

**European Summer University Conference on Entrepreneurship**  
**Bodø, Norway**  
22<sup>nd</sup> to 26<sup>th</sup> August, 2008

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**From Social Entrepreneurship as a Practice to a Legitimate Field of  
Research: Literature Review and Classification.**

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## **Abstract**

During the last years, social entrepreneurship has received greater recognition from the public sector as well as from scholars (Stryjan, 2006; Weerawardena & Sullivan Mort, 2006). However, the lack of a unifying paradigm in the field of social entrepreneurship has led to a proliferation of definitions. Therefore the *first objective* of this paper is to clarify the concepts of "social entrepreneurship", "social entrepreneur" and "social enterprise" on the basis of a review of the American and European literatures. The *second objective* of this paper is to identify whether there is a transatlantic divide in the way of approaching social entrepreneurship, the social entrepreneur and the social enterprise and to identify the different schools of thought and practices. Finally, the *third objective* of this paper is to determine to what extent these concepts are different from traditional or commercial entrepreneurship/entrepreneur/enterprise.

**Keywords:** Social and community entrepreneurship; Literature review; Comparative approach; Definition; Classification.

## **INTRODUCTION**

Recently, social entrepreneurship has been receiving a greater recognition from public sector as well as from academic scholars (Stryjan, 2006; Weerawardena & Sullivan Mort, 2006). Encouraging social initiatives has been at our governments' agenda for a while. European policy makers claim the importance of social enterprises as "they not only are significant economic actors, but also play a key role in involving citizens more fully in Society and in the creation and reproduction of social capital, by organizing, for example, opportunities for volunteering" (European Commission, 2003). The interest for these social initiatives has also resulted in the creation of numerous associations, non governmental organizations or foundations that promote social entrepreneurship, such as *Ashoka*, the *Skoll Foundation*, and the *Ewing Marion Kauffman Foundation* in the United States, the *Canadian Social Entrepreneurship Foundation* in Canada, the *School for Social Entrepreneurs* (UK), the *Schwab Foundation for Social Entrepreneurs* in Switzerland, etc. On the other hand, famous business schools all around the world, from Oxford to Harvard, through Stanford and Columbia, have created centers for research and education programs in social entrepreneurship. Students' growing interest toward social initiatives (Tracey & Phillips, 2007) has resulted in a growing number of business plan competitions in the field of social entrepreneurship (Brock, 2006). In Europe, finally, several states have created specific legal frameworks for this kind of initiatives.

No doubt that this growing interest toward social entrepreneurship partly results from its innovating aspect in treating more and more complex social problems (Johnson, 2000). Some academic scholars see it as *a way of creating community wealth* (Wallace, 1999) while others consider it as *a means to relieve our modern Societies from its illnesses* (Thompson et al., 2000), such as unemployment, inequalities in the access to health care and social services (Catford, 1998), squalor, poverty, crime, privation or social exclusion (Blackburn & Ram, 2006). It can also be considered *as a means to sub-contract public services* or *as a means to improve these services without increasing the State's intervention* (Cornelius et al., 2007). Moreover, this innovating entrepreneurial practice bears the advantage of blurring traditional frontiers between

private and public sectors, giving birth to hybrid enterprises (Johnson, 2000; Wallace, 1999) guided by strategies of double value creation – social and economic (Alter, 2004).

A consensus seems thus to emerge according to which understanding social entrepreneurship and social enterprises is important (Dees, 1998<sup>a</sup>). However, this concept has long remained poorly defined and its boundaries with other fields of study remained fuzzy (Mair & Martí, 2006). What does "social entrepreneurship" mean? Which initiatives are part of the field of social entrepreneurship and which ones are not? Indeed, all social initiatives do not satisfy to the entrepreneurial criterion. For example, devoting a part of an organization's income to a social cause does not constitute in itself an entrepreneurial activity. The same holds for a nonprofit organization that adopts managerial practices (Mair & Martí, 2004).

This paper has three objectives. The *first objective* of this paper is to clarify the concepts of "social entrepreneurship", "social entrepreneur" and "social enterprise" on the basis of an analytical and critical review of the American and European literatures. What we know about social entrepreneurship is that the "social dimension" is central to these initiatives. Nevertheless, several approaches of the concept seem to emerge regarding their geographical origin, each side of the Atlantic having its own school of thought. Moreover, we assume that each of them focuses on particular elements such as, for example, the entrepreneur's innovative spirit or the legal form of the initiative. Therefore, the *second objective* of this paper is to identify whether there is a transatlantic divide in the way of approaching social entrepreneurship, the social entrepreneur and the social enterprise and to identify the different schools of thought and practices. Finally, the *third objective* of this paper is to determine to what extent these concepts are different from traditional or commercial entrepreneurship/entrepreneur/enterprise.

In the first part of this paper, we present the theoretical and practical roots of social entrepreneurship as a field of research. In the second part, we present the methodology followed in order to classify publications according to different criteria. The third part of this paper has two objectives; first, to present and discuss our literature review's results regarding each school's position toward the three main themes of social entrepreneurship: individual, process and organization: what are social entrepreneurship, social entrepreneur and social enterprise according to the three selected approaches?; second, to answer the following question: to what extent are these concepts different from traditional commercial entrepreneurship/entrepreneur/enterprise?

