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Social Enterprise and Entrepreneurship

Towards a Convergent Theory of the Entrepreneurial Process

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Throughout the 20th century multiple discourses of the nature of enterprise and the entrepreneur have developed. In this article, we trace these discourses and perspectives as a backdrop to understanding social and economic entrepreneurship. The article considers the nature of social enterprise and whether, indeed how, it might be construed as a form of entrepreneurship. It is argued that in the past social enterprises have been modelled on tenets of 'not-for-profit' charitable organizations that have attracted human and social capital with pro-social, community-spirited motives, and have engendered survival strategies premised on grant dependency. In the longer term, we argue, social enterprises should be self-sustaining and therefore entrepreneurial in their endeavours. From these premises, we suggest that the definition of entrepreneurship might be modified to include the creation of 'social and economic value' and may thus be applied to both private, entrepreneurial ventures as well as social enterprises.

KEYWORDS: cognitive constructivism; discourse; enterprise; entrepreneurship; social constructionism

Introduction

Throughout the 20th century, the nature of the entrepreneur and the entrepreneurial process have defied consensual definition, in part due to differing social, economic and political discourses around the terms 'enterprise' and 'entrepreneur'. A great deal of consideration has been given to the supply of entrepreneurs rather than the demand for entrepreneurship, and this has brought to the fore sociological and political theories of entrepreneurial behaviour (Thornton, 1999). This is compounded by various perspectives – primarily the lay and the expert perspectives. The lay perspective has tended to consider the entrepreneur to be a creator of wealth, capital and large organizational empires, a household name with a personality that is 'larger than life'. As such we can all name such individuals and, as the saying goes, we all know one when we see one (Kilby, 1971).¹ However, in the past decade the leader of a not-for-profit (NFP) organization has been considered as a possible candidate

for the label 'entrepreneur'. This raises some interesting questions that this article attempts to address. Essentially, how could an organization with an overtly social and charitable mission pursue entrepreneurial goals or go about its business in an entrepreneurial fashion? How could the definition of entrepreneurialism also apply to the social enterprise?

Academic perspectives on the enterprise and the entrepreneur during the 20th century have tended to avoid the use of the word 'enterprise', except in identifying a structure or activity or set of behaviours that individuate a type or class, for example, Norman Smith the 'enterprising man' (Smith, 1967) or in the socio-political sense of 'enterprise culture' (Ritchie, 1991) or to identify a set of skills for enterprise training purposes (Gibb, 1993). Entrepreneurship theory, in contrast, has been reconceptualized as a consequence of critical appraisals of the application of trait theory to the 'entrepreneurial personality' and a lack of unequivocal research findings on the nature of the entrepreneur (Bouchikhi, 1993; Chell, 1985; Chell et al., 1991; Naffziger, 1995; Shaver and Scott, 1991); recasting entrepreneurialism as a role (business founding) and set of behaviours (Gartner, 1988) or a differentiating set of competencies (Bird, 1995); and latterly a focus on cognitive aspects of the entrepreneurial decision process within a complex model (e.g. Bird, 1988; Krueger and Carsrud, 1993). Definitions abounded and there was no one agreed definition (Sexton, 1987); arguments have been constructed as to whether business founding is either a necessary or sufficient condition of entrepreneurship (Chell, 2000), or whether one should distinguish between a small business and an entrepreneurially led enterprise (Carland et al., 1984). However, there does appear to be more of a consensus that 'opportunity recognition' is an entrepreneurial attribute (Gaglio, 1997, 2004; Hills, 1995; Kirzner, 1979, 1985) as is the goal-oriented behaviour that may be summed up in the phrase the 'creation of something (of value)'. In this way, the 'creation of something of value' to a given community or a cause is the possible link to the social enterprise. This idea will be explored in the ensuing pages.

Much of Entrepreneurship Theory development has assumed positivist methodologies, but many of the models defied rigorous empirical testing due to their complexity (for example Bygrave, 1995: 5). This prompted a number of scholars to consider just how Entrepreneurship Theory might be redirected. An important influence in this endeavour was the publication of Burrell and Morgan's (1979) seminal work *Sociological Paradigms and Organisational Analysis*. Applied to Entrepreneurship (Pittaway, 2000), it was possible to show the extent to which research fell into the functionalist (positivist) rather than the interpretive, radical humanist or radical structuralist paradigms. This freed up thinking to allow for considerations of, for example, interpretive approaches to entrepreneurship (Chell and Pittaway, 1998; Chell and Rhodes, 1999).

Sociological approaches focus on structure and 'agentic' aspects of entrepreneurial behaviour; this has led to consideration of how signals from the environment may influence entrepreneurs' actions and also how they might think about or represent images of those situations to themselves (Thornton, 1999). Not only has social constructionism emerged as an important paradigm in which to understand entrepreneurs but also theoretical constructs like social embeddedness have enabled one to develop insights into the social and structural relations in which entrepreneurs operate

(Aldrich and Zimmer, 1986; Granovetter, 1985). Furthermore, sociologists that focus on societal issues have started to consider the relations between business and society and what is needed to reduce fragmentation and begin to knit the frayed structure of society together (Kent and Anderson, 2003). This thinking suggests that theories about entrepreneurs as agents of change and the creation of social as well as material value should enter our theories of entrepreneurship. Arguably, such thinking should go beyond the academic to draw on stakeholders in social enterprises (Southern, 2000).

