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SOCIAL ENTREPRENEURSHIP
THE CONTRIBUTION OF INDIVIDUAL ENTREPRENEURS
TO SUSTAINABLE DEVELOPMENT

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TO SUSTAINABLE DEVELOPMENT**

Abstract

Social entrepreneurship is a phenomenon that has resisted attempts to establish a clear definition. A focus on organizational structures and/or what constitutes a worthy social cause has created a diverse set of terminology. Observing the positive social impact of entrepreneurs catering to basic needs, this paper recognizes their unique role in efficiently contributing to the achievement of sustainable development goals. From this perspective, the term “social” can be much better defined. The frameworks proposed in this paper should guide much-needed further research and facilitate decision making about more focused support from a financial as well as a learning perspective.

Keywords: social entrepreneurship, sustainable development, value creation, needs

SOCIAL ENTREPRENEURSHIP: THE CONTRIBUTION OF INDIVIDUAL ENTREPRENEURS TO SUSTAINABLE DEVELOPMENT

Introduction

Social entrepreneurs endeavor to create social value through innovative, entrepreneurial business models. The potential market for these entrepreneurs is huge because of the wide range of social needs that remain unsatisfied by existing markets and institutions. Social entrepreneurs often create tremendous value when they cater to very basic humanitarian needs; for example, by providing medicines or food, which can be a matter of life or death for those who receive them. However, the challenges these entrepreneurs face are severe. Their “customers” may be willing, but often unable, to pay even a small portion of the cost of the products and services provided. Many social entrepreneurs operate in developing countries that have no structures or resources that would enable and support traditional entrepreneurship. Therefore, social entrepreneurs must create novel business models and organizational structures, and unique strategies for brokering between very limited, disparate and often dynamic resources to create social value. Perhaps the greatest challenge is to capture some of the value created in financial terms, or to secure external financing, merely to keep their organizations running. It is even more difficult to expand the operational scale and scope, and to satisfy personal needs for income. Social entrepreneurship (SE) may provide some fascinating new insights that could expand the thinking and toolkits of traditional entrepreneurs, as well as enrich designs for more socially acceptable and sustainable business strategies and organizational forms. Most definitely, the insights are of huge relevance to the wider social sector. An example of the attention the field is receiving and its potential contribution to our understanding of effective organizations is Sekem. In 2003 this Egyptian social enterprise received the “Right Livelihood Award”, also known as the “Alternative Nobel Prize”, in recognition of its achievements in integrating commercial success with social and cultural development. The jury saw in Sekem a business model for the 21st century.

Overview of current literature

The growing list of cases on exciting social initiatives that have been labeled as SE has prompted a number of efforts by academics and practitioners to define this phenomenon (**Table 1**).

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Table 1. Conceptualizing Social Entrepreneurship

Author/s & Year	Definition suggested
	SOCIAL ENTREPRENEURSHIP
Fowler (2000)	Social entrepreneurship is the creation of viable (socio-) economic structures, relations, institutions, organizations, and practices that yield and sustain social benefits.
Hibbert, Hogg et al. (2002)	Social entrepreneurship is the use of entrepreneurial behavior for social ends rather than for profit objectives, or alternatively, that the profits generated are used for the benefit of a specific disadvantaged group.
The Institute for Social Entrepreneurs (2002)	Social entrepreneurship is the art of simultaneously obtaining both a financial and a social return on investment.
Canadian Centre for Social Entrepreneurship (2001)	Social entrepreneurship falls into two categories. First, in the for-profit sector it encompasses activities emphasizing the importance of a socially-engaged private sector and the benefits that accrue to those who do well by doing good. Second, it refers to activities encouraging more entrepreneurial approaches in the nonprofit sector in order to increase organizational effectiveness and foster long-term sustainability.
	SOCIAL ENTREPRENEURIAL LEADERS
Prabhu (1999)	Are persons who create and manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group.
	SOCIAL ENTREPRENEURS
Dees (1998b)	Social entrepreneurs play the role of change agents in the social sector by: <ul style="list-style-type: none"> – Adopting a mission to create and sustain social value (not just private value); – Recognizing and relentlessly pursuing new opportunities to serve that mission; – Engaging in a process of continuous innovation, adaptation, and learning; – Acting boldly without being limited by resources currently in hand; – Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created.
Brinckerhoff (2000)	Social entrepreneurs are people who take risks on behalf of the people their organization serves.
Waddock and Post (1991)	Social entrepreneurs are private sector citizens who play critical roles in bringing about catalytic changes in the public sector agenda and the perception of certain social issues.
Thompson et al. (2000)	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot

	meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to “make a difference”.
Bornstein (1998)	A social entrepreneur is a path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has a strong ethical fiber, and is totally possessed by his or her vision for change.
The Institute for Social Entrepreneurs (2002)	A social entrepreneur is an individual who uses earned-income strategies to pursue social objectives, simultaneously seeking both a financial and a social return on investment.
Canadian Centre for Social Entrepreneurship (2001)	Social entrepreneurs are leaders in the field of social change and can be found in the private, public, and nonprofit sectors.
LaBarre and Fishman (2001)	Social entrepreneurs are dedicated innovators who are determined to tackle some of society’s deepest challenges by embracing new ideas from business.
	CIVIC ENTREPRENEURS
Morse and Dudley (2002)	Civic (or social) entrepreneurs are those who combine the spirit of enterprise and the spirit of community to build social capital in the process of community improvement.

