

# Surveying Social Entrepreneurship

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*"Social entrepreneurs are not content to give a fish or to teach how to fish. They will not rest until they have revolutionized the fishing industry"*

Bill Drayton

## The Task: From Concept to Measurement

Over the past few years, social entrepreneurship has captured the imagination of development and social policy practitioners. The term is rapidly becoming shorthand for the performance revolution in the social sector.<sup>2</sup> Social entrepreneurship may well hold the key to address the crisis of the welfare state and underdevelopment. But to seriously turn the tide on global issues as exemplified in, say, the Millennium Development Goals, well-intentioned interest in social entrepreneurship alone is insufficient.<sup>3</sup> Sizeable investments in social entrepreneurs are needed. This requires a strong "business case." We must identify the social issues where social entrepreneurship interventions have comparative advantage, and the social enterprises that do best at delivering social value.

This paper reviews social entrepreneurship as a specific form of intervention in domains where market mechanisms alone do not work properly.<sup>4</sup> The argument does not intend to provide any comprehensive statement on the field of social entrepreneurship,

<sup>1</sup> Excerpted from "Surveying Social Entrepreneurship," University of St. Gallen, 2004.

<sup>2</sup> In recent years, third sector organizations are increasingly held to performance criteria adapted from the private sector: effectiveness of resource allocation, transparency, accountability, and effective governance.

<sup>3</sup> For a discussion of the Millennium Development Goals, please refer to <http://www.developmentgoals.org/>.

<sup>4</sup> Unfortunately, a multi-country empirical validation mechanism that scrutinizes many of the claims social entrepreneurs and their advocates routinely put forth, such as social entrepreneurs' superior performance track record and ability to innovate, is not existent. The dearth of data is widely recognized. Several institutions are investing in surveys. However, their scope is mostly national or regional. For example, the Research Initiative on Social Entrepreneurship (RISE) at Columbia Business School is working on a survey on "the markets, metrics and management of for-profit and nonprofit social enterprise and social venturing" in the United States (cf. <http://www-1.gsb.columbia.edu/socialenterprise/academics/research/> [cited July 1, 2004]). For a regional survey cf. e.g. the Cumbria Social Enterprise Survey (Northwest Development Agency 2003).

or to weigh in on the debate of how to properly define social entrepreneurship. It seeks to answer the question, "what would I need to know to put substantial financial resources into social entrepreneurship, rather than funding a few initiatives here and there?" The range of views on social entrepreneurship is wide. Section two provides a brief overview of social entrepreneurship and its logic of action. Taking a structured perspective, one can establish a continuum ranging from an exclusive focus on social entrepreneurs' "traits" and patterns of behavior to a complete focus on "context," as visualized in figure 1 below. The emerging schools of thought on social entrepreneurship are best classified as the "individualist" and the "contextualist" views.

(i) The individualists focus on the traits that differentiate social entrepreneurs from other social agents.

(ii) The contextualists foreground the relationship between the phenomenon of globalization and the emergence of social entrepreneurship as a frame of reference.



Figure 1: The Continuum of Hypothesized Determinants of Social Entrepreneurship.

For the purpose of empirical analysis, the paper proposes to look across the continuum, given that

(i) **Social entrepreneurs are entrepreneurial leaders.** They shift and combine resources in ways that create greater social value. Tackling the empirical identification of successful social entrepreneurs' traits and behaviors has much to gain from capitalizing on advancements in leadership and entrepreneurship studies.

(ii) **Social entrepreneurship emerged in the context of globalization.** Its analysis must explicitly relate to relevant macro-social trends. Among other things, this means that the empirical analysis of social entrepreneurship ought

to explore the relationship with changes in the field of philanthropic giving and the emerging concept of social investment.<sup>5</sup>

*Section three* clarifies four dimensions of social entrepreneurship that warrant empirical validation:

(i) *Innovation*. Social entrepreneurs create systemic change. How can we analyze their work as social innovators through empirical research?

(ii) *Performance*. Measuring outcomes is important. How successful are social entrepreneurs?<sup>6</sup> How should we measure social entrepreneurs' performance as providers of public and private goods?

(iii) *Leadership*. Social entrepreneurs' leadership allows them to overcome obstacles that seem insurmountable. How can we render operational the specific nature of their leadership for empirical analysis? How does this research agenda intersect with agendas in leadership and entrepreneurship studies?

(iv) *Identity*. How should we conceptualize the emergence of social entrepreneurship as a new identity for social sector leaders? Does social entrepreneurship have facticity beyond its reflexive dimension?

*Section four* concludes, pointing to a way forward to put the phenomenon of social entrepreneurship on the sound empirical basis needed to convince social investors of its upside.

<sup>5</sup> Traditional providers of charity frequently gave money away without expecting a financial return and often without involvement in the recipient's operations. "Social investors" by contrast blend philanthropic giving with business principles. Committing resources to social ventures with the expectation of a specified and measurable social and sometimes also financial return, they may take stakes in social enterprises that have a for-profit structure, or get involved in the management or board-level oversight of the not-for-profits they give money to.

<sup>6</sup> "Success" is a complicated term. Take for example Sarah Alford, David Brown and Christine Letts' (2002) comparative analysis of seven cases of widely recognized successful social entrepreneurs (BRAC, Six-S, the Green Belt Movement, Grameen Bank, Plan Puebla, the Highlander Center and SEWA). The authors analyze the relationship between economic, political and cultural social transformation impact and the organization's innovation and leadership characteristics and organizational arrangements. While all organizations are or have been highly successful in one or several dimensions, none of them has attained both a high reach and high economic, political, and cultural impact (SEWA fares best with a high reach, high political and cultural impact, and medium to high economic impact).

## 1. Defining the Unit of Analysis

### 1.1 Grasping the Logic of Action

To assess the promise of social entrepreneurship, one must first define the unit of analysis. Social entrepreneurship began to be theorized and widely discussed in the media in the 1990s. An increasing number of individuals and organizations began to devote their attention to elaborating some aspect of social entrepreneurship.

