Social Entrepreneurship: Literature Review and Current Practice in Ethiopia

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Abstract
The rapid increase of rivals and the resulted competition among non-profit organizations has necessitated the inclusion of innovative approaches in their activities. Social movements over the last twenty years have begun promoting social entrepreneurship. The social injustice in developing countries as a result of income gap, absence of unified definition for social entrepreneurship, and the legitimacy issue of social enterprises motivated the reviewer to conduct a literature review. The purpose of this review is to reveal the debatable issues with regard to definition, legitimation, and school of thoughts under the social entrepreneurship construct and to forward future direction in Ethiopia. The reviewer screened titles and abstracts of 61 journal articles and came up with 42 relevant articles having ISSN or DOI, articles published between 2001 and 2013, and articles published in indexed journals. With regard to the search engine, Google scholar search engine was used using search words “social entrepreneurship”, “legitimation of social enterprises”, “definition of social enterprises” and “social enterprises”. From the literatures reviewed it is well understood that providing a unified definition and framework for social entrepreneurship has been the challenge. Despite the ideological differences between the school of thoughts, cross-fertilization, rather than competition, between the schools of thoughts, will enrich the overall field of social entrepreneurship. Law makers in Ethiopia need to consider the special feature of social enterprises and it is better if they revise the existing legal forms of organizations as there is no legal form for social enterprises. Finally, both academicians and practitioners in Ethiopia need to work on developing the scarce research on social enterprises along with integrating the concept of social entrepreneurship in business education curriculums.

Keywords: Legitimation, Social Entrepreneurship, Social Enterprises, Social Innovation.

1. Introduction
1.1. Background
The rapid increase of rivals and the resulted competition among organizations has necessitated the inclusion of innovative approaches in their activities. According to Weerawardena & Mort (2006), innovative approach is becoming a crucial factor, not only in for-profit organizations but also in the not-for-profit (NFP) organizations for the development of societies. Additionally, the competitive environment along with the increased number of needy and scarce donations forced NFPs to find innovative ways that can fill the fund gap.

Entrepreneurship is a systematic process of applying creativity and innovation to needs and opportunities in the marketplace. It involves applying focused strategies to new ideas and new insights to create a product or a service that satisfies customers’ needs or solve their problems (Zimmerer & Scarborough, 2005). Social entrepreneurship, hence, stems from the entrepreneurship concept to imply the innovative use and combination of resources to utilize opportunities to facilitate and/or address social change (Mair & Martí, 2006).

While addressing and facilitating change within the society, social entrepreneurship activities can positively influence the economic growth and social development of the society through reducing poverty and improving large scale economic development (Zahra, et. al, 2009). However, this idea was challenged by Nega & Schneider (2013) who stated that the influence of social entrepreneurship activity is at micro level and it does not have great impact on poverty reduction.

The use of the term social entrepreneurship is gaining increased popularity in the world (Weerawardena & Mort, 2006) in general and in Ethiopia in specific. In Ethiopia different initiatives have emerged in relation to the establishment of social entrepreneurship in recent years. Thus, this paper tries to review literature on the concept of social entrepreneurship with respect to definition, school of thought, and legal form of enterprises and identify crucial points that can be used to make social enterprises in Ethiopia more functional.

1.2. Rationale for Review
The scarce funding environment and the resulted increased competition shaped the way non-profit sectors lead their activities. Thus, the sector is now experiencing a professionalized approach having the objective of decreasing financial dependence on donors to realize economic stability that can enable them to continue their social mission (Perrini & Vurro, 2006). Social movements over the last twenty years have begun promoting social entrepreneurship. Such enterprises include Ashoka Foundation, the Skoll Foundation, and Schwab Foundation to mention few.

The positive outcome of social entrepreneurs in maximizing the social impact by addressing the social needs of people overlooked by other institutions has been supported by different studies (McMullen, 2011). On the other
hand, the outcome of business entrepreneurs can be explained as profit maximization and shareholder maximization (Shaw & Carter, 2007). Thus, integrating the profit and social value in a single organization is the challenging task among many practitioners that has now become the priority of social enterprises. Besides, Weerawardena & Mort (2006) state that there is no unified definition for the concept of social entrepreneurship as it is emerging and ill-defined concept.

