Chapter 2
Literature Review

2.1 Introduction
For the selection of articles used in this chapter, the researcher reviewed academic, peer reviewed journals, books, reports, and websites with key words as “entrepreneurship”, “commercial or traditional entrepreneurship” “social entrepreneurship”, “social entrepreneur”, “social enterprise”, “social venture”, “business model”, social impact assessment, social venture business model” and the like. This study selected more than 180 conceptual and empirical journal articles. All articles in the selection were codified to detect the type of research, research method, data collection, sample size, and school of thought. These characteristics are summarized in Table 2.1. Following is a snapshot of the articles and research papers referred to in the thesis, categorized into key words and discussion agenda.

Table 2.1: Overview of literature review on Social Entrepreneurship

<table>
<thead>
<tr>
<th>Nature</th>
<th>Key words</th>
<th>No. of papers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition and Concepts</td>
<td>Entrepreneurship, Commercial or traditional Entreprise, For Profit Social Enterprise, Non-profit Organizations, Social sector, Social Innovation, Typology, Differences in terms, Conceptual framework,</td>
<td>45</td>
</tr>
<tr>
<td>Research Methodology</td>
<td>Qualitative and quantitative, Case studies, Multiple case studies, Triangulation, Exploratory and Descriptive Study</td>
<td>30</td>
</tr>
<tr>
<td>Business Models</td>
<td>Business models, Value chain, Partnerships, Value Creation and Network, Sustainability and scaling</td>
<td>23</td>
</tr>
<tr>
<td>Partnership and Networks</td>
<td>Government, Cross sectors, Corporations, Social capital</td>
<td>6</td>
</tr>
<tr>
<td>Sustainability and scaling</td>
<td>Scalability, Sustainability, Growth, Capacity Building, Benefits</td>
<td>15</td>
</tr>
<tr>
<td>PhD Thesis</td>
<td>Social / Commercial entrepreneurship related thesis</td>
<td>9</td>
</tr>
<tr>
<td>Reports</td>
<td>Ashoka, Schwab, Skoll, Intellecap reports</td>
<td>15</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Philanthropy, Social problems, Issues of SE</td>
<td>9</td>
</tr>
<tr>
<td>Books</td>
<td>Social Entrepreneurship, Change agents</td>
<td>10</td>
</tr>
</tbody>
</table>

6 A few of the papers are discussed in research methodology and data analysis chapters and therefore are not discussed in the current literature review chapter.
2.2 Literature review – a snapshot

Understanding entrepreneurship in a comprehensive manner is a challenge. This chapter attempts an extensive literature review related to entrepreneurship, entrepreneurs, social and commercial entrepreneurs, strategy and related areas. This chapter aims at a conceptual clarity on the topic with an objective to identify the research gaps in the current literature and create a research framework for the current doctoral work.

The literature review is divided into three major parts. First, social and commercial entrepreneurs and their entrepreneurial ventures are differentiated by exploring papers defining them. Most of these papers in this section deal with missions, nature of the ventures and existing typologies clarifying the concepts behind them. At the second level, research papers on entrepreneurial process and business models of both the types of ventures are examined to bring clarity to the value creation process adopted by them. At the third level, papers on impact and outcome measurement practices adopted by EVs and SEVs are examined to understand current practices on impact assessments. A few papers on sustainable development are also reviewed. Figure 2.1 is a diagrammatic representation of the literature review adopted in this study.

Since, the purpose of the present study is to mainly examine social entrepreneurship and how this phenomenon is different or similar to mainstream entrepreneurs, the current review focuses more on concepts related to social entrepreneurship than commercial entrepreneurship. However, in the later part of this chapter there are detailed discussions on entrepreneurial processes and business models employed by mainstream entrepreneurs.
2.3 Understanding entrepreneurship – an “elephantine” task

Entrepreneurs are powerful forces in the world creating transformational changes. Numerous high profile thinkers are advocating entrepreneurship as the panacea for many social and environmental concerns (Hall et.al. 2010:439).

Brazeal and Herbert begin the review of one of their studies on entrepreneurship by describing the story of six blind men disputing the nature of an elephant, each one basing his view on limited contact with some part of its body (Brazeal et.al.1999). Gartner in his work on “Is there an elephant in Entrepreneurship?” discusses three ways of describing entrepreneurship as a phenomenon. The first focuses on entrepreneur, as an individual and his or her personal characteristics. The second stream emphasizes on economic, environmental impact created by entrepreneurs by identifying, assessing, and exploring business opportunities by creating firms and renewing existing ones. Third set of studies explores how entrepreneurs drive the economy forward through innovation, competence, job creation and general well-being of the society (Gartner 1985a).
Entrepreneurs are people, who often create and innovate to build something of recognized value around perceived opportunities. They can be found in all walks of life and create social, artistic or financial value (Thompson 2002). Many earlier theorists have isolated entrepreneurial driven innovation in products and processes and say they are the crucial engine driving the change process in an economy (Shane et.al. 2000).

Kao defines entrepreneurship as the process of adding something new using creativity and something different and innovative for the purpose of creating wealth for the individual and adding value to society (Kao 1993). Entrepreneurial companies create, define, discover and exploit opportunities mostly well ahead of their rivals. Scholars acknowledge the importance of entrepreneurial processes in generating value for firms and their owners. There is a huge scope of research in understanding how some new and established companies continuously create, define and exploit entrepreneurial opportunities (Prahalad et.al. 1994).

2.4 Understanding Social Entrepreneurship
The term “social entrepreneurship” has gained greater popularity and visibility since the late 1990's as the focus on sustainability of “mother earth and humankind” have become increasingly more important. The popularity of social entrepreneurship is growing considerably with increased attention in mass media, academic fields, government, charities and corporations in an effort to better understand the concept (Nicholls 2009).

Social entrepreneurs are increasingly realising the opportunity in addressing the social problem, thus bringing change. They shift the responsibility away from the public sector; both governments and non-governmental organisations to the private sector; businesses and individuals. The entrepreneur is incentivized to generate more profits and as more profit is made, more social problems are alleviated (Thompson 2002).

Business schools have established dedicated research centres and now offer courses on social entrepreneurship. But despite this increase in popularity, the concept of social entrepreneurship remains vague and not well understood and not fully recognised owing to the lack of theory. This is surprising as social entrepreneurship is often considered by many as an important process through which social change occurs (Peredo et.al. 2006; Seelos et.al. 2005).
In order to better understand the development of social entrepreneurship, it would be useful to trace its origins. The term social entrepreneurship might be seen as being a relatively new but the concept can be found throughout history. Its first appearance was in the social change literature during the 1960’s and 1970’s. Around three decades ago, the Surdna Foundation’s executive director Edward Skloot first used the term “Non-Profit Venture”. Later Ashoka’s founder Drayton adopted the term “Social Entrepreneurship” (Light 2006). However, many researchers still call not-for-profit and for-profit social ventures as social ventures.

The most common definition used in the literature is that of Gregory Dees. Dees identifies four characteristics displayed by social entrepreneurs based on case studies. These being (1) employing a mission to create and sustain social value, (2) recognising and pursuing new opportunities to support that mission, (3) engaging in continuous improvement, (4) acting boldly without being limited to existing resources, and (5) exhibiting an increase sense of accountability to stakeholders (Dees 1998a). Dees argues that social entrepreneurs make up one group or species within the greater entrepreneurial concept. Social entrepreneur is mostly defined as a special type of entrepreneur with a social mission. Research describes them as individuals who are able to recognize a social problem and uses entrepreneurial strategies to create social change through a business venture (Dees 1998a).

Social entrepreneurship falls into two categories. First, in the for-profit sector it encompasses activities emphasizing the importance of a socially engaged private sector and the benefits that accrue to those who do well by doing good. Second, it refers to the activities encouraging more entrepreneurial approaches in the non-profit sector in order to increase organizational effectiveness and foster long term sustainability (Canadian Centre for Social Entrepreneurship 2002).

The Institute of Social Entrepreneurs (2008) defines social enterprises as any entity that uses earned revenue to pursue a double or triple bottom line either alone (in a private sector or non-profit business) or as a significant part of a non-profit’s mixed revenue stream that also includes philanthropy and government subsidies.

The Schwab Foundation⁷, believe that social entrepreneurs drive social innovation and transformation in various sectors like education, health, environment and so on (Schwab

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⁷This is a not-for-profit, independent and neutral organization, founded in 1998, to advance social entrepreneurship and to promote social entrepreneurs as an important catalyst for societal innovation and progress.
Foundation Profile Booklet 2010). They pursue poverty alleviation goals with an entrepreneurial zeal, business methods and the courage to innovate and overcome traditional practices. A social entrepreneur, like that of a business entrepreneur, builds strong and sustainable organizations, which are either set up as not-for-profits or for-profit companies (www.schwabfound.org/sf/SocialEntrepreneurs).

According to the Schwab Foundation website\(^8\), “A social entrepreneur is a leader or pragmatic visionary who, achieves large scale social change through a new invention or a more rigorous application of known technologies or strategies, focuses foremost on the social value creation and tries to optimize the financial value creation, innovates a new product, a new service, or a new approach to a social problem, continuously refines and adapts approach in response to feedback and combines the characteristics represented by Richard Branson and Mother Teresa”.

The Schwab Foundation\(^9\) employs the four criteria when looking for leading social entrepreneurs, innovation, sustainability, reach and social impact.

Social entrepreneurship is said to combine the best practices in entrepreneurship with a sense of social mission. Dees described social entrepreneurship as, a process combining the passion of a social mission with an image of business-like discipline, innovation and determination commonly associated with high tech entrepreneurs (Dees 1998b).

Fowler defines social entrepreneurship as the creation of viable socio economic structures, relations, institutions, organizations, and practices that yield and sustain social benefits (Fowler 2000a). Hibbert et.al defines social entrepreneurship as the use of entrepreneurial behaviour for social ends than profit objectives and the profits generated are used for the benefit of specific disadvantaged group (Hibbert et.al. 2005).

