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SOCIAL ENTREPRENEURIAL VENTURES: DIFFERENT VALUES SO DIFFERENT PROCESS OF CREATION, NO?

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Entrepreneurship scholars have identified factors that frame the entrepreneurial process, such as the gender, race, ethnicity and wealth of entrepreneurs, the technological nature of the products or services offered, or the geographic location of ventures. Ventures bridging profit and service goals in new and creative ways are mushrooming. Building on a review of current research, the author speculates that "bridging profit and service" should be added to the list of factors that define the entrepreneurial process. In doing so, she calls for caution when extending to social entrepreneurial ventures' findings on research regarding business ventures, and for more research exploring the impact of this factor on the entrepreneurial process.

Keywords: Entrepreneurship; social entrepreneurship; social ventures; double bottom line organizations.

1. Introduction

Ventures bridging profit and service goals in new and creative ways are mushrooming (Eakin, 2003). Called social enterprises, social ventures or double bottom line organizations, their hybrid nature makes them quite appealing: for-profit organizations that do good while doing well financially; or non-profit organizations that self-finance their do-good operations. Organizations bridging service and profit goals are not a new phenomenon. Hospitals and educational institutions have been doing it for years. What is new is that these ventures are spreading into non-traditional areas such as financial intermediation (e.g., Grameen Bank), personnel staffing (e.g., NewSource Staffing, Inc.), retailing (e.g., One Thousand Villages) and software development (e.g., Ripple Effects).

Academic research on social ventures is still in its infancy, and considering the current emphasis on their entrepreneurial nature, it is rather tempting to incorporate findings from the entrepreneurial literature to understand these organizations. This should come as no surprise considering the increased maturity of entrepreneurship research (Eckhardt and Shane, 2003; Aldrich, 2005). Researchers understand better than ever what entrepreneurs look like (Shane and Venkataraman, 2000; Thornton, 1999; Stevenson and Gumpert, 1985), how the process of opportunity identification progresses (Eckhardt and Shane, 2003; Shane, 2000; Klepper, 2001; Drucker, 1985; Kirzner, 1997; Shane and Venkataraman, 2000) and what challenges are involved in launching new ventures (Aldrich and Fiol, 1994; Aldrich, 1999; Bhave, 1994; Katz and Gartner, 1988).

Current research on entrepreneurship has moved away from considering differences among entrepreneurs (Shane and Venkataraman, 2000; Aldrich, 2005). Nonetheless, scholars still appreciate and study differences in the entrepreneurial process deriving from the geographic location of businesses (Sorenson and Audia, 2000), or the race (Bates, 1997; Bradford, 2003), ethnicity (Portes *et al*., 2002; Saxenian, 2001), family background (Aldrich *et al*., 1998) or gender (Brush, 1992) of entrepreneurs. In addition, scholars have acknowledged that there might be differences deriving from whether entrepreneurs work within the industrial chain of production or outside of it — as in the case of university or research laboratories (Klevorick *et al*., 1995; Eckardt and Shane, 2003). This study follows this line of inquiry and explores the applicability of findings from research on the creation of regular business entrepreneurial ventures (EVs) to understanding the creation of social entrepreneurial ventures (SEVs) (see also Austin, Stevenson and Wei-Skillern, 2006).

The study concludes that caution should be exercised when translating findings from research on the creation of one profile of organizations (EVs) onto the creation of another type (SEVs). For example, one well-substantiated empirical finding in the entrepreneurial literature is that there is a connection between the business opportunity identified by entrepreneurs and their backgrounds. Interpreted broadly, this would mean that familiarity with a social problem (e.g., unemployment) might provide entrepreneurs with an advantageous position to identify a business opportunity connected to the solution of this problem. It is rather unclear whether this is true. Still, there is growing pressure on non-profit organizations to do just that (identify a cash, generating idea building on their background in a specific social problem). Second, the study suggests that it is vital for entrepreneurship scholars to address whether the values to be served with the creation of a new venture (e.g., "bridging profit and service") are a crucial factor defining the process of venture creation. Specifically, the study suggests that we need research directed to understanding whether different values result in more or less challenges to gathering resources, attracting employees and/or building strong organizations.

2. Research Domain

First introduced by Schumpeter (1912), the term "entrepreneurship" has had different meanings over the years (Aldrich, 2005). It has been used as a way to distinguish innovative from non-innovative traditional organizations and/or to emphasize risk/change-friendly orientations of managers. In the entrepreneurship field, scholars prefer to reserve the term to describe a specific set of activities related to the introduction of new products and services into the marketplace. However, there is disagreement on what this set of activities actually involves.

One perspective considers entrepreneurial activities as those leading to the discovery, evaluation and exploitation of opportunities to create future goods and services

(Venkataraman, 1997; Shane and Venkataraman, 2000). The defining characteristic of this perspective is an emphasis on the centrality of opportunity identification (Eckhardt and Shane, 2003; Shane and Venkataraman, 2000) and the realization that entrepreneurship should be studied as a process (Eckhard and Shane, 2003). Crucial in this perspective is that the process of discovery, evaluation and the resources the entrepreneur controls do not limit pursuit of opportunities. The entrepreneur also mobilizes the resources of others (Stevenson and Gumpert, 1985). Researchers from this perspective also have chosen to consider organization launching as a distinct set of activities independent from the entrepreneurial process itself (Eckhardt and Shane, 2003).

The other perspective decenters opportunity and defines entrepreneurship as the process of creating new organizations (Gartner, 1988; Katz and Gartner, 1988), which occurs as a context-dependent, social and economic process (Aldrich, 2005; Low and Abrahamson, 1997; Reynolds, 1991; Thornton, 1999, p. 20). These scholars emphasize the linkage between entrepreneurship and organization creation. This study incorporates the second perspective. Crucial to the essence of SEVs is their mixing of profit and social goals, and the organizational dimensions of this "bridging" are critical to understanding the specific challenges faced by social entrepreneurs.

