

## Demystifying the Gateways to Social Entrepreneurship through Resource Dependence Perspective

**Abstract:** *Extant literature elucidates that the social entrepreneurial process is quite different from commercial entrepreneurial process. This paper conceptually delineates the reasons for 'entry' and intentions for 'exit' of a social entrepreneurial venture. In serendipitous entry, social entrepreneurs a priori do not focus on resources availability, while in intentional entry resources play a crucial role. On the other hand, intentions for exit a social entrepreneurial venture are dependent on resource scarcity, team cohesiveness, and alignment between entrepreneurs' goals and ventures growth strategies. The study presents a testable framework and propositions. Towards the end, it elucidates implications and presents scope which shapes the future research directions.*

**Key Words:** *Social entrepreneurship; resource dependence; resources; entry; exit.*

### INTRODUCTION

Extant literature has given significant attention in explaining the reasons and methods used by commercial entrepreneurs for 'starting' up their ventures. It can be serendipitous i.e. accidental (Shane, 2000; Shane & Venkataraman, 2007) or intentional i.e. planned (Bird, 1988; Zhao, Seibert, & Hills, 2005) to exploit an opportunity or to find an alternate employment option (Carter, Gartner, Shaver, & Gatewood, 2003; Shane & Venkataraman, 2007). However unlike commercial entrepreneurs, social entrepreneurs start their ventures with an idea to change the status quo (Light, 2009) and a desire to resolve unmet or underserved societal needs (Mair & Marti, 2006). Zahra, Gedajlovic, Neubaum, & Shulman (2009) elucidates that social entrepreneurs 'discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner'. Strategically, commercial entrepreneurs are much more concerned about financial outcomes (Austin, Stevenson, & Wei-Skillern, 2006), hence, they look to acquire

firms in order to realize cost savings, gain operational synergies, acquire technological knowhow, or diversify portfolio of holdings (DeTienne, 2010; Graebner, 2009). But social entrepreneurs, on the contrary, are concerned about social outcomes. They are more interested in how financial gains can be utilized to enhance the social aims of the business (Leadbeater, 1997; Zahra et al., 2009). However *a priori* it is difficult to argue that whether social entrepreneurs are dependent on resources before entry or they just pursue the idea to cater to the social needs and then think about the resources requirements.

Similarly, entrepreneurial 'exit' is also a multidimensional phenomenon. In commercial entrepreneurship 'exit' can be understood in terms of business exit, market exit or CEO succession (DeTienne, 2010). However, not significant attention has been given to understand the factors affecting and the methods used for commercial entrepreneurs' exit (Mason & Harrison, 2006; DeTienne, 2010; DeTienne & Cardon, 2012). Thus, if research on 'exit' in commercial entrepreneurship is less explored than research on social entrepreneurial 'exit' is just a novice idea or in an embryonic stage. Also, it has not been suggested to consider that reasons for a social entrepreneurial exit are similar to that of a commercial entrepreneurial exit. However, intuitively, one of the main reasons could be the failure of the firm in providing sustained solutions (Santos, 2012) because of non-availability of resources (Greene & Brown, 1997; PFEFFER, 2003). Consequently, it becomes imperative to study about the social entrepreneurs' reasons for 'entry' and intentions for 'exit' within the scope of resource dependence perspective (Dart, 2004).

The objective of this paper is to understand the reasons for social entrepreneurial venture entry and exit within resource dependence perspective. The scope of the study is limited to entrepreneurial reasons for entry and intentions for exit in the entrepreneurial process.

In subsequent sections, I present a detailed literature to provide the rationale for the study. Then, I discuss the antecedents and establish that the literature is fragmented and lacks an

understanding of the social entrepreneurs' reasons for entry and intentions for exit through the lens of resource dependence perspective. Next I present and discuss a theoretical framework with its implications and future research directions.