Roberts & Woods define social entrepreneurship as “the construction, evaluation and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals” (Roberts et.al. 2005:49). The phenomenon of social entrepreneurship is often seen as the process of bringing sound, holistic change in society and the economy by addressing social problems which government and charitable institutions couldn’t.

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\(^8\) www.schwabfound.org/sf/SocialEntrepreneurs
\(^9\) www.schwabfound.org/sf/SocialEntrepreneurs/index.htm
Dees found that part of what social entrepreneurship conveys is the blending of different sectors. According to him, they combine a social purpose typically associated with non-profit organizations and an entrepreneurial orientation associated with business ventures. Dees explains three principles for including entrepreneurial business ventures. First, business ventures can play an important role in creating lasting improvements in social conditions. Second, social entrepreneurs are well positioned to discover and craft innovative approaches for addressing social problems. Third, philanthropists have an essential role to play in supporting socially beneficial entrepreneurial business activities (Dees 2008).

Mair and Marti (Mair et.al. 2006) view social entrepreneurship as a “process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” while Perrini (Perrini et.al. 2006a) opines that social entrepreneurs are concerned with creating new value through a process of change.

Paul C. Light defines social entrepreneurship as “an individual, group, network, organization, or alliance of organizations that brings large scale sustainable change though pattern breaking ideas similar to how governments, non-profits, and businesses do to address significant social problems.” This definition compares social entrepreneurship from social services and social activism (Light 2006:50).

Martin et.al describe social entrepreneurship’s growing popularity owing to the fact that “these extraordinary people come up with brilliant ideas and against all the odds succeed at creating new products and services that dramatically improve people’s lives” (Martin 2007:30).

It is also been argued that social entrepreneurship is a complex concept involving many sub concepts and hence can be called as a “cluster concept”. It represents the combined quality of five sub-concepts, “social value creation, the social entrepreneur, the SE organization, market orientation, and social innovation” (Choi et.al. 2014:372).

The above definitions confirm that social entrepreneurs bring large scale transformations and the reason behind social progress, while working hard to replace short term charity with sustainable solutions. After examining the diverse definitions, it can be concluded that the term social entrepreneurship denotes the following components:
• Social enterprises have social impact as their primary objectives and profit making as their secondary objective,
• Social entrepreneurs are driven by altruistic motives,
• Their services and products are mainly benefit the people at the bottom of the pyramid,
• They tackle a variety of social issues like, poverty, illiteracy, ill health etc by applying business practices.

For the purpose of this study, social entrepreneurship is defined as:

‘Social enterprises are businesses 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’. They tackle a wide range of social and environmental issues and operate in all parts of the economy, and use business solutions to achieve public good.

However, all the definitions above are based on a few case studies or conceptual understanding of the phenomenon. None of them were based on empirical research with adequate samples. Hence, one of the research objectives of this study is to redefine social entrepreneurship based on practitioners’ perspective.

Role of social entrepreneurs: Nagler says the current literature review does not provide sufficient evidence to understand the relationship between social entrepreneurship and economic development. According to his study “the social entrepreneur sector is increasingly important for economic and social development because it creates social and economic values as listed below (Nagler 2007):

• Employment development: Grameen Bank of Bangladesh has developed 6 million women micro entrepreneurs who hail from underprivileged section of the society.
• Innovation / New Goods and Services: Social enterprises develop and apply innovation important to social and economic development and develop new goods and services. They address issues related to some of the biggest societal problems like lack of education, poverty, lack of essential medical care, crime and so on.
• Social Capital: The most important values created by social entrepreneurship are social capital, usually understood as “the resources which are linked to possession of a durable network of relationships of mutual acquaintance and recognition” (Burt, 2000).
• Equity Promotion: Social ventures bring inclusive growth and promote a more equitable society by addressing social issues. Mohammed Yunus of Grameen Bank supports disadvantaged women. American social entrepreneur J.B. Schramm has helped thousands of low-income high-school students to get into tertiary education (Dees 2008; Dees 2009; Nagler 2007)

Social entrepreneurs are so aware about the common man’s issues and want to develop viable solutions to alleviate them. They are the answer to the questions;

• “Who should be responsible for the existence of society into the future and who should take care of society’s needs?” (Roper et.al. 2005a:102)

• “Is the problem of poverty in the world caused by the idleness and wrong choices of individuals or is it driven by the greed of society, continually oppressing and exploiting those at the bottom of the pyramid?” (Theron 2010:16)

Social enterprises are seen as a positive force and change agents bringing leading edge solutions to huge social problems. Social entrepreneurship is not a panacea because it works within the overall social and economic context. As it starts at the grassroots level it often tends to be overlooked and thus deserves much more attention from academic theorists as well as policy makers (Dart 2004). This is all the more important in developing countries facing increasing income inequality and social issues.

2.5 Social and commercial entrepreneurs, are they different or similar or both?

The concept of social entrepreneurship is poorly defined and its boundaries to other fields of study remain fuzzy (Mair et.al. 2006). Nobel Peace Prizes in 2004 and 2006 were awarded to two social entrepreneurs; Wangari Maathai, founder of the Green Belt Movement and Muhammad Yunus founder of the Grameen Bank respectively, indicating a focus shift and brought in a new enthusiasm among academic journals on this topic. Social entrepreneurship is slowly becoming a career choice among students and many main stream entrepreneurs started include a social mission of their enterprise. Organizations such as Ashoka and the Skoll Foundation recognize and support these “change makers” (Bornstein 2007).

In their article titled, “social and commercial entrepreneurs, different, similar or both” Austin et.al, does a comparative study on these two forms of entrepreneurship. According to them both share similar inputs, outputs and mobilize resources which make them entrepreneurial (Austin et al. 2006). While mainstream entrepreneurship is associated with alertness to opportunity, creativity
and determinations, social entrepreneurship has a social welfare perspective (Venkataraman 1997). Both business entrepreneurs and social entrepreneurs incorporate three main elements namely opportunities, innovative individuals, and resourcefulness (Nicholls 2005).

Neck, Brush and Allen argue that different groups and individuals continually debate the origins and correct definition of social entrepreneurship whilst trying to compare it with traditional entrepreneurship and at the same time distinguish it from social service and social activism (Neck et.al. 2009). Another study points out that both share many attributes since both of them display the same kind of innovation, serve as a vehicle for job creation and contribute to economic growth (Wolk 2007).

Research literature differentiates traditional entrepreneurship from social entrepreneurship on the grounds of mainly what motivates these entrepreneurs – with traditional entrepreneurs spurred on by money and social entrepreneurs driven by mission-related impact. Business entrepreneur’s measure value created through the wealth accumulated, while social entrepreneurs measure value through the impact on the social mission (Dees 1998a).

The differentiation element which is described more often in literature is the motivation – with business entrepreneurs spurred on by money and social entrepreneurs driven by altruism. Most people will describe traditional business entrepreneurs as being motivated by profit. But the truth is that entrepreneurs are rarely motivated by financial gain, because the chances of making lots of money are clearly not possible due to the nature of the their businesses. The distinctive difference between the traditional business entrepreneur and the social entrepreneur is said to be entrenched in the motivation behind the initiative (Nicholls 2006)

Social entrepreneurship stands out according to Perrini as it focuses on a “different set of opportunities using innovative ways to create or sustain social change, bringing two different cultures – business and non-profit – together into one innovative and hybrid organization” (Perrini et.al. 2006a:72).

Martin and Osberg debate that both the traditional entrepreneur and the social entrepreneur are rather more motivated by the, “opportunity they identify, pursuing that vision relentlessly, and deriving considerable satisfaction from the process of realising their ideas”. They conclude that social entrepreneurship have three components, “an entrepreneur is someone who targets; (1) an
unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity; (2) who brings to bear on this situation his or her inspiration, direct action, courage, and fortitude; and (3) who aims for and ultimately affects the establishment of a new stable equilibrium that secures permanent benefit for the targeted group and society at large” (Martin et.al. 2007:34).

Many researchers agree to that fact that the most noteworthy difference between a social entrepreneur and a business entrepreneur is in bringing significant contribution to improving the world rather than having made millions (Dorado 2006a; Elkington et.al. 2008). Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers (Dees et.al. 2003). This altruistic motive makes social entrepreneurs different from that of commercial entrepreneurs.

Similar to commercial entrepreneurship, social entrepreneurship bring together a unique set of resources to exploit an opportunity (Morris et.al. 2001). Mair in her study repeats that social entrepreneurship generates social value, while commercial entrepreneurship seeks to primarily create economic value (Mair et.al. 2006).

Another critical distinction between entrepreneurship and social entrepreneurship lies in the value proposition offered. According to Martin et.al, an entrepreneur serves those markets that can comfortably afford new products or service and thus designed to create financial profit. Social entrepreneurs target an undeserved, neglected of highly disadvantaged population that lacks resources to achieve the transformative benefit on its own. Social entrepreneurs do not turn way from profit making value propositions; they can generate income and can be organized as either not-for-profits or for-profits ventures. However, the main difference is the primacy of social benefit than financial returns (Martin et.al. 2007).

As Greg Dees says it is the pursuit of mission related impact (Dees 2004). Social entrepreneurship generally has become so inclusive that it covers all socially beneficial activities. However, critics like Boschee and McClurg added that social entrepreneurs, in any sector are the ones, who uses earned income strategies for social objective, i.e., their earned income is directly tied to their social objective unlike commercial entrepreneurs, who may use their income for socially responsible activities indirectly (Boschee et.al. 2003).
Dees says a social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change (Dees 1998a). The main aim of social entrepreneurship is to further social and environmental goals (Thompson 2002). Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur focuses on creating social capital. Thus whilst social entrepreneurs are most commonly associated with the voluntary and not-for-profit sector, this need not necessarily be incompatible with making a profit.

One of the definitions by Wolk of social entrepreneurship describes this difference very clearly. He describes them as sustainable ventures that combine “business principles with a passion for social impact and demonstrate three core characteristics: social innovation, accountability and sustainability (Wolk 2008:1). This shows that they work with the same business principles as that of a commercial entrepreneur but, may have more passion to create more social impact, making them one step ahead of their commercial counterparts.

