

THE NATURE OF SOCIAL ENTREPRENEURSHIP – SOME FINDINGS

ROGER SPEAR, CO-OPS RESEARCH UNIT, OPEN UNIVERSITY, MILTON KEYNES, UK.

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Abstract

Studies of entrepreneurship tend to be preoccupied with the individual, and the purely economic aspects of starting a new enterprise and subsequent business development. This paper is concerned with developing a framework which allows both economic and social entrepreneurship to be analysed. It differentiates between the conventional popular model of the individual entrepreneur creating their own enterprise from initiatives involving more than one person, and in particular looking at initiatives which involve a more formal, institutional focus of entrepreneurial activity. This type of activity is most common where some level of local development is prominent, and infrastructure is established to allow this development activity to take place. The framework is developed to accommodate the often neglected collective or pluralistic dimension of entrepreneurship. The social dimension in this study is interpreted broadly, firstly in defining the field of study: as trading organisations within the social economy i.e. social enterprises (co-operatives, mutuals, community business, and voluntary or not-for-profit) organisations). But it is also examined within the research: to explore the extent to which social or community goals played a part in formation and subsequent operation (see section on outcomes).

(In future studies the economic or trading dimension will be relaxed so that the concept of social entrepreneurship encompasses entrepreneurship in a social context e.g. for non-trading organisations in the social economy).

The paper is exploratory, developing a conceptual framework, based on a pilot study of some case studies of social enterprises (mainly co-operatives and employee owned firms) in the UK. The paper aims to develop a framework which is appropriate for analysing a range of types of entrepreneurial activity - it is derived from entrepreneurial theory, and from an examination of case studies of entrepreneurial practice - some individualistic, some collective, some agency/organisation based. The study considers a range of sectors including welfare service provision.

INTRODUCTION

Since the 1980s there has been a huge growth in studies on entrepreneurship. Much of this growth has been in studies of small and medium enterprises (SMEs), but there have also been much smaller range of studies in social and public entrepreneurship. There is considerable diversity in this literature, both in disciplines and in themes under which such studies might be classified; for example the Babson conference indicates 25 fields of study – partly based on disciplines and partly based on empirical categories (e.g. strategy and growth, family business, networks, franchises, etc).

This paper is concerned with institutional forms that differ from SMEs in particular social economy institutional forms (co-ops, mutuals, not-for-profits), nonetheless it is recognised that there are strong similarities between the two fields but there are also significant differences. Thus the approach adopted here will be to draw on SME literature on entrepreneurship along with literature from not-for-profit studies and social enterprise studies, in order to construct a theoretical basis for analysing the empirical data collected. The approach adopted is exploratory, attempting to reveal what is distinctive about social entrepreneurship in NfP and social enterprise sectors.

In broad terms a common approach (e.g. Badelt, 1997), is to consider three interacting sets of factors that influence the development of a population of organisations (such as a co-operative or NfP sector): demand side factors (such as customers wanting services from social enterprises), supply side factors (essentially the supply of entrepreneurs) and contextual and institutional factors influencing the relation between the two (including influence over the choice of institutional form). This is a convenient way of classifying the different factors that influence the entrepreneurial process, but the focus of the research is firmly on supply side and contextual factors together with the dynamics of the process. But this paper does not go into depth about the factors influencing the supply of social entrepreneurs, which would be an interesting contribution to this subject area.

The paper is based on a series of case studies of organisations formed within the last 3-20 years i.e. with sufficient post formation experience to be able to reflect on the relevance of different factors, but not so old that it is impossible to remember what happened. In a few cases the original entrepreneurs have left the organisation, and in a few cases the organisations no longer exist. Interviews were conducted where possible with all major figures in the entrepreneurial process (and it was one of the hypotheses that this might not be a solely individualistic process). The study also attempted in an exploratory way to cover a number of different sectors and explore different types of entrepreneurship. It also has three strong themes – social capital, support structures and learning; it was hypothesised that social capital might be an important resource in the social economy; it was considered important to consider the role of formal and informal support structures in the entrepreneurial process (even including the possibility that the entrepreneurial process might be distributed outside the boundaries of the new organisation for example to include public sector or social economy players and agencies); and it was felt that learning and knowledge management approaches would have important contributions to make in understanding how the necessary skills and know how were acquired, and that this would help explain the differences between success and failure.

