



**DRAFT TRAINING MANUAL  
FOR  
GENERAL ENTREPRENEURSHIP COURSES IN  
UNIVERSITIES**

**COURSE 1: ENTREPRENEURSHIP AND INNOVATION**

**MODULE 8: SOCIAL ENTREPRENEURSHIP**

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## **MODULE 8: SOCIAL ENTREPRENEURSHIP (DRAFT COPY)**

### **Learning Outcomes:**

Upon completion of this module, students would have been able to:

- Discuss the concept of social entrepreneurship
- Discuss how social entrepreneurs create value for the society
- Explain factors that facilitate social entrepreneurship

### **Content:**

- a. The Concept of Social Entrepreneurship
- b. Social Entrepreneurs and Value Creation
- c. Forms and Funding of Social Entrepreneurship
- d. Social Entrepreneurship Enhancement Factors

### **Introduction**

“What business entrepreneurs are to the economy, social entrepreneurs are to social change? They are the driven, creative individuals who question the status quo, exploit new opportunities, refuse to give up, and remake the world for the better.”  
-- David Bornstein

Human society has always needed individuals and groups who are sufficiently creative or innovative to put in place measures and strategies to identify and meet needs or fill gaps that are of social concern. The sphere of needs in human society is not limited to any particular institution of society; it cuts across all areas of human operations as identified by Parson (1946) – adaptation, goal attainment, integration and pattern maintenance. Dees (2007:24) was more specific on areas of need that face humanity today:

Rapid economic growth and various experiments with activist governments have not been sufficient to lift a huge portion of the world population out of poverty. Curable and preventable diseases still cause tremendous suffering and claim many lives, particularly among the poor. Access to education and the quality of education vary widely across the globe, even within some developed countries. Slavery and human trafficking are more serious and widespread than most of us care to admit. Violence

and conflict abound on personal, tribal, national, regional, and global levels. The earth is warming, polar icecaps are melting, and biodiversity is declining at an unusually high rate, raising serious questions about the impact on future generations, regardless of the cause.

It must be emphasised at this juncture that though the concept of social entrepreneurship is new (Noruzi, Westover & Raimi, 2010), the phenomenon and practice of social entrepreneurship is not new and recent in African societies with particular reference to Nigeria. Individuals and groups have come up with intervention programmes to assuage or fill the gaps identified in their community. Accounts abound of bridges, halls, schools, hospitals etc. built through efforts of private groups and individuals to meet societal needs in these and other areas. History is replete with accounts of great heroes who organized human and social events to solve needs in their social space; these heroes would fit the description of social entrepreneurs in this contemporary period. Examples of such heroes and social entrepreneurs include Madam Funmilayo Ransome Kuti who championed the cause of women against oppression, Queen Aminat of Zaria who built the walls of Zaria, which still stand today and Moremi of Ile Ife who helped her people overcome marauders from neighbouring communities and ensured peace for her people through her ingenuity.

It can be argued that the original make up of the Nigerian societies, which tended towards communalism was favourable to the practice of social entrepreneurship. However, the current emphasis on individualism occasioned by capitalism, has prized profiteering over the virtue of contribution to public good. Tyson (2004) corroborates the inordinate profiteering tendencies of business owners, which are antithetical to public good. She posits that “profiles of visionary corporate heroes have given way to cautionary tales about greedy villains, and public trust in business has plummeted”. This trend has, therefore, called for the need to have a new approach that is sensitive to the needs of the people, that is, social entrepreneurship, with the mission to

promote entrepreneurial businesses that satisfy two criteria: clear and quantifiable social objectives; and financial sustainability, in the sense that they are profitable or self-supporting through revenue generation (Tyson, 2004).

This chapter discusses the various dimensions of social entrepreneurship and how it interfaces with socio-economic and human development in the Nigerian context.

