

# Chapter 6

## Lean Approach to Social Entrepreneurship

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### ABSTRACT

*This chapter proposes an alternate view to social entrepreneurship emphasizing that for-profit and non-profit entrepreneurship are in essence indifferent. It then discusses the latest trends in commercial entrepreneurship world together with implications on social entrepreneurship. In doing so, the lean startup phenomenon and closely related concepts, namely customer development philosophy, business model innovation, value proposition design, and jobs-to-be-done theory are explored with implications on social entrepreneurship.*

### INTRODUCTION AND BACKGROUND

Social entrepreneurship is gradually getting more and more attention from both scholars and practitioners. Brock, Steinder, and Kim (2008) have identified thirteen different definitions of social entrepreneurship.

### DEFINING SOCIAL ENTREPRENEURSHIP

One of the notable definitions define social entrepreneurship as one that creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations (Alvord, Brown, & Letts, 2004).

In years, another related term called social enterprise has emerged. Social enterprise sees social venture as a for-profit entity that pursues a social mission. Dees (1994) first defined social enterprise as a private organization dedicated to solving social problems and providing socially important goods. Social enterprises combine innovation, entrepreneurship and social purpose and seek to be financially sustainable by generating revenue from trading. Social entrepreneurship is about applying the best of for-profit entrepreneurship to the pursuit of a social mission, or purpose. Thus, social entrepreneurship is a means to making nonprofit organizations less bureaucratic (Dees, 1998).

DOI: 10.4018/978-1-5225-5687-9.ch006

Complying this point of view, this study adopts Robinson's (2006) definition of social entrepreneurship which is defined as:

*a process that includes: the identification of a specific social problem and a specific solution, the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues economic, social, and environmental outcomes.*

Having introduced this new school of thought, Dees further suggest that social entrepreneurship is at one end of the scale representing non-profit (purely philanthropic) entrepreneurship, whereas for-profit (purely commercial) entrepreneurship is at the other end. In between is the hybrid model compromising the two extremes.

## **Social Enterprise Spectrum**

Depending on these three categories (purely philanthropic, hybrid, purely commercial) there are different benefits and returns for stakeholders who commit resources to a social enterprise:

- **Purely Philanthropic Social Enterprise:** The general motive of purely philanthropic enterprises is that they are mission-driven. Their methods and aims entail the appeal to good will and the creation of social values. Beneficiaries do pay nothing for the offering. The capital required to build a philanthropic enterprise is commonly raised by donations and grants. The workforce consists of volunteers. Suppliers make donations.
- **Hybrid Social Enterprise:** Enterprises in this domain have mixed motives. Their methods and aims embrace a balance of social mission and market orientation in order to create both social and economic value. Beneficiaries (customers) do pay subsidized rates for the goods or services or there is a mix of full payers and those who pay nothing. Financial funds are raised at below market capital rates. Their workforce is paid below market wages and/or there is a mix of volunteers and fully paid staff. Suppliers typically offer special discounts and/or there is a mix of in-kind contributions and full prices.
- **Purely Commercial Social Enterprise:** Purely commercial enterprises are those characterized as completely market-driven. Their methods and aims are appeal to self-interest, including the creation of economic values. Customers pay fair market prices. Investors provide capital at market rates. The workforce receives market salaries and suppliers charge full market prices.

Based on the social enterprise spectrum, Alter (2007) further differentiates hybrid social enterprises into four distinct categories, namely, non-profit enterprises with income-generating activities, social enterprises, socially responsible businesses and enterprises practicing social responsibility. To the left side of the spectrum among the hybrids are those non-profit enterprises with income-generating activities and social enterprises whose business activities generate profits to fund their social mission and report back to their stakeholders. To the right side of the hybrid spectrum there are for-profit enterprises, socially responsible businesses and enterprises practicing social responsibility which create social value but are mainly driven by profits and are accountable to shareholders.

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