Thus, a further development that makes sense in the context of the debate about societal and social embeddedness was influenced by the perceived need to imbue Entrepreneurship Theory with practitioner knowledge and understanding, hence the 'lay perspective' (Chell et al., 1991; Hampson, 1982) and discourse about, and for, entrepreneurship and the entrepreneur. Discourse and perspectives about, and for, the nature of entrepreneurialism are fundamental to both theory (how we think about, conceptualize and define terms) and practice (what capabilities and behaviours we believe apply to people whom we refer to as entrepreneurs) and moreover, to how the terms are used in a wider socio-political arena to serve particular ends.

In this article, I commence with a review of the discourse of enterprise and go on to consider the implications for defining entrepreneurship in two contexts – economic and social enterprise. I proceed to examine whether it is practically cogent and theoretically coherent to suggest that a model of the process of entrepreneurship might be developed that may be applied both to social and to economic enterprise.

Discourse of 'Enterprise'

The terms 'entrepreneurship' and 'enterprise' derive from a similar root – the old French *entrepris(e)*, the past participle of *entreprendre* from which the English language has derived the term 'entrepreneur' and *empris(e)*, past participle of *emprendre*, to undertake. Originally therefore the terms 'entrepreneur' and 'enterprise' concerned an activity – undertaking projects. We have come to understand the term 'entrepreneur' to mean someone who undertakes a commercial enterprise, often at personal financial risk. Further, he or she may be the managing proprietor of the firm, for which he or she has supplied the capital, assumed the risk and controls day-to-day activities. Thus, entrepreneur appears to have assumed the characteristics of a defined economic role and function, whereas 'enterprise', according to Chambers, emphasizes projects undertaken that are especially bold or dangerous. Therefore, an enterpriser is an 'adventurer' who is 'bold and imaginative' and 'full of initiative'.

'Entrepreneurship', however, is a system of knowledge and principled beliefs about the subject of 'entrepreneurialism', in other words, of a discipline of study. Furthermore, entrepreneurship as a field of study and entrepreneurialism as praxis have become established in the education system (initially in the USA, and latterly in the UK). However there is one additional sense of the term 'entrepreneurship' that is worthy of exploration. It may be explicated by analogy to musicianship. A musician is someone skilled in music, but for someone to be described as having musicianship

is to suggest that they have something more than the technical skills of music; they have a feel for the instrument and/or the music that they are expressing. Many authors have suggested this sense of entrepreneurship; going beyond the technical skills of, for example, business founding – the ability to make fine judgements in business and the marketplace, envision opportunities that others cannot and create incredible wealth as a consequence. It is this sense of entrepreneurship that distinguishes the entrepreneur from the owner-manager or life-style business founder (Carland et al., 1984; Chell, 2000; Chell et al, 1991).

‘Enterprise’, however, appears to have a relatively recent English history to it. The term enterprise was adopted in the 20th century to identify economic zones in depressed areas identified by government for industrial and commercial renewal (hence ‘enterprise zones’). Indeed, current policy discourse of urban regeneration adopts the language of enterprise and entrepreneurship (Southern, 2001). However, the usage that particularly adheres in the memory is the term ‘enterprise culture’ that peculiarly British phenomenon espoused and developed by the Thatcherite government of the early to mid-1980s. Here enterprise took on a particular meaning or rather set of meanings, a philosophy and underpinning economic theory – that of the free market. Enterprise culture as an element of Thatcherism was indeed an oxymoron. Enterprise stood for the values of individualism, personal achievement, ambition, striving for excellence, effort, hard work and the assumption of personal responsibility for actions. ‘Culture’ refers to attitudes and values that are socially derived, usually associated with a particular society or civilization. Thus, culture is the antithesis of individuality, where ‘individualism’ is taken to mean freedom of expression for all that *in extremis* would result in the fragmentation of society and schisms in the social fabric and social mores, resulting in anarchy. Culture is thus the acceptance of social mores and norms that permit the development of civilized society. And so the term enterprise culture was conceived as a political touchstone of Thatcherism. It was defined as:

... the full set of conditions that promotes high and rising levels of achievement in a country’s economic activity, politics and government, arts and sciences, and also the distinctively private lives of its inhabitants. (Morris, 1991: 23)

The Thatcherite enterprise culture developed its own philosophical tenets and this infiltrated, indeed pervaded, the discourse about enterprise. Indeed enterprise culture under Thatcher became a moral crusade and not *simpliciter* an economic ‘necessity’ aimed at tackling the problems of industrial restructuring and reducing consequent unemployment (Morris, 1991).

At this time, the discourse of enterprise, based on such political, moral and market economic tenets, was quite ambivalent. Fairclough (1991), analysing the political speeches of the day, points to the slippage in the meaning of enterprise between activity, a quality and a business sense. Thus, people may be enterprising, indeed as a moral prescription; people *should* be enterprising, because enterprise had become imbued with the meaning of ‘good citizenship’ (improving one’s lot, self-respect and self-help). As a quality then ‘responsible’, ‘hard working’ and ‘confident’ were terms associated with the enterprising person. Whereas when linked with business, the skills and knowledge required to create wealth and ‘go it alone’, that is, make the leap

into self-employment, were emphasized. Academic education was played down and fudged as vocational education and training to develop enterprise competencies; the ability to perform and take initiative and the individualistic capacity for self-determination were being accentuated (Fairclough, 1991). Indeed, Thatcherism went further than this. It attempted to imbue enterprise with the sense that it is both natural and cultural – a binary opposition according to Selden (1991).²

