

## **SOCIAL ENTREPRENEURSHIP AND PUBLIC PRIVATE PARTNERSHIPS**

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### **Abstract**

Social entrepreneurs have an important role in the creation and development of Public Private Partnerships. They effectively lead innovative and entrepreneurial changes in social organisations or arenas which have not-for-profit motives. Social entrepreneurs: focus upon social issues; systematically apply new perspectives and innovations to relevant opportunities; and change what their organisation produces, how the services are produced and/or how their organisations operate. This paper discussed the characteristics and behaviour of social entrepreneurs. It argues that they have an important role in creating social capital, which is essential to Public Private Partnerships in areas such as urban regeneration and local economic development. It also considers how social entrepreneurs can bridge social and commercial objectives through business organisations such as community businesses or co-operatives. As social entrepreneurs can be seen as a form of behaviour, those working in business or other areas may act as social entrepreneurs when acting in their individual capacity.

Keywords: social entrepreneurs; Public-Private Partnerships; social capital; entrepreneurship behaviour

## **INTRODUCTION**

This paper analyses the role of social entrepreneurs in Public Private Partnerships. Great emphasise has been placed upon the private sector and community participation in various types of national and local policies, such as urban regeneration (McQuaid, 1999) or local economic development (Bingham and Mier, 1993). At the same time governments have been moving towards having a greater enabling, rather than providing, role where private and community-based or other not-for-profit organisations are expected to provide services preciously provided by government. These trends have been important in the expansion of Public Private Partnerships and participation by non-for-profit organisations. However, key to the effective participation of not-for-profit or community-based organisations within Partnerships are the activities of social entrepreneurs, yet their role has largely been neglected in the literature.

The changing causes and nature of social problems requires much innovative thinking and entrepreneurial action. Society continually undergoes social, economic and political changes, generating new needs or refashioning old problems, such as community-based urban regeneration, drugs, crime, bad housing, lack of facilities for young or old people etc. Terrorism around the world has refocused attention upon the causes of social unrest and upon poverty, suggesting the need for more innovative solutions and entrepreneurial thinking and behaviour to deal with such social issues. This may require creating new organisations or ways of delivering services such as partnerships that combine the activities of many different agencies to tackle multi-

faceted problems. Public Private Partnerships and social entrepreneurs are of growing importance in meeting such challenges.

The next section defines social entrepreneurs and their behaviour. Section 3 considers the role of social entrepreneurs in creating wider social capital in their communities through partnership working and the importance of social capital for partnerships. Section 4 then discusses two types of organisation where social entrepreneurs may be active (community businesses and co-operatives) and are often formed through partnerships between various actors. Finally there are some brief conclusions.

## **WHAT ARE SOCIAL ENTREPRENEURS?**

The term ‘entrepreneurship’ has a number of meanings.<sup>1</sup> One meaning or perspective is that it is a form of behaviour, so it need not be restricted to people seeking private gain or starting profit making organisations, but rather can also be applied to those working in all sectors. For example, Peter Drucker (1985) argues that an entrepreneur is characterised by the behaviour of someone who “always searches for change, responds to it, and exploits it as an opportunity” (p.25). Entrepreneurs must learn to practice systematic innovation, which “consists in the purposeful and organised search for changes, and in the systematic analysis of the opportunities such changes might offer for economic or *social* innovation” (p.49). He argues that entrepreneurship can be learned and we are not necessarily ‘born’ entrepreneurs. Social entrepreneurs are those who effectively lead innovative and entrepreneurial changes in social organisations or arenas which have social and not-for-profit

motives. They: focus upon social issues; systematically apply new perspectives and innovations to relevant opportunities; and change what their organisation produces, how the services are produced and/or how their organisations operate. Although the term social entrepreneur is used in the singular here, this does not mean that entrepreneurship implies a 'cult of the individual'. Rather there may be a team of social entrepreneurs in some projects.

Social entrepreneurs channel, often voluntary, resources creatively to help deal with social issues, on a not-for-profit basis. Leadbetter (1997) suggests that they concentrate on social outputs, i.e. ones that promote health, welfare and well-being. What distinguishes them from private entrepreneurs is that the organisations they operate in are not-for-profit, i.e. do not have profit as their main aim and usually do not distribute their profits to their owners. They may have a variety of motives, but should have a strong moral integrity underlying how they go about achieving their aims. Leadbetter continues that their core assets are forms of social capital (relationships, networks, trust and co-operation) that then give them access to other physical and financial resources. Hence the role of partnerships is crucial to their activities. They achieve their aims through realising innovative solutions to social problems, and utilising under-used resources (e.g. people, premises, equipment) to meet identified community or client needs.

