



Social entrepreneurship

Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes

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Abstract

Purpose – The purpose of this paper is to address the emerging practice of social entrepreneurship by exploring the historical and theoretical antecedents of social enterprise and its contemporary practice. By exploring key theoretical concepts, the paper draws comparisons between “for-profit” and social entrepreneurs. The paper seeks to discuss the contemporary practice of social entrepreneurship. Discussion of the theory of entrepreneurship and contemporary practice of social entrepreneurs seeks to create a more nuanced view of social entrepreneurship and develop greater theoretical insights into this phenomenon and its recent expansion.

Design/methodology/approach – A phenomenological research approach was adopted, and 80 in-depth interviews with social entrepreneurs from across the UK identified as the most appropriate data collection tool. Data analysis sought to identify and understand similarities between the more understood and studied behaviour of “profit-seeking” entrepreneurs and those of an emerging group of social entrepreneurs.

Findings – In-depth interviews revealed five key themes within which the practice of social entrepreneurship could be compared and contrasted with for-profit entrepreneurship. These included: the entrepreneurial process, in particular, opportunity recognition; network embeddedness; the nature of financial risk and profit; the role of individual versus collective action in managing and structuring enterprises; and creativity and innovation.

Practical implications – Findings suggest that while the contemporary practices of social enterprises share many similarities with their for-profit counterparts, significant differences can be found when comparing these practices with extant entrepreneurship research.

Originality/value – The paper addresses an emerging phenomenon within the practice and theory of entrepreneurship and offers insight into similarities and differences between entrepreneurship in the profit and not-for-profit sectors.

Keywords Entrepreneurs, Financial risk, Profit, Social responsibility, United Kingdom

Paper type Research paper



Introduction

The contribution which social entrepreneurs make to a nation's social, economic, cultural and environmental wealth is being increasingly recognised. In an environment where traditional providers including charitable and voluntary sector organisations have been criticised as bureaucratic and resistant to change and the public sector has become overstretched, social entrepreneurship has been identified as an innovative way of tackling unmet socio-economic needs (Mulgan and Landry, 1995; Leadbeater,

1997). While social entrepreneurship is not a new phenomenon, the term “social entrepreneur” has more recently been used to describe those individuals who establish enterprises primarily to meet social objectives rather than generate personal financial profit. Despite a long historical tradition of social entrepreneurship, most famously encapsulated in the UK by the New Lanark Utopia created by the 18th century entrepreneur Robert Owen, entrepreneurship research has given little attention to the process of entrepreneurship in a social context.

This paper addresses the emerging practice of social entrepreneurship by exploring the theoretical antecedents of social enterprise and its contemporary practice. The paper opens by tracing the development of social enterprise from the 18th century to the present day before considering what can be defined as “social entrepreneurship” and “social enterprise”. By exploring key theoretical concepts, the paper draws comparisons between traditional “for-profit” and social entrepreneurs. The paper then seeks to explore the contemporary practice of social entrepreneurship, drawing on 80 depth interviews with individuals involved in social enterprise. Specific attention is given to the entrepreneurial processes used by social entrepreneurs: their network embeddedness, the nature of financial risk, reward and profit, the role of individual entrepreneurs in managing and structuring social enterprise and creativity and innovation. Based on this, the analysis draws comparisons between the more understood and studied behaviour and activities of “profit-seeking” entrepreneurs and those of the emerging group of social entrepreneurs.

Social entrepreneurship: emergence, theoretical antecedents and definitions

The term “social entrepreneurship” has emerged as a new label for describing the work of community, voluntary and public organizations, as well as private firms working for social rather than for-profit objectives. In the UK, social entrepreneurship was the bedrock of Victorian private hospitals, has always been a key feature of charity work and is clearly evident in the more recent hospice movement. Social entrepreneurship has its origins in the eighteenth and nineteenth centuries when philanthropic business owners and industrialists like Robert Owen, demonstrated a concern for the welfare of employees by improving their working, education and cultural lives. Since then, social entrepreneurship has been associated with community enterprise and development, education, churches, charities, the not-for-profit sector and voluntary organisations. Collectively, the social economy or “third sector” has expanded, its growth often attributed to structural and managerial problems within state run social services. Mulgan and Landry (1995), for example, criticize public and social service providers as bureaucratic and resistant to change, while Leadbeater (1997) argues that severe resource constraints hamper the operations of the welfare state. Social enterprise has been identified as vital to the development and delivery of innovative approaches to social problems that persist, despite the efforts of traditional public, voluntary or community mechanisms.

