Synopsis

The role of entrepreneurs in solving many of the world problems is widely recognized by researchers. While commercial entrepreneurs establish enterprises with a primary motive of generating financial impact, a new breed of social entrepreneurs set up social ventures to solve the problems of marginalized customers around the world with a primary motive of creating social value. Though there is a heightened interest among researchers to understand the phenomena of social entrepreneurship, there are very few empirical studies enlightening what and how social entrepreneurs create value compared to their mainstream counterparts.

The extant literature points out that social and commercial ventures and their founders are different in their mission and nature (Austin et.al. 2006; Dees et.al. 2003; Martin et.al. 2007; Roberts et.al. 2005), process and business models in creating value (Harding 2004; Meyskens et.al. 2010; Nicholls 2009; Yunus et.al 2010); the nature of social and financial impact created and impact measurement practices (Dees et.al. 2004; Elkington 2004; Nicholls 2009). However, there is a serious lack of empirical evidence to prove or disprove any of these differences or similarities (Roberts et.al. 2005; Shaw et.al. 2007).

The impetus for this study is from the need of an empirical exploration to compare the nature, mission, process, business models and impact created by social ventures and commercial ventures. The research problem for the study is “to explore and compare the similarities and differences between social entrepreneurial ventures (SEVs) and entrepreneurial ventures (EVs) in their nature, process and impact using empirical data from practicing social and commercial entrepreneurs and to identify the factors associated with social and financial impacts”.

Major hypothesis of the study were;

- **H₁**: Nature of social and commercial ventures is different (age of the venture, sector of operations, legal entity, number of employees, partners and so on)
- **H₂**: Demographics of founders of social and commercial ventures are different (age group, gender, educational qualifications, previous experience etc)
- **H₃**: Funding sources and patterns of social and commercial ventures are different
- **H₄**: Challenges faced by social and commercial ventures are different
- **H₅**: Opportunities and threats perceived by social and commercial ventures are different
• H₆: Business models adopted by social and commercial ventures are different (customer segments, value proposition, channels of distribution, revenue models, costing and pricing strategies, and infrastructure and resources)

• H₇: Impact created by social and commercial ventures is different and factors leading to social and financial impact are different.

The data were collected from 64 social and 78 commercial entrepreneurs from India using a mixed study approach. Qualitative data were collected on the mission statements, inspirations to startup, top values and the nature of target groups served. An 8 point scaled questionnaire with 49 variables captured business models, opportunities and threats perceived. The funding sources and patterns and demographics of the ventures were also collected. The qualitative data was analyzed using Text Analyzer and Wordle and quantitative data using SPSS 20, Smart-PLS 3.0 and Excel.

The data analysis showed mixed patterns of similarities and differences between both the types of ventures. Social entrepreneurs’ mission statements used more cause-related and altruistic words and expressions compared to commercial entrepreneurs. While social entrepreneurs were governed by transparency and sustainability of their ventures, commercial entrepreneurs were focused on delivering value to customers with integrity and honesty. Founders of social ventures were inspired to startup by observing the plight of the underprivileged around them and thus had more extrinsic reasons. Founders of commercial ventures were led by more intrinsic reasons like their skill sets and experience. The study showed a rising number of commercial ventures are measuring social impact along with financial performance indicators. Various quantitative and qualitative measurement practices are also reported.

Social ventures chose sectors like agriculture, education and energy as the priority sectors compared to mainstream ones which chose IT&ITES, consultancy and education as top three sectors. A few of the SEVs chose hybrid structures with both for-profit and not-for-profit structures. The most common legal entity was private limited among both. More social ventures have established board of directors reflecting higher corporate governance and transparency. Social ventures were older, had higher number of staff, full time, part time, volunteers and partners indicating higher “social quotient” and possibly had more managerial challenges working with diverse group of people.

Since most of the current definitions on social entrepreneurs were based on conceptual understanding or a few case studies, social entrepreneurs in this sample study were asked to define
“social entrepreneur” from a practitioner’s perspective. Based on the content analysis and common patterns this study proposes a new definition as, “A social entrepreneur is a person who, governed by altruistic values and social motives, identifies a pressing social problem(s), develops a viable business solution(s) and builds an enterprise to bring in the desired social and environment impact with financial sustainability.”

Social and commercial ventures didn’t differ significantly in the number of customers reached annually. However, commercial ventures had higher annual sales turnover than social ventures at a $p<0.1$. Social ventures had lower sales to customer ratio due to that fact that their target customers are poorer. The funding sources and patterns were quite similar with both heavily depending on internal funding than external sources. Social entrepreneurs take more advantage of bank loans than commercial ones. About 48 social venture capital funds funded social entrepreneurs and their names are reported.