This doctoral study’s broader discussion is based on the assumption that social and commercial entrepreneurs are two end of a spectrum as proposed by Kim Alter’s typology which places social enterprises at the intersection of non-for profit and traditional for-profit with a vision of “mission and market” (Alter 2007).

In general, all the social and commercial businesses fall along a continuum of social and financial benefits as portrayed in the Table 2.2, which essentially captures the essence, and the inherent ambiguity, of the social enterprise model (Brozek 2009). In a way, this classification is very similar to Kim Alter’s typology mentioned in Figure 1.1 in the introductory chapter (Alter 2007).

**Figure 2.2: Spectrum of social and financial returns**


Source (Brozek 2009:8)
Brozek in her paper explores how a non-for profit and for profit ventures enhance their values by adding financial returns to their social mission and vice versa and how a for-profit venture incorporates social mission into their business model (Brozek 2009). Boschee affirms the need to convert non-profits into becoming social businesses as most of them suffer a series of issues including inefficiency in raising and sustaining their ventures and reaching their mission. She lists out ten critical success factors which can lead to the successful conversion, which include passion, mission, customer focus, thinking like a business among others (Boschee 1998).

Thus it is been argued that social entrepreneurs can be found in,

- Profit seeking businesses that have some commitment to doing good and helping society and the environment
- Social enterprises which are set up mainly with a social purpose, but still act as businesses and,
- Voluntary sector (Thompson 2002:413).

Yunus et.al in their work explore two extreme types of corporations, profit-maximizing organizations whose main objective is to create shareholders value and non-for-profit organizations to fulfill social objectives. They illustrate (Figure 2.3) how a social business borrows from both these entities. A social venture has to recover the owner’s invested money and has to cover its full costs of operations, but is hardly profit driven. Social ventures are placed in the lower right quadrant in the figure indicating it has both the potential to act as a change agent for the world, and sufficient business like characteristics to ensure it survives to do so. Social businesses are not charity, but a business in all sense. Surpluses generated by the social business are reinvested in the business and ultimately passed on to the target group or beneficiaries in the form of lower prices, better services or greater accessibility. Thus, a social business is designed and operated just like a ‘regular’ business enterprise, with products, services, customers, markets, expenses and revenues. They sell their goods and services and repays its owners and is a no-loss, no-dividend, self-sustaining company whose primary purpose is to serve society and improve the lives of the poor (Yunus et.al. 2010).

Figure 2.3: Showing social businesses vs. profit maximizing business and not-for profit organizations
Swanson created a social entrepreneurship zone as depicted in Figure 2.4. The social entrepreneurship zone places for-profit social organizations in the highest position on this scale because they must apply high levels of business acumen to achieve their goals. Social entrepreneurs must explicitly plan to support, improve or transform society in a positive manner as a dominant part of their mission (Swanson et.al. 2010). To be considered socially entrepreneurial, these organizations must strive for sustainability by applying business practices in a manner similar to those of commercial enterprises (Boschee 2006).

**Figure 2.4: The social entrepreneurship zone on the map of organizational forms**

Although social enterprise has often been understood as a correction to profit seeking businesses and social entrepreneurs have been distinguished from traditional commercial ones, many studies have found more similarities than differences between the two (Grassl 2012). According to Massetti, it does not appear that there is a distinguishing set of traits that delineate social from
traditional entrepreneurs. The main difference is in the nature of the mission of their businesses. Social entrepreneurs focus on more social concerns while commercial entrepreneurs focus on more market oriented needs. Both seek profits to drive their businesses and both seek to make important changes in the marketplace. The difference appears in the degree of intent (Massetti 2008). He also proposes a practical way to conceptualize this mission based difference as shown in Figure 2.5.

**Figure 2.5: showing continuum of the mission of social and commercial (market based) entrepreneurs**

As shown in the figure, entrepreneurs can exist in either direction along this continuum, a social entrepreneur who define his or her organization of social cause would be on the left side of the continuum, one who combines market defined interests with those of social cases would be in the middle and one who is market only orientation would be on the right side of the continuum (Massetti 2008).

Social entrepreneurs are the need of the hour to devise the most effective methods of serving their social missions. The closer a person gets to satisfy all these conditions, the more that person fits the model of social entrepreneur. The following diagram (Figure 2.6) shows the difference between purely commercial entrepreneurship to purely philanthropic ventures.

**Figure 2.6: Difference between purely philanthropic ventures and purely commercial ventures**

Source (Appanah et.al. 2007)
Social enterprise is a distinct way of doing business compared to traditional entrepreneurs. It blends business acumen with social impact. Betts says, although social enterprise has distinct business model it shares many of the characteristics of private sector businesses. Both approaches aim to earn income from commercial activities, some private businesses also have ethical or environmental polices but there are some important differences as listed in Figure 2.7 (Betts 2006).

Figure 2.7: Showing the differences between social and commercial ventures

<table>
<thead>
<tr>
<th>What is different?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Explicit Social Aims</strong></td>
</tr>
<tr>
<td>Social enterprises have twin aims, which are equally important. As well as trading, social enterprises also have a social and/or environmental purpose.</td>
</tr>
<tr>
<td><strong>Funding Composition</strong></td>
</tr>
<tr>
<td>The mix of business and social aims leads to a different funding mix. Social enterprises often have a complex composition of sales income, commercial contracts, service level agreements, and grant support. Social ownership may mean that social enterprises may have difficulty gaining access to traditional forms of development finance such as patient capital, equity or loan finance.</td>
</tr>
<tr>
<td><strong>Risk Aversion</strong></td>
</tr>
<tr>
<td>Organisations that are governed by a voluntary board of trustees may be more risk averse in terms of business ventures.</td>
</tr>
<tr>
<td><strong>Scale</strong></td>
</tr>
<tr>
<td>Most businesses start from small beginnings and are able to build scale as they develop. A social enterprise usually has to operate on a scale that is large enough to sustain its social commitment from the beginning, which can increase start-up costs.</td>
</tr>
<tr>
<td><strong>Social Entrepreneurship</strong></td>
</tr>
<tr>
<td>Individualism that develop social enterprises are often driven by the social potential of the venture.</td>
</tr>
<tr>
<td><strong>Stakeholder</strong></td>
</tr>
<tr>
<td>There is usually a very broad range of stakeholders involved in social enterprise development, including the public sector, which can lead to political and bureaucratic influence on the development process.</td>
</tr>
<tr>
<td><strong>Sweat Equity</strong></td>
</tr>
<tr>
<td>In private businesses the owners often invest ‘sweat equity’ to grow and build the venture, hoping to reap future rewards; particularly if the business is sold. This same endeavour is required to build a social enterprise but the managers/staff seldom reap the same rewards because the business is unlikely to be sold and the purpose is not financial gain but social impact.</td>
</tr>
</tbody>
</table>

Source (Betts 2006)

However, there is a severe lack of empirically tested differences in the current research articles to understand whether these differences really exist. This study thus attempts to fill this research gap, by comparing social and commercial entrepreneurs on their mission, nature and intentions.

2.5.1 Differences and / or Similarities in Typology of social and commercial entrepreneurs

Defining social entrepreneurship is, however, not very clear as the term has become relatively inclusive, grouping all social activities under one definition. A number of proposed conceptual differences exist between definitions of social entrepreneurship as these entrepreneurs operate across a spectrum of enterprises from purely charitable to purely commercial. These claims are yet to be tested empirically.

There are a handful of empirical studies comparing social and commercial entrepreneurs in the current literature. One such study which uses the Global Entrepreneurship Monitor data of 2010 argues that, higher levels of social and commercial entrepreneurship are mutually supportive and complementary. The study further proves that the prevalence of commercial entrepreneurship at the
country-level is positively associated with the likelihood that individuals will undertake social entrepreneurial activity (Estrin et.al. 2011).

Another study based on Global Entrepreneurship Monitor 2008 report, classifies a wide variety of social entrepreneurs uncovered based on their annual survey and developed a typology with four broad groups. The typology is derived from three different features of a social enterprise: prominence of social (or environmental) goals with respect to economic goals; reliance on an earned income strategy and its contribution with respect to total revenues of the organization; and presence of innovation. The four categories are:

- Traditional NGOs (high levels of social/environment goals; not-for-profit status) – Set up as a Trust or Society
- Not-for-profit SE (high levels of social/environmental goals; not-for-profit status; innovation)
- Hybrid SE (high levels of social/environmental goals; earned income strategy “integrated” or “complementary” to the mission) and,
- For Profit SE (high but not exclusively social/environmental goals; earned income strategy): Usually set up as Section 25 Company (Bosma et.al. 2008).

Other classifications are listed below:

Fowler: (Fowler 2000b)
- Integrated Social Entrepreneurship
- Re-interpretation social entrepreneurship
- Complementary social entrepreneurship

Dees and Emerson: (Dees et.al. 2002)
- Purely philanthropic
- Hybrids
- Purely commercial

Alter: (Alter 2007)
- Traditional non-profit
- Non-profit with income generating activities
- Social enterprise
- Socially responsible business
- Corporations practicing social responsibility
- Traditional for-profit
Roper and Cheney describe social entrepreneurs as CEOs who style themselves as innovative and socially responsible. They further include certain administrators of non-profits or social advocacy groups who import business and market-based models to improve their organisation’s performance and enhance its longevity. Some of the philanthropists who see themselves as catalysts for both organisational and social change are also called social entrepreneurs. (Roper et.al. 2005b)

Among the social entrepreneurs a few of them are driven entirely producing some form of societal benefit. A few of them will engage no commercial activity at all. A few others engage in some form of exchange but only to invest back any profits are to the venture. Still others in this group will allow profits to be generated and distributed but only as a necessity in supporting their social venture. Most, of those who use the term “social entrepreneur” will extend the range of its use to include individuals or groups who are chiefly motivated by the wish to produce social benefits, but who aim to produce monetary and other benefits for themselves and for employees as shown in Table 2.2 (Peredo et.al. 2006).