2.1. *Social entrepreneurial ventures*

Fast Company, the *Wall Street Journal* and MIT's *Technology Review* are among publications that, in recent years, have recognized and rewarded organizations that blend business principles and social goals in new and creative ways. Business schools have begun to notice and open research centers devoted to the topic, such as the Research Initiative on Social Entrepreneurship at Columbia, the Social Enterprise Initiative at Harvard, the Center for Social Innovation at Stanford, the Center for the Advancement of Social Entrepreneurship at the Fuqua School of Business at Duke University, or the Skoll Center for Social Entrepreneurship at the Said Business School at Oxford University.

The academic literature on social entrepreneurship is limited and there is disagreement among scholars on what they even mean by social entrepreneurship. This study maps the concept focusing on the entrepreneurial agent (see also Hockerts, 2006) and suggests that SEVs may be of three types. They are non-profit organizations entering into business to finance their social service operations (Boschee, 1995; Leadbeater, 1997; Mort *et al*., 2003). They can also be for-profit ventures that define their mission as having a double bottom line (Dees, 1998b; Pomerantz, 2003). Finally, they can be cross-sector SEVs, collaborative initiatives engaging non-profit, for-profit and/or public organizations to solve particularly challenging social problems (Bornstein, 1998; Kanter, 1999; Waddock and Post, 1991).

This categorization emphasizes the governance form of SEVs and is consistent with current conceptualizations that acknowledge the impact of institutional differences in the entrepreneurial process (Eckhardt and Shane, 2003; Klevorick *et al*., 1995). Moreover, this emphasis is important because it permits us to consider questions of major concern for observers of SEVS, such as whether the risk of abandoning their original social goals is less when organizations embrace business management principles (Tuckman and Chang, 2004) than when they actually adopt for-profit governance structures (see Christen, 2001; Rhyne, 2005).

This section reviews our understanding of these three types of SEVs (non-profit, for-profit, cross-sector). It is important to note first that social entrepreneurship is different from both public entrepreneurship (Doig and Hargrove, 1987; Lewis, 1980; King and Roberts, 1987) and corporate social responsibility (Carroll, 1979; Hillman and Keim, 2001; Jones, 1995; Orlitzky *et al*., 2003; Waddock and Graves, 1997). The term public entrepreneurship has been used to describe the action of individuals who create or profoundly transform a public organization (Lewis, 1980). Social entrepreneurs may or may not be public sector officials; and their defining characteristic is not whether they create or change a public agency, but the blend of business and social principles they bring to it. The term social entrepreneurship has also been used to describe what has been traditionally labeled "socially responsible corporate behavior." The use of the term is incorrect. Socially responsible companies are those whose primary goal is profit; and, for most of them, their socially responsible behavior is motivated by the belief that it will improve the bottom line. In contrast, SEVs emphasize social value and economic value creation is seen as a necessary condition to ensure financial viability (Mair and Marti, 2006).

2.1.1. *Non-profit SEVs: Non-profit organizations adopting business models*

A growing number of scholars regard SEVs as those entrepreneurial ventures initiated by organizations in the non-profit and public sectors (Boschee, 1995; Leadbeater, 1997; Froelich, 1998; Lewis, 1998; Thompson *et al*., 2000; Bryson *et al*., 2001; Mort *et al*., 2003). Scholars adopting this view usually consider the for-profit elements of these ventures as a means to further the social mission of the organizations (Boschee, 1995; Dees, 1998a; Dees *et al*., 2001a, b; Drucker, 1989; Sagawa and Segal, 2000; SSE, 2002; Warwick, 1997; Zietlow, 2001). From this perspective, social entrepreneurship is a strategy to limit dependency on donations and government subsidies and to become self-sufficient (Froelich, 1999; Boschee, 1995; Frumkin, 2002). It is also a way of having access to a wider pool of resources as public financing continues to shrink (McLeod, 1997).

Non-profit SEVs are entrepreneurial because founders have traits and adopt behaviors identified with entrepreneurs. For example, according to Leadbeater (1997), the founders of these ventures are driven, ambitious leaders, with great skills in communicating a mission and inspiring staff, users and partners; and they are capable of creating impressive schemes with virtually no resources. According to Catford (1998, p. 96),

> they "combine street pragmatism with professional skills, visionary insights with pragmatism, an ethical fiber with tactical thrust. They see opportunities where others only see empty buildings, unemployable people and unvalued resources...Radical thinking is what makes social entrepreneurs different from simply 'good' people. They make markets work for people, not the other way around, and gain strength from a

> wide network of alliances. They can 'boundary-ride' between the various political rhetoric and social paradigms to enthuse all sectors of society" (as cited by Johnson, 2000, p. 10).

The fundamental difference between non-profit SEVs and EVs is, of course, their governance form, which defines that they do not have owners, distribute dividends or pay taxes. It is quite relevant because, as explained later, this difference correlates with factors that affect the opportunities they are likely to pursue, their access to financial sources and their ability to build resilient organizations (see Tuckman and Chang, 2004; Jegen, 1998). Table 1 includes a brief description of four examples of non-profit SEVs. Ten Thousand villages is a chain of about 100 retail stores in the United States. It sells handicrafts bought for a "fair price" from artisans who would otherwise be unemployed or underemployed. College Summit offers workshops to students and teachers. Its goal is to increase college enrolment among low-income students. It has a budget of about $2.1 million and is financially self-sufficient. KaBOOM! builds playgrounds in low-income areas. It has a budget of about $5.6 million. Finally, Benetch is a technology organization that has, for example, developed a software program designed to help humanrights workers safely document abuses.

Table 1. Non-profit SEVs.

