

2 Relevant Fundamentals

To analyze *partnerships* between *social ventures* and *corporations* all three terms need to be defined and clarified. The goal of this chapter is, first, to clarify the term *social entrepreneurship* and to highlight the specific characteristics that are implied when it is referred to this relatively new phenomenon (section 2.1). Secondly, the focus is on *corporations* – however, not in general terms; in this section corporations are viewed from the perspectives as, so to say, counterparts of social ventures, and a particular focus is on their social responsibility and engagements (section 2.2). In the last part, the term *partnership* is explained. The focus is on introducing relevant theoretical approaches to understand their formation, presenting different forms and stages of it, and investigating the participants' motivation (section 2.3).

2.1 Social Entrepreneurship – Clarifying Terms

Unfortunately, there is no clear definition of the term *social entrepreneurship* (cf., e.g., Dacin et al., 2010, pp. 38–42; Hill et al., 2010, p. 6; Trivedi, 2010b, pp. 66–68). The intention of this section to find a common understanding of this term, which will be the basis for this thesis, requires reaching back to the historical development of this phenomenon and taking national characteristics into consideration.

First, this section focuses on the emergence of this field in academia as well as in practice (section 2.1.1). This review reveals that different historical roots of social entrepreneurship exist that (still) influence the current definition debate (section 2.1.2). To find a definition of social entrepreneurship that is most adequate for this thesis, the German context and its national specifics with regard to social service provisions and entrepreneurial culture are taken into account (section 2.1.3). Based on this a definition is chosen that is presented and discussed in section 2.1.4.

2.1.1 *Historical Development of this Phenomenon*

Social entrepreneurs, who can generally be described as persons aiming to address social needs by using entrepreneurial, innovative approaches and means (cf. Zeyen and Beckmann, 2011, p. 4) and their organizations (social ventures) have always existed. Examples such as Florence Nightingale, a pioneer of professional nursing, St. Francis of Assisi, the founder of the Franciscan Order, or Maria Montessori, the inventor of a new approach in early childhood education, are often cited as famous historical cases (Ahlert et al., p. 11; Drayton, 2006, p. 83; Edwards, 2008, p. 16; Nicholls, 2005, p. 2). Additionally, many of today's organizations have emerged from social entrepreneurial activities (Faltin, 2011, p. 75; Stiftung Mercator, 2012b, p. 7). Nevertheless, from a practitioner's as well as from an academic point of view, the interest in and the role of social entrepreneurs has changed significantly since the 1990s and the term has grown significantly in importance (Nicholls, 2006, pp. 2–6; Achleitner, 2007, p. 59; Huybrechts and Nicholls, 2012, p. 32; Zeyen et al., 2012, p. 2).

2.1.1.1 *Historical Development of Social Entrepreneurship in Practice*

Nicholls (2006, pp. 1–3) attributes the recent growing importance of social entrepreneurship to changing social and economic conditions affecting the *demand* and *supply* side of this phenomenon. He argues that, on the one hand, drivers such as the rising economic inequality, the systematic withdrawal of government from social service delivery, and increasing challenges in the provision of health care have increased the demand for new models that create social values and meet social needs. On the other hand, Nicholls recognizes that drivers such as a gradual dissemination of new technologies or improved global communications have positive effects on the supply side of the growth of social entrepreneurship. Together, these changing social and economic conditions have led to the emergence of this field.

In recent articles, scholars have described two different reactions to these changing conditions when analyzing different historical landscapes from which this phenomenon has evolved (Dees and Anderson, 2006, pp. 41–45). Although these reactions originated in the 1970s and 1980s in the US, they later influenced the emergence of social entrepreneurship in Europe and continue to influence today's discussion over the definition of social entrepreneurship (see, e.g., Bacq and Janssen, 2011, pp. 379–391; Defourny and Nyssens, 2010, p. 38).

