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**EXPLORING THE VALUE  
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IN THE PRIVATE SECTOR**



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## EXPLORING THE VALUE OF SOCIAL ENTREPRENEURSHIP SEEN AS ECONOMIC AND SOCIAL INNOVATION DRIVER IN THE PRIVATE SECTOR

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### Summary

A review of online literature refers to an important number of relevant examples about *Social Entrepreneurship*. Basic papers shed new light on some ideas, taking into account the role of individual creativity and, among others, social networks, all put in the context of becoming an entrepreneur. The examples are associated with surviving the most important, critical first years, naturally both in urban and rural areas. Nowadays, creativity has a huge impact on start-ups in urban areas; it is a place where the environment is even more supportive and competitive. The rule does not apply in rural areas.

It is generally known that creativity does not increase the chances of being successful. But we all know that the purpose of social networks in rural areas is to create stronger ties and to increase the number of supporting institutions. Scientists write about the so called "birth of social entrepreneurship"; the term evokes the needs, as well as opportunities and perceived necessities.

Current theories that fit in entrepreneurship research lean towards addressing the entrepreneurial venture's capacity to explore, recognise, and exploit all possible opportunities. There are even voices that claim that social entrepreneurial ventures provide results and actions in response to the needs of the society.

However, the research conducted over time has shown the relevance of the notion of "perceived necessities" and "mobilizing human capital; also, in an industrial environment, social capital has a huge impact on the possibility of obtaining high level of results when it comes to entrepreneurial actions".

Entrepreneurship, within its basic meaning, is well known as a critical enabling driver for entire business enterprises and, in addition, for the economic growth of numerous nations. As a result, promoting entrepreneurship has become an important concern among scientists, academic scholars and business practitioners.

Each scientific area has a promise, at least an objective. According to some researches, capitalism can be re-defined by social innovation and social entrepreneurship. A successful enterprise becomes a new model for the society. It comes with a social reform, looking for the greatest happiness among the greatest number of people involved.

**Keywords: corporate social responsibility, global economy, risk management, social entrepreneurship stakeholders**



## Introduction

With regard to *Social Entrepreneurship*, review of online literature refers to an important number of relevant examples, as follows. The first cited paper (Freire, 2014) sheds light on some hypotheses taking into account the huge role of individual creativity, together with social networks. Both are important in becoming an entrepreneur and also in surviving the hard first years, regardless of the place of development (urban or rural area).

As the authors mention, creativity is a major factor for start-ups, especially in urban areas; there the environment is more supportive and competitive. However, we cannot apply the rule in rural areas. Moreover, as we already know, creativity doesn't increase the chance of being a successful person or company. On the other hand, social networks create stronger ties and increase the number of helping and supporting institutions in rural areas.

Gawell Malin (Gawell, 2013) writes about the so called "birth of social entrepreneurship", which comes from needs, opportunities and perceived necessities.

The theories that rely on entrepreneurship research try to explain entrepreneurial venture's capacity to explore, recognise and evaluate opportunities. There are also voices pretending that social entrepreneurial ventures have good answers in current society.

However, the paper is relevant because of the referral to the notion of "perceived necessities". Another relevant issue in this context is about organising the human and social capital, all together in the context of industry, so that we can obtain great entrepreneurial results at some high levels (Hsiao et al, 2013).

Entrepreneurship is well recognized as being a critical enabling driver for companies and business enterprises and, as a result, for the economic growth of nations. So, it is not wrong to say that promoting entrepreneurship has become a particular concern among scientist, academic scholars and even business practitioners. Social capital and entrepreneur's human capital fit each other and go in the direction of identifying opportunities within the industrial environment. In association



with this issue, the entrepreneur's social capital can add value and bring necessary resources to transform some opportunities into successful future ventures.

When we take into account the exploratory citation analysis about Social Entrepreneurship, there are five topic clusters identified (Kraus et al, 2014): definitions and conceptual approaches, impetus, personality, impact and performance and future research agenda.

