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## METHODOLOGICAL CHALLENGES IN SOCIAL ENTREPRENEURSHIP – ON THE NEXUS OF ECONOMICS AND MANAGEMENT AREA<sup>1</sup>

### Abstract

In this paper we make an attempt distinguishing challenges in SE research agenda in Polish and beyond. We identify what can impede the development of this area in Polish discourse. These challenges vary in scope. They involve the dilemma between either economics or management as disciplinary settings. Also the understanding of social economy as such determines the chaos. Additionally, divergences in paradigms where researchers situate their research projects as well as variety and scarcity of available data on SE in the literature are important here. Most of all definitional debate of what entrepreneurship and so SE is determine the existing difficulties. We resume the discussion by returning to the interdisciplinary nature of the field and propose for further studies to be set in the area of management sciences.

**Key words:** SE, economics, management

### Introduction

In the context of high external costs among economies moving up in their economic development path, the social problems do not seem to have been effectively solved yet. Wealth and growth in socio-economic systems has not secured welfare, clean environment, health and many other human needs. Many developed countries display huge income disparities, long-lasting unemployment, environmental pollution. Returning economic crisis, tighter country budgets have attracted the attention of business and organizations which *via* dedicated people have been aiming to solve and reduce social problems of the world, of smaller communities and large countries. The social issues solving agenda is deeply settled in priorities of European Union policy. The responses to the varying and growing problems have become different. Many organizations have undertaken

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actions to work integration of the unemployed in Europe in particular, in the sixties of XXI century. Similarly, at the time, the US started Great Society program where funds were transferred out of the public to non-profit units, to secure welfare and social solutions. Many of these organizations, in forms of societies, associations, cooperatives, foundations have aimed to resolve more diverse social challenges. Also, there have been many successful achievements of local leaders in smaller communities (some of whom have been used globally as effective organizational models, e.g. Grameen bank), especially in developing countries, that have received huge support, recognition and induced many ventures aimed at tackling all these difficulties. This has become one of many examples of radical innovation in social contexts. With the development of entrepreneurship culture across the world (with all its possible diverse manifestation), the SE<sup>2</sup> phenomenon has been gaining more and more attention for almost last two decades. Not only in practice but also in theory. In Poland SE phenomenon is deeply contextualized in the problematic of social economy, as work integration activity in Europe has induced the development of social economy as an answer to ineffective social policies mostly in the form of cooperatives but it has also attracted the attention of management sciences for the last 20 years, which are of a more interdisciplinary nature. The aim of this paper is to bring to light the methodological challenges that impede the development of social entrepreneurship research area.

## Social economy as a branch of economics area or phenomenon?

Social economy research has its long tradition situated in economics and social policy studies. As such, social economy is characterized as system of organizations and enterprises together with the legal framework around it focused on the people excluded from labour market. In most cases, social economy refers covers 5 types of organizations: cooperatives, associations, foundations, mutual help associations and social enterprises. In the early thirties of the XIX<sup>th</sup> century in France first entities with economic activity set themselves social goals apart from profit making, their aim was mutual support for factory workers and fighting poverty through associations. Parallely, similar mutual support movement developed in other countries, in Poland for example there was a strong association movement among farmers. Today, it is called “old social economy” to be differentiated from “new social economy” that has evolved in recent decades in EU countries. “New” means that all undertakings are oriented towards not only on mutual help but also towards wider external benefits for local communities and marginalized groups [Szopa, 2012]. In that time social economy meant the extension of political economy by health and education issues but also social economy was complementing market economy *via* government policies [Salsutowicz, 2007].

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<sup>2</sup> For the purpose of this paper we will employ SE as an abbreviation for social entrepreneurship.

So social economy has a strong impact on the actions and priorities in social policy of the state as in mainly considers and focuses its actions on the economic and consequently social integration of the citizens in the labour market through supporting their employment, any other form of economic activity. “Old social economy” has developed thanks to bottom up activities whereas “new social economy” has been the result of top down policies. Kaźmierczak and Rymśa [2007] similarly extend social economy because for them it comprises of bunch of tools aimed at working among the abandoned citizens, abandoned local communities. For them it is important that social economy activities bring these back to full participation in public and economic life.

