SOCIAL ENTREPRENEURS
AND COMMUNITY DEVELOPMENT

In this paper, three social entrepreneurs are profiled. We examine some attributes that are shared by social and traditional entrepreneurs including their innovative behavior. As well, we discuss how social entrepreneurs appear to differ from traditional entrepreneurs in terms of their motivation, and their approach to raising investment. We conclude that a pool of social entrepreneurs may be critically important for future social and community development.

Introduction

As we approach the twenty-first century our understanding of the role of the entrepreneur in society is changing. With this change, new forms of entrepreneurship are emerging. One of these emerging forms is referred to as social entrepreneurship. The goal of this paper is to show that the paradigm of an entrepreneur provides useful insights into recent social activity.

The definition of entrepreneurship has been evolving for over two hundred years. In one of its earliest forms, entrepreneurship was seen as risk taking. A n entrepreneur was someone who was willing to buy goods at a set price, and then resell them at an uncertain price. According to Jean Baptiste Say (1767-1832), the entrepreneur engaged in a process of resource allocation, shifting economic resources from an area of low, into an area of high output and yield (Drucker, 1985). Say’s definition raised the idea that the entrepreneur created wealth by reallocating resources. We now recognize that the process of entrepreneurship is much more complex than simply buying and selling.

Schumpeter furthered our understanding of the entrepreneurial process by proposing that innovation, “the act that endows resources with a new capacity to create wealth” (Drucker, 1985, p.30), is a powerful tool that the entrepreneur effectively uses to achieve his (her) goals and objectives. Until the introduction of innovation, entrepreneurship was associated, almost exclusively, with ownership of capital. Today, we recognize the value of information and that entrepreneurs must be concerned with knowledge. For example, knowing how to assemble a team whose combined skills are complementary and comprehensive is an essential entrepreneurial attribute (Thurow, 1996). The teams become sources of new ideas from which economic growth can be generated.

As our understanding of the entrepreneurial process improves we have come to recognize that the application of an entrepreneurial approach extends beyond initiatives aimed at maximizing personal wealth. William Bygrave, the director of entrepreneurial studies at Babson College, defines the entrepreneur as “someone who perceives an opportunity and creates an organization to pursue it. Under this definition the traditional profit-orientated-capitalist is not the only kind of entrepreneur. The scope of action open to the entrepreneur is now understood to be considerably broader than this. When we begin to explore the links between society and economics, socially valued development becomes more likely. Entrepreneurial individuals, who propose innovative solutions to resource allocation with a view to social, environmental, and economic improvement, are social entrepreneurs. In the next section, three of these individuals are described.
Three Social Entrepreneurs

Helen Taylor-Thompson
In the early 1980s Britain’s National Health System was engaged in a process of rationalization. In part, this involved reducing the number of smaller hospitals and focusing efforts on larger ones. One of those due to close was Mildmay Mission, a district general hospital in east London. The hospital had been originally established in the 1860s and had become part of the NHS services in 1948. In September 1982 the health authority announced the closure. Helen Taylor-Thompson decided to launch a campaign to save Mildmay Mission. During World War II she had been involved in special operations behind enemy lines. After the war she became a successful businesswoman. Described as a combative, charismatic, driven personality, Mrs. Taylor-Thompson used her many contacts within the NHS bureaucracy to delay and then reverse the decision to close. More than three years later, in October 1985, the hospital reopened as a charity on a 99-year peppercorn rent. Taylor-Thompson was able to attract key personnel to the administration. Over the next two years the hospital developed its mission. With the help of a Christian charity, the Care Trust, Mildmay Mission opened Europe’s first AIDS hospice ward in February of 1988. Care of patients with AIDS was financially demanding and placed a considerable strain on resources allocated to other patients. Soon the hospital mission was refocused on AIDS patients. Other client groups, like chronically sick youth, were passed over to the NHS. Mildmay has gained an international reputation as a provider of quality care to AIDS victims and their families and now conducts training programs in Uganda, Canada, Greece, India, Italy, Japan, and Romania with further expansions in sight (Leadbeater, 1997).