Though both the type of ventures faces more or less similar challenges like getting external funding, marketing, human resource management and government regulations, social entrepreneurs were more pessimistic about their growth opportunities compared to commercial ones.

A closer look at their business models using factor and cluster analysis is done. Out of thirty two variables measuring various business model components based on Osterwalder’s model (Osterwalder & Pigneur, 2010), nine factors emerged: people centricity, customer value orientation, customer relations, infrastructure and resources, sustainability, channel efficacy, price and cost efficiency, scalability and revenue model. The standardized regression scores of factors were compared among social and commercial ventures. Social ventures scored much lower scores on channel efficacy ($p<.05$), revenue models ($p<.01$) and infrastructure and resources ($p<.01$) and higher scores on customer centricity ($p<.05$). Social ventures are always resource deprived and since their target customers are poor, they are not able to integrate their channels or provide online payment facilities. They also do not have adequate infrastructure which are required. But, on the other hand, they need to spend more time with their customers, building trust and transparency in communication. This also explains their high dependency on diverse and large number of staff and partners. On the contrary, irrespective of the nature of the ventures both have equal pressures to provide products and services with higher customer value at affordable prices while keeping costs down. Both strive to have scalable and sustainable business models and acknowledge the importance of human resources in their ventures.
Based on their factor scores, three clusters of ventures emerged; effective (26 commercial and 13 social ventures), modest (33 commercial and 30 social) and strivers (19 commercial and 21 social). It is also found that higher scores on business model lead to higher number of profitability status among the ventures.

Blending social and financial value is always a challenge for social entrepreneurs (Mair et.al 2006). This study explored profitability status and annual sales turnover as financial performance indicators and number of jobs created, number of customers served and number of partners engaged as social impact indicators. Based on whether the venture is profitable, break even or deficit, a set of ANOVA tests are done and found profitable ventures are older, had higher annual turnover, had more average sales per customers. They also scored higher on sustainability and had more robust revenue models. It is also found that profitable social ventures were older than profitable commercial ones.

Step-wise multiple regression scores showed revenue model (dependent factor) was predicted by scores of sustainability among social ventures and pricing and cost efficiency and customer value orientation among commercial ones. Annual turnover was singularly predicted by sustainability scores among SEVs and EVs. Customer relations scores among EVs and people centricity in SEV significantly influenced the number of customers. Number of jobs created by EVs is significantly influenced by their scores on people centricity, scalability and sustainability. Among SEVs sustainability scores influenced the number of full time staff.

Multinomial logistic regression and discriminant analysis showed almost same results with profitability among ventures being influenced by their scores on customer relations, customer value orientations and revenue models. The most important finding is that, though SEVs scored low in channel efficacy and infrastructure and resources these factors are not hurting them from being profitable ventures. If a venture develops products and services based on customer needs, create a strong brand and develop loyal and profitable customer segment(s), predictable and stable revenue models, they can be profitable.

Further a structural equation modelling based on partial least square method is used to understand path coefficients and significance of business model factors (indicators) leading to two latent variables, social impact manifested by number of customers, full time staff and partners engaged
and financial impact indicated by annual sales turnover and current status of profitability. Among social ventures, people centricity, customer value and sustainability had statistically significant role in influencing both social ($R^2 = .50$) and financial ($R^2 = .20$) impacts. For commercial ventures outer loadings of people centricity, customer value orientation and sustainability were statistically significant. Social impact had a variance of 48.7 percent and financial impact had 20.7 percent.

The study further chose ten social entrepreneurial ventures who belonged to effective cluster (based on the cluster analysis) who were profitable and also had created greater social impact. A brief description of their ventures, their business model innovations and impact created are described. Based on the content analysis of these caselets a set of ten best practices are listed. They provide affordable solutions through in-depth marketing research, provide access to finance to target customers, use existing network and channel in the villages, adapt technology to provide low cost solutions, use partners efficiently, create micro-entrepreneurs in the process and provide affordable and environmentally responsible products. They believe in open communication and thereby instilling trust among the poor and improve the quality of their lives. All these social ventures are real change makers of society and bring in the much needed inclusive growth for a country like India.

To conclude, this study compares the missions, values, intentions, opportunities, threats, funding, process, business models social and financial impacts created by social and commercial ventures. An empirical perspective on how social ventures operate will advance this filed of research with more clarity and direction. This study also would help in advancing theory development in the area of social entrepreneurship.