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Social Entrepreneurship: The Case for Definition

Social entrepreneurship is attracting growing amounts of talent, money, and attention. But along with its increasing popularity has come less certainty about what exactly a social entrepreneur is and does. As a result, all sorts of activities are now being called social entrepreneurship. Some say that a more inclusive term is all for the good, but the authors argue that it's time for a more rigorous definition.

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The nascent field of social entrepreneurship is growing rapidly and attracting increased attention from many sectors. The term itself shows up frequently in the media, is referenced by public officials, has become common on university campuses, and informs the strategy of several prominent social sector organizations, including Ashoka and the Schwab and Skoll Foundation foundations.

The reasons behind the popularity of social entrepreneurship are many. On the most basic level, there's something inherently interesting and appealing about entrepreneurs and the stories of why and how they do what they do. People are attracted to social entrepreneurs like last year's Nobel Peace Prize laureate Muhammad Yunus for many of the same reasons that they findbusiness entrepreneurs like Steve Jobs so compelling – these extraordinary people come up with brilliant ideas and against all the odds succeed at creating new products and services that dramatically improve people's lives.

But interest in social entrepreneurship transcends the phenomenon of popularity and fascination with people. Social entrepreneurship signals the imperative to drive social change, and it is that potential payoff, with its lasting, transformational benefit to society, that sets the field and its practitioners apart.

Although the potential benefits offered by social entrepreneurship are clear to many of those promoting and funding these activities, the actual definition of what social entrepreneurs do to produce this order of magnitude return is less clear. In fact, we would argue that the definition of social entrepreneurship today is anything but clear. As a result, social entrepreneurship has become so inclusive that it now has an immense tent into which all manner of socially beneficial activities fit.

In some respects this inclusiveness could be a good thing. If plenty of resources are pouring into the social sector, and if many causes that otherwise would not get sufficient funding now get support because they are regarded as social entrepreneurship, then it may be fine to have a loose definition. We are inclined to argue, however, that this is a flawed assumption and a precarious stance.

Social entrepreneurship is an appealing construct precisely because it holds such high promise. If that promise is not fulfilled because too many "nonentrepreneurial" efforts are included in the definition, then social entrepreneurship will fall into disrepute, and the kernel of true social entrepreneurship will be lost. Because of this danger, we believe that we need a much sharper definition of social entrepreneurship, one that enables us to determine the extent to which an activity is and is not "in the tent." Our goal is not to make an invidious comparison between the contributions made by traditional social service organizations and the results of social entrepreneurship, but simply to highlight what differentiates them.

If we can achieve a rigorous definition, then those who support social entrepreneurship can focus their resources on building and strengthening a concrete and identifiable field. Absent that discipline, proponents of social entrepreneurship run the risk of giving the skeptics an ever-expanding target to shoot at, and the cynics even more reason to discount social innovation and those who drive it.

Starting With Entrepreneurship

Any definition of the term "social entrepreneurship" must start with the word "entrepreneurship." The word "social" simply modifies entrepreneurship. If entrepreneurship doesn't have a clear meaning, then modifying it with social won't accomplish much, either.

The word entrepreneurship is a mixed blessing. On the positive side, it connotes a special, innate ability to sense and act on opportunity, combining out-of-the-box thinking with a unique brand of determination to create or bring about something new to the world. On the negative side, entrepreneurship is an ex post term, because entrepreneurial activities require a passage of time before their true impact is evident.

Interestingly, we don't call someone who exhibits all of the personal characteristics of an entrepreneur – opportunity sensing, out-of-the-box thinking, and determination – yet who failed miserably in his or her venture an entrepreneur; we call him or her a business failure. Even someone like Bob Young, of Red Hat Software fame, is called a "serial entrepreneur"only after his first success; i.e., all of his prior failures are dubbed the work of a serial entrepreneur only after the occurrence of his first success. The problem with *ex post* definitions is that they tend to be ill defined. It's simply harder to get your arms around what's unproven. An entrepreneur can certainly claim to be one, but without at least one notch on the belt, the self-proclaimed will have a tough time persuading investors to place bets. Those investors, in turn, must be willing to assume greater risk as they assess the credibility of would-be entrepreneurs and the potential impact of formative ventures.