The review of existing definitions (**Table 1**) illustrates that researchers distinguish between three different forms of SE. One group of researchers refers to SE as the initiatives of non-profit organizations in search of additional revenues after facing cuts in governmental support, cuts in individual and corporate giving, increased competition, more social needs, and pressure from fund providers to merge or downsize (Dees, 1998a). A second group of researchers refers to SE as the initiatives of independent social entrepreneurs aiming to alleviate a particular social problem (Alvord et al., 2002). And a third group of researchers understands it as the socially responsible practices of commercial businesses engaged in cross-sector partnerships (Sagawa and Segal, 2000; Waddock, 1988; Wilkinson, 1992). Many leading business schools have started centers in the last 5 years that research the field of SE, and some have integrated it into MBA curricula. However, all these studies and opinions on SE have created diverse terminology that fails to provide a comprehensive view of what SE is. In his paper “The Meaning of Social Entrepreneurship,” Dees remarks: “Though the concept of ‘social entrepreneurship’ is gaining popularity, it means different things to different people. This can be confusing. Many associate social entrepreneurship exclusively with not-for-profit organizations starting for-profit or earned-income ventures. Others use it to describe anyone who starts a not-for-profit organization. Still others use it to refer to business owners who integrate social responsibility into their operations. What does ‘social entrepreneurship’ really mean? What does it take to be a social entrepreneur?” (Dees, 1998b, p.1)

Both the terms “entrepreneurship” and “social” do not easily lend themselves to clear definition. Although the field of entrepreneurship is characterized by a proliferation of definitions, it still lacks a unifying paradigm (Shane and Venkataraman, 2000). It is generally agreed, though, that entrepreneurship involves three main elements: opportunities, enterprising individuals, and resourcefulness. Shane and Venkataraman (2000), for instance, define the field of entrepreneurship as “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are to be discovered, evaluated,

and exploited”. Entrepreneurship therefore involves the concurrent presence of lucrative opportunities and of enterprising individuals (Venkataraman, 1997). Stevenson’s seminal work positions entrepreneurship as the pursuit of opportunities beyond the resources one currently controls and therefore adds the important notion of “resourcefulness” (Stevenson, 1983). The latter, in particular, seems to be a defining feature that SE shares with traditional entrepreneurship. In fact, for social entrepreneurs the issue of resources becomes essential, given the limits on funding and the inability to capture all of the value created, as we will discuss below. In the case of SE, it is even more difficult to define the area of effectiveness, i.e. the scope of the entrepreneurial behavior. In the case of SE, the term “social” cannot be distinguished by labeling traditional entrepreneurial efforts as “less social” or even “non-social”. In fact, small businesses with less than 500 employees have generated the majority of employment in developed and also third world countries –certainly an important social achievement (U.S. Department of Commerce 2001; Reynolds et al., 2002).

The perspectives people associate with the term “social needs” depend on personal and cultural values, and individual views of what constitutes “a better world”. This includes very different and sometimes controversial categories of needs, such as a desire to protect animals, care for the homeless, feed the poor in Africa, prevent child labor, strengthen the rights of minorities, stop the depletion of rainforests, and many more. A comparison of various definitions of SE and the social entrepreneur (**Table 1**) shows that all authors include the term social in their definition. While some authors explicitly refer to the social “outcome” of an entrepreneurial behavior, such as social change (Prabhu, 1999), social benefits (Fowler, 2000), social value (Dees, 1998b), social capital (Morse and Dudley, 2002), or social return on investment (The Institute for Social Entrepreneurs 2002), others refer to social problems and issues that trigger entrepreneurial behavior (Waddock and Post, 1991). Because social activities and initiatives are ubiquitous, previous literature has tried to confine the working scope of SE to specific types of business: “affirmative business”, “direct-service business”, and “catalytic alliances” (Boschee, 1995; Waddock and Post, 1995; Wallace, 1999). 1) Affirmative businesses provide jobs, competitive salaries, career opportunities and ownership for disadvantaged people and can be found in an ample range of industries (Boschee, 1995). 2) Direct services businesses commonly aim at improving the social situation of e.g., emotionally disturbed kids, battered women, or homeless people through community-based training and care services (Boschee, 1995; Wallace, 1999). 3) Catalytic alliances deal with major social problems without apparent short-term solution. Their goal is to increase the level of public awareness of a particular social problem through high-profile publicity campaigns; campaigns that pressure policy makers to put the issue on their agenda and invite other public, private, or non-profit organizations to work on the problem (Waddock and Post, 1995).

