

ECONOMIC THEORIES OF SOCIAL ENTREPRENEURSHIP

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Abstract: *The lack of researches in social entrepreneurship is particularly true in the field of economic theory. In fact, there has been no researches undertaken to explore social entrepreneurship from the perspective of economic theory. This paper attempts to shed some light on several important issues that are critical for the development of economic theories on social entrepreneurship. It discusses several major issues including the evolution of economic theories on entrepreneurship, the definition and distinct features associated with social entrepreneurship, the roles of entrepreneurship in the modern economic system and the approaches to conceptualize social entrepreneurship. Due to the significant role of social entrepreneurship in uplifting the living standard of the underprivileged community, addressing externalities within the economic system, and justly reallocating resources and welfare in the economic system, the economic theory on social entrepreneurship is believed to be a critical body of knowledge for both future practitioners and policy makers in structuring due initiatives for the healthy development of the society. It is expected that the issues discussed in this paper will not only help future researches realize the need of economic theory on the field and design a proper approach to conceptualize the subject, but also identify the potential directions to develop economic theories on social entrepreneurship.*

Key words: *Economic Theories, Social Entrepreneurship*

Introduction

For the last few decades, social entrepreneurship has emerged as an important economic phenomenon in both developing and developed countries (Santos, 2012). Such phenomenon has been commonly associated with success stories of social entrepreneurs in addressing the unmet needs of communities that the government welfare system failed to cater with (Thompson, Alvy, & Lees, 2000). In particular, social entrepreneurs have strived to innovate and deploy various business models to address the basic human needs across the world, for instance the provision of sterilized water, low cost cataract surgeries, vaccination, microfinance, and so on (Santos, 2012). The latter field of the practice has been perceived as the flagship of the social entrepreneurship, particularly after the Grameen Bank and its founder Mohammad Yunus were awarded with the Noble Peace Prize of 2006 (Huybrechts & Nicholls, 2012).

Though the practice of social entrepreneurship has a global presence and long heritage (Mair & Martí, 2006), the academic inquiry in this field has only emerged in the late 1990s in both the US and the UK (Bacq & Janssen, 2011). In particular, for the last ten years well-known business schools across the US and Europe have started creating academic centers and developing new courses to seek the understanding on how social entrepreneurship succeeded in the combination of business and social objectives (Haugh, 2007; Santos, 2012). In addition, social entrepreneurship has also emerged as an important research area since then, with an increasing number of articles, books, and even journals dedicated to focus on the issue (Huybrechts & Nicholls, 2012). Still, it is generally believed that the understanding and development of social entrepreneurship theory is lagging far behind its practices (Murphy & Coombes, 2008; Santos, 2012). Specifically, it is believed that there is a lack of conceptual understanding on the economic role of social entrepreneurship and the actions undertaken by social entrepreneurs (Santos, 2012).

Though it is believed that social entrepreneurship has important implications in the economic system, particularly in terms of creating new industries, validating new business models, and redistributing resources to address the social needs of the neglected society (Santos, 2012), to the best knowledge of the authors, yet there has no economic theories on social entrepreneurship. In order to move the researches and practices of this field forward, the development of economic theories are greatly needed. In particular, these theories will not only help to explain the distinctive role of social entrepreneurship in the economic system, but also enable social entrepreneurs to structure effective actions to address societal issues with a large-scale impact.

Having acknowledged the fact that no researches have been undertaken to develop economic theories on the subject, this paper has intended to shed some light on several important issues that are critical for the development of economic theories on social entrepreneurship. Specifically, the remaining parts of this paper are devoted in discussing six major issues associated with the development of economic theories on social entrepreneurship, and they are: a) the need of theories for social entrepreneurship, b) the definition of social entrepreneurship, c) the distinctive features of social entrepreneurship, d) the evolution of economic theories on entrepreneurship, e) the roles of social entrepreneurship in the modern economic system, and f) the approaches to conceptualize social entrepreneurship.