*North America*. The institutionalization of social entrepreneurship began in the US. Bill Drayton, a former management consultant, founded Ashoka in 1980. Transferring the strategy consultant's performance principles to the social sector, Ashoka pioneered the stimulation of social entrepreneurship.<sup>7</sup> At first, this was a lonely endeavor. Drayton was the "only kid on the block" until several organizations that pursued similar lines of work were created in the nineties. In 1997, the Roberts Foundation, founded by George and Leanne Roberts, launched the Roberts Enterprise Development Fund (REDF) in partnership with Jed Emerson, the Fund's first executive director. Focusing on communities in the San Francisco bay area, REDF has played an important role as a source of thinking about social entrepreneurship.<sup>8</sup> In 1999, Jeff Skoll, the co-founder of eBay, created the Skoll Foundation, based in Palo Alto, California, to focus on social entrepreneurship. Ebay's second co-founder, Pierre Omidyar, established the Omidyar network in 2004.<sup>9</sup>

The United Kingdom is the traditional home base of social entrepreneurship in Europe. In the political environment after the Blair government took office in 1997, social entrepreneurship rapidly became one of the stages where Third Way thinking was translated into practice, with active encouragement from the UK government. The Millennium Commission granted an endowment of £100 million to the Millennium Awards Trust in 2002 to fund the activities of UnLtd, Foundation for Social Entrepreneurs, a UK registered charity. In continental Eu-

<sup>7</sup> Since its creation, Ashoka elected over 1,500 Ashoka Fellows in 48 countries. For details, cf. [http://www.ashoka.org/what\\_is/mission.cfm](http://www.ashoka.org/what_is/mission.cfm) [cited July 1, 2004]. For a discussion of the history of Ashoka, cf. Bornstein 2004.

<sup>8</sup> Emerson developed an impact-measurement methodology called "Social Return on Investment" (SROI).

<sup>9</sup> For an overview of the organizations' activities, cf. <http://www.skollfoundation.org> and <http://www.omidyar.net>. Based on the credo that "every individual has the power to make a difference," the Omidyar Network will fund for-profit organizations as well as non-profits. The Skoll Foundation makes grants to social entrepreneurs, and funds research and events on social entrepreneurship.

rope, organizations to support social entrepreneurship were created as well. For example, Klaus Schwab, the Founder of the World Economic Forum, Switzerland, and his wife Hilde set up the Schwab Foundation for Social Entrepreneurship in 1998.<sup>10</sup>

The *academic study* of social entrepreneurship is institutionalizing as well. A network of dedicated research centers and journals has emerged, enabling academics to make a career of studying social entrepreneurship and social innovation. Some institutions are leading the process. The pioneer is Harvard Business School's Initiative on Social Enterprise, under the leadership of Jim Austin and Kash Rangan. It celebrated its tenth anniversary in 2003. The Center for Social Innovation at Stanford University, which was founded in 2000, launched its own journal, the *Stanford Social Innovation Review*, in 2003. At Duke University's Fuqua School of Business, Gregory Dees, an influential figure in the field, founded the Center for the Advancement of Social Entrepreneurship in 2002. In Canada, the University of Alberta created a Canadian Center for Social Entrepreneurship. And in the UK, the Skoll Foundation funded the establishment of the Skoll Center for Social Entrepreneurship, a dedicated research center at Saïd Business School at Oxford. Many universities are currently studying how to integrate social entrepreneurship into their curriculum.

Social entrepreneurship has a reflexive dimension as well. Social activists are recasting themselves as social entrepreneurs. A veritable "field" of social entrepreneurship has emerged. Notwithstanding, there is no single definition of the subject.<sup>11</sup> To understand the field's logic of action as well as its patterns of conflict, it helps to bring Kurt Lewin and Pierre Bourdieu's notion of a "field" to bear on the analysis. To get the empirical analysis right, it is important to be aware of the historical contingency of the field of social entrepreneurship and its rules. Social in-

<sup>10</sup> For more information, cf. <http://www.unltd.org.uk> and <http://www.schwabfound.org>.

<sup>11</sup> Here are a few definitions. For Ashoka, "the job of a social entrepreneur is to recognize when a part of a society is stuck and to provide new ways to get it unstuck." For David Bornstein, social entrepreneurs are "pathbreaker(s) with a powerful new idea, who combines visionary, and real-world problem-solving creativity, who has a strong ethical fiber, and who is 'totally possessed' by his or her vision for change." The Roberts Enterprise Development Fund focuses on the promotion of "social entrepreneurship," defined as "the application of innovative management and program development strategies in an effort to address critical issues facing society." Social entrepreneurs are "individuals who engage in social enterprise [and] draw upon the best thinking in both the business and nonprofit worlds in order to advance their social agenda." (cf. [http://www.redf.org/faq\\_intro.htm#spe](http://www.redf.org/faq_intro.htm#spe) [cited July 1, 2004]).

teraction inevitably takes place in some context. Thinking of social entrepreneurship as a field foregrounds its multiple dimensions and its semi-autonomous nature. Trends in social entrepreneurship are broadly related to trends in other domains, but do not mirror them mechanically. Ashoka owes much to Bill Drayton's professional socialization as a McKinsey consultant, and the emergence of the field of strategy consulting. Yet, in taking many of these insights into the social sector, Ashoka produced substantial innovations of concept and method.

Based on the interplay between their location in a social network and their outlook on life, individuals and institutions occupy specific positions in a given field.<sup>12</sup> Over time, the specific positions they carve out crystallize in a field-specific logic of action. For example, business scholar Gregory Dees' writings on social entrepreneurship have come to frame how many people conceptualize social entrepreneurship. Over time, actors' actions and seminal gatherings such as the first Skoll World Forum on Social Entrepreneurship at Oxford in 2004 translate into a field's history. They provide points of reference for individuals to borrow legitimacy for their arguments. While not fully insulated from the dynamics in other fields, a field's specific history might differ considerably from overall historical developments. The emergence of social entrepreneurship coincides with a growing interest in leadership and entrepreneurship, but the fields are by no means coterminous.

Fields are governed by "rules of the game."<sup>13</sup> Actors who do not master these rules will not be able to make meaningful interventions. You must act according to the field's "logic of action." For example, a genealogy of social entrepreneur-

<sup>12</sup> Bourdieu elaborates these positions as a function of *habitus* and capital.

<sup>13</sup> Collective misrecognition and conflict are central to Bourdieu's notion of the dynamics that shape social fields. To grasp the characteristics of a social field, consider the concept of a field in a game: "In a game, the field (the pitch or board on which it is played, the rules, the outcome at stake, etc.) is clearly seen for what it is, an arbitrary social construct, an artifact whose arbitrariness and artificiality are underlined by everything that defines its autonomy - explicit and specific rules, strictly delimited and extra-ordinary time and space. [...] By contrast, in the social fields, which are the product of a long, slow process of autonomization, [...] one does not embark on the game by a conscious act, one is born into the game, with the game; and the relation of investment, *illusio*, investment, is made more total and unconditional by the fact that it is unaware of what it is. As Claudel puts it, 'connaître, c'est naître avec, to know is to be born with, and the long dialectical process, often described as vocation,' through which the various fields provide themselves with agents equipped with the *habitus* needed to make them work, is to the learning of a game very much as the acquisition of the mother tongue is to the learning of a foreign language."

ship in the United Kingdom would make little sense if it forgot to acknowledge the role the British government played in popularizing the concept. But the dominant definitions of social entrepreneurship in the UK may make no sense to actors in other countries, because they do not resonate with their personal experience and the history they look at to situate their observations.<sup>14</sup>

Apart from periodical paradigm changes such as the ascension of Keynesian economics or monetarism, the governing rules evolve very slowly in mature fields such as economics. In an emerging field, the rules are vastly more fluid. Different players attempt to render their set of rules hegemonic. The field of social entrepreneurship is currently at a stage prior to the establishment of a dominant paradigm that orients research and practice for an extended period. A set of rules that seems natural to most of the players (creating *illusio* in Bourdieu's terminology) has not yet been articulated.