Because the individual terms are so ambiguous, the aggregate term SE is particularly vague. Studying the various manifestations of SE in isolation may thus fail to detect the patterns that would support the building of a unified theory. In this paper we put forward a particular perspective on the field: we look at social entrepreneurship through the lens of sustainable development (SD), which links economic growth with the ability to satisfy the basic needs of present generations without limiting the options available to future generations to satisfy their needs (WCED 1987). We argue that SE could play a powerful and complementary role in contributing to ongoing efforts by many institutions and businesses to achieve recognized sustainable development goals. We present frameworks that shed light on how to think about this role of SE more systematically by differentiating among the layers of social needs that underlie sustainable development goals. We show how SE caters to the basic needs of individuals and is able to fill a vacuum of effective institutions to coordinate the best use and distribution of limited assets. Furthermore, we show how SE contributes to future development by acting on behalf of future generations and their needs as well. We hope to

create an awareness of this specific role of SE and stimulate discussion and further research that discovers successful models that warrant much-needed and –given the limits to funding and other resources– more specific and focused support and attention.

A need for new forms of social value creation

In 2000, the UN Millennium Declaration was adopted at the largest-ever gathering of heads of state. It committed countries –rich and poor– to do all they can to eradicate poverty, promote human dignity and equality, and achieve peace, democracy and environmental sustainability. However, the UNDP Human Development Report 2003 says: “[...] But despite these welcome commitments in principle to reducing poverty and advancing other areas of human development, in practice –as this Report makes very clear– the world is already falling short. [...] More than 50 nations grew poorer over the past decade. Many are seeing life expectancy plummet due to HIV/AIDS. Some of the worst performers –often torn by conflict– are seeing school enrolments shrink and access to basic health care fall. And nearly everywhere the environment is deteriorating.”

Calling for corporate support

The overwhelming complexity of sustainable development (SD) has amplified the calls for large corporations to take on responsibility for social and environmental challenges in a more proactive way and beyond mere legal compliance. The efficiencies of markets, combined with the resources and managerial experience of large multinationals, are considered crucial to tackling many global development problems. As Margolis and Walsh (2003) point out: “Manifest human misery and undeniable corporate ingenuity should remind us that our central challenge may lie in blending the two.” United Nations Secretary-General Kofi Annan, in his address to the World Economic Forum on January 31, 1999, called on global business leaders to embrace nine shared values and principles in the areas of human rights, labor standards and environmental practices. A Global Compact network was formed –consisting of several hundred companies, dozens of NGOs, major international labor federations, and several UN agencies– to collaborate on creating a more stable, equitable and inclusive global market by making the nine principles an integral part of business activities everywhere (Kell and Levin, 2003).

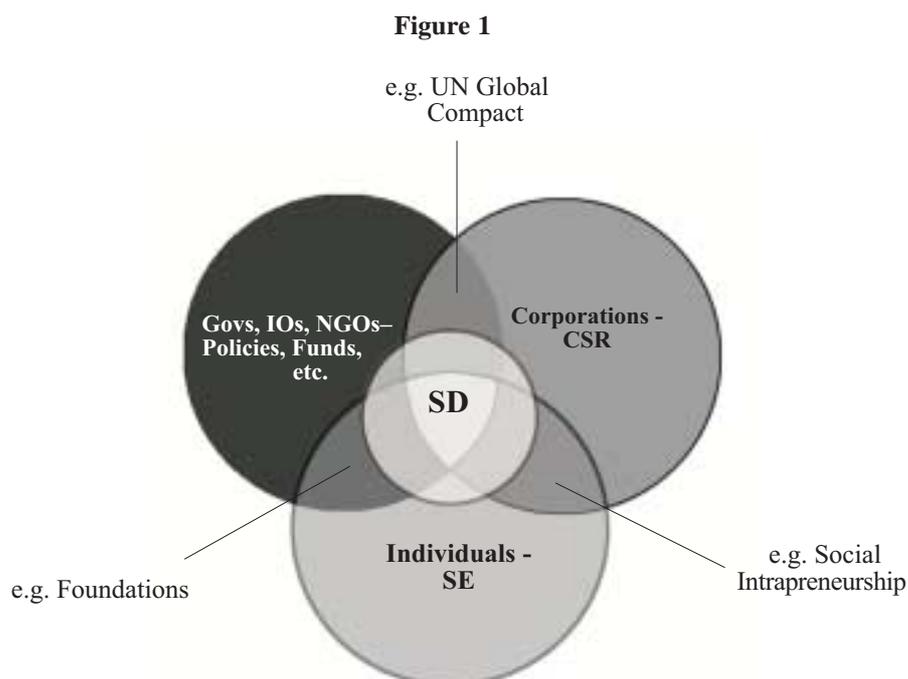
Most traditional businesses and organizations create significant social value in the form of employment, improvements of working conditions, competitive environments, goods and services that people need and/or desire. Corporations pay taxes that are used for many social purposes. More directly, many large companies attempt to create social value through “corporate social responsibility” (CSR) or “corporate citizenship” programs. The World Bank’s World Development Report (2004) states clearly that economic growth is essential in order to achieve the Millennium Development Goals, and that “the projected growth in per capita GDP will by itself enable five of the world’s six developing regions to reach the goal for reducing income poverty.” However, the report also says that many services that contribute to health and education are failing poor people. The main reason for this failure appears to be the fact that public spending effectively does not reach the poor, and even if it does, service provision is inefficient and of inadequate quality (The World Bank 2004).