## **Topic 1**

### **What is Social Entrepreneurship?**

The idea of social entrepreneurship was first used in the 1960s and 1970s, but did not become popular until in the 1980s and 1990s. Bill Drayton, the founder of “Ashoka: Innovators for the Public”, is credited for using the words Social Entrepreneurship. Since the emergence of the concept, an array of definitions has been offered by different authors. Noruz et al describe the definitions as ranging from broad to narrow. Tyson (2004) describes it broadly as a social mission of finding innovative ways to solving social problems that are not being or cannot be addressed by either the market or the public sector. Noruzi et al (2010:4) offer a synthesis of the different broad approaches to defining the concept as “innovative activity with a social objective in either the for-profit sector, such as in social-purpose commercial ventures or in corporate social entrepreneurship or in the non-profit sector, or across sectors, such as hybrid structural forms which mix for-profit and nonprofit approaches”.

Gordis (2009) describes it as “organizational ventures (nonprofit and for-profit) that bring about communal or social change”. Social entrepreneurship is offered in the narrow sense as the phenomenon of applying business expertise and market-based skills in the nonprofit sector such as when nonprofit organizations develop innovative approaches to earn income (Thompson,

2002; Cohen, 2008). Noruzi et al (2010) define it in the narrow sense as the practice of responding to market failures with transformative and financially sustainable innovations aimed at solving social problems. In other words, it refers to a people-focused venture, which uses entrepreneurial process to fulfill a social mission.

One common strand gleaned from all definitions of social entrepreneurship is the underlying drive for value creation, rather than personal and shareholder wealth and that the activity is characterized by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices. In other words, the central driver for social entrepreneurship is the social problem being addressed, and particular organizational form a social enterprise takes should be a decision based on which format would most effectively mobilize the resources needed to address that problem (Katz & Page, 2010; Noruzi et al, 2010).

### ***Why Social Entrepreneurship?***

The conditions that brought about the emergence and enthusiasm about social entrepreneurship were not unconnected with the failures of organized for-profit businesses in social responsibility (Tyson, 2004; Smiddy, 2011). Also implicated as a precipitating factor for the emergence of social entrepreneurship in its contemporary form was the economic downturn that impaired access to grants and private donations by the traditional not-for-profit organizations. This situation made it impossible for these organizations to meet the objectives for which they were set up.

The myriad of problems facing the world has also called for action and collaboration between the government and the institution of social entrepreneurship. Apart from dearth of resources on the part of governments, Dees (2007) identifies some distinct advantages social entrepreneurship practitioners have over government:

- They have greater freedom of action and can usually move more quickly than government officials;
- They can employ a wider range of alternatives, largely because they are not constrained by bureaucratic rules, legislative mandates, political considerations, and a fixed budget;
- Flexibility of action in that they can tailor their efforts to different communities or markets in ways that would be difficult for government programmes; and
- Social entrepreneurs have access to private resources, while private contributions to government are relatively rare.

## **Topic 2**

### **Social Entrepreneurs and Value Creation**

Ashoka Organization (2007) defines social entrepreneurs as individuals with innovative solutions to society's problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale changes". Dees (2001) conceives of social entrepreneurs as playing the role of change agent in the social sector by:

- adopting a mission to create and sustain social value (not just private value);
- recognizing and relentlessly pursuing new opportunities to serve that mission;
- engaging in a process of continuous innovation, adaption, and learning;
- acting boldly without being limited by resources currently in hand; and
- exhibiting heightened accountability to the constituencies served and for the outcome created.

Drayton (2002) identifies five key ingredients a social entrepreneur must possess, these include a powerful, new, system change idea; creativity; potential for widespread impact; entrepreneurial quality and strong ethical fiber. Convergences 2015 (2011:4) sums the various definitions of social entrepreneurship and gives a description of a social entrepreneur as follow:

The social entrepreneur is an agent of change whose actions are guided primarily by the desire to make the maximum social impact whilst economic viability is used as a means to achieve that effect and not as an end in itself. This new genre of *homo economicus* is driven by a organization, in the governance and the division of power that he chooses to consolidate his project in, and in the skills that are required to reconcile or bring together the triple bottom line of economic, social and institutional concerns.