The first reaction is that in the US, the cutback of federal funding⁴ due to the economic downturn in the late 1970s, led to an increase of commercial activities of non-profit organizations. Partnerships between the government and non-profit organizations, which had bloomed before the downturn, had “given way in the 1980s to a system whose principal characteristic [was] the dominance of market-type relationship” (Salamon, 1993, p. 16). In order to fill gaps in their budgets, sales of goods and services – both directly and indirectly related to their mission – became a principle source of income for non-profit organizations and actually accounted for significant growth of this sector in the US (ibid, p. 16–24; Defourny and Nyssens, 2010, p. 38). Similarly, although somewhat later, it also occurred in European countries that governmental cutbacks put greater financial pressure on traditional social service providers leading to increased professionalism and commercialization of non-profit organizations⁵ (Anheier and Seibel, 2001, pp. 196–197; Balgar, 2011, pp. 88–89). In sum, this movement set the ground for social entrepreneurship in the ‘earned income’ school of thought.⁶

The foundation of Ashoka⁷, created by Bill Drayton in 1980, can be identified as the second reaction to the above mentioned changing conditions. With the mission of Ashoka “to find and support outstanding individuals with pattern setting ideas for social change” (Drayton and MacDonald, 1993, p. 1 as cited by Dees et al., 2004, p. 44), Ashoka focuses on very specific individuals rather than on forms of organizations to bring about social innovations (Cameron, 2012, pp. 201–202). With the expansion of Ashoka within the last decades this approach has expanded in many regions and presents the root for the ‘social innovation’ school of thought (Dees and Anderson, 2006, pp. 44–45; Defourny and Nyssens, 2010, p. 38).

The earned income and social innovation schools of thought represent two main ways in which social entrepreneurship can be classified, and are explained in more depth later in this chapter.

4 The federal spending for social services, for example, was decreased by 29% between 1977 and 1982 in the US (see Salamon, 1993, pp. 22–23 for detailed information).

5 A detailed overview of different national landscapes with regard to social service provision in Europe and their current challenges influencing the growth of social entrepreneurship can be found in Defourny and Nyssens (2010, pp. 34–37).

6 It should be mentioned that some scholars have mentioned doubts concerning the causality of decreasing public spending and an increase of social entrepreneurship (see Dey and Steyaert, 2012, pp. 259–261). Instead, they suggest institutional theory and changes in acceptances to explain increasing commercial activities by non-profit organizations (see Kerlin and Pollak, 2011, pp. 15–16). However, this should not be considered further at this point.

7 Today, Ashoka is the largest non-profit organization to support social entrepreneurship worldwide. The organization supports selected social entrepreneurs (‘Ashoka Fellows’) with monetary and non-monetary benefits. Until now, over 2,000 fellows have been selected in over 70 countries (see <http://www.ashoka.org/>).

Both reactions or roots of social entrepreneurship, albeit relatively different, have led to an active promotion and growth of social entrepreneurs (Nicholls, 2005, pp. 2–3); first in the US, where more and more supporting or membership organizations emerged in the 1990s such as the Roberts Enterprise Development Fund, the Skoll Foundation, and the Social Enterprise Alliance (cf., e.g., Martin, 2004, p. 7; Hackl, 2009, p. 7). Later, the social entrepreneurship movement became a phenomenon of increasing interest in European countries as well⁸ (Young, 2008, p. 175; Balgar, 2011, p. 87); however, with the exception of the UK, this occurred nearly two decades later than in the US (Achleitner, 2007, p. 59; Defourny and Nyssens, 2010, p. 40). In the UK in the 1990s changes in the social service provisions assigned a new role to local authorities favoring the formation of social entrepreneurship (ibid., pp. 35–36; Hackl, 2009, p. 8). In contrast to the US, it was mainly the government (instead of private foundations) who actively supported the growth of social entrepreneurship by e.g., creating an own legal form for social ventures, the Community Interest Company, or by supporting them financially through the foundation UnLtd or the 'Big Society Bank', which were specially created for that purpose (Linklaters, 2006, pp. 48–50; Grenier, 2003; Schirmer and Cameron, 2012, pp. 88–89). In continental Europe within the last decade, supporting organizations, such as Ashoka or the Schwab Foundation, have established and started to actively promote social entrepreneurship (Martin, 2004, p. 7; Nicholls, 2010, pp. 617–627; Leppert, 2008, pp. 1–5). Various European governments support its growth, for example, by passing new laws and creating new legal forms (Defourny and Nyssens, 2010, p. 33). The result is that social entrepreneurship is now attributed major importance in many European countries (Birkhölzer, 2011, pp. 28–29).