While there are many estimates about the scale of the social economy, its diversity and definitional differences of what constitutes a “social enterprise” frustrate efforts to produce a comprehensive understanding of the sector’s size. The most comprehensive data relates to charities of which 190,000 are registered in England and Wales (The Charity Commission, November 2005). While charity data does not provide an accurate

estimate of the scale of social enterprise in the UK, it does provide some indication of the contribution of social enterprises which, to access tax and other statutory benefits, often register for charitable status. In Scotland, the Scottish Council for Voluntary Organisations (SCVO) estimate that the voluntary sector employs the equivalent of 73,000 full-time jobs, is supported by 1.2 million volunteers, has a turnover of £2.62 billion per annum and assets worth £5.96 billion (SCVO, 1998). Where definitions are less precise, the difficulties of measurement are magnified, sometimes producing results that are apparently impossible to reconcile. As a recent Small Business Service report notes, while the Department for Environment, Transport and the Regions (DETR) estimated that approximately 450 social enterprises were trading in the UK in 1998, Community Enterprise in Strathclyde estimated that in lowland Scotland alone there were 3,700 community enterprises in 1997 (Smallbone *et al.*, 2001). Despite these difficulties, it is clear that the social economy makes a substantial contribution to the economic and social fabric of the UK.

Figures from the Inner City 100 Index provide evidence of the growth of social enterprises in the. For example, in 2001, of the top 50 successful urban businesses listed in the Index, 8 were not-for-profit, social organisations. The Index also reflects the growing number of businesses that combine profit with social objectives. For example, Shokoya-Elshin Construction, a Liverpool-based company, ranked 5th in the Index is committed to recruiting and training black workers from the inner city. Similarly, the top-ranked enterprise, the Sheffield-based TechnoPhobia, mixes business with social objectives by regarding the environment and social justice as important to the way it does business. Given the scarcity of governmental statistics regarding social enterprises, this Index demonstrates that the expression of entrepreneurial capacities in social contexts can make significant and direct contributions to economic and social prosperity. Between 1996 and 2000, these 100 companies created 3,541 jobs and average turnover grew by 274 per cent over the same period. Less tangibly, the Index suggests that entrepreneurial activities can enhance and liberate the latent entrepreneurial potential of communities, a vision shared by the Government's economic policy for the UK.

These examples suggest that within the UK, social enterprise is growing. They also suggest that social enterprise is diverse and found in a variety of contexts (Leadbeater and Goss, 1998). Simply put, in the UK, the social economy is a thriving collection of organizations that co-exist between the traditional private sector and the public sector, hence their description as the third sector. However, while significant efforts have been made to define the social enterprise, there is no universally accepted definition (Leadbeater, 1997; Prabhu, 1999; Social Enterprise London, 2001a, 2001b). One reason is that, in common with the small business sector, social enterprises are best characterised by their diversity and heterogeneity. The third sector comprises a variety of organizational types, including social enterprises, which while sharing a commitment to addressing and tackling unmet social needs, are varied in the forms and structures they adopt, the activities in which they engage and the client groups they serve. The Social Entrepreneurship Initiative (SEI) based at Stanford University has developed a description of social enterprise that reflects this diversity. The SEI argues that social enterprises can be classified in one of three ways: as for-profit organisations which use their resources to creatively address social issues; as not-for-profit organisations which help individuals establish their own small, for-profit

businesses or, as not-for-profit ventures which create economic value to fund their own programmes or to create employment and training opportunities for their client populations.

Building upon these classifications, Table I provides an indication of those characteristics common to most social enterprises, based on extant research (Community Action Network, 2001; Leadbeater, 1997; Prabhu, 1999; Social Enterprise London, 2001a, 2001b).