Table 2.2: A range of social entrepreneurship activities (Adapted)

<table>
<thead>
<tr>
<th>Place for social goals</th>
<th>Roles of commercial exchange</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise goals are exclusively social</td>
<td>No commercial exchange</td>
<td>NGOs</td>
</tr>
<tr>
<td></td>
<td>Some commercial exchange, any profits directly to social benefit or in the support of enterprise</td>
<td>Grameen Bank</td>
</tr>
<tr>
<td>Enterprise goals are chiefly social, but not exclusively</td>
<td>Commercial exchange; profits partly goes to the benefit of entrepreneur and supporters</td>
<td>Selco Solar</td>
</tr>
<tr>
<td>Social goals are prominent among other goals of the enterprise</td>
<td>Commercial exchange; profit making, part of it redistributed to poor.</td>
<td>Toms</td>
</tr>
<tr>
<td>Social goals are among the goals of the enterprise but subordinate to others</td>
<td>Commercial exchange; Profit making is the prime objective</td>
<td>CSR activities of Infosys</td>
</tr>
</tbody>
</table>

Source (Peredo et.al. 2006)

A study by Bacq et.al compares social and commercial entrepreneurs based on their individual and organizational characteristics. This study used 2009 Global Entrepreneurs Monitor data from Belgium and Netherlands. Social entrepreneurs seem to distinguish themselves from their commercial counterparts by sharp social intentions that might give them a different meaning for the word, ‘entreprendre’. This study also claims that social entrepreneurs are more likely to be younger, more educated (Bacq et.al. 2011b).
Another study by Austin et.al, uses Stevenson’s definition of entrepreneurship which is as ‘the pursuit of opportunity beyond the tangible resources that you currently control’ (Stevenson 1983) and build on Sahlman’s PCDO model, an analytical framework on the critical considerations of commercial entrepreneurship. This model stresses the creation of a dynamic fit among four interrelated components: the people, the context, the deal and the opportunity (Austin et.al. 2006; Sahlman 1996). This study points out four major differences between both forms of entrepreneurship. Based on the focus of their activities, commercial entrepreneurs focus on innovation and emerging needs, whereas social entrepreneurship focus on large scale basic, long-standing needs more effectively through innovative problem solving approaches. For commercial entrepreneurs, an opportunity must have a large, or growing total market size and the industry must be attractive to enter into with sufficient growth. For a social entrepreneur, a recognized social need, demand or market failure usually guarantees a more than sufficient market size.

There is a considerable overlap between commercial and social entrepreneurship in their context or the factors affecting the nature and outcome of the opportunity, but are outside the control of management. Some of the factors macro-economy, tax regulations, socio-political environment and so on. have more and faster impact on commercial entrepreneurs than social ones (Fuduric 2008).

Another conceptual paper by Oster et.al, proposes that both commercial and social entrepreneurs must consider all the managers, employees, funders and other organizations critical to their success and how to capture this human talent for their ventures. Despite many similarities, the nature of the human and financial resources for social entrepreneurs differs in some key aspects, because of difficulties in resource mobilization. Unlike a commercial entrepreneur who often has the financial resources or incentives to recruit and retain talent, social entrepreneurs are rarely able to pay market rates to the employees due to the lack of resources (Oster et.al. 2004). A social entrepreneur also has to manage a wider diversity of relationships with funders, managers, and staff from a range of backgrounds, volunteers, board members, and other partners and must be really skilled with fewer management levers, as financial incentives are less readily available (Austin et.al. 2006).

Social and commercial entrepreneurs also differ in the way the resources and mobilised. The value transactions in social entrepreneurship differ from commercial entrepreneurship in kind, timing, flexibility, and measurability. Further empirical studies to understand these differences are suggested by these authors (Austin et.al.2006).
Francesco Perrini and Clodia Vurro have done a case study based paper on 35 social entrepreneurs by studying four main elements of the social entrepreneurial process, namely: mission, entrepreneurial opportunities and innovation, entrepreneurial business model and finally the social outcomes. These elements help to identify the differences that could be called “business” entrepreneurship. The authors provide insights on how socially entrepreneurial ventures work and how they are managed. This article also addresses the controversial issue of whether it is possible to single out attributes that make social entrepreneurs different from other entrepreneurs (Mair et.al. 2006; Perrini et.al. 2006b).

Though there are many studies mainly conceptual and case study based ones, to differentiate these two forms of entrepreneurship, there is a glaring lack of empirical studies to prove the various claims.

2.5.2 Differences or similarities in intentions, missions and nature
This section of the literature review explores the papers which distinguish the intentions and missions of social entrepreneurship compared to commercial entrepreneurship. Most social entrepreneurs do not consider being different from the normal business entrepreneur until they are rewarded or recognised by others for adding significant value to society.

A study by social entrepreneurship monitor among UK based entrepreneurs finds social entrepreneurs have more positive attitudes than the general UK adult population with less positive attitudes than mainstream entrepreneurs. However, as social entrepreneurs become more experienced, it appears that they become more pessimistic and see fewer opportunities, and are more like to fear failure and less likely to see it a good career choice (Harding et.al. 2006).

Mort et.al, in their conceptual paper state that social entrepreneurs exhibit “a balanced judgement, a coherent unity of purpose and action in the face of complexity”. These special abilities allow the social entrepreneur to balance the interests of multiple stakeholders and to maintain his/her sense of mission in the face of moral intricacy. Social entrepreneurs excel at recognizing and taking advantage of opportunities to deliver the social value they aim to provide. Finally, social entrepreneurs exhibit risk-tolerance, innovativeness and “proactiveness” displayed by commercial entrepreneurs in their setting (Mort et.al. 2003).
These set of qualities can be seen as very similar to those of a “normal” business entrepreneur. What distinguishes the social entrepreneurial qualities is the social motivation and commitment that drives the actions of the social entrepreneur says Dees (Dees 2008).

A study by Harding based on case studies suggests that while the more educated, employed and older individuals are likely to be running social enterprises, there is proportionally higher levels social entrepreneurs amongst young people, women and ethnic minorities. As the social enterprises grow, they do become more commercial with proper organizational structures. Financing remains their issue still individual entrepreneurs are often ideologically bound to their venture (Harding et.al. 2006).

In order to effectively address the major social problems of the world, it is clear that innovative, creative, tenacious individuals with unwavering motivation are needed (Bornstein 2007; Roper et.al. 2005b).

The study by Austin et.al, proposes two of the hypothesis as follows (Austin et.al.2006:371).

- Differences in mission as fundamental distinguishing feature between social and commercial entrepreneurship manifested by multiple areas of enterprise management and personnel motivation. Commercial and social dimensions within the enterprise may be a source of tension.
- Performance measurement of social impact will remain a fundamental differentiator, complicating accountability and stakeholder relations.

Mission and vision of commercial and social entrepreneurs are different as claimed by many studies. In Hybrid organizations money and mission are intertwined like a DNA. However, they may not be equal partners in practice. Financial and social missions are often in opposition or competition with one another. The initial decision to undertake and social enterprise is frequently motivated by financial need to mission benefit. Figure 2.8 shows the mission and profit motive of organizations and their intersection (Alter 2007).
Again to reiterate, most of these studies are based on conceptual understanding rather than empirical evidences. The various research questions could be explored are, do social entrepreneurs start their venture with altruism than commercial entrepreneurs? Do social and commercial entrepreneurs are different in demographic and psychographic characteristics? Do their ventures differ in their entrepreneurial missions? Are their enterprises differing in their nature? More studies with empirical data are the need of the hour to propel social entrepreneurship research forward.

2.5.3 Differences or similarities in SEVs and EVs entrepreneurial process

Entrepreneurship whether social or commercial is always explained the phenomena as a process. Understanding how this process works with SEVs and EVs is one of the important objectives of this study. Gartner says, entrepreneurship is a temporary process of bringing new ideas to the market for the pursuit of profit. They argue that the concept of process is explicitly proposed by Schumpeter as a combination of functions. The entrepreneurial function combines resources to deliver new ideas to the market (Gartner 1985b).

The entrepreneurial process involves three analytically distinct processes, identifying a business opportunity, leveraging financial resources and organizational building. These three processes do not follow each other linearly but overlap and feed on each other (Dorado, 2006a). She argues that clustering the activities of social entrepreneurial ventures (SEVs) and entrepreneurial ventures (EVs) facilitates the crucial distinction between them.
Mair views ‘social entrepreneurship as a process of creating value by stimulating social change or meeting social needs (Mair et.al. 2006:37). As a process, social entrepreneurship involves the offering of services and products and the creation of new organizations (Wolk 2007).

Though there is a near unanimity regarding the primacy of social objectives, different individuals and agencies differ in their views about how they achieve this objective. One such view is that social enterprises use profits to create more jobs and businesses to generate wealth for the benefit of the community. They reinvest their surplus primarily to meet their social objectives. Social enterprises can be viewed as a range of business practices that proactively build economic and social capital across the affected stakeholder groups. These enterprises are the development of alternate business practices and structures that support socially rational objectives (Ridley-Duff 2008).

Entrepreneurial process can occur in any organisational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets or technologies (Morris, et.al. 1994). This similarity in definitions prods us to ask the question, are they indeed different processes? (Robb 2012) Austin et.al attributes the main differences between social and commercial entrepreneurship to their inputs and outputs (Austin et al. 2006), Mair et.al suggest the main differences lies in the relative priority in managing the processes toward social value creation versus wealth creation (Mair et.al. 2006).

Waddock et.al, says that social entrepreneurs operate within a completely different spectrum than commercial entrepreneurs. Their processes and individual characteristics are quite different. They describe social entrepreneurship as more of phenomenon than a process due to the lack of specific strategies adopted to run a social venture (Waddock et.al. 1991). They post that social entrepreneurs are catalytic and do not cause the change but, influence others to take action and thus indirectly impacting society. However, these differences are still untested empirically.

