

# SOCIAL ENTREPRENEURSHIP AS A VEHICLE OF SOCIAL CHANGE: Generating Profits to Make a Difference in Peoples' Lives

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## **Abstract**

*Social enterprises create social value and drive positive change in society by engaging in entrepreneurial activities that generate revenue. In contrast to private firms, however, the revenues created by social enterprises are not appropriated to the individual owner or investor but are used to benefit society. Studies suggest that non-profit organizations that use innovative approaches to generate their own income are more effective in implementing efficient service delivery systems and in providing sustained social benefits to the target population. There is evidence that organizations in Africa that utilized entrepreneurial approach have been more effective in achieving their desired social mission. A case study of three social enterprises in Ethiopia—Selam Children’s Village, Assai Elementary and Secondary Schools, and Abebech Gobena Yehitsanat Kebekabena Limat Dirijit (AGOHELD)—indicates that these organizations have been able to generate more than 40% of their annual budget through entrepreneurial ventures which made them less susceptible to funding variations from external sources. At a time of growing donor fatigue and dwindling external funding, therefore, it is important that organizations with a social mission strive to become more entrepreneurial in acquiring and managing critical resources so that they can continue to provide more complete and uninterrupted service to their target populations.*

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## 1. Introduction and Purpose

Entrepreneurship has long been hailed as a vehicle for creating jobs and promoting economic growth. Business entrepreneurs typically plan and launch their businesses to generate profits and build personal wealth for themselves, and in the process create employment and boost economic growth. However, there are many issues in society, such as fighting drug use and addiction in a community, minimizing pollution and other social problems that the private sector does not address. For years, these types of social problems have been the purview of non-profit organizations. Thousands of non-profits have been created in many countries to deal with social or environmental problems that neither the public sector nor the private sector has been able to address adequately. Unfortunately, however, non-profits do not have ample resources of their own and generally depend on donations from individuals and organizations to fund their mission-based activities. Several factors are rendering this approach of supporting the desired mission with donated funds increasingly unsustainable: many non-profit organizations are finding it difficult to raise adequate funds to support their cause due to donor fatigue, economic downturns that limit the ability of donors to make contributions, and stiff competition from other non-profit agencies for the limited resources. To ensure uninterrupted delivery of their mission-based activities, therefore, organizations that seek to provide social benefits are increasingly exploring creative strategies to generate their own funds. This practice, referred to as *Social entrepreneurship*, is now gathering steam many parts of the world. Social entrepreneurs utilize their wealth, skills and time to bring positive change and improve peoples' lives. Driven by the passion to positively impact peoples' lives, social entrepreneurs adopt innovative approaches to generate the resources necessary to achieve their desired social mission and to create social value. They create and manage enterprises not to amass personal wealth but to advance a social cause.

In the literature, there is consensus that the social entrepreneur is a social change agent. However, researchers seem to be divided on the scale of change that one should seek to introduce in order to be considered a "social entrepreneur". Some characterize social entrepreneurs in terms of the large-scale social change that they set in motion (Martin & Osberg, 2007). Others define it more loosely as any activity that creates social value (Yunus, 2007). Moreover, some researchers point out that social entrepreneurship is a more recent phenomenon while others indicate that it was around for years since business organizations have always been creating social value (Peter Drucker, 1995). As

an academic field of study, however, social entrepreneurship is still nascent although it is gathering momentum at a surprisingly fast pace, and at present, interest in the field is growing on the part of researchers, social service organizations as well as government policy makers (Martin & Osberg, 2007).

This paper first presents a working definition of “social entrepreneurship” based on literature review and explains why the social entrepreneurship movement is gathering momentum across the world. The paper also highlights the important characteristics that differentiate social entrepreneurship from private entrepreneurship and identifies critical success factors for social enterprises. Finally, it provides some examples of successful social enterprises from Ethiopia and other parts of Africa.