Regardless of the legal structure adopted, social enterprises operate within complex multi-agency environments that require them to adopt an open and porous approach to that environment. Social enterprises can be characterised by their desire to develop long-term relationships primarily with their client groups and other stakeholders in their environment (Leadbeater, 1997). Their enterprise orientation distinguishes them from post-hoc benefaction activities associated with charitable donations and sponsorship of community events. This also distinguishes social enterprises from other social economy organisations. Rather than relying on charitable donations, social enterprises seek to use trading activities to achieve social goals and financial self-sufficiency. While this suggests that social enterprises may have much in common with profit-orientated small enterprises, their commitment to achieving specific social aims and their adoption of “social ownership” structures implies that the process of entrepreneurship may be motivated by different factors and organized in structures which challenge and question the position, ownership and authority of a lead entrepreneur. Consequently, the emergence of social enterprise in the UK challenges many of the long held orthodoxies concerning the motivations of entrepreneurs and the ownership structures of small enterprises.

Researchers have also sought to define the social entrepreneur. Unsurprisingly, there is no universally accepted definition of what constitutes a social entrepreneur. Social entrepreneurs have been variously described as, “those people who bring to social problems the same enterprise and imagination that business entrepreneurs bring to wealth creation” (Blair, 1997), (*Welfare to Work*, June 1997); individuals who initiate social innovation and change (Drucker, 1999; Leadbeater, 1997) and individuals who

Multi-agency environments	Social enterprises operate within complex environments comprised of diverse stakeholders and client groups
Enterprise orientation	As viable trading organisations, making an operating surplus, they are directly involved in producing goods or providing services to a market
Social aims	They have explicit social aims such as job creation, training or the provision of local services. They have strong social values and mission, including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact
Social ownership	They are autonomous organisations often with loose governance and ownership structures, based on participation by clients, users, local community groups or trustees. Profits are distributed to stakeholders or for the benefit of the community

Table I.
Characteristics of social
enterprises

are motivated by the opportunity to adopt an innovative approach and creative use of resources and contacts to satisfy needs which the state welfare system cannot or will not meet (Thompson *et al.*, 2000). While there is no definitional consensus, researchers and other stakeholders, including community and economic development agencies and politicians, have sought to identify characteristics common to social entrepreneurs (Leadbeater, 1997; Leadbeater and Goss, 1998; Prabhu, 1999; Thake and Zadek, 1997; Thompson *et al.*, 2000). Building on this work, Ashoka (2001), the international charity that identifies social entrepreneurs and provides them with capital to launch their initiatives, identifies the “ethical” purpose of social entrepreneurs as their distinguishing feature. In addition, Ashoka propose that social entrepreneurs are: entrepreneurial, creative and agenda-setting.

Considered alongside entrepreneurship research that has sought to classify, define and characterise business or for-profit entrepreneurs (Kilby, 1971; Brockhaus, 1982; Dunkelberg and Cooper, 1982; Carland *et al.*, 1988; Chell *et al.*, 1991), the characteristics suggested by Ashoka imply similarities between social and business entrepreneurs. This view is supported by Community Action Network (2001), which argues that social entrepreneurs are the equivalent of business entrepreneurs in many ways. Drucker (1999) and Leadbeater (1997) concur, arguing that many traits and behaviors of social entrepreneurs mirror those of entrepreneurs working exclusively for profit objectives, including their drive, determination, ambition, charisma, leadership, the ability to communicate vision and inspire others and their maximum use of scarce resources.

It can be argued however, that while social and business entrepreneurs share many similar characteristics, the two can be distinguished in a number of ways. Firstly, the ethical values that guide social entrepreneurs help ensure that public money is well spent, ideas are not corrupted by vested interests and that they are fully committed to the work of their enterprise (Ashoka, 2001). In contrast, while business entrepreneurs may seek to adopt an ethical approach to the management of their business, there is no evidence within the entrepreneurship trait literature to suggest that business entrepreneurs can be identified by strong ethical values. Secondly, their objectives and mission distinguish social entrepreneurs (Leadbeater, 1997; Community Action Network, 2001). While business entrepreneurs may pursue profit or shareholder value, social entrepreneurs are driven by a focus on meeting social objectives. Thirdly, some researchers have suggested that innovation is a key characteristic of social entrepreneurs. Leadbeater (1997, p. 8), for example, argues that while it is possible to be a successful entrepreneur without being innovative, social entrepreneurs almost always use innovative methods:

Social entrepreneurs will be one of the most important sources of innovation. Social entrepreneurs identify under-utilised resources – people, buildings, equipment – and find ways of putting them to use to satisfy unmet social needs. They innovate new welfare services and new ways of delivering existing services.

