

SOCIAL ENTREPRENEURSHIP: DEFINING THE CONCEPT AND KEY COMPONENTS

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Abstract

Social entrepreneurship represents a transformative approach to business, combining entrepreneurial principles with a commitment to social good. It differs from traditional entrepreneurship by prioritizing social value over profit. Social entrepreneurship integrates economic viability with a commitment to solving societal challenges. This paper examines the definition and essential components of social entrepreneurship, which include a social mission, innovation, financial sustainability, and scalability. To this end, the author employed a qualitative research method. Drawing from theoretical perspectives such as stakeholder theory, triple bottom line, and institutional theory, the results of the study provide a comprehensive understanding of how social entrepreneurs innovate to address social issues. Also, they show the hybrid nature of social entrepreneurship, positioned at the intersection of the for-profit and non-profit sectors.

Keywords: social entrepreneurship, social entrepreneurs, social mission, stakeholders

Classification JEL: L26

1. Introduction and context of the study

Social entrepreneurship (SE) stands as a transformative approach that redefines the traditional boundaries of business, aiming to address pressing societal challenges through innovative and sustainable solutions (Zainea et al, 2020a). Emerging as a distinct field within entrepreneurship, it bridges the gap between for-profit and non-profit frameworks, offering a hybrid model where economic viability complements a steadfast commitment to social impact (Dees, 1998; Mair and Martí, 2006). Unlike conventional business ventures, where profit maximization is the core objective, SE prioritizes creating and sustaining social value, striving for systemic change in areas such as poverty alleviation, education access, and environmental sustainability (Yunus, 1999; Elkington, 1997) in a changing global business world (Toma, 2005; Toma and Marinescu, 2015), increasingly digitalized (Tohănean et al, 2018; Toma and Tohănean, 2018).

Through a comprehensive analysis of the theoretical frameworks underpinning this domain, the study provides insights into how SE functions within diverse contexts, enabling public and private stakeholders to better support its development (Freeman, 1984; Nicholls, 2006). As social challenges grow in scale and complexity, understanding and fostering SE becomes imperative for achieving sustainable progress globally (Zainea et al, 2020b).

This paper presents the definition and explores the unique characteristics of SE, detailing its fundamental principles, key components, and theoretical foundations. By examining its defining elements—social mission, innovation, financial sustainability, and scalability—this study underscores how SE contributes to addressing complex societal issues in innovative ways (Austin et al, 2006; Zahra et al, 2009). Furthermore, examples such as Grameen Bank’s microfinance initiatives and Patagonia’s sustainable business practices illustrate the field's potential to generate lasting, impactful change (Yunus, 1999; Chouinard, 2006).

The structure of this study is as follows: section 2 illustrates the literature review. The methodology is shown in section 3. Section 4 presents the results and discussion. The conclusions are displayed at the end of the paper.

2. Literature review

2.1. Defining SE

SE represents a pioneering approach to tackling social, cultural, and environmental issues through innovative and entrepreneurial strategies. At its core, it combines the agility and creativity of entrepreneurship with a primary focus on creating social value, thereby addressing systemic societal challenges. This concept extends beyond traditional business models by emphasizing the dual pursuit of social impact and financial sustainability, creating solutions that are both effective and enduring.

According to Dees (1998), SE can be defined as the pursuit of opportunities to create and sustain social value rather than focusing solely on profit. Dees emphasizes that social entrepreneurs act as change agents, disrupting the status quo to implement novel solutions for addressing pressing societal needs. This dual focus distinguishes SE from traditional business ventures, as its primary aim lies in solving social problems while simultaneously ensuring the financial viability of its initiatives.

Building on this definition, Bornstein (2007) highlights the hybrid nature of SE, which integrates social objectives within market-based structures. This hybridity blurs the boundaries between the for-profit and non-profit sectors, showcasing how entrepreneurial approaches can achieve substantial social outcomes while maintaining a sustainable operational framework. For instance, organizations like Grameen Bank have exemplified this model by providing financial services to underserved communities, fostering both economic and social empowerment.