Business organizations have different organizational forms that differentiate them from the non-profit organizations. However, the prior legal boundary that limits non-profit organizations from realizing profit has been the point of debate among many scholars. This debate was aroused following the notion that whether the social mission of not-for-profit organizations limit them from participating in other legal organizational forms other than the non-profit form and hence cannot distribute profit to investors. This debate has been discussed by scholars with reference to European and American boundaries, where a variety of new legal forms have appeared (e.g. ‘social co-operatives’ in Italy, the ‘Community Interest Company’ in the United Kingdom, the ‘social purpose company’ in Belgium) (Defourny & Nyssens, 2006). However, in Ethiopia there is no separate legal form that gives way for the establishment of social enterprises (British Council, 2017). In general, given social injustice in developing countries as a result of income gap, absence of unified definition for social entrepreneurship, and the legitimacy issue of social enterprises it is justifiable to review the social entrepreneurship literature and to provide future directions.

1.3. Objectives and Research Questions
The purpose of this review is to reveal the debatable issues with regard to definition, legitimation, and school of thoughts under the social entrepreneurship construct and to forward future direction in Ethiopia through review of various articles.

With regard to the research questions, the reviewer prepared the following questions that are addressed in the literature review.

1. Is there a unified definition for social entrepreneurship?
2. How the two dominant school of thoughts can be effectively utilized in establishing and leading the social enterprises?
3. Is there a legal form of business that support social enterprises?

2. Methodology
The reviewer has selected social entrepreneurship as a review area as it is a critical concept in the current Ethiopian economic environment where the poor are in need of such ideas and their resulting enterprises. Besides, the reviewer discussed the issue with experts during a seminar session and mapped the entire review activity. Following this, the reviewer set few criteria to collect research papers conducted in the topic of interest. The criteria are journal articles published with ISSN or DOI, articles published between 2001 and 2013, and articles published in indexed journals. With regard to the search engine, Google scholar search engine was used using search words “social entrepreneurship”, “legitimation of social enterprises”, “definition of social enterprises” and “social enterprises”.

In addition to the above mentioned process, the reviewer screened titles and abstracts of 61 journal articles and came up with 42 relevant articles using the above mentioned criteria. Besides this, the reviewer brought different findings related to the definition of social entrepreneurship, legal forms, and school of thoughts. Finally, the reviewer shed light on the current social entrepreneurship practice found in Ethiopia and recommended future research direction for both academicians and practitioners.

3. Literature Review
3.1. Definition and Concept of Social Entrepreneurship
The last several decades have left foot prints of many successful entrepreneurs and their enterprises. The popularity of entrepreneurship can be shown with the interest expressed by students to create their own businesses. Besides, many young graduates are embracing entrepreneurship as a career rather than lining up to be hired in large corporations (Scarborough, 2012).

There is no single definition of entrepreneurship as there have been no consensuses on even one. However, Kuratko & Hodgetts (2004), defined entrepreneurship as a dynamic process of vision, change and creation.

The foundation for current social entrepreneurship was laid by the pioneers like Muhammad Yunus. He was the founder of Grameen Bank and father of microcredit who identified the stable equilibrium for poor Bangladeshis’ limited options for securing even the tiniest amounts of credit. The formal banking of the then Bangladesh provided the rich with loans keeping the poor out of the system. The poor were unable to receive loans because of the inflated interest rates that if they accept would leave them without any penny. Following this Yunus introduced a credit scheme where the poor can afford the loan. Accordingly, Yunus started the now famous sum of $27 from his own pocket to 42 women from the village of Jobra. The women repaid all of the loan. Yunus found that with
even tiny amounts of capital, women invested in their own capacity for generating income. Grameen Bank sustained itself by charging interest on its loans and then recycling the capital to help other women. Yunus brought inspiration, creativity, direct action, courage, and fortitude to his venture, proved its viability, and over two decades spawned a global network of other organizations that replicated or adapted his model to other countries and cultures, firmly establishing microcredit as a worldwide industry (Martin & Osburg, 2007).

Social entrepreneurship is an emerging field that can be characterized with literature gap, lack of consensus on definition, lack of frameworks, and scarce empirical data (Mair & Marti, 2006; Nicholls, 2006). The difference between social and business entrepreneurship has been clarified by different authors. According to Austin et al., (2006) the main difference between social and other types of entrepreneurship lies in the purpose the firm is established. This was supported by Cukier, et. al, (2011) stating that social entrepreneurship focuses primarily on activities with social purposes whereas business entrepreneurship focuses on activities with business profit making purposes.