The consequences of this philosophy were marked by academic research, the development of practical training tools and political opposition aimed at the creed, particularly of individualism (Gray, 1998; Ritchie, 1991). Academic research sought to ask the questions; ‘Is it possible to “pick winners”?’ – in other words can the attributes of enterprising people be identified (see Caird, 1990, 1993)? and ‘are enterprising people and entrepreneurs one and the same?’ (Gibb, 1993). In addition it sought to address and evaluate the policies towards small firms at that time (Storey, 1994). The idea of ‘picking winners’ may not have been an explicit objective of the Thatcherite policies towards small firms, but it was an implicit assumption of the notion that enterprising people were imbued with a set of natural attributes and the purported individualistic nature of their enterprising behaviour. One problem was that if by ‘winners’ is meant the ability to spot ‘successful entrepreneurs’ – that is, people able to found and grow swiftly wealth-creating concerns – then the evidence for this was indeed weak (Brockhaus, 1982; Chell et al., 1991). The emphasis shifted from personality to skills and competences that could be taught, as a consequence of which there was a plethora of small firms training initiatives. Assertions that training within small firms, particularly at management level, would enhance firm performance – a belief shared apparently by the Confederation of British Industry (CBI) (1993), the Midland Bank (1993) and Small Business Bureau (1993) – was never demonstrated despite several very careful pieces of research undertaken at the time (see Storey, 1994: 292).

Gray (1998), in evaluating enterprise training during the 1980s, concluded that it was ineffective because it failed (1) to distinguish between growth-oriented entrepreneurs and the self-employed; (2) to impart management skills of any durability or depth; and (3) to create positive attitudes towards enterprise. Why? Gray (1998) argues that the policies and the training programmes that emanated from them were inadequate and thereby unable to transform non-business people (the unemployed and the redundant, newly self-employed) into entrepreneurs; moreover, they were inadequate because they failed to acknowledge the differences in social and economic perspectives of these various enterprise trainees. The enterprise training courses at this time were not designed to address the needs of people who were traumatized by the loss of their jobs and consequently had negative attitudes towards self-employment, for example, and ‘feared failure’, and whose motivations were oriented towards self-protection and personal lifestyle rather than embracing the political rhetoric of skills development for business growth, organization development and people management. These people’s social constructions of their various plights had different contexts and starting points (cf. Southern, 2000) – an issue that will be pursued further later.

While Gray, apparently, believes that there are attributes that distinguish between entrepreneurs and enterprising people, the self-employed and small business owners, he argues that future training programmes should be focused on enterprises

not people and that their design should take into account the social aspects of enterprising behaviour and not merely the economic. This one assumes would also draw on issues of social exclusion (DTI, 2002) and current concerns about the gap in understanding between central government and its agents' intentions and the discourse of enterprise at local and community levels (Southern, 2001). Gibb (1993), however, writes in defence of enterprise education, pointing out that it would be unfortunate if enterprise education was caught up in the political ideology of Thatcherism. Like Lord Young and other Thatcherites, whose political speeches played on the ambivalence of enterprise, Gibb also uses the term either as a personal attribute, a skill/behaviour and/or a private-business related concept. Such over-inclusiveness of the concept renders it politically expedient – part of the discourse, while academically suspect – but difficult to define with rigour. There are other arguments in support of enterprise education that distinguish between the development of adept and resourceful individuals and their preparedness economically and business-wise for entrepreneurship. An 'enterprise agenda' that equips individuals during the course of their education with so-called 'enterprising attributes' is not the same as a syllabus that aims to equip them with market economic knowledge, business knowledge and techniques and a broader understanding of the managerial and social skills required for business venturing. However, from both a social and economic perspective such a syllabus might be deemed inadequate if it did not address the ecological and embedded nature of entrepreneurship.

Since the enterprise culture of the Thatcher era, politically, policies have moved on. Post-1997, the Labour government has attempted to develop, on the one hand, a culture of science enterprise and, on the other, that of social enterprise. Science enterprise policies have specifically been targeted at the UK's competitive position on the world stage; the underperformance of R&D expenditure in producing innovative products and processes; and, the preference of university-based scientists to pursue 'blue-sky' research rather than the development of the applications of technology and the creation of economic wealth (DTI, 1998). The government's social enterprise strategy, in contrast to its science enterprise policy, attempts to address a 'wide range of social and environmental issues'; it defines a social enterprise as:

... a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. (DTI, 2002: 14)

Some of the lessons of the past appear to have been understood and incorporated into current policy – for example, the need to situate and provide a supportive environment for social enterprise, to address the needs of social enterprises as businesses and to influence the perceived worth of social enterprise. While the political discourse around 'enterprise' differs in some notable respects from that of Thatcher (for example individualism is de-emphasized and 'team-enterprise' promoted), the over-inclusiveness of the concept remains. What has changed, however, is that 'enterprise education' is promoted as an agent of change and vehicle of development. There is no sense of the 'born entrepreneur', or the single-minded, confident individual determined to 'go it alone'. Rather there is a sense of putting together a team with the appropriate skills sets, marketable opportunity and resources to found a sustainable

business, whereby social enterprises create value, for example, for the community, whereas entrepreneurial businesses primarily create wealth and accumulate capital growth.

Enterprise is thus a highly malleable construct subject to the vagaries of the political climate and institutional influences that attempt to shape its meaning for particular social and political ends. However, is the dichotomy between social enterprise and entrepreneurship academically and practically sound?

