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**ORIGINAL ARTICLE****Social Enterprise in the Development Spectrum: Context and Literature Review****Enamhe, Dorn Ckclaimz<sup>1</sup>, Maxwell-Borjor Achuk Eba<sup>2</sup>**<sup>1</sup> Lecturer, Department of Social Work,  
University of Calabar, Cross River State, Nigeria<sup>2</sup> Lecturer, History and International Studies,  
University of Calabar, Cross River State.Email: [dorncklaimzenamhe@unical.edu.ng](mailto:dorncklaimzenamhe@unical.edu.ng)

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**ABSTRACT**

Social entrepreneurship is considered as a relatively nascent phenomenon in the academic circles. Many of the research in contemporary times has largely focused on the area of “social entrepreneur as change agent” (or “the role of the founder, and his or her vision and individual traits”, but there is very little evidence regarding effectiveness of these enterprises. In order to better understand social enterprises, the principal question has to shift from ‘who is a social entrepreneur?’ to ‘how does social enterprise/entrepreneurship occur?’. Such a shift will require focusing on the processes, however it does not exclude the individuals involved. Every process involves people, activities and organising – both formal and informal and it applies to the field of social entrepreneurship too. It is argued that, there is a lack of understanding of the process employed by social enterprises and also there is inadequate evidence of the value proposition of such organisations. There is relatively little knowledge regarding the dynamics and processes of social enterprise. Hence in the absence of a conceptual framework, it becomes difficult to determine the reasons for the backing of social enterprises among policymakers, practitioners and academics. This work presents an extensive literature on the concept of development and social enterprises. Attempt has been made through this chapter to map the concept of social enterprises in the development spectrum. It has followed a structured thematic approach to explain the concepts in detail.

**Keywords:** Social Enterprise; Development Spectrum; Social entrepreneurship; Neo-liberalism.

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## **DEVELOPMENT: THE POST WORLD WAR II POLITICAL REARRANGEMENT**

Development has been the dominant ideology of modern times. It has been used as a discourse to define nations, programs, international organizations and bodies of doctrine, but also as an expression of hope and aspiration (Torfing, 2005). The ‘discourse of development’ has the ability to move people, to emotionally touch their ambitions and aspirations and hence has been used for different political purposes that conflicts with its original idea of making a better life for everyone. *“The development agenda has shifted markedly over the last three decades, placing different emphasis on the relative role of the state, the market and civil society according to the ideology underpinning the development agenda at each specific time”* (Banks, Hulme, & Edwards, 2015, p. 708)

It is difficult to trace the history of development. It is argued by Larrain (1989), that some form of development and social change occurred historically, but the concept of development emerged in close connection with the advent of capitalism, which happened as a result out of the contradictions of feudal society. However most of the academicians argue that political needs and international rivalry post World War II cemented the idea of development into the political economy, as the western world was facing a challenge of rebuilding their economies which was shattered by war. The theories of development kept on changing with the evolution of capitalist system, however it was only during the period of late capitalism (1945 onwards) that economic growth became the core meaning of development. Industrialization became synonymous with economic growth. Industrialization and urbanization were considered pivotal and as progressive routes to modernization (Odey & Ushie 2018; Ushie & Odey, 2018). Capital investment became the core aspect of economic growth and development. The period after Second World War also witnessed the process of decolonization all over the world and the emergence of newly independent nations. The problems of economic difficulties and poverty of the newly independent countries came to the fore and were considered as serious problems by the developed world. This laid carpet for the coming together of the powerful, led by the United States of their hegemonic will to develop the underdeveloped areas of the world.

The Truman doctrine of 1949 and the policy documents of United Nations, Department of Social and Economic Affairs (1951) suggested restructuring of underdeveloped societies to achieve overall development. As a result, the ‘third world’ was given birth by the discourses and practices of development (Rapley, 2002). The label of underdeveloped was used by the north for intervening in the affairs of south (third world), comprising of newly independent nations of Asia,

Africa and South America. Since then the development theories were built on the assumption that the rest of the world should follow the United States model to achieve growth and development (Nustad, 2001). In this regard, Escobar (1995) considers that development discourse is a device for constructing knowledge and asserting power over the third world. It came into existence during the 1945 to 1955 and since then it has adapted its strategies, theories and practices with the change in time to ensure certain control over it.

