The Ideological Fundamentals of Social Entrepreneurship: the Political Economy Aspect

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Abstract: For many centuries ideology has been playing a major role in the development of societies and economies. It can evolve at the level of the state (the macro-level), as well as at the level of enterprises (the micro-level). At the level of special enterprises, such as social ones, the special ideology that shapes their behavior model, their development strategy and creates the fundamentals of their social mission that make them different from ordinary commercial enterprises, exists. This paper attempts to search for the ideological fundamentals of social entrepreneurship that shape their special way in the socio-economic development of several countries at the modern phase of the formation development. The social and economic missions are assumed to comprise the base of ideology of any social enterprise. The social mission of social enterprises refers to value creation for the “public good”, whereas their economic mission refers to value creation for “private gain”. It is shown that the ideology of social enterprises is reflected in the balance between these two missions during different periods of its development. It is concluded that in the historical perspective the outcome of this balance depends on the institutional pressure in a given country. The modern post-Soviet critical Marxism approach is used as a theoretical and methodological basis of the study. Due to it, the main formations of socio-economic development are derived and the development vector for the long run is specified.

Keywords: Social Entrepreneurship, Ideology, Political Economy, Social Mission, Economic Mission.

1. Introduction

During recent decades in the development of capitalism the trends which can be characterized as the process of capitalism socialization are observed. In most part it is connected with the fact that in the field of entrepreneurial activity new organisms named social enterprises emerged. These enterprises were focused not on profit maximization, but on maximizing the social value. By the kind of their activity these enterprises contradict the ordinary commercial enterprises, because in terms of surplus value, if it is formed, it is reinvested into the further social projects and is not captured by the top management or by the enterprise owners. Besides, these enterprises are actively supported by the state and are not left to fend for themselves in the struggle for surviving at the market. So, for instance, in the UK the government finances the activity of social enterprises by means of social procurement mechanism and in the USA the government supports social enterprises by means of the public programme “Pay for success”, which was launched in the period of B. Obama’s presidency, under which a certain sum was returned to the investor in the case if the target of the project he invested in was fulfilled, the sum he invested in was returned to him and he would get a certain premium, if the target of the project was overfulfilled, but he wouldn't get anything, if the target of the project wasn't fulfilled. In the process of financing this project the finances of taxpayers were involved, and that meant that this project was financed at the expense of the state budget. Indeed the government in these countries begins to intervene actively into the development of social enterprises, and that means the active participance of the government in the development of social enterprises.

The fact that these enterprises differ from the ordinary commercial enterprises can’t be neglected even by the representatives of neoliberal paradigm of economics from the Higher School of Economics, when they try to present these enterprises as self-sustaining ones that function at the expense of sustainable commercial effect, whose best guarantee is earning the income from products and services sales and not the grants and charities, which are not excluded as the supplementary sources, though (Social entrepreneurship..., 2011). These authors have to admit that this opinion is false, when they argue that these enterprises should be named as not-for-profit. Though, they imply by this sentence that a certain part of profit should be reinvested into the further social projects and not the uncommercial kind of activity of these enterprises, as it is mutually accepted in the world. This fact was stressed by E. Rudyk (2011) in his analysis of current trends of development of social enterprises.

All these facts suggest that social enterprises have their own ideology, which determines the way of behavior of social enterprises, shapes their development strategy for the long-run and creates the fundamentals of their social mission which differ them from ordinary commercial enterprises acting on the basis of profit maximization and assigning the profit by the bourgeois class. It is this reason, due to which a famous foreign researcher C. Leadbeater called social enterprises as the mainstream of dissidents, because it doesn’t fit for any pattern which
is provided for it by the representatives of neoliberal economics (Leadbeater, 2007). To express figuratively, we should say that these mainstream concepts are “bursting at the seams” when somebody is trying to pull them on social entrepreneurship to characterize its way of behavior as an ordinary commercial entrepreneurship, that differs from it only by fulfillment of certain social duties.

2. Research hypothesis

The hypothesis stated in this paper is to set a question, whether social enterprises have their own ideology of behavior, and what direction, in terms of the formation development, this ideology indicates. In other words, where this ideology leads and what direction of social development it assumes.