Greg MacLeod
Greg MacLeod, a Catholic priest and Professor of Philosophy at the University College of Cape Breton, has made a thorough study of the Mondragon co-operative system, which operates in the Basque region of northern Spain. For more than twenty years he has tried to repeat the lessons learned from Mondragon in his community. Since the late 1960s the cornerstone industries of the Cape Breton economy, Steel and Coal, have undergone uninterrupted decline. The community has had to endure the impact of high unemployment and general decline. To counter this, Father MacLeod wanted to mobilize local resources to undertake development on a variety of fronts. In 1973, he was instrumental in incorporating the Cape Breton Association for Co-op Development. This initiative drew on the history of the area and the previous success of co-operatives there. This was an initial attempt to develop an instrument that could undertake development and champion community interests. However, co-operatives are required to offer dividends to member-owners and it is frequently difficult to convince members of the importance of re-investing dividends for future growth (Hanratty, 1981). Therefore, a new form of organization was sought. MacLeod was looking for an entity that used business practices to create wealth but he wanted the benefits to go to the community rather than to a few shareholders. The solution was New Dawn Enterprises, a not-for-profit community development corporation. New Dawn is a third sector organization. It combines social goals with good business practices. It is not government nor is it a private corporation earning profits for individuals. For almost 25 years New Dawn has operated successfully and currently has assets (primarily real estate) in the range of $20 million. Among its many achievements New Dawn is credited with overcoming a shortage of dental services in Cape Breton. This was accomplished by undertaking a campaign to build state-of-the-art dental facilities and to recruit dental school graduates to occupy these facilities. In one twelve month period, New Dawn increased the number of practicing dentists in Cape Breton by 15% (Hanratty, 1981).

More recently, MacLeod has developed a community-venture-finance company called BCA Holdings Ltd. BCA draws on a pool of capital provided by local investors and matched by government funds. Like New Dawn, this is a not-for-profit company limited by guarantee. A circle of locally-based successful businessmen provides counsel and, on occasion, partner with BCA. BCA has successfully invested in several local companies that were under threat and about to cease trading. Today, many of these companies are expanding their operations (Johnstone, 1995).
Mohammed Amin

A social entrepreneur who is creating economic self-help co-operatives in India's Orissa State is Mohammed Nooruddin Amin. In Orissa, more than 6,000 of the 9,600 economic co-operatives were operating at a financial loss and had to be subsidized by outside sources (Ashoka 1996). Much of this failure was due to corruption and embezzlement. This is an unfortunate situation because these co-operatives were designed to assist those who did not qualify for assistance from the traditional banking system including those who were too poor, those who were unable to raise required collateral, and who were unable to complete the complex banking forms.

Amin's plan was to revitalize the system by organizing self-help cooperatives. These self-help cooperatives would require community members to deposit money into a community bank. The community members would then have a source of capital that they could use to serve the immediate local needs, or they could use these funds for investment in small businesses. In order to encourage investment, Amin set the savings rate above the rate offered by the traditional banks and the loan rate to less than the bank rate.

Amin's goal is to have community members interacting with each other and sharing ideas for growth and development, in their communities. It is through interaction and idea sharing that the process of innovation takes shape and community members use existing skills to create new processes and products, which will propel these communities towards self-sufficiency and growth. Presently, the formal banking system does not recognize Amin's institution, but in time as the new bank's capital account grows, Mohammad's new banking system will have to be acknowledged. Once this happens, the communities that have been ignored by the formal banking system will be mainstreamed into the formal system.

Are they entrepreneurs?

These three examples depict individuals who are committed to their communities. They do not receive excessive financial rewards for their efforts, but they have recognized the power of the capitalistic system and realize socially responsible development demands that:

1. Projects must be fiscally viable;
2. The process must be designed to meet community needs and benefit community members.