The need of theories for social entrepreneurship

The practice of entrepreneurship has become an important economic phenomenon with a lengthy heritage and global reach (Mair & Martí, 2006). In the developing countries, social entrepreneurship involves the invention of new products and services, and hence the deployment of new business models to address basic human needs (Filipe M. Santos, 2012b). For instance, Grameen Bank provides a variety of services to help eradicate poverty and empower women in Bangladesh (Mair & Martí, 2006), and Fabio Rosa uses Agro-electric System of Appropriate Technology (SAT) to establish low-cost rural electrification and irrigations in Brazil (Dacin et al., 2010). In addition, it is also a vigorous phenomenon in the developed countries (Filipe M. Santos, 2012b). For example, the Manchester Craftsmen's Guild use arts to develop community programs in Pittsburgh, and the Aravind Eye Hospital offers eye-care services and cataract surgeries to cure blindness with low cost in the developed countries (Mair & Martí, 2006). In addition, the statistical findings of past researches have indicated the comparable significance of social entrepreneurship with commercial

entrepreneurship. For instance, the UK's 2003 Global Entrepreneurship Monitor revealed that the percentage of the UK adult population associated with social entrepreneurship is slightly higher than the level of commercial entrepreneurship (Harding, 2004).

Despite the growing importance of the social entrepreneurship practices in the global context, the development of social entrepreneurship theory has lagged far behind its practice (Austin, Stevenson, & Wei-Skillern, 2006; Murphy & Coombes, 2008). In order to ensure the studies of the social entrepreneurship advance further, a well-defined theory is necessary particularly in terms of clarifying what is social entrepreneurship, explaining its distinctive role in the economic system, and compete with other theories for validation and relevance (Filipe M. Santos, 2012b). The distinctiveness of social entrepreneurship from other forms of entrepreneurship, particularly in terms of their mission, approaches, focused domains, and challenges, warrant a new body of theory (Dacin et al., 2010). The theory of social entrepreneurship is important in the process of knowledge development, as it will enable researchers to explain what has been observed and predict the possible outcomes in the future (Filipe M. Santos, 2012b).

Definition of social entrepreneurship

Since it is believed that the largest obstacle for the development of social entrepreneurship theory is the absence of a clear and unified definition, a systematic review on the definitions of social entrepreneurship among past researches is essential for the development of the theory. However, despite the intensified research interest on social entrepreneurship and the impressive growth of social entrepreneurship practices in the global context, there is a lack of generally agreed definition on the subject (Acs, Boardman, & McNeely, 2011). The elusive conceptualization of the social entrepreneurship is believed to be the barrier to the development of the theory in the field (P. A. Dacin et al., 2010). In fact, to different people social entrepreneurship means differently. Some authors perceive social entrepreneurship as the extension of the commercial entrepreneurship, which positions the social value creation rather than profit maximization as the primary objective of the venture. Other authors consider it as the not-for-profit initiatives which seek alternative funding and/or management strategies to create social values (Mair & Martí, 2006).

In general, the definition of social entrepreneurship can be classified into broad or narrow one. The former refers to the ability to leverage resources to address social problems, either in the for-profit sector, or in the not-for-profit sector, or the hybrid sector that mixes the for-profit and not-for-profit approaches. On the other hand, the narrow version of the definition associates social entrepreneurship with the economically sustainable ventures that generate social value. In Mair & Martí (2006), the definition of social entrepreneurship has been classified into three major categories.

As for the first category, social entrepreneurship was defined as the activities of seeking alternative funding strategies and management schemes to enable not-for-profit organizations to create social value. The second category of definition refers to the phenomenon as a socially responsible practice of commercial businesses. And the last category perceives social entrepreneurship as the means to relieve social problems and accelerate the development of society. Though social entrepreneurship has been defined differently, these definitions are complementary rather than competitive in nature. Since these definitions focus on different aspects of the phenomenon, a comprehensive understanding of these definitions enables

researchers to have a clearer picture on how social entrepreneurship should be studied. Thus, Mair & Martí (2006) offered a broader definition of social entrepreneurship as the process which involves the innovative use and combination of resources to pursue opportunities to address social needs and hence propel the development of society. This definition is based on three assumptions as follows: first, social entrepreneurship is a process of creating value through combining resources in new ways, second, the combination of the resources is aimed to explore opportunities to create social value by fulfilling the social needs, and lastly, social entrepreneurship not only involves the offering of goods and services but also the creation of new organizations.

