ВУЗФ
Финанси, застраховане, бизнес, предприемачество и иновации

PER ASPERA AD ASTRA
2002

ИКОНОМИКА НА БЪДЕЩЕТО

Сборник с доклади, представени на Международна научна конференция „Икономика на бъдещето“, организирана от Висшето училище по застраховане и финанси и Балканската асоциация на икономическите университети.

19 - 21 април, 2023 г.

Международната научна конференция "Икономика на бъдещето" се финансира от Фонд "Научни изследвания" по договор № КП-06-МНФ/29 от 16.12.22 г.

ISBN 978-619-7622-56-0

LATENT SOCIAL IMPACT: RETHINKING THE NEXT PHASE OF SOCIAL ENTREPRENEURSHIP

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Abstract

Social entrepreneurship models have been successfully addressing pressing social problems across the world. The efforts emphasise creating new social start-ups and supporting mature social enterprises. The self-positioning of social entrepreneurs is the foremost criterion to have all kinds of assistance despite their ability to create social value for local communities. This paper relates the Manifest and Latent Functions of value-creating entrepreneurs and proposes that unintended consequences (social value) of intended actions (entrepreneurial activity) are as stable as social entrepreneur identity and structure. In essence, in order to move the theory and practice forward, we need to use new theories that clarify the nature of social entrepreneurship in developing countries, explain the role of value-driven entrepreneurs in the economic system, and inform the research and practice that value-creating entrepreneurs who do not exhibit 'social mission' but are significantly creating a social impact.

Keywords: Latent functions, latent social value, sustainable development

L31 Nonprofit Institutions, NGOs, Social Entrepreneurship

INTRODUCTION

There are two fundamentally different perspectives for the analysis of social entrepreneurship. One view embraces the existing institutional structures of the development sector and considers that public policy helps the current institutions to survive and grow. Framed in terms of the non-profit sector, impact investment companies, likewise, the development sector managerial objectives are applied to make those institutions perform their intermediary role more profitably and efficiently. An alternative to the institutional perspective—the functional perspective emphasises the development functions performed by social entrepreneurs or socially responsible entrepreneurs, or entrepreneurs that create latent social impact and ask them for the best institutional structure. Thus, unlike the institutional perspective, the functional perspective does not postulate the preservation of regulatory and operating institutions (Merton, 1995). It is noted that entrepreneurial functions are more stable than institutions because they remain essentially constant and vary less geopolitically. Also, competition among social entrepreneurs and entrepreneurs causes changes in the institutional structures—which leads to greater efficiency in the performance of the development sector (Ko & Liu, 2021).

How would one redesign the fundamental definition of social entrepreneurship to give an opportunity to social bricolage, socially responsible, necessity-based initiatives, and latent social entrepreneurs? In one way or another, this question has not only been a matter of interest for academics, but policymakers worldwide are working to accelerate sustainable development. Changing Europe's development and public sector has significantly contributed to the general restructuring of the entire social enterprise ecosystem (Hazenberg et al., 2016). The liberalisation of central planning of development by the public sector to the institutional transformation to facilitate social entrepreneurs to achieve sustainable development goals. Therefore, the functional perspective on intermediaries (non-profit sector, impact investment companies etc.) helps redesign the institutions.

In building a social enterprise ecosystem from scratch, it is pertinent to define what is a social entrepreneur. One of the fundamental concerns is the definition and conceptualisation of social entrepreneurship because it drives the ecosystem. Social entrepreneurship has been emerging for over two decades with the challenges of competing definitions, conceptual frameworks, contexts,

and lack of empirical data. Broadly, it refers to an innovative activity with a social purpose in either the for-profit or non-profit sector (Austin et al., 2006). Similarly, Dees (1998) stated that it "combines the passion of a social mission with an image of business-like discipline…" (p. 1). Moreover, Dr Muhammad Yunus suggests that "social business is a cause-driven business" (Yunus Center, 2023). Therefore, the prevalent definitions of social entrepreneurship naturally include an element of 'social mission'.

The growing academic interest and practitioner-oriented research lack a conceptual understanding of social entrepreneurs' economic role and logic of action (Dacin et al., 2010; Santos, 2012). In a couple of stand-out papers on the definitions of social entrepreneurship, Zahra et al. (2009) reviewed 20 definitions of social entrepreneurship and Dacin et al. (2010) listed another 37 definitions—these were mainly derived from practice instead of theory. However, all those approaches typically emphasise entrepreneurial activity with an embedded social mission. Social entrepreneurship has also been called the simultaneous pursuit of the triple bottom line. At the same time, one approach idealises social entrepreneurs as change agents (Dees, 1998). In contrast, a pragmatic view of social entrepreneurship highlights the ventures that generate earned income in pursuing the social mission (Boschee, 2001).