Thinking about social entrepreneurship as a field reminds us that the relevant parties are historical actors and their thinking contingent. The views fall into two broad categories. For clarity, I will dichotomize and refer to them as the *individualist* and the *contextualist* view. Let me briefly outline the two perspectives.

### 1.2. The "Individualist" View

In the venture capital industry, it is common to make a bet not just on a proposed business model, but also on the quality of the implementing team. Thus, isolating the traits and stable patterns of behavior of high-performing social entrepreneurs may help to guide social investors' resource allocation decisions. How can one then define a set of core criteria that provide early cues on the promise of social entrepreneurs?

In the social sciences at large, trait perspectives have come under extensive criticism. In the field of social entrepreneurship however, the individualist view is highly influential. In this perspective, social entrepreneurs share certain aspects

of personality and aptitudes. This bundle of traits creates specific patterns of behavior that set social entrepreneurs apart from other actors in the social sector. Perhaps the most influential statement of this view can be found in the work of Gregory Dees. In this perspective, the following five characteristics render social entrepreneurs pivotal change agents:

- (i) Social entrepreneurs are mission driven. The mission of social improvement – to create and sustain social value – plays a critical role in motivating and orienting their actions, and takes priority over generating profits. Mission orientation induces social entrepreneurs to take the long view. True social improvement is rarely achieved with quick fixes, and social entrepreneurs seek to create lasting benefits for their constituents.
- (ii) Social entrepreneurs are opportunity exploiters. They recognize and relentlessly pursue new opportunities that serve their mission. Unlike most people, social entrepreneurs are predisposed to conceptualize "problems" as opportunities.
- (iii) Social entrepreneurs are relentless innovators. To create social value and obtain resources and funding, they subject their ventures to a process of continuous innovation, adaptation, and learning.
- (iv) Social entrepreneurs are risk takers. They act boldly, and do not allow existing resources to limit their strategic visions. Utterly pragmatic, they explore all resource options, from pure philanthropy to the commercial methods of the business sector, rather than accepting a given sector's model of what constitutes proper practice.
- (v) Finally, social entrepreneurs value accountability. They take steps to ensure that they are creating true value, providing real social improvements to their beneficiaries and their communities, as well as an attractive social and/or financial return to their investors.

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<sup>14</sup> According to UnLtd, there are currently two dominant uses of social entrepreneurship in the UK. (i) Social entrepreneurship is a synonym for social enterprise, defined "as *social enterprise* involving pursuing financial and social goals simultaneously, with an emphasis on organizational structures and processes and financial sustainability." (ii) Social entrepreneurship is defined in a larger sense as social change or innovation: "as *social change* involving innovative ways of meeting long-standing and new social needs, with an emphasis on individual action and initiative" (emphasis in original).

In short, analogous to the trait approach in leadership studies, Dees conceives of social entrepreneurs as a special type of individuals.<sup>15</sup> Two observations are in order. First, feet for these oversized shoes are hard to find in practice. Dees' typology makes the most sense when seen as a normative intervention, rather than a positive description of a state of being. Perhaps social entrepreneurs cannot live up at all times to the expectations Dees formulates. But these characteristics and the patterns of behavior they bring about nevertheless provide an important yardstick. Moreover, from this definition, it follows that social entrepreneurship is a perennial phenomenon. They may be very few, but some people with these characteristics can be located throughout history. Of course, some of the durable characteristics in individuals Dees describes, such as risk preference or innovation inclination are partially culturally and historically contingent and broadly related to the rise of capitalism. But they are certainly not sufficiently novel phenomena to attribute them to social change associated with international economic integration and the recent advent of the information age. Rather, historical contingency dates back to the rise of entrepreneurship, a concept first elaborated by the French economist Richard Cantillon, and popularized by the French economist Jean-Baptiste Say (1767-1832).<sup>15</sup>

From an empirical point of view, emphasizing the relevance of social entrepreneurs' traits invites a set of questions as to their acquisition. The answers to these questions have important implications for intervention, e.g. the prospect of "producing" change agents through, say, leadership education.

(i) To which extent are social entrepreneurs born? And to which extent are they "made" through individual life circumstances?

(ii) If they are made, *how* do people acquire the characteristics it takes? How does the mechanism look like, and what are the most powerful levers?

(iii) And *when* are the core characteristics acquired? What about the relative importance of primary and secondary socialization? Are there ways to "teach" someone to be a social entrepreneur?

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<sup>15</sup> Ralph Stogdill (1948) pioneered the trait approach in leadership studies. In this view, physical characteristics, aspects of personality, and aptitudes are critical for leadership effectiveness. Initially, researchers were confident that such traits could be measured. However, empirical studies often found it difficult to provide satisfactory conceptual and methodological solutions that relate measuring traits, which are abstract by definition, to observing them in context-dependent behavior.

### 1.3. The "Contextualist" View

The social entrepreneur may be a perennial phenomenon, but the concept of social entrepreneurship is not. As a concept, social entrepreneurship is part of a larger and more recent story, which social investors need to take into consideration when making resource allocation decisions. Social entrepreneurship emerges at a specific historical juncture, the reorganization of business and society along entrepreneurial lines since the 1980s. The rise of social entrepreneurship and the changing face of philanthropy are reshaping the social sector in tandem. In many ways, they are two sides of one coin.

First, philanthropy has not been as ambitious since the Gilded Age. Powered by the accumulation of massive amounts of new wealth, the practice of giving is rapidly reorganizing, incorporating strict performance orientation, strategic thinking, and a global scope.

Similarly, social entrepreneurs are social activists who seize the opportunities opening up in the changing field of forces. They do not merely lament about a growing emphasis on the market as the optimal mechanism to allocate scarce resources, the crisis of the welfare state in the advanced economies, and the failure of the Washington Consensus to show an easy way out of underdevelopment. Instead, social entrepreneurs capitalize on these phenomena. The scale of their activities does not yet match the place they occupy in the imaginary. But social entrepreneurs have begun to be regarded as the "new social architects."