3. The diversity of meanings of social entrepreneurship in the modern world

From addressing marginalized individuals and communities (Haugh & Talwar, 2016; Parthiban et al., 2020; Qureshi et al., 2021) to poverty alleviation (Hackett, 2010; Mair et al., 2012; Sutter et al., 2019) and environmental conservation (Belz & Binder, 2017; Calic & Mosakowski, 2016), social entrepreneurship has existed as a phenomenon since the beginning of entrepreneurial activities (Dacin et al., 2010). The emergence of social entrepreneurship has coincided with the increasing inability of governments and the public sector to meet increasingly complex social welfare needs and challenges (Stephan et al., 2015; World Bank, 2017). Social entrepreneurship signals the need to promote positive change to social problems (Dacin et al., 2011, Deloitte, 2017; European Commission, 2017). It is the social transformations in response to societal problems that distinguish social entrepreneurship from commercial entrepreneurs and the broader for-profit organizations. Social entrepreneurship is thus a separate field of research from entrepreneurship (Mair & Marti, 2006).

Although entrepreneurial ideas and actions to achieve social and economic benefits are not new, academic research on the topic has only recently gained traction in the last decade (Saebi et al., 2019). Existing work on social entrepreneurship presents interesting discussions and contentions. For example, the diversity of actors involved in social entrepreneurship, as well as their broad range of motivations from hybrid missions to not-for-profits, often lead to confusion about the social entrepreneurship concept (Canestrino et al., 2020; Dacin et al., 2010). The term “social entrepreneurship” also has no universally agreed-upon definition, making it a broad term that encompasses a wide range of socially beneficial initiatives and activities. Social entrepreneurship has been defined as an “entrepreneurial activity with an embedded social purpose” (Cherrier et al., 2018). Zahra and colleagues (2009) defined social entrepreneurship as “activities and processes undertaken to discover, define and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (p. 522). Others have focused on social entrepreneurship as combining the economic mission of entrepreneurship and its social goals (Chell et al., 2016; Saebi et al., 2019). Regardless of differences in definitions, social entrepreneurship literature often highlights the mission of social entrepreneurship as creating both social and economic value (Doherty et al., 2014; Saebi et al., 2019; Santos, 2012; Wu et al., 2020).

One of quite extraordinary forms of social entrepreneurship is the reform which was held in Peru by the deputy of the Greek parliament Elena Panaritis, which improved significantly the lives of the labor migrants in this country. As a result of this reform, the labor migrants have got the opportunity of acquiring the real estate on the legal basis, which was captured by them before on the illegal basis. The main result of this reform was that due to the procedure of the real estate legalization these migrants have got the opportunity of being engaged in the entrepreneurial activity on this area and, as a whole, it contributed much to the economic growth and the growth of GDP at this country. After that E. Panaritis called herself “a social entrepreneur” in her numerous interviews (see, for instance, Panaritis, 2007), and that looks justified in this situation. So, if we allow for this reform, a wider definition of this phenomenon would look as the following: social entrepreneurship is the activity which is designed to solve the social problems which results in the emergence of commercial success, under which the main target group, for which this activity is realized, gets the ability to increase the level of its welfare on the basis of market mechanism, as well as at the expense of involving external sources of financing (for instance, grants, subsidies, micro-loans, investment, public procurements etc.).

For social enterprises the commercial element has a supplementary nature. Basically, they use the external sources of financing, but as they regularly experience the lack of external resources, they have to make ends meet and enter the market to earn a certain profit to realize the social projects. The profit here is the supplementary source of financing, not the main one, because for them the main task is to solve a social problem, not to be a self-sustaining enterprise. And it is their ideology, which is that they act not for profit, but for a certain social effect, that shapes their nature of activity as a non-profit, but in which a commercial activity can be as a
supplementary source of financing. In another definition in the paper of C. Seelos and J. Mair (2005) the social is about efficiently catering to basic human need that existing markets and institutions have failed to satisfy. According to their opinion, social needs are the goal of achieving sustainable development. Similarly, S. Certo and T. Miller (2008) refer to social as the fulfillment of basic and long-standing needs such as providing food, water, shelter, education and medical services to those who are in need. Other specifications are a sustainable method of enabling disadvantaged groups to improve their position (S. Hibbert, G. Hogg & T. Quinn, 2002, p. 299) to alleviate social exclusion and unemployment. In the study of M. Sharir and M. Lerner (2006, p. 7) social is about answers to social problems whether educational, welfare, environmental or health related. Finally, H. Neck and colleagues (2009) see the environment as one of the many social problems the world is facing today. This approach results in very diverse and often narrow interpretations of social value, of who social entrepreneurs are and what they do. Although this approach is relevant in concrete research contexts, this approach is difficult to sustain at the conceptual level when studying a heterogeneous population of social enterprises.