Of course, innovative solutions should not simply be innovative for their own sake but must also be effective and efficient or else they may be wasteful and use of resources that would be better allocated elsewhere. Indeed, Drucker (1992) argues, effective non-profit organisations, or social entrepreneurs, should be governed by good

performance in achieving their objectives rather than by their good intentions.

Drucker (1985, p.21) suggests that the creation and development of the modern university is a prime example of (social) entrepreneurship. He cites Humboldt University that helped to give Germany and its industry scientific and intellectual leadership and the US universities that became leaders in research and expanded education to new groups in the twentieth century.

Young (1983) suggests that social entrepreneurs follow a similar process or sequence to private sector entrepreneurs. Usually they start with ideas generation, which may include an opportunity or new solution to a problem identified, often through systematic analysis of the situation (or innovation as discussed above). This may be through new ways of joint working with other bodies or other forms of partnership. Next, resources are gathered or developed, through reallocation of existing resources or gaining new resources from potential stakeholders, such as through a Public Private Partnership (particularly where the organisation's own resources are limited). Following this, the path-clearing phase involves overcoming other institutional barriers, such as licences, changing mandates for the organisation, creating formal and informal links to other bodies etc. Then the leadership and management of the venture needs to be organised so that it will be self-sustaining, although the social entrepreneur or team, may not necessarily take the management role. The management of the project may involve a joint management board with other bodies. Finally, after the plans, resources and leadership are in place and necessary permissions obtained, the crucial stage of implementation occurs. This may involve hiring staff, getting premises and equipment and ensuring effective monitoring and evaluation of activities and a clear forward strategy for development.

This process is similar to the general strategic decision-making and implementation process. It involves networking, partnership and collaboration among key bodies and other stakeholders (such as the local community). It may involve a division of labour with delegation of various activities, but with the entrepreneur assuming responsibility for making things happen and driving the project forward. The success in generating the project will depend on both the social entrepreneur and other stakeholders or potential partners, and on other factors such as the surrounding economic, social, political, cultural environments.

In addition, many individuals, who work in the private sector, contribute to urban regeneration Public Private Partnerships and may act as social entrepreneurs when acting in their individual capacity (as if there are acting in their business capacity they may be better termed business people or private entrepreneurs). For example, early industrialists such as Robert Owen or many Victorians, including Rowntree, Cadbury and Lord Lever, provided housing and educational facilities for their workers and families that were far in advance of contemporary standards and were not motivated by purely commercial factors. These industrialists exhibited both private and social entrepreneurship. Staying in the Victorian era, to illustrate how many things do not fundamentally change, Samuel Smiles (1859) argued that the key psychological traits of an entrepreneur were integrity, self-learning, courage, conscientiousness, patience, perseverance, self-discipline and self-respect. There are similarities with social entrepreneurs who should:

act strategically and have clear vision and goals;

act professionally and with a high degree of integrity;

have dynamism and an ability and willingness to identify and realise opportunities;  
understand the operational as well as broader policy issues;  
be focused on the needs of stakeholders and searching for and identifying relevant opportunities; and  
demand high standards of themselves and build strong teams of similarly talented, ambitious and hard working associates around themselves and whose strengths complement the entrepreneurs' weaknesses.

While private and social entrepreneurs have many similarities, they do differ in terms of objectives, but also how they implement their activities. For social entrepreneurs, the way they respond to and deal with their stakeholders is crucial, for instance, not using power that they may have over their clients, or other actors, in a way that is inconsistent with the values and remit of their own organisation. Hence, in an urban regeneration partnership, the views of the local community may sometimes be paramount, even though they may have relatively little power.

In organisational terms social entrepreneurs often create flexible organisations with flat structures, using paid and voluntary workers. Crucially they have the skills to effectively help combine a complex network of various individuals and organisations, through formal or informal, partnerships to tackle social needs. The entrepreneurs may generate and pilot new solutions or provide services more efficiently and effectively than before. To do this they often help build up the social capital and capacity of the communities or client groups they work with to enable them to take greater control of their own destinies.