That there is so much human need that remains unsatisfied implies the existence of significant hurdles for established organizations to see these needs as potential markets. Given the problems many corporations face in their established businesses, the notion of the

slumbering “fortune at the bottom of the pyramid” (Prahalad and Hammond, 2002), which sees a potential market in the aggregate purchasing power of the 4 billion individuals who live primarily in developing countries and whose annual per capita income falls below \$1,500 (PPP), remains largely an abstract concept. There are currently no credible market mechanisms that would reward companies for engaging in significant CSR-related activities. The so-called “business case for CSR” thus remains vague and may stretch the abilities of managers to integrate sustainable development goals with corporate capabilities and strategies that might expand the existing vision of the corporate contribution to society (Smith, 2003). It has thus frequently been pointed out that existing institutions are overwhelmed by the development challenges faced by the global community and are forced to focus only on a limited number of issues.

A unique role for social entrepreneurship

The European Commission has defined CSR as “a business contribution to Sustainable Development” (European Commission 2002). In line with this definition, we define a unique role of SE as “The contribution of individual entrepreneurs to Sustainable Development.” The Millennium Development Goals in support of achieving sustainable development do not imply that there is a limited set of high-priority issues. Rather, underlying these goals is a huge set of problems and human needs, any of which may only be satisfied by small-scale, flexible and local efforts. A growing number of case studies indicate that the innovative and creative forces of entrepreneurs and their flexibility of choices of structure, funding, resources and business models can succeed in meeting these unsatisfied needs. These features, in our view, warrant placing SE alongside existing efforts to contribute to SD, such as those undertaken by corporations as part of their CSR programs, and efforts by public or private organizations such as governments, international organizations, or NGOs (see **Figure 1**). Organizational structure is not a defining issue for SE in our context. Rather, we differentiate at the level of entrepreneurship, understood as efforts of individuals, as opposed to entrepreneurial efforts of established organizations.



Three main players are expected to make complementary contributions to achieve sustainable development: i) Governments, Non Governmental Organizations (NGOs), and International Organizations (IOs) target broad policy areas using a multitude of instruments as well as enforcing legal structures to protect human and labor rights or the environment; there is an important interface with SE (philanthropic foundations, development grants, etc.), but also with corporations, through networks such as the UN Global Compact or the World Business Council on Sustainable Development; ii) Corporate Social Responsibility (CSR) is defined by the European Commission as a “Business Contribution to Sustainable Development,” and we see an important opportunity for Social Intrapreneurship as a bridge between CSR and SE; and iii) Social Entrepreneurship (SE) is defined in this paper as the contribution of entrepreneurial individuals to Sustainable Development.

This perspective allows us to distinguish several distinct levels of individual and cooperative action towards sustainability. Amongst the three individual levels, this paper focuses primarily on the area of SE.

1. International organizations and social entrepreneurs

Increasingly, we see examples of overlap and joint efforts between SE and International Organizations. The “Development Marketplace” is a World Bank program that promotes innovative development ideas through early-stage seed funding. The World Bank brings social entrepreneurs with poverty-fighting ideas into contact with partners who have the resources to help implement their vision. In 2003, World Bank President James Wolfensohn awarded more than \$6 million in seed money to be shared by 47 small-scale, innovative development projects from 27 countries. In his opening remarks he said: “What we recognize very acutely here in the Bank is that there is no way that we as an institution can be the effective transmitter of all the ideas to people in poverty and people that need assistance. And, therefore, what is crucial is to have proposals which can be replicated and can be handled at the field level and can, in fact, allow us to scale up with simple ideas well executed that can be carried from one place to another and one country to another and one region to another.” Many organizations, such as Ashoka or the Schwab Foundation, directly support social entrepreneurs by providing seed capital and access to crucial supporting networks. Particularly those SE efforts that cater to very basic human needs often depend on foundations, at least initially until their “clients” can make a contribution to the value created. It will be important to define the exact needs of SE, given the specific challenges of achieving various SD goals.

2. Corporations and social entrepreneurs

The interface between SE and corporations is less clear, although it is probably the most promising interface in terms of impact. We refer to it as social intrapreneurship – entrepreneurial initiatives that have a social purpose within corporations. Particularly in less-developed countries, implementation of CSR efforts may be facilitated and gain credibility and effectiveness through collaboration with local social entrepreneurs. A smart way for corporations to think about CSR is in terms of competing for topic ownership. For example, a corporation may pick one of the Millennium Development Goals where it can really make a contribution, given its resources and knowledge. By building partnerships with local entrepreneurs, the company could engage in real projects that match specific and relevant needs with corporate resources. While some companies have started to experiment with tapping into a market for social needs (Hart and Christensen, 2002), social entrepreneurs

are much better than companies at scanning for opportunities and building up grassroots efforts from very limited capital. By using corporate funding instead of purely philanthropic sources for capital, entrepreneurs could tap into an additional resource pool of corporate knowledge, managerial skills and capabilities to implement SE efforts. Since social entrepreneurs are often good at starting things up but not necessarily at managing organizations or projects that reach a certain size, companies at some stage could take on more direct responsibility for projects and free up entrepreneurs to start a new venture and become serial social entrepreneurs. This type of relationship between social entrepreneurs and corporations would use CSR budgets to invest in the development of new markets by transforming people with basic needs into customers and building the trust necessary to acquire a license to operate. This is what corporations are really good at, and it is also very much in line with the expectations of providers of corporate capital. Unfortunately, too many CFOs still consider CSR merely as a fixed cost of doing business.