## **2. Literature Review**

### **2.1. What is Social Entrepreneurship?**

A social enterprise (SE) is an organization that is created and managed like a for-profit enterprise except that the profits so generated are not appropriated for the benefit of individual owners or investors but to promote a specific social cause (Harding, 2006, p.5). Most social entrepreneurs may be described as “enterprising individuals who apply proven business practices to solve societal problems, such as pollution, poor nutrition, and poverty” (Perman, 2009). They are tenacious and are not afraid to go against the norm in achieving the social objectives that they are passionate about. This behavior of most social entrepreneurs is encapsulated in a book titled *“The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World”* by John Elkington and Pamel Hartigan (2008). They strive to identify and implement innovative management techniques to grow their social business so that they can serve the needs of the target group more effectively. To achieve this goal, social entrepreneurship “combines the passion of a social mission with an image of business-like discipline, innovation and determination” (Perman, 2009, p.1).

Dees (1998) provides a definition of social entrepreneurship based on the works of economists Jean-Baptiste Say and Joseph Schumpeter and a renowned management guru, Peter Drucker. The French economist, Jean-Baptiste Say (quoted in Dees, 2001) who is credited with first introducing the term “entrepreneur”, defined “entrepreneurship” as the creation of value and the “entrepreneur” as someone who creates something of high value and high yield. Joseph Schumpeter (quoted in Dees,

2001) described entrepreneurship as “creative destruction” and saw the entrepreneur as a “change agent”. Peter Drucker (1995) described the entrepreneur as one who seizes the opportunity that change brings and takes advantage of such opportunity to create value. Based on these different perspectives of entrepreneurship, Dees (2001) provides what he calls an “ideal” definition of social entrepreneurship. This “idealized” definition describes the social entrepreneur as an innovative change agent whose mission is to create social value, who relentlessly and boldly seeks new opportunities to advance that mission, who is accountable to his/her constituents, who is resourceful, and who continuously learns and adopts new ways to benefit society (Dees, 2001, p.4).

Social entrepreneurs have powerful ideas that help propel social change and improve the lives of millions of people (Bornstein, 2004, p.5). By utilizing innovative methods, social entrepreneurs fight various persistent social problems with tenacity, passion and discipline. Social enterprise initiatives may first be implemented in one location to improve identified social, economic or health problems, but these initiatives have the potential to be applied in other regions or countries, of course, with necessary adjustment to reflect the local conditions. Thus, what may have started as a small initiative in one locality at one time may spread like wild fire and stimulate positive change on a global scale. For example, the wide use micro-credits in many nations is a vivid example of the potential diffusion of visionary ideas across continents in a relatively short time. The concept of the micro-finance industry began in 1978 when Dr. Mohammed Yunus, then an economics professor in his native Bangladesh, lent 42 village women an equivalent of US \$27 so that they could repay their debt to the moneylenders who were charging the villagers exorbitant interest rate. He did not require any collateral. The only condition for the interest free loan was that they pay back the loan as soon as they could so that he could lend it back to other villagers. He was surprised to see that all of them repaid the money on time. He continued his practice of giving loans to villagers and later founded the Grameen Bank (or village bank) which grew to be a multi-billion dollar conglomerate that serves millions of customers. The success of the Grameen Bank touched off the micro-finance industry across the world, and microfinance loans are now used in just about every nation in the world. Dr. Yunus received the coveted Nobel Peace Prize in 2006 in recognition of his vision and dedication and for his contribution in alleviating poverty not just in his native Bangladesh but also in many other countries.

There is consensus in the literature that the social entrepreneur is a change agent, an individual that creates new products or services to benefit humanity. However, there are different perspectives regarding the scale of change that should be created in order for the organization to be considered a social enterprise. While recognizing that the change brought about need not be large from the outset, some argue that at least the long-term vision must be to introduce large-scale change, and that a stand alone operation that is not replicated in other regions or nations should not be considered a social enterprise. For example, some argue that an organization created to assist one small target population or a small community should not be considered a social enterprise (Martin & Osberg, 2007). The Skoll Foundation seems to subscribe to this notion of social enterprise since the foundation was established for the primary purpose of driving “large-scale change by investing in, connecting, and celebrating social entrepreneurs and other innovators dedicated to solving the world’s most pressing problems” (<http://www.skollfoundation.org/>). Accordingly, each year this foundation invests in selected social enterprise organizations that it believes are making a difference in overcoming important large-scale social or environmental problems. In 2009 alone it invested in 15 such organizations.