Socio-economic Discourse of Social Enterprise and Entrepreneurship

The current discourse distinguishes social enterprise and the entrepreneurially led enterprise by the intended outcomes: purportedly NFP and 'for profit', i.e. wealth creating, respectively. One model of the social enterprise highlights pro-social motives that drive the primary mission and emphasizes social outcomes at the expense of a surplus that may be reinvested in the enterprise as a business thus assuring its sustainability. To survive this enterprise requires grant-aid – paradoxically a charitable enterprise dependent on charity for its survival. Social enterprises of this sort appear to engage in an internal discourse that deters or discourages wealth generation (profit-making) activity on principle. Not all social enterprises, however, follow this model of dependence on philanthropy and donations. Pressure on NFPs to become sustainable through the introduction of commercial activity suggests that it is possible to position social enterprises along a spectrum from the purely philanthropic to the purely commercial (Dees, 1998: 60).³

Thus, an alternative model is one where outcomes are split between NFP, social benefits on the one hand, and wealth generation that is used to invest in the business and help to assure its sustainability, on the other (Dees, 1998; Tracey et al., 2004). The point is that social enterprises may need to make a surplus that will assure their survival, and to do so in the long term they should become entrepreneurial. However, there may be differences in economic and social perspectives of the incumbents working for social enterprises. The culture and ethos of the social enterprise are based on principles of voluntarism, ethical behaviour and a mission with a social cause. This, on the face of it, gives the appearance of a culture clash with the entrepreneurially led, for profit organization that is based on an employment contract, pragmatism and instrumental actions, with a view to creating shareholder value. Is it possible to reconcile these disparate socio-economic standpoints?

There are undoubtedly pro-social NFPs towards the philanthropic end of the spectrum where, for example, the beneficiaries neither do, nor could they, pay for the services that they receive, e.g. 'Save the Whales', Royal Society for the Protection of Birds (RSPB). However, RSPB, English Heritage, the National Trust and so on, while relying heavily on donations, also have some commercial activity (retail outlets, cafeterias, etc.) to provide services for visitors. The mix of donations, volunteer labour and modest commercial activity is evident in such cases and is the basis of sustainability of the charitable body. Indeed it would appear appropriate at this juncture to distinguish between organizations with charitable status, as just described,

and social enterprises that have as their first mission the creation of social benefit but do not necessarily have charitable status.⁴

The suggestion that there is pressure on the leaders of social enterprises to behave entrepreneurially and adopt a business model has been challenged, not only as inappropriate in many instances as indicated earlier, but possibly also a threat to the realization of the enterprise's primary mission (Dees, 1998; Foster and Bradach, 2005). Foster and Bradach (2005) suggest that managers of NFPs want to be viewed as entrepreneurs; they experience pressure to become self-sufficient; they exhibit a 'pattern of unwarranted optimism'; the 'challenges of running a successful business are routinely discounted'; and, they appear not to realize the extent to which the pursuit of commercialism could potentially subvert the organization from its core mission. Moreover, they cast doubt on the ability of the majority of NFPs to generate a profit through an earned income stream and they question recent survey evidence that suggest (in the USA) that 50–75% of NFPs are profitable – the latter on the grounds that the samples surveyed are unlikely to be representative and the definition of what is profitable is suspect. They point out that in the USA, only 39% of small businesses are profitable, that 50% fail in the space of 5 years, and that it is even tougher for social enterprise, because of conflicting priorities and the lack of a business perspective. This is sound advice in the sense that an established social enterprise that has been dependent on philanthropy may have difficulty in reshaping itself into an organization with a commercially generated income stream. However, that does not mean that it is an impossible task. The leader of the NFP should consider the strategic issue of positioning the social enterprise, in particular in relation to its mission and the stakeholders being served, and then examine operational issues that would need to be addressed in order to encompass change towards greater commercialization. It is also worth noting that US-based NFPs that are commercially successful, according to a recent DTI publication, 'often have a business-led Board, recruit key managers from business and have a strong business culture – practices that are often lacking in their British counterparts' (DTI, 2002: 19). However, there are examples of highly successful – in both the social and economic senses – social enterprises based in the UK: one is ECT (Ealing Community Transport) – established 25 years ago, now a £22m turnover business that provides community transport and recycling services that are economically sustainable and bring environmental benefits, and another the Cornwall-based Eden Project Ltd, with charitable status, which has had a considerable social and economic impact on the local community. Such examples are intended to demonstrate social inclusiveness and the notion that communities take responsibility for their own local and regional regeneration.

Social enterprises that rely on mixed funding sources (or indeed those that are entirely commercially underpinned) have a 'double bottom line' that makes managing them as businesses that much more difficult. However, they may also enjoy some advantages: for instance, they may get tax breaks that the private sector business does not, they can often draw on voluntary sources of labour and expertise, and their social mission may give them a unique selling proposition (USP) vis-à-vis competing enterprises. For example, Environappies (Bradford Ltd) was set up as a business with social and environmental objectives to launder nappies and thus reduce the environmental hazard of the disposable nappy. However, such laudable aims that

gave the company a USP may well disappear as environmentalists weigh up the alternative scenario – more detergent released into the environment.