A social entrepreneur is an individual, group, network, organization, or alliance of organizations that seeks sustainable, large-scale change through pattern-breaking ideas in what and/or how governments, nonprofits, and businesses do to address significant social problems (Noruzi et al, 2010). The authors posit that this definition contains eight basic assumptions about the sources, goals, and strategies of social entrepreneurs, the socially-entrepreneurial organizations they either build or inherent, or the less-entrepreneurial organizations they change to full-blown socially-entrepreneurial purposes.

The first assumption is that social entrepreneurs do not have to be individuals – they can also be small groups or teams of individuals, organizations, networks, or even communities that band together to create pattern-breaking change. This assumption moves the field away from individual-centred study, while expanding the number of potential social entrepreneurs that might already exist; social entrepreneurs seek sustainable, large-scale change. This assumption, which adopts the prevailing goal-oriented nature of the contemporary debate, nonetheless moves the field away from questions about who becomes an entrepreneur to what they seek.

Secondly, social entrepreneurship can involve pattern-breaking ideas in either how or what gets done to address significant social problems. This assumption moves the field toward a boarder definition of social entrepreneurship that includes organizational and administrative reforms, as well as innovation, it also embraces Dees definition of “enterprising social innovation” as blend of the social enterprise (or market-driven) school of thought. Another assumption is that social entrepreneurs exist in and between all sectors. This assumption opens the discussion beyond nonprofits to include other sectors and multi sectorred entities. Social entrepreneurship may be more difficult to launch and sustain in government, for example, where the penalties for risk taking are immediate, but it exists nonetheless.

Social entrepreneurs need not engage in social enterprise or use market-based tools to be successful. This assumption breaks the necessary-but-not-sufficient relationship between social enterprise and social entrepreneurship by rendering earned income as one of many possible means to a social-purpose end. The quality of social entrepreneurship can vary greatly across individuals and entities. Some social entrepreneurs will be very entrepreneurial compared to others, while others may restrict their entrepreneurial activity to a particular programme or unit. This assumption allows for comparisms across individual and entities that are very, fairly, or only somewhat entrepreneurial, which may yield valuable knowledge on the conditions that might permit greater activity, as well as the conditions that might make lower levels of entrepreneurship quite appropriate

Also, the intensity of social entrepreneurship can and does ebb and flow over time as circumstances change. This assumption allows further study of the economic, political, social, and organizational conditions that might explain stall points, pause, stops, and restarts in socially-entrepreneurial activity. Under this assumption, social entrepreneurs can occasionally



look very non-entrepreneurial as they consolidate, retrench, or respond to inevitable external pressures. Lastly, social entrepreneurs sometimes fail, though at as-yet-to-be-determined rates. Much as they may seek to create pattern-breaking change, they face serious barriers to success, not the least of which is the tendency of the status quo to push back against pattern-breaking change. That is the way the status quo endures as espoused by Kuhn (1962).

### ***Examples of Social Entrepreneurs***

Literature is replete with great men and women who distinguished themselves as social entrepreneurs (Davie, 2011; Nayab, 2011). This group of men and women have changed the course of history in their areas of social entrepreneurial focus. Some of the examples and their activities are presented in the table below:

S/N	NAME	SOCIAL ENTREPRENEURIAL ACTIVITY
1	<b>Muhammad Yunus</b>	Professor Yunus founded the highly successful Grameen Bank in Bangladesh to provide credit to the unbankable poor especially women, to move them out of poverty
2	<b>Robert Owen</b>	This mill owner was a pioneer in improving working conditions at factories. He laid the foundation of the cooperative movement by opening a store for factory workers to buy goods of sound quality at little more than wholesale cost and restricting the sale of alcohol. He was also the founder of infant childcare in Great Britain
3	<b>Florence Nightingale</b>	Arguably the most famous social entrepreneur in history, she founded the world's first nursing school and developed modern nursing practices.
4	<b>Henry Durant</b>	This French businessman, who witnessed firsthand the suffering of soldiers in the Austro-Sardinian War of 1859, lobbied for national voluntary relief organizations to help nurse wounded soldiers during war and for development of international treaties to guarantee protection of medicos and those wounded on the battlefield. His efforts led to the establishment of the International Red Cross.
5	<b>William Booth</b>	William and his wife Catherine established the East London Christian Mission in 1865 to perform evangelical, social, and charitable work and to bring the Christian message to the poor, destitute, and hungry by meeting both their physical and spiritual needs. In 1878, he reorganized the mission along military lines and called it "The Salvation Army," open to all regardless of race, colour, or creed.
6	<b>Frederick Law Olmstead</b>	He espoused the "City Beautiful" movement aimed at transforming cities with open space, and developed many famous urban parks such as Rock Creek Park in Washington D.C. and Boston's Emerald Necklace. His efforts were instrumental in changing the very concept of cities from primary centers of commerce to "nice places" to live and work.
7	<b>Maria Montessori</b>	She established the "Casa dei Bambini" (Children's House) in Rome to further her idea of education reform based on the premise that children teach themselves, unassisted by adults. Her methods evolved into the famous Montessori method of early childhood education.
8	<b>John Muir</b>	This naturalist, conservationist, inventor, and writer established the Sierra Club and worked with President Roosevelt to establish the U.S. national park system, lobbying against the devastation of the Sierra Nevada caused by ranching. Muir personally involved himself in the establishment of Sequoia, Mount Rainier, Petrified Forest, and Grand Canyon national parks.

9	<b>Franklin Delano Roosevelt</b>	This US President passes as a social entrepreneur for his role in establishing the Tennessee Valley Authority to overcome the effects of the Great Depression. The Tennessee Valley Authority revitalized local economy by harnessing the power of the local rivers to create cheaper energy.
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### **Topic 3:**

#### **Forms and Funding of Social Entrepreneurship**

The understanding of forms of social entrepreneurship is clearly linked to funding and fund management by operators of the social entrepreneurship outfits. Long before the explosion of the phenomenon of social entrepreneurship, it had mainly been associated with nonprofit organizations, “which have no owners in the conventional sense and whose controllers can earn no more than ‘reasonable’ compensation” (Katz & page, 2010). Due to tightening budgets of donor agencies and the need to avoid a situation described by Davie (2011) as “donor dependency”, a number of nonprofit organizations began to embrace entrepreneurial strategies in generating income. Earned income provides these organizations expanded opportunity in reaching out to meeting their stated missions and objectives; and freedom from stringent conditions and restrictions set by donor agencies on the use of funds.

In most instances, these conditions and restrictions have even become ends in themselves, thereby robbing and circumventing organizations’ original objectives from being realised (Weisbrod, 2000). Another major reason why some nonprofit organizations prefer to earn income to run their operations and meet their social missions is the opinions hold towards donor-dependent organization as fraudulent. At this juncture, we will discuss the fundamental points of convergence and divergence of nonprofit and for-profit organizations.

## **Convergence and Divergence of Nonprofit and For-Profit Organizations**

The methods of financing social enterprises are categorised into two. The first category fosters on the equity investors, the right of access to the earnings and asset of the enterprise. Equity investors hold the right of ownership and are expected to share in the profits realized by the enterprise because they provide the risk capital. Unlike in a typical commercial venture, investors in a social enterprise balance their profit motivation with the mission to address social concerns.

At the heart of understanding nonprofit organizations is ownership. Katz & Page (2010) describes ownership in relation to organization as “the rights to control the asset, capture its net earnings or profits, and transfer it for consideration”. With ownership described this way, a nonprofit organization lacks ownership although it has managers, directors and trustees. Those in charge of nonprofit organizations are restrained from appropriating the organizations’ net earnings for their personal use. In the same vein, they cannot be offered a share in equity. (Hansmann, 1996).

Nonprofit organizations may raise finance by securing government or private grants and donations from individuals and organizations, it is required of them to account for the use of the funds. In compensating managers, directors or trustees for their services, reasonableness must be upheld in relation to current market rate for similar jobs in other organizations (Steinberg and Gray, 1993). Katz & Page (2010), relying on Hansmann’s (1996) postulation on benefits accruable to controllers of nonprofit organizations, sum it up by positing that “a nonprofit’s controllers are thus fiduciaries who hold the organization’s assets in trust for its declared purposes and intended beneficiaries”. The defining factor between a typical nonprofit and for-profit organizations, therefore, is the right of ownership, which confers authority on shareholders

of for-profit organizations to control asset and appropriate net earnings amongst others. The beneficial purposes of social enterprises may be governmental in scope, such as addressing problems of poverty and health (Smiddy, 2010).