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<sup>16</sup> Economy of argument prevents us from deepening the discussion of entrepreneurship here. Let me nevertheless point out that there is an entire range of definitions of entrepreneurship, and a substantial body of literature. According to the Oxford English Dictionary, the term makes its first appearance in the English language around 1475 as "entrepreneur," that is, "one who undertakes; a manager, controller; a champion." Cantillon conceived of entrepreneurship as a kind of arbitrage. Unlike Adam Smith, whose "invisible hand" de-emphasized the entrepreneur, Say celebrated the entrepreneur as a value-creator who shifts economic resources out of an area of lower and into an area of higher productivity and greater yield. Economist Joseph Schumpeter (1883-1950) later located the entrepreneur as the driver of the process of economic change, as the *agent of creative destruction*. Although some prefer to overlook this, Schumpeter's treatment of the subject is richer than the present day celebration of the heroic entrepreneur would suggest. Indeed, two competing readings of the entrepreneur are possible. (i) In the "heroic" version, the entrepreneur is a Herculean innovator. Knocking down the pillars of the old economic order, s/he reconstructs economic life and raises living standards for all in the process. (ii) Schumpeter draws attention to the role credit institutions play in economic life as well. They provide the crucial complement to entrepreneurial activity. In this reading, the entrepreneur's actions are in fact determined by faceless financial intermediaries.

Central to the contextualist view is the notion that “social entrepreneurship has not evolved in a vacuum.” Rather than focusing on social entrepreneurs’ traits, the contextualists foreground the changing supply and demand conditions that currently reshape the social sector: increasing competition, changing funding conditions, new mental models, and greater demands. Let us look at the different elements of the equation in a structured fashion.

*A crowded field.* A plethora of new entrants have increased competition in the market for “doing good.” According to a frequently cited figure by management guru Peter Drucker, more than 800,000 new non-profits have been established since the early 1970s.<sup>17</sup> New entrants stiffen the competition for scarce resources. Putting additional possible outlets for their philanthropic resources at their disposition, they further shift the balance of power toward givers, enhancing their ability to demand higher levels of organizational effectiveness, transparency and accountability. Since the defining criterion of not-for-profit organizations is the absence of ownership, consolidating the sector in ways similar to the private sector, where high-performing organizations take over low-performing ones, is not an option.

*Changing composition of funding.* Coinciding with the mushrooming of not-for-profit organizations, traditional sources of funding have declined in the advanced economies. For example, for the case of the US, McLeod notes that federal and state funding fell by 23% in the 1980s, and decreased further in the 1990s. Associated with the globalization of finance, competition, trade, and macroeconomic policy, public funding is under pressure in most OECD countries. But rather than shrinking, the composition of funding is changing. Financing from two other sources is up. First, in a global economy where competition is fierce for similar goods, many companies pursue differentiation and branding strategies. Some of them channel corporate funds into social responsibility measures. If designed properly, they can greatly enhance a firm’s brand and boost employee morale. Second, unprecedented wealth creation since the advent of industrialization that powered the ascension of families such as the Carnegies, Rockefellers and the Krupps channels huge amounts of capital into

<sup>17</sup> Drucker does not specify which jurisdictions are covered by this estimate.

the social sector. According to a Business Week ranking, the fifty most generous donors in the US gave away US\$ 41 billion between 1998 and 2002.<sup>18</sup>

*An entrepreneurial mindset.* Although less easily quantified, the rise of the entrepreneurial mindset has important implications for changing the logic of action in the domains of social policy and philanthropic giving as well. Elsewhere, I have argued that the changes in subjectivity associated with global change are producing a “neo-entrepreneurial subject.” Disciplined to be creative, in search of meaning, and powered by the internalization of the non-solvable tensions of global capitalism, s/he searches for meaning in traditional business activities. This leads to a blurring of sector boundaries, as exemplified by the emergence of the new market segment of “social investment” and the notion of “bottom-of-the-pyramid markets.”<sup>19</sup> The neo-entrepreneurial subject expects social activism to comply with the precepts of business discipline.

*Exploding inequality.* The aggravation of inequality, paired with an explosion of perceived needs, reshape the social sector as well. Most people sense that the global changes one loosely summarizes under the umbrella “globalization” have increased inequality at the global level.<sup>20</sup> Changing patterns of communication in a global media society have greatly increased the visibility of inequality and poverty, adding to pressure on the private sector. The “anti-globalization” movement’s sudden appearance in Seattle in November and December 1999 has turned corporate social responsibility and corporate citizenship into vastly more compelling value propositions for global companies.

<sup>18</sup> For the *Business Week* ranking of the 50 most generous U.S. philanthropists, cf. [http://www.businessweek.com/magazine/content/02\\_48/b3810005.htm](http://www.businessweek.com/magazine/content/02_48/b3810005.htm) [cited July 1, 2004].

<sup>19</sup> The model conceives of the poor majority of the global population as a gigantic market whose penetration requires special strategies. It is discussed in section three.

<sup>20</sup> According to the United Nations, the richest 20 per cent of the global population increased its share of world income from 70 per cent of total income in 1960 to 85 per cent in 2000. During the same period, the bottom quintile’s share fell from 2.3 per cent to 1.1 per cent. By contrast, a new World Bank data set by Klaus Deininger and Lyn Squire on inequality in the distribution of income, as measured by the Gini coefficient, finds a general improvement in equality. The World Bank points out that differences in the definition of the underlying data affect intertemporal and international comparability. Deininger and Squire do not find a systematic link between growth and changes in aggregate inequality, but a strong positive relationship between growth and reduction of poverty.

#### 1.4. Toward an Integrative Perspective

Both individualists and contextualists make valuable points. A social entrepreneur is a special type of leader. Social entrepreneurs possess certain characteristics that set them apart from other individuals. Moreover, social entrepreneurship is also a child of our times. How can one then combine the two perspectives to construct a potent working definition? Otherwise, gathering the data needed to decide where and how to invest in the vast emerging universe of social entrepreneurship would prove illusive. In terms of the general research strategy, two points are critical.

*Inclusion.* First, it would be unproductive to mirror debates in the social sciences about nature vs. nurture, construction vs. essence, or individual vs. structure. Construing the two approaches in an adversarial fashion is not the way forward. The two extremes demarcate the boundaries of a single continuum. People who have seen social entrepreneurs in action will intuitively agree that a certain set of traits helps to produce patterns of behavior that enable them to exploit opportunities and take risks. These behavioral patterns are a necessary condition for successful social entrepreneurship. However, traits are not a sufficient condition to fully define the concept. Social entrepreneurship is a historically contingent phenomenon. It is related to the transformation of the social sector in response to the rise of globalization and the neo-entrepreneurial restructuring of organizations.

*Adjacent fields.* Thinking of social entrepreneurship as a historically specific phenomenon has implications for the research strategy. As a newly emerging field, social entrepreneurship still has a long way to go toward full institutionalization. Taking an inclusive perspective that explicitly relates social entrepreneurship to research in leadership and entrepreneurship will greatly enhance the field's visibility.