If social enterprises are to behave entrepreneurially then arguably we should apply the same definition of their entrepreneurial behaviour, as we would to economic enterprises. Taking one particular definition, we would mean that the social enterprise would 'create and pursue opportunities *relentlessly*, without regard to *alienable* resources currently controlled, with a view to *both* creating wealth that may be reinvested in the business to assure its sustainability, *and social value*'. This definition, based on the Harvard definition of entrepreneurial behaviour (Hart et al., 1995; Stevenson and Jarillo, 1990), raises some issues in respect of social enterprise. The examples where social enterprises operate in a competitive environment suggest that they do need to pursue opportunities. There is though a question over the usage of the term 'relentlessly' as this may convey a sense of mindlessness. However, if we mean by relentlessly, 'persistently, having carefully evaluated the opportunity', then the need for not only the economic but also the social entrepreneur to be fleet of foot, is clearly apparent. Further, what might we make of the phrase 'without regard to *alienable* resources currently controlled'? Entrepreneurs attempt to realize an opportunity despite the fact that they may not have all the resources they would need at their disposal. We tend to think of capital resources, but there are many other kinds of resources that an entrepreneur may garner and draw upon in order to realize an opportunity. Nonetheless, the *alienable* resources, such as product development, business planning expertise and management capability, are, as it were, developed over time by the entrepreneur and their enterprise. In contrast, *inalienable* resources, such as tacit knowledge and industry-specific experience, are non-tradable resources that may be unique to the particular enterprise and provide it with a powerful advantage.

In a similar vein, Kwiatkowski (2004) argues that there is another sense of 'resource' that may provide the entrepreneur with a competitive advantage. This would include internal (inalienable) resources, such as social, personal, intangible ones, which include tacit knowledge, emotional intelligence and so on, and may be mobilized subconsciously, but have not been acknowledged explicitly in economic-based definitions of entrepreneurial behaviour. In the case of social enterprise such resources may be stimulated by, and in the case of voluntary contributions, derived from community spiritedness and local social and/or business networks. It is thus possible to apply the same definition to the economic and social entrepreneur in these general behavioural respects. Moreover, we might question the belief that entrepreneurs are driven by pure economic motives. Entrepreneurs are primarily driven by challenges, the funds generated often being viewed as a measure of their success, and many do consider themselves to have mixed motives, including those of attempting to 'make a difference' – as they might phrase their pro-social motivation.

We can deduce that:

- to behave entrepreneurially is to engage in a process that creates value
- that value serves two purposes; it positions an enterprise among competitive enterprises, and it generates wealth that is to be distributed (according to a formula/agreement) amongst its stakeholders⁵

- the process is embedded within a socio-economic context
- which, if the mission of value creation is to be maintained, suggests that the enterprise that promotes the activity and its outcomes must be sustainable
- some enterprises may rely on grants and donations as a critical revenue stream, particularly where the beneficiaries of the enterprise cannot pay
- however, there is a spectrum from the purely philanthropic to the commercial sources of financial support and all enterprises may be positioned along this spectrum
- therefore the underlying model for nascent enterprises is likely to include a mix of resource – a commercial component, probably ‘voluntary’ or in-kind contributions and possibly donations and grant aid – which together helps to ensure future sustainability, particularly in its early years⁶
- this business behaviour, however, is the entrepreneurial process of pursuit of opportunity with a view to the creation of economic and social value.

The academic discourse identifies the necessary and sufficient conditions of the entrepreneurial process and leaves untouched the social construction of the variety of forms that this process may generate in practice. Therefore, in the next section we move on to a discussion of paradigmatic assumptions and in particular those of social constructionism and cognitive constructivism to further clarify the nature of entrepreneurial behaviour within the process of entrepreneurship.

Social Constructionist and Cognitive Constructivist Roots

We have demonstrated the importance of socio-political discourse for the definition and understanding of enterprise and begun to consider its implication for the academic definition of both enterprise and entrepreneurship. It suggests that any consideration of an entrepreneurship paradigm should include an explicit recognition of practitioner and political agenda that potentially influence cognitions about the nature of socio-economic enterprise behaviour and that such influence may operate in subtle ways (Fairclough, 1995; Grant and Perren, 2002; Tranfield and Starkey, 1998). This has implications for the model we espouse and includes an explicit recognition of the need to expose the paradigmatic assumptions made. Previous studies have tended to confine themselves to assumptions about the nature of knowledge (e.g. Grant and Perren, 2002), whereas our analysis suggests that it is also important to be explicit about the nature of society and the social world. This draws upon Burrell and Morgan’s much cited distinction between two dimensions of sociological paradigms: (1) the nature of society being characterized by either radical change or regulation and (2) the nature of knowledge assuming an objective reality versus the assumption of a phenomenal, entirely subjective reality arrived at through discourse based on multiple perspectives (Burrell and Morgan, 1979: 3). Functionalists and interpretivists suggest that society is *regulated* largely by achieving consensus, social order and maintenance of the status quo, while radical humanism and radical structuralism assume that society and social structures are shaped through structural conflict, contested political positions, emancipation and modes of domination. Discourse about entrepreneurship filtered through an interpretivist

paradigmatic lens includes explanation, description and analysis of the maintenance of the status quo (in this case the entrepreneur operating within a capitalist framework) and multiple interpretations of behaviour that may be contested.

From such a broad paradigmatic perspective there is a need to develop particular theoretical approaches that will explain entrepreneurial behaviour and the entrepreneurial process. Two dominant theoretical approaches that lend themselves to the analysis of entrepreneurial processes are interactionism (Chell, 1985; Endler, 1983) and structuration (Giddens, 1984). Interactionism emanates from a psychological root; its mechanistic form assumes that behaviour is a consequence of interaction between personality and situation (Giddens, 1984). A more complex dual interaction model shows how the person in viewing the first interaction of their behaviour in the situation is influenced to reconsider their behaviour in the next occurrence of the situation. This reveals the importance of reflexivity and the cognitive element of interactionism. A person is no longer viewed in terms of a set of personality traits, but, rather, a set of socially oriented, cognitive constructs that enable person to comprehend, orientate themselves and make sense of their world (Chell, 1985; Mischel, 1973; Weick, 1969, 1989). Thus, to make explicit the link between interactionism and cognitive constructivism, cognitive constructivism concerns the individual private world of thoughts and other mental processes. In viewing situations the dual interaction model suggests that an observer makes an assessment, labels the situation and decides on a course of action. Mentally, processes of analogy, matching and contrast, are used to facilitate choice and action. The individual remembers past situations and actions and is able to reflect on possible imagined futures that may emanate from particular decisions made in response to the situation with which they are now faced (Martin and Sugarman, 1996). This means that interactionism is not space-time dependent.

