

## OPPORTUNITIES AS A SOURCE OF SOCIAL ENTREPRENEURSHIP

RAFAL KUSA

**Abstract:** *The main aim of the paper is to investigate how the theory of entrepreneurial opportunities applies to social entrepreneurship. The theory of entrepreneurial opportunities is reviewed, as well as the studies of social entrepreneurship. Basing on literature studies, it was found, that many traits specific for for-profit entrepreneurship could be relevant also to social entrepreneurship. To verify some conclusions resulting from literature studies, 20 social enterprises operating in Malopolska Region in south Poland were researched. The most important findings are: social entrepreneurship is connected with different categories of social needs and opportunities; the role of social entrepreneurs is to connect social needs and business-based solutions, as well as available resources (including public support); enterprising is both the way to generate income and a tool of satisfying social needs, especially in field of work integration; and enterprising social activity is the way spotted and chosen both by individuals, but also non-profit organisations. Based on the above observations, the definition of social entrepreneurial opportunity was proposed. The main conclusion is that the general theory of entrepreneurship is relevant to social entrepreneurship, but some limitation for applying it have been identified and presented in discussion. This conclusion is important for designing future research and tools for strengthening social enterprises.*

**Keywords:** *entrepreneurship, social enterprise, opportunity, social entrepreneurial opportunity*

**JEL Classification:** *O35, L26*

### 1. INTRODUCTION

Social entrepreneurship develops dynamically in many countries. It is an alternative way of solving social problems, which is becoming increasingly important in the face of limited public funds. J. Mair and I. Marti perceive social entrepreneurship as “a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs” [14]. They argue that social entrepreneurship can occur both in a new organization, and in an established organization.

In the EU's documents, the term 'social enterprise' is used to cover the following types of business [20]:

- those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- those where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

In the current studies, the definition is operationalised by setting conditions that an organisation must meet in order to be categorised as a social enterprise. These criteria are: the organisation must engage in economic activity; it must pursue an explicit and primary social aim (that benefits society); it must have limits on distribution of profits and/or assets; it must be independent (from the state and other traditional for-profit organisations); and it must have inclusive governance [2].

There are different definitions and different legal forms of social enterprises implemented on national level. It makes difficult to measure and compare the social entrepreneurship in different countries. Some research show that in widely defined social entrepreneurship there is a significant part of population involved: 4.1% of population

in Belgium, 7.5% in Finland, 3.1% in France, 3.3% in Italy, 5.4% in Slovenia and 5.7% in the United Kingdom [21]. To illustrate the scale of social entrepreneurship on the national level some data from Poland will be presented. The number of social cooperatives operating in Poland is 1200, and the number of social integration centres and vocational training centres is 200 [22]. Besides them there is 71 000 associations and 12000 foundations – about 12% of them run a paid non-profit activity, and 5% run an income-generating business activity under general business code (Act on the Freedom of Business Activity) [10].

European social enterprises operate in wide range of areas, including work integration of disadvantaged groups and social services of general interest (long term care for the elderly and for people with disabilities; early education and childcare; employment and training services; social housing; social integration of disadvantaged such as ex-offenders, migrants, drug addicts, etc.; and health care and medical services). [2].

Social enterprises play an important role in solving social problems in many countries. But there are also many countries, where the potential of social entrepreneurship is not explored. In those countries it needs to be supported with the relevant know-how. It is presumed, that the required knowledge could be partly applied from the general entrepreneurship theory. The purpose of the article is to estimate, how the theory of entrepreneurship, especially how the theory of entrepreneurial opportunities does apply to social entrepreneurship.

### 2. SCIENTIFIC AIM AND METHODS

The main aim of the paper is to investigate the linkages between the concept of entrepreneurial opportunity, which is developing in frame of entrepreneurship theory and social entrepreneurship practice. The auxiliary aims are: to identify social entrepreneurial opportunities and specific traits of

opportunities relevant to social entrepreneurship and estimate how do they influence the entrepreneurial process.

To achieve these aims, firstly the selected resources (e.g. articles and reports) in field of social entrepreneurship were studied to identify the specific traits of social enterprises and its activities. Then the theory of entrepreneurship will be analysed to point issues relevant to social entrepreneurship. Further, the activity of social enterprises operating in Malopolska region in Poland will be tested, to verify conclusions from previous steps. The special attention will be paid to entrepreneurial opportunities, with aim to propose a definition of social entrepreneurial opportunity.