The defining characteristics of SE also align with theoretical frameworks that emphasize systemic change. Stakeholder theory (Freeman, 1984) underlines the importance of balancing the interests of various stakeholders to create shared value whereas Elkington's triple bottom line (1997) concept advocates for a holistic focus on social, environmental, and economic outcomes, making it a cornerstone for evaluating the success of social entrepreneurial ventures. These perspectives provide insight into SE as follows:

- The Stakeholder Theory: Social entrepreneurs often consider the needs of various stakeholders, creating shared value that benefits not only investors but also communities, employees, and the environment (Freeman, 1984).
- The Triple Bottom Line: Elkington's (1997) triple bottom line framework supports social entrepreneurship's focus on social, environmental, and economic outcomes, advocating for a balanced approach to business that accounts for social value.
- The Institutional Theory: Social entrepreneurship often involves working within and against established institutional structures to bring about change. This theory highlights how social entrepreneurs navigate regulatory and cultural barriers to innovate in ways that traditional organizations might not (DiMaggio and Powell, 1983).

SE's distinctive approach lies in its ability to address issues that conventional market mechanisms or non-profit initiatives often fail to resolve. By leveraging innovative strategies, these ventures offer scalable solutions that challenge established norms and foster systemic change. This dynamic interplay between innovation, mission-driven objectives, and financial sustainability solidifies SE as a powerful tool for addressing the multifaceted challenges of modern society. In this respect, a social entrepreneur acts in a hyper-competitive business environment (Toma, 2013; Toma and Marinescu, 2013) and, therefore, should be strategic-oriented (Toma and Grădinaru, 2016; Toma et al, 2016a; Toma et al, 2016b), entrepreneurial-oriented (Marinescu et al, 2017;

Catană et al, 2020), creative (Toma et al, 2013) and innovative (Tohănean and Toma, 2018), a true leader (Toma, 2008a; Grădinaru et al, 2020) and a people motivator (Săseanu and Toma, 2019). To attain business success, he/she should implement enduring business models (Toma and Tohănean, 2019), social responsibility (Marinescu et al, 2010; Imbrișcă and Toma, 2020) combined with corporate citizenship (Toma, 2008c; Toma et al, 2011), and use different methods and techniques such as quality management (Toma, 2006), marketing mix (Grădinaru et al, 2016; Grădinaru and Toma, 2017; Catană and Toma, 2021a; Catană and Toma, 2021b), Six Sigma (Toma, 2008b), Balanced Scorecard (Toma et al, 2010), organizational learning (Toma, 2012) and training programs (Marinescu and Toma, 2013).

In this study, SE is examined not only as a distinct field of practice but also as a conceptual framework that offers valuable insights into how innovation can be harnessed for societal benefit. By understanding its core principles and theoretical underpinnings, stakeholders can better appreciate the transformative potential of social entrepreneurship in creating a more equitable and sustainable world.

2.2. The key components of SE

SE is defined by several core components that collectively differentiate it from traditional entrepreneurship. These components—social mission, innovation, financial sustainability, scalability, and hybrid value creation—are interconnected, forming a framework that enables social entrepreneurs to address societal challenges effectively and sustainably.

I. Social Mission

At the heart of SE lies a mission-driven approach, prioritizing the creation of social value above profit maximization. Unlike traditional entrepreneurs, social entrepreneurs are motivated by the desire to solve pressing societal issues such as poverty, inequality, environmental degradation, and access to education. This focus on addressing unmet social needs ensures that the primary objective of their ventures is to generate positive societal change. For example, Grameen Bank’s microfinance model targets financial inclusion for underserved populations, showcasing how a clear social mission can drive impactful solutions (Yunus, 1999).