### 2.5.3.1 Commercial Entrepreneurship process

Timmons, et.al, proposes four key factors namely, the entrepreneur, the founding team, the opportunity and the resources as the key factors in the entrepreneurship process (Figure 2.9). If the person is entrepreneurial, he will deliberately search for an opportunity, and shape the resources to explore the opportunity with the right team so that it has the potential to be a commercial success (Timmons et.al. 2004).
Gartner identifies various factors which lead to new venture creation as shown in Figure 2.10. The four dimensional conceptual framework and the variable under each of them is like a kaleidoscope though which the enormously varying patterns of new venture creation can be viewed (Gartner 1985a). A few of these factors are used while deciding the variables to quantify the process.

Figure 2.10: New venture creation process

Source (Gartner 1985a:702)
2.5.3.2 Social Entrepreneurship Process

Social venture creation process begins with a clear, social mission and identification of a viable opportunity arising from vision-oriented and crisis-oriented factors. The mission and the opportunity to satisfy an unmet social need turn into a concrete innovation (Figure 2.11). To be effective, a social innovation needs a fitting business model. This business model is explicitly addressed towards a specific outcome and leads to general social transformation in the long run (Perrini et.al. 2006b).

**Figure 2.11: A descriptive framework of the social entrepreneurial process**

Another conceptual study depicts social entrepreneurship process consisting of two stages (Figure 2.12). First, social entrepreneurial journey begins with a promising idea usually coming from the personal experience of the entrepreneur. However for social entrepreneur recognizing social needs, social assets and change, can also lead to generation of promising ideas. Second, in order to determine whether a promising idea can be transformed into an opportunity, worthy of pursuit, a social entrepreneur need a compelling social impact theory and a plausible business model, which in turn requires an effective operating model and a viable resource strategy. The requirements of the venture must fit the commitment, qualifications and life stage of the entrepreneur considering it. When all these elements are feasible and aligned, the chances are relatively to create maximum social impact (Guclu et.al. 2002)
Figure 2.12: The opportunity creation process of a social entrepreneur

Source (Guclu et.al. 2002:2)

This model captures in brief the various research questions asked in this study, covering the process starting with idea generation, to viable opportunities through a robust business model to create maximum social impact.

A study by Morris et.al, proposes that both commercial and social entrepreneurs share similarities in their inputs, outputs and resources. The primary inputs may include the opportunity, resources, and individual context (Morris et. al. 2001). A study proposed by Meyskens et.al, states that the process of entrepreneurship, whether commercial or social are the same (Meyskens et. al. 2010; Morris et.al. 1994). But the inputs and outputs of social and commercial ventures as distinctive as well as similar to certain extent (Figure 2.13). These findings were based on an exploratory study using public profiles of 70 Ashoka fellows and their ventures. The methodology used was content analysis.

Figure 2.13: Social and Commercial Entrepreneurial Process framework

Source (Meyskens et.al.2010:11)

Though this study proposes that both social and commercial entrepreneurial processes converge, there are no empirical studies proving or disproving this assumption. Another work by Andrew
Wolk of MIT identifies three types of approaches that social entrepreneurs take in targeting the beneficiaries responding to market failures as shown in figure 2.14.

**Figure 2.14: Market failures contribution of social-entrepreneurial approaches to solving social problems**

![Market Failures Diagram]

Source (Wolk 2007:18)

In a no-market approach to solving social problems, the beneficiaries of the potential product or service will not be able to pay for it (Mair et.al. 2006). As a result the social entrepreneur cannot rely on any earned revenues to sustain his venture. Mostly no-market approaches take the form of government initiatives or non-profit organizations, who sustain themselves through donations. In limited market, the beneficiaries or customers have some ability to pay. Social entrepreneurs serving them can rely on some earned revenues to sustain their initiative and mostly form non-for-profit organizations. The third approach is to serve a low-profit market, where the customers have the potential to pay full cost while solving the social problem and thus has the potential to generate a profit. However, the market may be underdeveloped or investments in this market may yield lower returns than the commercial markets. This market is identified and served by for-profit social entrepreneurs (Wolk 2007).

Various studies thus argue both similarities and differences in the process of social and commercial venture creation. This study is based on the assumption that both the processes starts off differently with altogether different missions and but converges in the entrepreneurial process and then again diverges in the end objectives as suggested by Meyskens. Most of these studies however are based on grounded theory methods and lack an empirical foundation. Are these entrepreneurs following a different or similar process? If then, to what extent? These are a few of the research questions been explored further in this research.

### 2.5.4 Importance of Business Models in entrepreneurial ventures

The essence of entrepreneurial process lies in the design of effective business models. It is also one of the important determinants of success for entrepreneurial ventures. During start-up phase of any venture the key strategic issue is managing start-up uncertainty (Shane et.al. 2000). Developmental issues include constructing a viable model for creating direct social impact (derived from the activities of the social entrepreneur/enterprise) and for creating indirect social impact (derived from
influencing the activities of other enterprises). It also includes creation of models or approaches for resourcing, capability building, and growth (Dees et al. 2002).

Although recent work in entrepreneurship and organization theory has begun to address the important role of design in the entrepreneurship process, relatively little is known about the specific trade-offs and performance implications of business model design (Zott et al. 2007).

Originally the concept of business models was used in the context of data and process modelling for IT systems. At a general level the business model has been referred to as a statement (Stewart et al. 2000), a description, a representation, architecture, a conceptual tool or model (Osterwalder et al. 2005; Osterwalder et al. 2010). Later, the term was defined and used differently, to encompass anything from structural elements to agent interaction (Zott et al. 2010) or knowledge leverage (Venkataraman 1997).

George and Bock discusses business model as a hot topic for entrepreneurship research. They show that academic literature is fragmented and confused by inconsistent definitions and concepts (G. George et al. 2011a). After examining 420 research papers on business models, conclude that the business model is commonly described and reflects on, organizational design, the resource based view of the firm, narrative and sense making, the nature of innovation, the nature of opportunity and Transactive structures (George et al. 2011a).

A business model identifies the components of a business and their relationships between each other (Casadesus-Masanell et al. 2007). Successful entrepreneur not simply coordinate or recognize opportunities and translate them into profitable ventures, they also optimize a system composed of material and immaterial factors by using practical reason to direct the process towards a final purpose (Grassl 2012).

The business model construct builds upon central ideas in business strategy and its associated theoretical definitions. Mainly, it builds upon the value chain concept and the extended notion of strategic positioning of a firm (Morris et al. 2005; Porter et al. 1985). Strategist Michael Porter introduced the “value chain” concept as a tool for analysing potential sources of competitive advantage for a firm (Figure 2.15). It includes all the activities through which businesses can create economic value, from purchasing raw materials to providing after-sales service. A simplified form
of the value chain helps identify the major activities through which a business can create social value (Porter et.al. 1985).

**Figure 2.15: The Simplified Value Chain**

![Value Chain Diagram]

*Source (Porter et.al. 1985:4)*

Strategy development does not need to be a structured and planned activity (Mintzberg, 1989). More often than not, strategy development is likely to be emergent to begin with, while later it is likely to be more deliberate. Entrepreneurs generally have little time and resources to develop detailed strategies. Rather they integrate action with analysis and adopt approaches that are quick, cheap and timely (Bhide 2000). During growth, the strategy is further refined and specific growth strategies are employed (Hisrich et.al. 2007).

Compared to commercial entrepreneurs, social entrepreneurs explore highly innovative organizational strategies and new hybrid organization forms, including partnerships, across public, private and social sectors (Nicholls 2006). The development of effective models for creating direct and indirect social impact lie at the heart of social entrepreneurship. The social impact model provides clarity about how the venture will achieve its intended social impact and shows how inputs to the venture will produce a sequence of intermediate and ultimate outcomes (Dees et.al. 2002). Key strategic considerations for social entrepreneurs include the relationship between activities and mission, competition and cooperation, product mix, pricing, fundraising and growth strategies. The most fundamental to these considerations is the relationship between activities and mission which serves as the foundation for product mix, pricing and fundraising strategies.

Wiklund et.al suggests that empirical studies in entrepreneurship by linking the business model to entrepreneurship cognition, opportunity co-creation and organizational outcomes would lead to new directions in theory development in entrepreneurship (Wiklund et.al. 2011). For the purpose of this study two seminal business models are evaluated. Gary Hamel’s and Alexander Osterwalder’s studies show that a business model of a venture can be described as multiple components which put together help a venture to create and deliver value.
As mentioned in the introductory chapter, Gary Hamel’s defines the business model (Hamel 2002) as a business concept comprising four major components, core Strategy, strategic resources, customer interface and value network. This definition permits an appreciation of how the specific business model design used by social entrepreneurs helps them to be successful. To thrive in the age of evolution, companies must adopt a new, radical innovation agenda, and develop new business models. One of the primary characteristics of new business models is both value creation and value capture occur in a value network, which include suppliers, partners, distribution channels and coalitions that extend the company’s resources (Figure 2.16).

**Figure 2.16: Components of Business Models**

![Figure 2.16: Components of Business Models](image)

*Source: (Hamel 2002:14)*

Alexander Osterwalder’s Model: Osterwalder in his seminal work identified nine building blocks which are commonly represented in the literature which explained business model as a concept (Osterwalder et.al. 2005; Osterwalder et.al. 2010). According to Osterwalder a business model describes the value an organization offers to various customers and portrays the capabilities and partners required for creating, marketing, and delivering this value and relationship capital with the goal of generating profitable and sustainable revenue stream (Figure 2.17). Osterwalder analyses the business models of venture, by asking the following questions:

- How do we create value?
- Who do we create value for?
- What is our source of competence / advantage?
- How do we differentiate ourselves?
- How do we make money?
Conceptualization of business models formalizes the relationship between various building blocks of the business. Osterwalder proposed a single reference model which allows enterprise to describe their business model as above.

Major Building Blocks of a Business Model are:

**Offering**
Value proposition: The products and services a business offers. Quoting Osterwalder (2004), a value proposition "is an overall view of products and services that together represent value for a specific customer segment. It describes the way a firm differentiates itself from its competitors and is the reason why customers buy from a certain firm and not from another."