Successful social entrepreneurs leverage their passion with proven business management practices and like business entrepreneurs they take investment risks. However, in contrast to business entrepreneurs who take investment risks for the purpose of benefiting themselves or their shareholders, social entrepreneurs take risks for the purpose of serving their target population better. To be successful social entrepreneurs must utilize entrepreneurial methods, use their resources optimally, and be both market sensitive and mission-driven (Brinckerhoff, 2000). Another approach for distinguishing between the entrepreneur and the social entrepreneur is in terms of value proposition (Martin and Osberg, 2007). The business entrepreneur forecasts market demand for new goods and services and prepares to supply these products to the customer at a price that will earn him a profit and the customer can afford. The social entrepreneur’s value proposition, on the other hand, is to identify marginalized, underserved, or highly disadvantaged population who have neither the financial resources nor political influence to receive the necessary benefit and to make a difference in their lives (Martin and Osberg, 2007, p.35). They use entrepreneurial approaches to manage their scarce resources and the net revenues so generated are used to not for their personal enrichment but for the benefit of the target population.

Social entrepreneurs seek to tackle diverse socio-economic challenges and they all share a passion and commitment to make the world a better place to live in. Some are self-made multi-millionaires who want to invest a portion of their wealth to make a difference in the lives of the less fortunate segments of society; others may be people with special skills who want to use their abilities to solve specific social problems; yet others may be average citizens with a passion to drive positive social change.

In addition to the passion and drive to make positive change in society, successful entrepreneurs have certain important characteristics. According to Brinckerhoff (2000, pp. 1 -2) the characteristic features of excellent social entrepreneurs include the following: (1) constant attempt to identify new ways to serve their cause and to create more value; (2) taking reasonable risk in their effort to serve their constituencies better; (3) understanding the difference between what their constituents need and want; (4) having a strong sense of stewardship in their resource allocation decisions; (5) weighing both social and financial benefits in their investment decisions; and (6) clear understanding of the relationship between mission and resources, that while the mission always comes first, it takes financial resources to attain mission goals.

There is general consensus as to the purpose of social enterprises. However, different perspectives exist as to what type of organizations can be considered “social enterprises”. Yunus and Weber (Yunus and Weber, 2009, pp. 22-23) differentiate between what he calls a “social business” and a “social enterprise”. They argue that a social business is created for the purpose of providing social benefits for the target population; it is a business that is driven by the desire to achieve a specific social mission and the profits earned are used to advance a specific social cause, not appropriated to the investors. However, a social business is not a charity and investors can be repaid their initial capital outlays from the profits over a period of time once the social business is up and running (Yunus and Weber, 2009, pp. 22-23).

Significantly, Yunus (2007) argues that social enterprises may include non-profits as well as for profit organizations. He believes that a non-profit organization created to address a specific social problem in a community. He also argues that a for-profit firm located in a specific community to provide critically needed service such as a banking services or health care services can be considered a social enterprise. Based on these arguments, it goes without saying that a hybrid organization that combines for-profit and non-profit