To render the concept operational for empirical investigation, four different lenses are needed: innovation, performance, leadership and identity, as is illustrated in *figure 2*.

*Innovation.* In the pursuit of social value, social entrepreneurs challenge the status quo. How should one conceptualize their role? Are they truly innovators? Or are they especially effective implementers of innovations or combinations of innovations or approaches that are "out there"?

*Performance.* Social entrepreneurs' perceived superior performance is a powerful element in the case for social entrepreneurship. They are seen as more effective providers of public goods, and develop markets that are shunned by formal-sector enterprises. How should one go about conceptualizing and measuring their performance in the delivery of public and private goods? What about the relevant metrics?

*Leadership.* Novel practices that unfreeze an unproductive status quo seldom establish themselves voluntarily. Leadership is a critical element in the equation. How does social entrepreneurs' leadership enter an empirical research agenda?

*Identity.* Sociologist Roland Robertson has pointed out that globalization "has itself become part of 'global consciousness'." The same holds true for social entrepreneurship. The concept of social entrepreneurship theorizes a set of changes at a specific historical juncture. Popularized by intermediaries such as Ashoka, the label "social entrepreneur" is embraced by a growing community of practitioners. They think of themselves as social entrepreneurs, because this identity makes sense in the light of their experience and way of doing business.

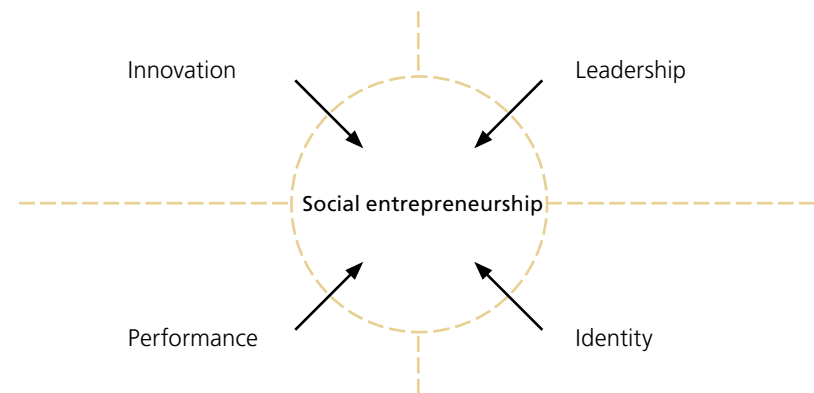


Figure 2: Four Vantage Points on Social Entrepreneurship.

## 2. Claims in Need of Empirical Verification

### 2.1. Social Entrepreneurs as Innovators

A social entrepreneur's ability to innovate is likely to play an important role in the creation of social value. Innovation lies at the core of wealth creation. New products and services play a critical role in generating new opportunities for employment and gainful participation in international value chains. Given the importance of innovation, companies spend sizeable resources on R&D and governments worldwide are creating pro-innovation policy frameworks. Social entrepreneurs are admired as innovators who create systemic change in domains of social value creation such as education, the environment, trade, health, and banking.

Take Muhammad Yunus, the founder of the Grameen Bank, whom many consider the archetypal example of a social entrepreneur. Yunus played an instrumental role in challenging the supposed non-bankability of the poor. While teaching economics in Bangladesh in the early 1970s, he experimented with different interventions to bring about development in a village adjacent to Chittagong University. Due to lack of access to capital, the villagers were unable to afford irrigation equipment, constraining the potential productivity of the land. Since they were too poor to own collateral, borrowing the funds to invest in improved operations was not an option. Yunus found out that capital was channeled most productively as loans to women. Making loans to small groups of peer-monitored borrowers proved an effective way to attain the ultimate objective of collateral in a traditional loan: to provide a strong incentive to repay. Founding the Grameen Bank to provide banking services to the rural poor, Yunus institutionalized the group-lending credit delivery system. Almost thirty years after the initial innovation, Grameen Bank has become a large player, and an entire microfinance movement has emerged.<sup>21</sup>

How should we conceptualize the role of social entrepreneurs as innovators? A working definition of innovation is a first step. Due to its abstract nature, innovation is a concept that is difficult to measure. Questions to be addressed include:

<sup>21</sup> In September 2002, Grameen had 2.4 million borrowers, 95 percent of whom were women, and was operating 1,175 branches in Bangladesh (cf. <http://www.grameen-info.org/bank/> [cited July 1, 2004]). Jonathan Murdoch estimated the number of households served by microfinance institutions at eight to ten million globally in 1999.

(i) Where would you draw the line between innovation and invention? Innovation is a more outcome-oriented concept than invention. Innovations such as a new product, a new service, a new technology, or a new administrative practice may or may not involve inventions proper.

(ii) New to whom? A brand new global breakthrough, or new to a group of constituents? True breakthroughs such as the steam engine, electricity, or the nuclear bomb are so rare that it makes most sense to define innovation in a relative rather than an absolute sense; otherwise the sample becomes very small. Let us define innovation as the adoption of an idea or behavior that is new to some social system rather than completely new.<sup>22</sup>

(iii) Is innovation just about change? Or is it about change and performance? If we define a performance improvement as a prerequisite of innovation, according to which standards, and defined by whom? While measurement can be tricky, the case for innovation rests on superior performance. Its measurement is discussed in the next section.

(iv) Where should we focus?<sup>23</sup> Take the notion of group lending that is central to the Grameen business model. It is rooted in the nineteenth-century European credit cooperative movement and the work of Friedrich Wilhelm Raiffeisen. Group lending was already well established in Bangladesh when Muhammad Yunus founded Grameen Bank. In the 1880s, the British colonial government of Madras in South India looked to the German experience for solutions to address poverty in India. Credit cooperatives soon took off – they had nine million members in 1946 – but eventually lost steam. Yunus made a difference because he was able to scale microfinance.

