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Social entrepreneurship, social enterprise and the principles of a community of practice

Ioan POPOVICIU¹, Salomea A. POPOVICIU²

Abstract

Social entrepreneurship is defined as a theoretical and practical paradigm based on a specific context, characteristics and outcomes. The entrepreneurial context implies identifying the social factors that determine and sustain poverty, marginalization and exclusion; entrepreneurial characteristics refer to a direct action initiated by a social entrepreneur in the form of new solutions (innovation) for the target population, context or application; the entrepreneurial outcome is a visible and measurable social change that can be either small-scale (local) or large-scale (systemic). While social entrepreneurship starts at an individual level, the social enterprise begins as an organizational movement that applies market-based strategies in order to achieve social change. This article offers a theoretical perspective on the conceptualization and specific components of entrepreneurship, describes the social enterprise as an organizational movement for providing sustainable solutions and applies the principles of a community of practice to the communication in a social enterprise.

Keywords: social entrepreneurship; social enterprise; community of practice; social change; sustainable solutions.

Introduction

Social entrepreneurship is a rapidly emerging field that begins to attract attention both in academia (Martin & Osberg, 2007, Mair & Martí, 2006; Haugh, 2005, Alter, 2004; Alvord et al., 2004, Thompson, 2002, Dees, 2001, Thompson et al., 2000) and in civil society organizational forms (Ashoka.org, Schwab Foundation;

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Skolls Foundation). The concept of social entrepreneurship has gained such a momentum that Trivedi (2010: 63) observes,

*many traditional civil society organizational forms such as nonprots, non-governmental organizations (NGOs), charities as well as for-profit enterprises have begun to identify themselves as ‘social enterprises’, demonstrating not only the attractiveness of this concept but also the ambiguity surrounding its definition.*

In Romania the concept of social entrepreneurship is new (Borza et al. 2009; Arpinte et al., 2010) and its significance is largely developed by practitioners in the social field and presented as examples of good practice that often lack academic rigor. It is therefore necessary to provide a theoretical perspective of social entrepreneurship by which to clarify its conceptualization and specific components. Part of the difficulty in defining the concept of social entrepreneurship is that it is a complex phenomenon. Adding to this is the fact that there is not much literature available in the field that specifies its conceptual boundaries. In general, attempts of conceptualizing social entrepreneurship can be divided into four common themes: (1) focus on social profit rather than economic profit, (2) the social activist role played by the social entrepreneur, (3) elements of social innovation and entrepreneurship and (4) creating and using economic profit as a means of solving social problems rather than an end in itself (Trivedi, 2010: 68).

Definitions of social entrepreneurship have generally an individualistic approach (stressing the characteristics and traits of social entrepreneurs) and do not seek collective forms of social entrepreneurship (Alter, 2004; Alvord et al., 2004; Thompson, 2002; Dees, 2001; Thompson et al., 2000). For example social entrepreneurs are understood as *individuals* that recognize the importance of using available resources while meeting the target population’s aspirations for better life quality. Because they undertake problems such as poverty and / or disparities in health and education, their work takes on a social and moral value (Dees, 2001). They create wealth as a means to measure value creation as the social mission is explicit and central for the social entrepreneurs (Schuyler, 1998). They have a vision on how to achieve improvement and are determined to make their vision work by acting boldly and exploring all resource options from pure philanthropy to commercial methods. Social entrepreneurship “combines an emphasis on individual initiative with a deeply moral discourse of contributing to something greater than the self” (Dempsey & Sanders, 2010: 441). Analyzing popular biographies of social entrepreneurs, Dempsey and Sanders (2010) note three distinct elements in these narratives: a desire for something more than their current career and life path; a visceral experience of a social problem; and a life-changing decision to pursue an atypical career path to address the newly identified social problem. For example John Wood, founder of *Room to Read*, describes the
moment, in a rural school library in Nepal, that led to his professional dedication in addressing a larger social cause:

I asked about the school’s enrollment and learned there were 450 students. Four hundred and fifty kids without books ... I wanted to help, but would it be considered condescending if I offered? The headmaster saved me the trouble of thinking this through. His next sentence would forever change the course of my life: ‘Perhaps, sir, you will someday come back with books’ (Wood, 2006: 10 cited by Dempsey & Sanders, 2010: 446)

In each story, one intense encounter with a social problem such as poverty, social disparity or inequality prompts the individual to reflect on these social problems and decide to pursue what he defines as the meaningful work of social entrepreneurship. However, as Dempsey and Sanders (2010: 451) explain the pursuit of social entrepreneurship does come with a high personal cost:

...successful social entrepreneurs actively cultivate an identity of being highly passionate about and having a strong commitment to their work. Together, their portrayals of meaningful work hinge upon the notion of self-sacrifice: their devotion to their work comes at the expense of physical and emotional well-being and family life. The authors portray themselves as willingly trading a work/life boundary in return for being able to engage in work that they find truly meaningful. Such portrayals paint a contradictory picture of social entrepreneurship: while it is highly meaning-filled and personally rewarding, it requires stressful working conditions, significant personal sacrifice and low wages.