Different scholars tried to conceptualize "social enterprise", "social entrepreneurship" and "social entrepreneur" despite some differences (Defourny & Nyssens, 2008). Additionally, the fact that universities and business schools around the globe are currently involved in various education programs in social entrepreneurship and social enterprise raised research interest (Hulgård, 2010).

Previous studies in social entrepreneurship failed to establish a clear and unified definition for the concept. According to Werawardena & Mort (2006) a review of the literature emerging from a number of domains reveals that it is fragmented and that there is no coherent theoretical framework. Accordingly, Peredo & McLean (2006) concluded that social entrepreneurship is exercised where some person or persons aim either exclusively or in some prominent way to create social value of some kind, and pursue that goal through some combination; recognizing and exploiting opportunities to create this value; employing innovation; tolerating risk and declining to accept limitations in available resources.

Innovation designed to uplift societal wellbeing supported by entrepreneurial organizations is the essence of social entrepreneurship (Nichols, 2006). Similarly, an individual or group of individuals who search for big change through unconventional ideas in what or how governments, non-profits, and businesses do to solve significant social problems are referred to as social entrepreneurs (Light, 2006).

3.2. Social Entrepreneurship: School of Thoughts
While everyone agrees that the practices now referred to as social entrepreneurship have existed for a very long period of time, the framing of these practices as social entrepreneurship seems to have stimulated a growing level of interest amongst both practitioners and academics. Hence, two school of thoughts that were critical for the growth of the field social entrepreneurship are discussed below.

The Social Enterprise School of Thought
Non-profit organizations seek funding alternatives to sustain their operation and maintain independence. One of the alternatives is to earn money through provision of goods and services. Social enterprise school of thought thus set its foundation mainly by earned income strategies. Research publications pertaining to this school are based on non-profits’ interest to become more commercial (Young & Salamon, 2002).

According to Yunus (2010) social businesses are related to the mission-driven business approach that involves strong conditions like considering a social business as a non-lose, Non-dividend Company designed to address a social objective. Such a concept is based on a business model that relies on the provision of goods and services (like highly nutritive Yoghurt) to very poor customers (new market segments) at very low prices in developing countries. With this respect, the social business is expected to cover all its costs through market resources and the business is owned by investors who do not claim dividend.

The Social Innovation School of Thought
The social innovation school of thought focuses on the behavior of social entrepreneurs where they are denoted as change agents that can replace the existing products, processes, ideas, and businesses with a new idea. Social entrepreneurs most of the time take initiatives to establish non-profit organizations. However, recent studies on the social innovation school of thought emphasize on demarcating the ambiguous line between the private for profit sector and the public sector (Defourny & Nyssens, 2012). Many business schools and foundations currently advocate the idea of mission driven business that promotes broad business methods going beyond earned income strategy to bring social innovation. Besides, the variation between the earned income strategy and the social innovation school should not be exaggerated. Different studies suggest that there should be a double bottom line vision so that enterprises can create value that will enable them to balance the economic and social purposes (Emerson, 2006).

Following Schumpeter’s conceptualization of entrepreneurship, the social innovation school of thought focuses on the social entrepreneurs as individuals who tackle social problems and meet social needs in an
In order to meet social needs of the poor entrepreneurs establish either a non-profit enterprise or a for-profit enterprise. Influential leaders and private foundations can be considered as the basis for both schools of thought within the American tradition that promote the strategic development of the sector and their founders have contributed significantly to the fundamentals of the schools. Accordingly, Bill Drayton, founder of Ashoka, is considered the leading figure for the Social Innovation School of thought. This school of thought on social entrepreneurship is rooted in the body of knowledge of commercial entrepreneurship on the discovery, evaluation, and exploitation of opportunities. In the case of social entrepreneurship, these opportunities are found in social needs exploited by innovative means to satisfy those needs (Braunerhjelm & Hamilton, 2012).

The tradeoff

Various research scholars found the definition of social entrepreneurship debatable as there is difficulty to reach consensus on what to include and exclude from the definition. Overall, given the difference in the definitions, there is general consensus that there should be two parts to the definition of social entrepreneurship. First, social entrepreneurship involves creating something new, characterized by innovation rather than simply the replication of existing enterprises or practices. Second, at least some of the objectives of the undertaking need to be related to creating social value, sometimes referred to as “social good” rather than simply creating personal and shareholder wealth (Austin, et. al, 2006).