Even with these considerations, we believe that appropriating entrepreneurship for the term social entrepreneurship requires wrestling with what we actually mean by entrepreneurship. Is it simply alertness to opportunity? Creativity? Determination? Although these and other behavioral characteristics are part of the story and certainly provide important clues for prospective investors, they are not the whole story. Such descriptors are also used to describe inventors, artists, corporate executives, and other societal actors.

Like most students of entrepreneurship, we begin with French economist Jean-Baptiste Say, who in the early 19th century described the entrepreneur as one who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield," thereby expanding the literal translation from the French, "one who undertakes," to encompass the concept of value creation.[1]

Writing a century later, Austrian economist Joseph Schumpeter built upon this basic concept of value creation, contributing what is arguably the most influential idea about entrepreneurship. Schumpeter identified in the entrepreneur the force required to drive economic progress, absent which economies would become static, structurally immobilized, and subject to decay. Enter the *Unternehmer*, Schumpeter's entrepreneurial spirit, who identifies a commercial opportunity – whether a material, product, service, or business – and organizes a venture to implement it. Successful entrepreneurship, he argues, sets off a chain reaction, encouraging other entrepreneurs to iterate upon and ultimately propagate the innovation to the point of "creative destruction," a state at which the new venture and all its related ventures effectively render existing products, services, and business models obsolete.[2]

Despite casting the dramatis personae in heroic terms, Schumpeter's analysis grounds entrepreneurship within a system, ascribing to the entrepreneur's role a paradoxical impact, both disruptive and generative. Schumpeter sees the entrepreneur as an agent of change within the larger economy. Peter Drucker, on the other hand, does not see entrepreneurs as necessarily agents of change themselves, but rather as canny and committed exploiters of change. According to Drucker, "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity,"[3] a premise picked up by Israel Kirzner, who identifies "alertness" as the entrepreneur's most critical ability.[4]

Regardless of whether they cast the entrepreneur as a breakthrough innovator or an early exploiter, theorists universally associate entrepreneurship with opportunity. Entrepreneurs are believed to have an exceptional ability to see and seize upon new opportunities, the commitment and drive required to pursue them, and an unflinching willingness to bear the inherent risks.

Building from this theoretical base, we believe that entrepreneurship describes the combination of a context in which an opportunity is situated, a set of personal characteristics required to identify and pursue this opportunity, and the creation of a particular outcome.

To explore and illustrate our definition of entrepreneurship, we will take a close look at a few contemporary American entrepreneurs (or pairs thereof): Steve Jobs and Steve Wozniak of Apple Computer, Pierre Omidyar and Jeff Skoll of eBay, Ann and Mike Moore of Snugli, and Fred Smith of FedEx.

Entrepreneurial Context

The starting point for entrepreneurship is what we call an entrepreneurial context. For Steve Jobs and Steve Wozniak, the entrepreneurial context was a computing system in which users were dependent on mainframe computers controlled by a central IT staff who guarded the mainframe like a shrine. Users got their computing tasks done, but only after waiting in line and using the software designed by the IT staff. If users wanted a software program to do something out of the ordinary, they were told to wait six months for the programming to be done.

From the users' perspective, the experience was inefficient and unsatisfactory. But since the centralized computing model was the only one available, users put up with it and built the delays and inefficiencies into their workflow, resulting in an equilibrium, albeit an unsatisfactory one.

System dynamicists describe this kind of equilibrium as a“balanced feedback loop,” because there isn’t a strong force that has the likely effect of breaking the system out of its particular equilibrium. It is similar to a thermostat on an air conditioner: When the temperature rises, the air conditioner comes on and lowers the temperature, and the thermostat eventually turns the air conditioner off.