Social Entrepreneurship consists of three major components (see Figure 1) namely: (a) the entrepreneurial context, (2) the entrepreneurial characteristics and (3) the entrepreneurial outcome (Martin & Osberg, 2007: 35).

![Figure 1: Specific components of social entrepreneurship](image-url)
The entrepreneurial context implies identifying the social factors that determine and sustain poverty, marginalization and exclusion. The understanding of social problems differs around the world and thus, the approaches taken in order to find sustainable solutions need to take into account divergent contextual circumstances such as their temporal, spatial, cultural, political and economic setting. In this paper, sustainable solutions are understood as Alvort et al. (2004: 262) defined them: “social transformations that include the innovations for social impacts and the concern for mobilizing resources that (...) lead to shifts in the societal context within which the original problem is embedded and sustained” A failure to understand divergent contextual circumstances can result in the failure of the intervention. However, large-scale phenomena such as globalization and the use of communicational technologies and small-scale factors such as an increase in the awareness of the problem and expansion of social and professional networks may lead some social entrepreneurs to solve the problem identified by taking a more generic approach that is somewhat free of the context (Trivedi, 2010: 71).

Entrepreneurial characteristics refer to a direct action in the form of new solutions (innovation) for the target population, context or application. The challenges of finding effective and sustainable solutions to social problems are considerable and may require some of the ingredients of successful businesses. Also, solutions to social problems often necessitate a fundamental transformation in political, economical and social systems. The social entrepreneur is the individual who addresses a social problem—such as sustainable mitigation to the multitude of problems associated to long term poverty—usually by changing the underlying political, economical and / or social system. Most social entrepreneurs have launched their ideas in nonprofits, since that organizational form is already set up to advance social value. However some have introduced a social purpose to a business company, corporation or even government. One of the main characteristics of social entrepreneurship is the social vision (Alter, 2004; Cace et al., 2011), which is accompanied by an economic vision for financial autonomy (Massarsky & Beinhacher, 2002). A number of traditional nonprofits, while having social vision, adopt an economic practice of cost recovery through (a) fixing a price for services (less than actual cost, depending on the target population’s capacity, or type of business), (2) providing services only to beneficiaries who can afford the entire cost and / or (3) developing new organizational strategies by setting up outsourcing companies.

The entrepreneurial outcome is a new stable ecosystem or a substantial social change for the disadvantaged segment of the population. The outcome of social entrepreneurship is visible and measurable through the improvement of the quality of life, efficiency, social sustainability and / or economic and valuable growth options. The social change can be either small-scale (local) or large-scale (systemic). This means that the outcome can be beneficial to the target population in a particular area or it can be a paradigmatic shift in how it is approached and
viewed. Sometimes, social entrepreneurs can create innovative initiatives, build new social structures and mobilize resources in order to respond to those problems and not to the market criteria. Other times, social entrepreneurs find ways to catalyze social transformations beyond solutions to the initial problems producing small changes on short term that that echoes through existing systems to catalyze big changes on the long term (Ashoka Innovators, 2000). Trivedi (2010: 71, 72) explains that although social entrepreneurship ventures start at a point where the approach is contextual and the desired social impact is small scaled (i.e. aims to mitigate the social problem for the target population) the ultimate goal of social entrepreneurship is to create paradigmatic social change, thereby having far-reaching effects on the whole society.

**Social enterprise as an organizational movement for providing sustainable solutions**

While social entrepreneurship starts at an individual level, the social enterprise begins as an *organizational movement* that applies market-based strategies in order to achieve social change. In other words, social enterprises are private organizations that use the mechanisms of market economy to achieve their goals by creating social capital. Social enterprises should be self-sustaining and therefore entrepreneurial in their endeavors, and if the definition of entrepreneurship includes the creation of social and economic value it can be applied to both private, entrepreneurial ventures as well as social enterprises (Chell, 2007). The underlying motivation of social enterprises is a growing awareness that the problems we are facing today cannot be solved by the traditional nonprofit approach. Social enterprises take the mechanisms of the marketplace and combine them with a social mission orientation in order to achieve a more robust change faster. It’s about achieving sustainable social solutions through a self-sustaining organization.