Besides, the researchers that study social value disagree on the meanings of this phenomenon. The term “social value” is considered to be subjective and varies greatly from one context to another, so the term is consequently imprecise and difficult to measure. A. Peredo and M. Mclean (2006, p. 59) broadly suggest that social values contribute to the welfare or well-being in a given human community, whereas P. Murphy and S. Coombes (2009, p. 326) imply an underlying range of basic values that are desirable and important in a civilized society. S. Brickson (2007, p. 866) in turn defines social value as that which enhances well-being for the earth and its living organisms. The common denominator of these definitions is their almost ideological stance toward advancing the well-being of people, communities and societies (the public or common good) built on a set of basic values. As compared with that, economic value creation is not primarily concerned with the public good but with enhancement of economic return and shareholder wealth (see, for instance, J. Austin et al., 2006; J. Dees & B. Anderson, 2002; S. Hibbert et al., 2002).

4. Social and economic missions of social enterprises

Nowadays some researchers, which tried to study the ideological fundamentals of social entrepreneurship, suggest that actually every social enterprise is based on realization of two missions – social and economic ones. In this case the social mission refers to value creation for the public good, whereas their economic mission refers to value creation for the private gain. Whereas commercial enterprises are only focused on their economic mission, a distinctive feature of social enterprises is their social mission in addition to the economic mission, and it is the balance between these two missions that shapes eventually the strategy of social enterprise and its potential for realizing social functions. According to the opinion of R. Stevens, N. Moray and J. Bruneel (2015), these two phenomena may also be subject to boundary conditions of time as the relative balance between social and economic missions may vary over time due to institutional pressures.

The ideology of social enterprise gives us the opportunity to determine, at what extent social enterprise needs state support and involving other external sources of support, because if ideologically the function of social enterprise is to help the people in need and to produce the social value, so that it harms its economic mission, all the aforementioned remarks suggest that this enterprise indeed needs the strong state support and the external sponsorship. In this sense social entrepreneurship in China should be regarded as an illustration of this thesis (see Figure 1, for instance). As we can see, here the share of external sources of financing social entrepreneurship is rather significant, and this fact suggests that ideologically these enterprises are oriented, first of all, to the realization of their social mission, and that makes them rather vulnerable in terms of ability to be self-sustaining.

![Figure 1: The financial sources of social entrepreneurship in China (2011-2012).](image)
According to the opinion of R. Stevens, N. Moray and J. Bruneel (2015), social enterprises begin to act due to the individuals with a prosocial position, which are not guided by the private gain. These social entrepreneurs are altruistic in their activities and they place social values at a higher position than profitability. To fill the social and economic missions with a significant meaning the aforementioned authors conducted the correlation analysis and they concluded that the correlation between the utilitarian identity and relative significance of the sales growth is positive and significant, whereas the correlation between the normative identity and relative significance of the sales growth is negative and significant. So, for instance, such indicators of activity of social enterprises as normative identity, attention to social goals and values oriented to the community development are inherent to the social mission of social enterprises, and utilitarian identity, attention to the economic goals and self-interest values are inherent to the economic mission. For each of these missions, respectively, all these indicators were positively correlated, but between each of these missions the negative correlation was observed, and that is quite understandable, allowing for the conflicting nature between social and economic missions.

5. The place of social entrepreneurship in terms of current trends of the formation development

If we evaluate the place of social entrepreneurship within a context of current transformations of socio-economic development, we can use the periodization of modern history of economic relations provided by D. Laibman (2013). According to this periodization, it turns out that social entrepreneurship should be attributed to the stage that he named socialism-precursor, which is characterized, in particular, by the following peculiarities: the abilities and mind of the masses are historically constrained, because they are infused with an individualistic and possessive ideology and the practices of the society, from which they descended, mitigated by the cooperation experience during the production process, collective struggle and solidarity partially and not entirely. All these features can be found at most social enterprises. Besides, they bring into the economic practice also the elements of a new system of evaluating enterprises. It is well-known that the efficiency of social enterprises is measured not in terms of producing the economic value, but in terms of producing social value. In this sense, this system is a precursor of forming of such mechanism as the Multilevel Democratic Iterative Coordination (MDIC), which comprises the base of the core of mature socialistic society, according to the concept of D. Laibman, which, according to his theory, is the stage following the period of socialism-precursor. Beside other important elements of coordination of socio-economic processes, this system, in particular, includes the criteria that characterize the solving of a series of social tasks: the worker development, overcoming of the expressions of stratification of the rich and poor inherited from the past and the oppression, according to the gender or race features, reaching the planned targets concerning the impact on the environment, the development of relations with local community, other enterprises and so on. All this list is the area of impact of social entrepreneurship, and respectively is the object of evaluation, judging by some publications in this area (see, for instance, Young, 2006). In this sense, being attributed to the socialism-precursor stage, social entrepreneurship brings also the features of genesis of the next stage – mature socialism and because of that it certainly contributes much to its formation. So, we can determine the way of production presented by social entrepreneurship as transitional from the capitalistic structure to the new form of economic relations, in which the values of solidarity and general welfare predominate over other values, and not the individualistic and private property interests. Should we name this period as the mature socialism, the time will show, but today we should argue only one thing: the modern state of capitalism has reached the stage, when the state should bring into this system many elements, which are not inherent to it, to keep this paradigm and eradicate all its contradictions. These elements are: elements of planning, social sector development and decreasing of significant level of social tension predetermined by the social inequality growth (Pavlov, 2018). Though eventually all these quantitative changes will turn into qualitative ones, and all that can lead to the process of forming of a new integral society, in which the solidarity and cooperation values will play a greater role, than the individualistic and competition values (Pavlov, 2018). The features of this technical and economic formation emerging before our eyes are mentioned in the paper of S.D. Bodrunov (2015), who pointed out that the prioritized development of the high-tech production based on socially oriented regulated economic development are inherent to this formation. As an important task for it he points the necessity of borrowing the experience of foreign countries in the area of state regulation and programming the market economy. The active role of the state on supporting the social entrepreneurship development in the UK and the USA suggests that it actualy regulated its development, including it, thus, into the common programme of country development. The consequence of that was the high level of development of social entrepreneurship in these countries.