The centralized computing system that users had to endure was a particular kind of equilibrium: an unsatisfactory one. It is as if the thermostat were set five degrees too low so that everyone in the room was cold. Knowing they have a stable and predictable temperature, people simply wear extra sweaters, though of course they might wish that they didn’t have to.

Pierre Omidyar and Jeff Skoll identified an unsatisfactory equilibrium in the inability of geographically based markets to optimize the interests of both buyers and sellers. Sellers typically didn’t know who the best buyer was and buyers typically didn’t know who the best (or any) seller was. As a result, the market was not optimal for buyers or sellers. People selling used household goods, for example, held garage sales that attracted physically proximate buyers, but probably not the optimal number or types of buyers. People trying to buy obscure goods had no recourse but to search through Yellow Page directories, phoning and phoning to try to track down what they really wanted, often settling for something less than perfect. Because buyers and sellers couldn’t conceive of a better answer, the stable, yet suboptimal, equilibrium prevailed.

Ann and Mike Moore took note of a subpar equilibrium in parents’ limited options for toting their infants. Parents wishing to keep their babies close while carrying on basic tasks had two options: They could learn to juggle offspring in one arm while managing chores with the other, or they could plop the child in a stroller, buggy, or other container and keep the child nearby. Either option was less than ideal. Everyone knows that newborns benefit from the bonding that takes place because of close physical contact with their mothers and fathers, but even the most attentive and devoted parents can’t hold their babies continuously. With no other options, parents limped along, learning to shift their child from one hip to the other and becoming adept at “one-armed paper hanging,” or attempting to get their tasks accomplished during naptime.

In the case of Fred Smith, the suboptimal equilibrium he saw was the long-distance courier service. Before FedEx came along, sending a package across country was anything but simple. Local courier services picked up the package and transported it to a common carrier, who flew the package to the remote destination city, at which point it was handed over to a third party for final delivery (or perhaps back to the local courier’s operation in that city if it was a national company). This system was logistically complex, it involved a number of handoffs, and the scheduling was dictated by the needs of the common carriers. Often something would go wrong, but no one would take responsibility for solving the problem. Users learned to live with a slow, unreliable, and unsatisfactory service – an unpleasant but stable situation because no user could change it.

Entrepreneurial Characteristics

The entrepreneur is attracted to this suboptimal equilibrium, seeing embedded in it an opportunity to provide a new solution, product, service, or process. The reason that the entrepreneur sees this condition as an opportunity to create something new, while so many others see it as an inconvenience to be tolerated, stems from the unique set of personal characteristics he or she brings to the situation – inspiration, creativity, direct action, courage, and fortitude. These characteristics are fundamental to the process of innovation.

The entrepreneur is *inspired* to alter the unpleasant equilibrium. Entrepreneurs might be motivated to do this because they are frustrated users or because they empathize with frustrated users. Sometimes entrepreneurs are so gripped by the opportunity to change things that they possess a burning desire to demolish the status quo. In the case of eBay, the frustrated user was Omidyar's girlfriend, who collected Pez dispensers.

The entrepreneur thinks *creatively* and develops a new solution that dramatically breaks with the existing one. The entrepreneur doesn't try to optimize the current system with minor adjustments, but instead finds a wholly new way of approaching the problem. Omidyar and Skoll didn't develop a better way to promote garage sales. Jobs and Wozniak didn't develop algorithms to speed custom software development. And Smith didn't invent a way to make the handoffs between courier companies and common carriers more efficient and error-free. Each found a completely new and utterly creative solution to the problem at hand.

Once inspired by the opportunity and in possession of a creative solution, the entrepreneur takes *direct action*. Rather than waiting for someone else to intervene or trying to convince somebody else to solve the problem, the entrepreneur takes direct action by creating a new product or service and the venture to advance it. Jobs and Wozniak didn't campaign against mainframes or encourage users to rise up and overthrow the IT department; they invented a personal computer that allowed users to free themselves from the mainframe. Moore didn't publish a book telling mothers how to get more done in less time; she developed the Snugli, a frameless front- or backpack that enables parents to carry their babies and still have both hands free. Of course, entrepreneurs do have to influence others: first investors, even if just friends and family; then teammates and employees, to come work with them; and finally customers, to buy into their ideas and their innovations. The point is to differentiate the entrepreneur's engagement in direct action from other indirect and supportive actions.

