

## Social Entrepreneurship as Transformative Service for Societal Well-Being (Keusahawanan Sosial sebagai Perkhidmatan Transformatif untuk Kesejahteraan Sosial)

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### ABSTRACT

*Social entrepreneurship has been a subject of academic interest for more than two decades. However, it is still considered as an emerging field of academic research. Some scholars attribute this to the lack common agreement of what social entrepreneurship is. Concurrently, the issue of the transformative service for improving well-being has been identified as one of the emerging areas of priorities service research. Despite the potential, such research has been under researched. This article thus aims to contribute to the knowledge by conceptualizing social entrepreneurship as a model of transformative service through the integrated theoretical lenses of innovation, entrepreneurship and service research. This conceptual paper maps social entrepreneurship and social innovation in a continuum of transformative service according to the types of change and the values they bring to the organizations and/or to the society. This conceptualization enhances understanding of the social entrepreneurship and innovation constructs in relation to transformative service concept.*

*Keywords: Social entrepreneurship; social enterprise; transformative service; social innovation; service innovation*

### ABSTRAK

*Keusahawanan sosial telah menjadi satu subjek yang menarik minat ahli akademik lebih daripada dua dekad. Bagaimanapun, ia masih dianggap sebagai satu bidang baru dalam penyelidikan ilmiah. Beberapa sarjana menganggap hal ini disebabkan kurangnya kesepakatan dalam kalangan ahli akademik berkenaan dengan konsep keusahawanan sosial. Dalam masa yang sama, isu berkenaan perkhidmatan transformatif untuk kesejahteraan telah dikenal pasti sebagai satu bidang keutamaan dalam penyelidikan. Walaupun begitu, penyelidikan dalam bidang ini masih lagi kurang. Artikel ini bertujuan untuk menyumbang kepada pengetahuan dengan mencadangkan konsep keusahawanan sosial sebagai satu model perkhidmatan transformatif, melalui perspektif bersepadu teoretis inovasi, keusahawanan dan penyelidikan perkhidmatan. Kertas konseptual ini memetakan keusahawanan sosial dan inovasi sosial pada satu kontinum perkhidmatan transformatif menurut jenis perubahan dan nilai-nilai yang diketengahkan oleh organisasi dan/atau masyarakat. Konseptualisasi ini diharap dapat menambah pemahaman berkenaan keusahawanan sosial dan inovasi dalam hubungannya dengan konsep perkhidmatan transformatif.*

*Kata kunci: Keusahawanan sosial; perniagaan sosial; perkhidmatan transformatif; inovasi sosial; inovasi perkhidmatan*

### INTRODUCTION

Social entrepreneurship is a global phenomenon, and has been a subject of academic research for more than 20 years (Short, Moss & Lumpkin 2009). However, the concept is still considered as an emerging field in academic literature (Austin, Stevenson & Wei-Skillern 2006; Mair & Marti 2006; Mueller et al. 2011; Short, Moss & Lumpkin 2009). In many countries, social entrepreneurship has not been widely recognized. The term social entrepreneurship itself is seen as too vague and the various definitions associated with it lead to a lack of common understanding of what social entrepreneurship is (Austin, Stevenson & Wei-Skillern 2006; Martin & Osberg 2007; Trivedi & Stokols 2011). In addition, scholars argue that most of extant studies are non-empiric, lack of rigorous methods and often do not incorporate mainstream theories (Haskell, Haskell & Kwong 2009; Haugh 2012; Mueller et al. 2011; Shockley & Frank 2011; Short, Moss & Lumpkin 2009).

While the term social entrepreneurship has taken on several meanings in scholarly as well as in the industry contexts, the term ordinarily describes innovative actions that address certain societal issues. Proponents of social entrepreneurship argue the importance of social entrepreneurship philosophy in improving business and society's well-being. This is because social entrepreneurship concept is usually built upon innovative solutions for social purposes. Business has been perceived as a reason for escalation of economic, environmental, and social problems (Porter & Kramer 2011). As such, it is becoming imperative for businesses to offer innovative solutions to pressing problems in the society, especially those that require significant transformations in the political, economic, and social systems (Alvord, Brown & Letts 2002).