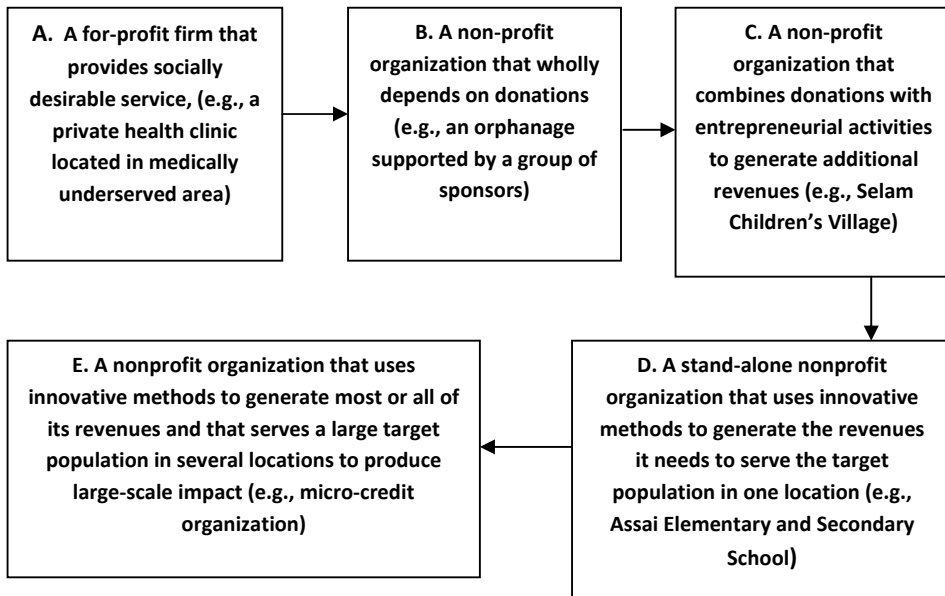
objectives may also be considered social enterprise as long as long as it provides a socially desirable service.

In contrast to Yunus's broad definition of social entrepreneurship, some other scholars argue that although the distinctive feature of all social entrepreneurs is to create social value by making a lasting positive impact in society, not all organizations that create social value are social enterprises (Martin and Osberg, 2007). Those who use a more stringent definition of social entrepreneurship argue that for organizations to be considered social enterprises their mission and vision should be to have major transformational impact across a broad spectrum of communities, even nationally or internationally (Martin and Osberg, 2004, p. 36). For example, scholars who use a narrower definition of social entrepreneurship would not see an organization that is created to provide social benefit and improve the lives of the target population in just one community a social enterprise unless the founders' vision is to replicate the service in many other regions. Similarly, these authors distinguish social entrepreneurs from social activists and social service providers. Organizations established to influence policy, e.g., MoveOn.Org founded by U2's Bono to lobby governments in developed nations to provide increased aid to alleviate poverty in poorer nations are not social enterprises since they do not directly engage in the provision of service. Thus, Martin and Osberg (2007) differentiate these three forms of non-profit organizations as follows: "The social entrepreneur takes direct action and generates a new and sustained equilibrium; the social activist influences others to generate a new and sustained equilibrium; and the social service provider takes direct action to improve the outcomes of the current equilibrium" (Martin and Osberg, 2007, page 38).

Other authors further classify social enterprises into different categories based on the nature of their activities: For example, Elkington and Hartigan (2008) categorize social enterprises into three groups: (a) non-profits that primarily depend on grants and donations from philanthropic organizations or government bodies, (b) organizations who generate their own operating revenues purely through market mechanisms except that the profits are appropriated to support the social mission, not to enrich the investors, and (c) organizations that use a hybrid approach of using market mechanisms while also receiving donations from government agencies and/or philanthropists. The various forms of social enterprises described in the literature can thus be depicted on a continuum as shown below. It should be noted that it is only Mohammed Yunus who

considers for-profit enterprises that provide needed service to a community (Type A below) a social enterprise.

**Figure 1: Different forms of social enterprise described in the literature**



It is well established in the literature that for any organization to be considered a social enterprise its mission must be the creation of social value by engaging in entrepreneurial activities that drive positive change in society and the profits, if any, must be appropriated to benefit society, not to the individual owner or investor. Using this yardstick, therefore, we posit that Category A (A for-profit firm that provides a socially desirable service) does not meet the test of a social enterprise even if it provides vital service to the community that it serves, a case that Mohammed Yunus tries to make in his book, *Social Business* (2007). After all, the ultimate test that distinguishes a social enterprise from a private business venture is the appropriation of the profits. As emphasized earlier, business ventures that distribute the profits to the investors cannot be considered social enterprises.