Entrepreneurs demonstrate *courage* throughout the process of innovation, bearing the burden of risk and staring failure squarely if not repeatedly in the face. This often requires entrepreneurs to take big risks and do things that others think are unwise, or even undoable. For example, Smith had to convince himself and the world that it made sense to acquire a fleet of jets and build a gigantic airport and sorting center in Memphis, in order to provide next-day delivery without the package ever leaving FedEx's possession. He did this at a time when all of his entrenched competitors had only fleets of trucks for local pickup and delivery – they certainly didn't run airports and maintain huge numbers of aircraft.

Finally, entrepreneurs possess the *fortitude* to drive their creative solutions through to fruition and market adoption. No entrepreneurial venture proceeds without setbacks or unexpected turns, and the entrepreneur needs to be able to find creative ways around the barriers and challenges that arise. Smith had to figure out how to keep investors confident that FedEx would eventually achieve the requisite scale to pay for the huge fixed infrastructure of trucks, planes, airport, and IT systems required for the new model he was creating. FedEx had to survive hundreds of millions of dollars of losses before it reached a cash-flow positive state, and without a committed entrepreneur at the helm, the company would have been liquidated well before that point.

Entrepreneurial Outcome

What happens when an entrepreneur successfully brings his or her personal characteristics to bear on a suboptimal equilibrium? He or she creates a new stable equilibrium, one that provides a meaningfully higher level of satisfaction for the participants in the system. To elaborate on Say's original insight, the entrepreneur engineers a permanent shift from a lower-quality equilibrium to a higher-quality one. The new equilibrium is permanent because it first survives and then stabilizes, even though some aspects of the original equilibrium may persist (e.g., expensive and less-efficient courier systems, garage sales, and the like). Its survival and success ultimately move beyond the entrepreneur and the original entrepreneurial venture. It is through mass-market adoption, significant levels of imitation, and the creation of an ecosystem around and within the new equilibrium that it first stabilizes and then securely persists.

When Jobs and Wozniak created the personal computer they didn't simply attenuate the users' dependence on the mainframe– they shattered it, shifting control from the "glass house" to the desktop. Once the users saw the new equilibrium appearing before their eyes, they embraced not only Apple but also the many competitors who leaped into the fray. In relatively short order, the founders had created an entire ecosystem with numerous hardware, software, and peripheral suppliers; distribution channels and value-added resellers; PC magazines; trade shows; and so on.

Because of this new ecosystem, Apple could have exited from the market within a few years without destabilizing it. The new equilibrium, in other words, did not depend on the creation of a single venture, in this case Apple, but on the appropriation and replication of the model and the spawning of a host of other related businesses. In Schumpeterian terms, the combined effect firmly established a new computing order and rendered the old mainframe-based system obsolete.

In the case of Omidyar and Skoll, the creation of eBay provided a superior way for buyers and sellers to connect, creating a higher equilibrium. Entire new ways of doing business and new businesses sprang up to create a powerful ecosystem that simply couldn't be disassembled. Similarly, Smith created a new world of package delivery that raised standards, changed business practices, spawned new competitors, and even created a new verb: "to FedEx."

In each case, the delta between the quality of the old equilibrium and the new one was huge. The new equilibrium quickly became self-sustaining, and the initial entrepreneurial venture spawned numerous imitators. Together these outcomes ensured that everyone who benefited secured the higher ground.

Shift to Social Entrepreneurship

If these are the key components of entrepreneurship, what distinguishes social entrepreneurship from its for-profit cousin? First, we believe that the most useful and informative way to define social entrepreneurship is to establish its congruence with entrepreneurship, seeing social entrepreneurship as grounded in these same three elements. Anything else is confusing and unhelpful.