## **1. THEORETICAL AND PRACTICAL ROOTS**

If social entrepreneurship has been attracting researchers' attention for a few years only, social entrepreneurship as a practice is far from being new (Dearlove, 2004). Apart from isolated early research on the topic (Waddock & Post, 1991; Young, 1986, in Light, 2005), the term "social entrepreneurship" emerged, in the academic world, in the late 1990s in the United States (Drayton, 2002; Thompson et al., 2000; Dees, 1998<sup>a</sup>) and in the United Kingdom (SSE, 2002; Leadbeater, 1997). In Europe, that is social enterprises that have begun to attract our governments' attention. The concept of "social enterprise" actually appeared for the first time in Italy in the late 1980s (Defourny, 2001). Since the middle of the 1990s, this concept has been

more and more widely used in Europe, especially thanks to the works of a European research network, called EMES<sup>1</sup>. Nevertheless, social entrepreneurship practitioners have always existed, everywhere in the world (Roberts & Woods, 2005). Florence Nightingale, British pioneer who has fought to improve the hospital conditions during the Crimean War in the nineteenth century, making the mortality rate drop from 40% to 2%; Roshaneh Zafar, founder of *Kashf Foundation*, who has fought for the economical condition of women in Pakistan by opening thousands of microcredit institutions (Dearlove, 2004); *Fundación Social* in Colombia, established in 1911 with the aim of generating and devoting revenues to the creation of social value (Fowler, 2000), are a few examples among many others that show that social entrepreneurship as a practice is far from its outset. Social entrepreneurship today benefits from a long heritage and a global presence.

From an academic point of view, numerous authors agree that the emerging field of research in social entrepreneurship shows three similarities with the entrepreneurial field in its early days.

First, social entrepreneurship research is still *phenomenon-driven* (Mair & Martí, 2006). Indeed, social entrepreneurship initiatives appeared early among practitioners and research in the field has been led by professionals' experience.

Second, the entrepreneurship field was reproached by, among others, Bruyat and Julien (2001), Shane and Venkataraman (2000), with *a lack of a paradigm*. In his seminal article "What are we talking about when we talk about entrepreneurship?", Gartner (1988) tackled important questions such as "Has entrepreneurship become a label of convenience with little inherent meaning?" or "Is entrepreneurship just a buzzword, or does it have particular characteristics that can be identified and studied?". This brings us back to the issue of whether entrepreneurship is a distinctive domain of research, or a discipline based research (Acs & Audretsch, 2003). We could ask the same questions concerning social entrepreneurship nowadays. One can therefore regret that the absence of a unifying paradigm in the field of social entrepreneurship has led to the proliferation of definitions (Dees, 1998<sup>a</sup>). Its boundaries with other fields of research, such as social economy or Third Sector literature, remain fuzzy (Mair & Martí, 2006, p. 36). This fuzziness brought up a question, already asked by Acs et Audretsch (2003) about entrepreneurship: does [social] entrepreneurship constitute a distinctive field of research (Mair & Martí, 2006) or is it based on other disciplines? According to Dees and Battle Anderson (2006), attracting the interest of researchers from other disciplines will be both a source of legitimacy and of new knowledge. Let us stress that this interdisciplinary approach played a key role in the evolution of entrepreneurship, coming from a marginal field of research to a respected one (Dees & Battle Anderson, 2006).

Third, academic research in this field is still at the *infancy stage* (Dees & Battle Anderson, 2006; Dorado, 2006), like the entrepreneurship field years ago (Brazael et Herbert, 1999). Entrepreneurship within the field of management sciences had then been characterized as a pre-paradigmatic field (Verstraete & Fayolle, 2004). Social entrepreneurship does not currently bear the explanatory or prescriptive theories that characterize a more mature field of research (Dees & Battle Anderson, 2006).

Social entrepreneurship, considered as a sub-theme of entrepreneurship, actually shows the same weaknesses as the latter at its beginning. That leads us to think, first, that research in the

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<sup>1</sup> In 1996, university research centers and researchers from the fifteen Members States of the European Union set up a scientific network whose name, "EMES", refer to the title of its first research program on the Emergence of Social Enterprises in Europe.

field of social entrepreneurship could to replicate the theoretical evolution of its parent-field, entrepreneurship. Therefore, even if the field suffered from the lack of an absolutely federating paradigm, research has progressed and, today, some paradigms exist. Entrepreneurship is now recognized as an academic field (Bruyat & Julien, 2001). It has an important scientific community which has produced a significant body of research (Acs & Audretsch, 2003; McGrath, 2003). Nevertheless, the entrepreneurship field has managed to go beyond the infancy stage to reach the adolescent stage.

To progress in a new field of research, a clear definition is one of the key questions (Christie & Honig, 2006). As mentioned above, social entrepreneurship, as a very complex idea that carries around a wide range of beliefs and different meanings attached to it, lacks an agreed-upon definition. In the next section, we explain how we classified the literature on social entrepreneurship.

## **2. LITERATURE REVIEW CRITERIA**

In an objective of systematization of our literature review on social entrepreneurship, we used two criteria to classify the authors and the school of thought they come from. The first criterion is the geographical origin of the stream of research and the second one is the main themes on which the school focuses. The following sections present these criteria and justify their use.

### **2.1. The geographical criterion**

From a geographical point of view, the European approach of social entrepreneurship clearly distinguishes itself from the American approach by its tradition rooted in the Third Sector. In the United States first, two independent streams of practice can explain the interest for social entrepreneurship. These two streams resulted in two schools of thought which investigated the nature of social entrepreneurship: the Social Enterprise School of thought, on the one hand, and the Social Innovation School of thought, on the other hand (Dees & Battle Anderson, 2006). Although they are often mixed up, these two schools of practice and thought emerged in their own particular context.