Social constructionism has its disciplinary root in sociology and is concerned with the external world of public, social knowledge. A person perceives events, places, situations, other people interacting and scenes that he or she frames and interprets as having some meaning and labels as such. Through social intercourse this labelling process is confirmed or denied and adjustments may be made. However, the link back to cognitive constructivism is that the very act of labelling is dependent on memory and learning; the process of naming and labelling does not occur afresh each day – the stock of what can be named develops. Hence, cognitive constructivism and social constructionism are two sides of the same coin – and are implicit in the sociology of knowledge (Martin and Sugarman, 1996).

The Cognitive Social Constructivism of Entrepreneurship and Social Enterprise

Analysis of Entrepreneurship literature has shown that the majority of published work falls within Burrell and Morgan's functionalist paradigm (Pittaway, 2000). This is perhaps surprising in the sense that entrepreneurial behaviour is fundamentally about change – in markets, industries and organizations – shifting positions and expectations as the new and the innovative displace the old and the outdated. Entrepreneurs operate in markets, usually within a capitalist or mixed economy, markets

of which they have a profound knowledge that gives them a competitive advantage by means of their alertness to opportunity (Kirzner, 1982). Entrepreneurs may also through innovation create 'new combinations' that disturb market equilibria and bring about change in products, processes, markets, supplies or industry (Schumpeter, 1934). Thus, entrepreneurialism is about the social construction of reality through the envisioning of possible futures that are both social and economic – wealth creation and employment; low cost housing – community and employment benefits; investments in pharmaceuticals – wealth creation and health.

Entrepreneurs, while operating in the public world of industry and commerce, also operate in their private world, observing socio-economic phenomena, making judgements about them, imagining possible futures and backing their imagination, their vision (Shackle, 1979). Thus, entrepreneurial action and decision do not simply emerge from situations (cf. Bouchikhi, 1993); those actions and decisions arise as a consequence of active mental processing of information and perceptions before arriving at a judgement of the potential for the realization of a return on the as yet imagined venture. However, our argument suggests that the entrepreneur is able to frame a situation in both an economic and/or social way; the drivers and differential emphases may vary depending upon circumstances such as the primary mission of the enterprise and the ability to make sufficient to sustain the enterprise, reinvest in the business and create stakeholder value.

Entrepreneurialism, within our theoretical framework, exposes the paradox between individual and collective action. Entrepreneurs have been characterized as highly individualistic (McClelland, 1961) and highly independent (Blackburn and Curran, 1993) and persons who possess scarce personal qualities of imagination and foresight (Casson, 1982). Indeed, Casson goes further when he,

... presents the idea that an entrepreneur is someone who specialises in taking decisions about the coordination of scarce resources ... The notion of the judgemental decision is central. It is a decision 'where different individuals, sharing the same objectives and acting under similar circumstances, would make different decisions' ... They would make different decisions because they have 'different perceptions of the situation' as a result of different information and interpretation. The entrepreneur is therefore a person whose judgement differs from that of others. His reward arises from his backing his judgement and being right. (Chell et al., 1991: 24)

However, the social entrepreneur too is likely to be a coordinator of scarce resources. Moreover, there is arguably greater pressure on the social entrepreneur to make the right decision to draw from a situation and create value due to the necessity of meeting the so-called 'double, or indeed triple, bottom line'.

Kwiatkowski (2004), moreover, argues that analysis of entrepreneurial behaviour is incomplete if it does not include the role of social capital. Entrepreneurs use their social and personal networks (their 'strong ties') in the realization of opportunity (Chell and Baines, 2000; Granovetter, 1973). The development of an opportunity may depend, in part, on whom the entrepreneur can trust and rely on (Kent and Anderson, 2003): his or her social and emotional intelligence in their choice of personnel and advisers to help take the business concept forward to its realization as a business enterprise or a social enterprise. The Board of Trustees of a successful

NFP should comprise a mix of the philanthropic and the skilled business advisers (Dees, 1998). The Executive Board of an entrepreneurial concern may comprise some family members and/or executives that have grown up with the business and have wider interests that may include social and environmental benefits for their local community.

Kwiatkowski (2004: 215) argues further that also potent is the gathering and utilization of financial resources not under immediate control; such resources do not have an 'objective' character; different individuals utilize resources differently – in a situation of relative deprivation, one might feel powerless, incapacitated while another might find imaginative, clever and socially acceptable ways to act with what is available and prosper. This concerns not only the social construction that different people may place on their perceived situation, but the *habitus* – the holistic structuration of one's circumstances and surroundings (cf. Southern, 2000). Further, such a valuable inalienable resource – one's social capital – is the ability to connect with people. Entrepreneurs are known networkers (Birley, 1985; Chell and Baines, 2000). However, there is nothing in Kwiatkowski's point to suggest this skill of connectedness that ties it exclusively to the economic entrepreneur. On the contrary, the very essence of social entrepreneurship is the capability to connect with social and community values, and through adept networking to realize their potential (Kent and Anderson, 2003). Moreover, there are also intellectual investments: the realization, for example, that one can build up one's customer base through an attraction that is of little monetary value but of considerable social value. Hence, the social and the cognitive aspects of entrepreneurial behaviour are shown to work together: the intellectual related to the entrepreneurial mind and the ability to realize different kinds of opportunity; the practical related to the resource endowment of a given entrepreneur and their (subjective) ability to tap into those resources in a characteristic and highly personalized way; and the social, the ability to draw upon extant social and personal ties when it really matters.