To be sustainable, social enterprises must strive to engage in revenue generating activities in order to support their mission. While many non-profits have contributed immensely to the goal of social change, we argue that organizations need to engage in



some form of entrepreneurial pursuits to make available the required resources and to ensure providing uninterrupted service to the target population in a sustained manner. Research reveals that reliance on external funding to support organizational mission often creates uncertainty that endangers program continuity. Therefore, non-profits that fully depend on grants and donations from external sources are not ideal forms of social enterprise. Similarly, we argue that the definition of social enterprise does not require demonstrating large-scale transformational impact as advocated by Martin and Osberg (2007), even though this feature is highly desired.

## **2.2 Why social entrepreneurship?**

For years, social entrepreneurship was at the fringe of the non-profit movement, but it has now started to generate interest among academicians, philanthropists and policy makers alike (Urban, 2007). Presently, the so-called Third Sector that includes the non-profit and social enterprise organizations is growing significantly. They are at the forefront of addressing persistent socioeconomic and environmental challenges that are plaguing the world, and they are mapping out new approaches for poverty reduction, socioeconomic development, and reversing or at least reducing further degradation of the environment. In this concerted effort to rid the world of intractable problems, social entrepreneurs are making a marked positive impact.

Paredo and Chrisman (2006) assert that many poverty alleviation programs have become global charity programs and have not been as effective as hoped for in achieving their goals. The authors further note that one of the primary reasons that contributed to the failure of these poverty alleviation programs is that they were not designed by the members of the community but rather by international development agencies who did not fully understand the prevailing socioeconomic conditions in the community. As a result, the beneficiary populations did not perceive themselves as owners of the initiatives in contrast to most social entrepreneurship initiatives that are designed and implemented with full participation of the local community which increases perceived ownership and relative success in achieving the desired mission. (Paredo and Chrisman, 2006).

Organizations that seek to serve a social mission are often faced with the daunting challenge of providing ever-increasing services with inadequate funds. This has prompted them to resort to innovative approaches to acquire new sources of funds and

to explore better ways to utilize their limited resources. Adopting more entrepreneurial strategies and techniques enables social enterprises to develop requisite skill sets to run their operations more efficiently and to deploy their resources more effectively thus enhancing their capacity to provide the intended service to the target group. In turn, this would help reduce their dependence on donations from government agencies, private foundations and philanthropic individuals and minimize distractions in service delivery caused by the ebb and flow in funding levels. The strategy of utilizing innovative management techniques to serve targeted social causes has catapulted social entrepreneurship as a mainstream field of study both in developed and developing nations (Bornstein, 2004). This has also enhanced the battle readiness of social entrepreneurs in their fight against deep-seated and intractable socio-economic and environmental concerns in society.

In pursuing their strategy of alleviating social problems and building financial self-reliance, social entrepreneurs have used different organizational arrangements. For example, non-profits may engage in for-profit activities to generate revenues that are used to advance a desired social mission, or a for-profit organization may create a separate non-profit entity whose proceeds are used for social benefit purposes rather than for increasing shareholder value. A study by Kistruck and Beamish (2010) has shown that for-profit organizations that engaged in social entrepreneurship were more successful since the cultural environment in which non-profits operated had a more constraining effect relative to the for-profits. They also found that both the for-profit and non-profit organizations were more successful when the social enterprise was organized as a separate structure.

### **3. Social entrepreneurship activities in Africa**

In Africa, the Third Sector (i.e., the non-profit, non-government sector) has grown steadily over the last several years with the overwhelming majority of this sector consisting of non-profit agencies that provide valuable services. Initiated by indigenous leaders as well as by concerned expatriates, non-profits have provided critically needed services to improve the lives of millions. They provide health care and education services, make clean water accessible to thousands of villages, establish and operate orphanages, and work to slow down environmental degradation. They collaborate with local and national governments, international development agencies and large foundations in fighting poverty and disease. For example, this sector has made significant contributions in the treatment and awareness creation of HIV/AIDS pandemic in Africa.