**Customers**
Target customer: The target audience for a business' products and services.
Distribution channel: The means by which a company delivers products and services to customers. This includes the company's marketing and distribution strategy.
Customer relationship: The links a company establishes between itself and its different customer segments. The process of managing customer relationships is referred to as customer relationship management.

**Infrastructure**
Core capabilities: The capabilities and competencies necessary to execute a company's business model.
Partner network: The business alliances which complement other aspects of the business model.

Value configuration: The rationale which makes a business mutually beneficial for a business and its customers.

**Finance**

Cost structure: The monetary consequences of the means employed in the business model.

Revenue: The way a company makes money through a variety of revenue flows.

Business Model Innovation: Besides adopting business models to facilitate better results, firms can view the business model as a source of innovation itself (Figure 2.18). Companies need to modify their processes to become business model innovators (Mitchell et al. 2003). Chesbrough introduced the notion of Open Innovation, which is a mode of innovation to leverage internal and external sources of ideas which can lead to new business models (Chesbrough 2010).

### Table 2.18: Business model improvement process

<table>
<thead>
<tr>
<th>Describe</th>
<th>Assess</th>
<th>Improve/Innovate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Set-up a team from different departments with diverse views on the company’s business model</td>
<td>• Drill down on every described business model building block and analyze them.</td>
<td>• Build on the conclusion of your business model assessment</td>
</tr>
<tr>
<td>• Apply an unambiguous and joint definition of what a business model is</td>
<td>• Flag strengths and opportunities for each building block</td>
<td>• Brainstorm freely on how the building blocks of your business model could be improved. Don’t limit your imagination and come up with crazy ideas.</td>
</tr>
<tr>
<td>• Get the team to draw a clear picture of how your current business model looks</td>
<td>• Flag weaknesses and threats for each building block</td>
<td>• Synthesize your ideas into feasible projects and draw an improved or even new business model</td>
</tr>
<tr>
<td>• Draw an overall conclusion on the evaluation of your business model</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source (Osterwalder et al. 2010:78)

Osterwalder expanded his PhD thesis into a commercial product by simplifying the business model into a nine step process, which can be easily displayed using sticky notes. Osterwalder Business Model theory is widely recognized as a more comprehensive theory to study business model of an organizations and hence this study uses his theory to compare the business models of entrepreneurs. He also lists in his books a set of scaled questions to measure business models quantitatively. This study heavily borrows these questions to develop the final questionnaire used in this study to quantify the business models used by entrepreneurs.
2.5.4.1 Social Entrepreneurs and New Business Models

Emergence of social enterprise could grow into an entire new global economic sector, predicated on poverty reduction via the creation of business models that pursue both profits and societal wealth simultaneously (Thompson et.al. 2010). The World Business Council for Sustainable Development (WBCSD) stresses the importance of innovation as the core of creating a sustainable human society. It is been said that a society will not be able to create a sustainable world if they continue to focus in doing what is been currently done more efficiently (Hines et.al. 2004).

Social entrepreneurship creates new models for the provision of products and services that caters to society at large. They create new business models to serve the poor and always remain unhappy with the works of current economic or social institutions. Like business entrepreneurship, social entrepreneurship recognizes and acts upon what others miss: opportunities to improve systems, create solutions, and invent new approaches. Venkataraman studying traditional entrepreneurship sees the creation of social wealth as a by-product of economic value created by entrepreneurs (Venkataraman 1997). In social entrepreneurship, though, social value creation is the primary objective, while economic value creation is the by-product that allows the organization to achieve sustainability and self-sufficiency. Often for social entrepreneurs, economic value creation or creating value in financial terms, is often limited, mainly because the customers may be willing but are often unable to pay for even a small part of the products and services provided.

As Dees explains, “markets do not do a good job of valuing social improvements, public goods and harms, and benefits for people who cannot afford to pay. These elements are essential to social entrepreneurs to perform” (Dees 1998b). Unlike the entrepreneurial value proposition that assumes a market that can pay for the innovation, and may even provide substantial upside for investors, the social entrepreneur’s value proposition targets an undeserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefits on its own”(Martin et.al. 2007).

Social Entrepreneurship creates novel business models and strategies utilising very limited and disparate resources to create social value. They rely heavily on individuals who are exceptionally skilled at mobilizing resources: human, financial, and political. The study by Harding et.al, further reiterates that social entrepreneurs provide an alternative business model for firms to trade commercially in an environmentally and socially sustainable way. They devise delivery systems for public services like health, education, housing, livelihood and so on (Harding et.al. 2006).
Another seminal work in this area is of Paul Bloom et.al, who proposes a SCALERS model to help social enterprises examine various components of their business models (Figure 2.19). This model offers a roadmap that can guide social ventures interested in scaling their impact. They suggest seven drivers or organizational capabilities that can stimulate successful scaling of social entrepreneurial organizations. These drivers are described using an acronym – SCALERS, which stand for, Staffing, Communications, Alliance Building, Lobbying, earning Generation, Replication and Stimulating market forces. The model proposes how an individual SCALER or driver or capability can influence scaling success of the enterprise and situational contingencies which can rise from time to time (Bloom et.al. 2009).

**Fig 2.19: The SCALERS model**

![SCALERS Model Diagram](source)

Despite its practical relevance, the SCALERS model lacks enough empirical evidence and validity. SCALERS model is often described as a practitioners’ framework based on a small number of case studies.
Though business models are attracting researchers’ attention, there are hardly any empirical studies on quantifying the business model of social entrepreneurs to analyse how they are different or similar to commercial entrepreneurs.

2.5.4.2 Business Models and Typology of Social Enterprises

Four lenses Strategic framework by Venture lenses explains nine types of social enterprises. This classification helps to distinguish various types of social enterprise and how they create value for people and the planet. The framework has helped the researchers in organizing the diverse approaches and strategies into a common platform.

A basic assumption in this typology is that of a spectrum of functions: one, the for-profit world whose raison d'être is to create economic value; and the other, the non-profit world whose purpose is to create social value. In practice though, these bifurcations are increasingly getting blurred as many market mechanism and strategies used by social ventures affect both social and economic value creation. The emergence various practices like that of corporate social responsibility, business for social responsibility and social enterprise are evidences to this new trend, and the four lens framework brings together the convergence of various methods.

The operational models depicted in Figure 2.20 are designed based on the social enterprise’s financial and social objectives, mission, market place dynamics, customer needs and legal environment (Alter 2010).
Various researchers have emphasised the occurrence of one or many of these business models employed by various social enterprises (Grassl 2012). There are many cooperative movements for farmers in India, and exemplifying example is AMUL (cooperative model). Micro lending has become a successful business model after the world-wide recognition of many social ventures like Grameen of Bangladesh (Entrepreneur support model). Social enterprise like federal national mortgage Association of USA that facilitate the performance of target population by providing training or loan guarantees make up market linkage model.

Having the right business model helps the entrepreneur in, a. conceptualise the venture as an interrelated set of strategic choices, b. seek complementary relationships among elements though unique combinations, c. develop activity around a logical framework, and d. ensure consistency between elements of strategy, architecture economics, growth and exit intentions. The business model is relatively simple way to delimit and organize key decisions that must be made at the outset of the venture. At the foundation level, the model provides a framework for deciding what not to do. And assist the entrepreneur in assessing consistencies and recognizing trade-offs among decisions. At the proprietary level, truly unique configurations are produced that can result in sustainable advantage of the firm (Morris et al. 2005).

The scale and intensity of the world’s social problems are increasing rapidly. The traditional public, private and non-profit business models no longer sufficiently deal on a sustainable basis with the
problems. New forms of social value creation is needed in order to continue meeting society’s basic needs, sustain communities and the economy, while at the same time insuring adequate supply for future generations.

2.6 Impact and Outcome Measurement

Performance of an enterprise can be measured financially or operationally, subjectively or objectively. Most of the companies use multiple measurement indicators like, efficiency, growth, profit, liquidity, market share and leverage along with various subjective measures (Murphy et.al. 1996).

Fig: 2.21 Measuring Organizational performance: A hypothetical example based on a manufacturing firm

![Table showing indicators of performance for a manufacturing firm](image)

Source (Hubbard 2009:179)

There is a new section of venture capitalists looking to invest in social enterprises that deliver developmental benefits, yet, generate decent financial returns. In India, social venture capitalists, have raised around $180 million and invested about $125 million in 72 social enterprises\(^\text{10}\). Many of these social investments have one thing in common – the venture capitalist backing them have pushed the entrepreneurs to go after growth and scale. Not just for better returns, but also to widen the social benefit.

The performance of a social venture is ultimately measured by its ability to create and sustain social impact. The indicators of performance in private sector social enterprise are often borrowed from commercial businesses and thus apply to financial profit-making activities. But, for social enterprises whose goal is to sustain social impact as well as its own existence, sustainability is a good deal more complex than simply earning money (Alter 2010).

\(^{10}\) Outlook Business Magazine, dated March 6\(^{th}\), 2010.
One of the important gaps in entrepreneurship and more so in social entrepreneurship area is exploring the reporting practices of impact created by the enterprises. In commercial ventures, there are enough established accounting standards and practices which have evolved over the last hundred years. The universal unit of performance is financial and accounting conventions have stabilized over time to support the regular, comparative and longitudinal data (Hopwood et.al. 1994; Nicholls 2009). Though there are robust reporting practices in commercial ventures, there is a striking lack of such practices in social ventures.

Nicholls identify a number of factors as reasons. First, there is the question of what to be measured and reported. There is perceived difficulty in measuring the links between factors like, grants, volunteers, income, social capital etc and the social impacts that correspond to the mission objectives of such organizations (Kendall et.al. 2000). Commercial venture often operate within well-defined structures and markets and is easier to measure their performance. But social sector often operate across all areas of society and engage with a wide variety of entities like donations, grants, membership fees, volunteer time, government subsidies, commercial income and so on. The institutional complexity of social ventures acts as a major dead weight in measuring the real impact (Nicholls 2009).

