

# Entrepreneurship Vs Social Entrepreneurship

Lecture 4

# Entrepreneurship: Economic Vs Social

- French word 'Entrependre' referring to individuals who undertakes an 'endeavor'.
- It refers, anyone who exhibits the characteristics of self-development, creativity, self-decision making and risk taking.
- According to oxford dictionary Entrepreneur is 'one who organizes and manages enterprise involving high risk'.

# Entrepreneur from Different Perspectives

- An **Economist** defines an entrepreneur as one who brings resources, labour, material and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order.
- A **Psychologist** defines an entrepreneur as a person who is typically driven by a psychological force, which create a desire to obtain or attain something.
- As per **Sociologist** a person whose actions would determine social status and contribute to societal development
- As per **Management** expert a person who has a vision and generates action plan to achieve it.

- John Hornday of Bobson College has developed a composite list of entrepreneurial traits:
  1. Self Confidence and optimism
  2. Positive response to challenges
  3. Ability to take calculated risk
  4. Flexibility and ability to adapt
  5. Knowledge of markets
  6. Ability to get along with others better
  7. Independent mindedness
  8. Versatile knowledge

9. Energy and efficiency
10. Creativity, need to achieve
11. Dynamic leadership
12. Response to suggestions
13. Take initiatives
14. Perceptive and foresight
15. Response to criticism

# Schumpeter's Theory of Innovation

- Schumpeter's theory of entrepreneurship is a pioneering work of economic development.
- Entrepreneurship and economic development are interdependent.
- Development in his sense, implies that carrying out of new combination of **entrepreneurship is basically a creative activity/innovative or 'creative destruction'**
- Wherever there is entrepreneurship, there will also be social change.
- Schumpeter's conceptualization of creative destruction is somewhat different from this

The concept of innovation embraces five functions:

1. Introduction of a new good
2. Introduction of a new method of production
3. Opening of a new market
4. Conquest of a new source of supply of raw materials and
5. Carrying out of a new organization of any industry

## According to Schumpeter

- Development is not an automatic process, but must be deliberately and actively promoted by some agency within the system. Schumpeter called the agent who initiates the above as entrepreneur
- He is the agent who provides economic leadership that changes the initial conditions of the economy
- By nature he is neither technician, nor a financier but he is considered an innovator
- Entrepreneurship is not a profession or a permanent occupation and therefore, it cannot formulate a social class like capitalist



## Development vs Static

- Statics – defined as no change or automatic change in response to outside forces – is ‘the general rule throughout the history of mankind’ (Schumpeter, 2002, p. 111).
- The sociological factor that prevents development from taking place is **other people** or rather other people who are static
- A psychological factor involved, and that is the **resistance to doing something new** that each economic actor feels within himself or herself.
- While doing what is familiar, Schumpeter says, is always easy, doing what is new is not.
- ‘The whole difference between **swimming with the stream and against the stream** is to be found here’ (Schumpeter, 1911, p. 121).

# Social Entrepreneurship

# Social Entrepreneurship

- Social entrepreneurship is the activity of establishing new business ventures to achieve social change. The business utilises creativity and innovation to bring social, financial, service, educational or other community benefits.
  - (Talbot, Tregilgas & Harrison, 2002)
- A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change....rather than bringing a concept to market to address a consumer problem, **social entrepreneurs attempt to bring a concept to market to address a public problem.**  
(Alex Nicholls, Oxford University's Skoll Centre)

# Challenge: Access to Clean Water

- 1.2 billion people are drinking unsafe water
- Problem: transport (retrieval to consumption)
- Seeding innovation in the water sector
- What do you think?



- Social entrepreneurship takes many forms, but at its core is characterized by a leader's sense of social consciousness and a desire to make a positive impact on society
- Social enterprises are not charities or welfare agencies. They are private businesses established by entrepreneurs with an emphasis on human values rather than just profit.
- These businesses focus on working with and enhancing the social capital within the community by encouraging participation, inclusion and utilising a bottom-up approach to achieve social change
- Spectrum of social entrepreneurship

Not for profit ←————→ For profit

## Functions of Social Entrepreneurship

- To address social problems inadequately addressed by government
- To provide urgent but sustainable solutions to the most difficult problems
- To create long term systems for NGOs, CSR, Philanthropy
- Bring professionalism and innovation in social sector

