

# How Social Entrepreneurship Creates Social Value

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**Abstract**—The term ‘social entrepreneurship’ has gained increasing attentions, especially in the academic field. Scholars claim that the language of social entrepreneurship may emerge in the recent years, however, the phenomenon goes the other way. This essay aims to present the key issues related to today’s social entrepreneurship. The differences between the two types of entrepreneurship will be defined in the conceptual part. Then, the nature of social entrepreneurship is analyzed deeply and the outcomes made by social entrepreneurs are expected to show. In the second part, StreetShine, a UK’s leading social enterprise, will be used as a typical case to explain how social entrepreneurs create social value and how they work differently from philanthropy.

**Keywords**—social entrepreneurship; entrepreneurs; social value; StreetShine

## I. INTRODUCTION

### A. Distinguishing Social from Commercial Entrepreneurship

The existing studies (Shane& Venkataraman, 2000; Drucker, 1993; Stevenson; Dees, 1998) distinguish social entrepreneurship, a sub-discipline within the area of entrepreneurship, from commercial entrepreneurship. It is indicated that although the two both involve the identification, evaluation, and exploitation of opportunities, the former results in social value that has little to do with profits whereas the latter primarily helps entrepreneurs to build personal wealth. It is can be reflected in the fundamental mission of two types of entrepreneurship. Dees (1998) claimed that a social entrepreneur normally has a social mission. Particularly, an acute understanding of current social needs that entrepreneurs have generally guides them to intend to fill these needs through creative organization; In contrast, the mission of commercial entrepreneurs mainly exists with an earning-based mindset and involves profits generation that benefits them to build private benefits and wealth.

### B. The Nature of Social Entrepreneurship

Although scholars have presented a wide range of definitions of social entrepreneurship, consistently associate with a focus on social value.

Austin et al. (p. 2) define social entrepreneurship as ‘an innovative, social value creating activity that can occur within or across the nonprofit, business or government sectors.’ More Clearly, scholars (Say, 1803; Schumpeter,

1949; Drucker,1993; Stevenson, 1985) indicated that social entrepreneurs should be seen as change agents in the social sector by pursuing new opportunities to serve the mission of creating and sustaining social value, by continually engaging in changing, innovating and learning, by acting not only based on in-hand but extra resources. Based on such definitions, the nature of social entrepreneurship can be discussed deeply as follows.

1) *Change agents in the social sector*: According to Schumpeter (1949), social entrepreneurs called ‘change-makes’ can be regarded as reformers with a social mission, making fundamental changes in the social sector. There are two key characters of entrepreneurs: (1) they normally seek to create systemic changes in their chosen areas and sustainable improvements at a social-level; (2) their actions may have the potential to guide global improvement in their chosen areas.

2) *Pursing new opportunities*: Unlike commercial entrepreneurs who aim to wealth creation, social entrepreneurs exploring new opportunities is for serving the mission of creating social value—the basic need of society such as providing education, reducing the rate of employment—as opposed to private wealth (Austin et al., 2006).

3) *Engaging in changing, innovating and learning*: It is notable that entrepreneurs are innovative, in the meantime focusing on changing and learning. In particular, innovation towards a social entrepreneur normally takes many forms. As Schumpeter (1949) claims, firstly, entrepreneurs can simply apply an existing idea in a new way, rather than inventing something wholly new. Secondly, entrepreneurs’ innovation can simply appear in how they formulate an entrepreneurship-based program and in how they assemble the resources as well as funding their work. Thirdly, innovation is not just a one-time burst of creativity but a continuous process based on exploring, learning and improving.

4) *Acting boldly not only based on in-hand but extra resources*: Social entrepreneurs seem to be skilled at using scarce resources from others, rather than being limited by their in-hand resources. ‘They explore all resource options, from pure philanthropy to the commercial methods of the business sector’, Dees said (2001, p. 3). Besides, they are able to leverage their limited resources by cooperating with

others, thereby supporting and reinforcing their social mission.

### C. Outcomes of Social Value Creation

Although today's entrepreneurs are admitted that they mostly work on creating social value by addressing important social needs and developing a more effective problem-solving welfare system, it is inherently difficult to measure and evaluate the outcomes of social value creation (Dees, 200; Leadbeater, 1997). A number of contributions made by entrepreneurs, however, are acceptable for the public, including promoting social cohesion and building social capital.

1) *Promoting Social Cohesion*: According to Thake and Zadek (1997), social entrepreneurs promote social cohesion of welfare states. As Leadbeater (1997) claimed, the present welfare state is powerless to deal with many of the social problems that it has to address because it is inflexible, bureaucratic and slowing moving. In order to overcome exclusion and equally delivery welfare, society is in urgent need of making social progress, which is underpinned by social enterprises. In other words, social entrepreneurs create a new way of delivering welfare so that society, to some extent, has cohered.

2) *Building Social Capital*: Social entrepreneurs create a number of tangible assets including new building, new services and employment opportunities, social capital, however, is seen as the most important form of capital they create (Leadbeater, 1997). 'Social capital is the network of relationships that underpins economic partnerships and alliances', Leadbeater said, 'these networks depend upon a culture of cooperation, fostered by shared values and trust'. Socially entrepreneurial organizations, as the transfers of value and trust, seem to be most effective in this area. They are intend to find the way of promoting the relationship between welfare between human, to establish long-term cooperation between poverty and affluence and to address real social problems.