While there are many commonalities between social and business enterprises and between social and business entrepreneurs, there are also points of divergence. The discussions presented so far suggests that much of what is understood about entrepreneurship may not be appropriate to understanding social entrepreneurship. One reason for this is that few studies have sought to explore entrepreneurs, enterprise and the process of entrepreneurship outside of a profit-only. Drawing comparisons

between entrepreneurship within for-profit and social contexts may shed light on the distinctive nature of the third sector and also on some of the taken for granted assumptions about for-profit entrepreneurship.

Research problem

Given the scarcity of dedicated research on social enterprise, this study took an exploratory approach. The aim was to investigate and document contemporary practices of social entrepreneurs, compare these practices with extant entrepreneurship research, create a more nuanced view of social entrepreneurship and develop greater theoretical insight into the phenomenon and its recent expansion.

Methodology

Given the paucity of research on social entrepreneurship and the exploratory nature of this study, a phenomenological approach allowed the research team to get close to participants, penetrate their realities and generate an understanding of the contemporary practices of social enterprises (Bygrave, 1989; Easterby-Smith *et al.*, 1991). Within this paradigm, the in-depth interview was identified as appropriate. A panel of experts was appointed to help design and pilot the interview guide. This panel included individuals working in social enterprises as well as staff from intermediary agencies providing specialist advice and support to social enterprises. Once piloted, interviews were administered face-to-face and lasted between 1 and 2.5 hours. In most cases interviews were held with the founding entrepreneur, where this was not possible the interview was held with their replacement.

The sampling frame was compiled from a range of databases including Social Entrepreneurs Scotland (SENSCOT), the Voluntary Sector Workplace Survey, the School for Social Entrepreneurs, *The Big Issue in Scotland* and specialist development agencies. A purposive sampling approach was used and participants were selected because they were identified as being “rich” in data (Easterby-Smith *et al.*, 1991). As a result, 80 individuals participated in the study, with respondents predominantly located in the North-East of England and central Scotland, supplemented by several best practice examples drawn throughout the UK.

Once collected, analysis of data was undertaken in two ways. First, exploratory data was analysed to provide an indication of the demographics, education and work experiences and motivations of participants. Secondly, for the purposes of generating an understanding of the similarities between profit-seeking and social entrepreneurs, qualitative data collected during depth-interviews were inductively analysed. This second stage of analysis was guided by the theory building procedures suggested by Eisenhardt (1989); the process of inductive analysis proposed by Lofland (1971) and the literature on grounded theory (Glaser and Strauss, 1967; Strauss and Corbin, 1990; Marshall and Rossman, 1995). Specifically, the inductive analysis of data involved the reading and re-reading of transcripts and field notes, the search for similar emergent themes and the use of codes to bring order, structure and meaning to raw data.

When searching for patterns and themes in the data relevant to the study, the researchers were “sensitised” by their pre-understanding of entrepreneurship, acquired from their previous research experiences. In this way, from the process of coding and constantly comparing slices of data, in the form of sections of transcribed interviews, five comparative themes emerged: the entrepreneurial process, network

embeddedness, the nature of financial risk, reward and profit, the role of individual entrepreneurs in managing and structuring social enterprise and creativity and innovation.

Research findings and discussion

Stage one: exploratory data analysis

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The first stage of analysis provided a useful description of the demographics, experiences and the motivations of participants. Of the 80 people interviewed, 62 per cent were aged between 30-59 years and the largest proportion (30 per cent) aged between 40 and 49. Analysis by qualification revealed that 88 per cent of participants held qualifications: 14 postgraduate degrees, 10 undergraduate degrees and 10 vocational awards. While discussing qualifications and experience, irrespective of their qualifications, most participants emphasized life skills as being most relevant to their current activities. This suggests that participants establish social enterprises later in life once they have acquired both education and life experiences. These findings have a resonance with many descriptive analyses of traditional for-profit entrepreneurs, who equally emphasize life skills and experience as most important in their daily activities.