# Deference between Entrepreneurship and Social Entrepreneurship

## Entrepreneurship

Economic value

Customer

Wealth maximization

indirect link to social

-issues

## Social Entrepreneurship

social value

society

social value

Direct link to social

-issues

## The concept adapted from an ancient Chinese proverb

- Philanthropy/Charity

*“Give a man a fish and you feed him for a day...”*

- The NGO/Government Model

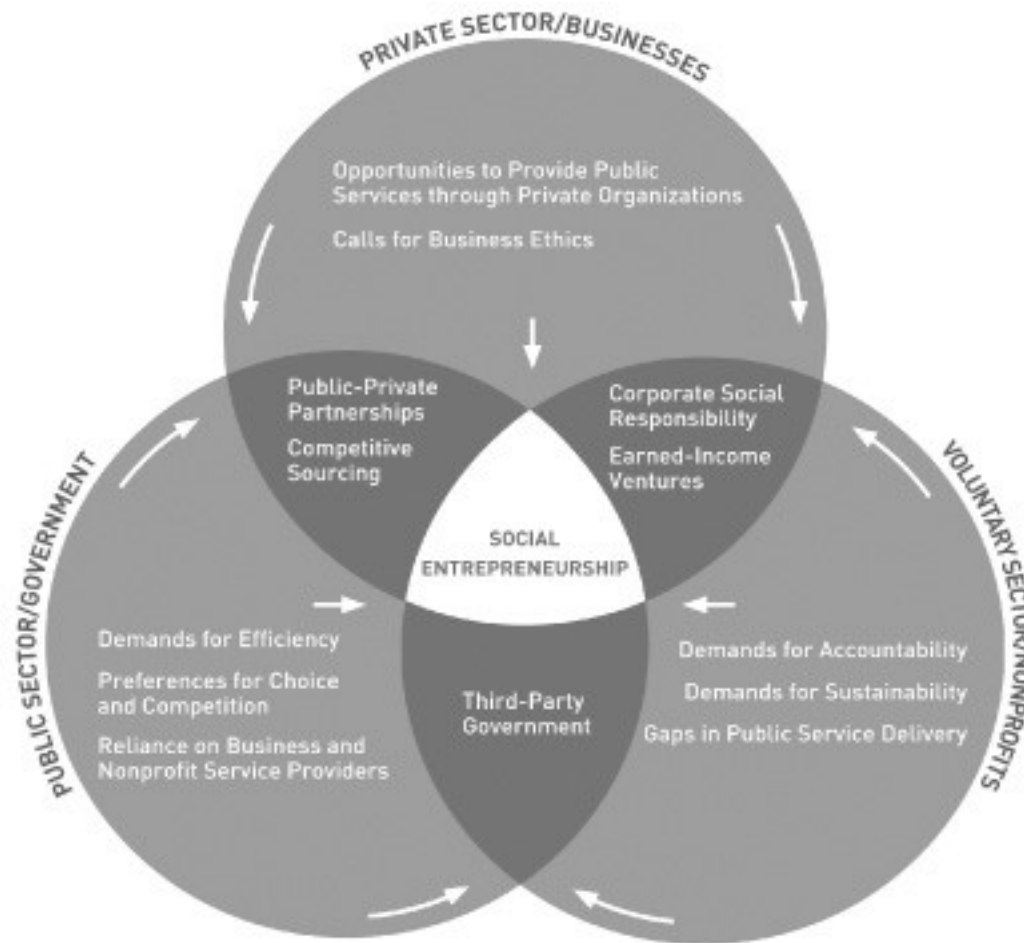
*“...teach a man to fish and you feed him for a lifetime”*

- Social Entrepreneurship

*“Provide him access to capital to create a sustainable fishing business at a fair rate of return and change the world”*



# A Model for Social Entrepreneurs



Source: Alex Nichols, Oxford University, Skoll Centre

# Where do you find social enterprises?

- Social entrepreneurs find opportunity in most economic sectors. The growth areas for social enterprises are identified as:
  - Poverty
  - Environmental
  - Housing
  - Health and care
  - Information services
  - Public services
  - Financial services
  - Training and business development
  - Manufacturing
  - Food and agriculture

# The Process of Social Entrepreneurship

1. Find an opportunity
2. Develop a business concept
3. Figure out what success means and how to measure it
4. Acquire the right resources
5. Launch and grow
6. Attain goals

# The Main Difficulty: Measurement

- What is profit?
- How do we count it?
- What is “social return on investment” for venture philanthropists?
- Can we compare investments?
- [The Bill Drayton interview: The story behind how the Ashoka Fellowship was created after a roadtrip- Edexlive](#)