Social entrepreneurship has become a large tent (Martin & Osberg, 2007) that provides shelter to various activities that enhance social wealth (Zahra et al., 2009). Consequently, the concept has poorly defined boundaries (Dacin & Dacin, 2011) which is beneficial for the development of the scholarly field of social entrepreneurship. However, the role of institutions is essential in determining who is a social entrepreneur and who is not—which is a critical element in distinguishing the design and management issues. There are various reasons, including the differences in political, cultural, complexity, size, and available resources—the most efficient institutional structures change to fulfil the development needs over time and differ across geopolitical environments (Kickul & Lyons, 2020). Moreover, even though social entrepreneurs' corporate identities differ, their functions are often dramatically the same. For example, in underdeveloped or developing countries, social entrepreneurs emerge depending on the market gaps or needs of the communities. Moreover, there are entrepreneurs serving community needs without labelling them as social entrepreneurs. Thus, beyond the theoretical definition of SE that emphasises social mission as the primary objective—these value-driven initiatives are much needed in underdeveloped economies.

In essence, in order to move the theory and practice forward, we need to use new theories that clarify the nature of social entrepreneurship in developing countries, explain the role of value-driven entrepreneurs in the economic system, and inform the research and practice that latent social entrepreneurs who do not exhibit 'social mission' but are significantly creating a social impact. Our goal with this paper is to relate the Manifest and Latent Functions of Robert Merton on entrepreneurs and propose that unintended consequences (social value) of intended actions (entrepreneurial activity) are as stable as social entrepreneurship's identity and structure. Moreover, the functional perspective is more reliable in the context of value-driven entrepreneurs in developing countries than the existing theoretical and institutional perspective—especially in an environment of dire human needs.

On the Future of Social Entrepreneurship: Latent Social Impact

The risk of making errors of perceptions or errors of action decides the future of social entrepreneurship. Regarding perceptions, the serious mistake often made is to believe that the manifest functions, "the objective consequences contributing to the adjustment or adaptation of the system which is intended and recognised by participants in the system," is the absolute criteria to be acknowledged as a social entrepreneur (Merton, 1957, p. 51). The recognition by participants in the system includes all the social enterprise ecosystem actors, including social entrepreneurs, funders, governments, enabling organisations, beneficiaries, customers, and peers. In contrast, latent functions are "neither intended nor recognised" (Merton 1957, p. 51). It means that functional consequences are neither intended nor recognised in the social system in which they occur. However, latent functions cannot be ruled out, i.e., a positive social impact, because of phenomena that are not intended or immediately apparent. For example, the manifest function of an entrepreneur (who sells safe drinking water to a water-deprived community) is to increase economic productivity. Still, it has a latent function of saving people from diseases directly attributable to unsafe water. Moreover, the latent function of such an entrepreneurial activity is to support sustainable development goal 6: clean water and sanitation—it is noted that two billion people live without safe drinking water (SDGS, 2023). Therefore, the foreseeable, unanticipated, unpredictable outcomes of manifest functions (economic activity of an entrepreneur) created an unintentional social impact.

The question arises if an entrepreneur significantly caters for a social problem and has all the characteristics of a social entrepreneur—but currently not intending or recognising the social

mission will be considered a social entrepreneur or has the potential to become a social entrepreneur. The definition of social entrepreneurship only captures ventures that are mission-driven, not value-creating—despite the significant social value contribution. For instance, social entrepreneurship activity among nascent entrepreneurs in 31 Global Entrepreneurship Monitor (GEM) economies is just 1.1% (Bosma et al., 2016). However, the broad measure of social entrepreneurship is "any kind of activity, organisation or initiative that has a particular social, environmental or community objective″ (Bosma et al., 2016, p. 05). It indicates an average prevalence rate of broad social entrepreneurial activity among nascent entrepreneurs at the start-up phase across 58 GEM economies was 3.2%. Moreover, the average prevalence rate of operational social entrepreneurship activity in 58 GEM economies was 3.7%. Therefore, entrepreneurs (in the broad measure of social entrepreneurship) create latent social impact. Still, they don't qualify for the theoretical and institutional definition of social entrepreneurs—accordingly, deprived of needed resources that could transform and scale up those initiatives into mission-driven ventures.

Social entrepreneurship in its current form may be idiosyncratic and is lacking to cater the unaddressed basic human needs in all communities. The blind pursuit of fancy innovativeness overlooks the simple, replicable models to satisfy social needs. For example, A community in a remote area that needs to educate its children may need a school. So, a teacher can fulfil the basic human need of that community. Does it a necessary condition for a teacher to think about 'social mission' first? Or is social mission naturally embedded in her job? Thus, what is important is to satisfy the needs of the people, and it is directly contingent on the circumstances of the community. However, social entrepreneurship considerably influences development practices; but the nature of social problems is significantly different in developing countries and requires unique satisfiers.