### 3. FINDINGS

Entrepreneurship is currently defined in many different ways. W.B. Gartner links entrepreneurship with the creation of organizations [9]. Basing on such definition, many research on entrepreneurial behaviors connected with founding new venture were conducted. They let us to identify the process which leads to the founding new organization. But parallel the entrepreneurial behaviors (or failure of them) were identified in existing organisations. This field of knowledge, called "corporate entrepreneurship" focus on "formal or informal activities aimed at creating new business in established companies through product and process innovations and market developments" [23]. Corporate entrepreneurship is also perceived as a way of "renewal or innovation within current organization" [19]. It shows that entrepreneurial process does not end when the organization is founded, but it is continued within that organisation. The entrepreneurial process could be described as a cyclical one and be connected with the organisational development. It could be presented on the model of spiral of entrepreneurial development of organisation [13]. The intensity and importance of entrepreneurial actions vary depending on the stage of organizational lifecycle [1].

A. Ardichvili et al. suggest that "creation of successful businesses follows a successful opportunity development process". [3]. Also other authors refer to opportunities when defining entrepreneurship. Morris note that "entrepreneurship does not start with the product or service one would like to sell. It starts with an opportunity" [17]. McGrath and MacMillan state that entrepreneurship is about the relentless pursuit of opportunities as well as resources [15]. One of the most accepted definitions of entrepreneurship, proposed by Shane and Venkatraman defines it as "scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited" [18].

Including opportunities into entrepreneurial actions influences the understanding of entrepreneurial process. Bygrave and Hofer states, that entrepreneurial process involves "all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organizations to pursue them" [5]. Hisrich, Peters and Shepherd argue that the entrepreneurial process involves: (1) identification and evaluation of the opportunity, (2) development of the business plan, (3) determination of the required resources and (4) management of the resulting enterprise [11]. Ardichvili et al. note that recognition of

opportunity is a multistage process in which entrepreneurs play proactive roles. They argue that both individual and situational differences influence the process. This core process of opportunity recognition and development leading to business formation is influenced mainly by entrepreneurial alertness, information asymmetry and prior knowledge, social networks, personality traits (including optimism and self-efficacy, and creativity), and type of opportunity itself [3].

Casson defined entrepreneurial opportunities as those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production [6]. Shane and Venkatraman state that "although recognition of entrepreneurial opportunities is a subjective process, the opportunities themselves are objective phenomena that are not known to all parties at all times" [18]. There is a discussion, do entrepreneurs only recognize the opportunities, or do they also create them. Denrell et.al argue "that the discovery of a valuable strategic opportunity is often a matter of "serendipity" in the strict sense – not just luck, but effort and luck joined by alertness and flexibility" [7]. One specific traits of entrepreneurial opportunity is uncertainty of results. Baumol points the entrepreneurial decisions cannot be made through an optimization [4]. Moris suggest, that opportunities are "rooted in the external environment" [16]. Eckhardt and Shane note, that social, political, regulatory, legal, and technological changes create and eliminate entrepreneurial opportunities [8].

Ardichvili et.al differentiate between opportunities based on their origin and degree of development. They assume, that market needs or value sought (which represent problems) may be identified (known) or unidentified (unknown). Value creation capability (which determines solution) may be defined or undefined. They hypothesize that businesses formed in cases where either problem or solution or both are unknown would be less likely to succeed than those formed where both problem and solution are known [3].

Krupski divides opportunities basing on two dimensions: the location of opportunities (inside/outside of organisation) and the way organisation handle with opportunities (passive/active attitude). In this typology, besides opportunities treated in passive way, there are opportunities created by entrepreneurs, e.g. by stimulating clients' or competitors' expected actions (market experiments) and ones resulted by creating conditions for generating new ideas inside organization (technological experiments) [12].

As mentioned in introduction, entrepreneurial behaviors are visible in the area of social activity last decades. It could be assumed, that many of traits specific for entrepreneurship, which were mentioned above, apply also to social entrepreneurship. This refers to the aim at founding organisations, process approach, or entrepreneurial opportunities. It could be assumed, that the social needs are the equivalent of market needs, and that process of recognizing and pursuing entrepreneurial opportunities is similar in social and for-profit entrepreneurship.

To verify some conclusions resulting from literature studies, 20 social enterprises operating in Malopolska region in south Poland were researched. They were founded to satisfy different social needs identified in their communities, connected mainly with social and economic integration of the disadvantaged and excluded. These needs were met by starting wide range of enterprises, operating in catering services, web designing, maintenance of public spaces, providing child care centres, organizing events, trainings, etc. Social enterprises meet parallel needs of local community (e.g. the need for child care services) and needs of founders or members (e.g. the need for employment). Examples of such activity are social cooperative offering catering services founded and managed by previously unemployed people or social cooperative offering some rehabilitation services (e.g. massages) employing disabled people (partially blind). This suggests that social entrepreneurship is connected with different categories of social needs and opportunities.