At the same time, in the area of service research, the issue of improving well-being has gained more importance. One of the priorities in service research is

on the construct of transformative service for improving well-being (Ostrom et al. 2010). Despite its potential for improving well-being, research on transformative service has been scarce (Ostrom et al. 2010; Sangiorgi 2010; 2011). Defining the concept of social entrepreneurship through the perspective of transformative service enriches our understanding of the social entrepreneurship concept. Converging the two perspectives of social entrepreneurship and transformative service offer insights into potential business solutions that could contribute to societal well-being. Accordingly, this article aims to contribute to the knowledge by conceptualizing social entrepreneurship as a model of transformative service through integrated theoretical lenses of innovation, entrepreneurship and service research.

#### SOCIAL ENTREPRENEURSHIP

Despite sharing many similarities to mainstream management research, such as entrepreneurship, non-profit management as well as social issues in management (Mueller et al. 2011; Short, Moss & Lumpkin 2009), social entrepreneurship research has been noted to be lacking in rigour and congruence with the established mainstream theories (Haugh 2012; Nicholls 2010; Short, Moss & Lumpkin 2009; Trivedi & Stokols 2011). Therefore, it is presumed that the field of study in social entrepreneurship is to remain in its pre-mature state (Austin, Stevenson & Wei-Skillern 2006; Mair & Marti 2006; Hoogendoorn, Pennings & Thurik 2010; Nicholls 2010; Short, Moss & Lumpkin 2009). The infancy of social entrepreneurship research perhaps can be associated with the lack of common agreement of what social entrepreneurship is, or what it is not (Austin, Stevenson & Wei-Skillern 2006; Hoogendoorn, Pennings & Thurik 2010; Trivedi & Stokols 2011). Accordingly, there are various definitions to the terms social enterprise, social entrepreneurship and even social entrepreneurs, ranging from broad to more narrow conceptualizations (Austin, Stevenson & Wei-Skillern 2006; Dees 2001; Mair & Marti 2006; Martin & Osberg 2007; Mueller et al. 2011; Mort, Weerawardena & Carnegie 2003). For instance, some scholars limit the application of social entrepreneurship to non-profit organizations (Mort, Weerawardena, & Carnegie 2003), while some authors extend the concept to cover the entire philosophies of doing businesses (such as Dees 2001; Mair & Marti 2006; Mueller et al. 2011; Short, Moss & Lumpkin 2009).

According to Ridley-Duff and Southcombe (2012: 179), social enterprise refers to the “organizational forms and entrepreneurial approaches that prioritize social innovation and responsibility to society.” This definition is grounded in an understanding of social entrepreneurs as innovators with the ultimate social purpose (Dees 2001). Mair and Marti (2006) similarly view social entrepreneurship as a value creating process by combining resources in innovative ways; which are intended mainly to create social value by exploring and

exploiting opportunities. This definition is concurred by Short, Moss and Lumpkin (2009) and many other scholars who define social entrepreneurship in similar veins, such as Nicholls (2010) – process of change in the delivery of social, environmental or public services; Austin, Stevenson and Wei-Skillern (2006) – any innovative, social value creating activity within or across sectors, as well as Thompson and Doherty’s (2006) who view social enterprises as organizations that seeks to solve social problems through business methods. Social entrepreneurs are also seen in the context of entrepreneurial behavior and defined as those who engage in an entrepreneurial process which creates value (Chell 2007: 13). Accordingly, the broader view of social entrepreneurship includes the non-profit organizations and any business embedded with social purpose. Instances of the latter type include hybrid organizations which are the mixture of not-for-profit and for-profit entities (Dees 2001).

Therefore, social entrepreneurship as a business model innovation can be seen in a spectrum, from incremental to radical. This paper takes the view of social entrepreneurship as the application of innovative business methods to solve social problems, which is skewed towards Social Innovation School’s interpretation of social entrepreneurship (Dees & Anderson 2006; Hoogendoorn, Pennings & Thurik 2010).

#### TRANSFORMATIVE SERVICE FOR SOCIETAL WELL-BEING

In the age of service competition, the service industry has become the main economic contributors, with more than 70% of the gross domestic product (GDP) of the world’s most advanced economies is generated by service (Aliah Hanim, Ahmad Azmi, Poon & Aini 2009; Ostrom et al. 2010). The focus on the role of service is becoming imperative with the emergence of service-dominant (S-D) logic (Vargo & Lusch 2008) that fundamentally changes the view on industry, from goods dominant logic to a total service culture (Gummesson 2010; Ostrom et al. 2010). One of the foundational premises of S-D logic is that all dealings of organizations, in the markets and societies, are concerned with exchange of service. As such, all economies are therefore considered service-based. Accordingly, adopting this broader definition of service, this paper takes the view of social entrepreneurship to be generally as a service.