Social economy and its entities are by default put into the area of economic research is because social economy has two meanings. As rightly noted by Szopa [2012], the first refers to a branch of economics as a discipline and the second is about the whole system of subjects of social economy, a distinct sector of the economy, associated with entities running economic activity with social aims in front. Hausner [2007] challenges the common and mistaken use of social economy associated by public and academics with some kind of a new approach to economic studies where in fact it is a sphere in the socio-economic system. This strong overlapping between social economy as a branch of economics as discipline and as a system of its subjects may be the main reason, why contemporary research on social economy entities does has build its own identity and does not allow research on these subjects move freely into the discipline of management. Another reason would be that the defined key practical priority for social economy, mentioned earlier, is the support for groups that have economic problems and so they are socially excluded. Therefore there is a strong emphasis on the social policy actions. And yet, we can see, that again, research so far has not allowed social economy entities named as such, to be freely researched in management.

As a part of interdisciplinary studies on subjects of social economy, interdisciplinary team of EMES research network, with scholars and practitioners in the field who describe their interests in the five following areas: the third sector; social economy; solidarity-based economy; non-profit sector, social enterprises. They have developed a set of social and economic attributes for social economy subject to be considered as a social enterprise. This initiative has been taken as a result of different legal frameworks regulating and constituting social enterprises and the proposed attributes have non-mandatory nature.

Economic attributes include:

- running any activity on regular basis;
- regulated and with the use of economic instruments;
- high autonomy;
- running significant economic risk;
- and employing minimum number of paid workers.

Social attributes include:

- clear social goal oriented towards community;
- citizen initiative;
- democratic decision making;

- limited distribution of profit made;
- and involving the actors who benefit from its activity.

The proposed features are meant to help academics to use these abstract construct for research and situating social enterprises in the galaxy of initiatives of social economy. They make it clear that not all social economy subjects are able to remain self-reliant, bear economic risks and are not dependent on external grants. Thus, only part of them are social enterprises. What EMES does not distinguish is the lack of entrepreneurial dimension as an important focus for the network of researchers and practitioners. This is visible in their attributes for social enterprise. But EMES makes important contribution because social enterprise is a vague concept across countries and by providing the guiding criteria it gives opportunity for international comparisons.

Not only in the political discourse but also in academic discourse, SE is very often mistakenly used as a synonym for social economy sector. In the works of social economy project [GMES, 2011] we ran a series of expert interviews, where we discussed the concept and phenomenon of social economy. Also, participants involved represented different institutions and organizations: social cooperatives, local government representatives, NGO managers. What has been very often combined and verbalized was talking about social economy subjects and treating them as SE examples. Noya [2006] makes this point very clear that not all social economy subjects are entrepreneurial and so only a part of them can be considered as innovative/entrepreneurial part of social economy. Especially research on social economy and its practice remains in a closed circle, without referring to entrepreneurial aspects of the field and phenomenon, which will be discussed later.

## SE as underdeveloped field of theory and practice

The area of entrepreneurship research has developed tremendously and today it is described by huge variety and number of definitions [Anderson, Starnawska, 2008] and without doubt it is interdisciplinary ranging from economics, sociology, management, psychology. Thus, there are different approaches to entrepreneurship. For example Deakins and Freel [2006] distinguish three. One is the economic approach that treats on the role of entrepreneurship in the economy and application of economic theory in entrepreneurship. Also, second, the psychological approach that analyses personality characteristics of entrepreneurs, and third, socio-behavioral approach – emphasizes the role of social environment and personal traits called cognitive approach. Entrepreneurship is analyzed from different perspectives – people, entrepreneurs, organizations, small business, large enterprises. Entrepreneurship is researched in a variety of contexts: inside corporation and as an enterprise, among groups that need more recognition – female, youths, minorities and industries craft, high-tech and many more.

Over the last two decades, entrepreneurship scholars has made tremendous attempts to define SE phenomenon, but the disparities are even stronger. So far

four main streams on SE have emerged. One of the main dominant literature streams tries to define the field and differentiate SE as distinct phenomenon. Dacin, Dacin, Matear [2010] distinguish four dominant patterns in SE definitions:

- features of social entrepreneurs;
- sector in which they operate;
- processes as well as resources run by social entrepreneurs;
- outcomes and main mission of social entrepreneur.