In addition, the authors postulated that by examining the terms 'social' and 'entrepreneurship' systematically, it not only enables researches to capture the essence of social entrepreneurship but also that of the difference between social entrepreneurship and entrepreneurship in the business sector. In addition, the authors argued that social entrepreneurship differs from other forms of entrepreneurship in that it gives higher priority to social value creation through fulfilling social needs and propel the development of society.

In a study, Dacin et al., (2010) classified the variety of social entrepreneurship definitions among the past researches into four major approaches, namely, the characteristics of social entrepreneurs, their operating sectors, the processes and resources used by social entrepreneurs, and the primary mission and outcomes associated with the social entrepreneur. According to the first approach, social entrepreneurship is defined with the emphasis on the characteristics of the entrepreneurs. These characteristics include the ability of entrepreneurs to recognize opportunities, appropriate necessary sources, and inspire as well as lead the team to create social value and hence enact social changes. For instance, the definition of social entrepreneurship in Dees (1998) focused on five major roles that social entrepreneurs assumed to enable the changes in the social sectors, namely to adopt mission that create social value, to recognize and pursue opportunities that serve the mission, to engage in the process of continuous innovation, adaption, and learning, to act without being constrained by the resources in hand, and to be accountable to the serving community and the outcomes created. In addition, Tan et al. (2005) differentiates social entrepreneurship from other forms of entrepreneurship based on the degree of social entrepreneurs' altruism towards benefiting the society. In particular, if the entrepreneur has a high degree of altruism towards the benefits of society the entrepreneurship tends to be social oriented. However, since such category of definition is derived from the idiosyncratic insights on particular individuals, it may lead to biased observations which neglect the resources provided by the organization or accessed by social entrepreneurs (Dacin et al., 2010).

The second approach of definition focuses on the operating sphere of social entrepreneurship. The operation domain includes the manner in which social enterprises are established, and the primary activities undertaken by the social entrepreneurs (Dacin et al., 2010). Examples for the former can be evidenced from Dart (2004), in which social enterprises are perceived as an innovative form of venture in the not-for-profit sector. It is different from the traditional not-for-profit organization in terms of its strategy, structure, norm, and values. Examples for the latter can found from Zahra et al., (2009), where social entrepreneurship has been associated with activities, processes undertaken by social entrepreneurs to discover, define, and exploit opportunities to enhance social wealth. Others defined social entrepreneurship in terms of the process and sources of funding for the venture. For instance, Dorado (2006) viewed a social entrepreneurial venture as the hybrid of for-profit organization and non-for-profit organization,

and Harding (2004) perceived social entrepreneurial business as the one that positions social value creation superior to the economic value creation.

The final approach to define entrepreneurship has emphasized on the mission and outcomes of the social entrepreneur, particularly in terms of social value creation. Though this category of definition is found to be common across the social entrepreneurship studies, some studies equate it with not-for-profit organizations particularly in terms of philanthropic or charitable activities that sustained through funding or donations. In contrast, other studies perceived social entrepreneurship as the activities sustained through profit generation (Acs et al., 2011).