If initiatives are not fiscally responsible, they will not be taken seriously by mainstream society. If they do not address the needs and wants of communities there will not be enough community interest to undertake the projects.

Social entrepreneurs (like those just described) and traditional entrepreneurs use similar tools to achieve their objectives. Indeed, traditional entrepreneurs and social entrepreneurs have much in common. Both groups have similar personal characteristics and skill sets, develop new ideas or personal visions, both are innovatory and face the challenges of recognizing demand, acquiring resources, and developing organizations to realize their visions.

Social entrepreneurs and traditional entrepreneurs succeed for many of the same reasons. Both must be tenacious and resourceful. (McCullain, Long, 1990) Both must possess well-developed social and communication skills, and have the ability to think clearly and abstractly. Instead of adopting the typical assessment of business proposals in terms of supply of resources, entrepreneurs of both types evaluate proposals in terms of demand and potential. They are forward looking and think in terms of possibilities. They have vision. (In each of the three cases described, a vision formed the basis of the initiative). If the demand is believed to be sufficient, the entrepreneur will attempt to find the required resources to meet the demand.

Because there are so many issues that must be addressed in the development of a new project, the social entrepreneur must be persistent (Ashoka 1998). To see an idea through to completion, a great deal of commitment is required. Some of the projects described earlier have taken ten years.

A successful entrepreneur must be able to describe his (her) vision clearly (Balderson, 1998). He (she) must be able to convey this vision to potential investors, employees, and stakeholders from the
community. The processes of clear thinking and effective communication are essential for all entrepreneurs. They need to be able to explain to others why they want to do something, why it is so valuable, and why others should invest or embrace the idea. All three cases show that these individuals were able to convince others.

Even if an idea is effectively communicated, a successful entrepreneur must assemble the right team and organization to realize the vision (Timmons, 1999). Successful entrepreneurs must determine which skills they lack, seek out individuals who possess these skills, and either subcontract to them, or bring them into the organization. Entrepreneurs who surround themselves with skilled individuals dramatically increase their chances of success. At an early stage in the Mildmay project, Mrs. Taylor-Thompson was able to recruit individuals with experience in hospital administration. Greg MacLeod has used a network of local business and professional people as board members for his organizations.

In addition to these similarities, both entrepreneurial types must have access to resources. Obviously, it is very difficult to have available at the outset all of the resources required to complete a project. Entrepreneurs are able to assess when they have enough resources to begin the process even though all of the resources are not in place (Stevenson, 1999). Taylor-Thompson acquired a building for little or no rent and then found funding from Charity Trust. MacLeod and Amin used resources provided by individuals from their communities.

Entrepreneurs are innovators (Schumpeter, 1934). According to Drucker, there are seven sources for innovative opportunity: 1) the unexpected; 2) incongruity; 3) innovation based upon process need; 4) changes in industry structure or market structure; 5) demographics; 6) changes in perception, mood, and meaning; and 7) new knowledge, both scientific and nonscientific (Drucker, 1985). Each of the social entrepreneurs described earlier was innovatory.

One of the most common sources of innovation occurs when unexpected successes or failures are analyzed (Drucker, 1985). Some social entrepreneurs monitor the progress of social projects to determine if there are any unexpected successes or failures, since these are symptoms of unanticipated variables that initially were not taken into account. These new variables may be the reason why the product or service is either failing or enjoying success. Once discovered, the social entrepreneur then has the opportunity to formulate new strategies to either exploit or eliminate these new factors. The case of Mohammed Amin is an example of an entrepreneur using this kind of innovation trigger. Amin recognized that the co-op system was failing and he knew why. Because he understood, he had an opportunity to provide an alternative service.