## **REVIEW OF LITERATURE**

### **Social Entrepreneurship and Resource Dependence Perspective**

'Social entrepreneurship' is an emerging field of enquiry with no universally accepted definitions (Austin et al., 2006). With times the term has evolved as a new label for describing the domain of work of individuals, volunteers, communities or public/ private organizations working for 'social' rather than for-profit objectives (Shaw & Carter, 2007). It is usually understood as a transformation process where the entrepreneur has a social vision and have the abilities to analyse, empathize, enthuse, communicate, enable, empower, advocate and mediate (Yunus, 2011; De Leeuw, 1999; Sullivan Mort, Weerawardena, & Carnegie, 2003). Murphy & Coombes (2009) define social entrepreneurship as "the creations and undertaking of a venture intended to promote a specific purpose or cause in the context of mobilization".

Social entrepreneurship focuses on two primary strands namely, (i) entrepreneurial behaviour (Henton, Melville, & Walesh, 1997) and (ii) activities (including inputs) leading to societal transformation (Alvord, Brown, & Letts, 2004). Despite the broad focus on two strands, the construct 'social entrepreneurship' itself is multifaceted and highly complex. It also highlights the qualities of the entrepreneur in terms of risk taking, proactiveness and innovativeness (Weerawardena & Mort, 2006; Leadbeater, 2007) who senses and recognizes the opportunities to find a fit between unmet societal needs and resources. Alternatively, it also looks into innovative social value creating activities (Santos, 2012) for allocating and mobilizing resources (Austin et al., 2006) that are available either ex-ante or created ex-post (Salancik & Pfeffer, 1978; Rumelt, 2005; Peteraf, 1993).

Strategic management literature has significantly examined the linkage between resources interdependence and competitive advantage (Pfeffer, 1985; Barney, 1991; Amit & Schoemaker, 1993; Newbert, 2007). However social entrepreneurship literature replaces competitive advantage with sustainable solutions (Santos, 2012). Consequently, for sustainable solutions a social entrepreneur must constantly seek the following types of resources:

- financial resources- grants, in-kind donations, venture philanthropy, loans and partnerships (Aldrich, 1999);
- human capital resources- volunteers, interns, staff, and managers (Barney, 1991; Becker, 1964);
- social capital - resource embedded in relationships of individuals, communities, partnerships, networks or societies with trust (Burt, 2001; Nahapiet & Ghoshal, 1998; Luthans & Youssef, 2004);
- physical capital resources- technology, equipment, geographic location, buildings, information technologies, and access to raw materials (J. Barney, 1991); Harris & Helfat, 1997).

Social entrepreneurs accumulate resources and convert them into value-creating activities during the entrepreneurial process (Reynolds & White, 1997; Cardon, Zietsma, Saporito, Matherne, & Davis, 2005). During the entrepreneurial process, resource selection and assembly phase (Brush, Edelman, & Manolova, 2008; Greene & Brown, 1997) are considered among the initial phases.. The tactful resource management leads to sustenance of the social entrepreneurial venture. According to resource dependence perspective, 'resource availability' increases the likelihood of social entrepreneur's action. On the contrary, uncertain and contingent internal as well as external environment hinders the ability to perform (PFEFFER, 2003).

**Reasons for social entrepreneurial ‘entry’**

The social entrepreneurial ‘entry’ can be well understood with the help of various domains of opportunity discovery; and resource availability. Extant literature elucidates that the social entrepreneurial opportunity identification and discovery (Murphy & Coombes, 2009) is a complex phenomenon. Henry (2001) elucidates four schools of thoughts for entrepreneurial opportunity recognition. These are (1) grace: idea seems to come from no-where- some sort of divine gift, (2) accident: ideas arising by chance, (3) personality: discovering idea is natural human trait, and (4) association: associating knowledge from one area to another i.e. one idea coming from the combination of various ideas. However, based on extant literature, in this paper I consider that social entrepreneur’s decision to start a social venture is either serendipitous or intentional. Some life changing events constantly trigger them to exploit an opportunity to meet unfulfilled need of the society. Wennberg (2010) outlined serendipitous entrepreneurship on life course theory and determined life course events such as ageing, geographic moves, switching careers and partners. Many entrepreneurship scholars have intuitively conceptualized entrepreneurial opportunity as in terms of serendipity (accidents). Usually, experimental ideas are born ‘by chance’ (Van Andel, 1994) which leads to something accidental or unanticipated. Dew (2009) explained serendipity with continuously evolving complex, creative, open-ended, and several types of nonlinear behaviour of an individual (Buchanan & Vanberg, 1991).