It is well-known that the literature on social capital and entrepreneurship explores individual benefits of social capital, such as the role of personal networks in promoting self-employment. However, social capital involves also public good aspects (Kwon et al, 2013): the benefits of social trust and organization membership accrue not just to individual but to the community at large.

This case study shows one major direction: individuals in communities with high levels of social trust are more likely to be self-employed compared to individuals in communities with a bit lower levels of social trust.

In addition, being part of an organization which is connected to the larger community is being always associated with a higher level of self-employment; on the other hand, membership in isolated organizations which do not have enough connections to the larger community is most often associated with some lower levels of self-employment.

Each scientific area has a promise, at least an objective. According to some researches (Shaw and de Bruin, 2013), capitalism can be re-defined by social innovation and social entrepreneurship.

Some more detailed empirical studies with focus on the process involved in social entrepreneurship, also on the impact of social enterprises, obvious effects of social innovations and the personal motivations of social entrepreneurs, as well as those to whom they partner, are extremely rare.

Even social economy has an innovative evolution when it comes to employment, and the author found a common ground (Stanescu, 2013): busting social entrepreneurship or regulating social insertion enterprises.

One of the social theories says that the empowerment of exposed people against social economy through entrepreneurship is most of the time an exception; in just a few situations it is a generally sustainable employment solution.

The second hypothesis is that the employment of vulnerable people in a particular area of social economy is supported (in most cases) by social insertion enterprises rather than social enterprises in their natural state.

Of course both of them create a huge impact on social economy taking into account the vulnerable people at an international level.

A successful entrepreneurial venture becomes a new model for the society (Trincado and Santon-Redondo, 2014). It comes with a social reform, looking for the greatest happiness among the greatest number of people involved.

Social entrepreneurship reflects in the field of international entrepreneurship and affects, in a strong or weak way, the global sustainable well-being. Well-being (Zahra et al, 2014) is a multi-dimensional concept that includes financial, social, and environmental wealth creation.

Talking about International Entrepreneurship, we can find common items, as follows: economic opportunity recognition, evaluation and exploitation.

Some authors (Ziegler et al, 2014) consider that social entrepreneurship is a non-violent way of communicating the challenges of sustainability.

Many social entities say that they will help translate the normative demands of sustainable development into political reality. However, as we have learned so far, many of these instruments fail entirely.

Non-violent communication has undergone a new variation as a mode of communication in the hands of social entrepreneurship initiatives that address urgent social and environmental issues with new, practical ideas.

Altogether, concepts as sustainability, non-violent communication and social entrepreneurship illustrate a model of sustainability communication, a necessary "tool" nowadays.

## **CSR as an important part of social entrepreneurship practices**

While reading this article, companies face a new challenge at an international level: they, without any exception, have to manage the emerging social risk they meet as they go global; at this point the corporate

social responsibility programs have a huge impact: CSR actions have to manage all those risks.

Globalization - as an active process - offers many opportunities to each and every company, but also entails sources of uncertainty and risks. There are numerous business indicators that show that the level of uncertainty for corporate leaders has increased in the last years. The main reasons are: Those large and extended enterprises made up of independent organizations put a tremendous pressures to grow and perform as a unit; Change indicators in technology, connections and information increasing speed as a result of globalization; Problems in managing scale, but using old methods rooted in controlling all decisions across the entire enterprise (Kytte and Ruggie, 2005).

At an international level, existing network-based operating models accentuate the importance of the extended enterprise; they establish great connectivity between stakeholders across the globe. Specific changes in the operating model have led to a serious shift in market power: customers, investors and stakeholders. As a result, "social risk" is among the top subjects on the agenda of concern for corporations. Through the eyes of a company, social risk comes when its own behavior or the action of others in its operating environment generates vulnerabilities for the company. If only social risk occurs, stakeholders may identify the specific vulnerabilities and apply pressure on the management of the company for new behavioral changes. Listening to the corporate stakeholders' perspectives on social issues becomes a huge advantage and a competitive necessity; as a result, managing social risks in an effective way will need to become more fully embedded in corporate strategy.