Company	Opportunity Definition	Leverage of Resources	Organization Building
Ten Thousand Villages is a non-profit program of The Mennonite Central Committee (MCC). Established in 1946, it sells handicrafts from developing countries. It pays fair salaries to artisans who would otherwise be unemployed or underemployed. It has 100 retail stores	Founded by MCC worker Edna Ruth Byler. She had the idea when visiting MCC volunteers. She started the project in her basement and developed the concept over time	Bootstrapping: It took more than 25 years before Byler's project moved out of her basement Over the years, it has grown to be a self-sufficient entity and acquired and built up equity of $8.3 million	Management: CEO and fair trade expert Paul Myers is supported by COO Celina Man. She is responsible for the day-to-day management including marketing, sales, IT and human resources Hiring: It has always relied on volunteer workers·
College Summit was founded in 1993. It works with low-income students to increase college enrolment. It offers workshops to students and teachers. Budget: $2.1 million. It is self-sufficient	Founded by J.B. Schramm. As a freshman advisor at Harvard, he realized that low-income students often do not go to college. Years later he rediscovered it while working at the Teen Center	SEV- VC funds: New Profit, Inc.; Ashoka; The Genesis Group; The John S. and James L. Knight Foundation; The Samberg Family Foundation More than 50 companies, foundations and public funds have supported it as donors or partners	Management: Managers with experience in both the corporate and non-profit sectors build the executive team Hiring: Schramm says that "to get the right people is their biggest challenge"

Table 1. (*Continued*)

Company	Opportunity Definition	Leverage of Resources	Organization Building
KaBOOM! was founded in 1995. It builds safe and clean playgrounds in low-income neighborhoods. It also has a second objective: to bring neighborhoods together by involving them in the playground design process. Budget $5.6 million	Founded by Darrell Hammond. His vision derives from his wish to help social workers. (They had raised him.) He has been a leader in community programs for over 12 years	It has about 40 sponsors and funding partners (e.g., Ben & Jerry's, Home Depot and Motorola). It receives donations from individuals and sells merchandise through its website	Management: Run by Hammond and 6 executive managers. 12 project managers are responsible for project tasks Hiring: Many of its full-time staff joined in as volunteer workers
Benetech was founded in 2000. It is a technology organization and currently runs several projects including Martus, a software program that helps humanrights workers safely document abuses	Founded by Jim Fruchterman. He was CEO and founder of Arkenstone, a non-profit organization that made reading machines for the blind	Personal savings: $3 million deriving from the sale of Arkenstone to Freedom Scientific In 2002, the company brought in about $500,000 in fees and royalties but it spent $2.2 million	Management: High-tech experts with experience in both the non-profit and for-profit sectors build the executive team Hiring: Its staff includes the former Arkenstone engineering team

Source: See Appendix.

2.1.2. *For-profit SEVs: For-profit initiatives for whom social goals are central to their business model*

For-profit SEVs are those ventures that blend business and social goals. Scholars have referred to them as "double bottom line organizations" (Dees, 1998; Pomerantz, 2003); and, most recently, as "bottom of the pyramid ventures" (Prahalad and Hart, 2002). While popular in the daily press, academics have done little research on these ventures and once again, their attention has been centered on the entrepreneurial qualities of founders. The descriptions provided of them are similar to those offered by scholars studying non-profit SEVS. According to Dees (1998), founders of for-profit social ventures recognize and relentlessly pursue opportunities to serve this mission. They also act boldly without being limited by the resources inhand. Similarly, Pomerantz (2003) argues that social entrepreneurship requires a "business-like" and innovative approach to fulfill the social mission. In turn, Reis and Clohesy (1999) find that many social entrepreneurs believe that sustainability of social change requires support of both philanthropic *and* earned income. However, in contrast to most entrepreneurs, these individuals exhibit "a heightened sense of accountability to the constituencies served and for the outcomes created" (Dees, 1998, p. 3).

In contrast to non-profit SEVS, for-profit SEVs share the same governance form as traditional EVs. As in the case of non-profit SEVS, scholars studying advanced examples of for-profit SEVs — such as commercial microfinance organizations (Christen, 2001; Rhyne,

2004) — have also expressed concern regarding the long-term sustainability of their social goals. Many would agree with these fears and point to examples, such as Ben and Jerry's or the Body Shop, as organizations that initially were for-profit SEVs but have increasingly deemphasized the centrality of their social goals. Table 2 includes four examples of for-profit SEVs. BancoSol is a commercial bank devoted to the provision of financial services for the poor. Located in Bolivia, the bank was founded building on international donations; but it has been operating at a profit since its foundation in 1992. AgraQuest produces and commercializes pesticide products from naturally occurring organisms. Citysoft is a software company that sells "community enterprise," an integrated web-based platform designed for non-profit and for-profit, socially responsible organizations. Finally, Ripple Effects is also a software company. It produces software designed to enable people to learn effectively.

2.1.3. *Cross-sector SEVs: Inter-organizational arrangements created to solve complex social problems*

Some scholars have used the term SEVs to describe initiatives launched to deal with complex social problems (Kanter, 1999; Henton *et al*., 1997; Waddock and Post, 1991). These SEVs are characterized by their spanning across for-profit and non-profit organizations.

Table 2. For-profit SEVs.

Company	Opportunity Definition	Leverage of Resources	Organization Building
BancoSol was funded in 1992 in Bolivia. It is considered the first commercial bank in the Western Hemisphere created to serve the financial needs of the poor. In 2002, it had 34 branches and gave 51,000 loans. Profitable since its foundation	Founded by PRODEM, the first NGO providing microfinance services in Bolivia. PRODEM had been founded by Fernando Romero (local business man) and Acción International (expert on microfinance)	Fernando Romero led efforts to leverage start-up funds from international development organizations such as The Inter-American Development Corporation. It also received investment from local private investors of members of PRODEM's board of directors	Initial management included Mr. Otero, a charismatic leader with little experience in banking. Middle management included individuals from PRODEM and new hires with banking experience Initially, all employees came from PRODEM
AgraQuest was founded in 1995. It searches for and produces pesticide products from naturally occurring microorganisms	Founded by Pamela G. Marrone. She has a Ph.D. in entomology and has worked for Monsanto and Nordisk where she led research on alternatives for chemical pesticides	Initially, savings, family and friends (total: $500,000) Later, SEV investors (over $17 million) such as Burrill & Company; Otter Capital, L.L.C.; Rockefeller & Co.; BioAsia Investments, L.L.C.; JSS Management	Management: Pamela G. Marrone, founder leads the management team Hiring: The first employees came from Marrone's last employer Novo Nordisk. The company hires mostly scientists. It gets up to 200 resumes for every job

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Table 2. (*Continued*)