For example, Mr. Anshu Gupta, a journalist, was roaming in and around New Delhi in search of a story during winter. Incidentally, he met a dead body collector and learned that many people on road side die not because of winters but because of lack of cloths. This was a triggering event in his life. He left his full time job and with limited resources he then founded GOONJ, an NGO, with a mission to make ‘clothing’ a matter of concern.

Another strand of literature distinguishes serendipity from luck (J. B. Barney, 1997; Friedel, 2001). Denrell, Fang, & Winter (2003) defined serendipity as “effort and luck joined by alertness and flexibility”. They also ascribe: ‘While good luck may befall the inert or lazy, serendipitous discovery occurs only in the course of an energetic quest — a quest in which lucky discoveries of an unanticipated kind can be recognized through alertness and then flexibly exploited.’

Mintzberg (1996) have described serendipity as being ‘pleasantly surprised’ by a contingency. For example, favourable exogenous factors like government support in case of market failure.

*P1a: In social entrepreneurial entry, if opportunity recognition is because of serendipity than resources availability does not play a significant role.*

*P1b. In social entrepreneurial entry, if opportunity recognition is because of favourable exogenous factors than resource availability does not play a significant role.*

Entrepreneurship scholars have suggested that ‘intentional’ search activities may lead to entrepreneurial discoveries (Fiet, 2001, 2002) , wherein demand-side opportunities come from un-served market needs and supply-side opportunities come from the possibility of serving market needs with new resource combinations. The ‘intentional’ search activities are the function of search cost and a priori knowledge. Career socialization theory explains the importance of educational and support programmes (Dyer & Handler, 1994; Peterman & Kennedy, 2003). Prabhu (1999) focused on five career departure points: (1) from school to venture, (2) job to venture, (3) unemployment to venture, (4) home to venture, and (5) venture to venture.

These encourage people to take up and start social ventures at any point in time. For example, Tata Jagrati Yatra awoke the spirit of social entrepreneurship in young college going students by exposing them to various enterprises across India and was made to experience social progress in society by these NGOs/ enterprises.

In initial phases the social entrepreneur relies on support and resources provided by family and friends (Martin & Osberg, 2007). In later phases, she may approach to the government or the private sector for grants and funding. Gradually, she develops legitimacy (Starr & MacMillan, 1990) and faith based relationship (Christiansen & Business, 2000) for human resources, social capital and physical resources.

*P2: In social entrepreneurial entry, if opportunity recognition is intentional than resources availability does play a significant role.*

### **Reasons for social entrepreneurial ‘exit’**

The concept of entrepreneurial exits has only recently been developed as a stream of research in the entrepreneurship literature. In commercial entrepreneurship, entrepreneurial exit is a sign of ‘failure’ (Brüderl et al., 1992) or the entrepreneur is no longer interested in the current idea and wants to move on to a new opportunity (Cardon et al., 2005). Hessels, Grilo, Thurik, & van der Zwan (2011) explained entrepreneurial exit as “shutting down, discontinuing or quitting a business”. Wennberg (2011) explained ‘exit’ as a path-dependent process i.e. path chosen by an entrepreneur for ‘entry’ becomes a crucial factor *if* and *how* the person eventually decides for ‘exit’. In other words, likelihood to ‘exit’ is dependent on the goals and motivation of an entrepreneur at the time of ‘entry’. Collewaert (2012) presented a conflict perspective (conflict between relationships, tasks and goal) which leads to entrepreneurial intentions to exit their venture. DeTienne (2010) suggests that there are a number of important conceptual considerations at each stage of the entrepreneurial process. These conceptual considerations can be decision to exit, development of an exit strategy or