The prior experience of respondents was predominantly within the third sector. Nearly one third (32 per cent) had previously established a social enterprise; 33 per cent had previously worked with a social enterprise; 13 per cent had been employed in the public sector and 12 per cent in the voluntary sector. Only 8 per cent had been employed by a private firm immediately prior to becoming involved with participating social enterprises. More than one third had previously been self-employed; 14 per cent had experience of employing others and more than 70 per cent were involved in the work of another social enterprise at the time of interview, mainly within the same geographic and interest community. These findings also have some resonance with the entrepreneurship research literature, specifically with regard to notions of habitual entrepreneurship (Westhead and Wright, 1999; Carter, 2001). In common with for-profit portfolio entrepreneurs, a substantial number of social entrepreneurs had developed an active portfolio of social enterprises, while others had acted in a manner akin to serial entrepreneurs by founding, developing and exiting one social enterprise before moving on to repeat these actions in subsequent social enterprises. The following quotes illustrate respondents' commitment to third sector activity and their focus on habitual social entrepreneurship:

I will stay with this for another six months certainly, then who knows? It might be a good time to start something else now.

Continue doing as I am doing – moving on and setting up new things.

I will move from one to another, I'm able to identify when I am no longer able to help ... I have been encouraged by others, but now I encourage others. It is the ability to recognise the "spark".

Considered collectively, findings about the education, life and work experiences of participants, particularly their sustained involvement with the social economy suggest that in common with many for-profit entrepreneurs (Carson *et al.*, 1995), social entrepreneurs establish enterprises in locations with which they are familiar and operate within interest groups (sectors) in which they have experience.

Marked differences between social entrepreneurs and their for-profit counterparts were seen in the analysis of motivations. Table II presents a list of the main factors that had influenced respondents in establishing their social enterprise. These results suggest that while social entrepreneurs share similar work and experience patterns as their business counterparts, significant differences exist in their motivations. Of particular note is the low number of respondents who ranked “to become your own boss and be independent” (11 per cent) and “to create personal financial security” (9 per cent) as influencing factors. Unlike business entrepreneurs who have been characterised as being motivated by a high need for achievement and autonomy (McClelland, 1961), these findings suggest that social entrepreneurs are greatly motivated by their social aims.

Stage two: inductive data analysis

Inductive data analysis identified five themes that both contribute to an understanding of the contemporary practices of social entrepreneurship and enable comparison to be drawn between profit seeking and social entrepreneurs. Table III uses examples of data to illustrate these themes and identify the entrepreneurship literature with which they can be compared.

Theme 1: The entrepreneurial process

Much has been written about the entrepreneurial process of venture creation (Gartner *et al.*, 1989; Vesper, 1990; Gartner and Starr, 1993). Central to this process is the concept of opportunity recognition, often deemed essential in initiating a new venture (Kirzner, 1979; Omura *et al.*, 1993; Hills and Singh, 1998; Schwartz and Teach, 2000). Inductive

Influencing factor	Percentage respondents ranking as 5, 6, 7 (Likert-type scale 1-7)
Belief in the work of the enterprise	90
To affect change and make a difference	90
To meet local needs	86
To tackle a social issue	79
Personal satisfaction	76
I was inspired	63
To gain life experience	46
To change the direction of my career	30
To work with family and friends	24
To gain work experience	22
To advance my career	21
Dissatisfaction with previous career	18
To combine caring responsibilities with self employment	15
To choose when and what hours you work	15
Political motives	15
Family tradition of social involvement	11
To become your own boss and to be independent	11
To create personal financial security	9
Made redundant	6
Unemployment	4
Family tradition of self employment	0

Table II.
Influencing factors in
establishing social
enterprise

Table III.
Inductive data analysis
summary of key themes

Theme number	Entrepreneurial literature	Example of raw data in which emergent themes were grounded
1	The entrepreneurial process, e.g. opportunity recognition (Hills and Singh, 1998; Omura <i>et al.</i> , 1993; Schwartz and Teach, 2000)	"I have an eye for opportunities, I like to seize opportunities as they arise" (Founder, catering enterprise, Central Scotland)
2	Network embeddedness (Granovetter, 1985; Johannisson, 1986; Shaw, 1998)	"I am constantly learning and making new contacts, finding new avenues of resource and building my own network. I enjoy the ability to be able to focus on more than one direction" (Founder, training for long term youth unemployed, Glasgow)
3	The nature of financial risk, reward and profit (Watson, 2002; Watson and Robinson, 2003)	"There is the assumption that profit-maximisation is the key, I don't agree. There are a range of business objectives including profit maximisation and social goes" (Founder, initiative to tackle homelessness, Glasgow)
4	The role of individual entrepreneurs in managing and structuring social enterprise (Scase and Goffee, 1980, 1982)	"We currently operate as a steering group or partnership with the majority of representatives being local people" (Founder of community enterprise in London)
5	Creativity and innovation (Drucker, 1999)	"It's innovative, gives people space to be creative and collectively powerful" (Volunteer, regeneration project, Newcastle)

data revealed that, for most social entrepreneurs, the recognition of a gap in the provision of services or an unmet social need had been the key driving force in their creation and development. As one participant explained:

I look at opportunities and see how to take them forward and go on gut feeling. I just go for it. I want to see the change for myself and where I live, it can be frustrating to see what happens where you live. I really want to put something back. I would still do this as a volunteer, the wage is a bonus (Manager, Housing Project, Middlesex).