6. The superstructure and the basis of social enterprise

A. Nicholls (2007) wrote that this phenomenon is alien for existing market system, when he told that it challenges the market paradigm at three levels (macro-, meso- and micro-). According to his approach, social enterprises challenge the dominating paradigm at three levels: micro (enterprises), meso (new markets, intermediaries) and macro (socio-economic impact, political implication). It relates to social enterprises that (1) react to the market failure and (or) institutional void by the development of new products and services, (2) contribute to the market reconfiguration to generate a new or increased social value and (3) challenge the institutional systems through the political impact (Nicholls, 2007). Also in the paper of Nicholls the classification of social enterprises depending on each of the presented levels is provided. So, for instance, the institutional social enterprise relates to the first type (enterprises that react to the market failure or institutional void by the development of new products and services). The normative social enterprise relates to the second type (the market reconfiguration to create a new or increased social value). And finally, the transformative social enterprise (challenging the institutional systems through the support and political impact) relates to the third type.

In most part the conflict nature between the existing paradigm of economic development and social entrepreneurship can be explained, if we remember the division of the economy which is well-known from the Soviet period into two parts: the basis and the superstructure, by the fact that social entrepreneurship can be also divided into such categories and show that in terms of the basis social entrepreneurship presents a new ideological system conflicting with the existing economic relations system of modern capitalism. If we apply here the concept of D. Laibman to social entrepreneurship as a transitional phenomenon, we will get the following picture: the base (or the basis) of social entrepreneurship is the socialistic model that can be considered as a precursor of multilevel democratic system comprising the core of mature socialistic society. Its main comprising elements are the cooperation, collective struggle and solidarity. In this case the superstructure presents forms and trends of the capitalistic formation passing to the past, i.e. the presence of individualistic and possessive ideology, from which social entrepreneurship descended, i.e. the structures of doing business, that are inherent to the capitalistic formation, i.e. the presence in the management structure of enterprises such posts as the chief executive officer, the financial director and other posts, which are inherent to the general commercial enterprise comprising the base of the capitalistic structure.

7. In conclusion

The fact that social enterprises have their own ideology is recognized even by the Western scholars. In particular, the study of Foreman and Whetten (2002) covers the beliefs of the leaders concerning the organization identity by means of measuring their views on the basic values and ideology. Though there are no yet any papers, which would be specially focused on this topic, and this paper is the first attempt to look at the development of social entrepreneurship through the perspective of its ideology. As it was shown in the paper, in most part the ideology of social entrepreneurship depends on the balance between its social and economic missions. So, the hypothesis stated in the beginning of the paper is proved. All the social enterprises have a certain ideology. Moreover, the direction that this ideology indicates, suggests that the social entrepreneurship is a transitional phenomenon from the Socialism-precursor stage to the Mature socialism stage. Thus, the social entrepreneurship ideology is the early socialism ideology, expressed in the socialistic basis, but having the superstructure of the capitalistic society, expressed in the elements of the corporate structure inherent to the capitalistic system. One should hope that this study is prospective, as nowadays the attention to ideological aspects of different systems is increasing, because the need in ideology as a spiritual field of society is steadily growing, and thus, in future the growth of attention towards studying the ideological aspect of society as a whole can be observed.

References


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