Schumpeter (1934) argued that entrepreneurship consists of creating innovations rather than inventions and that entrepreneurship is to be regarded only during the phase when actions are related to these issues. Therefore, according to Schumpeter, nobody is an entrepreneur forever, but only when he or she is actually pursuing innovative activities (Swedberg, 2000). As such social entrepreneurship involves seizing opportunity for the market-changing innovation of a social purpose (Corner and Ho, 2010). According to Leadbeater (1997), social entrepreneurs are defined as individuals who possess the characteristics such as entrepreneurial, innovative and 'transformatory'. They are also leaders, storytellers, people managers, visionary opportunists and alliance builders. They are able to identify an existing social problem and later organize, as well as create and manage a venture to make an impactful social change. They could be leaders as well as a managers. Inasmuch according to Bornstein (1998), a social entrepreneur is a leader with mission who is a path breaker with powerful new ideas. This person combines visionary and real-world-problem-solving creativity to make the social change. The reason of some people starting a business besides to gain profit, might appear to be distinctive with others because there is something fundamentally different about individuals who choose to venture into this area. Hence, research on social entrepreneurship has focused on the characteristics and distinguishing qualities that make such individuals stand out from the rest of the crowd (Dees, 2001; Fiet et al., 2006).

Among the four approaches to define social entrepreneurship, Dacin et al. (2010) believed that the most appropriate definition to the subject is to center on the social mission that aims to create social values. It is because that this type of definition may enable researches to build unique understanding on social entrepreneurship, and hence help policy makers to develop effective initiatives to enact the creation of social value and development of the society.

Having acknowledged the strength and weakness of the varying types of definitions on social entrepreneurship, this paper adopts the contextual approach advocated by (Dacin et al., 2010). The contextual approach of definition focuses on the primary mission of the social entrepreneurs, which is to create social value or enact social development. By defining the subject in such approach, it not only encourages researchers to examine how social entrepreneurship achieves certain social objectives, but also provides insights for other types of entrepreneurs to operate in the social context (Dacin et al., 2011; Dacin et al., 2010).

Distinctive Features of Social Entrepreneurship

In an attempt to advance the development of the social entrepreneurship theory, it is essential to identify the distinctive features of social entrepreneurship in comparisons with other forms of entrepreneurship (Austin et al., 2006). In Dacin et al. (2010), four major forms of entrepreneurship can be observed from past researches, namely social, business/conventional,

institutional, and cultural entrepreneurship. In order to gauge the distinctiveness of social entrepreneurship from other types of entrepreneurship, comparisons were undertaken on four dimensions, namely characteristics of the individual entrepreneur, operating sectors of the venture, process/resources of the entrepreneurial business, and the primary mission of the entrepreneurship.

Among the four dimensions, social entrepreneurship is found to be resembled with other forms of entrepreneurship in terms of the characteristics of their entrepreneurs and the operating sphere of the entrepreneurial ventures. In particular, it is common to all types of entrepreneurship that an entrepreneur should possess certain positive traits to ensure the success of the entrepreneurial venture. These personal traits includes creativity, risk-taking, alertness to opportunities, optimism, and passionate commitment to the goals (Acs et al., 2011; Dacin et al., 2010; Koe Hwee Nga & Shamuganathan, 2010; Massetti, 2008). In terms of the operating sphere, there is no clear boundary on which forms of entrepreneurial business should be ventured into and can be operated in not-for-profit sectors, for profit sectors, or the hybrid of these two sectors (Dees, 1998; Mair & Martí, 2006).

On the other hand, social entrepreneurship differentiates from other types of entrepreneurship in terms of the process/resources of the entrepreneurial, and the primary mission of the entrepreneurship. As for the former, it refers to a wide range of factors of production and the processes of mobilizing these factors to sustain the entrepreneurial venture. Unlike other forms of entrepreneurship which are severely constrained by the availability of the resources on hand, social entrepreneurship always focuses on the development of creative mechanisms to circumvent the resources constrains. To overcome these constrains, social entrepreneurship normally depends on the innovative use or combination of the existing resources (Mair & Martí, 2006), or the leverage of the existing networks or development of new networks (Verreynne, Miles, & Harris, 2012). As for the latter, it refers to the central objective of the entrepreneurship. The objective of an entrepreneurship can be sorted into three major categories: economic value creation, social value creation, or the balanced outcomes of economic and social value creation. The goal of social entrepreneurship is generally believed as double bottom lines, with the focus of both social value and economic value creation (Acs et al., 2011; Zahra et al., 2009). However, what differentiates social entrepreneurship from other forms of entrepreneurship is the superior position of the social value creation in its mission. As for the economic value creation, it is only perceived as a necessary means for the viability of the social entrepreneurial venture (Mair & Martí, 2006).