## **SOCIAL ENTREPRENEURS, SOCIAL CAPITAL AND PARTNERSHIPS**

Keys to the success of Public Private Partnerships are trust and effective, value-adding links between the actors etc. In a geographical community or community of interests an essential building block towards trust and the ability to set up and maintain effective partnerships is the presence of social capital. Social entrepreneurs can have a significant role in building or improving social capital. This is particularly the case where social capital is limited due to previous conflict or unrest (Nel and McQuaid, 2002).

Social capital comprises the stocks of social or mutual trust, co-operative norms, a sense of a shared future, shared values, reciprocal relationships, and networks that can be used by a community to deal with common problems or issues.<sup>2</sup> These links include those formed with other communities and groups (Coleman, 1990; Putnam, 1993). Social capital also includes informal institutions, links or networks (and ‘informal partnerships’). Partnerships (both those based entirely within a community or those involving actors outside a community) can be seen as a key structure for creating, developing and formalizing social capital. Indeed Public Private Partnerships can be seen as an explicit attempt to increase and develop cross-body social capital, albeit with a commercial motive by some actors in the cases (e.g. Private Finance Initiatives/‘Public Private Partnerships’ in the UK).

There are different approaches to defining what actually constitutes social capital. One approach suggests that it comprises the internal and external links or networks of

a community. These networks or links may be of different types. For instance, in the case of a loan scheme to assist micro enterprises, Servon (1998) found separate types of links between borrowers or clients (i.e., within the programme) and between those involved in the programme and other institutions like international aid agencies (i.e. external). Social entrepreneurs who network with both local and outside organizations can have a particularly important in bringing together the different networks and hence opening up greater access to external resources.

Another approach to defining social capital suggests that it is made up of the actual resources or capital that are accessed through these links or networks in a community. Hence the social capital in a community includes “the sum of resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition” (Bordieu and Wacquant, 1992, p. 119).

How is social capital created? Putnam (1993) sees civic infrastructure, which forms bridges between non-governmental organisations (NGOs), local government agencies, the private sector and community organisations, as important in forming social capital. To this can be added purpose build partnership ‘organisations’ or frameworks. The actions of social entrepreneurs, such as community leaders, professionals, and local residents, are important in successfully building such frameworks and social capital. Also crucial are the local circumstances, basic suitability of any project, an understanding the community development process, credibility of the programmes and their participants, competence, confidence and constructive critiques of efforts (Gittell and Vidal, 1998). Local “champions” or animateurs who are social

entrepreneurs with the relevant skills and values to build social capital are important to help communities prosper and adapt (Wilson, 1997) and to develop more equal and effective partnerships.

There are weaknesses in the general concept of social capital and in its application to partnerships. It has too many varied definitions (Harriss and De Renzio, 1997; Jackman and Miller, 1998; Woolcock, 1998). It neglects the role of the state in creating necessary trust (as it has focused primarily upon the family), yet government led or supported partnerships have an important role in increasing social capital. Putnam's (1993, 1995) methodology for measuring social capital has also been heavily criticised as: it ignores many groups; it defines participation in social organisations so narrowly that he misses some ways people interact; and insufficient account is taken of the changing purposes of organisations and their attractiveness to new members (e.g., some organisations decline as they have achieved their original goals). Social capital can also be negative (as organised crime is rich in social capital) and is sometimes used to enforce society's conventions and stifle innovation and entrepreneurship (Lang and Hornburg, 1998). Another criticism is that while it may increase trust and co-operative norms within social or other groups, social capital can also widen gulfs between groups (Knack and Keffer, 1997).

## **SOCIAL ENTREPRENEURSHIP AND BUSINESS STRUCTURES**

### **- COMMUNITY BUSINESSES, CO-OPERATIVES AND PARTNERSHIPS**

Social entrepreneurs may operate in not-for-profit organisations although it can be argued that some forms of business, such as community businesses or co-operatives, involve social entrepreneurship as their primary purpose is to generate social benefits in addition to profit. In the past increases in collective entrepreneurship, such as co-operatives, has been associated with economic crises (Jones and Svejnar, 1982). The growth of Public Private Partnerships and outsourcing of government activities has created increased opportunities for non-for-profit organisations in the provision of welfare and other social services and hence a 'quasi-commercial' role, requiring social entrepreneurship and the use of general business skills. There are many types of business structure for such organisations with community businesses and co-operatives being two structures sometimes led by social entrepreneurs.

