

## Social and Commercial Entrepreneurship - A Comparative Study

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### Abstract

Entrepreneurship has been the engine propelling much of the growth of the business sector as well as a driving force behind the rapid expansion of the social sector. This study undertakes an analytical comparison between social and commercial entrepreneurship. The comparative analysis is guided by theoretical propositions focusing on variables like mission, human and finance resource mobilization, and performance measurement. These will create differences between social and commercial entrepreneurs. The analysis highlights the key similarities and differences between these two forms of entrepreneurship and presents a framework on how to approach the social entrepreneurial process more systematically and effectively.

**Keywords:** Performance evaluation, Human capital, Entrepreneurial environment, Cultural values, Social entrepreneurship, Value maximization.

### Introduction

A social entrepreneur recognize a social problem and uses entrepreneurial principles to organize , create, and manage a venture to forge social change They call themselves as social entrepreneurs, and their 'business' is to make the world a better place. Using various roles, these men and women across India are getting there, and gaining praise for their innovativeness. Unlike business entrepreneurs, they don't measure performance in profit and returns, but assess success by the impact they have on society and often work through nonprofits and citizen groups.

Pioneering Indian names like Stan Thekaekara, Milind Ranade, Vishal Talreja, Sunil Abraham, Anand Shah, Rahul Barkatky and Shalabh Sahai, among others, are building and sharing ideas for how entrepreneurs could help re-engineer society.

Social entrepreneurship is still emerging as an area for academic inquiry. Its theoretical underpinnings have not been adequately explored, and need for contributions to theory & social practice are pressing. This article aims to open up some avenues of exploration for social entrepreneurship theory development and practice by presenting an exploratory comparative analysis of the extent to which elements applicable to business entrepreneurship, which has been more extensively studied, are transferable to social entrepreneurship. To a lesser degree, we will also explore the reverse applicability or the ways in which insights from social entrepreneurship can contribute to a deeper understanding of business entrepreneurship.

## Literature Review

Since Waddock and Post (1991) coined the term “social entrepreneur” to describe private-sector individuals who act as catalysts for change in the public policy process, the study of social entrepreneurship (SE) has steadily increased. Accompanying this increase in academic attention is a similar increase in the contexts in which SE occurs, and its key outcomes. Initially a public policy phenomenon (Roberts & King, 1991; Waddock & Post, 1991), SE has progressed to include studies in the nonprofit sector (Badelt, 1997; Dees, 1998), traditional for-profit organizations (Hemingway, 2005), and mixtures of the above (Anderson, Dana, & Dana, 2006; Peredo & McLean, 2006). While SE has been described with varying degrees of specificity, in this paper we adopt a definition of SE as a process for social value creation in which resources are combined in new ways to meet social needs, stimulate social change, or create new organizations (Mair & Marti, 2006). This definition integrates both the social nature of the venture, its entrepreneurial focus on new value creation, and the variety of sectors in which SE has been studied.

Definitions of social entrepreneurship range from broad to narrow. In the former, social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector, such as in social-purpose commercial ventures (e.g., Dees & Anderson, 2003; Emerson & Twersky, 1996) or incorporate social entrepreneurship (e.g., Austin, Leonard, Reficco, & Weiskillern, 2004); or in the nonprofit sector, or across sectors, such as hybrid structural forms which mix for-profit and nonprofit approaches (Dees, 1998). Under the narrow definition, social entrepreneurship typically refers to the phenomenon of applying business expertise and market-based skills in the nonprofit sector such as when nonprofit organizations develop innovative approaches to earn income (Reis, 1999; Thompson, 2002). Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth (e.g., Zadek & Thake, 1997), and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices. The central driver for social entrepreneurship is the social problem being addressed, and the particular organizational form a social enterprise takes should be a decision based on which format would most effectively mobilize the resources needed to address that problem. Thus, social entrepreneurship is not defined by legal form, as it can be pursued through various vehicles. Indeed, examples of social entrepreneurship can be found within or can span the nonprofit, business, or governmental sectors.

We will use this broader conceptualization of social entrepreneurship here to offer a comparative analysis with commercial entrepreneurship. *We define social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors.* However, most definitions of social entrepreneurship in popular discourse, as well as in the academic literature, focus primarily on social entrepreneurship within and across the nonprofit and business sectors.