In common with for-profit entrepreneurs, identifying and exploiting an unmet need – in the case of this respondent, the provision of low cost, quality housing in a deprived community – is a key motivator. In contrast, the type of opportunity addressed by social entrepreneurs is a social, community or public need which remains unmet by both the public sector and the established charity sector (Leadbeater, 1997; Prabhu, 1999; Community Action Network, 2001; Social Enterprise London, 2001a, 2001b). For social entrepreneurs, the identification of a social need was the key criteria used to identify and recognize opportunities. In addition the needs addressed by social entrepreneurs emerged as being local. Each of the interview extracts below illustrates the typically local nature of the opportunities identified:

A local need was identified; nobody else was willing to start the initiative (Volunteer in charge of a drugs addiction initiative, Glasgow).

There was no work in the area, no facilities. I wanted to build something for the next generation (Manager who established a recycling business, Northumberland).

I can see opportunities and facilitate developments for the community to take advantage of (Manager of a regeneration initiative, Newcastle).

These and other similar comments reveal respondents' desire to affect change and make a difference, to meet local social needs and to tackle a particular social issue. Such reasons were repeatedly identified as key motivating factors. Like for-profit enterprises, social enterprises were actively involved in identifying and exploiting opportunities in the form of unmet social needs. Unlike small, profit-orientated organisations which may be characterised by, but not restricted to the local and niche markets which they serve (Wynarczyk *et al.*, 1993; Curran and Blackburn, 1994), these findings suggest that social enterprises may be restricted to identifying and meeting only local social needs.

Theme 2: Network embeddedness

Networking has emerged as a key theme within the entrepreneurship research literature (Granovetter, 1985; Aldrich and Zimmer, 1986; Johannisson, 1986; Birley *et al.*, 1990; Curran *et al.*, 1993; Shaw, 1998). As a consequence, considering the local nature of the opportunities recognised by participants, it was not surprising that the networks of social entrepreneurs and social enterprises emerged as a key research theme. Analysis of interview data found that, for participating social enterprises, networks and networking were important for many of the same reasons which have been established within the entrepreneurship literature: acquiring market and customer information; identifying opportunities and providing introductions to possible funding sources and generating local support for the enterprise (Carson *et al.*, 1995; Hill and McGowan, 1997). In particular, it emerged that for each founder interviewed, the networks in which they were embedded had been instrumental in making them aware of local conditions and helping them identify local social needs that were not being met. An example of this is provided by the following extract:

I have knowledge of the area, an understanding of the area and needs of local people. I'm a recognised community leader and spokesperson. I am committed to the regeneration process for the West End (Founder, regeneration project, West Newcastle).

These findings suggest that networks were critical to participating social enterprises in providing their founders with information and knowledge required to identify opportunities locally. Considered alongside the finding that, relative to the location of the social needs which participating social enterprises sought to address, 84 per cent of respondents lived in the same area, these findings highlight the local embeddedness of social enterprises. Specifically, they suggest that the personal contact networks of the founders, managers and volunteers of social enterprises were important in developing relationships. A second issue regarding networks to emerge was the credibility that the involvement of founders, key staff and volunteers in local networks generated for social enterprises. Analysis of data found that many respondents identified their involvement in the local community as necessary for building credibility for their social enterprise. The following words are illustrative of this:

As a local person living in the area, I bring credibility, experience of dealing with people, links with partners and knowledge of founders. I'm an experienced management committee member with community development skills and experience, this provides good management and external support (Manager, housing project, Newcastle).