Company	Opportunity Definition	Leverage of Resources	Organization Building
Citysoft was founded in 1997. It sells Community Enterprise, an integrated web-based platform, especially developed for non-profit and for-profit socially responsible organizations	Founded by Nick Gleason. He had started 4 ventures successfully and had experience in the private, public and non-profit sectors	Family, friends and 2 private investors SEV investors ($1.7 million): Sustainable Jobs Fund; Calvert Small Equities Fund; NYCom. Investment Corp; Coastal Enterprises of Maine	Management: N. Gleason, CEO, R. Rivera, CFO (Price-waterhouseCoopers) and A. Magno, Doctor of Operations expertise in web tech. and design Hiring: N.I.
Ripple Effects was founded in 1997. It provides interactive software that enables people to learn effectively and individually. The company reported revenues of $110,000 in the first quarter of 2001	Founded by Alice Ray (expert in social learning) and Sarah Berg. It is the result of 18 years of research. Ms. Berg had the experience and knowledge in large scale multimedia projects	SEV investors: Pacific Community Ventures; GuruWizard Fund LLC Awards: The Wall Street Journal; National Social Venture Business Plan competition (2nd place); Emerging Growth Scholarship	Management: Alice Ray (CEO) and Sarah Berg (COO). Supported by VP Mr. Brentano, software expert and former VP at McAfee.com Hiring: 35% had been minority youth coming out of opportunity programs

Source: See Appendix.

Scholars have labeled these initiatives as entrepreneurial, realizing — as their counterparts interested in non-profit and for-profit SEVs — that founders use strategies traditionally identified with entrepreneurs. Waddock and Post's (1991) article on catalytic change is central to this perspective. Using as examples the leaders of Partnership for a Drug-Free America and Hands Across America, they argue that social entrepreneurs are individuals with significant personal credibility. They mobilize private sector resources to raise public awareness and help alleviate multi-faceted social problems. Their efforts produce a catalytic effect, permitting a short term "alliance of organizations and their members to deal with an important problem in such a way as to foster long term change" (Waddock and Post, 1991, p. 394). As business entrepreneurs, these individuals are expected to create an enterprise that will span several organizations (Kanter, 1999). Henton *et al*. (1997) state that so-called "civic entrepreneurs" are a new generation of leaders, both acting in and linking with business, government, educationXS and community. Finally, Bornstein (1998) speaks of social entrepreneurs as visionary and creative "path breakers" who are "totally possessed" by their social vision.

According to current descriptions, cross-sector SEVs differ from non-profit or for-profit ones in that they are likely to be rather short-lived. The motivation for entrepreneurs is not the creation of a new organization, but the creation of a path defined so participants can alleviate a complex social problem; whether or not the initiative derives a profit is irrelevant. Table 3 includes three notable examples of cross-sector SEVs. Hands Across America was a benefit event staged on 25 May 1986. Over 6 million Americans held hands for 15 minutes along a path stretching 4,125 miles long across the continental U.S. Participants paid $10–35 to reserve their place in line; the profits were donated to local homeless charities. Live Aid consisted of a rock concert held in 1985. More than one billion people worldwide watched the mammoth concert. The event raised about $100 million to battle famine in Africa and became the prototype for live charity events. Finally, Partnership for a Drug-Free America (PDFA) is a non-profit coalition of professionals from the advertising and communications industry committed to limiting drug addiction in the United States. In 2002, PDFA reported $19 million in income and, since 1987, the U.S. media has donated over $3 billion to the topic in time and space.

In short, scholars have studied non-profit, for-profit and cross-sector SEVs and argued that all these ventures are social because they aim to address a problem the private sector has not adequately addressed. In turn, they have described them as entrepreneurial because their founders have qualities identified with entrepreneurs. None of these ventures, however, fit the standard governance form implicit in most entrepreneurial research. They are not supposed to maximize profit (see Dees, 1998). They may be rather fragile since the legal form adopted can eventually push them to abandon the reason that originally inspired founders to create them (see Tuckman and Chang, 2004; Rhyne, 2004). Finally, they may also be rather unstable, as they may not need a resilient organization to serve their purposes (see Westley, 1991).

Next, the paper compares the process of creation for EVs and SEVs and explores whether findings from research on EVs can be extended to understand the process of creation of SEVs.

3. Entrepreneurial Ventures vs. Social Entrepreneurial Ventures

The entrepreneurial process involves numerous activities, such as identifying a business opportunity, researching its potential market, filing for a patent and/or attracting investors (see Bhave, 1994; Gartner, 1985; Vesper, 1980). For the purpose of this paper, we cluster these tasks around three analytically distinct processes: opportunity definition, leverage of financial resources and organizational building. These three processes, of course, do not follow each other linearly but overlap and feed on one another. For example, even when entrepreneurs initially develop a concept for their ventures and then gather resources to develop this concept, it is likely that the negotiations involved in the process of leveraging resources will produce the refinement of the opportunity.

Clustering the activities involved in the entrepreneurial process into these three processes facilitates the identification of crucial differences between EVs: EVs can be valued exclusively in financial terms, while SEVs cannot. Considering SEVs strictly in financial terms would imply that they are not different from socially responsible ventures (Waddock and Graves, 1997) when, in fact, fundamental to the nature of SEVs (whether non-profit, for-profit or cross-sector) is that they serve a social mission that is not overshadowed by profit maximization (Mair and Marti, 2006).

The process of opportunity identification is inherently cognitive. Entrepreneurs intentionally (Katz and Gartner, 1988) identify a solution to a specific problem or need because of diverse motivations, building on the information available to them (Shane, 2000) through their backgrounds (Shane and Khurana, 2003; Jones, 2001) and/or their networks of relations

Table 3. Cross-sector SEVs.