Defining social entrepreneurship

From our definition of a unique role for SE it follows that social entrepreneurs find new and efficient ways to create products, services or structures that either directly cater to social needs or that enable others to cater to social needs that must be satisfied in order to achieve sustainable development. It may help if we recognize that entrepreneurship is something that is co-produced by the very nature of an opportunity and the characteristics and motivation of the individuals involved. Traditionally, most people would associate entrepreneurship with the pursuit of a business opportunity in order to make a living.

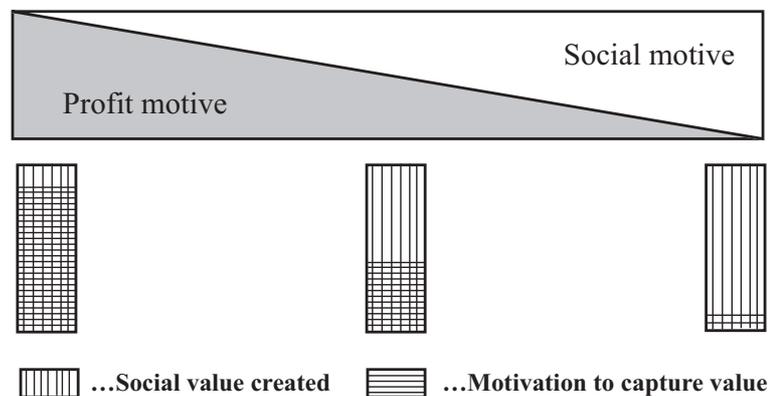
In the case of SE this business opportunity is a social need that is not satisfied by either markets or social systems. Why is entrepreneurship a powerful concept? Because entrepreneurs are able to fully align their primary motives with their activities. Entrepreneurs are driven to do whatever it is in their power to do to achieve their goals. The absence of agency costs, and the flexibility, creativity and resourcefulness of entrepreneurs, generate tremendous efficiencies that are limited only by the ability to actually put the idea into effect. Apart from that, it seems that there is nothing really defining about entrepreneurs; they come in all shades and colors (Morris et al., 2001).

Who is the social entrepreneur?

It has been suggested, however, that social entrepreneurs are very distinctive individuals. Attempts to define distinctive features of social entrepreneurs tend to portray a social hero with “entrepreneurial quality.” Bill Drayton, the founder of Ashoka, considers this a very special and scarce trait that goes beyond altruistic motivation and reflects a relentless motivation to change the whole of society, a trait shared by only a very small percentage of the population (Drayton, 2002). Also, Dees says: “Social entrepreneurs are one special breed of leader, and they should be recognized as such. This definition preserves their distinctive status and assures that social entrepreneurship is not treated lightly. We need social entrepreneurs to help us find new avenues toward social improvement as we enter the next century” (Dees, 1998b, p. 6). Interestingly, some social entrepreneurs do not even know they are “social entrepreneurs” until they receive an award or are recognized by organizations such as Ashoka or the Schwab Foundation. We feel that the notion of the social hero may be counterproductive in that it creates a mental barrier for people to consider becoming social entrepreneurs. The implication of this would be that SE cannot reach the critical mass to

achieve a transforming impact on important social issues. Rather, we believe that a broad range of personal types of motivation are compatible with the notion of SE. The 2002 Global Entrepreneurship Monitor, produced by Babson College, London Business School and the Ewing Marion Kauffman Foundation (Reynolds and Bygrave, 2002), suggested that there were 460 million people globally involved in entrepreneurship. An important finding of the study was a clear motivational distinction between opportunity-driven entrepreneurs (61%) and necessity-driven entrepreneurs (37%). Necessity entrepreneurs refer to those who see no other possibility to get a job. This is highly prevalent in developing countries. In light of this finding, we see SE more as a process that is defined by its outcome and thus propose the following two motivational extremes as a distinction for classifying social entrepreneurs: i) either social entrepreneurs are driven to maximize social value creation with little need for capturing economic value for themselves, or ii) they are driven or have a need to maximize their financial return by catering to a social need that they recognize as a business opportunity (see **Figure 2**).

Figure 2



People with a wide range of combinations of profit and social motives can become social entrepreneurs. Whether an entrepreneur has more of a profit motive (capturing value) or a primary motive for social value creation – in both cases he or she can create significant social value.