The issue of networking and credibility has been touched upon in the entrepreneurship literature. For example, it has been argued that entrepreneurial small firms build trust and credibility by interacting with members of their network (Hill and McGowan, 1997). Given the difficult social needs often addressed by social enterprises, this finding suggests that networking was important in developing the trust and credibility required, especially locally, to encourage the community to support their activities. This suggestion is supported by Social Enterprise London (2001a, b) which argues that for social enterprises, local support and loyalty are essential.

Theme 3: The nature of financial risk and profit

The third key theme to emerge related to issues surrounding finance, particularly sources used to establish and develop social enterprises, the degree of personal financial risk experienced by founding social entrepreneurs and attitudes towards financial reward and profitability. When asked about sources of funding, only 2 per cent of respondents had made use of their own funds. Significant numbers of respondents identified charitable trusts (49 per cent), regional and central government (49 per cent) and European Union funding (39 per cent) as key financial sources. This suggests firstly, that participating social enterprises have multiple sources of funding. Secondly, that with respect to funding, a significant difference between social and business entrepreneurs. While personal and family sources have been identified as key financial contributors to the financing of business enterprises, for participating social entrepreneurs these sources were very rarely used. Taken further, these findings have implications for the type and extent of personal risk experienced by social entrepreneurs. Unlike their business counterparts, social entrepreneurs experience significantly less personal financial risk.

Accepting this, this finding may question the extent to which those individuals who establish social enterprises without risking personal, financial security can be described as "entrepreneurial". However, when considered alongside findings about the local embeddedness of social entrepreneurs and their enterprises, it might be argued that while participating social entrepreneurs faced little personal financial risk, by using their personal contacts to gain local support, they did experience significant personal risk of a non-financial kind. Simply put, by involving and using their contacts to gain support for their enterprises, participating entrepreneurs put at risk their local credibility and their network of personal relationships.

A further issue relating to the financing of participating social firms refers to attitudes towards financial reward and profitability. When asked about how involvement in the enterprise had affected their life and questioned on how they had benefited from this involvement, most participants reported that their personal financial remuneration and security in both the short and long term had been negatively affected. Instead, personal satisfaction and the knowledge that a social issue was being addressed, were identified by almost all respondents as key benefits. The extracts provide examples of the ways in which participants believed they had benefited from being involved in social enterprise:

Personal satisfaction, winning, bringing the initiative to fruition despite barriers.

I love it. I enjoy seeing the potential and seeing people make a difference for themselves.

It's my life, not my job. The rewards are great especially when clients get a job.

I am constantly learning and making new contacts, finding new avenues of resource and building my own network. I enjoy the ability to be able to focus on more than one direction.

Particular to profitability, while participating social enterprises acknowledged that they sought to address unmet social needs by generating income and turnover, when asked about the aims of their social enterprise, no respondent identified profit as a key objective. These findings are supported by recent social commentators and intermediary agencies which argue that as a consequence of their social aims and ownership, the maximisation of profit is not a key objective of social enterprises (Leadbeater, 1997; Prabhu, 1999; Community Action Network, 2001; Social Enterprise London, 2001a, 2001b). Considered collectively, these findings suggest that a stark distinction can be drawn between social and business entrepreneurs: while business entrepreneurs necessarily seek to generate profit and turnover, a combination of a reliance on public and charitable sources of finance together with minimum personal investment suggest that for social entrepreneurs, profitability and financial wealth in the short and long term as less important.

Theme 4: The role of individual entrepreneurs in managing and structuring social enterprise

Analysis of data relating to the role and position of founding entrepreneurs revealed a variety of opinions. While less than half (45 per cent) agreed that they would describe themselves as a "social entrepreneur", the majority of believed their role to be central to the founding and sustenance of their enterprise:

I have the ability to take responsibility, to see things through. The buck stops with me. I'm a back stage driver. . . I avoid publicity but I am the stone boiler behind the success (Founder, of gardening initiative to provide work for people with learning disabilities, Glasgow).

I am able to support others. I feel I have more confidence when dealing with other organisations. I like to see myself as a calming influence (Manager, childcare facility, Glasgow).

People do things for me – so others say – I get people involved, sell my ideas to other people. . . I get people involved through shame or excitement or enthusiasm. At times I have the idea with no end in sight, that comes with time (Founder, drugs rehabilitation centre, Central Scotland).