To understand what differentiates the two sets of entrepreneurs from one another, it is important to dispel the notion that the difference can be ascribed simply to motivation – with entrepreneurs spurred on by money and social entrepreneurs driven by altruism. The truth is that entrepreneurs are rarely motivated by the prospect of financial gain, because the odds of making lots of money are clearly stacked against them. Instead, both the entrepreneur and the social entrepreneur are strongly motivated by the opportunity they identify, pursuing that vision relentlessly, and deriving considerable psychic reward from the process of realizing their ideas. Regardless of whether they operate within a market or a not-for-profit context, most entrepreneurs are never fully compensated for the time, risk, effort, and capital that they pour into their venture.

We believe that the critical distinction between entrepreneurship and social entrepreneurship lies in the value proposition itself. For the entrepreneur, the value proposition anticipates and is organized to serve markets that can comfortably afford the new product or service, and is thus designed to create financial profit. From the outset, the expectation is that the entrepreneur and his or her investors will derive some personal financial gain. Profit is sine qua non, essential to any venture'ssustainability and the means to its ultimate end in the form of large-scale market adoption and ultimately a new equilibrium.

The social entrepreneur, however, neither anticipates nor organizes to create substantial financial profit for his or her investors – philanthropic and government organizations for the most part – or for himself or herself. Instead, the social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large. Unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, and may even provide substantial upside for investors, the social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own. This does not mean that social entrepreneurs as a hard-and-fast rule shun profitmaking value propositions. Ventures created by social entrepreneurs can certainly generate income, and they can be organized as either not-for-profits or for-profits. What distinguishes social entrepreneurship is the primacy of social benefit, what Duke University professor Greg Dees in his seminal work on the field characterizes as the pursuit of "mission-related impact."[5]

We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.

Muhammad Yunus, founder of the Grameen Bank and father of microcredit, provides a classic example of social entrepreneurship. The stable but unfortunate equilibrium he identified consisted of poor Bangladeshis' limited options for securing even the tiniest amounts of credit. Unable to qualify for loans through the formal banking system, they could borrow only by accepting exorbitant interest rates from local moneylenders. More commonly, they simply succumbed to begging on the streets. Here was a stable equilibrium of the most unfortunate sort, one that perpetuated and even exacerbated Bangladesh's endemic poverty and the misery arising from it.

Yunus confronted the system, proving that the poor were extremely good credit risks by lending the now famous sum of $27 from his own pocket to 42 women from the village of Jobra. The women repaid all of the loan. Yunus found that with even tiny amounts of capital, women invested in their own capacity for generating income. With a sewing machine, for example, women could tailor garments, earning enough to pay back the loan, buy food, educate their children, and lift themselves up from poverty. Grameen Bank sustained itself by charging interest on its loans and then recycling the capital to help other women. Yunus brought inspiration, creativity, direct action, courage, and fortitude to his venture, proved its viability, and over two decades spawned a global network of other organizations that replicated or adapted his model to other countries and cultures, firmly establishing microcredit as a worldwide industry.

The well-known actor, director, and producer Robert Redford offers a less familiar but also illustrative case of social entrepreneurship. In the early 1980s, Redford stepped back from his successful career to reclaim space in the film industry for artists. Redford was struck by a set of opposing forces in play. He identified an inherently oppressive but stable equilibrium in the way Hollywood worked, with its business model increasingly driven by financial interests, its productions gravitating to flashy, frequently violent blockbusters, and its studio-dominated system becoming more and more centralized in controlling the way films were financed, produced, and distributed. At the same time, he noted that new technology was emerging – less cumbersome and less expensive video and digital editing equipment – that gave filmmakers the tools they needed to exert more control over their work.

Seeing opportunity, Redford seized the chance to nurture this new breed of artist. First, he created the Sundance Institute to take "money out of the picture" and provide young filmmakers with space and support for developing their ideas. Next, he created the Sundance Film Festival to showcase independent filmmakers' work. From the beginning, Redford's value proposition focused on the emerging independent filmmaker whose talents were neither recognized nor served by the market stranglehold of the Hollywood studio system.