A for-profit social enterprise shares the profit goal of an ordinary commercial business, however, in contrast, it measures its success both in terms of financial performance and success in addressing social concerns. It should be noted that the dual purposes must at least be co-equal or weigh in favour of furthering social mission. According to Katz & Page (2010), for-profit organizations seek to ‘do well’ for their owners while ‘doing good’ for society. Katz & Page (2010) harvest from social entrepreneurship literature the different terms with which for-profit business entities with social missions are described, these include: for-profit social enterprises; hybrid social ventures; for-profit social businesses; social purpose business ventures; blended value organizations; companies with a conscience; fourth sector organizations; for-profit with a nonprofit soul; and for-benefit organizations.

The convergence of nonprofit and for-profit social enterprises is summed in the comment by Katz & Page (2010:86)

A for-profit social enterprise also shares some of the social aims of a public benefit nonprofit organization. It must have at least one express purpose to confer social benefits (i.e., supply public goods or mixed/private goods with significant positive externalities) above and beyond those conferred by the typical business.

## **How Can Government Support Social Entrepreneurship?**

Social entrepreneurship is about change, that is, a shift from one paradigm to the other (Kuhn, 1962) or a discovery of an entirely new paradigm to solving a social concern. Noruzi et al (2010) present 5 strategies as adopted from Public Innovator (2008), through which government at different levels can support social entrepreneurship. This will go a long way in entrenching the

practice among the teaming population of potential social entrepreneurs with the overall effect of promoting public good.

***Encourage social innovation*** – For any entrepreneur, the star-up period of an organization is critical. government can encourage social innovation and help spur the testing of promising new approaches to solving social problems.

***Create an enabling environment for social innovation entrepreneurship*** – The very nature of innovation means that social entrepreneurs will be heading into new territory, and they often encounter unexpected barriers along the way as posited by Kuhn in his thesis “*the structure of scientific revolution*”. This can be assuaged by government endorsing and giving credibility to any landmark initiative in the are of social entrepreneurship.

***Reward social-entrepreneurial initiatives for exceptional performance*** – Access to reliable sources of funding are essential to the growth and sustainability of solutions that works. By tying decisions about funding and purchasing to performance, government can help ensure that solutions that work will sustain and grow their impact.

***Scale successful approaches*** – Expanding the reach of a proven solution is often critical if the solution is to become truly transformative. Getting people to accept a new paradigm require persistent effort (Kuhn, 1963). Government can interven by expanding the reach of what works and enabling solutions to scale. This can be achieved through dissemination to the public of what works, publishing and expanding the coverage of what works.

***Produce knowledge*** – Government already serves as a critical source of data and standards that help entrepreneurs. Public innovators can play a critical role in ensuring that knowledge is produced, more clear standards are set, and data is easily accessible.

## Conclusion

The world has reached a stage where citizens especially youth must appreciate the limit of government at various levels in meeting all needs confronting humanity. Social entrepreneurship is a credible and promising avenue through which we can harness citizens' energy and ingenuity to confront what may stand on the way of public good. We need to look at our society to examine and expand what works. Increased social entrepreneurial activities are of positive consequences for the society as this is capable of alleviating poverty, empowering members of society and improve the quality of life.

## Further Readings

Bornstein, D. (2004). *How to Change the World: Social Entrepreneurship and the Power of New Ideas*. New York: Oxford University Press.

Yunus, M. (1999). *Banker to the Poor: Micro-Lending and the Battle Against World poverty*. New York: PublicAffairs.

## Web Resources

[www.ashoka.org](http://www.ashoka.org);

[www.acumenfund.org](http://www.acumenfund.org);

[www.skollfoundation.org](http://www.skollfoundation.org);

[www.phs.org/oph/thenewheroes/whatis/](http://www.phs.org/oph/thenewheroes/whatis/).

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