II. Innovation

Social entrepreneurs are often characterized by their ability to develop creative solutions to complex social problems. Innovation in this context goes beyond technological advancements, encompassing novel business models, products, and service delivery mechanisms tailored to maximize social impact. By challenging conventional approaches, social entrepreneurs address systemic inefficiencies and create scalable solutions. As Mair and Martí (2006) assert, innovation is a key driver for transforming challenges into opportunities, enabling social ventures to achieve sustainable outcomes.

III. Financial Sustainability

While the primary focus of SE is achieving a social mission, financial sustainability is critical to ensuring the long-term viability of these initiatives. Social entrepreneurs aim to balance social impact with economic viability, creating business models that reduce dependency on external funding sources such as grants or donations. By generating sufficient revenue to sustain operations, social ventures can continue addressing societal needs independently. Patagonia’s commitment to environmental sustainability within a profitable business framework illustrates how financial sustainability supports the mission of social entrepreneurship (Chouinard, 2006).

IV. Scalability

Effective SE goes beyond isolated solutions to address problems on a systemic level. Scalability involves replicating successful models across different contexts, enabling broader impact and systemic change. Social entrepreneurs design their ventures with scalability in mind, ensuring that their solutions can be adapted to diverse environments and expanded to benefit larger populations.

Nicholls (2006) emphasizes that scalability is a defining feature of successful social enterprises, allowing them to address the root causes of societal challenges rather than merely alleviating symptoms.

V. Hybrid Value Creation

SE operates at the intersection of for-profit and non-profit sectors, creating hybrid organizations that blend financial returns with social impact. This dual approach enables social entrepreneurs to leverage market mechanisms while reinvesting profits into their social mission. As Emerson (2003) describes, hybrid value creation embodies the principle of integrating social and economic objectives, breaking traditional boundaries between business and philanthropy. By reinvesting surplus income into their initiatives, social enterprises ensure that their mission remains central to their operations.

Each of these components reinforces the others, forming a cohesive strategy that empowers social entrepreneurs to tackle societal challenges effectively. The interplay of innovation, mission alignment, financial resilience, scalability, and hybrid value creation positions SE as a transformative force for achieving systemic change.

Through understanding these key components, stakeholders across sectors can better support the development of social enterprises, fostering an environment where entrepreneurial innovation meets societal need. This integrative approach demonstrates how SE can simultaneously address critical global issues while maintaining a sustainable and adaptable business framework.

3. Methodology

To reach the purposes of the paper, the author utilised a qualitative research method. In the beginning, he obtained the data from various sources of information through desk research. Then, the author analysed the relevant data mostly from articles. After that, he carried on the literature review. In the end, the author wrote the study.

4. Results and discussion

This section of the paper illustrates and discusses the results through the analysis of several SE initiatives worldwide. SE thrives on the ability to merge innovative solutions with a steadfast commitment to addressing social challenges. Across the globe, pioneering ventures exemplify how the main components of SE are applied in practice. These examples showcase the transformative potential of this model and serve as benchmarks for aspiring social entrepreneurs and stakeholders.

a) Grameen Bank: Financial Inclusion Through Microfinance

Founded by Nobel laureate Muhammad Yunus, Grameen Bank epitomizes the social mission and innovative spirit of social entrepreneurship. Recognizing the exclusion of impoverished populations from traditional banking services, Yunus developed a microfinance model that provides small, collateral-free loans to individuals, particularly women, in rural areas. This approach empowers borrowers to engage in economic activities, generate income, and improve their quality of life (Yunus, 1999).

The success of Grameen Bank is rooted in its alignment with key components of social entrepreneurship. Its social mission addresses poverty alleviation and financial inclusion, while its innovative lending model redefines access to credit. Financial sustainability is achieved through repayment systems and interest revenues, and the model's scalability is evident in its replication worldwide. By reinvesting its profits into expanding services, Grameen Bank exemplifies hybrid value creation, balancing financial viability with its commitment to social change.

b) Patagonia: Redefining Business Sustainability

Patagonia, an outdoor apparel company, demonstrates how a for-profit business can align its operations with a robust social and environmental mission. The company is renowned for its commitment to sustainability, ethical production practices, and environmental advocacy. By

integrating the principles of the triple bottom line—social, environmental, and economic outcomes—Patagonia sets a standard for socially responsible business practices (Chouinard, 2006).