THE CASES

<i>Factor/Case</i>	<i>FT-Food Transport</i>	<i>VS-Video Services</i>	<i>CS-Computer Services</i>	<i>TR - Trans In Services</i>	<i>LS-Leisure Services</i>	<i>CC-Childcare Services</i>
Founded	1980-96	1994	1994	1994	1993	1986
Origins	Merger?	Infomal New start	PubSector Buyout	Informal/Formal	PubSector Buyout	LA Closure
Motives	Independ.Non-expl.	Money	Job Saving	Control & Service	PS push Fin. Probs	Job Saving
Vol/Invol	Vol/Cust. Sponsor	Voluntary	Involuntary	Vol	Invol	Invol.
Ethnicity	Anglo	Asian	Anglo	SthAm.	Anglo+ Carrib?	Anglo
Class/ Orientn.	Middle-Class Radical	M-C business	Working/M-C Conventional	M-C	W/M-C	W-C
Gender	Male/Female	2Male(1F)	4 Male	2 Male	M(2M+1F)	2F
Type Org	Co-op	Co-op (ret. Assets)	Co-op/EO	Co-op (family)	EO	Co-op/NfProfit
Reasons for choice	Pref. of sponsor/ entrepreneurs	Customer pref./ staff involvement	Access to CDA help	Collective Participation	Politically Acceptable	Self Mgmt.
Entrepren. Model	Joint (2)	partnership	Hierarchy of managers (4)	Leader/ supporter	Team	Joint (2)
Prev Exp	Co-op + business	Co-op + business	Same jobs (pub sect)	Self-empl/ same bus.	Same jobs (pub sect)	Same jobs (pub sect)
EntrP roles	Political/ manager	Ext/ Internal	Functional diff.	Leader/ supporter	Political/leader/Ops	Functional?
Ext. E-roles/ Soc. Cap.	Federation sponsor/ customers	CDA, key figures. Family	TU, borough, customers	Family?	CDA, Council	Council, sponsors, business advisors
Learning	Each other	CDA, other small businesses	CDA, customers, business advisors	Each other	CDA	Exper. business advisors.
Social Dimension.	Good food?	Trained Asian videoists	Jobs saved	Refugee help	Quality/ cost (poor residents)	Women returners
Outcomes	Growth; founders left; then failure	Econ. success	Stable business	Stable; Satisfaction	Quality and efficiency	Growth, innovation (peripatetic service)

The study is part of a larger programme of research which is concerned with developing quantitative and qualitative comparative data on social entrepreneurs across a number of different sectors and countries (cf. Cote, 1998).

ORIGINS OF THE SOCIAL ENTERPRISES (AND MOTIVATIONS)

The cases show quite diverse origins with external groups or organisations playing key roles in several cases. In some ways this represents *circles of entrepreneurship* around the focal organisation, with the entrepreneurs within the organisation playing central roles, but with a wider group of external stakeholders sometimes quite closely and essentially involved. And beyond this a supportive context of players provides resources, and expertise some of which is conventionally supplied, but some of which may be better conceptualised as social capital.

Thus, for example, in the case of FT a federal grouping of wholefood co-ops (the customer base) provided significant entrepreneurial pull which not only helped create and shape the entrepreneurial initiative, but brought the entrepreneurs together as a kind of merger of their previous activities, which were in the same line of business. The motivation of the central entrepreneurs was positive towards the co-operative structure (avoiding capitalist structures since "the success of capitalism is to do with treading on other people"), and they both wanted independence. Both entrepreneurs were already working in similar businesses prior to merging their activities to form a new co-operative enterprise with more ambitious goals. Federal structures are quite common in the third sector where they often play economic roles; thus the new enterprise with its new goals were to a significant extent shaped by the pull of the federated customer base. This represents a demand side direct involvement in the entrepreneurial process.

VS was a voluntary new start. Two asian males were centrally involved, one of whom had worked in a co-operative beforehand. The other had small business experience, and a CDA (Co-operative Development Agency) worker played an important supportive role assisting in taking a strategic view as well as providing start-up expertise. The main protagonists began the business informally as a hobby working from home. One of them came from a family where father and brother had own businesses. Their primary motivation was to make money, and they chose the co-operative form because they knew the CDA worker, and wanted access to their support (since their experience of small business advisers was bad).

CS on the other hand was the most involuntary of the cases, in that it emerged from a privatisation push by a government body, with the 4 central entrepreneurs bidding to save their jobs through a buyout conversion, but knowing they might be in competition with other bidders (in the event TUPE legislation meant that the main competing bidder withdrew because of the requirement to meet such costs – TUPE legislation protects terms and conditions of jobs where there is a transfer of ownership such as privatisation).

Like CS, TR grew out of informal and self-employed activity but by members of a South American family. They were strongly motivated to form a co-operative, because of their collective orientation towards the other members, and their belief in the value of participative frameworks.