Another question to be asked is of how to measure what is to be reported. There is no standard quantifiable mechanism for social value creation, nor any comparative unit of measurement. It is been suggested that value of a social good may be priced at what a beneficiary or consumer would be willing to pay for it. Typically for social ventures the resources are typically allocated to social propose organizations are based on trust and reputation among the target groups and their market positioning, mission alignment between sources and beneficiaries rather than performance (Foster et.al. 2005).

Third issue is to examine the purpose of measurement and reporting. Statement of social mission and organizational form have always acted as risk mitigation alternatives for the efficiency and effectiveness of management and operations are detailed performance reporting has typically been absent from the social sector (Edwards et.al. 1996).

Social entrepreneurs feel that existing reporting practices of social impact is inadequate since the results and impact is always more long term than short term. Conventional reporting practices have failed to demonstrate the full value creation offered by these social ventures. EVs can be evaluated
solely by the financial terms, while SEVs cannot, since fundamentally SEVs are firms start off to serve a social mission and not to get overshadowed by profit maximisation (Mair et.al. 2006).

There are a number of approaches to quantifying social impact and accountability that are emerging (Nicholls 2009). Most of them are qualitative in approach. This means that they focus on social impact measurement descriptive narration of outcomes of strategic action. Such metrics are typically anecdotal about individual or community level changes or developments, and are largely non-comparative.

Qualitative metrics have an organizational focus, addressing the issue of ‘what did we do?’ One of the limitations of using such metrics is defining the appropriate value of each unit of measurement. For example, in one venture it may be the number of wells sunk with developmental money, for another it may be the number of homeless people given shelter. Clearly, such reporting is highly individualistic and rarely comparative.

Single and Double Bottom Line Method: Annual report of audited financial accounts – all socially entrepreneurial organizations including non-governmental organizations that are registered as companies are required to produce annual financial accounts. Traditionally, entrepreneurial outcomes have been measured based on financial performance and firm survival (Ucbasaran et.al. 2001). This practice fails to acknowledge the social and environmental gains of entrepreneurship. In addition, the impact of entrepreneurship is studied at individual, local, regional or macroeconomic level and a few studies investigate multiple level impacts (Haugh 2006). Double bottom line ventures are by definition “hybrid investments that aim to produce financial returns and mission-related impacts, and can be either for-profit or non-profit in legal form” (Peredo et.al. 2006).

Triple Bottom Line: The most widely used qualitative social metrics is the triple bottom line (Elkington 2004). This model integrates an enterprise’s accounting system with not only the traditional measures of financial performance, but also social and environmental outcomes. However, unlike financial accounts, the social and environmental audits are typically descriptive, rather than quantitative, and partial and subjective rather than complete and objective. Any external comparative dimension is also typically lacking (although internal, longitudinal comparison is possible). This is mainly due to the lack of commonly agreed social and environmental performance benchmarks. Finally, in this model, the three bottom lines are not weighted or integrated into any final statement of performance.
The triple bottom line is very useful for conventional businesses, as it reminds them to consider the social and environmental outcomes of their commercial behaviours and audit their progress in all three areas. However, for a social venture the model has little value. Since such activity is intrinsically concerned with generating social and environmental outcomes, as well as commercial returns, there is little need to encourage an acknowledgement of the role of all three in assessing business performance.

**Fig 2:22 Triple bottom line performance of a hypothetical firm**

<table>
<thead>
<tr>
<th>Source (Hubbard 2009:180)</th>
</tr>
</thead>
</table>
| **Balanced Scorecard:** Another common qualitative approach to performance measurement is the Balanced Scorecard, first developed by Kaplan and Norton (1996). In 2002, Kaplan adapted the Scorecard for use by not-for profit organizations. The approach recommended by Kaplan provided a clear framework for defining a causal link between non-financial performance measures and the achievement of mission. The adapted Balanced Scorecard involved defining mission success by setting and then testing organizational objectives with respect to a range of stakeholders aligned to an internal organizational analysis that considered internal business process and organizational learning (Kaplan et.al. 1996).

**Social return on investment (SROI):** This framework was first proposed by Roberts Enterprise development Fund (Emerson et.al. 2000). The objective was to develop a credible methodology for the financial calculation of the unreported benefits of work integration activities that could then be set against program investments to form a more holistic and realistic performance measurement system. It involves three steps: first, calculate the full blended value of the project by combining its enterprise/ financial value creation and monetized representation of its social impact value, second,
establishes the financial investment in the project, third, calculate the blended return on investment by combining the enterprise and social returns (Nicholls 2009).

2.7 Sustainable Development and Scaling of Social / Financial Impact

Hubbard argues, “the emergence of the concepts of ‘sustainable development’ and ‘sustainability’ reflect a seminal change in global thinking, which is forcing firms to again re-evaluate their approach to measuring organizational performance. Sustainable development embodies three inextricably connected principles: environmental integrity, social equity and economic prosperity. Performance in one area has effects on the other two areas” (Hubbard 2009).

Kalam, in his book, “Target 3 Billion” says “the fundamental ingredient in the evolution of happy, peaceful and prosperous nations and societies is laying the foundation for sustainable development” (Kalam et.al. 2011). He calls the three billion underprivileged people both from developed and developing nations who live in the villages often in a condition of underutilization of talents and resources and of deprivation as “the other half of mankind”. Entrepreneurship is increasingly being recognized as the significant channel for bringing transformation in societies which are sustainable. Despite the promise of entrepreneurship holds for fostering development there remain major gaps in the knowledge of whether and how this process of creating sustainable ventures will actually take place. Sustainability has become a mainstay in corporate strategy and most firms nowadays express their sustainability policy statements publicly and claim to apply triple bottom line performance measurement standards (Elkington 1998; Hall et. al. 2010). Despite the need for more understanding of sustainable ventures, the leading entrepreneurship journals have only published a few articles on the topic of sustainable development.

While sustainable development as concept still remains ambiguous and controversial, it has emerged as an influential concept for entrepreneurship policy, practice and theory (Hall et.al. 2010). They propose a three pronged research study in the area of sustainable development as:

- How entrepreneurial ventures provide sustainable products and services?
- How entrepreneurs pursue sustainable ventures?
- How can entrepreneurs simultaneously create economic growth, while reaching various social and environmental objectives?

Kalam et.al, define “sustainability” with 6 constituents; economic, technological, social, environmental, value, learning and adaptability. According to them what is needed to bridge the gap
between poor and rich are sustainable solutions, which require a careful study of the underlying aspects of problems or issues and customizing solutions according to local competencies and conditions. They demand an innovative approach in order to deliver the best at the lowest cost, these solutions empower and create local leadership in planning and execution and create a long term impact. The receiver is a stakeholder in this system and the structure is entrepreneurial and participative (Kalam et.al. 2011).

Sustainable development is critical to every for-profit social venture. There has been a growing need to explore business practices which would lead to sustainability and scale among social and commercial entrepreneurs equally. Usually, entrepreneurial ventures target individuals, large communities or whole societies and future generations and expect to build sustainable communities and the need of future generations to inherit a world with minimum constraints (Seelos et.al. 2005). This multipronged approach is depicted in Figure 2.23.

More evolved and sustainable business models is now a prerequisite and a necessity, if a social or commercial entrepreneur would want to expand its scale, raise the VC funding, or reach more beneficiaries.

**Table 2.23: Sustainable development for Social Enterprises**

![Table 2.23](image)

**Source:** (Seelos et.al 2004:12)

A major issue facing enterprises is scaling the impact. In the context of social entrepreneurship, scaling is defined as ‘increasing the impact a social-purpose organization produces to better match the magnitude of the social need or problem it seeks to address’ (Dees 2008). Growing and scaling efficiently and effectively has become a key issue for both practitioners and researchers (Bloom et.al. 2010; Dees et.al. 2004). To date, the field of social entrepreneurship has dedicated relatively little theoretical and empirical work to the study of scaling social impact. Empirical work to
understand the drivers of successful scaling of social enterprises has been very limited, with most of it utilizing comparative case-study approaches, while theoretical work has largely focused on the development of practitioner frameworks (Bloom et al. 2010).

Literature identifies new venture growth as a choice of the entrepreneur based on the resources, strategy and industry context. Studies of growth factors show the role of available resources like financial, human and social capital (Gilbert et al. 2006). Paul Bloom et al. opine that the challenges facing commercial and social entrepreneurs interested in growth of their venture and scaling of their impact seems to be similar. Both have managed relationships with multiple stakeholders and find ways to mobilize resources and achieve sustainability. However, there are limited empirical data to validate this similarity.

They further add that though similarities exist, scaling of social ventures also have additional challenges. First, the external environment is less likely to have economic and financial incentives to motivate desired actions by investors, employees, suppliers, distributors and beneficiaries or consumers. Second, the infrastructure due to the nature or terrains and consumer profiles may be severely lacking. Supply and distribution systems might have to be built from the scratch. Third, the financial capital markets are often not as available to social entrepreneurial organizations. Finally, the beneficiaries or ‘customers’ often are poor, under-educated, and unhealthy and are not as likely to be able to afford to pay a ‘full cost’ price for the services they receive. Some way of financing the gap in their ability to pay often must be found. These differences highlight some of the challenges while social entrepreneurs try to scale their ventures (Bloom et al. 2010).

Are a few social entrepreneurs able to scale more effectively than others, if yes, what are strategies or mechanisms they adapt to scale the social impact?

2.8 Social Entrepreneurship-Challenges

The challenges facing for-profit social purpose ventures are significant. Dees argues that there are 10 major challenges a social entrepreneur may face to grow the firm strategically. These challenges are listed below.

- Strategic vagueness regarding vision and mission
- Crafting an integrated and compelling business model
- Linking social cost savings to productivity improvements for customers
- Targeting customers who value the kind of social impact the firm intend to create
• Measure performance creatively and test assumptions rigorously
• Firm’s control in the right investors
• Invest time and energy in creating a committed Team
• Anticipate resistance and develop a strategy for dealing with it
• Develop a brand reputation for quality and performance
• Recognize the limits of what can be done (Dees et.al. 2003).