Social entrepreneurship initiatives are supported in Poland last years – all enterprises in tested group have got some support (e.g. training and advisory) and 7 of them get a financial support from public sources. The availability of support, especially financial support could also be perceived as an opportunity – opportunity to cover costs of resources necessary to start activity of social enterprise (what is one of the challenge for every entrepreneur). The results of analyze of activity of the presented group of social enterprises suggest, that the role of social entrepreneurs is to connect social needs and business-based solutions, as well as available resources (including public support).

Among investigated enterprises, 4 were founded to generate additional income which was to be allocated to social aims, 6 – to create new way of offering social services, and 10 of them mixed two of these tasks. This shows that enterprising is both the way to generate income and a tool of social work, especially in field of work integration.

11 of researched social enterprises were founded by existing non-profit organisations (associations or foundation, and 5 of them together by associations and local authorities), and 9 by independent group of individuals. It shows that enterprising social activity is the way spotted and chosen both by individuals, but also non-profit organisations, as well as public authorities.

Taking the above into account we can suggest the definition of social entrepreneurial opportunities, as those situations in which new ventures (such as e.g. organisations, services, project) operating on business mode can be introduced to create social value (e.g. satisfy social needs or solve social problems). Such opportunities and following actions can occur at different scale – some could be explored at local level, but some of them could be the source of a social change. What is important, they are those situations, where business solutions could be used. The social entrepreneurs' task is to recognise the opportunity and to find out the way how to pursue it with business schemes.

#### 4. DISCUSSIONS

As pointed above, social needs are connected with entrepreneurial opportunities. They stay behind many social initiatives, including social enterprises. It must be noted,

that not every social need could be satisfied by business activity. Many of them require direct support, or at least till now there is not solution invented to meet them by enterprising. It gives a space for social innovators who would find the new solution and social entrepreneurs who will be able to establish and manage enterprises without or with less support from public.

Comparing social entrepreneurial opportunity with for-profit entrepreneurial opportunity one fundamental difference can be pointed: there is "social profit" (in place of financial profit). It results in specific motivations, ownership structures and personal risk type, which are different then in case of traditional for-profit entrepreneurship.

As the traditional private financial institutions are interested in financial profit, they are not willing to invest in enterprises generating social profit. Because of that there is a need of alternative sources – most of them are founded by public authorities. Because of the dominance of social aim, some donators offer non-refundable support, which helps the social enterprises to balance social and business aim, but on the other hand could influence the competitiveness on the relevant market.

Social enterprises run business operations, which are dominated by social aims. The common forms of business activity are not relevant to every social enterprise, which requires special solutions in many cases. In many countries there are not available legal forms dedicated and suitable for social entrepreneurship, nor regulations supporting this kind of activity. Additionally, the knowledge about social entrepreneurship is poor in many societies, what results in missing this opportunity by local social activists.

The results of testing 20 units from Malopolska Region should not be interpreted as relevant to all social enterprises. It have to be mention, that external conditions of those enterprises are different than in other countries: the most important differences are availability of public support (content-related and financial) and in the same time the insufficient legal regulations dedicated to social entrepreneurship.

#### 5. CONCLUSION

The results of presented studies shows, that the general theory of entrepreneurship is relevant to social entrepreneurship. Entrepreneurial opportunities play an important role both in for-profit and social entrepreneurship. Social entrepreneurial opportunities are similar in nature with "business" opportunities. They are an initial source of entrepreneurial actions and processes. They have to be recognised and pursued by entrepreneurs, who may act individually, or in groups or in existing organisations. Those similarities suggest that the knowledge about entrepreneurial opportunities and processes related to discovering and exploring these opportunities could be implemented in social enterprises. The theory of entrepreneurial process, knowledge about founding new ventures and about developing entrepreneurial behaviours in existing organisations (corporate entrepreneurship) can be applied to social enterprises.

Such conclusions are important for future action. They show new research fields connected with social entrepreneurship, where entrepreneurial approach should be more explored (till now researches on social

entrepreneurship are dominated by social development and management in non-profit organisations approach). These conclusions are important also for designing tools for strengthening social enterprises. They could be helpful to

decide which solutions from business are could be implemented to social enterprises, and which solutions have to be modified because of some specific features of social enterprises.

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## Rafal KUSA, Dr.

Address: AGH University of Science and Technology in Krakow, Faculty of Management  
 ul. Gramatyka 10, 30-067 Krakow, Poland  
 e-mail: rkusa@zarz.agh.edu.pl