Laurel Anderson in Ostrom et al. (2010: 6) defined the construct of transformative service for society’s well-being as “the uplifting changes and improvements in the well-being of both individuals and communities.” Such service is regarded as transformative when it proposes more accessible, usable and equitable solutions (Sangiorgi 2010, 2011), and changes how activities are conducted and value is created (Zysman et al. 2010), as well as becomes an engine for wider societal transformations (Sangiorgi 2010, 2011).

A review of definitions of transformative service in selected literature is tabulated in Table 1. Several common

TABLE 1. Definitions of transformative service

Authors	Working Definitions	Elements/ Themes
Ostrom et al. (2010: 9)	"...creating uplifting changes and improvements in the well-being of both individuals and communities."	Innovation, Change, Value creation
Sangiorgi (2010: 3)	"In order to be transformative services need to propose more accessible, usable and equitable solutions on one side, but also suggest new models of service co-production where citizens are not perceived as passive users but active collaborators..."	Equitable solutions, New models, Service co-creation
Zysman et al. (2010: 1)	"...service activities transform the services component of the economy, altering how activities are conducted and value is created."	Innovation, Value creation
Evans, Hanlin & Prilleltensky (2007: 329, 332)	"In our view, outmoded human service organizations are in serious need of innovation to promote psychological and physical wellness; prevention of social problems, empowerment, and social justice...transformative paradigm in the beliefs and practices of human service organizations requires an intentional process of change..."	Innovation, Change
Varey (2010: 120, 128)	"Another recent development is the subfield of transformative consumer research, concerned with the enhancement of the welfare of individuals and society in both present and future generations...Core values and vision for the future must be the catalyst for transformative change..."	Core values Enhancement, Welfare

themes emerge from the above conceptual definitions. The understanding of the construct can be further enhanced by examining the underlying theories and principles surrounding transformative service.

#### CONCEPTUALIZING SOCIAL ENTREPRENEURSHIP AS A MODEL OF TRANSFORMATIVE SERVICE

Central and common among the definitions of transformative service as well as the broad definitions of social entrepreneurship include the elements of 'innovation' and 'creation of values.' The notion of 'innovate or perish' denotes that researchers have long recognized innovation as the main source of competitive advantage and value creation (Schumpeter 1989; Hart & Milstein 2003). In addition, service innovation not only enables delivery of new service by organizations, but it also supports provision of service of societal impact ('society driven innovation'). Moreover, service innovation can also be a policy vehicle for addressing societal problems or as a mechanism in support of a desired societal development plan (European Commission 2009).

#### THE CONCEPT OF INNOVATION, ENTREPRENEURSHIP AND VALUE CREATION

Christensen (1997: xiii) offers a broad definition of innovation as the "processes by which an organization transforms labor, capital, materials and information into products or services of greater value." Other than creating new products and processes, innovation may also include new types of business models (Enders et al. 2006). Innovation has also been described as the *act of introducing something new*, such as new ideas, techniques or strategies (Tornatzky & Fleischer 1990) or "any product, service, or system perceived as new by its adopters" (Dewar & Dutton 1986). Thus, generally the term can be twofold – the *outcome* of an innovative

process, which is *the new product/new business model*, and/or the *process* of generating the new product/new business model, which begins with innovative creation, to adoption and diffusion.

The literature explicitly suggests that innovation is a continuum, in accordance to the types or degrees of change imposes on the organizations that create and develop the new product or service, to its users, and to the society in which it is introduced. Generally, radical innovations result in major transformations in the business processes of an organization or even the industry, and the society (Tushman & Anderson 1986). On the other hand, incremental innovations bring about minor changes in the current business practices and their creation generally promises to strengthen organization's existing capabilities, and thus its effect on the industry or society are minimal (Dewar & Dutton 1986). In any case, it is the entrepreneur who brings invention into the market place; and thus, entrepreneurship is regarded as the process of recognizing a business opportunity and developing it into innovative product or service, or a business model. Thus, innovation and entrepreneurship are two closely connected concepts (Timmons 1994; Shane & Venkataraman 2000).