Community businesses mainly focused upon the benefits to the wider community rather than to organisational members, as well as seeking to maintain a viable business (LAURA, 1990; Houghton, 1999). A common community benefit is through providing work, while others include physical improvements to neighbourhoods such as tree planting, or social services to local residents etc. (Glancey and McQuaid, 2000). A community business can be defined as a trading organisation which is set up and controlled by the local community and which aims to create ultimately self-supporting jobs for local people. Their profits may go towards creating further employment or providing local services or assisting other schemes of community benefit and are not distributed to the members or 'owners' of the business.<sup>3</sup> There are a number of distinguishing features of community businesses: they trade their goods or services and so are businesses; their purpose is to provide economic, social or

physical benefits for the community; they are accountable to and controlled by people in the community; and profit is not their main objective.

A second type of business organisation in which social entrepreneurs may commonly be involved is in co-operatives. This form of business primarily seeks to benefit their members rather than the wider community, although they may also have wider social objectives and indeed may lead social change in society in some circumstances (Tetzschner, 1997; Rothchild and Whitt, 1986). Social entrepreneurs may be involved in setting up and operating such co-operatives. Producer co-operatives are where the members are its workers and have a long history. As long ago as 1760 a co-operative flourmill was even established in Woolwich in London. As with other partnerships involving social partners, greater profits are traded off against social or non-pecuniary benefits. So co-operative members may forgo increased profit per member in order to maintain or increase employment resulting in them employing more people than an equivalent private firm.

Marketing co-operatives are a clearer illustration of partnership as (often) independent private producers come together to market their products. The most common examples are in agriculture (such as grain farmers in North America sharing grain storage and transport facilities). Here the advantages of collaboration are reductions in costs and ability to withstand excess the power of larger companies that they deal with. The third type of co-operative, retail co-operatives, are where customers gain a share of the profits. They have been in existence since at least the early nineteenth century with the Sheerness Economical Society in Kent starting in 1816 as a co-operative shop linked to a bakery (Birchall, 1994). They have often involved

partnerships with other co-operatives, for example through bulk purchasing. In terms of the economy as a whole, co-operatives have, however, been relatively insignificant.

The co-operatives at Mondragon offer an interesting example of partnership between co-operatives. Each of these co-operatives is based upon a number of principles such as democracy, where each worker received a vote, links with education (with the school providing related business training), financial inputs by employees (which could normally only be withdrawn on retirement), and equity (with limits to differences in wages between staff) (Whyte and Whyte, 1991; Barker, 1997).

However, it is important to note that in many circumstances other organisational structures than community businesses or co-operatives may be more appropriate.

## **CONCLUSION**

Social entrepreneurs are important for the creation and development of Public Private Partnerships. It was argued that social entrepreneurship should be viewed as a form of behaviour that effectively leads innovative and entrepreneurial changes in social organisations or arenas which have social and not-for-profit motives. Social entrepreneurs: focus upon social issues; systematically apply new perspectives and innovations to relevant opportunities; and change what their organisation produces, how the services are produced and/or how their organisations operate. They have specific roles in systematically identifying new ways of doing things, or doing things in a new way, and actually carrying out these opportunities.

More generally it was argued that social entrepreneurs have an important role in creating social capital, which is essential to Public Private Partnerships through establishing and developing links between actors. Conversely Public Private Partnerships are useful in building and deepening social capital. This is particularly important in policy areas such as urban regeneration and local economic development where actors often involve private and non-governmental organisations and individuals. As social entrepreneurs can be seen as those practicing a form of behaviour, in such situations they may be from the private sector, or even private entrepreneurs who act as social entrepreneurs in their individual capacity (and not for the benefit of their own firms or profit). Finally, it was argued that in some cases social entrepreneurs can bridge social and commercial objectives through business organisations such as community businesses or co-operatives or other organisational structures. More research is needed into the characteristics and behaviour of social entrepreneurs in general, and how their activities support public private partnerships.

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<sup>1</sup> There are a number of ways of viewing entrepreneurship, including seeing it as a function in the economy, as a set of personal characteristics, as linked to an event, or as a form of behaviour (see for, example, Glancey and McQuaid, 2000).

<sup>2</sup> A community usually means a geographically specific community (such as a village) but could refer to a community of interest (e.g. those interested in local employment generation working with parents and employers to provide childcare and jobs for childcare workers).

<sup>3</sup> In the UK community businesses are generally set up as companies limited by guarantee (so the owners only risk their membership fee if the business goes bankrupt) and have charitable tax status. Trading may then be carried out by subsidiaries companies (such as shops, factories, services etc.) who pay taxes etc. as other businesses, but who pass their profits back to the charitable main company, avoiding taxes.