Company	Opportunity Definition	Leverage of Resources	Organization Building
Hands Across America was a benefit event staged on 25 May 1986. Over 6 million Americans held hands for 15 minutes along a 4,125 miles long path across the continental U.S. Participants paid \$10–35 to reserve places in line. The profits were donated to local homeless charities	Ken Kragen had the idea for the event and the vision to raise the awareness of America about the issues of hunger and homelessness. He gathered the financial resources and brought together the right people to make it possible	Participants: \$10–35 participation fee (total: about \$20 million); for many participants, fees were waived to attract more people Corporations (total: \$30 million): Coca-Cola (\$5 million); Citibank (\$3 million)	Hands Across America was a unique one-time event.
Live Aid consisted of two rock concerts held in 1985. More than a billion people worldwide watched the mammoth concert The event raised about \$100 million to battle famine in Africa and became the prototype for live charity events	With a BBC documentary on the famine in Ethopia in mind, Bob Geldof wrote "Do They Know It's Christmas? / Feed The World." Thereafter Geldof, lead singer of the Boomtown Rats, took a trip to Africa. What he saw there shocked him and he decided to raise more money with this gigantic rock concert	Donations: Donations by phone (call centers in 30 countries); many companies donated goods and services Earned income: Merchandise is still generating income	Live Aid was a unique one-time event. Bob Geldof used his personal contacts as a songwriter and artist to form partnerships with famous artists and the music industry
Partnership for a Drug-Free America was founded in 1987. It is a non-profit coalition of professionals from the advertising and communications industry PDFA reported \$19 million in income in 2002. Since 1987, U.S. media donated over \$3 billion in time and space	Phillip Joanous, chairman of the Los Angeles advertising agency Dailey & Associates, looked at drug abuse as an industry. He convinced Louis Hagopian, chairman of the American Association of Advertising Agencies, and 200 ad agencies to create a national anti-drug campaign	Private sector funding: American Association of Advertising Agencies (funded first project); Robert Wood Johnson Foundation (lead support); support from more than 200 foundations and companies	Management: In 2002, Stephen J. Pasierb followed retired Richard D. Bonnette as President and CEO of PDFA It has a relatively small staff but it works with hundreds of volunteers

Source: See Appendix.

(Eckhardt and Shane, 2003; Aldrich, 1999, 2005). Financial gain is certainly a motivator for entrepreneurs at this stage, but many do not conduct cost-benefit calculations when deciding to launch a new venture (Aldrich, 2005). Therefore, whether entrepreneurs are expected to produce a benefit or alleviate a social problem, valuation, may have, in principle, little differentiating impact on the process of opportunity identification in EVs and SEVs.

Leverage of financial resources clusters all activities connected with the mobilization of financial support. Research relates that most entrepreneurs launch new ventures using their own funds (Aldrich, 2005). In this scenario, one expects to see little difference between EVs and SEVs. However, most entrepreneurs are likely to use outside resources eventually — whether friends and family, credit card financing or specialized investors. As soon as the entrepreneur uses external resources, substantial differences between EVs and SEVs emerge. These differences derive from the need to justify the financial sustainability of the venture; and, when dealing with non-profit sources, the need to measure and/or prove the venture's potential social impact.

Finally, organization building involves those tasks usually attached to organization founding, such as obtaining permits, incorporating, etc. (Katz and Gartner, 1988; Gartner, 1985). Frequently, it may simply involve including business income on the entrepreneurs' tax returns. However, the process might be rather complex and involve permits and filings with multiple government bodies (De Soto, 1989). Most interestingly, the process may involve identifying and engaging individuals as organization members. Entrepreneurship scholars, however, have frequently clustered together the engagement of individuals and the leverage of financial resources (Sahlman, 1996). It is helpful, however, to distinguish between these two processes. Financiers and organizational members will behave differently as their engagement with founders is also likely to be different. Financiers provide money to the venture, while organization members join the entrepreneur in his efforts to realize the opportunity. Financiers, then, would consider the financial returns of a venture in a different light than organization members.

Next, building on published research, the paper identifies fruitful areas of empirical research and areas in which caution is appropriate when extending research on EVs.

3.1. *Definition of opportunities*

Entrepreneurial opportunities (EOs) are those "situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, means-ends relationships" (Casson, 1982; Shane and Venkataraman, 2000; Eckhard and Shane, 2003, p. 145). The distinctive quality of social entrepreneurial opportunities (SEOs) is that each is an EO that solves a social problem. But is this distinction relevant?

Since the process of opportunity identification is purely cognitive, in principle the distinction is irrelevant. All opportunities are idiosyncratic; and most opportunities, social or not, provide some kind of social benefit. Moreover, as previously mentioned, the process of opportunity definition is frequently disconnected from a true cost-benefit analysis (Hamilton, 2000; Aldrich, 2005). Some entrepreneurs begin new ventures because they want independence; others follow opportunities for which the financial rewards are not clear; still others see a source of riches they may not be able to attain otherwise. It might be best, then, to consider the social benefit of ventures as a quality that organizations may value in higher or lesser degree instead of a yes or no condition (see Dees, 1998b).

There might be substantive differences in the processes of identification of EOs and SEOs. Mounting empirical evidence connects the discovery of, and decision to, exploit EOs with entrepreneurs' prior knowledge (Freeman, 1982; Romanelli, 1989; Shane and

Venkataraman, 2000; Romanelli and Schoonhoven, 2001; Shane and Khurana, 2003). Shane (2000) examines eight cases of entrepreneurial opportunities around the same technology and finds a close connection between opportunity and background. Romanelli and Schoonhoven (2001) compare the opportunities and backgrounds of 17 founders identified in the Inc. 500 listing of high-growth companies between 1982 and 1999. They also find a close association between the expertise and experience of founders and the organizations they create. Finally, Shane and Khurana (2003) show that prior experience affects founders' expectations regarding the liability of newness and their consequent decision on whether or not to exploit an opportunity.

Research on EVs also suggests that some social locations provide easier access to entrepreneurial opportunities. These locations are characterized by the amount of either diverse or privileged information entrepreneurs can access. Diversity provides fertile ground for the development of new ideas and hence, for opportunity discovery (Aldrich and Zimmer, 1986). Scholars have identified these locations amidst India and China nationals with connections to Silicon Valley entrepreneurs (Saxenian, 2001). These locations are most likely to result in profitable ventures when they function as structural holes (Burt, 1992) — i.e., when they permit entrepreneurs to link with individuals otherwise not likely to be connected to one another (Aldrich, 1999). Privileged access to information also provides a good platform to identify entrepreneurial opportunities. Particularly interesting in this respect is research on entrepreneurial spin-offs from technological advances (e.g., Klepper, 2001).