Social risk puts management teams in the challenging position of setting a clear direction for a diffused function. For the evolving area of social risk, CSR represent an excellent mechanism for addressing all existing challenges across the business enterprise.

To appreciate the importance of CSR to social risk management requires understanding of three premises:

- CSR is a natural extension of going global analogous to other adjustments of "scaling up" (e.g.: finding skilled staff in foreign countries)



- CSR activities are not discretionary expenditures or the target of cost-cutting activities
- CSR must be linked strategically to core business functions to reap the full benefits

CSR programs are a necessary element of risk management when it comes to global companies because they provide the framework and principles for stakeholder engagement and serve as a countermeasure for social risk (Kytile and Ruggie, 2005).

Globalization is a march toward a more fully integrated world market according to what economists say. Around the globe, business schools and companies think of it in terms of a borderless world for corporate operations. Globalization is being driven by the private sector, by companies, though it is the actions of governments that have lowered border barriers in the first place.

There are three important aspects of the global operating environment for understanding the contributions of CSR to corporate risk management:

- Networked operations, value chains and the global economy
- Empowerment of global stakeholders
- Dynamic tension between and among stakeholders

For companies big enough to discuss an international level of development, going global has meant adopting network-based operating models across different countries, cultures and regulatory regimes. This form of extended enterprises improved and created competitive advantages in major aspects.

The full range of activities that are required to bring a product or service from its conception to its end use and beyond is called value chain. The number of such connections is increasing, so do the challenges of relationship management.

International brands that have networked enterprises extended across the globe, empower stakeholders in novel ways by providing them the platform to address key social grievances. There are two simple reasons why they are doing so, among others: the companies in question violate international community norms in some areas as human rights,

labor practices and environmental sustainability; the companies simply have the capacity to do something about those issues connected with the visibility that makes them susceptible to some external pressure (Kytle and Ruggie, 2005).

## The Power of Global Stakeholders

Any person, group or organization that can place a claim on a company's attention, resources or output can be defined as a corporate stakeholder. Thanks to globalization the number of corporate stakeholders increased, giving them power through liberalized telecommunications markets and, of course, the growth of the Internet. In big numbers and on the global level, such coalitions challenge the corporate behavior.

There are some unfamiliar facts for senior management because of new operating parameters: more individuals, groups, issues, settings etc., when it comes to companies and new international stakeholders. From a political point of view these can rise in jurisdictions, regulatory frameworks, corruption, etc.

Corporate policy or international community norms give some space for civil society and company's reputation vulnerabilities to change the perception across the globe.

Civil society includes, among others, voluntary and non-profit organizations, philanthropic institutions, social and political activist networks, community groups and related organizations. These organizations can campaign for changes in corporate behavior using some practical instruments: protests, boycotts, changing purchasing patterns or partnering with companies to achieve joint aims (Kytle and Ruggie, 2005)

## Global Companies and Their Social Risk

International companies that have operations in the global environment need to develop new practices for dealing with the challenges that society poses. This is the point where social risk plays an important role. CSR

programs represent an effective way to provide strategic intelligence used for managing social risks (also known as threats, controls, vulnerabilities and countermeasures).

If there is a vulnerability within an organization's operating system in the absence of effective controls, risk arises.

To decrease the intensity of risk, some companies develop new risk management systems, so they aim to address uncertainty in the market place. The main goal is to create countermeasures that minimize the disruption or damage to business operations, and then shorten the recovery time from an unwanted event. The result is reducing its impact on the business.

## Understanding Traditional Risks

Smart companies are already familiar with three major categories of risk — economic, technological and political.

Economic risks means, in simple words, maintaining high profits, sustaining economic growth at a balanced level and protecting investments and thus shareholder value against market fluctuations; this belongs to the duties of a CFO.

Managing threats to automated systems, growth in new important technology sectors that have radically changed production cycles, or related energy use and costs define the technological risks, as part of the tasks handled by the CIO.