Most organizations in the Third Sector primarily depend on donations from individual philanthropists, foundations, government agencies and other non-profit organizations including bilateral and multilateral agencies. As discussed in the previous section, such reliance on external funding sources to support mission creates uncertainty and inevitably puts the continued sustainability of the initiative in question. It is primarily for this reason that social enterprises are more effective in achieving their mission since they utilize innovative approaches to enhance their ability to solve social problems (Dees 2001; Christie and Honing 2006). To improve chances of long-term sustainability and to succeed in achieving the desired social mission, the passion to serve must be leveraged with innovative management approach. This is perhaps even more important for African social entrepreneurs given the overwhelming challenge they often face in obtaining adequate funding for their operations.

The use of entrepreneurial approach to acquire needed resources in non-profit organizations is not entirely new. For example, in the United States, churches have been renting halls to members and non-members for social functions such as weddings, graduation parties and birthday celebrations for ages. The revenues so generated are used to supplement the funds required for the church's mission based activities.

Based on a study of 10 cases in social enterprise comprising seven developing countries in Africa and Latin America, Kistruck and Beamish (2010) report that the pursuit of entrepreneurial initiatives by non-profit organizations could lead to stakeholder misunderstanding.<sup>3</sup> Their study suggests that when existing organizations engage in social business, it may lead to lack of buy-in among their internal and external stakeholders out of fear that the organization is straying away from its core mission (Kistruck and Beamish, 2010). To minimize any such misunderstandings, therefore, the organization needs to unleash a sustained effort to educate its stakeholders as to why it is engaging in entrepreneurial pursuits. Specifically, they need to clarify to their stakeholders that their pursuit of innovative initiatives will go a long way to further strengthen their capacity to fulfill their mission and will not adversely impact the organization's pursuit of its core business.

Despite the generally held notion that social entrepreneurship is more likely to succeed in developing nations in view of the dire need for funds to deal with numerous socio-

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<sup>3</sup> These are: two from Kenya, one from Swaziland, one from Zimbabwe; three from Brazil, one from Bolivia, one from El Salvador, and one from Honduras.

economic, health and environmental problems, social enterprises are not as common in Africa as one would think and studies dealing with social entrepreneurship in Africa are very rare (Kistruck and Beamish, 2010; Mair and Marti, 2006). Even in South Africa where social entrepreneurship is better developed, Urban (2007) observes that research on social entrepreneurship is mainly lacking. In view of the South African situation where traditional public programs are unable to meet the social need and where effort is made to limit dependency on government funding for social programs, he concludes that social entrepreneurship “has unequivocal application in SA” (Urban, 2007, p. 347). We posit that this is true for other African nations as well.

In view of the creative approach they use to generate their own revenues to support their stated mission, social enterprises should be actively promoted in the continent. While studies based on African social enterprises are limited, the experience of the few social enterprise organizations from Africa is encouraging. Consider the following social enterprises from Africa that used entrepreneurial methods to serve their target customers: (1) In Kenya, a non-profit organization that was engaged in providing charitable service to the poor started a for-profit operation. To increase the income of pastoralists, the non-profit organization started purchasing cattle from cattle breeders at a higher price than was offered to them by middlemen. The non-profit would then sell the cattle to a large meat processing company. Not only did this business operation generate additional revenues for the organization but it also enabled the pastoralists to get better prices for their animals and thus increased their income (Kistruck and Beamish, 2010). (2) In Zimbabwe, an established, large for-profit organization that operated in the urban centers got engaged in providing micro-finance loans to the rural community through a for-profit subsidiary that it created for this purpose. This made financing available to the rural population while enabling the non-profit organization to generate more funds to support its mission (Kistruck and Beamish, 2010).