Until recently, the current literature only distinguished between the social enterprise and the traditional (entrepreneurially) led enterprise by looking at the intended outcome: not-for-profit or for profit. The social enterprise was seen as having a social mission that emphasizes social outcome at the cost of a surplus that may be reinvested in the enterprise thus ensuring its sustainability. However Chell (2007: 11) notes that it is ironic that “to survive this enterprise requires grant-aid – paradoxically a charitable enterprise dependent on charity for its survival.” However, not all social enterprises are dependent on donations, especially since lately there has been pressure on nonprofits to become sustainable through the introduction of commercial activity (Dees, 1998: 60). There are a growing number of social enterprises that have managed to make that transition from donations, grants and governmental subsidies revenues to financial
independence gained from their activities. Some authors believe that the outcome should be the main reason in assessing the organization’s vision and thus social enterprises can be measured on a spectrum from “purely social” to “purely socio-economic” (Jeffs, 2006, Mair & Martí, 2006). Social enterprises encourage on the one hand the development of sustainable social solutions and on the other hand the acquisition of financial self-sufficiency. Sustainable social solutions can be achieved using tools such as donations, grants and / or government subsidies, but self-sufficiency can be attained only if the organization relies solely on income earned from its activities (see Figure 2).

\[
\begin{array}{|c|c|c|}
\hline
"Purely social" outcome & Social-economic outcome & "Purely economic" outcome \\
Sustainable social solutions (donations, grants, subsides) & Sustainable social solutions (self-sufficiency) & Economic sustainable solutions (market economy) \\
\hline
\end{array}
\]

**Figure 2: Continuum of programs depending on the outcome sustainable vision**

The social enterprise is situated between traditional nonprofits and traditional enterprises. The point is that social enterprises may need to make a surplus that will assure their sustainability and in order to do so they become entrepreneurial in the traditional enterprise sense. Lately as the managers of nonprofits experience the added pressure of becoming self-sufficient many want to be viewed as entrepreneurs (Foster & Bradach, 2005). However, although traditional nonprofits can also develop sustainable social solutions with tangible results, they remain dependent on donations, grants and subsidies. Traditional enterprises are economic programs that produce an increase in social welfare, and thus have social value but these are a secondary and indirect effect of income distribution. The social enterprise achieves both conditions, namely (a) to develop sustainable solutions in order to improve the social context of a disadvantaged segment and (2) to promote the social capital necessary to achieve its mission. However, Chell (2007: 11) notes,

The culture and ethos of the social enterprise are based on principles of voluntarism, ethical behavior and a mission with a social cause. This, on the face of it, gives the appearance of a culture clash with the entrepreneurially led, for
prot organization that is based on an employment contract, pragmatism and instrumental actions, with a view to creating shareholder value.

The social enterprise engages in business activities that generate economic wealth in order to enable the implementing of sustainable social solutions, and therefore creating social value. In order to achieve this goal the social enterprise needs to be entrepreneurially led in order to recognize all the social, financial and other resources that are available, but in this process the economic outcomes are reinvested giving the enterprise its sustainability. In social enterprises it can be either the social entrepreneurs or a team of practitioners that have the characteristics such as intellectual capacity, imagination and drive to recognize opportunity and mobilize social and personal networks in order to make appropriate courses of action that will result in the realization of value based sustainable social solutions.

**Applying the principles of a community of practice to communication in a social enterprise**

The term community of practice (CoP) is relatively new, designating a new perspective of learning (problem solving) in the context of in-group interaction (Wenger, 1998). A significant number of groups and organizations apply the principles of the CoP in order to increase performance and discover innovative and sustainable solutions to the problems identified. The concept of CoP can be used in any group of people who have in common: (1) a profession, (2) a set of interests/needs, and / or (3) a number of specific objectives. Communities develop their practice through a variety of activities (see Table 1)

The social enterprise communicates as a CoP because it meets the following requirements: (a) each member of the enterprise (employee / volunteer / target population) is involved in a reciprocal relationship as they set goals for finding sustainable solutions for social problems, (b) this process is essential in adopting and implementing innovative and sustainable social solutions and (c) interaction between the stakeholders creates a shared understanding and a new social profit (Wenger, 1998). Social enterprises clearly rely on the efforts of numerous individuals, and therefore it is not necessary for any particular person to identify himself as a “social entrepreneur” in the sense that it was mainly he that had the specific vision, ability and drive to engage very diverse stakeholders. In social enterprises it can be a team that possesses those necessary skills and resources. The core value is the cooperative spirit and the liberal ethos which can be antithetic to the individual social entrepreneur (Evans & Syrett, 2007). However the outcome can be “entrepreneurial” in the sense that the innovations improved the lives of the poor and marginalized groups and the resources mobilized were those
already existing in the marginalized groups rather than delivered form outside sources and services.