Although the concept of entrepreneurship was first defined more than 250 years ago, many have held it as one of the mysterious forces of human nature. The practice of entrepreneurship is, of course, as old as trading between tribes and villages. Many different and useful approaches have been used to describe and to analyze entrepreneurship. They have tended to fall within three main streams of research, which include a focus on the results of entrepreneurship, the causes of entrepreneurship, and entrepreneurial management (Stevenson & Jarillo, 1991). In the first stream of research, economists have explored the impacts and results of entrepreneurship. For example, Schumpeter (1934), in his seminal article, examined entrepreneurship as a key process through which the economy as a whole is advanced. The second stream of research has focused on the entrepreneurs themselves. Research in this stream examines entrepreneurship from a psychological and sociological perspective (e.g., Collins & Moore, 1964; McClelland, 1961). Finally, the third stream has focused on the entrepreneurial management process. This diverse literature includes research on how to foster innovation within established corporations (e.g., Burgelman, 1983, 1984), start-ups and venture capital (e.g., Timmons & Bygrave, 1986), organizational life cycles (e.g., Quinn & Cameron, 1983), and predictors of entrepreneurial success (e.g., Cooper & Bruno, 1975; Dollinger, 1984).

Clearly from these three streams of research, earlier conceptualizations of entrepreneurship have often focused on either the economic function of entrepreneurship or on the nature of the individual who is “the entrepreneur,” whereas in recent years, significant research has focused on the search of the “how” of entrepreneurship. Among the many engaged in this area, Stevenson (1983) defined entrepreneurship as “*The pursuit of opportunity beyond the tangible resources that you currently control.*” With this definition, emphasis is placed upon how opportunity can be recognized, the process of committing to an opportunity, gaining control over the resources, managing the network of resources that may or may not be within a single hierarchy, and the way in which participants are rewarded (Stevenson, 1985; Stevenson & Jarillo, 1991). The entrepreneurial organization focuses on opportunity, not resources. Entrepreneurs must commit quickly, but tentatively, to be able to readjust as new information arises. The process of commitment becomes multistaged, limiting the commitment of resources at each stage to an amount sufficient to generate new information and success before more resources are sought. The entrepreneurial organization uses the resources that lie within the hierarchical control of others and, therefore, must manage the network as well as the hierarchy.

Given our aim in this article of developing a framework on how to approach the social entrepreneurial process more systematically and effectively, we draw on the literature focusing on the “how” of entrepreneurship. We use Stevenson's definition of entrepreneurship and build on Sahlman's (1996) analytical framework from the entrepreneurial management literature. Sahlman's model succinctly captures the key elements that are critical considerations for commercial entrepreneurship, and therefore provides a strong basis for developing a framework for social entrepreneurship. This model stresses the creation of a dynamic fit among four

interrelated components: the *people*, the *context*, the *deal*, and the *opportunity* (PCDO) (Sahlman, 1996). Because these elements are interdependent and are situationally determined, the entrepreneur must manage the fit and must adapt continuously to new circumstances over time. *People* is defined as those who actively participate in the venture or who bring resources to the venture. They include both those within the organization and those outside who must be involved for the venture to succeed. People's skills, attitudes, knowledge, contacts, goals, and values provide the resource mix that contributes centrally to success. The presumption that economic self-interest drives most economic activity in organizations can lead to dangerous and expensive mistakes. Whether in non profit or in for-profit organizations, the whole person with multiple motivations and capacities creates the energy and determines the nature of the outcome.

*Context* is defined as those elements outside the control of the entrepreneur that will influence success or failure. Contextual factors include the macro economy, tax and regulatory structure, and socio-political environment. Economic environment, tax policies, employment levels, technological advances, and social movements such as those involving labor, religion and politics are examples of specific contextual factors that can frame the opportunities and the risks that a new venture faces. With this definition, it is clear that one of the critical elements for success is defining those elements that must be consciously dealt with, and those that can simply play out as they will. Attention to everything can mean attention to nothing. On the other hand, leaving out a single critical element of context can be the precursor of failure.

### **Research Objective**

- To study the role of commercial and social entrepreneurs for the economic development.
- To make a comparative study of commercial and social entrepreneur.

### **Research Methodology**

As per the need of the research paper, the research methodology used is descriptive in nature and used the secondary data like journals, magazines, newspapers etc.

### **FINDINGS**

We offer a comparative analysis that identifies common and differentiating features between commercial and social entrepreneurship. This exploration develops new insights about social entrepreneurship and points to opportunities for further elaboration by researchers, as well as to practical implications for social entrepreneurs and funders on how to approach social entrepreneurship more systematically and effectively.

Social entrepreneurship emerging in India but needs are massive Social entrepreneurship in India has progressed significantly over the last decade. More and more people are using entrepreneurial skills in building sustainable enterprises for profit and non-profit to effect change in India, says Deval Sanghavi, a former investment banker and now president of Dasra. Based in Mumbai, Dasra is a non-profit organisation which bridges the gap between those investing in social change and those spearheading the changes.