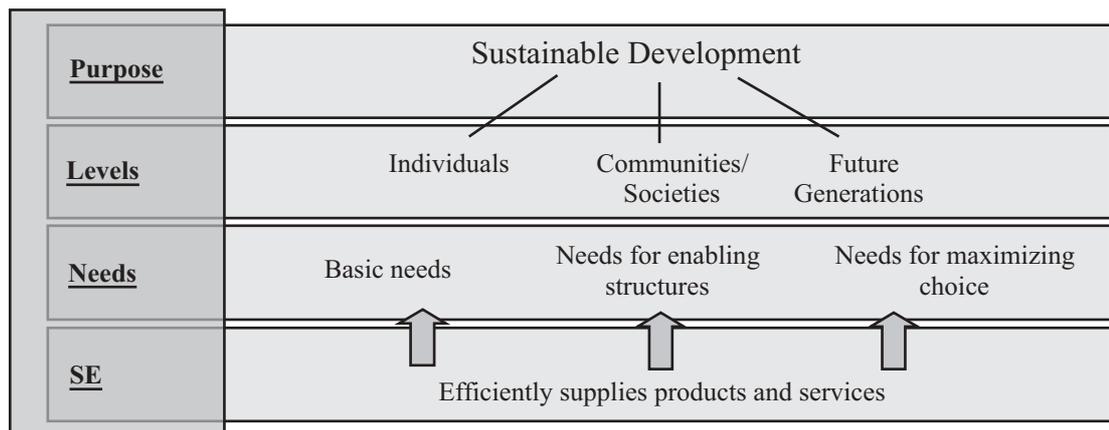
The important notion is that at both extremes, individuals who align their activities fully with their personal type of motivation can create social value and thus truly be social entrepreneurs. For example, the Dells and Gates of this world would fall into one extreme. Their philanthropic activities signal a desire to create social value from which they expect no financial returns. They could be very efficient in doing so if they would bring their significant entrepreneurship experience to the table as well. At the other extreme, there may be players such as microcredit banks that make a significant amount of profit by doing business with poor people in developing countries who do not meet the metrics of established financial institutions. By doing so, these banks either enable social entrepreneurs to create value or directly create social value by financing the development of communities, often through emerging entrepreneurial activities. One of the best-known examples is the Grameen Bank in Bangladesh. Its founder, Muhammad Yunus, discovered that poor people can be reliable, energetic and motivated customers for microcredits. He claims a 98% loan repayment level, and remarked recently that Grameen is so profitable that he can now also fund many other social projects. These profit levels may well attract entrepreneurs with little social motive to copy the model and implement it somewhere else. They may still create significant social value by doing so.

Social value creation can thus be a result of entrepreneurial activities, or the primary motivation per se. Most of the initiatives may lie somewhere in between, where people fulfill their desires to do good and make a living at the same time. Pastakia (1998) has observed this phenomenon in his studies of eco-conscious entrepreneurs or ecopreneurs. An analysis of the strategies of six grassroots ecopreneurs operating in two western states of India, Gujarat and Maharashtra, revealed that half of them were primarily motivated by commercial interests and the other half by social interests. While Pastakia labels the two groups as either commercial or social entrepreneurs, we find it more useful to call both of them social entrepreneurs, based on the nature of the value they create. Thus, to be a social entrepreneur does not seem to be an inborn trait and seems unrelated to who one is. Yet, who one is may determine what type of social need one tries to meet.

A framework of social needs underlying sustainable development

What are the specific needs the term “social” refers to in SE, when seen from the SD perspective? A unified definition of SD does not exist, but the most frequently cited definition was that put forward in 1987 by the World Commission on Economic Development. Sustainable development is: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987). Figure 3 depicts a framework for thinking about separate categories of needs: those of individuals, those of communities or societies, and those of future generations. These three categories are very different from each other, yet they combine to represent the two principal forms of human organizations – individuals and collectives of individuals – over time. Social entrepreneurs are seen as providing products and services to all three levels of needs. We provide case studies of social entrepreneurs to illustrate this framework.

Figure 3



We define the purpose of SE to be to contribute to Sustainable Development. Entrepreneurial efforts target three distinct levels: individuals; large communities or whole societies; and future generations. The needs that SE meets range from basic social needs of individuals, societies’ needs for structures and capacity to build sustainable communities, and the need of future generations to inherit a minimum of constraints (e.g. polluted environment that demands high levels of investment for clean-up), so as to maximize the choices they have to fulfill their own needs and desires.

1. Basic needs of individuals

Because it is generally accepted that SD cannot be achieved so long as the essential needs of the poor remain unsatisfied, SE may play an important role in alleviating the most serious survival problems of the poorest individuals and in helping them to build lives that are not just a mere struggle for survival but an expression of their potential as human beings.

Case 1: The Institute for OneWorld Health

OneWorld Health is the first US non-profit pharmaceutical company. It has created a new business model in order to be able to deliver medicines to those most in need in developing countries. It attempts to redesign the whole value chain of drug delivery and thus challenges traditional profitability thinking, which seems incompatible with developing such cures. Large philanthropic organizations and governments provide much of the funding initially, and in this sense being a non-profit company is an enabling structure for entrepreneurial value creation. OneWorld Health has established a new set of partnerships that aim to create value for everyone involved. Biotechnology companies have found an appealing outlet for idle intellectual property. Compassionate research and development efforts have attracted scientists and volunteers to donate time, effort and knowledge to the project. The company has pushed strongly to utilize and integrate the scientific and manufacturing capacity of the developing world to be able to “deliver affordable, effective and appropriate new medicines where they are needed most.” The Bill & Melinda Gates Foundation and the US National Institutes of Health have donated over \$6 million to launch the first programs. The first late-stage drug development program is underway to treat visceral leishmaniasis, a parasitic disease that affects more than 500,000 people on three continents. The patent for the antibiotic to treat the disease was provided by the World Health Organization, which received it many years ago from the original pharmaceutical patent holder, who decided not to pursue further development of this drug.