Disruptive Innovation Theory (Christensen 1997) is one of the most well-known frameworks on innovation theory in management research (Enders et al. 2006; Kline 2003). This theory is divided into two categories, "disruptive innovation" and "sustaining innovation" (Christensen 1997: xiii). As opposed to disruptive innovations, sustaining innovations are integrated into existing systems and improve the performance of existing products or services (Kline 2003). Sustaining innovations are further divided into either 'discontinuous' or 'continuous,' in which the former is described as 'revolutionary' or 'transformational' whereas the latter as 'evolutionary' (Christensen 1997: xviii).

Drawing on Schumpeterian perspective of innovation –which, according to Palmas (2012), a useful approach to ‘theorize’ social entrepreneurship – social entrepreneurs are innovators that ‘reform or revolutionize the pattern of production’ (Dees & Anderson 2006). Therefore, since “social enterprise is rewriting the rules of traditional business conduct” (Pirson 2012: 34), this paper asserts that disruptive or radical social entrepreneurship fits in the definition of revolutionary sustaining innovation that creates market or solving a problem in a radically new way (Christensen 1997). In other words, social entrepreneurship involves transformative changes in the “system’s structure, role relationships, premises, rules, or assumptions governing the system as a whole” (Evans, Hanlin & Prilleltensky 2007: 332). Based on Christensen’s (1997) definition of innovation, continuous or incremental social entrepreneurship can be defined as one that has the characteristics of evolutionary innovation. This kind of social entrepreneurship, which is non-transformative, generally involves improvements on existing value offerings.

As shown in Table 1, the element of ‘values’ are present when transformative service is defined. According to the literature, these values could be the values that are created from the delivery of service, or it could be the underlying values of individuals who are involved in the service process. While the definitions do not explicitly mention ‘social’ values, we may infer that social aspects are included, as ultimately transformative service are meant to bring about changes to the society and its members. Social values are in fact imperative for social entrepreneurship; a business cannot be a social enterprise unless it has a social premise – values, objectives, methodology, and other relevant elements. Therefore, social entrepreneurship would operate on social values foundation as well as other types of values as conceived by the founders, such as consumer values and economics values.

#### SHARED VALUES AND STAKEHOLDER THEORY

Varey (2010) suggests core values as the fundamental ingredient of a transformative service. For instance, he proposes that in order for a service to be transformative, relationship values needs to replace the conventional service marketing values such as consumerism and individualism, (which are materialistic, selfish and economic driven). Taking it further, a values-based approach of transformative service emphasizes on one’s responsibilities in affecting a transformation, and eventually leading to societal well-being (Khairul Akmaliah & Nur Sa’adah 2013), as it is the values that will guide the conduct and behavior of a person, and therefore give effects to its surroundings.

Porter and Kramer (2011) advocate for businesses to focus on decisions and opportunities through the perspective of ‘shared value,’ which refers to the congruence between societal and economic objectives.

By doing so, the organization able to generate greater innovation and achieve organizational growth – and at the same time brings greater benefits for society. Porter & Kramer (2011) illustrate the example of social enterprise as a blueprint of a shared value perspective. This is in line with the business sustainability view which suggests the importance of sustainable development of organization through simultaneously delivering economic, social, and environmental benefits (Hart & Milstein 2003).

Porter and Kramer’s (2011) notion of shared values has its origin in the earlier stakeholder theory (Pirson 2012), a business ethics and organizational management theory that addresses morals and values in managing (Phillips & Freeman 2003). Stakeholder theory was first coined by Freeman as a strategic perspective of management (Freeman 1983 in Mainardes, Alves & Raposo 2011), which, in turn, has its origin in the principles of stakeholder fairness based on Rawlsian’s theory of justice (Phillips & Freeman 2003).

In line with the stakeholder theory that holds that business organizations address the interests of all stakeholders, social entrepreneurship is concerned with creating shareholder value which is intended primarily to create social change or to meet social needs (Mainardes, Alves & Raposo 2011; Mueller et al. 2011). In particular, the normative (moral) perspective to stakeholder theory explains how organizational actions are molded according to the interests of the stakeholders (Friedman & Miles 2006; Mainardes, Alves & Raposo 2011). Accordingly, it explains the emergence of social entrepreneurship which is increasingly in congruence with the moral principles that the stakeholders find favorable and legitimate (Dart 2004).