Thus, rather than being interested in innovation in an abstract sense, a potential funder or supporter must assess the effectiveness of social entrepreneurs

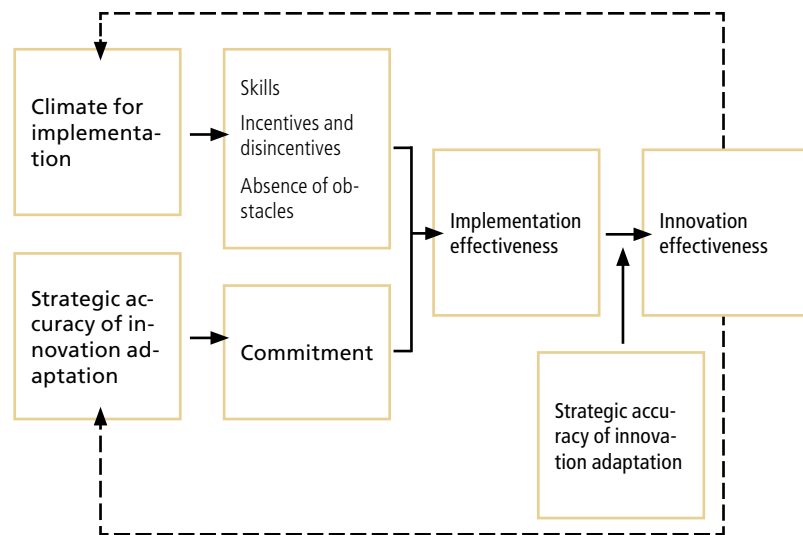
<sup>22</sup> This is an adaptation of a definition used extensively in innovation research. In a survey article on organizational innovation research, J.T. Hage puts it as follows: Innovation is "the adoption of an idea or behavior that is new to the organization." In his discussion of social entrepreneurs as innovators, Dees points out that innovation is about effective action, not simply having an idea. He proposes to define the term as "establishing new and better ways for accomplishing a given objective."

<sup>23</sup> For an empirical assessment of the role of social entrepreneurs as social innovators, we can sidestep some of the debates in innovation research.



as implementers of innovation. High-performing social entrepreneurs are effective implementers of innovations, which are often taken from elsewhere.<sup>24</sup>

Of course, social entrepreneurs cannot implement alone. The social entrepreneur is part of some social system. Innovation researchers often focus on the relationship between innovation adoption and the structure of the organization. For example, according to Klein and Sorra, the determinants and consequences of innovation effectiveness can be mapped as in *figure 3*:



*Figure 3: The Determinants and Consequences of Implementation Effectiveness*

In this view, innovation effectiveness depends on several determinants which are connected by feedback loops, including the strength of an organization's climate for the implementation of that innovation, the fit of the innovation to targeted users' values, skills and commitment. Innovation researchers then go on to measure innovation effectiveness as a function of variables such as the

<sup>24</sup> Following Klein and Sorra, we can define innovation implementation within an organization as "the process of gaining targeted employees' appropriate and committed use of an innovation."

complexity of the division of labor, the organic structure of the organization, and the level of risk taking endorsed by the organization's strategy.

To assess social entrepreneurs' effectiveness as innovators, one must collect data on empirically observable proxies. Of course, it would be heroic to assume that a social entrepreneurship survey can uncover the workings of the entire "black box" of innovation.

However, empirical inquiry can shed additional light on the main issues:

- (i) *Context*. How does a specific innovation environment affect social entrepreneurs' actions? Which structures are beneficial to innovation? Centralized or decentralized organizations? High or low degrees of employee specialization and process formalization?
- (ii) *Traits*. Is effective innovation implementation correlated with specific traits that facilitate change, such as attitudes toward different types of risk?

Of course, we are not simply interested in process, but also want to measure outcomes. Tackling some of these questions requires establishing standards for performance measurement, the focus of the next section.

## 2.2. The Performance Track Record

The rise of social entrepreneurship is intertwined with globalization, both in terms of "objective" global trends and the rise of the specific consciousness of being a social entrepreneur. At the beginning of the twenty-first century, people see social entrepreneurs as entrepreneurial leaders for the public good. A great deal of the appeal of social entrepreneurs as a major social investment option rests on their perceived superior effectiveness in addressing social problems, as compared to more traditional forms of interventions (social and development policy, the work of "traditional" NGOs). To assess a social entrepreneur's performance track record and potential, the following questions must be answered:

- (i) Does the social entrepreneur deliver public and quasi-public goods in a more efficient manner? What drives his effectiveness? Do social entrepreneurs develop innovative governance structures, leveraging for-profit enterprise structures for the creation of social value?

(ii) There is a lot of talk about serving the poor profitably. Are social entrepreneurs effective developers of bottom-of-the pyramid markets for private goods?

Similar to the reflexive dimension of social entrepreneurship, these claims are too abstract to be observed in an immediate fashion. They need to be disaggregated into sets of phenomena that can be observed empirically. Let me briefly elaborate the underlying conceptual arguments.

#### *Superior providers of public goods*

For centuries, thinkers like William Petty, Adam Smith, and John Stuart Mill argued for the large-scale provision of public goods. They only became a reality with the rise of the welfare state in the twentieth century. In spite of difficulties to finance their provision, the concept of public goods is now omnipresent in framing policy discussions. A great deal of the appeal of social entrepreneurship to funders rests on the view that social entrepreneurs are “better” providers of public goods than traditional social policy and development agencies.

To gather empirical evidence relevant to this claim, we need to briefly clarify the underlying concept.

Paul Samuelson defines public goods as goods “which all enjoy in common in the sense that each individual’s consumption of such a good leads to no subtraction from any other individual’s consumption of that good.” The critical characteristics of public goods are non-rivalry in consumption and non-excludability. Expenditure on national defense is the classical example. Provided the expenditure deters attack, the additional security is enjoyed by all. Citizen A enjoys more security than before, and so does citizen B. Within the national territory, nobody can be excluded from the benefits, irrespective of their financial contribution. If all economic agents are rational, the market will fail to provide these goods. Why should I pay if I can reap the benefits by “free-riding”? In the aggregate, of course, this means that the good will not be provided at all, unless the government steps in.

In the real world, matters are more complex. Few goods and services are “pure” public or private goods. There are many mixed or quasi-public goods. Three interesting ways to classify them are commonly used in economic theory:<sup>25</sup>

(i) In terms of Samuelson’s characteristics-based taxonomy, the consumption of a quasi-public good may be non-rival but excludable (a toll bridge below the capacity limit), or rival but non-excludable (all “commons,” such as the sea or the air).

(ii) A second classificatory taxonomy draws attention to the *externalities* associated with the consumption of a good. Many social entrepreneurs work in the provision of impure public goods such as education and health. For example, when Joe Madiath’s *Gram Vikas* builds thousands of toilets in rural India and reduces the likelihood of contagious disease, the organization creates both a private benefit and reduces the likelihood of infecting others, a positive external effect. The business education Gisèle Yitamben’s *Association pour le Soutien et l’Appui à la Femme Entrepreneur* provides in Cameroon improves women entrepreneurs’ earning potential. At the same time, it creates non-rival and non-excludable knowledge in the community, which benefits others. Since market equilibrium provision of the good is a function of private returns only, the social return these goods provide will be insufficiently internalized.

(iii) So, who should provide these goods? James Buchanan gives an interesting answer. Focusing on the extent to which sharing is possible, he relates the degree of the good’s indivisibility of consumption to the size of the interacting group. The greater the degree of indivisibility, the more compelling the case for a provision arrangement other than the market. If the group size is small and indivisibility is limited – say, use of communal animals to plough community land –, voluntary arrangements will probably do. If indivisibility is high, a “club” arrangement will be preferable. Each villager who has paid a fee can use communal water resources. If the group size is large, such as the case of a national inoculation campaign against polio, public provision seems most straightforward.