In Ethiopia, there are a few non-profits that previously fully depended on donations which have gradually transformed themselves to social enterprises by actively pursuing innovative strategies to raise their own revenues. While most still depend on external sources to support their mission, the revenues they raise themselves comprises a significant percentage of their budget at the present time with a promise to grow even further in the future. Like any successful entrepreneur these social enterprises always explore new opportunities to raise additional revenues so that they can continue to provide the critical service that their constituent communities depend on. Below, we

have identified three examples of Ethiopian social enterprises: (1) Abebech Gobena Yehitsanat Kebekabena Limat Dirijit, (2) Selam Children's Village, and (3) Assai Elementary and Secondary School. These are exemplary social enterprise organizations in Ethiopia that have developed a growing stream of self-generated revenues through creative business practices that they use to support a good portion of their annual budget. This has provided them with some cushion against the adverse effects caused by fluctuations in externally acquired funds and enabled them to provide uninterrupted service to their constituencies.

***Abebech Gobena Yehitsanat Kebekabena Limit Dirijit (AGOHELD)***

Founded in the early 1980s, Abebech Gobena Yehitsanat Kebekabena Limat Dirijit (AGOHELD) is registered with the Ethiopian government as a local humanitarian non-governmental development organization. At AGOHELD children come first. AGOHELD's vision is "to make children productive and responsible citizens by satisfying their needs and protecting their rights so that they can become self supportive and contribute their share to society" (AGOHELD, Special Edition for the 27<sup>th</sup> Anniversary, p.31). More specifically, the organization's main purpose and the reason for its establishment has been saving the lives of children and improving the conditions of disadvantaged children. This remains the key objective of the agency to this day. Over time, the organization has diversified its services by adding new but inter-related services such as expanding educational opportunities, providing health care, supporting rural and urban development initiatives, and providing technical, vocational and life-skills training . AGOHELD hires about 300 fulltime employees and has almost equal number of volunteers. The organization has facilities in Addis Ababa and Oromia region.

Since its inception until mid-2010, a total of 3,192 orphans received full boarding institutional care at AGOHELD. The organization also facilitates adoption of abandoned or orphaned children as well as the reintegration and reunification of children with their families. As of the time of this study, 690 children received these types of services. It also provides home-based services to 14,000 vulnerable children to enhance family stability. AGOHELD is involved in education activities that empower women and fights for children's rights. It provides outpatient health care, obstetrics and pediatric services, and family planning and education services. It also provides referrals to more specialized medical care facilities as needed. Other areas of intervention include providing K-12 education, vocational training and on-the-job skills training. The last is often provided to

adults to enhance their productive capacity in such areas as agriculture, construction, handicrafts, etc.

AGOHELD generates about 40% of its annual budget through diverse entrepreneurial programs aimed at providing needed service in the communities that it serves. It sells agricultural produce, handicraft and food products, charges nominal fees for its health care services based on ability to pay, and is engaged in several other activities that bring badly needed revenues to finance its activities.

### ***Selam Children's Village***

The mission of Selam Children's Village is to create jobs, provide sustained employment for staff and meet the needs of children. It was founded by Zahai Roschli in 1986 as an orphanage in July 1986 with 19 boys and 13 girls. In the ensuing years new programs were added. Now the organization has two major units: (a) Selam Children's Village which includes a health clinic, elementary and secondary schools, a popular restaurant, and orphanage. In 2010, there were over 1,000 students in grades K-12 including 450 students in the boarding school. Academically strong students are encouraged to go to college while others are directed to go to vocational schools.

*Selam Technical and Vocational College (STVC)* includes Selam Agriculture Department and Girls and Boys Vocational School where the students are trained in auto mechanic, electronics, and metal works. There is nominal tuition paid on a sliding scale basis and enrolled students get training and apprenticeship opportunities in the shops. STVC produces different tools such as ploughs, carts, cisterns, fishing boats, turbines, corn mills, roof tile machines, oil presses, mud block presses and other small utensils which are sold to the public. These revenues and the nominal tuition collected provide adequate funds to make the organization financially self-supporting. STVC also trains over a 100 students in its metal workshop every year.

Since 1995, the health clinic has been treating about 700 patients per month. Selam has its own vegetable garden that grows organic produce, a flower garden and a dairy farm. The restaurant is highly popular and is frequented both by locals and tourists. The restaurant serves vegetables and dairy products grown in its own garden and is usually full to capacity. In the early mornings, customers stand in line to get Selam's dairy products. In addition to vegetables, the organization also sells bread, yogurt and handicrafts, all produced onsite, in their own little store located adjacent to the

restaurant. In 2010 Selam had about 1000 employees and its total budget for 2009 was Birr 18 million of which about 40% was self-generated.