Redford structured Sundance Institute as a nonprofit corporation, tapping his network of directors, actors, writers, and others to contribute their experience as volunteer mentors to fledgling filmmakers. He priced the Sundance Film Festival so that it appealed and was accessible to a broad audience. Twenty-five years later, Sundance is credited with ushering in the independent film movement, which today ensures that "indie" filmmakers can get their work produced and distributed, and that filmgoers have access to a whole host of options – from thought-provoking documentaries to edgy international work and playful animations. A new equilibrium, which even a decade ago felt tenuous, is now firmly established.

Victoria Hale is an example of a social entrepreneur whose venture is still in its early stages and for whom our criteria apply *ex ante*. Hale is a pharmaceutical scientist who became increasingly frustrated by the market forces dominating her industry. Although big pharmaceutical companies held patents for drugs capable of curing any number of infectious diseases, the drugs went undeveloped for a simple reason: The populations most in need of the drugs were unable to afford them. Driven by the exigency of generating financial profits for its shareholders, the pharmaceutical industry was focusing on creating and marketing drugs for diseases afflicting the well-off, living mostly in developed world markets, who could pay for them.

Hale became determined to challenge this stable equilibrium, which she saw as unjust and intolerable. She created the Institute for OneWorld Health, the first nonprofit pharmaceutical company whose mission is to ensure that drugs targeting infectious diseases in the developing world get to the people who need them, regardless of their ability to pay for the drugs. Hale's venture has now moved beyond the proof-of-concept stage. It successfully developed, tested, and secured Indian government regulatory approval for its first drug, paromomycin, which provides a cost-effective cure for visceral leishmaniasis, a disease that kills more than 200,000 people each year.

Although it is too early to tell whether Hale will succeed in creating a new equilibrium that assures more equitable treatment of diseases afflicting the poor, she clearly meets the criteria of a social entrepreneur. First, Hale has identified a stable but unjust equilibrium in the pharmaceutical industry; second, she has seen and seized the opportunity to intervene, applying inspiration, creativity, direct action, and courage in launching a new venture to provide options for a disadvantaged population; and third, she is demonstrating fortitude in proving the potential of her model with an early success.

Time will tell whether Hale's innovation inspires others to replicate her efforts, or whether the Institute for OneWorld Health itself achieves the scale necessary to bring about that permanent equilibrium shift. But the signs are promising. Looking ahead a decade or more, her investors – the Skoll Foundation is one – can imagine the day when Hale's Institute for OneWorld Health will have created a new pharmaceutical paradigm, one with the same enduring social benefits apparent in the now firmly established microcredit and independent film industries.

Boundaries of Social Entrepreneurship

In defining social entrepreneurship, it is also important to establish boundaries and provide examples of activities that may be highly meritorious but do not fit our definition. Failing to identify boundaries would leave the term social entrepreneurship so wide open as to be essentially meaningless.

There are two primary forms of socially valuable activity that we believe need to be distinguished from social entrepreneurship. The first type of social venture is social service provision. In this case, a courageous and committed individual identifies an unfortunate stable equilibrium – AIDS orphans in Africa, for example – and sets up a program to address it – for example, a school for the children to ensure that they are cared for and educated. The new school would certainly help the children it serves and may very well enable some of them to break free from poverty and transform their lives. But unless it is designed to achieve large scale or is so compelling as to launch legions of imitators and replicators, it is not likely to lead to a new superior equilibrium.

These types of social service ventures never break out of their limited frame: Their impact remains constrained, their service area stays confined to a local population, and their scope is determined by whatever resources they are able to attract. These ventures are inherently vulnerable, which may mean disruption or loss of service to the populations they serve. Millions of such organizations exist around the world – well intended, noble in purpose, and frequently exemplary in execution – but they should not be confused with social entrepreneurship.

It would be possible to reformulate a school for AIDS orphans as social entrepreneurship. But that would require a plan by which the school itself would spawn an entire network of schools and secure the basis for its ongoing support. The outcome would be a stable new equilibrium whereby even if one school closed, there would be a robust system in place through which AIDS orphans would routinely receive an education.