Summing up the practitioner's side of social entrepreneurship, which has been influenced by changing social and environment conditions, the current social entrepreneurship movement can be traced back to two different roots: *increasing commercialization of the non-profit sector* on the one hand and the active *promotion of social innovations* on the other hand. Both roots have developed and contributed to the fact that over the last decade social entrepreneurship has become an important phenomenon across continents (cf., e.g., Dacin et al., 2011, p. 1203).

8 Of course, the social entrepreneurship movement has also taken place outside the US and Europe (see, e.g., Mair and Martí, 2009; Sperandio, 2005; Sharir and Lerner, 2006). In particular, social entrepreneurship plays an important role in developing countries, e.g., with Muhammad Yunus being one of the most famous contemporary social entrepreneurs. However, differences, e.g., in institutional landscapes or in the role of governments (see, e.g., Mair and Martí, 2009), influence the approaches and field of activity of social entrepreneurs and their organizations that is why the emphasis here is on social entrepreneurship in industrialized countries.

2.1.1.2 Historical Development of Social Entrepreneurship *in Academia*

Early active promotion of social entrepreneurship in the US and UK also inspired the research of this field in these countries. In the late 1990s, the first (scientific) articles were published by American (e.g., Boschee, 1995; Dees 1998⁹) and British authors (e.g., Leadbeater, 1997). Not long after, a number of dedicated research and teaching centers for social entrepreneurship emerged in these countries. In the US, the Social Enterprise Initiative at Harvard Business School (1993), the Center for Social Innovation at Stanford University (2000), and the Center for Advancement of Social Entrepreneurship at Duke University (2002) were founded; in the UK, in 2003 the Skoll Centre for Social Entrepreneurship at Saïd Business School in Oxford was founded. Over time, more and more universities and business schools, also in other European and Non-European countries, started to include social entrepreneurship topics into their curriculum (see, e.g., Nicholls, 2006, pp. 8–9 for a detailed overview)¹⁰. In 2006 Nicholls, first lecturer at the Skoll Centre concluded that

“social entrepreneurship is clearly no longer a marginal activity, pigeon-holed under the headings of ‘not-for-profit-management’ or ‘charity governance’ but rather a driver of significant social change that is developing rapidly into an autonomous field of research and practice.” (Ibid, p. 5)

‘Visible’ hints for such “an autonomous research field of research” can be found when looking at the number of published articles in this area, which has greatly increased within the last twelve years (see Figure 2.1) or when investigating the landscape of scientific journals. More and more journals have emerged that are dedicated exclusively to social innovation and social entrepreneurship topics such as the Social Innovation Review (founded in 2003), the Journal of Social Entrepreneurship (founded in 2010), and the International Journal of Social Entrepreneurship and Innovation (founded in 2011).

Nevertheless, although the academic interest in social entrepreneurship has grown rapidly and extensively, social entrepreneurship as a research field is still in an early stage (Short et al., 2009, p. 173; Young, 2008, pp. 175–177; Dacin et al., 2011, p. 1203; Bacq and Janssen, 2011, p. 377).

9 Paper revised in 2001. It can be found in the references as Dees (2001).

10 The roles of universities with regard to social entrepreneurship is investigated by Cameron (2012). She claims that they can function as “meeting place, legitimator, and knowledge producer” (ibid., p. 199) in the field of social entrepreneurship.