The American Social Innovation School of thought focuses on the establishment of new and better means to tackle problems or to satisfy social needs. Although many people contributed to the birth of the Social Innovation School, one person and his organization were its driving force: Bill Drayton and Ashoka (Dees & Battle Anderson, 2006). Created in 1980 in order to search and bring support to outstanding individuals with ideas for social change, Ashoka is at the basis of this approach. Nevertheless, the term "social entrepreneur" will not be used before the mid 1990s as a substitute to the expressions "innovator for the public sector" or "public entrepreneur" which were used so far. Since then, a lot of other organizations supporting social entrepreneurs have

appeared<sup>2</sup>. These organizations also promote the development of social entrepreneurs' networks and build structures facilitating their access to finance.

The American Social Enterprise School of thought focuses on income generation in conducting a social mission. Among the pioneer initiatives of this movement, "New Ventures", a consultancy company specialized in the Third Sector, was founded in 1980. Its creation was motivated by the growing interest of nonprofit organizations for new financial sources, the traditional ones being grants and subsidies. Similarly, the mission of another pioneer of this movement, the "National Center for Social Entrepreneurs", was to promote social services delivered by for-profit enterprises, whereas "Share Our Strength" focused on social enterprises that employed disabled people. Other important initiatives emerged with the aim to professionalize social enterprises through exchange of best practices.

Although there is a smaller gap among the different European approaches, there are clearly persisting national differences in terms of field of activities, statutes or modes of governance of social enterprises. In this paper, we will not present the position of each European country but will develop the EMES Network's approach. This one bears the advantage of a broad vision. The EMES Network's definition of the social enterprise takes the different European national realities into account.

From a thematic point of view, three main themes can be identified in social entrepreneurship definitions. The first one focuses on the individual. The second one concentrates on the process. The third one focuses on the types of organizations created.

## **2.2. The thematic criterion**

Peredo & McLean (2006) make the hypothesis that defining social entrepreneurship is logically linked to the definition of the entrepreneur in the sense that entrepreneurship is "what entrepreneurs do when they become entrepreneurs". This will be our first criterion. We will identify similarities and differences between the schools of thought regarding the definition of the social entrepreneur and his/her role in social entrepreneurship.

Following an indicative approach (Wtterwulge, 1998), some academic scholars focus on the motivations of the founder of a social initiative, as well as his/her particular features. Like in the entrepreneurship field of research, these scholars have defined entrepreneurship solely in terms of "Who the entrepreneur is" (Venkataraman, 1997) whereas, according to Gartner (1988), this question is not necessarily the right one to ask. The question of "How does the entrepreneur act?" could be a way of differentiating the social entrepreneurial initiatives from the social initiatives (Dees, 1998<sup>b</sup>). This "process" theme actually covers two dimensions: (1) the organization's goal, expressed in terms of its social mission's intensity, and (2) the required intensity of the link between the organization's main objective and the activities it endorses.

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<sup>2</sup> Among the most important ones, let us cite "Echoing Green" (1987), "The Schwab Foundation for Social Entrepreneurs" (1998), "The Skoll Foundation" (1999) and "The Manhattan Institute's Social Entrepreneurship Initiative" (2001).

Finally, following a functional approach, some researchers got interested in the tangible outcome of social entrepreneurship: the social enterprise as an organization. Here too, three main dimensions have emerged from our literature review: (1) the centrality of the enterprise concept for the approach, (2) the legal framework of the social enterprise and, linked to this second dimension, (3) the limitation or not of profit distribution by the social enterprise.

The next section of this paper presents and discusses the results of our review of the American and European literatures on social entrepreneurship.

### **3. ANALYSIS OF THE LITERATURE**

In the third part, we examine each school's publications in a systematic way. Crossing the three geographical approaches of social entrepreneurship with the six above-mentioned criteria, we obtain a 3 x 6 matrix. Let us first analyze the different approaches' interest for the person of the entrepreneur.

#### **3.1. The individual: The social entrepreneur**

We have compiled the main definitions of the social entrepreneur in each school of thought in Table 1 (Appendix 1). On basis of this table, we can draw four main conclusions.

A. The social entrepreneur as a person who initiated a social project is more or less central according to the school of thought. The Social Innovation School clearly distinguishes itself from the two others by the centrality of the individual in its conception of social entrepreneurship.

B. There seems to be an agreement among the Social Innovation School's scholars on several characteristics of the social entrepreneur. The words in boldface in the table represent these characteristics. According to these researchers, social entrepreneurs:

- adopt a *visionary* and *innovative* approach (Roberts & Woods, 2005; Skoll in Dearlove, 2004; Sullivan Mort et al., 2002; De Leeuw, 1999; Catford, 1998; Dees, 1998<sup>a</sup>; Drayton in Bornstein, 1998; Schuyler, 1998; Schwab Foundation, 1998);
- are characterized by a *strong ethical fiber* (Catford, 1998; Drayton in Bornstein, 1998);
- show a particular ability to detect *opportunities* (Sullivan Mort et al., 2002; Thompson et al., 2000; Catford, 1998; Dees, 1998<sup>a</sup>);
- play a key role as "Society's *change agents*" (Sharir & Lerner, 2006; Skoll in Dearlove, 2004; Thompson et al., 2000; Dees, 1998<sup>a</sup>; Schuyler, 1998). The Schumpeterian definition of the entrepreneur is at the basis of this school's conception: social entrepreneurs are considered as individuals who reform or revolutionize traditional production schemes of social value creation in moving resources towards places which offer superior return for Society (Dees & Battle Anderson, 2006);
- without being limited by *resources* currently at hand; otherwise they gather them together and use these to "make a difference" (Peredo & Mc Lean, 2006; Sharir & Lerner, 2006; Thompson et al., 2000; Dees, 1998<sup>a</sup>; Schuyler, 1998).