Case 2: The Committee for Democracy in Information Technology (CDI).

CDI was founded in Brazil in 1995 to transform the reality of the socially excluded young generation in Brazilian favelas. Many people who live in these poor regions see no opportunities for themselves to break out of the misery of their daily fight for mere survival. By inspiring and bringing together social community organizations, volunteers, and company sponsors, CDI was able to set up schools that teach children how to use information technology (IT). By improving their IT skills, CDI transformed students into skilled workers, and many of them have found employment in various organizations and companies. CDI creates value by making people productive and by removing barriers that previously prevented them from pursuing existing opportunities for employment. Because this value is captured partly by the students and the companies who employ them, there has been great support for CDI from the business community and a willingness amongst alumni to keep volunteering in support of CDI. Companies like Microsoft, Philips, Telefónica and many others have donated much-needed equipment, know-how and funding. Organized as a non-profit NGO, CDI has opened hundreds of schools in Brazil as well as in many other countries in Latin America, but also in Japan and South Africa, and has educated more than 500,000 people. The huge success of CDI and the rapid expansion has created an unexpected set of problems associated with managing a rapidly expanding network of regional and international projects. Amongst the problems are ensuring quality and sticking to CDI's core beliefs and objectives.

2. Needs for enabling structures in communities and societies.

A second level is reflected by the need for communities and societies to provide enabling structures and a fair distribution of limited resources. This allows individuals to act in their own best interests but also enables the collective to sustain and improve structures and resources for themselves and everyone else. The Natural Step, a non-profit, international organization with a mission to accelerate global sustainability, offers the following as one of the conditions for SD: “In a sustainable society resources are used fairly and efficiently in order to meet basic human needs globally”. The drive for economic development comes from communities and societies that seek responsible allocation of resources, protection of the rights of individuals, trusted institutions, and means of risk sharing for building entrepreneurial initiatives through legal, communication, and market structures that are efficient and fair. In addition, society plays an important role in providing structures that are capable of satisfying the basic needs of its members. In developed societies, social security and welfare systems provide this structure, whereas the governments of developing countries often do not meet the basic human survival needs of even the present generation, not to mention future generations.

Case 3: Appropriate Technologies for Enterprise Creation (ApproTEC).

ApproTEC is a social enterprise organized as a non-profit organization (501 status) that operates mainly in Kenya. ApproTEC acts as an enabling structure that coordinates many activities and diverse groups of people to create value from very limited assets and resources. It researches markets to identify unfulfilled needs and match them with technology solutions, such as oilseed presses or manual irrigation devices bearing product names such as “The Super MoneyMaker.” These products can be produced at low cost along a value chain of manufacturers, resellers and the final purchasers of the technology. Because there are no efficient institutions or capital markets that would enable poor people to earn the money they need in order to survive, ApproTEC is an important and very efficient structure for empowering people to act. ApproTEC has created over 33,000 jobs in the last 5 years and has expanded to Tanzania and Uganda. The scale of the operation may well have a transforming effect on the whole communities in which ApproTEC operates. While CDI in Brazil responds more to a need for individuals to improve their skills to pursue existing opportunities, ApproTEC caters much more to a collective need to create opportunities that are less dependent on individual skills, and acts as an institution that performs multiple roles such as providing capital, know-how, skills, and organizational and management functions, while serving as a trusted platform for the exchange of goods and services. However, the absence of corporate partners that are interested in the technology or skill set of the entrepreneurs “produced” by ApproTEC puts severe strains on its funding. About 70% of ApproTEC’s budget comes from donors such as the Department for International Development (UK) or the United States Agency for International Development. To enable ApproTEC to capture some of the profits their entrepreneurs are generating financial institutions would be necessary that could transform the abstract future values of an entrepreneur’s profits into present cash and made possible a more balanced transaction through the pricing of ApproTEC’s products. This opens up an opportunity space for microcredit banks as an important complementing player to enable local sustainability. The current dependence on external capital sources limits the process of scaling out ApproTEC’s operations and increases the risk of a breakdown of the structures it has built once funding is withdrawn. This may cause significant negative social impact for the people that rely on ApproTEC support.