#### SOCIAL ENTREPRENEURSHIP MODEL AND THE DEGREE OF TRANSFORMATION OF SERVICE

We view that, social entrepreneurship exists on a continuum, based on the degree of social innovation; the higher the degree of social innovation, the higher the social entrepreneurship ‘embeddedness’ on the spectrum of innovation. A service is transformative when it offers *revolutionary, innovative* actions or methods that offer *sustainable values* in the form of equitable solutions to society’s pressing needs. At the same time, the society are actively involved in co-creating the shared value with the organizations, that ultimately gives impact to society’s development and well-being. These shared values of citizens and organizations are integral in delivering transformative service. Based on this understanding, a model relating social entrepreneurship and transformative service is thus proposed.

To briefly illustrate the conceptualization of social entrepreneurship as a model of transformative service, Figure 1 provides some examples of (social) enterprises with varying degree of social entrepreneurship embeddedness, plotted according to its degree of social innovations. Vertically, Figure 1 shows the degree of

innovation in the business model, from incremental to revolutionary; the horizontal line indicates the level of social entrepreneurship philosophy embedded in the business model. For example, commercial businesses with strong Corporate Social Responsibility (CSR) initiatives (that have aims to bring certain social impacts through their business innovations) can be considered as social enterprises, albeit less transformative (Quadrant 2). On the

other side of the continuum, organizations that have the high level of social entrepreneurship philosophy embedded in their business practices and/or high degree of social innovations that brings about impacts toward societal well-being are considered transformative (Quadrant 4). In other words, the more impact of the service to the well-being of the society, the higher its degree of service transformation will be.

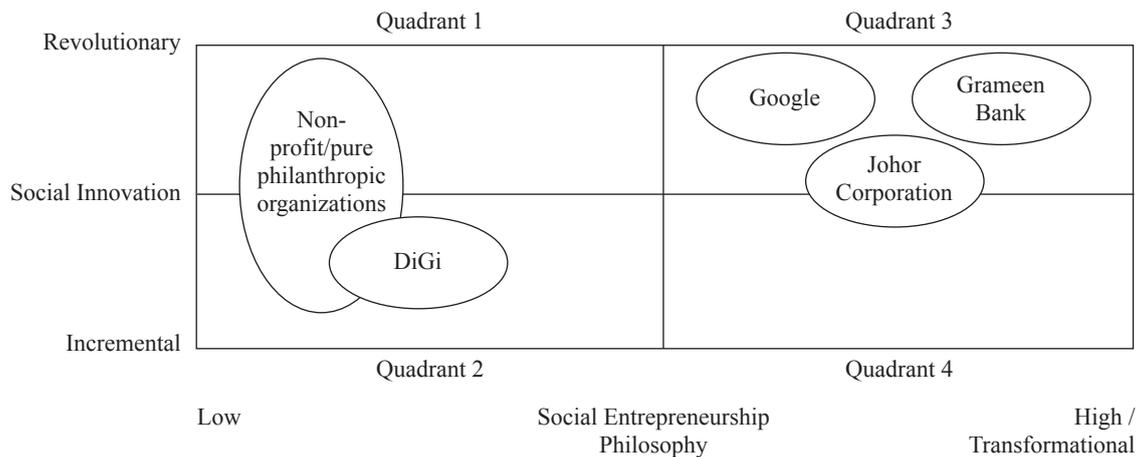


FIGURE 1. Mapping social entrepreneurship model, according to the degree of transformation of service

Figure 1 shows several cases of social enterprises concept along the transformative continuums. Going further to the right indicates more elements of social innovation are integrated into the service offering of the firm; the extreme left side treats social innovation as a function, rather than it being integrated into the main offering of the organization (Quadrant 2). Therefore, the main offerings and social innovation offerings are separated in Quadrant 1 and 2, while in Quadrant 3 and 4, the main offering and social innovation are packaged together. Moving more to the right means more wide spread are the social innovation values, with implementation entails higher risks. This level of risk is measured through the degree of changes implicated by the operation of the different models; the more complex or systemic the changes are, the higher the business are on the grid of transformativeness, because such changes would require significant resources, and affect more groups of people. As shown in Figure 1, values and risks are highest in Quadrant 4.

The brief description of their social entrepreneurship concepts is given below.

**DiGi** DiGi. Com Berhad (DiGi), is one of the leading mobile telecommunications companies in Malaysia, which aims to become a leader in sustainable and ethical business practices and in particular, the green practices (DiGi 2009). One of the company’s campaigns to promote environmental and energy conservation is called Deep Green. Through Deep Green, DiGi aims among others to reduce its carbon footprint by 50% based on 2011’s forecast (in 2009, the company had reduced about 15%

of its carbon emission from the previous year). DiGi also seeks for various innovative solutions to reduce shared climate impact (DiGi 2009, 2010). As the business impact of this effort is mainly on only one part of environmental elements (pollution reduction), this concept is classified as an incremental social innovation, with a lesser degree of social entrepreneurship philosophy embeddedness. This is the most common concept that some organizations claims as social innovation, usually coined as CSR or sustainability initiatives. In this regard, CSR can be seen as a part of social innovation but with less impact, hence incremental in nature.