More generally, social entrepreneurs act to answer a social gap by creating a nonprofit or a commercial organization.

C. Nevertheless, the centrality of the entrepreneurial figure in the Social Innovation School does not mean that other schools of thought do not have their own conception the social entrepreneur. For the Social Enterprise School and the EMES Network, social entrepreneurship is a more collective action. For the former, the initiative must come from a nonprofit organization (not a private company) or from the State. If the initiator can be a person or a group of people, the social entrepreneur here plays a secondary role as the one who organizes and manages social-purpose activities. The Social Enterprise School stresses the double (sometimes triple) bottom line: social entrepreneurs are those who balance between moral imperatives and the profit motives (Boschee, 1995) or articulate a compelling social impact theory with a plausible business model and commercial objectives. For the EMES Network, the social enterprise is an initiative that comes from a group of citizens (Defourny, 2004).

Being of first or of second importance depending on the school of thought, the social entrepreneur seems to bear several characteristics. Nevertheless, one could ask whether these characteristics are specific to social entrepreneurship. What defines an element is a set of peculiar characteristics that enable to distinguish it from other elements, be it commercial entrepreneurship or other non entrepreneurial social activities. Therefore, to us, a comparative approach is essential in the process of defining a field and its core concepts<sup>3</sup>.

D. Despite all these attempts to define the social entrepreneurs, it seems that they share many characteristics with "commercial"/"traditional" entrepreneurs: they have the same focus on vision and opportunity and the same ability to convince and empower others to help them turn their ideas into reality (Catford, 1998). We agree with Dees (1998<sup>a</sup>) according to whom social entrepreneurs would be a "sub-species" of the entrepreneurs' family. However, if there is a lot of overlap between social entrepreneurs and business entrepreneurs, the main difference, though, is that, whereas business entrepreneurs look at a problem from a purely economic point of view, social entrepreneurs usually have a *vision* of something that they would like to solve in the *social sector* (Skoll in Dearlove, 2004). Social entrepreneurs' act will always be linked to an objective of social value creation (Sharir & Lerner, 2006; Sullivan Mort et al., 2002; Dees, 1998<sup>a</sup>; Schwab Foundation, 1998). Compared to "traditional" for-profit entrepreneurs, social entrepreneurs differentiate themselves on four criteria: their strength, their focus, their mission and how they consider profit. Social entrepreneurs draw their strengths from collective *wisdom* and experience rather than from personal competences and knowledge; they focus on *long-term* capacity rather than short-term financial gains; their ideas are limited by their *mission*; they see *profit as a means* in people's service rather than an end that has to be reinvested in future profit (Thalhuber, 1998).

Some researchers tried to define social entrepreneurship without referring to the person or the organization but to the process. The next section investigates the social entrepreneurial process.

### **3.2. The process: Social entrepreneurship**

Table 2 (Appendix 2) shows the numerous definitions of social entrepreneurship. Here again we can draw three important conclusions.

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<sup>3</sup> In the last part of each section on the person, the process and the organization, we will attempt to establish what really distinguishes this new kind of entrepreneurship from the other ones.

A. One central element emerges from all these definitions: the *social mission*. Expressed in terms of social change, social transformation, social value creation or social impact, the social mission is a key criterion to every school of thought. More precisely, for the Social Innovation School, the concept of social entrepreneurship refers to the qualities of *innovation* (Austin et al., 2006; Mair & Martí, 2004) and *creativity* of the social entrepreneur in her or his pursuit of opportunities (Weerawardena & Sullivan Mort, 2006; Roberts & Woods, 2005). To Dees (1998<sup>a</sup>), social entrepreneurship combines the passion of a *social mission* with an image of *business-like discipline*. Moreover, some authors add the *sustainable* characteristic of the social initiative (Weerawardena & Sullivan Mort, 2006; Mair & Martí, 2004). According to this movement, social value creation and sustainable social improvements prevail on profit and wealth generation. For the Social Enterprise School, the pursuit of a double (or even triple) bottom line must be the first goal of social entrepreneurship. Here, the social nature of the initiative is guaranteed by the fact that it is necessarily structured as a nonprofit initiative. Here, the social mission embraces all the social activities which nonprofits can be involved in. Finally, according to the EMES Network, social entrepreneurship initiatives must have an explicit objective of service to community which embraces social and environmental questions. Despite their differences, the three schools of thought considered in this paper gather on a very clear common point: social entrepreneurs act and social enterprises exist with an aim of social value creation.

B. Another important issue of the social entrepreneurial process that emerged from our literature review is the intensity of the link between the organization's social mission and its activities. Two approaches impose a direct link between means and end: the Social Innovation School and the EMES Network. According to Defourny and Nyssens (2006), the nature of the economical activity *must* be linked to the social mission. On the contrary, the Social Enterprise School does not consider the link between the organization's social end and its activities to be direct. For the partisans of this movement, social entrepreneurship consists of the implementation, by the nonprofit organizations, of commercial dynamics developed in order to finance their social activities. In other words, according to this approach, profit generating activities may, or may not, be linked to the social mission of the nonprofit organization.