In short, we need to clarify social entrepreneurs’ performance USP. Taking an empirical perspective, this means answering the following questions:

<sup>25</sup> The literature on public goods is large and growing. Classical statements include Paul Samuelson on the characteristics approach, James Meade on externalities, and James Buchanan on clubs and consumption sharing.

(i) Does the social entrepreneur supply private, mixed, or public goods? With which types of goods does s/he have comparative advantage?

(ii) What is the business model? How does the social entrepreneur provide the good? Through voluntary arrangements, clubs, or fully subsidized provision?

(iii) It makes a difference whether one provides public or quasi-public goods in an OECD welfare state or in a poor developing country characterized by the dramatic underprovision of public goods. How does the public/mixed good provision landscape look like in either of these countries? Is the social entrepreneur the sole provider of this good in the community? Who are the competitors – the government, private companies, other NGOs or social entrepreneurs?

(iv) How do social entrepreneurs fare with respect to the effectiveness of provision? To the extent applicable, as compared to local, national, and international benchmarks? Do they deliver more “bang for the buck” than the government or traditional NGOs do?

#### *Bottom-of-the-market developers*

The underprovision of public goods may be a serious problem in many developing countries, but the underprovision of private goods in developing countries holds back development as well, as C.K. Prahalad, a business scholar, points out. To remedy the situation, he envisions a spectacular win-win situation in which multinational corporations (MNCs) would develop these “bottom-of-the-pyramid” markets, thus creating sustainable development and economically empowering the poor, while making attractive profits.<sup>26</sup>

If Prahalad is right, rapid population growth will add to the attractiveness of bottom-of-the pyramid markets. Provided the projections turn out to be cor-

<sup>26</sup> Dividing the global consumer population according to purchasing power parity adjusted income into four segments lies at the core of Prahalad’s argument. Tier 1 comprises 75-100 million people, composed of the upper- and middle-income people in the advanced economies, and wealthy elites from the developing world, with an annual PPP-adjusted income of over US\$ 20,000. Poor customers from the advanced economies and middle-class consumers in developing countries populate tiers 2 and 3. Prahalad and Hart estimate about 1.5 to 1.75 billion in this group, with PPP-adjusted incomes in the range from US\$ 1,500 to US\$ 20,000. Finally, tier 4 comprises the poor majority – four billion people with an annual PPP-adjusted income of under US\$ 1,500, living in poverty, and with minimal levels of education.

rect, these markets could comprise between six to eight billion people in coming decades.

Prahalad sees MNCs at the forefront of bottom-of-the-market (BOP) development. Critical conditions for engagement are low cost, good quality, sustainability, and profitability. Traditionally, global companies have found it difficult to reframe the poor as target customers and penetrate such markets. The markets’ logic of action differs from the ones managers are used to, and do not excite the typical executive. However, as a nontraditional source of growth, bottom-of-the pyramid markets may indeed be increasingly coveted. MNCs are well positioned with respect to some dimensions of the challenge. They command vast managerial and technological resources, can access a global knowledge base, and possess the necessary clout to favorably influence decision-makers in developing countries. Developing fuel- and resource efficient goods, which can later be transferred to advanced-economy markets, provides an additional incentive to enter the bottom of the pyramid.<sup>27</sup>

Notwithstanding, MNCs are less well positioned in other dimensions. These are precisely the ones where social entrepreneurs tend to excel. For a social investor considering supporting social entrepreneurship, BOP development may be an interesting engagement option, especially if s/he seeks a financial return as well as social impact. To assess the promise of social entrepreneurship in this domain, the relevance of five potential drivers of comparative advantage needs to be assessed empirically. The bottom-line question is, do they enable social entrepreneurs to serve BOP markets so well that they merit major resources?

(i) *Commitment.* As Prahalad points out, many MNCs still have to undergo a mindset change. As long as organizational incentives do not support developing a bottom-of-the-pyramid market, you will never get enough good people to go into the segment. We all know how hard it is to change organizational

<sup>27</sup> Another question is: What happens to BOP markets in other, smaller countries? Who will develop them? MNCs can be expected to focus on developing countries with large uniform bottom-of-the-pyramid markets, such as Brazil, China or India. Enhancing overall market positions in high-growth economies will be an added incentive. Taking into account the estimated effects of demography, investment, productivity growth and currency movement, a Goldman Sachs study argues that the size of the “BRIC” economies (Brazil, Russia, India, and China) could overtake the G6 (G7 without Canada) by 2036.

values and cultures. By contrast, social entrepreneurs conceive of themselves as entrepreneurial leaders empowering the excluded from the outset.

(ii) *Credibility*. Social entrepreneurs are not primarily in the game of delivering financial returns. This affords them credibility in the eyes of local populations that MNCs would find very difficult to match.

(iii) *Financial returns*. Social entrepreneurs can relax the profit constraint somewhat. Low but positive returns are acceptable to social entrepreneurs, but not to MNCs.

(iv) *Deep local knowledge*. Successful social entrepreneurs like Muhammad Yunus are in it for the long haul. Over time, they acquire deep knowledge of local conditions.

(v) *Networked clout*. Social entrepreneurs do not have the clout MNCs command, but the most successful among them are fast catching up. Several intermediary organizations consciously build networks of social entrepreneurs, and provide platforms for interaction with high-level decision-makers. For example, leveraging its access to the World Economic Forum's Annual Meeting in Davos, the Schwab Foundation for Social Entrepreneurship invites a group of over fifty social entrepreneurs to Davos every year. This introduction to a club where world leaders interact as peers allows social entrepreneurs to meet with decision-makers from politics and business that are relevant for their endeavors, and to lobby for an enabling policy environment.

MNCs' global reach, technical innovation capability and velocity enable them to deliberately position themselves in an expanding strategic space. Rather than competing, social entrepreneurs could be effective local partners for MNCs, developing markets in tandem. Taking an empirical perspective, we need to clarify the following questions:

(i) To which extent do social entrepreneurs develop bottom-of-the-pyramid markets?

(ii) Do they do this in partnership with established global or local business? If so, how? If not, why? Are the roles generally complementary or adversarial?

(iii) Finally, does the empirical evidence support the claim that social entrepreneurs play a vanguard role, establishing the basic conditions for the development of bottom-of-the-pyramid markets?