Similarly, Massetti (2008) perceived that both social entrepreneurship and conventional entrepreneurship seek to generate economic profit and social value. The difference between the two depends on the degree of their intention on social and economic mission. Such distinction can be elaborated more clearly through the continuum in Figure 1, where social-based mission is on one side while the market-oriented mission is on the other side. An entrepreneurship can be located at any position along the continuum, depending on the degree of its mission on the social and economic end. For instance, social entrepreneurship will be located at the left extreme of the continuum, indicating the superior position of its social-based mission in comparison with the market-based mission. As for the conventional entrepreneurship, it will be positioned at the right extreme of the continuum, as it tends to emphasize more on the profit maximization of the entrepreneurial venture.

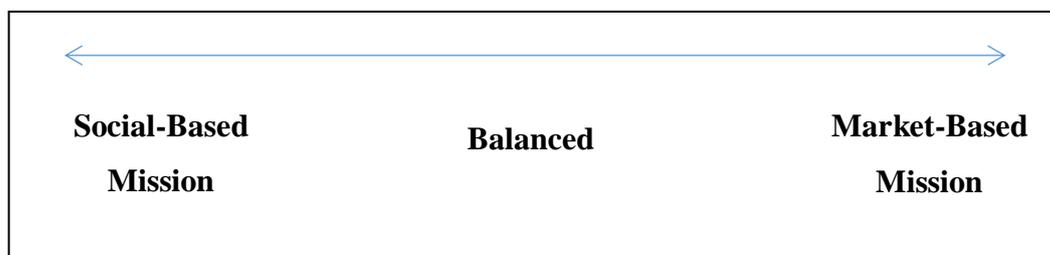


Figure 1: A Continuum of Entrepreneurship

The evolution of economic theories on entrepreneurship

Having noted the fact that there has been no economic literature discussing about social entrepreneurship, a comprehensive review on the evolution of economic theory on entrepreneurship is essential for the development of social entrepreneurship theory. Though entrepreneurship is generally perceived as an important driver for an economy, particularly in terms of economic growth, productivity, innovation, and job creation (Baumol, 1993; OECD, 2009; Wennekers & Thurik, 1999), mainstream economics had failed to fit it into economic theories until the last decade of 20th century (Rocha, 2012).

In the neoclassical economics, entrepreneurs have been totally absent in the mainstream models of value theory and the theory of the firm (Baumol, 1968, 1993). Having acknowledged the importance of entrepreneurship in the economic growth of an economy, some studies have been undertaken to investigate why entrepreneurship has vanished from the orthodox economic model. For instance, Baumol (1968, 1993) believed that it is because that the theory of firm is built almost entirely on the premise of optimization. In particular, the firm needs to choose a small number of well-defined variables and ensure the chosen variables yield optimal values. In fact, the firm model is an instrument for the optimality analysis of well-defined problems. It is a passive mathematical calculator that reacts mechanically to the external changes imposed upon (Baumol, 1968). However, since an entrepreneur is innovative in nature, it is difficult to provide general description on what he/she does. Hence, it fails to be translated into mathematical function that is essential for the systematic optimization calculation (Baumol, 1993). In addition, Wennekers & Thurik (1999) stated that since the production function of neo-classical economic theory postulates the internal logic of rational choice and perfect information for all individual agents, there is no room for entrepreneurs with innovative alertness and risk bearing initiative of entrepreneurs. In a more recent study, the authors believed that the presence of the entrepreneurship in the classical economic model will affect the consistency of the model. Thus, entrepreneurship has been ruled out from the mainstream theory of the firm (Gebel, Pyka, & Hanusch, 2003).