C. Finally, opposing social entrepreneurship to commercial entrepreneurship, some scholars (Roberts & Woods, 2005; Marc, 1988) stress its innovating side in terms of collection, use and combination of resources in building, evaluating and pursuing opportunities in a perspective of social transformation. For Austin et al. (2006), the distinction between social and commercial entrepreneurship is not dichotomous but rather continuous. They propose a systematic approach to compare social and commercial entrepreneurship, based on four differentiating variables: market failure, mission, resource mobilization and performance measurement. Instead of opposing these two types of entrepreneurship, some authors (Mair & Martí, 2004; Dees, 1998<sup>a</sup>) rather look at the common factors. The next section is about the organizational perspective.

### **3.3. The organization: The social enterprise**

*Social enterprises offer a range of contributions to local economic development including providing goods and services which the market or public sector is unwilling or unable to provide, developing skills, creating employment (focusing particularly on the needs of socially excluded*

*people), creating and managing workspace, providing low cost personal loans and enhancing civic involvement through the number of volunteers involved. The wider social contribution can also include encouraging environmentally friendly practices and offering work and educational experience to young people* (Smallbone et al., 2001, p. 5)

The main two elements that characterize a social enterprise are the fact that it combines a social objective – creating social value – with an entrepreneurial strategy – applying business expertise and market-based skills to nonprofits. Although different, American and European definitions share some common ideas. From Table 3 (Appendix 3), which presents the main definitions of the social enterprise, we draw three relevant elements of comparison.

A. First, it seems that two approaches agree on the place of the enterprise in their conception. In the United States, the Social Innovation School focuses, as mentioned above, on the social entrepreneur and his/her qualities, rather than the organization and its specificities. According to this approach, the social enterprise is nothing else than an activity set up by a social entrepreneur.

On the contrary, for the Social Enterprise School, the organization is of central importance. This approach defines social enterprises as being nonprofit organizations that set up profit generating activities in order to financially survive and become more independent from donations and subsidies they receive. This second American school of thought aims at the sustainability of social enterprises and promotes complete self-sufficiency of nonprofits, which can be reached only through income generation and not through dependency on public and private sectors (Boschee & McClurg, 2003). According to Boschee (2001), the "ideal" solution to tackle a social need is to answer it autonomously without being accountable to stakeholders.

In Europe, researchers of the EMES Network, coming from several different countries, elaborated a common definition of the social enterprise in order to analyze the various national realities. This definition is based on two series of indicators. On the one hand, four criteria represent the economic and entrepreneurial nature of the social initiatives considered: (1) a continuous activity of goods or services production; (2) a high level of autonomy; (3) a significant level of economic risk taking; and (4) a minimum level of paid employees. On the other hand, five indicators identify the social dimension of the initiatives: (1) an explicit objective of service to the Community; (2) an initiative emanating from a group of citizens; (3) a decisional power not based on share owning; (4) participative dynamics including all the activity's stakeholders; and (5) a limitation of profit distribution. In that sense, the most cited definition of the social enterprise in the academic world is Defourny and Nyssens' (2006, p. 2) European view of the social enterprise: "an organization with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits". As the authors relevantly note, this is not a normative definition but rather an "ideal-type" that enables researchers to position themselves within the "galaxy" of social enterprises (Defourny & Nyssens, 2006).

B. Another important issue that arises from our literature review is the question of the legal organizational form of the social enterprise. Does the social mission of the social enterprise imply that it cannot exist under any other legal organizational form than the nonprofit form? According to the Social Innovation School, the social enterprise can adopt either a nonprofit or a for profit organizational form. For Austin et al. (2006) and Mair and Martí (2004), social enterprises should not be limited to any specific legal form. According to these authors, the choice of set-up should rather be dictated by the nature of the social needs addressed and the amount of resources needed.

To Mair and Martí (2004), it is the entrepreneurial spirit that gives to the initiatives their socially entrepreneurial nature that is important. A well-known example is the Grameen Bank in Bangladesh. This initiative has resulted in hybrid organizational forms: independent, they can generate profit, employ people and hire volunteers, as well as adopt innovative strategies in their pursuit of social change. For Dees et Battle Anderson (2006), the advantages of these organizations include, among others, a higher market response rate, higher efficiency and innovation rates, as well as a larger capacity to mobilize resources (Haugh, 2005).

On the contrary, for the Social Enterprise School, social enterprises are nonprofits that require traditional business practices. Social enterprises should thus be private, independent legal entities that cannot distribute profit.

Finally, let us note that in some European countries, a specific legal form has been created in order to encourage and support social enterprises. The Italian case demonstrates how the State may encourage social enterprises' growth thanks to the introduction of specific laws (Borzaga & Santuari, 2001). By legally recognizing the "social co-operatives (*cooperative sociali*) in 1991, Italy saw their number significantly increasing. More than ten years after the impulsion given by Italy to social enterprises, the British government defined the "community interest company" as an independent organization having social and economical objectives that aims at playing a social role as much as reaching financial durability through business (DTI, 2001). The particularity of the United Kingdom is its strong mobilization towards the promotion and the professionalization of the social enterprise (Degroote, 2008). Meanwhile, other European countries have introduced new legal forms that reflect the entrepreneurial approach adopted by an increasing number of nonprofits, even if the expression "social enterprise" has not been used as such from the beginning. In 1995, Belgium voted the status of "social purpose company" (*société à finalité sociale*). In Portugal, we talk of "social solidarity cooperatives", in France (2001) of "co-operative society of collective interest" (*société coopérative d'intérêt collectif*) and in Finland (2003) of "work insertion social enterprises" (Defourny & Nyssens, 2006).