These perceptions are challenged by findings about the structures adopted and the range of stakeholders involved in managing and guiding the work of participating social enterprises. Their structures can best be described as diverse, including charitable organisations, community trusts; community businesses; partnerships; co-operatives; unincorporated organisations; industrial and providence societies and development trusts. Despite this, common to all was a focus on local communities and client beneficiaries, both of which were represented and involved in steering committees and management groups:

We currently operate as a steering group/partnership, with the majority of representatives being local people.

We are a community based Catering Initiative providing a much needed service to the local community. The project is run by local people for the benefit of local people...

In apparent contrast to the perceived centrality of the founding entrepreneur, most social enterprises depended on the involvement of other individuals, organisations, committees and volunteers and the terms “community” and “collective” were popular in describing the structures of their enterprises. These findings reflect the social aims and ownership characteristics identified in Table I as common to social enterprises. They also support findings relating to the local embeddedness of social enterprises and suggesting that in common with their for-profit entrepreneurs, social entrepreneurs were effective networkers who sought to develop relationships and embed their enterprises within local. Findings about the role of founding entrepreneurs in managing and structuring participating social enterprises suggest complexity. While many respondents described themselves as social entrepreneurs and perceived themselves as the driving force behind their enterprises, the structures adopted and the involvement of beneficiary groups and other stakeholders question the influence of individual entrepreneurs. Considered alongside entrepreneurship research, the findings of this study suggest that within a social context, entrepreneurship may be a collective rather than individual activity.

Theme 5: Creativity and innovation

The final theme to emerge was that of creativity and innovation. Within the entrepreneurship literature these are recognized as important entrepreneurial characteristics used to identify entrepreneurs and entrepreneurial organisations (Covin and Slevin, 1991). Findings relating to this theme were revealed by analysis of responses to a range of questions, including questions about the culture of participating enterprises and how enterprises had overcome challenging situations. For example, when asked for those words which best described the culture of their enterprise, “open” and “creative” were the responses most commonly cited. When invited to expand upon these descriptions, the following extracts provide evidence of participants’ perceptions about culture of their enterprises:

Very creative, it is a very positive environment, where people listen to your ideas. I don’t think I’ve ever heard the word “no” being used (Arts-based initiative, London).

Liberating. Creative in our way, we think differently (Recycling initiative, Central Scotland).

Caring, friendly, all round support, simply the best. We have to be creative/innovative to get the clients through the door – break down cultural and gender stereotypes (Women’s education initiative, Northumberland).

Similarly, when asked to comment on the difficulties their enterprise had experienced, respondents stressed the creative and innovative approaches they had adopted to overcome these:

I am always enthusiastic, always reliable. I think round corners...there is always a solution and I am passionate and believe that the world can be improved (Recycling initiative, Newcastle).

Considered alongside research which argues that entrepreneurship is most likely to occur within organisations which support creativity and innovation (Bjerke and Hultman, 2002; Carson *et al.*, 1995), these findings suggest that the prevailing culture within most participating social enterprises was conducive to encouraging entrepreneurship. These findings are also supported by the work of Leadbeater (1997) who has argued that social entrepreneurs may be more innovative than business entrepreneurs, particularly with regard to the management of their enterprises.

Conclusions

These findings suggest that while the contemporary practices of social enterprises has many similarities with their for-profit counterparts, significant differences can be found when comparing these with extant entrepreneurship research. While the Stage One analysis suggested many similarities, key differences emerged from the inductive analysis. These differences converge around the five main themes discussed. Firstly, with regard to opportunity recognition, social entrepreneurship is distinguished by its focus on unmet social needs and its locally bound provision. Secondly, while both for-profit and social entrepreneurs maximize local network embeddedness, the latter utilize networks to build local credibility and support for their social enterprise. Thirdly, social entrepreneurs rarely invest or risk personal finance in their ventures neither do they seek profit maximization for personal gain. Personal risk for social entrepreneurs clearly exists: but it is the investment of personal local credibility and reputation, rather than finance that is jeopardized by their entrepreneurial actions. Failure implies not financial loss, but a loss of personal credibility, while success implies not financial gain, but increased social and human capital through an enhanced personal reputation. Fourthly, while for-profit and social entrepreneurs share a belief in the centrality of their role, social entrepreneurs more clearly must include and, indeed must share credit for success with, a collective of volunteers and beneficiaries. Finally, both for-profit and social entrepreneurship requires creativity and innovation, however, in the social context, this is manifested mainly in managerial actions by applying novel solutions to intractable social problems.

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