Social entrepreneurship has been defined both in narrower and broader perspectives. According to Dees & Anderson (2006) and Neck, et. al (2009) social entrepreneurship embraces a wide range of activities and organizations and hence they argue for a “big tent” approach to the concept. Some scholars even portray social entrepreneurship as an innovative, social, value-creating activity that can occur within or across the non-profit, business, and public sectors (Austin et. al., 2006).

On the narrower definition side, Yujuico (2008) suggests that established institutions such as government agencies, aid agencies, charities, foundations and non-government organizations should not be included as social enterprises. This is because those enterprises mix the divide line between for-profit and non-profit institutions in terms of goals and means. In other words the justification for the exclusion of the enterprises is mainly because for-profit enterprises are not primarily funded by revenues from tax collection or charitable aid and are thus less isolated from market dynamics.

The above mentioned conceptions denote two schools of thought which are termed as the “social innovation school” and “the social enterprise school”. Besides, it is suggested that cross-fertilization, rather than competition, between these perspectives, will enrich the overall field of social entrepreneurship (Dees & Anderson, 2006).

3.3. Legal Form of Social Enterprises

In order to explain the legal form of social enterprises along with its criticisms it is better to understand institutional theory. Institutional theory focuses on the relationship between organizations and their environments, thereby offering insight into tensions of performing and organizing within social enterprises. This theoretical perspective explores factors associated with the survival and sustainability of institutions and the processes by which they come to be seen as legitimate. Organizations gain legitimacy by aligning with social rules, norms, and values, which affords them status and access to resources (Meyer & Rowan, 1977).

As recent research suggests, most environments are characterized by institutional pluralism and complexity (Greenwood, et. al, 2011; Kraatz & Block, 2008), such that they impose competing institutional demands on organizations (Pache & Santos, 2010).

Institutional logic refers to sets of material practices, values, beliefs, and norms. The idea of institutional logic has been the source of research on pluralism, complexity, and competing demands (Thornton, et. al, 2012). Logics establish “the rules of the game” at the societal level, which shape beliefs and behavior within organizations. Institutional logics are internally consistent and offer coherent prescriptions for action when viewed individually. However, when viewed in combination, multiple logics present varied and often incompatible prescriptions, leading to uncertainty, contestation, and conflict (Greenwood et al., 2011; Pache & Santos, 2010; Thornton, 2002). Institutional scholars refer to organizations that embed such competing logics within their core features as “hybrids” (Besharov & Smith, 2013).

Social enterprises are hybrids that entertain conflicting social welfare and commercial logics (Battilana & Dorado, 2010; Battilana et al., 2012). A social welfare logic focuses on improving the welfare of society, whereas a commercial logic stresses profit, efficiency, and operational effectiveness. Each logic is represented and supported by distinct institutional structures. Whereas a social welfare logic is associated with philanthropic actors and a non-profit legal form, a commercial logic relies on earned revenues and a for-profit legal form (Battilana et al., 2012).

Many social enterprises find it difficult to balance the business and social mission and they tend to shift to
potential for structural transformation and poverty alleviation. Furthermore, social entrepreneurship can
serve as an innovative process for social enterprises. Besides, majority of the social enterprises in the study area were found to have been
registered as MSEs followed by sole proprietorship, cooperatives, partnerships, and charity respectively. Another
major barrier reported in the study was lack of access to capital while obtaining grant fund (British Council, 2017).

Researchers (like Zahra, et. al, 2009) have explored the characteristics of institutional actors who generate
and sustain social enterprises. Besides, to accommodate divergent logics social enterprises need entrepreneurs with
an exceptional commitment to and passion for the social mission (Bornstein, 2004; Dees, 2001), an ethic of care
to sustain the focus on social welfare (Pache, 2013), and most importantly individuals who have the ability to
manage contradictory demands that emerge from multiple logics (Smith, et al., 2012), including a capacity for
counterfactual or paradoxical thinking (Tracey, et al., 2011).

As social enterprises grow in number and influence societal-level institutions that similarly embody both
social welfare and commercial logics will also grow. In many countries there is a designated legal status for
pursuing a double or triple bottom line, such as low-profit limited liability companies or a benefit corporations in
the United States (Bromberger, 2011), community interest companies in the United Kingdom (Haugh & Peredo,
2010; Snaith, 2007), and social cooperatives in Italy (Borzaga & Santuari, 2001). The emergence of such societal-
level institutions, which appear to have hybrid or integrative interests, can legitimate social enterprises’ efforts to
combine commercial and social welfare logics.