Industry and market structure changes are one of the richest sources of innovation (Drucker, 1985). Businesses and organizations that do not align their operating strategy with changes in society and the marketplace can lose their competitive advantage. The social entrepreneur can highlight potential opportunities through systematic investigation of the organization’s operations and the evolution of society and the marketplace. Mrs. Helen Taylor-Thompson and the staff of Mildmay Mission recognized that the changes in society were creating a need that would not be met by existing services. Their decision, to specialize in the treatment of AIDS, has propelled Mildmay Mission into a growing field of human concern and activity and has made the organization an international leader.

A third source of innovation is new knowledge or information (Drucker, 1985). Knowledge-based-innovation can take a long time. For the social entrepreneur this requires careful analysis of community resources and the skill to determine which are present and which are not available. Further analysis is then required to ascertain if the missing skills or resources can be either created or obtained, in a cost-effective manner. The approach taken by Father Greg MacLeod illustrates this kind of innovation. His experiment involving BCA Holdings Ltd. is an attempt to fill in perceived gaps with new kinds of organizations.

Every entrepreneur must have a sound business concept to succeed. There must be a need for the proposed product or service, along with a market that has the ability to consume such products or services. However, it is also around the business concept that we begin to see differences between traditional entrepreneurs and social entrepreneurs.

What are the differences between social entrepreneurs and traditional entrepreneurs?
One of the most significant differences between the social entrepreneur and the traditional entrepreneur is in terms of motivation. Traditional entrepreneurs are motivated by the desire to realize profits and frequently by the desire to grow the company (Timmons, 1999). To achieve these ends, they create traditional capitalistic organizations. These organizations are focused upon maximizing the bottom line. The measure of their success is income generated. The more income they generate, the more successful they are. The reason why traditional entrepreneurs provide products and services to their communities is to increase the value of their own enterprises (Thalhuber, 1996). Positive impacts of their businesses on the community are of secondary importance. To traditional entrepreneurs, the well being of the community is not seen as their responsibility; rather it is a social problem that should be delegated to organizations mandated to deal with social issues.

Social entrepreneurs, on the other hand, are not aiming to maximize personal fortunes; instead, they are focused on helping communities become self-sufficient and autonomous. To achieve these objectives, they create organizations and use business practices that are similar to those employed by profit-orientated organizations. However, as we have already seen, their organizations may be not-for-profit structures. The difference is that the excess money generated by them is reinvested in order to further serve and benefit the community (Thalhuber, 1996). Income is a tool that assists the social entrepreneur in pursuing other goals.

Related to this are differences in the frames that each entrepreneurial type uses to evaluate investment returns. Frequently, traditional entrepreneurs will focus on short-term financial gains. In contrast, social entrepreneurs may focus on capacity building, strengthening the organization’s ability to meet future community needs. They consider profit to be a means, not an end, of the entrepreneurial process. Therefore, the social entrepreneur seeks to reinvest profits in order to further benefit the community and strengthen the organization. Thus, social entrepreneurs are concerned with long-term implications of projects (Thalhuber, 1996). They realize that in order to achieve long-term, socially desirable development, short and long-range projects must be complementary. Sole reliance on short-term investment projects may provide opportunities for immediate returns, but they do not typically develop the infrastructure upon which communities may prosper. As a consequence, social entrepreneurs appear to place relatively less emphasis on the short-term.

Finally, social and traditional entrepreneurs differ in the way in which they approach investors. In some ways the traditional entrepreneur has an advantage here because many potential investors assess investment options quantitatively. Terms such as return on investment, and liquidity ratios are accepted investment terms. Therefore, when a traditional entrepreneur approaches potential investors, he (she) can express his (her) ideas to them in a common language. Since both parties understand these terms, the communication process is improved and consequently the chances of success are improved.