The same kind of systematic analysis about the process of identification of SEOs is lacking (Hockerts, 2006). But the available literature invites caution regarding the extension of findings on the identification of EOs. Observers of non-profit and for-profit SEVs suggest that social entrepreneurs define SEOs motivated by their realization of a market failure — an area where markets do not do a good job of valuing social improvements, public goods and benefits for people who cannot afford to pay (Dees, 1998a). College Summit, for example, a non-profit SEV, is dedicated to increasing college enrolment of low-income students. Founder J.B. Schramm identified this opportunity; because of his experience as a freshman advisor at Harvard, and his later work at a teen center (see Table 1). AgraQuest is a for-profit SEV that develops pesticide products from naturally occurring microorganisms. Pamela G. Marrone identified this opportunity; building from her educational background and experience with biological pesticides, Ms. Marrone knew that there were environmentally friendly alternatives to chemical pesticides (see Table 2). In addition, observers of cross-sector SEVs have argued that their founders are driven by a sense that the particular problem (e.g., world hunger) has reached crisis status (Waddock and Post, 1991). For example, Bob Geldof raised $100 million in a mammoth rock concert to fight famine in Ethiopia. His background as a songwriter and artist led him to define a "mammoth rock concert" as an opportunity; his connections with rock stars and other members of the music industry helped him to exploit it (see Table 3).

In short, research on EOs establishes a connection between entrepreneurs' backgrounds and the opportunities they identify. This research, however, does not specify whether entrepreneurs with backgrounds in a particular problem area versus those with backgrounds in a particular industry have a differential advantage when identifying and exploiting an entrepreneurial opportunity. This distinction, however, may be quite relevant for SEVs — particularly non-profits. Many non-profit organizations are being encouraged to adopt entrepreneurial approaches, with little consideration of whether expertise on a particular social problem translates into expertise on defining an income-generating solution. For example, the author was contacted by an agency whose mission is to provide training to welfare mothers to help them become more marketable workers. This agency was considering expanding its work by creating a placement agency for temporary workers. In accordance with research on EOs, the agency had a strong background in the area and hence, an advantageous position to identify an income-generating venture. But, all things equal, would this position give the organization an advantage to compete with established placement agencies? This is, of course, an empirical question. But it is also cautionary in terms of the dangers inherent in translating research from one profile of organization (EVs) to another (SEVs).

Second, in a recent paper, Hockerts (2006) provides a pioneering analysis of SEOs. He argues that most of the SEOs currently being pursued are connected to one of three sources: (i) they may feed on an undercurrent of activism that fuels demand for products such as fair-traded coffee or environmentally friendly products; (ii) they may emerge from a reframing, which encourages seeing people in need as clients instead of beneficiaries. This is the origin, for example, of microfinance which grew out of the realization that the poor can not only pay the full cost of loans, but also benefit from having access to such loans. After all, regardless of size, for a business that needs financing, "the most expensive loan is the one that never arrives." [1] Finally, (iii) SEOs may emerge following the growth in the number of "socially conscious" investors willing to derive a lesser financial return. Rubicon Bakery and Rubicon Lanscape in the Bay Area of California (Moore, 1999) are examples of SEVs created thanks to this profile of investor. Both businesses compete with traditional firms while providing jobs and training for disabled or homeless people (Hockerts, 2006. p. 12).

Entrepreneurship research has long acknowledged a connection between entrepreneurial opportunities and emerging social trends (Timmons, 1990). In fact, perhaps the most interesting question deriving from these findings in the context of SEOs is whether these trends (activism, seeing the poor as clients, and socially conscious investment) that have provided a breeding ground for SEVs may also be generative of EVs. And, perhaps even more relevant for SEVs, could there be a replacement of SEVs by EVs over time? In fact, the likelihood of replacement is an important concern among observers of microfinance, perhaps one of the most developed forms of SEVs (see Christen, 2001; Rhyne, 2004). This concern follows developments in countries such as Paraguay where consumer lenders (i.e., purely for-profit ventures) have, in fact, pushed SEVs out of the market through aggressive (bordering on misleading) marketing techniques (Rhyne, 2004).

In short, there is much to learn from comparing what is known about the process of identifying EOs and SEOs. Most significantly, the comparison suggests a need to continue research on the connection between the backgrounds of entrepreneurs and their ability

[1] Comment by Francisco Otero, first General Manager of BancoSol, the first commercial bank created to provide financial services to the poor.

to define cash-generating ventures. Particularly, there is a need to qualify what types of backgrounds provide the greatest competitive advantage to a potential entrepreneur. All things being equal, if it is experience in a problem area, SEVs (e.g. NGO's providing financial services to the poor) may have an advantage. But, if the background is in the provision of a service for-profit, EVs (e.g., financial institutions providing consumer loans) may have the advantage — whether they identify the opportunity first or, as happened in Paraguay, they outcompete the SEVs that initially identified it.

3.2. *Leverage of financial resources*

Research on EVs regards opportunity definition as central. The assumption is that given the right opportunity, resources will follow (Kirzner, 1997; Stevenson and Gumpert, 1985). This assumption is supported by a substantial body of empirical evidence, which shows that most new business ventures begin without much capital and that most of the initial funds used in the creation of new ventures derive from entrepreneurs' own savings (Aldrich, 2005). Growth start-ups, however, are likely to require large amounts of upfront capital; and, therefore, entrepreneurs are forced to look for outside financing. For example, research on start-ups in Silicon Valley has shown that technology-driven start-ups began operations with funds of about $2.5 million (Burton, 1995).

