen without also being colonised by audit and reporting processes (ref Power). How can *disciplined pluralism* (ref Kay) be achieved and sustained, to ensure some continuing dynamism, experimentation and variety?