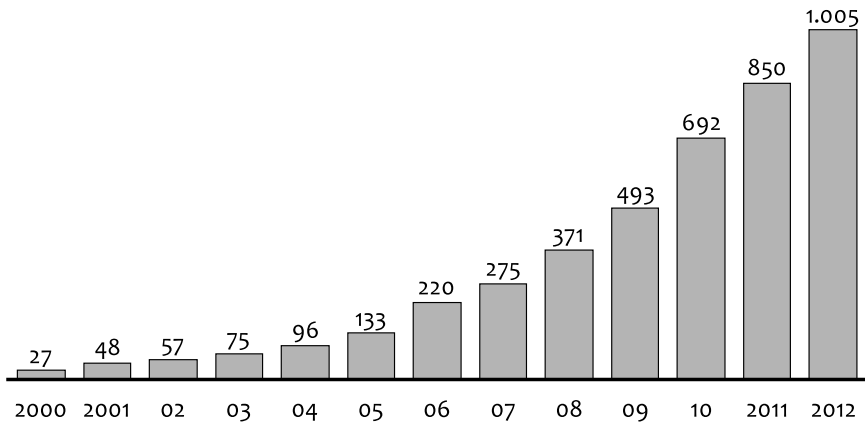


Figure 2.1: Number of publications on social entrepreneurship in academic journals¹¹

Source: Own illustration based on results from EBSCO search (29. 11. 2012)

A frequently cited reason is the ongoing and still unsolved debate on the definition of social entrepreneurship. The lack of a unified definition hinders the development of consistent theory as well as the establishment of legitimacy for this field. Similarly, scholars argue that the fact that a large part of the research conducted so far is based on selected case studies, often “largely descriptive and atheoretical” (Dacin et al., 2011, p. 1205) makes it difficult to draw general conclusions (Hill et al., 2010, pp. 5–6; Dacin et al., 2011, p. 1205; Short et al., 2009, p. 173–185; Meyskens et al., 2010c, p. 662). Therefore, many researchers emphasize the need for multivariate methods, in particular large-scale quantitative studies (e.g., Mair and Martí, 2006, p. 42; Short et al., 2009, p. 176; Dacin et al., 2011, p. 120).

Despite all the criticism, for a new field of study that follows the practitioner’s side and focuses on better understanding the emerging empirical phenomenon (Seelos and Mair, 2005, p. 243), it is not unusual that the early days of such a research area are largely phenomenon-driven (Mair and Martí, 2006, p. 36).

11 The graphic was created by searching in the online research database EBSCO for academic journals from 1962 to the respective year that included the term ‘social entrepreneur’ or ‘social entrepreneurship’.

Another debate, highlighting the not yet mature stage of social entrepreneurship research, is the recurring question of whether social entrepreneurship is a research area on its own (see, e.g., Dey, 2006, pp. 121–122 as cited by Dacin et al., 2011, p. 1203), or if it is ‘solely’ a subset of general entrepreneurship research (see, e.g., Mair and Martí, 2006, p. 42; Austin et al., 2006). This has resulted in some researchers questioning “how the study of (yet another) type of entrepreneurship adds theoretical value” (Dacin et al., 2011, p. 1203). In other words, social entrepreneurship still needs to articulate its unique place within existing research domains (ibid., pp. 1203–1204). In particular in Germany, the academic debate on social entrepreneurship has only very recently begun (Leppert, 2008, p. 5; Stiftung Mercator, 2010)¹².

In summary, following and inspired by the growth of social entrepreneurship in practice, the academic interest of social entrepreneurship has flourished within the last decade. Starting in the US and the UK, it is now an international academic field of study. Nevertheless, it is still in an early stage with the need for further “methodological and theoretical virtuosity” (Hill et al., 2010, p. 25).

Excursus: The term *social entrepreneur*

The term *social entrepreneur* appeared the first time in 1972 in a publication called “The Sociology of Social Movements” by Banks (cf. Gatzweiler et al., 2011, p. 10; Trivedi, 2010a, p. 81).