These analyses are very broad and there is lack of conceptual agreement. Also, within SE research agenda, a couple of leading themes have been identified in meta-analyses of existing literature. For example Tiwari and Bhat [2013] outline the field in the following way. One theme brings back the formerly mentioned discussion about what SE really is. Within, there is a debate of what exactly is meant by “social element” [Seymour, 2012]. Another theme encompasses studies on how institutional framework influences SE. The two remaining ones attempt to go deeper in measuring SE and the influence of resource constrained environment on the SE. There is also some recognition noted in the diversity of research paradigms used in the studies of SE [Lehner, Kansikas, 2011].

Although our aim of this paper is not to review the definitions of SE, we attempt to use one proposed by Anderson [2000]. Entrepreneurship, but more specifically *entrepreneurial* process, is the creation and *extraction* of *value from* the environment. If we discuss SE we talk about extraction of social value. Similar, extended interesting point is provided by Stevenson [1983], that “Entrepreneurship is the process by which individuals pursue opportunities without regard to the resources they currently control.” We are being subjective here in our selection but this is driven by the attempt to show divergences in how SE can be researched and practiced so far. This short summary of dominating themes in SE agenda leads to conclusion that one important aspect of theory and practice is resource constraint issue, which is especially relevant, not only in the context of entrepreneurship. Because entrepreneurs create or extract value from environment, and because they often do it regardless resources they hold, this is particularly a case in SE, emerging in the context of resource constrained environments.

At the same time, entrepreneurship research agenda also moves towards discussion of entrepreneurial intent [Shapiro, 1982; Bird, 1988; Krueger, 1993] – measured across individuals or established concept of entrepreneurial orientation [Miller, 1983] of organizations as more sublime and precise manifestations of entrepreneurship phenomenon. This measures must be taken as not every business is entrepreneurial and academics are making enormous efforts for pushing the research agenda forward. Similarly, referring to the previous article section, not all social economy subjects or subjects that solve social problems can be described as entrepreneurial. And so, bringing social economy subjects closer to the entrepreneurial label may allow for divergence and better understanding why social enterprise concept, originally settled in the context of social economy, can be a subject of research in entrepreneurship domain.

The high number of conceptual papers on SE shows that it is still in flux and aim to find direction and legitimacy therefore lacks established epistemology as

noted by Lehner and Kansinkas [2011]. Resulting from this is scarcity of data on social entrepreneurship. As definitions flourish – Zahra *et al.* [2009] summarize twenty of them, available data is even more unavailable. For them this is the main cause for scarcity of established theories in the area.

## Methodological challenges in SE research

The most significant challenge lies in definitional problems we referred to in the previous section of this paper. Entrepreneurship as multidisciplinary research area, present in economics, management, psychology, sociology and their subdisciplines generates more and new insights into the phenomenon. Consequently, SE practice, encompasses elements of social policy so it is extended by the discussions on how and who should be supported in the system of social economy, and through discourse (academic, political, business). Therefore, SE has been theorized and practiced in two directions, where one is about introducing novel solutions called as social innovations into socio-economic systems for solving social problems in local or global context by change agents. The other one is about the practice of running any form of enterprise whose mission is social regardless of how sustainable, self-reliant or entrepreneurial it is. Here we talk about a large number of social projects run by subjects of social economy including all sorts of non government organizations such as cooperatives, social cooperatives, foundations, associations, who on the one hand live on the one extreme on external donations, and on the other hand are completely self-reliant and sustainable. Also, Kerlin [2009] argues, that each region or contexts has their socio-economic historical conditions and based on thus social economy and SE activity have move towards a variety of directions. Therefore, it is difficult to push theory forward, if there is lack of conceptual agreement. Some authors [Bacq, Hartog, Hoogendoorn, 2013] propose to employ “conceptual stretching” by omitting attributes and features of SE and focusing on other themes. For example Dacin, Dacin, Matear [2010] in their meta-analysis propose focus on a social value creation as a distinguishing element under which all potential divergences in theory and practice will be resolved. The lack of agreement on definitional aspects has various methodological implications. Lehner and Kansikas [2011] argue that literature on SE has been quite distinct from commercial entrepreneurship and management. They suggest that it lies in the split between social and entrepreneurship but it is a promise, that a distinct field of SE can be set apart.