### ***Assai Elementary and Secondary School***

First established as a private boarding school in 1965 with just nine students and three teachers, Assai is now a public school that serves over 2,000 primary and secondary school students. Its organizational structure is rather unique in that although it is a public school, it is self-managed and it is not supported by public funding. A committee elected by the student's parents called Management and Administration Committee is the body that manages the school's affairs. The school prides itself in the quality and rigor of its curriculum and in its ability to provide an environment that fosters learning. Assai students consistently perform among the top schools in the nation. In 2003 Assai completed the construction of a four-story building to house the secondary school program. To supplement its revenue, Assai leased the first floor of the building which is now the site of a popular café. The tuition paid by students and the rental income are the major sources of revenue that support the school's operation. By all measures, Assai's experiment is an astounding success. The school's principal credits the active involvement and support of the parents, the untiring effort of the teachers, and the innovative approach of the school's leadership as the main reasons for the school's momentous success.

## **4. Concluding Remarks**

As discussed in the previous sections, there is consensus that social entrepreneurship is an innovative approach used to benefit society and to make a positive difference in peoples' lives. However, scholars differ regarding the types of organizations that should be considered social enterprises. Some authors propose that only those organizations that are involved in large-scale social change are social enterprises. For some others, even private firms that provide needed goods or services to a community can be considered social enterprises even though the revenues generated are not used for the benefit of the community. We believe there are three important tests that should be used to determine whether or not an organization is a social enterprise: (1) it must have a social mission; (2) it must utilize entrepreneurial approaches to generate a part or all of the revenues that it needs to advance its mission; and (3) the proceeds from such activities should be appropriated to society's benefit and not for the benefit of the individual owners or investors. Based on these criteria we argue that private firms

whose profits go to the owners are *not* social enterprises even if they provide critically needed service to the community in which they operate. Similarly, we argue that large-scale impact should not be a requisite feature of a social enterprise. Obviously, social entrepreneurs desire to positively impact the lives of as many people as possible, but we believe even smaller, stand-alone initiatives that bring sustainable positive change to a target population are social enterprises.

We recognize the invaluable contribution that non-profits have made in alleviating poverty and in providing vitally needed services to society in diverse fields. However, in view of increasing donor fatigue and severe shortage of donated funds to support the growing demand for social services, it is important that non-profits pursue entrepreneurial approaches to ensure their long-term sustainability. There is convincing evidence that non-profit agencies that use innovative approaches to generate revenues are more effective in providing sustained social benefit (Kistruck and Beamish, 2010). Further, it has been shown that social enterprises have helped to identify and implement more efficient service delivery systems to the target population (Harding, 2006) and that they have been able to tackle serious social and economic problems where both private and public approaches have failed (Jeffer, 2006). These findings strengthen the argument that social enterprises are more effective in attaining their stated mission compared with non-profits that rely on contributed funds to provide social benefits.

Research on social entrepreneurship in Africa is limited, but the few studies that are available clearly show the effectiveness of this approach in driving the desired social change. In Ethiopia, hundreds of NGOs have been established to serve diverse target populations. To ensure continuity of funding and to attain their mission more fully they should strive to engage in entrepreneurial activities that could generate revenues to cover at least a portion of their annual budget. We recognize that this may not occur overnight and that adopting a more entrepreneurial approach will involve some learning curve. However, relying on donations to support the mission is a risky proposition. Therefore, developing innovative approaches that lead to self-sustenance over time is a strategy that should be espoused by those who are committed to creating social value. This will help reduce funding uncertainties and also improve the ability to more effectively accomplish the desired social mission. The relative success of social enterprises in Ethiopia such as Selam Children's Village and Assai Elementary and Secondary School provides valuable insight to other organizations in the country regarding the effectiveness of utilizing entrepreneurial approaches to achieve the desired social goals.



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