The popularity of this term accelerated with the establishment and increasing awareness level of Ashoka starting in 1980. Though Bill Drayton and Ashoka occasionally used the term *social entrepreneurship*, they first referred to *public entrepreneurs* until Ashoka officially adopted the term *social entrepreneur* in the mid-1990s (Dees and Anderson, 2006, p. 44). In the academic world, the term was established in the late 1990s with the first publications in this field by pioneers such as Boschee (1995) and Leadbeater (1997) (cf. Bacq and Janssen, 2011, p. 375).

12 This is reflected, e.g., when looking at the foundation year of various, relatively new social entrepreneurship research centers: As one of the first universities, the University of Heidelberg founded the *Center for Social Investment* in 2006. The Leuphana University of Lüneburg established a chair for social entrepreneurship in 2009. The European Business School launched the *Competence Center for Social Innovation and Social Entrepreneurship* in 2010, and in Munich, four universities collaborated and founded the *Social Entrepreneurship Akademie* in 2011.

2.1.2 *Different Streams in the Current Definition Debate*

Some scholars refer to social entrepreneurship as a “contested concept” (e.g., Ziegler, 2009, p. 8) and almost every research project focusing on social entrepreneurship starts with emphasizing the absence of a unified, widely accepted definition of this term (as is the case for this work). In this debate, general consensus seems to exist about the important role of the social mission of an organization or a person – but other than that many different opinions can be found (see, e.g., Leppert, 2011, p. 135). Practitioners and scholars have developed numerous different definitions, and various attempts to cluster or differentiate these definitions exist. An extended review is waived at this point. Instead it is referred to existing overviews and comparisons of different definitions as they can be found, for example, in works of Dacin et al. (2010, pp. 38–42), Hill et al. (2010, pp. 15–20), Zahra et al. (2009, pp. 521–527), and Weerawardena and Mort (2006, pp. 22–25).

In the following, a classification developed by Dees and Anderson (2006) and extended by Defourny and Nyssens (2010) is presented¹³. This classification divides the world of social entrepreneurship into two schools of thought: a school of ‘earned income’ and a school of ‘social innovation’ based on the different roots from which social entrepreneurship has emerged¹⁴.

While before it appeared that the issue of financial self-sustainability or the question of how ‘innovative’ a social entrepreneur needs to be led to much discussion in the definition debate, Dees and Anderson’s conceptualization allows two historically grounded streams, that were in apparent conflict, to exist simultaneously (cf., e.g., Boschee, 2007). That may be one reason why this conceptualization gained increasing acceptance in academia (see, e.g., Partzsch and Ziegler, 2011, pp. 66–67; Bacq and Janssen, 2011, pp. 379–391; Huybrechts and Defourny, 2008, pp. 188–189; Zeyen and Beckmann, 2011, p. 5).

13 Defourny and Nyssens (2010, pp. 42–44) also identified ‘the EMES approach of Social Enterprise’, which has emerged based on research within the EMES European Research Network. However, the European school of thought appears to contain many elements of the two other schools of thought (cf. Bacq and Janssen, 2011, pp. 387–391; Lehner and Kaniskas, 2012, p. 32). Purposely, only the ‘extreme ends’ of the definition spectrum are presented in the following as they seem to be sufficient to finding a definition for this thesis.

14 Although these roots as presented have emerged primary in the US, they later also influenced the social entrepreneurship movement in Europe. Bacq and Janssens (2011, p. 387) came to the conclusion, after investigating various definitions of social entrepreneurship in the US and in Europe in depth, that there is “no clear-cut transatlantic device in the way approaching and defining social entrepreneurship”.

Both schools are presented briefly below before making the case as to why this research project follows the social innovation school of thought. Positioning the definition underlying this thesis within the two prominent, but fairly different, schools of thought is important to become aware of potentially limited comparability between different research projects and results. In other words, the earned income school of thought has a different understanding of a social entrepreneur and their organizations than the social innovation school of thought, which is relevant for further investigations and the derivation of a suitable definition.