Researchers have shown that, regardless of whether it is savings or outside funds, considerations of traditional creditworthiness do not really apply to the financing of these ventures. In theory, the crucial aspect of the financing backing of a project is the monetary valuation of opportunities; but, in practice, the valuation of ventures is extremely difficult. In fact, researchers have shown that financing decisions frequently depend less on financial merits and more on factors such as the reputation of founders as effective, their success in previous ventures, their network of relations and their skills to frame a project in ways that encourage others to share their vision (Aldrich and Fiol, 1994; Aldrich, 1999; Lounsbury and Glynn, 2001). Finally, comparative studies have also shown that founders' access to financial resources is, in fact, largely dependent on the availability of local financial infrastructure. Studies have argued that their geographical location defines venture access to social capital (Stuart and Sorenson, 2003; Westlund and Bolton, 2003), venture capital (Manigart *et al*., 2002; Mason and Harrison, 2000; Manigart, 1994), and general financial resources (Mason and Harrison, 1995). For example, ventures located in Silicon Valley are more likely to have access to venture capital than those located in most other cities in the United States.

Research on SEVs suggests that these ventures are as likely to require outside financing as high growth EVs. Researchers on non-profit SEVs have argued that non-profits are frequently cash- or asset-poor and hence lack the ability to accumulate money to seed commercial ventures, particularly those non-profits that consistently run deficits and rely on external donations to finance their operations (Tuckman and Chang, 2004). Observers of for-profit SEVs have also argued that outside sources of financing are more central to the process of realizing SEVs than they are for EVs (Dees and Dolby, 1991, p. 2). Finally, observers of cross-sector SEVs agree with those studying EVs and, in fact, they have focused most of their research on the talents of their promoters as mobilizers of resources (Waddock and

Post, 1991; Leadbeater, 1997). They have suggested that these individuals have a vision and are skillful at presenting this vision in a way that helps them leverage the resources necessary to make it possible (Waddock and Post, 1991; Thompson *et al*., 2000). This is not that surprising since, while most founders of EVs can launch a venture without being very innovative, founders of cross-sector SEVs are frequently radical innovators (Kanter, 1999; Leadbeater, 1997) and are likely to require outside funds. The cases included in Table 3 illustrate this conclusion. In the Live Aid project, for example, Bob Geldof bypassed traditional structures and brought together unrelated artists and music companies, convinced corporations to donate goods and services and sold the international media rights for millions of dollars. His concept became the prototype for live charity events.

Regarding the connection between access to resources and location, studies lack the same kind of systematic analysis regarding the financial needs of SEVs. It is interesting though that research points to a direct connection between funding availability and the creation of SEVs. Scholars interested in non-profit SEVs have identified frustration with rigid and slow access to funds from traditional non-profit sources (donations or government contracts), and suggest it is a crucial motivation for the growth of non-profit SEVs (Young and Salamon, 2002). In fact, non-profit SEVs may use sources of financing other than the traditional donors. For example, Benetech secured the initial funds to launch their venture from the proceeds its founder derived from the sale of a previous business; College Summit from funds specialized in social ventures; KaBOOM! from private sponsors; and Ten Thousand Villages followed a typically entrepreneurial pattern, deriving funds from a typical bootstrapping strategy (see Table 1).

Finally, as previously discussed, the emergence of new philanthropic investors willing to fund ventures that serve social goals has been an encouragement for launching SEVs (Hockerts, 2006). In recent years, there has been notable growth in organizations specialized in financing SEVs. Some of the non-profit and for-profit SEVs identified in this article have been funded by these funds. For example, College Summit received investment from New Profit, Inc. and Ashoka; Citysoft received it from the Sustainable Jobs Fund and the Calvert Small Equities Fund; and Pacific Community Ventures and GuruWizard Fund LLC funded Ripple Effects (see Tables 1 and 2). The behavior and evolution of these and other investing organizations is an important area worth a careful look. Jegen (1998), Clark and Gaillard (2003), and Rubin and colleagues (Rubin, 2004; Benjamin, Rubin and Zielenbach, 2004; Bates, Bradford and Rubin, 2006) providing pioneering research in this area.

In short, the comparative analysis of the process of leverage of resources in EVs and SEVs indicates, first of all, that there is a need to conduct the same kind of rigorous research on the process of resource mobilization for SEVs that has been done for EVs. More research is also needed regarding the development of organizations specialized in financing SEVs. More interestingly, though, the analysis shows a drastic difference in emphasis. In contrast to researchers on EVs who place resource mobilization as secondary to opportunity identification, observers of SEVs see it as central. There needs to be further exploration of this different prioritization, with systematic studies designed to investigate whether this difference derives from the specific nature of SEVs or is the result of the lack of systematic empirical evidence. Finally, as recent entrepreneurial research suggests, scholars also need to consider whether a process in which leverage of resources follows opportunity identification may actually be the exception instead of the rule, not only among SEVs but also among EVs (see Nelson and Baker, 2005; Baker, Miner and Eesley, 2003; Ruef, Aldrich and Carter, 2003).

3.3. *Organizational building*

When studying organization building, one needs to consider both the formal aspects connected to the process as well as those related to the recruitment of employees and the development of an organizational culture (Aldrich, 1999). As a formal process, organization building involves all aspects connected to the creation of a legal persona through bureaucratic steps, which can be more or less cumbersome (De Soto, 1989). From this perspective, the crucial difference between EVs and SEVs is that founders of SEVs may actually have more choices.

EVs are likely to be constrained to form profit firms while founders of SEVs can choose to register with the IRS as tax-exempted organizations. This is important because the choice of a specific legal form has multiple consequences. Most straightforwardly, regardless of activity, the founding of a non-profit organization requires the creation of a board of directors. This makes the process more cumbersome and potentially more constraining of entrepreneurs' managerial freedom. For-profit organizations, even when required by law to have a board, can have the entrepreneur as its only member while non-profits are required to have at least three independent directors. Second, the choice of a specific legal form also has important consequences regarding access to financial resources. As previously discussed, there is a betterestablished infrastructure to finance for-profit than non-profit organizations. For example, SBA guaranteed loans are earmarked for for-profit ventures. This difference in access may actually encourage entrepreneurs who would have otherwise decided for a non-profit form to launch a for-profit business; such was the reasoning followed, for example, by Hilda Romero, the founder and director of Ritmos, a small dance program for children in Worcester, Massachusetts. She chose to open Ritmos as a for-profit corporation after realizing that, maintaining the same values, she could get easier access to funds and maintain more managerial independence as a corporation than as a tax-exempted non-profit organization.