Dees says, for-profit social entrepreneurs need to be focused and have perseverance about their social and economic objectives, but flexible about the strategies they will employ in achieving them. As long as they are clear about their social and economic goals, measure their performance rigorously, maintain control of the venture in the hands of the best stewards, and invest in hiring and developing the right people, they are on the right path to sustainability and scale. For-profit social entrepreneurs should have the time and opportunity to identify when and how economic and social value can and cannot be aligned successfully, what strategies are most effective for overcoming criticism and political adversaries, and what complementary activities might best be accomplished by a non-profit partner (Dees et.al. 2003).

2.9 Research Gap in Current Literature
Many studies in entrepreneurship have intended to assume that entrepreneurs think and act similarly irrespective of their nature, location and industry/sector of operations. That means there is little significant diversity and institutional contexts of how different entrepreneurs operate (Bruton et.al. 2008). An empirical study to understand the social and commercial entrepreneurs and their thought processes would be one such step in this direction.

The extant of social entrepreneurship research has primarily based on case studies or anecdotal evidence to explore the phenomena of social venture creation (Mair & Marti, 2006) and systematic data collection efforts are lacking. This trend is mainly due to the inherent difficulty and lack of widely accepted process or means to assess the value created by these social ventures (Dees 1998a). Standardized and widely accepted measures of social value creation are still in the developmental stages as many organizations and investors attempt to quantify the triple bottom line benefit or blended values of social ventures create for society (Bonini et.al. 2005).

A study by Hoogendoorn on the literature available on social entrepreneurship has resulted in 67 conceptual and empirical articles. They further analysed 31 empirical articles and codified them to
detect type of research, research method, data collection, sample size and school of thought which is summarised in the table below (Hoogendoorn et.al. 2010).

Table 2.24: A snapshot of empirical research in social entrepreneurship

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of research</td>
<td></td>
</tr>
<tr>
<td>Qualitative</td>
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</tr>
<tr>
<td>Quantitative</td>
<td>4</td>
</tr>
<tr>
<td>Proposition generating</td>
<td>3</td>
</tr>
<tr>
<td>Hypotheses testing</td>
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</tr>
<tr>
<td>Methods of qualitative articles (N=27)</td>
<td></td>
</tr>
<tr>
<td>Case study</td>
<td>23</td>
</tr>
<tr>
<td>Grounded theory</td>
<td>3</td>
</tr>
<tr>
<td>Discourse analysis</td>
<td>2</td>
</tr>
<tr>
<td>Not specified</td>
<td>2</td>
</tr>
<tr>
<td>Methods of quantitative articles (N=4)</td>
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</tr>
<tr>
<td>Correlations</td>
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<tr>
<td>Descriptive statistics</td>
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</tr>
<tr>
<td>Factor analysis</td>
<td>1</td>
</tr>
<tr>
<td>Structural equation modelling</td>
<td>1</td>
</tr>
<tr>
<td>T-tests</td>
<td>1</td>
</tr>
<tr>
<td>Data collection (N=31)</td>
<td></td>
</tr>
<tr>
<td>Interviews</td>
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</tr>
<tr>
<td>Secondary data</td>
<td>11</td>
</tr>
<tr>
<td>Observation</td>
<td>9</td>
</tr>
<tr>
<td>Not specified</td>
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</tr>
<tr>
<td>Survey</td>
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</tr>
<tr>
<td>Case study sample size (N=23)</td>
<td></td>
</tr>
<tr>
<td>Single case</td>
<td>9</td>
</tr>
<tr>
<td>2 - 5 cases</td>
<td>5</td>
</tr>
<tr>
<td>6 - 10 cases</td>
<td>4</td>
</tr>
<tr>
<td>11 - 20 cases</td>
<td>3</td>
</tr>
<tr>
<td>more than 21 cases</td>
<td>1</td>
</tr>
<tr>
<td>not specified</td>
<td>1</td>
</tr>
<tr>
<td>School of thought</td>
<td></td>
</tr>
<tr>
<td>Innovation School of thought</td>
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</tr>
<tr>
<td>Enterprise School of thought</td>
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</tr>
<tr>
<td>EMES approach</td>
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</tr>
<tr>
<td>UK approach</td>
<td>9</td>
</tr>
<tr>
<td>Unknown</td>
<td>5</td>
</tr>
</tbody>
</table>

Source (Hoogendoorn et.al. 2010:12)

Out of the 180 articles the researcher reviewed for this study, only nine of them used a quantitative data collection method. The rest were either case study based or conceptual papers, which clearly shows a huge research gap and a greater need for empirically tested studies.

Table 2.3: An overview of methodology adopted in literature

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Details</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of research</td>
<td>Qualitative</td>
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</tr>
<tr>
<td></td>
<td>Quantitative</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>180</td>
</tr>
<tr>
<td>Methods of qualitative research</td>
<td>Single Case study</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Multiple case study</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>Grounded theory</td>
<td>97</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>171</td>
</tr>
</tbody>
</table>
There are very few studies empirically comparing commercial and social entrepreneurship to exactly understand the similarities or differences between both the forms of entrepreneurship as discussed in this chapter. Out of nine such studies four of them use GEM data which uses adults as samples than real entrepreneurs.

Mair, in her article proposes the need to go beyond the questions of “who” and “what” of entrepreneurship to pursue important questions like “where”, “why” and “how” of it and in doing so generate real insights of theory and practice (Mair 2010). After examining many related concepts and constructs, this doctoral study proposes to explore the following in detail using an empirical study based on real social and commercial entrepreneurs.

- Entrepreneurial individual,
- Entrepreneurial environment or context,
- Entrepreneurial actions,
- Entrepreneurial outcomes.

The study would explore the differences or similarities between these two types of entrepreneurs by asking further questions.

- Are these entrepreneurs differ in their nature and characteristics?
- Are their missions or intentions different?
- Are the sectors they work different?
- Does the target market they serve differ?
- Are the value propositions different?
- Are there differences in their business models?
- How different are their funding patterns?
- What are the issues both of them face and how differently they tackle them?
- Are commercial enterprises more profitable, scalable or sustainable than social enterprises?

This research thus proposes a detailed quantitative measurement and analysis of business models adopted by various social and commercial entrepreneurs. The study uses a combination of variables described in the works of Osterwalder’s Business model and Paul Blooms’ SCALER model to quantify the ambiguous construct of business models (Bloom et.al. 2010; Osterwalder et.al. 2010).

**Table 2.4: Research framework for the study – A brief**

<table>
<thead>
<tr>
<th>Entrepreneurs</th>
<th>Differences or similarities in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Entrepreneurial Individual</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial Context</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial actions / process</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial outcomes</td>
</tr>
<tr>
<td></td>
<td>Entrepreneurial issues</td>
</tr>
<tr>
<td>Demographics</td>
<td>Sector</td>
</tr>
<tr>
<td>Target group</td>
<td>Financial</td>
</tr>
<tr>
<td>Financial</td>
<td>Environmental</td>
</tr>
<tr>
<td>Commercial</td>
<td>Reasons to start</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Intentions</td>
<td>Legal entity</td>
</tr>
<tr>
<td>Values</td>
<td>employees</td>
</tr>
<tr>
<td>Mission</td>
<td>Volunteers</td>
</tr>
<tr>
<td></td>
<td>Funding-pattern</td>
</tr>
</tbody>
</table>

### 2.10 Conclusion

Mission driven businesses that improve the lives of the poor and generate a profit has become a national phenomenon in India. A robust ecosystem, of supporting players is also growing around them. Yet little is known about these social enterprises collectively: their geographic and sector distribution, business structure, stage of development, financial viability and funding sources (Allen et.al. 2012).

Social Entrepreneurship has attracted the attention of academia, international organizations, charities, and corporations in recent years. However, there are limited numbers of empirical studies with very few quantitative studies. Most of these are exploratory type, rigorous hypothesis testing is lacking, little variety in research design is applied, and most of them are based on small sample sizes. On a content level most of the studies are based on one of the four dimensions (Individual, process, organization and environment). Obviously, social entrepreneurship is still treated as a young field of study and needs rigorous empirical assessments to evolve which suggests an abundance of research opportunities (Hoogendoorn et.al. 2010).

An underdeveloped domain that the potential for this research filed to advance is quantitative research. Since “conceptualization stands prior to quantification” (Sartori, 1970), this study attempts a quantitative study to compare the differences between SEVs and EVs, on all the four dimensions i.e. individual, process, organization, environment and additionally impact assessment. The study would enlighten and demystify the nature of social enterprises vis-a-vis commercial enterprises and provide clarity in understanding the challenges and issues faced by both. This is an effort to better understand the phenomenon and to replicate and scale some of the new models and processes for value creation.

The literature review provides an overview of the origins of entrepreneurship as a concept and the unique characteristics of an entrepreneur. Few studies describe the concept of social entrepreneurship as an extension of entrepreneurship. The main differences between the two
practices were identified as what drives and motivate their actions. The social entrepreneur works towards more than just profit, motivated by their desire to create a better world for all.

The concept of social entrepreneurship was further discussed with literature offering several definitions as the term “social” mean different things to different people. A detailed discussion on the differences or similarities between social and commercial entrepreneurship provide certain interesting insights. These differences or similarities could be in the following areas:

- Individual differences in their nature, mission, intentions or values
- Entrepreneurship process
- Business models adopted
- Growth and scaling issues and,
- Impact measurement practices.

This chapter also explains various conceptual models of business Models and innovation in business models used by social and commercial entrepreneurs. Scaling and sustainability is another challenging issue faced by entrepreneurs which are discussed in detail. Most of these studies however are based on grounded theory methods and lack an empirical foundation.

After going through the research outputs on related areas the researcher is of the opinion that both entrepreneurship processes starts off differently with altogether different missions and but converges in the entrepreneurial process and business model and then diverges again in the end objectives.

To reiterate, the current doctoral study aim to bridge the conceptual and empirical gaps exist in social and commercial enterprises literature and develop more clarity and direction in this area of research. Since there are very few empirical studies identifying factors which lead to growth and scale, this current study would also explore the scaling issues of entrepreneurs.