the options for exit. DeTienne also mentioned that if an entrepreneur ‘exit’ than she gets involved in other career or entrepreneurial initiative, but if a firm ‘exit’ than firms’ resources (tangible) are used for redeployment in new initiative. Besides tangible resources, the exited entrepreneur or exited firm may gain access to idiosyncratic resources, for example, image in both factor and product market (Peredo & McLean, 2006). And also the environment is assumed to contain scarce and valued resources essential to organizational survival (PFEFFER, 2003).

As argued above, entrepreneurial exit is an important part of entrepreneurial process. Social entrepreneurs are prone to financial risk. The dearth of financial resources may hinder the growth of a social venture (Thompson, Alvy, & Lees, 2000). As argued above, in later phases of entrepreneurial phases she has to rely on government grants and corporate donations. And also has to face stiff competition from other similar type ventures to fetch financial and other resources. It is difficult for social entrepreneurs to avail bank loan facility because their primary goal is not profit maximization. Hence, financial institutions are reluctant to provide such facilities. However, social entrepreneurs get finances through unsecured loans from banks or microfinance institutions; and sometime fail to repay it because of negative cash flows and low cash reserves (Cook, Dodds, & Mitchell, 2003). Consequently, due to resource scarcity, the intention to social entrepreneurial exit becomes positive.

*P3: A social entrepreneurial venture with negative cash flow or low cash reserves will have a positive relationship with the social entrepreneurs’ intention to exit.*

The intention to entrepreneurial exit is heavily dependent upon the number of members in the founding team (Stewart, 1989; Peredo & McLean, 2006). Cooney & Bygrave (1997): “For a long time it has been a great myth that entrepreneurship implicitly describes the battle of a lonely hero against economic, governmental and social forces”. Team is a part of human



capital in social entrepreneurial research (Alvord et al., 2004). Hoegl & Gemuenden (2001) defines a team as

“a social system of three or more people, which is embedded in an organization (context), whose members perceive themselves as such and are perceived as members by others (identity), and who collaborate on a common task (teamwork).” They also explained the importance of team in terms of communication, cohesion, work norms, mutual support and coordination. In social entrepreneurship, teams are formed due to common social mission. A constant rethinking and team capabilities are required to reach to desired sustainable solutions (Nicholls, 2011; Santos, 2012). As long as this social mission is dominant, the social entrepreneurial venture will continue, otherwise the team will collapse and team members will exit the venture (Lechler, 2001).

*P4: A member of social entrepreneurial team with a strong shared mission is less intended to exit the social venture.*

Research in entrepreneurial exit has explained that strong resource base reduces the social entrepreneurs' intentions to exit. It also elucidated that the social entrepreneurial exit rate is associated with social entrepreneur's own goals and ventures' growth strategies (Delmar & Shane, 2003; Kalleberg & Leicht, 1991). Sometimes social entrepreneurs have unclear and vague goals. They might have decided these goals both due to passion or under peer pressure but later on gradually have lost interest and hence could not connect themselves to the social mission. And they finally exit the venture and go for any other career option (Carter et al., 2003). To sustain, the social entrepreneurs are required to have constant rebalancing of social mission (Nicholls, 2011). Hence, social entrepreneurs' goals, resource availability and initial conditions largely govern the path of subsequent evolution of the social venture as well as of the social entrepreneur (Delmar & Shane, 2003).