Finally, scholars have argued that the decision of a non-profit SEV to engage in income-generating activities may, over time, cause the organization to alter its behavior and drift away from its mission (Tuckman and Chang, 2004; Frumkin, 2002). We can speculate that this might even be more likely in the case of organizations when founders choose a for-profit SEV form of governance. For example, discussing the case of microfinance organizations, Rhyne (2004) warns of the risks of engaging private investors. She argues that private investors may fail to understand the business of microfinance and run it badly. They may also gradually move away from the low-end of the market, serving only the "easiest" clients. Finally, some commercially-dominated institutions may actually exploit clients through unscrupulous practices.

Regarding hiring and organizational development policies, research is only beginning in the entrepreneurship field (see Burton, 1995, 2001; Baron *et al*., 1999a, b, 2001; Aldrich, 1999) and is almost absent in the social entrepreneurial one (see Bryson, Gibbons and Shaye, 2001 for a pioneering effort). Researchers have conceptualized organization building as a dual process which includes, first, hiring and training; and second, the development of an organizational community of practice — "patterned social interaction between members that sustains organizational knowledge and facilitates its reproduction" (Aldrich, 1999, p. 41).

Hiring is difficult for all start-ups. Founders have to compete with established corporations that can offer potential employees more secure career prospects (Williamson *et al*., 2002). Accordingly, start-ups have difficulty attracting experienced managers and are then likely to hire less experienced staff members. Managers' ability to attract quality individuals depends on their ability to spot and attract talented young individuals willing to trade security for the excitement and potential for knowledge and wealth of working in a start-up. In the case of SEVs, the social mission of the ventures may actually increase their attractiveness toward potential hires. That was the opinion, for example, of the founder and CEO of Voxiva (Global Social Venture Competition Symposium, Columbia Business School, 10 October 2003). Voxiva builds phone and web solutions that help isolated communities (e.g., post-conflict Iraq) access computers through touch-tone telephones. It also helps detect outbreaks of disease, monitor patients and track critical healthcare supplies.

Second, hiring individuals who already have things in common facilitates the development of a coherent organizational community of practice and hence supports the endurance of organizations (Stasser *et al*., 1989). Considering the difficulties in hiring faced by all start-ups, SEVs are more likely to face difficulties than EVs simply because they are more likely to include individuals with diverse backgrounds (see Cooney, 2003; Kapur and Weisbrod, 2000). In addition, in the particular case of cross-sector SEVs, there is also some evidence that suggests that the biggest threats to their survival are the difficulties of balancing for-profit and non-profit principles and cultures (see Rubin and Stankiewicz, 2001).

In short, organization building is an area of major concern among observers of SEVs, considering the potential risk of "mission drift" and the difficulties in building organizations whose aim is to bridge principles and practices frequently considered incompatible. This is also an area in which the entrepreneurship literature currently has little to offer. Our understanding of both EVs and SEVs will benefit largely from more attention given to issues connected to founders' choice of legal form and the challenges in recruiting individuals and building strong organizational cultures.

4. Summary and Implications for Research and Practice

This study has explored whether differences between SEVs and EVs are worth specific research attention by entrepreneurial scholars. The answer is that the need for specific research is pressing (see also Austin, Stevenson and Wei-Skillern, 2006). There are sufficient areas in which SEVs are distinct and thus deserve specific attention. Specific implications and research suggestions can be organized around the three clusters of entrepreneurial tasks identified: opportunity definition, leverage of resources and organizational building.

Mounting evidence shows a connection between the background of entrepreneurs and the opportunities they identify and exploit. The specific nature of SEVs calls attention to the relevance of this knowledge. Much of the SEV literature suggests that it is familiarity with the problem area that is important. The EV literature, however, does not make the same distinction. Entrepreneurs can be either experienced in a problem (see Shane, 2000) or they can be experienced in an industry (Klepper, 2001). The distinction, however, is rather relevant to non-profit managers who are being "encouraged" to identify income-generating ventures, building on their knowledge of a social problem, whether because sources of financing for their activities are drying up or from general discontent with more traditional approaches. From a research perspective, a cross-sectional study asking entrepreneurs about their backgrounds and the origin of their ventures may be adequate. Such a study should include both successful and failed ventures and acknowledge that whether an entrepreneur has experience with a problem or an industry may result in relevant findings regarding current understanding of how entrepreneurs identify opportunities.

A review of the literature indicates a difference in the priorities of EVs and SEVs regarding the process of leverage of resources. Given a good opportunity and a competent team, money would follow is the *adagio* found in most entrepreneurship research (Stevenson and Jarillo, 1990; Stevenson *et al.*, 1999). Observers of SEVs, however, place mobilization of financial resources as a central concern for social entrepreneurship. Lack of resources is the motivator of non-profits to consider creating SEVs. The need and talent of the promoters of cross-sector initiatives to mobilize resources is the fundamental reason why scholars have labeled these initiatives as entrepreneurial. Finally, the fact that one can address a social problem without using government or donation funds is behind the buzz of for-profit SEVs. It would then be quite interesting to pursue research questions that address the centrality of resources to the identification of opportunities and whether it is truly specific to SEVs. In fact, some of the recent internet and real estate "bubbles" provide good examples of entrepreneurs following the money.

Regarding organization building, the paper suggests that the choice of governance form is a central aspect to the formation of SEVs. Most notably, it can define their ability to remain loyal to their social goals. It is thus fundamental to consider it in future studies addressing SEVs. In addition, the study suggests that there are many similarities between EVs and SEVs in terms of hiring and developing capabilities; but it also suggests that social ventures are more likely to be unstable since they are more likely to include individuals with diverse backgrounds.

For practitioners, this paper is fundamentally cautionary. Managers usually know that most research in management builds on research in very large corporations and may not be applicable to small businesses and start-ups. Founders of SEVs should know that most of what we know about entrepreneurship builds on research on EVs and may not be applicable to their non-profit, for-profit or cross-sector SEVs.

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Appendix. (*Continued*)

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