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INTERFACES BETWEEN SOCIAL ENTREPRENEURSHIP INITIATIVES, SOCIAL ENTERPRISES AND SOCIAL BUSINESS

Abstract

Introduction. Taking into consideration the fact that social entrepreneurship is a new phenomenon, it should be distinguished from other forms, and other phenomena. It is considered to be a challenging topic.

Purpose. The author examines the interfaces between social entrepreneurship initiatives, social enterprises and social business.

Methods. The investigation is based, first of all, on the analysis of recent researches and publications and, second of all, on several interviews with selected social entrepreneurship experts in Lithuania. The definition of social entrepreneurship and its interpretation in Lithuania, the content of corporate social responsibility and social enterprise were found.

Results. The theoretical and practical study demonstrated that some authors distinguish social entrepreneurship from social enterprises, while other scientists explain the differences between social enterprises and social business. Empirical research showed that experts explain social enterprises as a certain part, a legal form of social entrepreneurship. The study revealed that social entrepreneurship might be implemented in other forms of social entrepreneurship initiatives.

Discussion. Practical and theoretical analyses of social entrepreneurship confirmed that there is no common understanding of different phenomena: social entrepreneurship initiatives, social enterprises and social business. The study demonstrated the need for future research. It can be assumed that these phenomena share the same attributes and could be used in future study as analogues.

Keywords: social entrepreneurship initiatives, social enterprises, social business, social entrepreneurship, social entrepreneur.

Introduction. There is a wide global attention to social entrepreneurship from various stakeholder groups, but social entrepreneurship theory is still in the first stages – no unified concept, different social entrepreneurship coverage specifics and attitudes. In this paper there

is analysis of current literature and an empirical research on social entrepreneurship phenomenon.

Analysis of recent researches and publications. In order to understand the difference between social entrepreneurship initiatives and business as usual, that seeks benefit for owners Dees (1998) the definition of social business, begins by explanation of what is a business in particular. He uses how entrepreneur defined by Peter Drucker - entrepreneurs are always looking for changes, respond to them and make use of them as possibility. As well he provides a concept that not all small business owners can be treated as entrepreneurs and that not all businesses require profit motive. From this concept it is possible to move on to social entrepreneurship, where social mission is the foundation, not profit.

It should be noted that recently focus on social entrepreneurship increased even by usual, for profit companies. Dees (2007) provides one of the most impressive example, which once again emphasize the importance of social entrepreneurship - Google Inc., the Internet giant solution instead of using usual social responsibility activities, invested in social entrepreneurship initiatives, which seek social purpose such as more efficient cars, alternative energy or health improvement.

Lecturer, "Invest in Lithuania" representative Justinas Pagirys in conference held by AIESEC (2010) "Challenge: social entrepreneurship" said that there are a variety of social business definitions and concepts that are not clearly distinguished from other social phenomena, so it is particularly important to understand the differences between social business and other phenomena. He claims that social business:

- Propose a new product or service to meet the needs of low-income people;
- Provides existing products or services available to low-income, to satisfy their needs;
- Innovative in process;
- Creates a sustainable model that gives possibility to society to benefit from the business;
- Has the potential to grow and be replicated;
- Activities generating income are integrated with the generation of social impact.

Also he distinguishes social business from other phenomena, by claiming that it differs from:

- Corporate social responsibility, which is based on traditional business, part of its budget dedicating to social activities.
- The traditional non-governmental organizations (NGOs), which have funding sources that are not integrated with social impact generation.
- Green business - organizations whose activities, products or services have a positive impact on the environment, but not social impact.
- Traditional businesses that focus on the lowest-income people needs, but has main goal to get higher profits rather than meet needs of society.

Only due to these differences in perception social entrepreneurship can be examined in right direction. Maniokas (2014) also offers to separate social responsibility, which as author says is only an additional activity that companies who reach a sufficient margin may be engaged in.

Luke, Chu (2013) argues that social entrepreneurship is different from social enterprises and non-profit organizations. He provides a comparative table that distinguishes 6 areas where differences of this type of organizations occur: identity, objectives, operations and norms, financing and returns, area, legitimacy. Finally, authors argue that social enterprises entrepreneurship is most often associated with its strategy how to ensure financial stability and innovations, through which social entrepreneurship initiatives deal with social problems. Mainly such problems that have not been solved for long time and so social entrepreneurship initiatives create social change and benefit for all. Šalkauskas, Dzemyda (2015) says that social business is not a social enterprise. Nearly in all European Union countries, the social enterprise has the following characteristics: social goals, sales revenue, focuses on part of society that has needs, can work in various forms, works with voluntary social work, are not for profit or reinvest profits, may receive financial support (Institute for SME Research and TSE Entre, Turku School of Economics, 2007). Kathy, Brozek (2008) distinguish social businesses and other organizations through social and financial return spectrum. Maniokas (2014) agrees that main objective, which in social business associate with public benefits and the reinvestment of profit helps to distinguish traditional from social business. But it should be noted that according to Roger, Martin, Osberg (2010) it is inappropriate approach that traditional businesses can be separated from social according to its motivation to make money and profit. Authors believe that this approach is wrong, and no matter what the business is, it is always motivated mainly by its mission and vision. They propose that difference should be associated with value proposition. Traditional businesses are seeking to meet existing market demand by developing services or products for those, who can easily afford to buy them, so there is a guarantee of financial gains. Meanwhile, social entrepreneurship initiatives do not seek financial gain for themselves or investors and provide value proposition for ignored, under-market population who lacks resources to achieve transformative benefits for themselves. Such value proposal focuses on a wide part of the population, large scale and significant segment. However, Tukamushaba, Orobos, George (2011) says that there is no need to compare social and traditional businesses as opposites, because only a small percentage of social and economic objectives distribution differ exist between these organizations.