C. Finally, profit distribution seems to us another important issue for social enterprises.

The Social Innovation School does not impose any constraint to the distribution to shareholders of profit generated by potential commercial activities of the social enterprise. According to this movement, if the social entrepreneur's activity generates benefits, these will preferably be reinvested in the activity's social object, but this is not a strict obligation. For this movement, it is the final increase of the social added value that is central.

On the contrary, the American Social Enterprise School forbids any profit distribution. According to the definition of nonprofit organizations, social enterprises cannot distribute profit to their members and administrators. Profit is entirely dedicated to the social objective. Alter (2004), in her "Hybrid Spectrum Model", presents the different options of social strategies for hybrid organizations, characterized by the fact that they generate social value as much as economical value. These strategies depend on three criteria: the enterprise's objective, the scope of its responsibility towards shareholders and the ends which profit is dedicated to. Between these two extremes, (nonprofits and traditional for profits), Alter (2004) distinguishes four types of hybrid organizations. On the one hand, *social enterprises* and *nonprofits having income generating activities*<sup>4</sup> try to have a social impact on Society. On the other hand, *socially responsible organizations*' and *practicing social responsibility organizations*' primary objective is the search for profit. Therefore in this model, social enterprises are characterized, by a social

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<sup>4</sup> This kind of hybrid organization is very close to Fowler's (2000) idea of "complementary social entrepreneurship".

mission, a high responsibility towards stakeholders and the reinvestment of their income in social programs or operational costs, in contrast with profit distribution to shareholders, totally prohibited by this school.

Finally, the European approach advocates a limit to profit distribution. To the EMES Network, the social enterprise, in its choice of the way it will distribute benefits, must avoid a behavior that would lead to profit maximization. According to this approach, the social enterprise can distribute profit, but in a limited manner.

#### **4. DISCUSSION AND CONCLUSION**

A thesis in favor of social entrepreneurship consists in considering it as a source of solutions to certain illnesses which our modern societies suffer from. The utility of social enterprises as a help tool for governments has, for example, been recognized in the United Kingdom where a lending agency for social enterprises has been set up (The Economist, 2005). Be it as a way to subcontract public services or as a means to improve these services without increasing the State's domain, social entrepreneurship initiatives are growing in number and importance.

Unfortunately, from an academic point of view, research in the field of social entrepreneurship has long remained descriptive and, sometimes, partisan.

In this paper, we have made an in-depth analysis of the literature on social entrepreneurship. From this literature review, three main schools of thought of social entrepreneurship have emerged. Two schools studying the phenomenon of social entrepreneurship have emerged in the United States. First, the Social Innovation School stresses the importance of the social entrepreneur as an individual and attributes him/her various characteristics. Second, the Social Enterprise School claims that this kind of organizations will survive by conducting profit generating activities in order to finance their social value creation. The European tradition approaches social entrepreneurship by creating specific legal frameworks of social enterprises. Three major themes have also emerged from our review: the individual, the process and the enterprise. The review of these three concepts' definitions enabled us to identify six criteria (the entrepreneur, the intensity of the social mission, the type of link between the organization's activities and its first goal, the importance of the enterprise as an organizational structure, its legal form and the limitation of profit distribution) that we used to analyze common points and differences between the different approaches. Table 4 presents a summary of the results of our literature review.

Table 4: Results of the literature review.

		American Tradition		European Tradition
Themes	Criteria	<b>The Social Innovation School</b>	<b>The Social Enterprise School</b>	<b>The EMES Network</b>
<b>Individual</b>	<b>The entrepreneur</b>	Central figure	Secondary importance	Secondary importance
<b>Process</b>	<b>The social mission</b>	Recognized as the first objective of social entrepreneurship by the three approaches		
	<b>Link aim-activities</b>	Direct	No constraint	Direct
<b>Organization</b>	<b>The enterprise</b>	Secondary importance	Central	Central
	<b>The legal form</b>	No constraint	Nonprofit	Some constraints
	<b>Profit distribution</b>	No constraint	No distribution constraint	Limited

This double-entry table, crossing the three schools of thought and the six comparison criteria, allowed us to identify the position of each approach of social entrepreneurship regarding each criterion. In summary, if the American and the European literatures agree on the fact that the first goal of social entrepreneurship must be the creation of social value, one can clearly distinguish them on basis of the central role played by the public policies and democratic principles in Europe compared to the government-detached American approach. Moreover, we observe that the *social mission* is clearly recognized as the primary objective of social entrepreneurship by all the three approaches. However, the *figure of the entrepreneur* is central only to the Social Innovation School of thought whereas the *social enterprise* is the focus of the Social Enterprise School of thought, as well as in the European tradition. Whereas the Social Innovation School and the EMES Network require a direct *link between the enterprise's social mission and the means* it uses, the Social Enterprise School advocates that the link between social mission and income generating activities can be more or less strong. Finally, *profit distribution*, in link with the *legal form*, is totally prohibited by the Social Enterprise School, which only recognizes nonprofits, and partially limited in the EMES approach, where the objective is to avoid any behavior aiming at profit maximization.