The difference between the two types of ventures – one social entrepreneurship and the other social service – isn't in the initial entrepreneurial contexts or in many of the personal characteristics of the founders, but rather in the outcomes. Imagine that Andrew Carnegie had built only one library rather than conceiving the public library system that today serves untold millions of American citizens. Carnegie's single library would have clearly benefited the community it served. But it was his vision of an entire system of libraries creating a permanent new equilibrium – one ensuring access to information and knowledge for all the nation's citizens – that anchors his reputation as a social entrepreneur.

A second class of social venture is social activism. In this case, the motivator of the activity is the same– an unfortunate and stable equilibrium. And several aspects of the actor's characteristics are the same – inspiration, creativity, courage, and fortitude. What is different is the nature of the actor's action orientation. Instead of taking direct action, as the social entrepreneur would, the social activist attempts to create change through indirect action, by influencing others – governments, NGOs, consumers, workers, etc. – to take action. Social activists may or may not create ventures or organizations to advance the changes they seek. Successful activism can yield substantial improvements to existing systems and even result in a new equilibrium, but the strategic nature of the action is distinct in its emphasis on influence rather than on direct action.

Why not call these people social entrepreneurs? It wouldn't be a tragedy. But such people have long had a name and an exalted tradition: the tradition of Martin Luther King, Mahatma Gandhi, and Vaclav Havel. They are social activists. Calling them something entirely new – i.e., social entrepreneurs– and thereby confusing the general public, who already know what a social activist is, would not be helpful to the cause of either social activists or social entrepreneurs.

Shades of Gray

Having created a definition of social entrepreneurship and distinguished it from social service provision and social activism, we should recognize that in practice, many social actors incorporate strategies associated with these pure forms or create hybrid models. The three definitions can be seen in their pure forms in the diagram to the right.

In the pure form, the successful social entrepreneur takes direct action and generates a new and sustained equilibrium; the social activist influences others to generate a new and sustained equilibrium; and the social service provider takes direct action to improve the outcomes of the current equilibrium.

It is important to distinguish between these types of social ventures in their pure forms, but in the real world there are probably more hybrid models than pure forms. It is arguable that Yunus, for example, used social activism to accelerate and amplify the impact of Grameen Bank, a classic example of social entrepreneurship. By using a sequential hybrid – social entrepreneurship followed by social activism – Yunus turned microcredit into a global force for change.

Other organizations are hybrids using both social entrepreneurship and social activism at the same time. Standards-setting or certification organizations are an example of this. Although the actions of the standards-setting organization itself do not create societal change – those who are encouraged or forced to abide by the standards take the actions that produce the actual societal change – the organization can demonstrate social entrepreneurship in creating a compelling approach to standards-setting and in marketing the standards to regulators and market participants. Fair-trade product certification and marketing is a familiar example of this, with organizations like Cafédirect in the United Kingdom and TransFair USA in the U.S. creating growing niche markets for coffee and other commodities sold at a premium price that guarantees more equitable remuneration for small-scale producers.

Kailash Satyarthi's RugMark campaign provides a particularly striking example of a hybrid model. Recognizing the inherent limitations of his work to rescue children enslaved in India's rug-weaving trade, Satyarthi set his sights on the carpet-weaving industry. By creating the RugMark certification program and a public relations campaign designed to educate consumers who unwittingly perpetuate an unjust equilibrium, Satyarthi leveraged his effectiveness as a service provider by embracing the indirect strategy of the activist. Purchasing a carpet that has the RugMark label assures buyers that their carpet has been created without child slavery and under fair labor conditions. Educate enough of those prospective buyers, he reasoned, and one has a shot at transforming the entire carpet-weaving industry.

Satyarthi's action in creating RugMark lies at the crossroads of entrepreneurship and activism: In itself, the RugMark label represented a creative solution and required direct action, but it is a device meant to educate and influence others, with the ultimate goal of establishing and securing a new and far more satisfactory market-production equilibrium.