Patagonia’s innovative approach includes producing durable, eco-friendly products and launching initiatives like the "Worn Wear" program, which encourages customers to repair rather than replace clothing. Financial sustainability is a cornerstone of its success, enabling the company to fund environmental campaigns and reinvest in its mission. Patagonia’s scalability is reflected in its influence on industry standards, inspiring other companies to adopt sustainable practices. Its hybrid model underscores the potential for businesses to generate profit while driving systemic environmental change.

c) TOMS Shoes: The One-for-One Model

TOMS Shoes revolutionized the business world with its one-for-one giving model, which donates a pair of shoes to a child in need for every pair sold. This innovative approach addresses social issues such as health and education, as access to proper footwear plays a critical role in preventing disease and enabling children to attend school (Mycoskie, 2012).

TOMS exemplifies the integration of social mission with market-based operations. Its financial sustainability stems from its commercial success, while its scalable model allows it to expand its impact globally. By reinvesting in new initiatives, such as eye care and clean water programs, TOMS illustrates the adaptability and hybrid value creation that define social entrepreneurship.

d) M-Pesa: Transforming Financial Access in Kenya

M-Pesa, a mobile payment platform launched in Kenya, is a groundbreaking example of how technology-driven innovation can address social challenges. Designed to provide accessible financial services to unbanked populations, M-Pesa enables users to transfer money, pay bills, and access loans through mobile phones (Hughes and Lonie, 2007).

The social mission of M-Pesa centers on financial inclusion and economic empowerment for underserved communities. Its innovation lies in leveraging mobile technology to bridge gaps in traditional banking systems. Financial sustainability is ensured through transaction fees, while the platform’s scalability is evidenced by its widespread adoption across multiple countries. M-Pesa’s hybrid value creation demonstrates the power of technology to drive both economic growth and social development.

5. Conclusions

SE emerges as a transformative approach to addressing complex societal challenges by blending innovation, sustainability, and a deep commitment to social impact. Distinct from traditional entrepreneurship, it prioritizes the creation of social value over profit maximization, leveraging innovative business models to achieve systemic and scalable change. By integrating principles such as a clear social mission, financial sustainability, and hybrid value creation, SE operates at the intersection of for-profit and non-profit sectors, redefining how businesses contribute to societal progress (Dees, 1998; Emerson, 2003).

Through the examples provided by this study (e.g., Grameen Bank), it becomes evident that SE is not confined to a single industry or geographical region. Instead, it represents a universal framework for addressing pressing issues such as poverty, environmental degradation, and access to education, health, and financial resources. These ventures illustrate the application of core components —social mission, innovation, financial resilience, and scalability—while highlighting the transformative potential of entrepreneurial strategies in solving global challenges (Nicholls, 2006; Yunus, 1999).

The theoretical underpinnings of SE, including stakeholder theory, the triple bottom line, and institutional theory, provide valuable frameworks for understanding how social entrepreneurs navigate complex systems to drive change. These theories emphasize the importance of balancing

the interests of diverse stakeholders, addressing social and environmental outcomes alongside financial goals, and innovating within institutional constraints.

As the challenges facing society grow more interconnected and multifaceted, SE offers a compelling model for fostering sustainable solutions that address root causes rather than symptoms. To support the continued growth and impact of SE, stakeholders from the public and private sectors must create enabling environments that include access to funding, supportive policies, and collaborative networks (Mair and Martí, 2006; Zahra et al, 2009).

In conclusion, this paper show that SE is not merely a reaction to societal issues but a proactive and innovative strategy for achieving systemic change. By understanding and embracing its defining characteristics, stakeholders can harness its potential to create a more equitable, sustainable, and inclusive world. Future research should explore how social entrepreneurship can evolve in response to emerging challenges, ensuring that this dynamic field continues to drive meaningful progress.

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