Before starting this work, one could have thought that there would have been a clear cut transatlantic divide in the way of approaching and defining social entrepreneurship. This assumption could be based on the way Europe and the United States consider the government's role and, consequently, social entrepreneurship's role. Our research does not provide that there is such a divide but indicates that, even within the United States, there are different conceptions. These conceptions are based on strong social convictions and have resulted in various definitions, making it harder to clearly circumvent the concept of social entrepreneurship. This work is a first attempt to classify and simplify this heterogeneous new field of research.

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## APPENDICES

### Appendix 1. The individual: The social entrepreneur

The chronological order has been chosen in order to put in light the evolution of the concept across time. This note is valuable for Table 2 ("Social Entrepreneurship" concept) and Table 3 ("Social Enterprise Concept).

Table 1: Definitions of the "Social Entrepreneur" according to the 3 schools of thought.

SOCIAL INNOVATION	SOCIAL ENTERPRISE	EMES NETWORK
Social entrepreneurs combine street activism with professional skills, <b>visionary insights</b> with pragmatism, and <b>ethical fiber</b> with tactical trust. They see <b>opportunities</b> where others only see empty buildings, unemployable people and unvalued resources. (Catford, 1998, p. 96)	<b>Non-profit executives</b> who pay increased attention to market forces without losing sight of their underlying mission, to somehow <b>balance moral imperatives and the profit motives</b> – and that balancing act is the heart and soul of the movement. (Boschee, 1995, p. 1)	
Social entrepreneurs play the role of <b>change agents in the social sector</b> , by: adopting a <b>mission</b> to create and sustain <b>social value</b> (not just private value); recognizing and relentlessly pursuing new <b>opportunities</b> to serve that mission; engaging in a process of continuous <b>innovation</b> , adaptation, and learning; acting boldly without being limited by <b>resources</b> currently at hand; and exhibiting heightened accountability to the constituencies served and for the outcomes created. (Dees , 1998 <sup>a</sup> , p. 3-4)	Social entrepreneurs must be able to <b>articulate</b> a compelling <b>social impact theory</b> and a plausible <b>business model</b> . (Gucly et al., 2002, <i>In</i> Acs & Kallas, 2007, p. 30)	
Ashoka's social entrepreneur is a <b>path breaker</b> with a powerful new idea, who combines <b>visionary</b> and real-world problem-solving creativity, who has a strong <b>ethical fiber</b> , and who is "totally possessed" by his or her vision of change. (Drayton, <i>In</i> Bornstein, 1998, p. 37)	Individuals who <b>combine social and commercial objectives</b> by developing economically <b>sustainable solutions</b> to social problems. It requires social entrepreneurs to identify and exploit <b>market opportunities</b> in order to develop products and services that achieve <b>social ends</b> , or to <b>generate surpluses</b> that can be reinvested in a social project. (Tracey & Phillips, 2007, p. 264)	
Individuals who have a <b>vision</b> for social change and who have the financial <b>resources</b> to support their ideas...[who] exhibit all the <b>skills of successful business people</b> as well as a <b>powerful desire for social change</b> . (Schuyler, 1998, p. 1)		
Someone who: identifies and applies practical solutions to social problems...; <b>innovates</b> by finding a new product, service or approach...; focuses... on <b>social value creation</b> ...; resists being trapped by the constraints of ideology and discipline; has a <b>vision</b> , but also a well-thought out roadmap as to how to attain the goal. (Schwab Foundation, 1998)		
<b>Rare individuals</b> with the ability to analyze, to <b>envision</b> , to communicate, to empathize, to enthuse, to advocate, to mediate, to enable and to empower a wide range of disparate individuals and organizations. (De Leeuw, 1999, p. 261)		

<p>People who realize where there is an <b>opportunity</b> to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary <b>resources</b> (generally people, often volunteers, money and premises) and use these to "make a difference". (Thompson, Alvy &amp; Lees, 2000, p. 328)</p>		
<p>Social entrepreneurs are first driven by the <b>social mission</b> of creating better social value than their competitors which results in them exhibiting <b>entrepreneurially virtuous behavior</b>. Secondly, they exhibit a <b>balanced judgment</b>, a coherent unity of purpose and action in the face of complexity. Thirdly, social entrepreneurs explore and recognize <b>opportunities</b> to create better social value for their clients. Finally, social entrepreneurs display <b>innovativeness, proactiveness and risk-taking propensity</b> in their key decision making. (Sullivan Mort, Weerawardena &amp; Carnegie, 2002, p. 82)</p>		
<p>At the Skoll Foundation we call social entrepreneurs "<b>society's change agents</b>": the pioneers of innovation for the social sector. Social entrepreneurs usually have a <b>vision</b> of something that they would like to solve in the social sector. (Skoll, <i>In Dearlove</i>, 2004, p. 52)</p>		
<p><b>Visionary</b>, passionately <b>dedicated</b> individuals. (Roberts &amp; Woods, 2005, p. 49)</p>		
<p>Social entrepreneurship is exercised where <b>some person or group</b> aims either exclusively or in some prominent way to <b>create social value</b> of some kind, and pursue that goal through some combination of (1) recognizing and exploiting <b>opportunities</b> to create this value, (2) employing <b>innovation</b>,(3) tolerating <b>risk</b>, and (4) declining to accept limitations in available <b>resources</b>. (Peredo &amp; McLean, 2006, p. 64)</p>		
<p>The social entrepreneur is acting as a <b>change agent</b> to create and sustain <b>social value</b> without being limited to <b>resources</b> currently at hand. (Sharir &amp; Lerner, 2006, p. 7)</p>		

## Appendix 2. The process: Social entrepreneurship

Table 2: Definitions of "Social Entrepreneurship" according to the 3 schools of thought.