Social entrepreneurship concept has the widest coverage and social business or social enterprises are just possible branches of social entrepreneurship, but all these three are often assimilated, although they are different. Yunus (2008) separates social business from social entrepreneurship arguing that social business is only one of the components of social entrepreneurship, and that anyone who creates and manages social businesses are social entrepreneurs, but that not all social entrepreneurs operate in the form of social business. According to Yunus (2008) social business is a form of social entrepreneurship, which seeks meeting the developing world's very poor consumer demand. Thompson, John (2008) argues that social entrepreneurship can be linked, be run in social business form, but not necessarily – there are also other forms and authors state that social business is different than social enterprise. Zahra, Gedajlovic, Neubaum, Shulman (2009) argues that innovation and level of activity is important for distinguishing social enterprise from social entrepreneurship, because

not all organizations, as not all social enterprises undertake innovative, risky actions that are associated with entrepreneurship.

While most argue that it is difficult to draw boundaries Roger, Martin, Osberg (2010) using examples explain that social entrepreneurship is often equated with social services (such as education assurance example in Africa), and social activism. They argue that social services impact is different and unlike social entrepreneurship initiatives, social services do not create a new, stable system. Social activism is separated from the social entrepreneurship initiatives as it does not take direct action, but rather an attempt to agitate or threaten others – in order to achieve the desired effect. Thus social entrepreneurship should not be equated with other forms, which are only one part of it.

Purpose. Main purpose of this article is to examine the interfaces between social entrepreneurship initiatives, social enterprises and social business and discuss it.

Methods. Research for this paper is based first of all on analysis of recent researches and publications and secondly - on 8 interviews with selected social entrepreneurship experts in Lithuania. They have been asked in separate interviews to define social entrepreneurship, how it is comprehensible in Lithuania, what corporate social responsibility is, and how social enterprise might be defined.

Results. While defining these concepts, experts pointed out that social entrepreneurship is different from traditional business. One expert noted that the traditional business only seeks profit, while social entrepreneurship initiatives also seek to create social value. Although others say that social entrepreneurship is related to business, but few experts noted that social entrepreneurship is focusing on solutions to social problems. Many experts identified that such initiatives are aimed at providing benefits to society and not only for seeking profit. However, one expert said, it's also a business. Several experts believe profit is not the main reason why such initiatives are developed, they also say there is a difference how profit is used in traditional business and in social entrepreneurship initiatives (mainly it is reinvested for development). According to experts, social entrepreneurship initiatives can be developed in many forms and one expert states that although in Lithuania the Social Enterprise Law defines only a certain, narrow part of social entrepreneurship there is no need for separate form for such initiatives.

Many experts have pointed out that existing law forms wrong understanding of social entrepreneurship. One of the experts said that how it is defined in the law is only one of possible forms of social entrepreneurship, and he claims that according to European Union definition there might be various forms. Therefore, experts believe that there is a difference how social entrepreneurship is understood here in Lithuania abroad. Expert gave an example of Finland, where there are two forms of social entrepreneurship and they even have different names in their language: the one, as mentioned in Lithuanian Social Enterprise Law, when certain individuals are employed; and other, wider, when companies have a social mission, which is more consistent with the definition used by academic community.

Experts told that corporate social responsibility is different from social entrepreneurship and mentioned few essential things, although pointed out that there are also certain similarities. One of the most important, that corporate social responsibility is typical for traditional businesses or corporations whose primary goal is profit, but they do additional work

and experience certain costs. These costs can be explained by the desire of companies to build reputation in stakeholders' view, satisfying their interests. However, this is different from social entrepreneurship, which is based on the social mission, seeking to solve social problem.

Experts believe that social enterprises are a certain part, a legal form of social entrepreneurship. Several experts pointed out that a key aspect of social enterprises is that they employ certain persons and although by doing it they might solve real social problem, but the main activity of these companies may not necessarily be focused on the solving social problem as primary mission, it might only be seeking to make profit for shareholders. It is also pointed out by experts that social enterprises should particularly pay attention to a certain segment, whose needs are not met and provide services or goods cheaper for them.

Talking about social entrepreneurs and its own characteristics, abilities, experts often mentioned innovation. Several experts said that social entrepreneurs in the past personally (or their family members) have been confronted with a social problem and the fact that no one was solving the problem made them to take the lead and create social entrepreneurship initiatives. This is confirmed by the claims of experts that these entrepreneurs have a social orientation; they have knowledge of the area and are guided primarily by social mission, rather than the desire to make money. As a result, experts note that such entrepreneurs are willing to accept lower financial returns. However, as is traditional business the same applies in social entrepreneurship initiatives – they have to take risks and even substantial. Such entrepreneurs apply the laws of the market; so they must have those characteristics, which are commonly attributed to traditional entrepreneurs. However, experts distinguished the fact that social entrepreneurs are really tolerant - this feature is especially important when working with certain socially excluded groups, they are also responsible and caring, they are looking for benefits for society, not just own benefits. Their ability to apply economic laws and to solve problems shows that they are creative, able to look at the situation differently. They also have ability to attract funds into innovative projects.

Discussion. Even though there are literature where interfaces between social entrepreneurship initiatives, social enterprises and social business are analysed it was found that there are no common understanding of these phenomena's. Empirical research added some clarity, but still as experts claim – there is a need for further researches on this important topic – what distinguish social enterprises from social business? What is common between social entrepreneurship initiatives and social enterprises? Do they share the same attributes and could be used in researches as analogues?

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