The social entrepreneur is operating at a disadvantage when seeking funding from traditional lending institutions, primarily because he (she) is speaking a different investment language. The social entrepreneur may be concerned with long-range projects, which must be assessed both quantitatively (are they fiscally responsible) and qualitatively (do they meet community needs). Traditional lending institutions find it difficult to satisfy these requests because qualitative variables are difficult to compare and evaluate and the overall scope of the project may be outside the usual five or seven year range (Thurow, 1996, p286). This may explain why some social entrepreneurs have resorted to non-conventional sources of finance (Johnstone, 1997). Over time, these new kinds of structures can come to represent a significant alternative source of investment capital. In some cases these sources have evolved into sophisticated self-sustaining systems. This is clearly illustrated by the Caja Laboral Popular (The Mondragon Experiment, 1987) in Mondragon, Northern Spain. Not only has the Caja developed into a formidable source of finance, it has also cultivated skills in risk assessment and opportunity analysis (MacLeod, 1987).

Social entrepreneurs also differ in terms of the scope of resources they are likely to use. They are scavengers. They realize that most communities have under-utilized assets such as buildings, land, natural resources and the skills of community members. From the perspective of the social entrepreneur all of these are assets. One of the more difficult aspects of the role of the social entrepreneur is to persuade community members that they, collectively, do have the resources to improve their community,
and that it is in their best interests to do so. In order to persuade the community of this, social entrepreneurs must use their personal characteristics and positions within the community to reassure prospective stakeholders. Many social entrepreneurs, by virtue of the positions they hold in their communities, are widely perceived as credible. They may be clergy, business professionals or health professionals as in the profiles we discussed. In the cases we have examined social entrepreneurs appear to be able to use their credibility to ease the community’s fear about new ideas. When a trusted and respected member of a community endorses a new idea, others are more likely to accept and support it. In part their acceptance can be explained because they trust the social entrepreneur.

Problem recognition and strategy formulation are not the most challenging aspects of the social entrepreneur’s task. The greatest challenge is influencing others. Many people are resistant to the ideas generated by social entrepreneurs, because community members like most of us are often resistant to change, like having to assume new roles in the community. Therefore, indirectly, the social entrepreneur’s role in a community often creates anxiety for other community members.

In light of the position the social entrepreneur holds in the community, he or she can, through effective communication of ideas, encourage other community members to become involved in a vision of the community. This often results in community members reshaping the definition and scope of their own positions, within the community. The potential exists for others such as professionals, doctors, lawyers, business people, and educators to step outside their traditional roles and to make use of their talents to achieve community orientated outcomes. With the support and credibility of these community leaders and business professionals, it would be easier for the social entrepreneur to persuade others to embrace the project. With this level of acceptance achieved, the chances for communities to prosper are enhanced.

Individuals like Anne Taylor-Thompson and Greg MacLeod are social entrepreneurs not only because their ideas yield socially desirable results, but also, because they have learned to use their positions within the community to add credibility to their proposals. As a priest and an educator Greg MacLeod is regarded as a knowledgeable and trustworthy. These are assets. He puts those assets to work when he steps outside the traditional role as a priest and enters an entrepreneurial role. This encourages other community members to step outside of their traditional roles and look at situations from a different perspective. This is a new perspective that focuses upon the community and upon what is fiscally achievable as opposed to what traditional. This new perspective on old problems tends to stimulate discussion and leads to problem identification, idea generation, and socially desirable, fiscally responsible community development.

Social entrepreneurs may be perceived as performing the same functions as government, since they are involved in similar processes of resource allocation, for the benefit of community members. However, social entrepreneurs have the potential to be much more effective at this, because they make decisions based upon community need. For the social entrepreneur, the needs of the community determine the direction of investment, while politicians have to be concerned with other issues such as party policies, special interest groups, and their own political survival. It is these other issues that make efficient resource allocation very difficult, for government.

The Importance of the Social Entrepreneur

Today, the social entrepreneur has a unique role to play in society. There is an increasing demand for their skills and their ability to merge many of the tools of capitalism with an objective of social responsibility. Merging these two concepts has the potential to create self sufficient and fiscally responsible communities. Increasing polarity of income distribution, reduction of the middle class, and the decay of small communities (Thurow, 1996) suggest that governments have had limited success in achieving these objectives.