The current parameters of social entrepreneurship have limited universal application. Therefore, the traditional social value and business purpose distinction must be abandoned (Santos, 2012). For example, Certo and Miller (2008) explained that "Social value has little to do with profits but instead involves the fulfilment of basic and long-standing needs such as providing food, water, shelter, education and medical services to those members of society who are in need" (p. 267). This differentiation of social value and profits severally affects the theory and practice. Taking into consideration achieving sustainable development goals, if an entrepreneur is prioritising economic value but improving the lives of others—then what is the difference between an

entrepreneur and a social entrepreneur? We argue that the latent function of either value-creating or value-capturing entrepreneurs is social value. Therefore, the functional perspective suggests, in one way or another, that economic activity creates social value. Therefore, institutional structures of social entrepreneurship theory and practice have to change over time—considering the geopolitical subdivisions.

On the other hand, errors of action deprive welfare assistance to initiatives that create latent social value, implying entrepreneurs' inability to cope with the demands of their own means of resources. Lack of assistance may lead those value-creating initiatives to interpret their condition because of deliberate deprivation and may perpetuate their inferiority. Moreover, Safeguarding and promoting the interest of influential social entrepreneurs may perpetuate the inferiority of value-creating entrepreneurs—the explanation significantly conforms with the errors of perception. Therefore, the institutional support and welfare for value-creating entrepreneurs may fulfil the latent functions that lead to manifest functions (conscious and deliberate social action). However, a lack of assistance from development sector organisations may ultimately alienate the value-creating entrepreneurs.

Sub-Saharan Africa (the least developed region) has the highest rates of necessity-driven entrepreneurs (Bosma et al., 2016; Kelley et al., 2016). Those initiatives in sub-Saharan Africa aimed at the fundamental needs reflect the distinct nature of social initiatives in developing and least developing countries (Bosma et al., 2016). Moreover, this region has the highest rate of start-ups in overlapping commercial and social entrepreneurs (Bosma et al., 2016). The context and the nature of the problems may allow entrepreneurs to choose a value-capture approach, but the ultimate goal is to achieve social value in the long term (Santos, 2012). Interestingly, many social entrepreneurs continuously consider the importance of financial impact on their organisations compared to social impact (Bosma et al., 2016). Entrepreneurs who are unaware of the theoretical concept of social impact but solving acute social problems are, therefore, more consistent with the expectations of communities. Further, education is a significant aspect that makes or breaks social entrepreneurs. For instance, sub-Saharan African or South Asia entrepreneurs are naïve in positioning themselves as social entrepreneurs. Thus, their status as commercial entrepreneurs deprives them of the fruits of social entrepreneurship.

CONCLUSION

We emphasise the other side of the coin which is finding and valuing the hidden gems—that are serving the communities and creating huge social impact locally. There is a need for latent functions of commercial entrepreneurs that are in one way or another achieving sustainable development goals. Instead of the steadfast reliance on the fixed conceptualisation of social entrepreneurship, this paper advocates the need to (1) liberalise the development process of social entrepreneurs, (2) develop a process to identify and support value-creation initiatives, (3) strengthen genuine initiatives that genuinely based on the local community needs or problems, and (4) encourage entrepreneurs who are tackling basic needs to accelerate the sustainable development goals.

The altered processes can foster diversity and increase development efforts, control social problems, articulate the social entrepreneurs' autonomy, and equally distribute the benefits. Thus, preventing the idealisation of social entrepreneurship dynamics in developed economies is indispensable. The global homogeneous support programs and evaluation criteria are the least appropriate to identify and solve local social problems. Therefore, it is essential to acknowledge the local social needs, development movements, identities, and strategies characterising developing economies. Therefore, the capable new institutional mechanisms are imperative to reconcile the participation of heterogeneous value-creating social entrepreneurs.

This study does not propose a model of liberalised social entrepreneurship or a new definition. Instead, it emphasises the local communities' empowerment, problems, and the unsung heroes catering to fundamental human needs. It does not minimise the importance and role of social entrepreneurship but further advances it. Our preoccupation is basic human needs, and entrepreneurs are motivated to fulfil them despite their intentions to earn a marginal profit. However, it does not imply a lack of interest in a social mission but an earnest belief that rediscovering the composition of social mission and business purpose or value creation and value capture can enhance social inclusion.

Further, the exclusion of value-creation entrepreneurs from mainstream social entrepreneurship programs must be avoided—because it is necessary to generate new ways of conceiving and solving social problems to make lives easy in developing countries. Therefore, this paper reflects critically on the importance of latent social value and assistance to millions of entrepreneurs to accelerate sustainable development goals.

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