

Chapter 22

Social Entrepreneurship: Does Institutional Environment Make a Difference?

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ABSTRACT

The purpose of this chapter is to contribute to a better understanding of the link between social entrepreneurship and institutional environment in Portugal. A quantitative approach is used in the study, with primary data collected through an online survey. A questionnaire was emailed to both Portuguese Non-Governmental Organizations and projects available on the Portuguese Social Stock Exchange. In the analysis of the data, we used descriptive statistics, factorial analysis and t-student tests in an attempt to validate the research hypotheses. The results show that a favorable institutional environment has low importance in the decision to develop social entrepreneurial initiatives. This conclusion supports the idea that many social entrepreneurs can emerge even in developing regions where the institutional environment is weak. Therefore, social entrepreneurship could be an instrument of regional development and contribute to attenuating the social and economic differences among Portuguese regions.

INTRODUCTION

Since the work of Schumpeter, the central role played by the entrepreneur on economic growth and development is no longer questioned. The entrepreneur as innovator capitalises on profitable opportunities and achieves a temporary

competitive advantage in the marketplace until competitors imitate or supersede the innovation (Cadima Ribeiro & Freitas Santos, 2008). Also, social entrepreneurship has been recognized as a helpful instrument of social and economic policy, particularly when dealing with unemployment, social exclusion and sustainable regional and

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local economic development (Alvord, Brown & Letts, 2004; Borzaga & Galera, 2012; Friedman & Desivilya, 2010; Lambrou, 2012; Parente, Barbosa & Vilhena, 2012a; Quintão, 2004).

The focus on the role of social entrepreneurs in regional economic development is based on the idea that social organizations have a key role in solving or attenuating social problems by taking risks and developing new approaches to do things differently. If social entrepreneurs are successful they will induce regional productivity, employment growth and regional economic development (Acs, 2010; Karlsson, Johansson & Stough 2010; Mitra, 2012).

The European Commission (EU) recognised very early the importance of social organisations in economic growth and social innovation, through the contribution of such organisations to the development of societies endowed with higher levels of democracy, activism and social cohesion (European Communities, 2011).

Friedman and Desivilya (2010), based on their empirical work, have underlined the importance of social entrepreneurship for regional development in divided societies. Similarly, Azmat (2013) argued that social entrepreneurship could contribute to more sustainable growth in developing countries. According to the same author, social entrepreneurs usually adopt innovative approaches with the potential to take a positive and critical role in poverty reduction and to help with the promotion of sustainable growth in developing countries, even in hostile environments. In the same way, Yiu, Wan, Ng, Chen and Su (2014) argue that social entrepreneurship plays an important role in the community development of emerging economies, and Nega and Schneider (2014) highlight the significant role of social entrepreneurship in economic development.

For McAnany (2012), social entrepreneurship has a great potential to contribute to: (i) social change; (ii) the development of local communities; (iii) the enhancement of economic growth;

(iv) poverty reduction; and (v) environmental sustainability. Thus, social entrepreneurship can be seen as an important instrument of regional development and a way of attenuating social and economic differences among Portuguese regions, particularly when dealing with less developed regions and with low levels of economic dynamism.

This paper approaches the aforementioned issue using empirical data collected through an online survey, which takes as its object of analysis the behaviour of the promoters of the Portuguese Non-Governmental Organizations and projects available on the Portuguese Social Stock Exchange. Our main goal is to understand whether the institutional environment is capable of promoting or inhibiting the development of social entrepreneurship initiatives.

Social entrepreneurship has its origins in the entrepreneurs' spirit and in the way they face social issues, by searching for an innovative way to address permanent social necessities for which classic mechanisms show serious difficulties in providing solutions (Bernardino, 2013). The incorporation of two ostensibly opposite approaches (social and economic) allow for capturing synergies that increase the capacity to create value for society as a whole, by using a response model that is self-sustainable and permanent. Social entrepreneurship has been recognized as holding an enormous potential in terms of the economic and social development of a country and its regions, as well as being an important instrument of social cohesion (Birkhölzer, 2009).

The academic literature seems to be unanimous in its regard for the importance of new social ventures. However, social entrepreneurship is a social phenomenon that influences and is influenced by the environment, which frequently constrains social initiatives (Bernardino, 2013). Hence, it is important to understand whether the institutional environment of less developed regions is capable of promoting or inhibiting the development of social entrepreneurship initiatives.

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