SOCIAL INNOVATION	SOCIAL ENTERPRISE	EMES NETWORK
A vast array of economic, educational, research, welfare, social and spiritual <b>activities</b> engaged in by various organizations. (Leadbeater, 1997)	Social entrepreneurship is viewed as a category of entrepreneurship that primarily (a) is engaged in by <b>collective actors</b> , and (b) involves, in a central role in the undertaking's resource mix, socially embedded resources [...] and their conversion into (market-) convertible resources, and vice-versa. (Stryjan, 2006, p. 35)	
It combines the passion of a <b>social mission</b> with an image of <b>business-like discipline</b> , innovation and determination. (Dees, 1998 <sup>a</sup> , p. 1)		
A process consisting in the <b>innovative</b> use and combination of resources to explore and exploit <b>opportunities</b> , that aims at catalyzing <b>social change</b> by catering to basic <b>human needs</b> in a <b>sustainable manner</b> . (Mair & Martí, 2004, p. 3)		
Social entrepreneurship encompasses the notions of "construction, evaluation and pursuit of <b>opportunities</b> " as means for a " <b>social transformation</b> " carried out by visionary, passionately dedicated individuals. (Roberts & Woods, 2005, p. 49)		
<b>Innovative, social value creating activity</b> that can occur <u>within or across the nonprofit, business, and/or public/government sectors</u> . (Austin, Stevenson & Wei-Skillern, 2006, p. 1)		
The <b>innovative</b> use of resource combinations to pursue <b>opportunities</b> aiming at the creation of organizations and/or practices that <b>yield and sustain social benefits</b> . (Mair & Noboa, 2006)		
<ul style="list-style-type: none"> <li>- A behavioral phenomenon expressed in a <b>NFP organization</b> context aimed at <b>delivering social value</b> through the exploitation of perceived <b>opportunities</b>.</li> <li>- Social entrepreneurship is a <b>bounded multidimensional construct</b> that is deeply rooted in an organization's <b>social mission</b>, its drive for <b>sustainability</b> and highly influenced and shaped by the <b>environmental dynamics</b>. Opportunity recognition is embedded in these three dimensions.</li> <li>- Social entrepreneurship strives to achieve <b>social value creation</b> and this requires the display of <b>innovativeness, proactiveness</b> and <b>risk management</b> behavior.</li> <li>- Social entrepreneurs' behavior in regard to <b>risk</b> is highly constrained by their primary objective of <b>building a sustainable organization</b> and hence do not support Dees' view that social entrepreneurs do not allow the lack of initial resources to limit their options.</li> </ul> <p>Finally, social entrepreneurs can indeed remain <b>competitive whilst fulfilling their social mission</b>. (Weerawardena &amp; Sullivan Mort, 2006, p. 22, 32)</p>		

### Appendix 3. The organization: The social enterprise

Table 3: Definitions of the "Social Enterprise" according to the 3 schools of thought.

SOCIAL INNOVATION	SOCIAL ENTERPRISE	EMES NETWORK
Enterprises set up for a <b>social purpose</b> but <b>operating as businesses</b> and in the voluntary or nonprofit sector. However, according to him, the <b>main world</b> of the social entrepreneur is the <b>voluntary (NFP) sector</b> . (Thompson, 2002)	Organizations positioned in <b>two different organizational fields</b> – each necessitating different internal organizational technologies – to elucidate the structural tensions that can emerge inside these new <b>hybrid models</b> . (Cooney, 2006, p. 143)	Organizations with an explicit aim to <b>benefit the community, initiated by a group of citizens</b> and in which the <b>material interest</b> of capital investors is <b>subject to limits</b> . (EMES Network, 2006)
Social enterprises enact <b>hybrid non-profit and for-profit activities</b> . (Dart, 2004, p. 415)		An independent organization that has <b>social and economic objectives</b> which aims to fill a <b>social role</b> as well as reach <b>financial durability</b> through commerce. (DTI, 2006)
[...] a range of organizations that trade for a <b>social purpose</b> . They adopt one of a <b>variety of different legal formats</b> but have in common the principles of pursuing <b>business-led solutions to achieve social aims</b> , and the reinvestment of surplus for community benefit. Their objectives focus on socially desired, <b>non financial goals</b> and their outcomes are the <b>non financial measures</b> of the implied demand for and supply of services. (Haugh, 2005, p. 3)		
Non-profit, for-profit or cross-sector Social Entrepreneurial Ventures are social because they aim to address a <b>problem the private sector has not adequately addressed</b> ; they are entrepreneurial because their <b>founders have qualities identified with entrepreneurs</b> . (Dorado, 2006, p. 327)		
Social enterprises have a <b>social purpose</b> ; assets and wealth are used to create <b>community benefit</b> ; they pursue this with <b>trade in a market place</b> ; <b>profits and surpluses</b> are <b>not distributed</b> to shareholders; "members" or employees have some <b>role in decision making and/or governance</b> ; the enterprise is seen as <b>accountable to both its members and a wider community</b> ; there is a <b>double- or triple-bottom-line</b> paradigm: the most effective social enterprises demonstrate healthy financial and social returns. (Thompson & Doherty, 2006, p. 362)		
Social entrepreneurial organizations must clearly address <b>value positioning strategies</b> , and take a <b>proactive posture</b> as well as providing superior service maximizing <b>social value creation</b> . (Weerawardena & Sullivan Mort, 2006, p. 21)		