*P5: A strong alignment between social entrepreneurs' goal and social ventures' growth strategies reduces the intention to exit.*

## **RESEARCH GAPS**

The review of entrepreneurship and strategic management suggests that there are studies related to entrepreneurial 'entry' which highlights on serendipitous nature (Wennberg, 2010; Dew, 2009; Friedel, 2001) or intentions of an individual (Carter et al., 2003; Brush et al., 2008; Fiet, 2002). Entrepreneurship literature exhaustively expresses individuals' opportunity recognition behaviour and its relationship with availability of various types of resources (Fiet, 2002; DeTienne & Chandler, 2004). However entrepreneurial 'exit' is still an unattended and unexplored domain of research. DeTienne (2010), (Hessels et al., 2011) (Wennberg, 2011) suggests that exit is synonymous to failure of businesses. When any venture faces scarcity of resources then the entrepreneur may have a choice to exit. Decline of entrepreneurial ventures greatly depends upon the resources availability. Even though a venture may have started with a great idea but poor investment decisions, lack of funds, falling revenues or increasing expenses may lead to insolvency and ultimately to the closure (Denrell et al., 2003). Or due to relationship, task or goal conflicts an entrepreneur may exit the venture (Collewaert, 2012). I found just one paper, where Albiol (2012) explored both entry and exit of entrepreneurial ventures at country level (41 countries) in a longitudinal study (2002-2007).

As far as the social entrepreneurs' entry and exit are concerned, the constructs are underexplored. The early papers in this domain are anecdotal evidences, lacks rigorous theoretical and empirical research. However very few scholars have attempted to explore social entrepreneurial process (Shaw & Carter, 2007). For instance, Mair & Noboa (2003) emphasizes on the social entrepreneurs intentions and opportunity recognition behaviour for

social entrepreneurial 'entry'. Corner & Ho (2010) also extended the literature on opportunity identification but they have not explicitly mentioned about serendipity or intentional entry into social entrepreneurship. However in their work, they mentioned similar terminologies like spark and manifestation of opportunities. Forster & Grichnik (2013) built upon the theories of reasoned action, planned behaviour and entrepreneurial events. The key constructs used in this study were empathy, perceived social norms, self-efficacy and perceived collective efficacy. This paper has not focused on 'resources' as an antecedent of social entrepreneurial 'entry'. Unfortunately, extant literature has not explored 'exit' so far in social entrepreneurial process. Broadly scholars have related the 'exit' with non-sustainability of ventures and that to in commercial entrepreneurship (Meyer & Gauthier, 2013).

It is now evident the literature has huge gaps. There is a large scope to explore social entrepreneurial entry and exit. Hence this study posits following research question:

*Does social entrepreneurial entry serendipitous or intentional?*

*Does social entrepreneurial entry whether serendipitous or intentional is governed by resources availability?*

*Does intentions to social entrepreneurial exit depends on resources scarcity, lack of team cohesiveness and lack of congruence between social entrepreneur's goal and social venture's goal/mission?*

## **DISCUSSION**

In this paper, I focused only on social entrepreneurial reason to 'entry' and intentions to 'exit' based on resources position. Some early indications in the form of propositions have already been discussed. The framework (Fig.1) explains that a social entrepreneur can either serendipitously or intentionally start a social venture. In case, a person encounters any life changing event or any triggering moment, then a priori it is difficult to argue about resources

requirement. In serendipitous entry social entrepreneur gradually seeks resources and develop legitimacy to acquire and assemble resources in terms of financial resources (govt. grants or individual/ corporate donations), motivated human resources (volunteers or full time employees), network resources etc.

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In case of intentional/ planned entry social entrepreneur a priori decides the source to procure and assemble resources. This happens because of previous knowledge, experience or training and availability of financial resources from family and friends. The other domain, I focused is social entrepreneurs' 'exit'. The biggest reason for social entrepreneurial exit is lack of financial resources, negative cash flows. Also they face problems in getting bank loans because they do not work maximize profit but to maximize social benefits. Another reason is team cohesiveness. Social entrepreneurship usually starts with a group of people with similar mind sets. But sometimes, social entrepreneurs make an 'entry' in peer pressure or out of sheer excitement but later on they feel disconnect from the social mission and exit the venture.