LS and CC both arose from public sector difficulties (closure and financial pressure). Political negotiations and support played an important role in one case (and in the third involuntary case). The orientation was job saving, but they have both gone on to perform well economically and socially. Despite having a co-operative structure, CC appears to regard itself as not for profit, and it applies for grants regularly to support its social dimension of performance.

In summary out of 6 cases, there was entrepreneurial experience in the family history of only one entrepreneur, but in the voluntary cases substantial personal history of small business experience. And in each of the voluntary cases there was a clear *transition* from hobby or self-employment or previous work in the same line of work, to a new formal enterprise. This raises questions about the episodic character of entrepreneurship, and poses questions about when key entrepreneurial activities took place. There were quite varied reasons for choice of institutional form (co-operative), with external influences operant in half the cases, but reservations subsequently expressed in 2 cases. On the other hand 3 cases were strongly in favour of the form chosen (which links with ideological views of entrepreneurship in the NfP sector e.g. Ackerman, 1996). And while Ben-Ner and Gui (1993) raise the issue of for-profits masquerading as NfPs, here there is a case of NfP behaviour (CC - strong social orientation and grant seeking) within a profit-limited structure (co-operative). This clearly exposes rational choice theories of institutional forms as problematic. In such situations the issues influence are highly complex, involving consideration of constitutional, financial, fiscal and legislative matters, and it seems more appropriate that choice of institutional form should be seen as *mediated by professionals* (accountants, lawyers), advisers, and support organisations.

Half the cases were involuntary, which is not typical of the small business sector, but may be more representative of co-operatives (though this would typically be in the range 10-20%). Nonetheless 2 out of the 3 involuntary cases appeared particularly entrepreneurial in developing innovative and/or high standards of business and social performance. This confirms the view that independent operators, when released from the constraints of the public sector, can demonstrate considerable initiative and entrepreneurial capability.

MODELS OF ENTREPRENEURSHIP AND SOCIAL CAPITAL

The author who has been most influential in entrepreneurship studies is Schumpeter, but he clearly ties entrepreneurship to innovation – requiring the entrepreneur to innovate in a number of respects (new service, quality, process, market, source of supplies, or industry) and thereby engage in creative destruction. This excludes a large amount of entrepreneurial activity which involves the creation of new organisations but which may not be significantly innovative. Baumol (1993) recognises this in his dual categorisation of business organisation and innovation entrepreneurship; similarly Casson (1982) differentiates between high and low entrepreneurship: high which involves a substantial degree of innovation, and low which is basically concerned with creating a new enterprise (with no significant innovation).

It seems more likely that there will be a continuum with different degrees of innovation present in any particular entrepreneurship case and that innovation may not necessarily take place at formation but could be later, and vice versa. Thus degree

of innovation is a factor of interest to this study, but not a necessary factor in defining the field of study.

Not all writers on entrepreneurship discuss it solely in terms of the "heroic individual" (often male). Young (1987) describes several cases of collective entrepreneurship but does not bring this out as a distinctive factor. And Casson (1995) notes that entrepreneurship can be a distributed process across the public/private divide. He (1995) argues: "The public sector and the private sector therefore offer two distinct channels of advancement for the entrepreneur. The rewards to entrepreneurship in the public sector come more in the form of status rather than of income, of course. They include the satisfaction of contributing directly to social welfare too. Public sector entrepreneurship will therefore appeal to some people more than to others. Cultural influences may well play their part in this, leading to entrepreneurs from different cultural backgrounds coming to dominate the different sectors. It is not necessarily the case that the private sector requires the best entrepreneurs. Countries such as Japan, France, Germany and Singapore have achieved good economic results using active industrial policies formulated and implemented by entrepreneurial people attracted to high- status jobs in the public sector. Conversely, the UK and the United States have achieved very mixed results by promoting free market policies and reducing the status of public sector employment in order to channel entrepreneurs into the private sector."

The approach adopted here is to be quite open to a broad view of the nature of entrepreneurial relations, considering a wider range of inputs than the literature would indicate is relevant. Similarly it is clear that contextual and institutional factors may be more relevant in supporting the setting up of social enterprises, compared to conventional SMEs.

The level of innovation was not generally high in these cases (fitting more closely to standard business entrepreneurship, rather than Schumpeterian notions of entrepreneurship), but there were innovative episodes subsequently in 2/3 cases.

In the cases studied one of the most notable findings is that in contrast to the "heroic" individualistic general view of entrepreneurship, the collective nature of entrepreneurship is very prominent in co-operatives. Although it might appear obvious that collective initiatives would be more likely to choose a co-operative structure than alternatives (and the same might apply to NfP structures), it would seem quite possible for key managers to be individualistically entrepreneurial. In all 6 cases there was a more collective form of entrepreneurship – joint (partnership), leader/supporter, team, etc.