Hence we conclude that within the entrepreneurial process there is a balancing of social and economic behaviour that creates both social and economic value. Moreover, the Harvard definition (indeed most definitions of entrepreneurship) has tended to focus on the achievement of economic outcomes – capital accumulation and wealth creation. They neglect to mention the social outcomes and benefits of entrepreneurship – work, employment, belongingness, community, friendship, self-respect, social standing and development of one's capability (cf. Southern, 2001: 265). Thus, once again we might ask: can we differentiate between entrepreneurship and social enterprise?

Social and community enterprises aim to create social value rather than personal wealth for the leader-manager. Because they have valued social ends, such enterprises have been able to attract grant aid to pump-prime their activity. So is the process of social and community enterprise different from that of a privately owned entrepreneurial venture? Should such businesses necessarily operate differently?

Social and community businesses have tended in the past (1) to be grant-dependent, (2) to be non-self sustaining, and (3) to employ non-entrepreneurial staff. These three characteristics throw into jeopardy the enterprise and may (ironically) undermine its

social value. Rather, social and community businesses should pursue their endeavours in a thoroughly entrepreneurial way. The model that is being promoted through the analysis has the following characteristics: not-for-personal-profit enterprises comprise business activity that generates value for social ends and wealth to enable reinvestment and sustainability of the business. To achieve this, the enterprise team needs to be entrepreneurially led in the specific sense that it is able to recognize and pursue opportunities; draw upon whatever social, financial and other resources are at its disposal; and, translate these elements into realized opportunities, in other words practical and actual valued social *and* economic outcomes – the latter for reinvestment and sustainability of the enterprise. This may have implications for the development of regeneration managers, public agents and other stakeholders that engage with social and community businesses.

Social entrepreneurs within this model have the intellectual capacity, the thought processes and the imagination to recognize opportunity based on their technical and/or professional experience; they have the social and personal networks that add non-material, human and social capital resources; and they have the personal ability to make judgements about appropriate courses of action that will result in the pursuit of an opportunity of socio-economic value based on the realization of a competitive advantage. All business opportunities involve customer choice. Competitive advantage confers rarity or some other socio-economic value that social entrepreneurs can create. In these ways social and community enterprises can become self-sustainable; indeed they can create social and economic change through the development of a vibrant form of doing business.

Concluding Remarks

In this article, we commenced with a review of the discourse ‘enterprise’ and a consideration of its implications for defining entrepreneurship. We also considered the application of our definition in two contexts – those of ‘economic’/private enterprise and social enterprise. We then examined the argument for separately defining terms for social and economic enterprise. We examined critically a definition based on Hart et al. (1995) and Kwiatkowski (2004) that we believe, with a crucial modification, is applicable to both types of enterprise: it is that entrepreneurship is the process of ‘recognizing and pursuing opportunities *with* regard to the alienable *and* inalienable resources currently controlled with a view to value creation’.⁷ In other words, entrepreneurs (both social and economic) consciously garner alienable resources (e.g. through networking and other processes) and use their personal or human ‘capital’ in order to achieve their espoused mission of wealth and social value creation. We go on to examine the coherence of the theoretical underpinnings of such a position. As a consequence we arrive at a parsimonious ‘model’ of the entrepreneurial process that includes the assumption of both public and private worlds and judgements that are based on knowledge and understanding of both social and economic processes. These judgements enable the entrepreneur to pursue opportunities with a view to creating both economic and social value.

Hitherto, when evaluating the entrepreneurial process only economic value has been counted. What is *counted* depends on who is doing the counting and for what purpose. We argue that much of the social value that is generated as a consequence of private, economic endeavour is *discounted* and as such the true value of entrepreneurial behaviour is distorted and underestimated. A more holistic, interpretive approach enables one to capture this additional information and present the entrepreneurial process as in reality having both economic and social value and consequences.

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Notes

1. Kilby, drawing on A. A. Milne's 'Winnie-the-Pooh', compared the search for the elusive nature of an entrepreneur by analogy to the 'Hunt for the heffalump'.
2. In their natural state, it was argued, people are enterprising and thus the Thatcherite revolution was about the restoration of a natural and spontaneous form of existence. The setback to this philosophy was said to be education, which in the 19th century was anti-enterprise: 'science, technology and business were despised' (Selden, 1991: 63). Hence there was a need for government intervention to create the conditions for an enterprise culture to flourish, both in its citizens and in the stability of its economy, in order to create the certainty needed to permit the management of risk.
3. Indeed, Pearce (1994: 85) distinguishes between community, voluntary and social enterprises thus: 'community businesses' trade in the marketplace along with other firms, employ people, survive and are no different from other firms except that profits are returned to community benefit. 'Voluntary enterprises' are run by volunteers and occasionally some paid staff with the objective of providing a low-cost service, e.g. playgroups, second-hand clothing shops and community cafes. In between he positions 'social enterprises', which trade, employ people and provide a service but are dependent in some way for support from private or public sources in order to pay their way.
5. I use the term 'stakeholder' rather than shareholder to ensure inclusiveness of organizational form.
6. We can compare here the enterprise that has as its primary mission that of commerce that is family managed, where the family forms a socio-economic unit in the early years, putting in effort for little or no financial reward, as opportunities are realized and income stream generated until the enterprise is a profitable concern that becomes sustainable, with the social enterprise that may rely to some degree on volunteer labour.
7. Stevenson and Jarillo's original definition stated 'without regard to resources currently controlled', one implication being that the entrepreneur was supremely confident that having recognized a sound opportunity the resources would follow. There are many instances where such a claim does not ring true and many entrepreneurs that have confidence in their invention, innovation or whatever that do not achieve the resource backing that they require.