Table 1: Typical examples of communication in a community of practice

<table>
<thead>
<tr>
<th>Problem solving</th>
<th>&quot;Can we work on this design and brainstorm some ideas; I’m stuck.&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests for information</td>
<td>&quot;Where can I find the code to connect to the server?&quot;</td>
</tr>
<tr>
<td>Seeking experience</td>
<td>&quot;Has anyone dealt with a customer in this situation?&quot;</td>
</tr>
<tr>
<td>Reusing assets</td>
<td>&quot;I have a proposal for a local area network I wrote for a client last year. I can send it to you and you can easily tweak it for this new client.&quot;</td>
</tr>
<tr>
<td>Coordination and synergy</td>
<td>&quot;Can we combine our purchases of solvent to achieve bulk discounts?&quot;</td>
</tr>
<tr>
<td>Discussing developments</td>
<td>&quot;What do you think of the new CAD system? Does it really help?&quot;</td>
</tr>
<tr>
<td>Documentation projects</td>
<td>&quot;We have faced this problem five times now. Let us write it down once and for all.&quot;</td>
</tr>
<tr>
<td>Visits</td>
<td>&quot;Can we come and see your after-school program? We need to establish one in our city.&quot;</td>
</tr>
<tr>
<td>Mapping knowledge and identifying gaps</td>
<td>&quot;Who knows what, and what are we missing? What other groups should we connect with?&quot;</td>
</tr>
</tbody>
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The social enterprise requires a flexible and accessible communication (mutual engagement) between the practitioners and target population (top-down and bottom up) (Pop, 2009). Thus, working together all stakeholders are involved in a reciprocal process of solving social problems (i.e. poverty, exclusion, marginalization) through the balanced mechanism of authority, collaboration and apprenticeship (see Figure 3). Social enterprises are organized around shared values concerned with the fulfillment of needs and not for profit goals. It is characterized by pursuing goals through cooperation, active understanding, discovery and practice of practical skills through a process that encourages analysis, integration, reconfiguration, adaptation or rejection of possible solutions to social innovation (Woolcock, 2001a: 12).
Sustainable solutions and the interaction of all stakeholders require mutual participation in solving problems and creating an adequate social context which can generate social profit. By applying the principles of a CoP in communication in a social enterprise, the team of practitioners, suppliers, consumers and the target population of the sustainable solutions are all engaging in a dynamic process that generates active knowledge. These concepts emphasize the importance of socio-cultural factors such as trust, shared values and norms, direct contact, learning and generating innovative programs for sustainable social solutions.

From the top-down perspective, social enterprises generate social profit by involving volunteers and partners whose help analyzing, integrating and the reconfiguration of social innovation solutions set the stage for the development of sustainable solutions that build their success on trusting relations in a specific cultural and economic context (Evers & Schulze-Boeving, 2001). The social enterprise that is based on a common interest (interest network) offers extra-and intra-community links that are needed in order to develop a complex social profit. Also, emphasis on concepts such as cooperation, self-sufficiency and reciprocity are
important in shaping the organizational culture of social enterprise and community
development. From the bottom-up perspective inadequate solutions are rejected
and sent back for correction with the goal of evaluating and monitoring progress
(feedback correction) and developing a collective consciousness, goals and action
and ultimately achieving sustainable solutions.

Social enterprises create and use the trust and commitment of volunteers,
partners and build up services that depend on close cooperation in a local cultural
context. The stakeholders have common goals and they are based around commu-
nities of practice rather then geography per se, as they learn about the best way to
achieve sustainable solutions through communication and interaction in a CoP.

Conclusion

In this paper we have firstly looked at ways of clarifying the conceptualization
of social entrepreneurship and described its specific components. Secondly we
described the social enterprise as an organization that applies market-based stra-
tegies in order to achieve social change, and thirdly we applied the principles of
a community of practice to the communication that takes place in a social enter-
prise. We have seen that conceptualization attempts of social entrepreneurship
can be divided into four common themes: focus on social profit, the role of the
social entrepreneur, elements of social entrepreneurship and creating and using
economic profit as a means of solving problems. Commonly, definitions of social
entrepreneurship emphasize the role of the social entrepreneurs which are indi-
viduals that have a desire for something more then their current life path and that
decide to pursue a life-changing career to address a social problem after a visceral
experience of poverty, exclusion, inequality and / or marginalization.

Social entrepreneurship is based on the specific components of context, charac-
teristics and outcomes. The context is that of poverty, exclusion, inequality and / or marginalization, and the characteristics are the direct actions of a passionate,
committed and driven individual, known as the social entrepreneur. The outcome
is the actual social change which can be either small-scale (local) or large-scale
(systemic). While social entrepreneurship starts at an individual level, the social
enterprise begins as an organizational movement that achieves sustainable social
solutions through a self-sustaining organization. In this organization it is usually
a team that possesses the necessary skills and resources to achieve an entre-
preneurial outcome through cooperation, active understanding, discovery and
practice of practical skills through a process that encourages analysis, integration,
reconfiguration, rejection, adaptation and implementation of solutions to social
innovation which are the core principles of a communication as a community of
practice.
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