3.4. Social Entrepreneurship in Ethiopia
Social entrepreneurs in Africa are contributing to advances in education, health care, financial inclusion,
environmental protection and other social issues. A recent impact report released by Reach for Change suggest the
presence of positive impact as a result of social entrepreneurship advancements (Mgudlwa, 2016).

In Ethiopia it is difficult to identify social enterprises from business enterprises because there is no separate
legal form for social enterprises. Yet, different enterprises were able to publicize themselves as social enterprises
after they have been working with micro and small enterprise (MSE), partnerships, and sole proprietors. Typical
example of the social enterprise eco-system in Ethiopia includes Reach for Change Development Forum, East
the Ethiopia Social Entrepreneurship Forum (ESEF) was officially launched on September, 2016 seeking to drive
forward a sector with the potential to transform lives across the country. The forum plans to bring together
innovators, entrepreneurs, investors and actors from government, businesses, and NGOs who will join forces to
empower social entrepreneurs to create lasting positive change.

In Ethiopian context, Haverkort described social enterprises as an enterprise that directly addresses social
needs through their products and services or through the numbers of disadvantaged people they employ. This
distinguishes social enterprises from “socially responsible businesses”, which create positive social change indirectly through the practice of corporate social responsibility. Though it is less common for individual
entrepreneurs to set up a business as a Social Enterprise, there are some well-established Social Enterprises in
Ethiopia, that offer products and services alongside employment and training of disadvantaged young boys and
girls and they have made a real impact in society over the years (Haverkort, 2016).

There is limited research on social enterprises in Ethiopia (British Council, 2017) that can tell us about the
practices, challenges, and opportunities of social enterprises. However, very few studies (like Social Entrepreneurship, Microfinance and Economic Development in Africa by Nega & Schneider, 2013; and
Ethiopia social enterprise survey report commissioned by British Council, 2016) are reviewed hereunder.

Given the range of importance social enterprises deliver in Ethiopia, still there are antagonists who undermine
the role of social enterprises on poverty alleviation. With this regard, Nega & Schneider (2013) stated that “social
entrepreneurship could play an important role in development given that social entrepreneurship has limited
potential for structural transformation and poverty alleviation. Furthermore, social entrepreneurship can
undermine support for state led development and democratic reforms making social entrepreneurship a useful
microeconomic strategy that can contribute in small ways to development”.

A study conducted by British Council states that in Ethiopia there is no distinct legal form or registration
process for social enterprises. Besides, majority of the social enterprises in the study area were found to have been
registered as MSEs followed by sole proprietorship, cooperatives, partnerships, and charity respectively. Another
major barrier reported in the study was lack of access to capital while obtaining grant fund (British Council, 2017).
Given the absence of legal form for social enterprises, social entrepreneurs in Ethiopia need to be careful to not
confuse the very essence of the social enterprises. According to Montero (2016) social entrepreneurship is not
about conferences, accelerators, contests, charity, and philanthropy or wealth distribution. It is about power
distribution among the poor so that they will enable themselves and they will be independent of aid.

4. Conclusion and Future Directions
Social entrepreneurship is a growing field that has created debate among scholars as it yields both for-profit
business and social value concept. In addition to its debatable nature, providing a unified definition and framework for the concept has been the challenge. Thus, researchers should work on conceptualizing social entrepreneurship and providing sound frameworks.

With respect to the social entrepreneurship schools of thought, social enterprise and social innovation schools were discussed in the review. Social enterprise school is based on earned income strategy whereas the social innovation school focuses on establishing new and better ways to address social problems or meet social needs. Despite the ideological differences between the two schools, social enterprises need not to prioritize their profit objective over the social objective. Additionally, many authors suggest that integration, rather than competition, between these two perspectives, will enrich the overall field of social entrepreneurship.

Legitimacy is also another issue of interest in this review. In different countries of the world like United Kingdom, United States of America and Italy there is a new legal form designed for social enterprises but in Ethiopia there is no legal form in which social enterprises get licensed. Hence, law makers in Ethiopia need to consider the special feature of social enterprises and it is better if they revise the existing legal forms of organizations.

Finally, both academicians and practitioners in Ethiopia need to work on developing the scarce research on social enterprises as well as integrating the concept of social entrepreneurship in business education curriculums is also vital.

References


