

# Chapter 8

## Human Resources Management in Social Entrepreneurship

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### ABSTRACT

*With the rise of social entrepreneurship, social enterprises have gained popularity as socially innovative organizations which try to balance their economic and social missions. In the competitive environment of social economy, good management and investment in human resources have become requirements of social enterprises for their survival. Among the management practices, human resources management acts as a tool for gaining competitive advantage and it builds mutual trust between the staff and the organization. Emphasizing the significance and challenges of human resources management, this chapter explains human resources main practices—recruitment, career management, training, and compensation and performance management—in social entrepreneurship.*

### INTRODUCTION

Social entrepreneurship definitions are various in the literature and the conceptualization of the construct includes many dimensions such as social mission, continuous innovation, use of resources, credibility, accountability, sustainability, creating social value, opportunity recognition, commitment to collective purpose, etc. (Waddock & Post, 1991; Leadbeater, 1997; Dees, 1998; Sullivan Mort, Weerawardena, & Carnegie, 2003). As can be derived from these dimensions, in social entrepreneurship social needs are tried to be met by achieving sustainability (Mair & Marti, 2004) which leads us to accept social entrepreneurship as the interaction of social mission and economic goals.

Social entrepreneurship can be regarded as a response to unmet individual and societal needs (Haugh, 2007) while encompassing creating of social enterprises (Haugh, 2005). Unlike traditional for-profit sector, social enterprises in the realm of social entrepreneurship has emerged as mission-driven organizations which have emerged in reaction to social, economic and/or environmental problems. The relationship between social entrepreneurship and social enterprise can be found in some of the definitions in the field. For instance, social entrepreneurship is seen as,

DOI: 10.4018/978-1-5225-5687-9.ch008

*the entrepreneurship leading to the establishment of new social enterprise, and the continued innovation in existing ones (Sullivan Mort, Weerawardena, & Carnegie, 2003).*

Global Entrepreneurship Monitor (2006) also regards social entrepreneurship as *any attempt at new social enterprise activity or new enterprise creation* (Harding, 2007). Thus, it is highly probable that social entrepreneurship leads to the creation or the development of a social enterprise; however a social enterprise is not necessarily or permanently engaged in a social entrepreneurship process (Brouard & Larivet, 2010). Although the relationship is uni-directional, there is an inevitable connection between these concepts and in this chapter, human resources management (HRM) will be discussed on both social entrepreneurship level and on social enterprise level.

As the organizations of the process of social entrepreneurship, social enterprises are located *at the crossroads of market, public policies and civil society* (Nyssens, 2006). There are some factors which enable the growth of these enterprises recently. One contributing factor is the former donor-dependent organizations' seeking of more commercial sources of revenue -like earned income- due to the change in philanthropic giving. In addition, market opportunities for new entrants emerged because of the change in public service delivery. Also, new forms of capitalism have directed attention and resources towards the market potential of social enterprises. Consequently, with the rise of social enterprises' blending social and economic values, boundaries between for-profit, non-profit and public sectors have been blurring (Doherty, Haugh & Lyon, 2014). Within this context, as social enterprises develop in number and also in quality, management of these organizations has become an important issue. First, establishment and foundation of these organizations, and then their legitimacy and sustainability require good managerial knowledge and practice (Borzaga & Solari, 2001).

Within the management issues of all organizations including for-profit, public and non-profit social enterprises, human resources management constitutes a very important area. Leaders of all three sectors have been aware of the importance of human resources in capacity building and organizational effectiveness. Regarding HRM resemblance in non-profit and for-profit sectors, there are two strands of research opposed to each other. One strand of research claims that there is an increasing institutional isomorphism between the sectors. According to this view, social enterprises are converging in their human resources (HR) practices with public and for-profit organizations. Thus, social enterprises borrow good HRM practices from other sectors. On the other hand, second strand of research believes that social enterprises are unique in nature. Therefore, they have different challenging areas than public and for-profit counterparts. These areas include legislation and regulation, production and service quality, finance, and talent acquisition, retain and development in terms of HRM (Baluch, 2012; Borzaga & Solari, 2001).

In line with the difference in HRM approach, social enterprises are also regarded as different entities from for profit organizations because of their explicit social orientation and indirect profit-oriented. Although they explicitly deal with social issues, they generally have difficulty in resource management and economic value creation which are main requirements of organizational sustainability (Austin, Gutierrez, Ogliastri, & Reficco, 2006). Moreover, economic demands on social enterprises make them less competitive when compared with for-profit organizations in providing adequate compensation and incentives for their employees (Bhati & Manimala, 2011; von Eckardstein & Brandl, 2004). However, mission statements of social enterprises are recognized as influential tools that intrinsically motivate employees towards meeting organization's purpose. A distinctive characteristic of social enterprises is the "pursuit of social mission" which explains the fact that these organizations' focus of attention is on

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