“Social entrepreneurship in India is emerging primarily because of what the government has not been able to do. The government is very keen on promoting social entrepreneurship - not necessarily by funding it or by advising on it or enabling it. What they do do, is not disable it,” Sanghavi, who brings the rigour and discipline of an investment banker to the social sector, told INSEAD Knowledge on the sidelines of the International Social Entrepreneurship conference held here recently.

For example, in Mumbai alone, non-profit organisations educate more than 250,000 children on a daily basis. The government has not told these organisations not to do it, he says. Whereas in some countries, when someone takes it into their own hands to start a facility for education or healthcare or empowerment, the government often puts in place barriers to prevent this from happening. “In India, there is this drive and commitment to take change upon yourself. There are no inherent barriers to begin with in India.”

Anand Shah, co-founder of Indicorps, explains that the organisation was created with the aim of leveraging Non Resident Indians (NRIs), India's immigrant diaspora, for India's development. The organisation provided opportunities for NRIs to dedicate one to two years volunteering with organisations in India.

The 2000-formed UnLtd is a charitable organisation set up by seven leading organisations that promote social entrepreneurship. Following the meet, participants decided to create a network of social entrepreneurs "to share stories and experiences, to provide a learning platform for young social entrepreneurs, to pool information on various resources, and to connect peers internationally." Tata Institute of Social Sciences director Dr S Parasuraman has argued that India is in a paradoxical state, with a few individuals accumulating wealth whereas a vast majority are losing livelihoods, are landless and are continuously marginalised. From this, he said, arises the need for entrepreneurial approaches towards social change.

Some examples from India are already being pointed to as successful models of social entrepreneurship -- SEWA, Just Change, Chidline, Fair Trade Forum, Barefoot College, and Aravind Eye Care.

Scholars like Prof Anil Gupta, of the HoneyBee network (which works to pick up and promote innovation from the grassroots and rural areas) argue that besides the 'natural capital' of natural resources, what is also important is social capital, intellectual capital, and ethical capital or "the guiding forces from within us". The commercial entrepreneur is one who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important input in the economic development of a country. The commercial entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. The major roles played by an

commercial entrepreneur in the economic development of an economy is discussed in a systematic and orderly manner as follows.

### **(1) Promotes Capital Formation**

Entrepreneurs promote capital formation by mobilising the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country.

### **(2) Creates Large-Scale Employment Opportunities**

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation.

### **(3) Promotes Balanced Regional Development**

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries leads to more development of backward regions and thereby promotes balanced regional development.

### **(4) Reduces Concentration of Economic Power**

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

### **(5) Wealth Creation and Distribution**

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy.

### **(6) Increasing Gross National Product and Per Capita Income**

Entrepreneurs are always focusing on the opportunities. They explore and exploit opportunities,, encourage effective resource mobilisation of capital and skill, bring in new

products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

#### **(6) Improvement in the Standard of Living**

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

#### **(7) Promotes Country's Export Trade**

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. Hence import substitution and export promotion ensure economic independence and development.

#### **(8) Induces Backward and Forward Linkages**

Entrepreneurs like to work in an environment of change and try to maximise profits by innovation. When an enterprise is established in accordance with the changing technology, it induces backward and forward linkages which stimulate the process of economic development in the country.

#### **(9) Facilitates Overall Development**

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialisation is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

### **Conclusion**

The core contribution of this research is the insight it provides into the study of social Entrepreneurship. First, this study contributes to the social entrepreneurial literature by highlighting the differences between social and commercial entrepreneurship using an Analytical framework on how to approach the social entrepreneurial process more systematically and effectively. The results show that while commercial entrepreneurs usually are young man with high entrepreneurial self-efficiency, high opportunity perceptions and low fear of failure; the

probability of becoming a social entrepreneur do not depend on gender, age and fear of failure. The language of social entrepreneurship may be new, but the phenomenon is not (Dess, 2001). We have always had people that start new ventures with a social improvement propose. But, the recent boom in social entrepreneurial activities opens up some avenues of exploration for social entrepreneurship theory development and practice by presenting an exploratory comparative analysis of the extent to which elements applicable to business entrepreneurship, which has been more extensively studied, are transferable to social entrepreneurship (Austin et al., 2006). The purpose of this article was to explore the extent to which elements applicable to business entrepreneurship, which has been more extensively studied, are transferable to social entrepreneurship. In doing so, we examined what scholars have said for commercial entrepreneurship and then with quantitative research we tested the commercial model in a social entrepreneur's sample. Our findings highlighted that there are significant individual differences between commercial and social entrepreneurs.

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