Due to the total absence of innovating entrepreneurs from the firm theory, economic theory fails to explain what the innovative entrepreneurs do, or how can they improve firms' performance (Baumol, 1993). Nevertheless, there remains a promising research area pertinent with economic theory, which is the study of innovative entrepreneurship. However, there are a variety of roles that an entrepreneur's efforts can be allocated. Some of the roles are destructive to the economy, while others are constructive and innovative. The allocation of the entrepreneur's efforts between these roles primarily depends on the reward structure in the economy. Thus, it is foremost important to set rules to allocate entrepreneurial resources in the innovative and constructive way, rather than the supply of entrepreneurs or the nature of their objectives, that enables the growth of the economy. According to Baumol (1990), in order to

invigorate the productivity and growth of the economy, the prevailing laws and legal procedure of an economy should be conducive to the constructive and innovative entrepreneurship but hostile to the destructive entrepreneurship.

Since 1980s, economic theorists began to feel uncomfortable about the absence of entrepreneurship from economic models (Wennekers & Thurik, 1999). According to the study, two circumstances emerged from the economic development process are believed to be the major driving forces for the revival of entrepreneurship in the economic theory. First, the role of entrepreneurs in the real world becomes more and more important. In particular, because of the dramatic expansion of the small firms and the perceived competitive advantage of these small firms in their flexibility in 1980s, the interest on the concept of entrepreneurship has intensified dramatically from then on. Another reason for the increased interest in entrepreneurship is because of the then unemployment problem in Western Europe. Since small firms are perceived to be important for a nation's economic growth, innovation, and job creation, increased researches were undertaken to investigate how entrepreneurship can help a nation to overcome the unemployment problem.

Besides the emergence of circumstances during the economic development process, it is believed that two theoretical developments of the orthodox economic theory also give rise to the increased attention on entrepreneurship. These two aspects of economic theory are: the X-efficiency theory of Leibenstein and the institutional theory of Coase. Specifically, X-efficiency refers to the degree of inefficiency in the use of resources within the firm. According to Leibenstein (1968), entrepreneurship has been considered as the creative response to X-efficiency. On the other hand, the Coase's (1973) institutional theory views an entrepreneur as the coordinator to allocate resources within the firm. Thus, the consideration of entrepreneurship in the economic model can be considered as the expansion or alternative to the neo-classical economic theory (Wennekers & Thurik, 1999).

Economic theory on entrepreneurship can be classified into three major intellectual traditions, namely the German tradition of von Thunen, Schumpeter and Baumol, the classical/neo-classical tradition of Marshall, Knight and Schultz, and the Austrian tradition of Menger, von Mises and Kirzner (Hébert & Link, 1989; Rocha, 2012; Wennekers & Thurik, 1999). Each intellectual tradition can trace its origin back to Richard Cantillon, who viewed an entrepreneur as the intermediary between landowners and hirelings that bears the risks of production and distribution (Hébert & Link, 2006). As for the German tradition, entrepreneurs are considered as the creator of instability and creative destruction (Wennekers & Thurik, 1999). For instance, Schumpeter upheld that the entrepreneurship should be understood through development economics. In details, Schumpeter believed that the economic system achieves the state of equilibrium through continuous interactions between buyers and sellers. The economic development occurs only when the continuous interaction process is interrupted. This interruption is believed as the result of the innovative function of entrepreneurs (Hébert & Link, 1989). Thus, in the Schumpeter's tradition, the growth of an economy depends on the innovative role of entrepreneurs, rather than the accumulation of capital (Rocha, 2012). In terms of classical/neo-classical tradition, Wennekers & Thurik (1999) believed that the entrepreneurial activities ensure the equilibrium state of the market. In particular, Schultz believed that it is the role of an entrepreneur to discriminate between the disequilibria faced by firms, households, and individual, and hence its ability to identify the proper supply functions help an economy to achieve its equilibrium state (Hébert & Link, 1989). Finally, the Austrian school focuses on the ability of entrepreneurs to combine resources to improve the market

inefficiencies or deficiencies (Wennekers & Thurik, 1999). Specifically, the Austrian theory on entrepreneurship is believed as the halfway house between the neoclassical view and the German view. In addition, it perceived entrepreneurship as the alertness to profit opportunities, and the role of the entrepreneur as to achieve all kind of adjustments necessary to move economic markets toward the equilibrium state (Hébert & Link, 1989).