One of the other notable findings is that external stakeholders played significant roles, both in influencing the choice of institutional form (co-operative) and in supporting the entrepreneurial activity over a considerable time. Thus in FT the federation of customers sponsored the initiative, and customers helped bring together the two entrepreneurs (who had been carrying out similar transport work independently). In VS the CDA worker was a very central figure, regarding herself as helping the enterprise take a strategic view. In CS the trade union (TU) and the borough (municipality) played minor roles, along with customers; similarly TR showed external support as less significant. However in LS there was considerable political and enabling support provided by external actors, which essentially created the space for the initiative to exist; while CC had a lower level of outside support, but quite varied and more linked to functional issues. Differentiating between external actors closely involved and a wider circle of support which might be termed social capital is

a fine judgement. Social capital was provided in various forms – political support, expertise, assistance, contacts, advice, etc. and by a variety of people from landlords to customers, to various types of business advisor, to neighbouring businesses, family, etc.

And it was not a one way generation of social capital, for example in TR, it was felt that earlier support should be repaid or reciprocated, in the form of – serving on the board of the CDA, providing reduced cost language services, providing practical help to solicitors' clients, helping brief solicitors about their clients (who had diverse social/cultural backgrounds).

LEARNING

It was hypothesised that the more collective nature of co-operatives (and indeed their principles supporting co-operation between co-operatives) might facilitate and motivate their learning milieu (Jakobsen). However in these cases the findings have been disappointing with respect to the potential learning milieu amongst co-operative entrepreneurs in a particular area; although it may be that revealing learning and knowledge acquisition requires a different methodological approach (much more intensive). Nonetheless it is clear from this study that learning took place in two important spheres of operation: amongst and through linkages with customers who appeared sympathetic to the business (e.g. CS), and it may be that the co-operative structure helped establish this sympathetic approach; and through the support of others who might similarly be considered sympathisers e.g. politicians in LS, Borough officers (CS and LS, and CC), a Federation of customers (FT). While family was not an area explicitly examined (and the literature regards such support as being significant e.g. Goffee and Scase, 1989), it was mentioned in two cases as a significant area of support.

At a more formal level, it is clear that in 3 of the 6 cases CDAs (the co-operative business support structure) provided a basis for learning, advice, expertise, but this was not without its criticisms (lack of specialisms?).

LESSONS AND OUTCOMES?

In general the social dimension (in terms of social purpose rather than institutional form – co-op/mutual/NfP) appeared to be a minor part of most of these social enterprises, however it is clearly important in CC and LS, while in FT and TR their internal operation clearly had a strong social orientation (participative, non-exploitative). Thus it could be said that 4/6 social enterprises had significant social orientations.

For different reasons the achievement of stable business at CS and TR can be considered satisfactory (the latter since it appears to be a preference), the former since it meant saving jobs, however CS was disappointing in not having developed entrepreneurial capabilities. In this respect it was the exception amongst the involuntary examples, since the other 2 cases were very impressive in their growth and quality of performance (including innovation), after being released from public sector constraints.

FT experienced a highly successful growth (from 2-18 staff, with a turnover of £1.75m.) but its subsequent decline and failure, in an increasingly competitive sector provides the worst overall performance (although the founders had left a couple of years before the end).

CONCLUSION

The findings from this pilot study provide interesting models of entrepreneurship that contrast with conventional models for SMEs:

- a limited degree of innovation took place in a substantial proportion of cases, but not necessarily at the formation stage;
- entrepreneurship was not of the “heroic individualistic” type in any of the cases, but joint, leader + supporters, or team based;
- there were circles of entrepreneurial activity, with central roles played by the entrepreneurs within the organisation, but with a wider group of external stakeholders sometimes quite closely and essentially involved – including customers, and distributed across public/private boundaries;
- through the wider circle of support social capital was utilised, and subsequently reciprocated, in a few cases (including through customer linkages);
- motivations were quite diverse, but included ideological orientations;
- the rationale for institutional choice was not always so clearly rational, but more obviously *mediated* through professionals, advisers, or support organisations;
- learning networks and milieus were not as developed as anticipated, and depended more on social capital within normal trading relations, and on other sympathetic stakeholders;
- there was a transitional dimension in all cases (obviously in the involuntary ones from public to private), and this raised questions about the episodic nature of the entrepreneurial activity - when it started and finished.

Many of these issues will be studied in more depth in the research which is continuing.

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