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L'entité sociale et la fonction entrepreneuriale

Vers une théorie convergente du processus entrepreneurial

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Le XX siècle a été marqué par une multitude de discours et réflexions sur la nature de l'entreprise et de l'entrepreneur. Dans le présent article – qui se penche sur la nature de l'entité sociale et qui tente de savoir sous quelle forme il est possible de l'interpréter comme fonction entrepreneuriale – nous analysons ces discours et les perspectives qui s'y rattachent en tant que toile de fond pour mieux nous permettre d'appréhender la fonction entrepreneuriale socio-économique. Il prétend que, autrefois, les entités sociales auraient puisé leur inspiration auprès des organisations caritatives “à but non lucratif”, qui ont attiré le capital humain et social par esprit communautaire et prosocial et qui ont instauré des stratégies de survie reposant sur la dépendance des subventions. À long terme, nous soutenons que les entités sociales devraient être autosuffisantes et, par conséquent, afficher un comportement entrepreneurial dans leur essor. À partir de ces prémisses, nous suggérons d'envisager de modifier la définition de la fonction entrepreneuriale pour y inclure la création d'une “valeur socio-économique” applicable tant aux entreprises privées qu'aux entités sociales.

Mots clés: constructivisme cognitif; discours; entreprise; fonction entrepreneuriale; constructivisme social

La entidad social y la función empresarial

Hacia una teoría convergente del proceso empresarial

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Durante todo el siglo XX se pronunciaron múltiples discursos sobre la naturaleza de la empresa y del empresario. En este artículo analizamos paso a paso los discursos y las perspectivas como telón de fondo para comprender la función empresarial socioeconómica. El artículo examina la naturaleza de la entidad social y en qué forma puede interpretarse como una función empresarial. Se sostiene que en el pasado las entidades sociales se han inspirado en los principios de las organizaciones benéficas con “fines no lucrativos” que han atraído el capital humano y social por motivos de espíritu comunitario y han generado estrategias de sobrevivencia sentadas en la premisa de la dependencia de subvenciones. Sostenemos que a la larga la entidades sociales han de ser autosostenibles y por consiguiente empresariales en sus empeños. Sentadas estas premisas, podemos sugerir que la definición de función empresarial podría modificarse para incluir la creación de un “valor socioeconómico” aplicable tanto a las empresas privadas como a las entidades sociales.

Palabras clave: constructivismo cognitivo; discurso; empresa; función empresarial; constructivismo social

Soziale Unternehmen und Unternehmertum

Die Entwicklung einer übereinstimmenden Theorie des unternehmerischen Prozesses

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Während des 20. Jahrhunderts entwickelten sich zahlreiche Debatten über das Wesen von Unternehmen und des Unternehmers. In diesem Artikel verfolgen wir diese Diskussionen und Perspektiven als Hintergrundverständnis für soziales und wirtschaftliches Unternehmertum. Der Artikel berücksichtigt das Wesen des sozialen Unternehmens und ob, und in der Tat wie, es als eine Form des Unternehmertums ausgelegt werden kann. In der Vergangenheit wurde meistens gezeigt, dass sich soziale Unternehmen an den Grundsätzen von wohltätigen, eigenwirtschaftlichen Organisationen orientiert haben, die menschliches und soziales Kapital durch prosoziale, am Gemeinwohl orientierte Motive gewonnen haben, und die Überlebensstrategien erzeugt haben, die eine Abhängigkeit von finanziellen Zuwendungen voraussetzen. Langfristig, so unser Argument, sollten soziale Unternehmen autark sein und somit unternehmerisch in ihren Bemühungen. Von diesem Standpunkt aus schlagen wir vor, dass die Definition von Unternehmertum so abgeändert wird, dass auch die Erschaffung von „sozialem und wirtschaftlichem Wert“ darin enthalten ist, und somit auf private unternehmerische Projekte sowie auf soziale Unternehmen angewendet werden kann.

Schlüsselwörter: Kognitiver Konstruktivismus; Debatte; Unternehmen; Unternehmertum; sozialer Konstruktivismus

社会企业和企业家精神：建立创业过程中的趋同理论

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整个 20 世纪各种关于企业的属性和企业家的言论一直在发展，本文将遵循这些言论的轨迹，并以此为背景来理解社会的和经济的企业家精神。本文考察了社会企业的本质以及它是否、甚至于如何构成企业家精神的一种形式。本文的研究认为，过去社会企业以“非营利性慈善组织”的宗旨而塑造，出于有利于社会和社区的精神动机从而吸引人力和社会资本，以及依赖于捐赠而引出生存战略。从长期来看，我们认为，社会企业必须永

续发展并且需要在努力的过程中有创新。以此为前提，我们建议企业家精神的概念可以转变为包括“社会和经济价值”的创造，这样既适用于私营企业、创业型企业，也适用于社会企业。

关键词：认知构成、言论、企业 、企业家精神、社会建构