Social service provision combined with social activism at a more tactical level can also produce an outcome equivalent to that of social entrepreneurship. Take, for example, a social service provider running a single school for an underprivileged group that creates great outcomes for that small group of students. If the organization uses those outcomes to create a social activist movement that campaigns for broad government support for the wide adoption of similar programs, then the social service provider can produce an overall equilibrium change and have the same effect as a social entrepreneur.

Bill Strickland's Manchester Bidwell Corporation, a nationally renowned inner-city arts education and job-training program, has launched the National Center for Arts & Technology to advance systematically the replication of his Pittsburgh-based model in other cities. Strickland is spearheading an advocacy campaign designed to leverage federal support to scale up his model. So far, four new centers are operating across the U.S. and several more are in the pipeline. With a sustainable system of centers in cities across the country, Strickland will have succeeded in establishing a new equilibrium. It is because of that campaign that the Skoll Foundation and others are investing in Strickland's efforts.

Why bother to tease out these distinctions between various pure and hybrid models? Because with such definitions in hand we are all better equipped to assess distinctive types of social activity. Understanding the means by which an endeavor produces its social benefit and the nature of the social benefit it is targeting enables supporters – among whom we count the Skoll Foundation – to predict the sustainability and extent of those benefits, to anticipate how an organization may need to adapt over time, and to make a more reasoned projection of the potential for an entrepreneurial outcome.

Why Should We Care?

Long shunned by economists, whose interests have gravitated toward market-based, price-driven models that submit more readily to data-driven interpretation, entrepreneurship has experienced something of a renaissance of interest in recent years. Building on the foundation laid by Schumpeter, William Baumol and a handful of other scholars have sought to restore the entrepreneur's rightful place in "production and distribution" theory, demonstrating in that process the seminal role of entrepreneurship.[6] According to Carl Schramm, CEO of the Ewing Marion Kauffman Foundation, entrepreneurs,"despite being overlooked or explicitly written out of our economic drama,"[7] are the free enterprise system's essential ingredient and absolutely indispensable to market economies.

We are concerned that serious thinkers will also overlook social entrepreneurship, and we fear that the indiscriminate use of the term may undermine its significance and potential importance to those seeking to understand how societies change and progress. Social entrepreneurship, we believe, is as vital to the progress of societies as is entrepreneurship to the progress of economies, and it merits more rigorous, serious attention than it has attracted so far.

Clearly, there is much to be learned and understood about social entrepreneurship, including why its study may not be taken seriously. Our view is that a clearer definition of social entrepreneurship will aid the development of the field. The social entrepreneur should be understood as someone who targets an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; who brings to bear on this situation his or her inspiration, direct action, creativity, courage, and fortitude; and who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large.

This definition helps distinguish social entrepreneurship from social service provision and social activism. That social service providers, social activists, and social entrepreneurs will often adapt one another's strategies and develop hybrid models is, to our minds, less inherently confusing and more respectful than indiscriminate use of these terms. It's our hope that our categorization will help clarify the distinctive value each approach brings to society and lead ultimately to a better understanding and more informed decision making among those committed to advancing positive social change.

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2 Joseph A. Schumpeter,

Capitalism, Socialism, and Democracy *(New York: Harper, 1975): 82-85.*

3 Peter F. Drucker,

Innovation & Entrepreneurship *(New York: Harper Business, 1995): 28.*

4 Israel Kirzner, quoted in William J. Baumol, "Return of the Invisible Men: The Microeconomic Value Theory of Inventors and Entrepreneurs."http://www.aeaweb.org/annual_mtg_papers/2006/0107_1015_0301.pdf.

5 Dees, 2.

6 Baumol, 1.

7 Carl J. Schramm, "Entrepreneurial Capitalism and the End of Bureaucracy: Reforming the Mutual Dialog of Risk Aversion," 2.http://www.aeaweb.org/annual_mtg_papers/2006/0107_1015_0304.pdf

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