The social entrepreneur is aware that unfettered capitalism will not produce long-term socially desirable outcomes. According to Thurow, capitalism values short-term projects; however, it is long term capital infrastructure investments that create opportunities for growth and development (Thurow, 1996). Traditional investors are unlikely to take up such projects because the payoff is too far into the
future and too modest. Social entrepreneurs realize that in order to achieve socially desirable outcomes, a capitalistic component must be part of their organizations, but social factors (such as social stability, environmental responsibility, and community development) must be given equal importance.

To achieve long-term survival, communities must become self-sufficient and they must find efficient and effective methods to provide necessary services. They cannot rely solely on third party financing, such as government, for all their services, because this arrangement would give non-community members control over the direction of development. Historically, this arrangement has not benefited communities over the long term. In fact, it often leads to community dependence, similar to what we see in third world countries (Hettne, 1978). In these cases long-term development cannot be realized, because the source of investment is governed by political, not community agendas.

Social entrepreneurs develop organizations to achieve their visions of socially desirable development. Their organizations are frequently operated as not-for-profit structures. These differ from non-profit organizations in that they are designed to generate profits similar to traditional businesses. However, the profits they generate are used to fulfill social needs rather than shareholder wealth. Not-for-profit organizations compete with traditional businesses and therefore must be efficiently and effectively managed. Some view the not-for-profit organization as a primary vehicle for traditional business practices with socially orientated goals (MacLeod, 1987).

By the late 1990s, many would have argued that “the social experiment” conducted in countries like England and Sweden, had failed. Providing for social needs, through government directed programs, had proved to be just too inefficient to be sustainable. Unfortunately, as Thurow has argued, unfettered capitalism is more likely to increase social disparities than reduce them. Thus, there is a growing need for a new approach. Using the tools of the traditional entrepreneur, socially minded individuals are responding within their own communities. Harnessing the tools of capitalism to serve social ends is what social entrepreneurs do. The three cases discussed in this paper are not isolated. Social entrepreneurship is a phenomenon that is growing.

**Conclusion**

In this paper we have compared the skills and traits of social entrepreneurs with those of traditional entrepreneurs - finding both similarities and differences. Social entrepreneurs propose innovative ways to allocate resources in order to achieve social and economic efficiencies. Social entrepreneurs are not necessarily business people, but they adopt many business practices. They share many of the skills and attributes of traditional entrepreneurs. Social entrepreneurs are pragmatic. They use traditional business skills because they work! However, they are motivated by a desire to undertake projects designed to benefit society. Because they are effective, social entrepreneurs have the potential to dramatically change the way in which communities invest in their futures and deliver services. Of course, opportunities for communities to grow and develop using traditional business practices will continue to arise. However, communities should be able to improve their capacity to provide for their residents, in a fiscally responsible manner, by cultivating a pool of social entrepreneurs. Thus, for groups that are socially oriented, initiatives to cultivate entrepreneurial skills are worth considering.

It could be argued that the three individuals described in this paper are best characterized as community leaders. Indeed each of them exhibits classic leadership qualities. By comparing them to traditional entrepreneurs, however, we gain insight into their approaches. Furthermore, the ‘label’ social entrepreneur places feasibility at the forefront of their initiatives. Feasibility becomes a precondition for action. Thus, with the social entrepreneurship label, comes new insight and new emphasis. It is worth noting that the founder of the Mondragon co-operatives, Jose Maria Arizmendiarrieta, also emphasized the importance of best business practice:

> A company cannot and must not lose any of its efficiency just because human values are considered more important than purely economic or material resources within that company, on the contrary such a consideration should help increase efficiency and quality. (The Mondragon Experiment, p. 25)
Although beyond the scope of this paper, it would be interesting to explore how a pool of social entrepreneurs could be developed. An implication of this paper is that traditional entrepreneurs may represent an underutilized resource. An exploration of cases where entrepreneurial skills, honed in traditional contexts, were successfully applied to social development would be of great value.
References


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¹ BCA stands for Banking Community Assets.