Case 4: Sekem

As a social enterprise in Egypt, Sekem is considered a leading example of how to create a stable and healthy society. Sekem has grown from the vision of a single individual to a multi-business firm combining economic, social, and cultural value creation with significant impact on Egyptian society. In collaboration with the Ministry of Agriculture, Sekem deployed a new system of plant protection in cotton, which led to a ban on crop dusting throughout Egypt. By 2000, according to UN and FAO reports, pesticide use in Egyptian cotton fields had fallen by over 90%, while prior to the ban 35,000 tons of chemical pesticides were sprayed yearly. This has also helped to resolve the dilemma of exporting only poorly paid raw cotton, while paying dearly to import the agro-chemicals considered necessary for the next crop. Sekem is now a significant exporter of high quality cotton products, as well as dried fruit and herbs, at highly competitive prices. Sekem operates a holding company with six businesses that generate the profits necessary to sponsor the many social and cultural projects that depend on the company for funding. The whole Sekem group has grown literally from a piece of desert land into a 2,000-employee organization. It has also established a non-profit NGO, the Egyptian Society for Cultural Development (SCD). SCD allows Sekem to access funds from International foundations or the European Commission and a number of private initiatives that donate money, as well as much-needed know-how and hands-on expertise. SCD operates an Academy that performs quality control for the Sekem businesses and has a research center that develops new ideas and leads for new products. SCD also operates institutions, such as an adult education center and a medical center, and it plans to open a University in 2004. These institutions are filling a void in Egypt by providing structures that people trust to support their efforts to gain control over their fates and lives. This helps to transform those in need from mere receivers to members of society who are capable of making contributions themselves, thereby creating a positive feedback cycle of development. Sekem's success may continue to have an increasingly strong impact on the entire region since high-level delegates from neighboring countries are already asking Sekem to implement this organizational model in their countries as well.

3. Needs of future generations

Future generations have a current –albeit abstract– need for us to act on their behalf and in their interest as well. Because we do not know the exact nature of future needs, SE may be a flexible and dynamic model to react to emerging social needs over time. Certainly, future generations have a need to make their own choices. The concept of sustainable development thus implies that we should act in ways that do not increase constraints and by so doing restrict the choices available to future generations. Inheriting a set of serious environmental and social problems, for example, will not support this goal. Environmental degradation is not part of common measures of economic development such as GDP. Its consequences are long-term and are spread over many stakeholders. The environment, as a social asset, is a shared common property, a characteristic that does not maximize the incentives for individuals to best maintain it (Hardin, 1968). Consequently, legislation implemented by powerful institutions is necessary to protect environmental assets on behalf of society and future generations. This opens up opportunities for social entrepreneurs to help enact such legislation.

Case 5: Entropy International.

The founder of Entropy International, headquartered in the UK, was inspired by a need to limit the negative impact of businesses. He identified multinational corporations as the single largest contributors to unsustainability and felt that sustainability could only be

achieved if corporations could internalize all the externalities of their operations. This meant that corporations needed to take full responsibility, financial and otherwise, for all of their societal impacts. Accordingly, Entropy decided to work with the largest corporations and help them to make decisions in the full knowledge of their externalities, so that they could improve their social and environmental performance. Entropy achieves this by installing at corporate sites modular software that provides electronic templates for a fully functional and certifiable environmental, quality and/or health and safety management system. It already has a significant list of corporate customers in a broad range of industrial sectors and has been named as one of the UK's most visionary organizations in the 2002 BT Vision 100 Index. It is also a good example how social value creation can be combined with economic value creation to build a self-sustaining, fast-growing and profitable business. Entropy now has about 30 employees, has grown entirely from internal funding, is almost debt free, and still holds 100% of equity. The hurdle going forward is a need to find sources of funding to finance a much-needed geographic expansion and to diversify its portfolio. However, traditional sources of Venture Capital (VC) may not be an option for a social entrepreneur because it may be very difficult to find providers of VC that have the patience to see Entropy's commitment to its corporate vision fulfilled. Because credibility in its role as a social enterprise is an important asset for Entropy, it must find a capital provider who shares its values and social focus. Therefore, Entropy is currently building relationships with corporations that have a strong reputation for being socially responsible and a complementary set of skills and resources.

Conclusion

In this paper we have put forward an explicit "sustainable development" perspective for studying SE. SD has become a global metaphor that guides many international efforts, and supports specific framing of the complex set of problems and opportunities underlying economic and social growth and development. Our definition of SE allows looking at disparate social entrepreneurship efforts targeting isolated social needs and problems in an integrated way within frameworks that are structured along relevant dimensions of SD. This should facilitate identification of successful models that need to be supported or an understanding of how individual efforts need to be linked in time, scale, and scope to create positive and reinforcing development spirals. Significant international and local efforts, institutions, knowledge and funding sources exist and continue to be provided in support of SD. These institutions and the sources of funds available may be important assets for social entrepreneurs who understand themselves, or are perceived as, specifically contributing to SD goals. Furthermore, attempts to set up and manage communities of social entrepreneurs to share knowledge and orchestrate resources, projects, and relationships amongst themselves and with other institutions depend largely on having an explicit shared purpose to serve as a guiding principle.

It is important to note that our definition accepts the existence of other perspectives on the field of SE, all of which may contribute to an overall understanding and the further development of SE. The European Commission uses SD as the guiding principle to understand and structure the "social responsibility" efforts of established corporations. We thus aim to understand how SE differs from the way traditional entrepreneurs and businesses create social value, as well as how it is complementary. This differentiation will be important to develop learning that is based on existing entrepreneurial knowledge but is extended to reflect the unique insight necessary to advance the field of SE by providing more integrated strategies and appropriate support. SE could then be an important means to flexibly adapt to and cater to the changing scales and types of social needs underlying SD—a dynamic that challenges our ability to grow in a way that is compatible with both our current needs and the emerging needs of future generations. □

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