Roles of Social Entrepreneurship in Modern Economic System

The classical economic theory suggests that if each economic agent maximizes its own interest in a perfect market (perfect competition, complete information, and zero transaction costs) the economy as a whole will be stable and optimized. In this process, the resources will be allocated in the most efficient manner, and hence be utilized in the most valuable way. Thus, the welfare of the society is maximized (Santos, 2012). In addition, Santos (2012) considered such process as the concept of the “invisible hand” initially suggested by Adam Smith.

Since economies are dynamic in nature, the emergence of new needs, technologies, or information gives rise to the new business opportunities. However, those companies, which have already invested huge amount of resources to achieve efficiency in producing specific goods and services, will miss these new opportunities (Santos, 2012). This is primary due to the uncertainty of the new market in comparisons with the existing business (Santos & Eisenhardt, 2009). In other words, the initial successful business models of these companies are becoming the inhibitor for them to cope with the dynamic changing market environment (Zott & Amit, 2008). Nevertheless, these new business opportunities will be captured by the commercial entrepreneurs with their “soft-power” strategies. These strategies are the subtle influence mechanisms that cause others to willingly behave in ways that benefit the business firms. For instance, shielding intentions and exaggerating one’s importance to obtain advantages, exploitation of the tendencies of others, and the asynchronous timing to their advantage (Santos & Eisenhardt, 2009). Thus, commercial entrepreneurship is perceived as the dynamic mechanism to ensure the resources are appropriated and utilized in the best way so that the welfare of the society can be maximized (Santos, 2012; Schumpeter, 1934).

In addition, the welfare of the society can only be guaranteed with the presence of the government’s regulatory function (Santos, 2012). In particular, the government will not only help to establish the legal system and enforce it, it also helps to set up legal and monitor framework to ensure the competitive environment in the market is fair and just. Though the invisible hand in the regulated market may bring about economic efficiency, the economic system will experience inequalities in the distribution of resources and welfare. In the wake of these inequalities, governments will assume the redistributive function in the system (Santos, 2012). Specifically, government will apply the tools of tax system and social coverage to appropriate the due amount of resources to elevate the welfare of the needy people beyond the minimum accepted level in the society.

However, due to the constrained resources and capacity, government alone cannot ensure every member of the society reaching the minimum level of the welfare. In fact, governments are only capable of catering the general needs of the society. In terms of the problems faced by individuals or communities in the society, governments do not have the means to structure customized actions to address these problems. Nevertheless, the failures of the government in address the specific needs of individuals and communities give rise to the establishment of charitable organizations and NGOs. These organizations are founded with the intention of

redistributing resources to reduce the inequality or address the needs of individuals in the specific society. With the existence of these charitable organizations, economies can move forward towards a more just and equal society (Santos, 2012).

Unfortunately, the structure of the economic system discussed above will be crippled in the wake of externalities. The externalities can be negative or positive in nature. As for the former, it is commonly associated with the consequences of adopting the harmful practice for the society, for instance, to dump toxic waste in the river, or the excessive use of water or electricity. As for the latter, it generally refers to the consequences of under-provision of certain goods or services in the society, for instance vaccination or clear water (Rangan et al., 2006; Santos, 2012). Though governments can take initiatives to address most of these externalities, due to constrained resources or capacities they may not have the means to address some of the externalities. In view of such circumstance, social entrepreneurship is believed as the appropriate mechanism to address the neglected externalities (Santos, 2012).

Approaches to Conceptualizing Social Entrepreneurship

In order to facilitate future researchers to develop the economic theories of social entrepreneurship as a body of knowledge, and enable the operationalization of the construct effectively, it is essential to understand the conceptualization of social entrepreneurship construct. Since social entrepreneurship involves a diverse range of activities in the organization, researchers tend to conceptualize the social entrepreneurial construct with varying focused dimensions. In general, the conceptualization of social entrepreneurship can be classified into two categories based on the number of dimensions in focus, namely, the uni-dimensional conceptualization, and the multi-dimensional conceptualization.