Political risk means managing public perception of corporations at an international level, regulatory relationships, giving a new shape the overall legal environment, government relations and geo-politics, where CEO is the leader (Kytile and Ruggie, 2005).

Between the meanings of the term globalization there is a paradox: the more interdependent we become, the more we seem to require order and instigate change.

The higher number of social interactions that entities have with one another the more factors are introduced that influence the overall relationship. The pressure points and the levers are the results, seen as important parts to smooth operations and to optimizations of the

whole. Exactly those areas of pressure exerted by civil society and stakeholders constitute social risk. Social risk appears when a stakeholder takes up a social issue area and puts some pressure on a corporation; as a response the company changes policies or approaches in the marketplace.

Social risk is not necessarily centered on right and wrong doing. It is analogous to other risks that companies face, expressing the perception of an external factor and an undesirable outcome. In the presence of a social risk, companies have a large degree of discretion to establish appropriate responses based on a company's appetite for risk. (Kytte and Ruggie, 2005)

On a global level, social risk changes what companies had been dealing with into an area of considerable strategic importance. Social risk can affect cost, public, marketability and reputation perceptions. Corporations are more used to dealing with set rules of engagement and operation and social risk changes the rules of the game.

Each part of risk management - social, technological, economic and political (STEP) must be included in the entire organization's strategic risk management paradigm. There are two camps: technological, economic and political risks are part of the CRM, so social risk must be regarded from the same perspective on risk agendas.

## The meaning of CSR

CSR covers not only what companies do with their profits, but also how they make profits. This is more than philanthropy to address the manner in which companies manage their economic, social and environmental impacts; also their stakeholder relationships at the workplace, the marketplace, the community, the supply chain and the public policy realm.

Taking into consideration and implementing a CSR program is a natural step, part of the strategy of going global. The main items related to CSR are corporate risk management, providing intelligence about risks and effective means to respond to risks (Kytte and Ruggie, 2005).

Inside the mindset of a stakeholder there is a paradigm where an organization sees itself as a closed entity able to take actions independent of the external context. So, the focus is on the dissemination of information to stakeholders, through PR or other community relations, or decisions that are already made without completing the feedback loop. However, it is a fact that managing stakeholder relationship requires closing the loop and engaging stakeholders.

Above all, a company may begin to engage stakeholders before a decision has been made. After that, they gain influence on decision makers and have power over a particular social issue. At the most important level, stakeholders contribute to decision-making or are the so-called co-decision makers; they provide a solution.

Having a good relation with stakeholders is a key dimension of great CSR at an international level. Managing these relationships focuses on real problems, issues and opportunities that might involve the whole global system or network, not just an organization. Innovation is part of such an approach and involves economic, social and environmental impacts.

Engaging stakeholders in the challenges of a company can generate answers to these questions:

- What is the issue or problem?
- How complex is it?
- What is its scope?
- Who else has an interest in the problem?
- What is working and not working in the current approach?
- What would be accomplished by engaging others in the dialogue? (Kytte and Ruggie, 2005).

These initiatives might be a cost-effective tool for generating strategic intelligence of this sort (e.g. The United Nations Global Compact, the world's largest corporate citizenship initiative with more than 1,800 participating companies, involves labor, companies and civil society organizations in promoting ten UN principles in the areas of human rights, labor standards and environmental sustainability) ([www.unglobal-compact.org](http://www.unglobal-compact.org)).

Obtaining a better knowledge from good connections with stakeholders and increased understanding of international norms by which a company should abide, also a smarter allocation of resources, all this can be enabled through linking a CSR program to a risk management program.

## Conclusion

The new international business environment requires innovation, sensing and understanding social risks; it also requires regular changes to risk management systems to take into consideration new tools and the way the information is being shared at the international level.

Risk management should include CSR programs (stakeholders engagement). Companies themselves should identify empowered stakeholders and engage their power in business performance goals. They should also be aware of mutual benefits.

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