Intuitively, resources play a crucial role in both entrepreneurial entry and exit. Hence, after testing, I expect proposition 1a and 1b will not be supported. However, remaining propositions will be supported.

This paper opens up a new domain of research in social entrepreneurship. The paper explains that entrepreneurial entry and exit through the theoretical lens of resource based view. Hence, the finding will be helpful for the social entrepreneurs, policy makers and academic institutions, and scholars.

The budding social entrepreneurs may undergo achievement motivation training or social entrepreneurial spirit awakening journeys to recognize opportunities around. These sorts of activities may increase intentional entry to social entrepreneurship as a career choice. They may also focus on resources, team members and goal alignment/ congruence which in turn become reasons to 'exit'. The policy makers for instance, the government or the banks can come up with single window scheme to provide loans. Academic institutions may offer certificate program in social entrepreneurship. To reduce fear of failure and entrepreneurial exit academic institutes may put incubation centres for technology based social entrepreneurial ventures. Since the scope of this paper is limited to the entry and exit phases of entrepreneurial process. Hence in future, research scholars may explore other phases of entrepreneurial process through resource dependence perspective. Other theoretical lenses/ theories for instance, institutional theory, social exchange theory, contingency theory and niche theory can also be explored to understand social entrepreneurial process because this is an unexplored domain of research. Resource availability varies in developed and developing countries hence, reasons to entry and intentions to exit can vary too. It provides a leeway to research scholars to explore social entrepreneurial process at country level. This paper only provides an answer to 'why' question of entry and exit. And hence, other researches can find answers to 'how' questions of entry and exit. I hope this study takes a modest but substantive step toward theory testing in the realm of SE that research scholars say is urgently needed.

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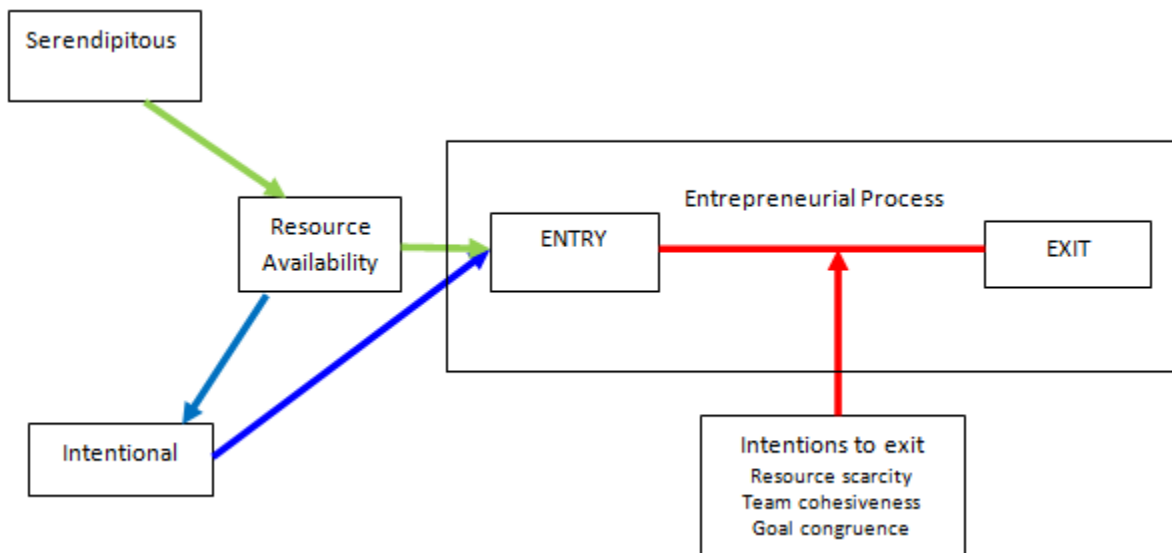


Figure 1: A framework to understand social entrepreneurship ‘entry’ and ‘exit’.