One additional important challenge, that researchers meet is situating SE research either in economics or management discipline is the result of requirements for academic research and progress in Polish research system. So far, majority of studies on entrepreneurship have found place in the area of management discipline. Some works take the micro level of enterprise in the economics discipline. Yet, Gorynia, Jankowska, Owczarczak [2005] rightly identify many elements of convergence between microeconomics and management theory. If we take the

aspects of scarce resource use and allocation as key defining characteristics of enterprise in both management and economics, we can see that SE research lies in the area of convergence between microeconomics and management, especially in the contexts of using scarce resources for meeting goals of an enterprise. This is the only area where doing research on social economy subjects can benefit from both disciplines and even take on other disciplinary approaches such as psychology, sociology. The challenge is that in Polish research context, SE researchers should be very clear and consistent in pushing the theory forward while working on the nexus of economics and management. On the one hand Szopa [2012] by making an attempt at situating social economy in the roots of economics reminds that it treats on economic aspects of human action, and on the other hand economics is treated as discipline where choices are made given a limited resources. At the same time management can be best described from the resource perspective [Gorynia, Jankowska, Owczarczak, 2005, p. 600, taken from: Griffin, 1999]. Each organization uses resources acquired from the environment and so management means that such coordination and allocation of resources so that the organizational aims can be achieved

Another key challenge in SE research is that are only a few large datasets on SE across the world. The Global Entrepreneurship Monitor projects has undertaken a couple of rounds for evaluation SE scope and intents as well as Panel Study of Entrepreneurial Dynamics run in the USA. The rest of remaining studies including data samples are scarce, and mainly descriptive. In their paper Short, Moss and Lumpkin [2009] resume that there are 16 studies on SE of quantitative nature. There are more qualitative approaches using case study methods and most of the papers in the field is purely theoretical. Nicholls [2010] supports the use of qualitative methods to explore and build new theories as this field is in early stages. Without distinct local theories that can be tested and extended from context to context, without propositions based mostly on theoretical reasoning like in the work of Bacq, Hartog and Hoogendoorn [2013] there will be no point of gathering data for large data sets, employing quantitative methods of data collection and analysis.

## Final remarks

The lack of agreement on the SE definition has various explanations and implications. These have been put forward in this paper. Mistaking social economy for sub-discipline of economic research in Polish academic discourse, situates it in the area of economics as a discipline. This has implications for reduced opportunities for research in management area. There are studies on the organizations from social economy sector and its units, but they usually take microperspective and do not allow to move towards research paradigms from management area. Lack of will that SE studies can be situated in both, economics and management has implications in how we approach the phenomenon. Economics has its own

philosophy about the nature of reality and what is the best way for inquiring into its nature. Therefore, studies on SE situated in economics will be following a stance where reality is external and requires verification of predictions about it. If we situate studies on SE in management field, paradigm choice is wider, as the reality can be subjective and depends on who establishes it. This shows a huge divergence in research paradigms supported by academics. For extending the theory we need to engage more into qualitative methods using grounded theory and other analytical approaches and methods. What is the main source of methodological challenges related to this field is the interdisciplinary nature of the phenomenon, that attracts scholars from a variety of disciplines. Considering the input of management scholarly work to the area, we claim that it is the most interdisciplinary context where SE can be developed. But it can become *cul de sac* for researchers facing lack of definitional agreement on the concept. Another serious challenge is the vagueness of the SE concept. It derives from both: definitional variety of entrepreneurship concept *per se*, variety of social enterprises across countries and contexts, mainly because of their varying institutional logics. This does not allow for international comparisons of the data from different countries but also in a more narrow context. Even if we agree that SE has social and entrepreneurship element elements in it, we can interpret the social element in various ways: as it may refer to mission pursued by an entrepreneur, value created by a venture, goal of the activity. How this can be measured is another challenge for developing research in this area.

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