## II. CASE STUDY

### A. Background to StreetShine

StreetShine, a UK's social enterprise found by Nick Grant (Grant) in 2001 and set up as a non-profit-making subsidiary of Thames Reach Bondway (TRB) in 2004, operates shoeshine service in hotels and city offices in London (Madhogaria, 2006). It provides people who have experienced homelessness or/and who are seeking to rebuild their lives with training and employment opportunities, thereby enabling them to be the skilled workers and to reduce their dependency on government benefits. Since it had been found, StreetShine seems to be popularity and successful. 'The company had made a difference in employee's live and gained a positive response from its clients, which include well-known corporations', Madhogaria said (ibid). It can be seen that StreetShine

should be an enterprise running business with a social mission, namely a social enterprise.

### B. The Nature of Entrepreneurship in StreetShine

The nature of social entrepreneurship mentioned before can be reflected in the case of StreetShine. In this part, discussion in terms of the nature of entrepreneurship in this case is heavily based on the concept part.

1) *A change agent in the social sector*: StreetShine operates with a mission of helping the homeless in London and its founder, Grant, in a larger extent can be seen as a reformer in this social sector. Firstly, the company has set up after realizing the social benefits that can be generated through its commercial activities; its mission is mainly placed on creating social value – helping the homeless who heavily relies on government aids for survival (Madhogaria, 2006). Secondly, It challenges social exclusion by providing training and employment opportunities for homeless, enabling them to be more empowered to fulfill their potentials (ibid). It should be admitted that StreetShine not only operates as a change agent in this social sector but also creates sustainable improvement at a social-level.

2) *Pursing new opportunities*: Grant, the founder of StreetShine, came up with the idea of providing a shoeshine service for 'cash-rich and time-poor' people after recognizing the popularity of shoe shining (ibid). 'I realized that as well as being a commercial venture, this idea could have social benefits too,' Grant said (ibid). As a result, the new idea had been brought into reality through setting up the new company – StreetShine, which enables Grant to achieve the initial mission of creating social benefits. Firstly, the company focuses on the homeless in London and aims to provide employment to them. Secondly, the hired homeless undergo intensive training such as customer care skills and practical sessions on salesmanship, so that they gain confidence to make the transition into a full-time employment.

3) *Engaging in changing, innovating and learning*: It is notable that StreetShine makes change in shoe-shining service, even if the service has existed previously. The company regards shoe-shining service as a convenient personal service available for the target customers who are 'cash-rich and time-poor'. It provides desk-to-desk service (namely shinning shoes 'on the foot') to corporate employees, by which customers can continue to work when their shoes are being polished (ibid). Besides, StreetShine continues to engage in changing, innovation and learning. It not only provides shoe-shining service and shoe accessories in offices but also at corporate events and conference; It encourages building a long-term cooperative relationship between a shiner and his/her client (ibid). Besides, the company intends to develop a franchisee system in order to help experienced shiners to establish their own StreetShine franchisees (ibid). For the future, the company aims to become a self-sufficient and profitable enterprise by

expanding to other cities, thereby training and developing more homeless.

4) *Acting boldly not only based on in-hand but extra resources:* StreetShine has been set up based on both in-hand and extra resources. On the one hand, it is initially financed by two charitable trusts called 'A Glimmer of Hope' and 'Esmee Fairbairn' respectively; TRB, one of the UK's leading homelessness charities, takes the responsibility of recruiting and providing support to the homeless, and Grant developed the project by investing privately (ibid). On the other hand, the company only hires the homeless who 'have experienced home homelessness, suffered disadvantage in the job market and are in the process of rebuilding their lives' (Streetshine, 2011), which is regarded as matching the mission of the company.

### C. Outcomes of StreetShine

StreetShine has expanded rapidly in the recent years and entered into alliance with more than 23 companies; it also has received the positive feedback from its clients because of the professional and convenient shoe-shining service (Madhogaria, 2006). Most importantly, the company has contributed a lot to social value creation, which can be reflected in two aspects. Firstly, StreetShine challenges social exclusion by setting up a new way of delivering welfare. In particular, the company groups the homeless and guides them to be self-supporting and more valued by training and developing. It should be seen as an effective way of creating social wealth based on the process of social reintegration. Secondly, StreetShine may represent a growing trend in supporting social entrepreneurship. It is a typical model that people commit themselves to a wave of social value creation, rather than simply putting money into the social holes.

## III. DIFFERENCES BETWEEN SOCIAL ENTERPRISES AND PHILANTHROPIES

A thinking of what makes social enterprises different from philanthropies may rise. According to studies by Thake and Zadek, unlike philanthropists, social entrepreneurs are not normally content with a single initiative, they aspire to continually develop a network of initiatives that takes positive impacts on public. Rather than achieving success for a particular community, their vision is to set up new tendencies that others are willing to follow. Most importantly, different from charities who raise money through public and distribute to their particular client groups and/or independent bodies, social entrepreneurs are obligated to help the disadvantage people who are recently in their chosen areas. Taking StreetShine for example, the expectation of the company is not only to create change in its employees but also guide a tendency of helping the homeless that others may follow.

## IV. CONCLUSION

Social entrepreneurs are leaders who pioneer new ways of solving social problems. In other words, they combine innovation with business skills to bring new ideas and

services into reality, thereby creating social value. Most of social entrepreneurs have the committed and social-based mission and normally are inexhaustible to persist until they have achieved this mission. Being aware of the importance of social enterprises, the present welfare states have started to support social innovation both within and outside the public sector. Moreover, many donors also recognized that investing in social enterprises is more valuable than financing public directly, which leads them to focus more on today's social enterprises.

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