### 2.3. Social Entrepreneurs as Leaders

Ideally, scarce financial resources are invested where they create leverage. Acting not merely as a reactive part of a system, but as an enabling catalyst, transformational leadership is an early indicator to determine the upside of social entrepreneurship, even before a social innovation translates into a performance track record. How can one then develop a firm grasp of the phenomenon, assessing a social entrepreneur's capacity to act as a special type of leader, leveraging entrepreneurship for the public good? As discussed earlier, analysts of social entrepreneurship often seek to isolate traits that differentiate social entrepreneurs from other people. There is more to the field of leadership studies though.

Most people would agree that leaders are individuals who play a paramount role in the transformation of reality. They mobilize groups to jointly accomplish what each of its members could not have done on its own. There is a wide range of views about the relevant mechanics. Most fall into one of three views of what leadership is and does.<sup>28</sup>

(i) The *epic view* focuses on larger-than-life individuals. Their leadership changes the historical trajectories of large groups or even nations. Cases in point are Gandhi's successful campaign for Indian independence by means of civil disobedience, or Alexander the Great's conquest of the Persian Empire. In this view, leaders' actions and characteristics are decisive in shaping social outcomes.

(ii) The *engineering view* focuses on the leadership role structures play. This may seem counterintuitive at first. Where are the social agents in this view? But the debate on the importance of getting governance structures right highlights the important and sometimes decisive role the structural design of incentive systems and organizational environments plays in bringing about patterns of human behavior. Here, exercising leadership means getting structures right.

(iii) The *enlightenment view* sees leadership vested in people's creative actions, but not exclusively emanating from the top of some organizational hierarchy.

<sup>28</sup> There are many taxonomies of leadership. I have found this one particularly useful.

Regardless of their level of formal authority, people at all levels of a social formation can exercise leadership by mobilizing the groups they are a part of to address the challenges they face.

So, what should we look for in an empirical assessment of the leadership social entrepreneurs exercise?

(i) Building on a vast amount of research in the field, one could ask for traits. To what extent is the effectiveness of social entrepreneurs and their identity based on a set of shared traits? Unfortunately, traits are abstract and difficult to translate into valid and reliable empirically measurable proxies. Some people claim that this line of research is not going anywhere. Notwithstanding, one must make an effort to develop a better grasp of basic characteristics such as risk preference, opportunity orientation, and so on. Focusing on patterns of behavior, attitudes or values may be a more promising approach.

(ii) Looking at existing governance structures and incentive systems in social enterprises is definitely necessary. What is the dominant structural leadership pattern in the universe of social entrepreneurship? Compared to the identification and measurement of traits, this is a less daunting task.

(iii) Fostering systemic change in the pursuit of social value, social entrepreneurs empower their constituents in many ways. To what extent are social entrepreneurs role models or proponents of a culture of social entrepreneurship, whose activities inspire others to become social entrepreneurs as well? How is leadership distributed in their ventures and among their constituents? Compared to their cultural reference environment, are social enterprises more or less hierarchical? And what is the relationship between the distribution of leadership and performance?

#### **2.4. Social Entrepreneurship as an Emerging Identity**

To assess the promise of social entrepreneurship, one needs to properly ground empirically its capacity to innovate, perform, and exercise leadership. This task is complicated by the fact that social entrepreneurship is a reflexive phenomenon. Conversations with actors in business and civil society suggest that social entrepreneurship is as much about the changing self-awareness and identity of leaders in the social sector as it is about the way their organiza-

tions operate.<sup>29</sup> In fact, many individuals who would be considered social entrepreneurs by leading identifiers of social entrepreneurs such as Ashoka, the Schwab Foundation or the Skoll Foundation never thought about themselves in this terminology. By contrast, others whom these organizations would not consider to be social entrepreneurs present themselves publicly in the language of social entrepreneurship. Handling reflexivity properly inevitably injects an interpretive dimension into the analysis.

The lead question is, does the idea of being a social entrepreneur create a unifying identity for a group of individuals that shares a certain way of doing business? The establishment of collective identities is critical for the constitution of groups and the legitimacy of their demands for resources and influence. For instance, the notion of gender encourages women of higher status to fight for the rights of women of a lower social status. Or think of the notion of scientific management. It guided the ways managers thought about them and their organizations for decades after Taylor's writings became widely read.

The interpretive dimension of social entrepreneurship carries important implications for the empirical inquiry. One must take into account what Anthony Giddens refers to as the "reflexivity or circularity of social knowledge." Any plausible account of social entrepreneurship must account for the fact that social scientific interpretations – concepts, labels and theories – circulate back and forth between communities of researchers and people in society at large. This "double hermeneutic process" unfolds as follows: "*Sociological knowledge spirals in and out of the universe of social life, reconstructing both itself and that universe as an integral part of that process.*" The double hermeneutic assumption is highly consequential for social analysis, Giddens argues:

"There is no mechanism of social organization or social reproduction identified by social analysts which lay actors cannot also get to know about and actively incorporate into what they do. In very many instances, the 'findings' of sociologists are such only to those not in the context of activity of the actors studied."

<sup>29</sup> This section builds on the central argument of interpretive political economy, a theoretical framework that analyzes the dialectical interplay of symbolic and material factors.

In short, an empirical analysis of social entrepreneurship must pay attention to the drivers of the emergence of social entrepreneurship as a reflexively shared identity. When did social entrepreneurs hear first about the concept? Which role did organizations such as Ashoka play? And what does it “mean” to be a social entrepreneur, both to the social entrepreneurs themselves and to those who support their endeavors?

### 3 The Future of Social Entrepreneurship

Whether social entrepreneurship will be able to live up to the hopes placed on it, or just turn out to have been another fad a few years down the road depends on how the field will mature. Scale and quality will be critical.

This paper argues that quite a bit of empirical homework is required to make a serious case for investing massive resources into social entrepreneurship. For starters, one must look at social entrepreneurship as a dual phenomenon, with a reflexive as well as an externally observable or “objective” dimension:

(i) Social entrepreneurship is part of an observable “objective” performance revolution in the social sector (note though that “performance” is itself a socially constructed category).

(ii) Social entrepreneurship is part of a reflexive or “subjective” identity revolution among social sector leaders.

To grasp this dual property, it helps to think of social entrepreneurship as a field, with multiple parties vying for hegemony over the definition of the rules of the game. Social entrepreneurship is one among several approaches to create social value that is competing for scarce resources. To make the business case for the field, both the work of individual social entrepreneurs and the evolving field need to be studied with rigor. A degree of realism has to be introduced as well. The implicit assumption that underlies most thinking in the emerging social entrepreneurship industry – social entrepreneurs are more effective social innovators – is too general to be validated empirically. It is also unlikely to be correct. Context probably matters. The theory of comparative advantage as well as common sense suggest that social entrepreneurs are not per se more effective creators of social value than business, government, and civil society. Rather, they are likely to have comparative advantage in solving specific kinds of issues. To make growth a possibility, we must find out which ones and why, and then invest to scale and replicate the most promising models.