**Johor Corporation** Johor Corporation (JCorp) is a business entity and investment arm owned by the state government of Johor (JCorp 2009). The corporate mission of JCorp is ‘*Business Jihad – The Jihad of Peace and Prosperity through Enterprise*’ which aims to achieve the well-being of Muslim society (ummah) through business methods. This social objective which is embedded in the company’s philosophy defines JCorp as a social enterprise. In line with this spirit, in 2006, JCorp launched the first of its corporate waqaf initiatives, involving the transfers of millions of unit shares owned by JCorp to Waqaf An-Nur Corporation as trustee (JCorp 2009). The move was considered a breakthrough in corporate world as it was the first of its kind (JCorp 2009; Oxford Business Group 2010). As the JCorp business foundation is built upon a mission for societal well-being, it can be classified as having a high degree of social entrepreneurship philosophy embeddedness and thus entails a higher degree of organization and social innovation.

*Google* Founded in 1998, Google is the world's leading provider of internet search tools and services (Google 2011). Today, with 'steady streams of new tools and services provide simple solution to complex problems' (Bloomberg BusinessWeek 2005: 1), Google is one of the most innovative companies, consistently ranked within the top five of world's most innovative companies since the past five years (Bloomberg Business Week 2005; 2011; Fast Company 2010). Google can be regarded as a social enterprise, since it uses innovative means to achieve a social mission, namely organizing the world's information so that they are universally accessible and useful (de Kerros 2011; Google 2011; Pirson 2012). Therefore, Google's social innovation can be classified as transformative.

*Grameen Bank* Grameen Bank – 'the Bank for the Poor' – is one of the most celebrated examples of social entrepreneurship movement (Thomson & Doherty 2006). Established in 1983, Grameen Bank provides microcredit facilities to the 'poorest of the poor' as a means of poverty alleviation, pioneering the concept of micro financing. The bank has since been a source of inspiration for similar microcredit institutions or other similar microcredit facilities offered by conventional banks (Nobelprize.org 2006; Pirson 2012). In 2006, Grameen Bank and its founder, Muhammad Yunus, were jointly awarded the Nobel Peace Prize for their efforts "to create economic and social development from below" (Nobelprize.org 2006). To date, Grameen Bank is the only business organization that has received a Nobel Prize.

We view that socially-oriented non-profit organizations (such as trusts organizations or foundations) fall into Quadrant 1 or 2 (low to high social innovation, but low on social entrepreneurship embeddedness). These organizations may score high on social innovation (by having revolutionary ways of achieving their social objectives), but without or less commercial orientation. Accordingly, given that this form of organizations is less entrepreneurial, their potential for high growth and sustainability is lower than those in other grids (Quadrant 3 and 4).

## CONCLUSION

To conclude, social entrepreneurship and social innovation concepts exist in a continuum according to the types of change and the values they bring to the organizations and to the society in which they are implemented. Innovative businesses have the power to transform the industrial landscape, which theoretically would not only bring profitability to the business, and provide values to the customers, but also add values to the society. The new era of service requires businesses to consider integrating social innovation into their main offerings, so that their contributions to the society make significant differences. In this regard, when social enterprises are conducive to innovation for positive social change (Haskell, Haskell &

Kwong 2009; Quilley 2012), they are transformative in nature. Operationalized as a transformative service, social entrepreneurship is indeed a vehicle of transformation for improving societal well-being, including organizational well-being (Muller 2011; Quilley 2012).

As the field of social entrepreneurship is getting more visible within the academic as well as the practice sphere, and thus, the time is ripe for furthering theoretical advancement in this domain (Haugh 2012; Mueller et al. 2011; Palmas 2012). As sustainability is mainly achieved from socially and environmentally responsible business models (Porter & Kramer 2011), important questions to be addressed by future researchers are: What is to be transformed? How to manage the risks of transformation? Equally important is, what are the strategies for instituting this transformation? Exploring these questions would help develop the field of social entrepreneurship as it relates to the domains of organization and management as well as societal well-being.

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