As for the former, past researches tend to conceptualize the structure of social entrepreneurship through three major categories. In details, these dimensions are: first, the leadership characteristics of the social entrepreneur, second, the social concern of the social entrepreneurship, and lastly the superior position of the social mission over the business mission in the entrepreneurship. As for the leadership characteristics of the social entrepreneur, researchers attempted to conceptualize the construct of social entrepreneurship in terms of individual qualities of the leadership (Mort et al., 2003). These characteristics can be streamed into five major types, namely social vision, sustainability, social networking, innovativeness, and financial returns (Koe Hwee Nga & Shamuganathan, 2010). Among all these characteristics, it is believed that the personal credibility and ability to generate followers' commitment to the project that aims at creating social values is the most important characteristic of the social entrepreneur (Waddock & Post, 1991). Others researchers focus on the social concern of the entrepreneurship and public policy related to the area of social concern. Thus, the conceptualization of the social entrepreneurship has been structured on the catalytic role of the leadership in uplifting the welfare of the underprivileged communities (Mort et al., 2003). Last but not least, other researchers adopted social mission as the key dimension in the conceptualization of social entrepreneurship (Mort et al., 2003). For instance, Dees (1998) argued that, though social enterprises have both social and business objective, the social mission is explicit and central. Whereas, the business objective of profitability is only considered as secondary and enacted to ensure the sustainability of the social enterprise.

Instead of focusing on a single aspect of social entrepreneurship to conceptualize the entrepreneurial model, which is believed to be inadequate to capture the complex nature of

social entrepreneurship, Mort et al. (2003) proposed the multi-dimensional conceptualization of the subject. This is primarily because, first the business entrepreneurship upon which social entrepreneurship is founded is multi-dimensional in nature, and second the prominent practitioner groups discuss social entrepreneurship in terms of many dimensions. In particular, Mort et al. (2003) conceptualized social entrepreneurship as a multi-dimensional construct through four aspects, namely entrepreneurially virtuous, the ability of a social entrepreneur to make balanced judgment, characteristics of social entrepreneurs in terms of risk tolerance, proactiveness, and, innovativeness, and lastly the central mission of entrepreneurship in creating social value. In addition, Mort et al. (2003) argued that by expressing social entrepreneurship in an organizational setting within learning orientation approach, it not only provides a meaningful and realistic path towards the conceptualization and measurement of social entrepreneurship, but also gains insights into how social entrepreneurship can be developed and linked to ongoing capabilities within the organization.

Conclusion

For the past few decades, social entrepreneurship has become an important economic phenomenon both developed and developing countries alike, particularly in the provisions of necessary goods and services to the underprivileged communities. Despite the global presence and long heritage of social entrepreneurial practices, researches on the subject have only emerged after late 1990s. The understanding and development of social entrepreneurship theory has lagged far behind its practices, particularly in terms of the conceptual understandings on the economic role of social entrepreneurship and the proper actions undertaken by social entrepreneurs to create social values.

The lack of researches in social entrepreneurship is particularly true in the field of economic theory. To the best knowledge of the authors, there have been no researches undertaken to explore social entrepreneurship from the perspective of economic theory. Nevertheless, due to the significant role of social entrepreneurship in uplifting the living standard of the underprivileged community, addressing externalities within the economic system, and justly reallocating resources and welfare in the economic system, the economic theory on social entrepreneurship is believed to be a critical body of knowledge for both future practitioners and policy makers in structuring due initiatives for the healthy development of the society. Thus, this paper has devoted to shed some light on the major issues pertaining to the development of economic theory on social entrepreneurship. It is expected that the issues discussed in this paper will not only help future researches realize the need of economic theory on the field and design a proper approach to conceptualize the subject, but also identify the potential directions to develop economic theories.

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