2.1.2.1 The Earned Income School of Thought

The commercialization of non-profit organizations, as described in the last section, lays the groundwork for the school of earned income¹⁵. An earned-income-strategy for non-profit organizations to support their mission became a key element of this stream (Defourny and Nyssens, 2010, pp. 40–41).

Over time, the “commercial non-profit approach” (ibid., p. 41) was complemented by the “mission-driven business approach” (ibid., p. 41). An increased “moral pressure” (Balgar, 2011, p. 90 [translation HS]) led other organizations, such as commercial players, to adopt the integration of social and economic values¹⁶. As a consequence, the term ‘social enterprise’ was expanded to incorporate a wider set of organizations, including for-profit companies¹⁷ (Defourny and Nyssens, 2010, p. 41; Dees and Anderson, 2006, p. 42).

A common understanding of many adherents following this school of thought is that a social entrepreneur is someone who uses business methods and generates his/her own income to pursue a social objective (Huybrechts and Defourny, 2008, p. 188). Underlying here is a broad understanding of the term ‘entrepreneur’ as a person starting and operating his own business¹⁸ (see, e.g., Bhidé, 2000, p. 29

15 This school was originally named the “social enterprise school of thought” by Dees and Anderson (2006, p. 41). Defourny and Nyssens (2010, p. 41) changed the term to “school of earned income” to enable a broader use of the term ‘social enterprise’.

16 See Defourny and Nyssens (2010, p. 42) for a detailed account on this development.

17 With the increasing desire of traditional for-profit businesses to take on social responsibility this expansion of the term ‘social enterprise’ went even further and some scholar also started to include social activities of large corporations under this arising concept of social entrepreneurship (see, e.g., Nicholls, 2005, p. 3; Hackl, 2009, pp. 11–12; Trivedi, 2010b, pp. 63–68).

18 Also in the ‘classical’ entrepreneurship research a uniform definition for ‘entrepreneur’ does not exist. The span ranges from very broad definitions such as the one by Bhidé (2000, p. 25): “I call individuals who start their own businesses entrepreneurs”, to narrower, more specific definitions such as the one by Schumpeter (described below).

Excursus: Hybrid spectrum

Alter (2007, pp. 14–20) has developed a hybrid spectrum for organizations generating both social and economic value, often referred to as double bottom line. Although the spectrum belongs to the earned income school of thought (and therefore it is not in line with the school of thought used in this thesis) it is presented briefly since it gives an overview of how to embed social enterprises in a bigger picture of hybrid organizations, but also, how to differentiate them from other hybrid organizations.

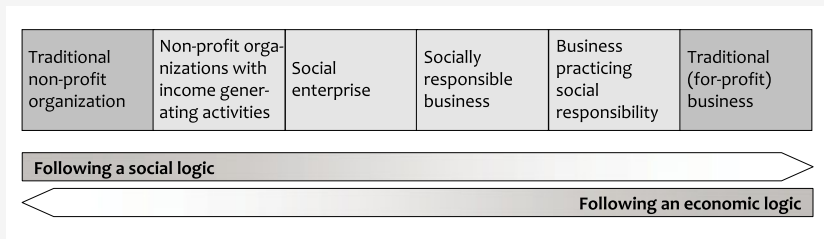


Figure 2.2: Spectrum of hybrid organizations

Source: Based on Alter (2007, pp. 14–15)

The spectrum ranges from organizations using purely social logics to organizations using pure economic logics with regard to motive, accountability, and use of income. In-between are hybrid organizations. Alter distinguishes between four types of hybrid organizations (see Figure 2.2): non-profit organizations with income generating activities, social enterprises, socially responsible businesses, and businesses practicing social responsibility. On the one hand, social enterprises differ from socially responsible businesses by giving the social mission a relatively higher importance. On the other hand, social enterprises differ from income generating non-profit organizations by operating with the financial discipline, the strategic orientation, and determination of a private sector business (Alter, 2007, pp. 13–20, see also Bacq and Janssen, 2011, p. 378).

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Schirmer, H.

2014, XIII, 234 p. 26 illus., Softcover

ISBN: 978-3-658-04858-7