The post-world war II discourse of development is firmly embedded in concept of western modernity and economy. It is clearly anchored in the western economy, with its ensemble of systems of production power and signification. The period from 1945 to 1966 was a phase of economic expansion, accelerated growth, rising profits and second from 1966 until the present is a phase of decelerated growth and of rapidly succeeding and increasingly threatening recessions (Larrain, 1989) and if we look at the current economic order, this recession is continuing even now. The early years of post war emphasized on the state should take up a leading responsibility in managing the economy than the past. The confidence in state was further reinforced with the consensus surrounding Keynesian economics across the globe. State gave a lot of importance on social and welfare issues and the strong economic performance during the period ensured that the state could easily spend on welfare policies. An appropriate interventionist role by the state was in place to safeguard the interest of capitalism. The postwar capitalism was both redistributive and managed. The efficient management of the economies by the western government through nationalization, regulation and public spending took care of both the investor class and working class (Rapley, 2007). However the benefit of industrial development was short lived. The embedded liberalism of advanced capitalist countries stopped producing results. The post war boom came to an end in 1970s and with this emerged the criticisms against state-led development. First world started facing economic constraints and this was the time when they started leaning towards right. This provided the ground for the neoclassical theorists to claim that the main problem was the state itself and rapid development could only happen, if state was rolled back (Rapley, 2002). The developed world started embracing market. This also provided a space for attacking the state and other institutions, such as unions which were seen as a hindrance towards the free functioning of the market. As a result, welfare provisions which previously existed were shown a door.

The neoliberal ideology started dominating the world political economy since the 1980s. *“At an ideological level, neoliberalism is a set of guiding beliefs in the guise of scientific truths, doxa, centred on the notion of efficient, competition driven market as the best mechanism for regulating socio-economic relations”* (Bourdieu, 1998, p. 34). The Thatcher and Reagan era restricted the state’s participation in the

overall functioning of the economy (Adora, 2019). The development paradigm has been built around the neoliberal structure since then. In the process, old style democracies, welfare states, newly formed states all embraced, some version of neoliberalism some of them voluntarily and others under coercive pressures. As a result, there has been a “*concomitant shift from government (state power on its own) to governance (a broader configuration of state and key elements in civil society)*” (Harvey, 2005, p. 53). Economic growth became the axis around which, the meaning of development was constructed. Broadening of political mobilization with economic growth entered the dictionary of state policy. Neoliberal policies focused on deregulation and privatization in order to increase economic growth. Global economic theories started projecting the ‘superiority of free market’ in achieving development goals. It was believed that all of social domains- (state, family life, society and individual everyday life) can produce ideal results by operating on the principles of free market, freedom and spontaneity of rational individuals (Eikenberry, 2009) and it could be achieved through excessive marketization and by limiting the participation of state. “*In this process political leaders have increasingly looked to private, nongovernmental organisations for the means to replace public social programs*” (Hacker, 2002, p. 7).

This provided a backdrop for neoliberal rationalities which centred on the concept of modernity. In the modernist tradition, the concept of development undertook new meanings (Peet & Hartwick, 2009). The new definition focused on economic growth too. However greater importance was given to the conditions under which such growth occurs and the results of such growth. Scientific and technological advancements, democracy, ethics, value were sewed together to produce a better world for all. The excuse was economic growth favours only a small section of people as it occurs without touching the problems of inequality and poverty. It was argued by the proponents of the new development discourse that, the 30 years of increased growth in the western countries has also resulted in higher inequality of income. So a larger consensus was built on developing the underdeveloped areas of the world. Hence the modern interventionist development is built on the idea of trusteeship (Nustad, 2001). Those who were developed took it on themselves to guide those who were underdeveloped.

### **THIRD WORLD AND STRUCTURAL ADJUSTMENT PROGRAMMES**

First world pressurized the third world to adopt pro market policies. This was strengthened with the introduction of Washington consensus, backed by U.S and the Bretton Wood institutions. Thereafter the “*International Monetary Fund and the World Bank became centres for the propagation and enforcement of ‘free market fundamentalism’ and neoliberal orthodoxy*” (Harvey, 2005, p. 29). Underdeveloped

countries borrowed heavily at exorbitant rate of interest meant to favour the foreign investors who were backed by New York based investment banks. However this led to a crisis and in return of rolling over the debt, neoliberal reforms were introduced to such countries. Structural Adjustment programme (SAP) was introduced in 1980s in order to increase market influence. In return for debt rescheduling, the SAP required indebted underdeveloped economies to privatize state businesses, reduce government expenditure on welfare, encourage foreign investments, flexible labour market laws and increase trade liberalization. The debt crisis had weakened the bargaining capacity of the third world and they had to agree to the terms and conditions of the west.

Industrialization was one of the core areas of structural adjustment program. The developed world took great pride in the industrialization, which happened in a handful of third world countries. However they used second generation production technology, capital intensive assembly plants and these industries were largely owned by foreign investors and created few jobs. The economy largely depended on export of goods to first world and whatever economic development happened brought with it little social development and it was largely determined by the development of another economy. *“The SAP was a failure in most of the implemented nations. on the contrary it resulted in increased poverty as the anticipated “trickle down” benefits to the poorest did not eventuate”* (Barnett, 1993, p. 102). It resulted in a reaction against neoliberalism in 1990s in many countries. As a result in the mid-90s the World Bank and IMF began to show its concern over the negative effects of structural adjustment. With the failure of structural adjustment, classical economists realized that a greater role for the state may be needed in the economy but couldn't go back to the Keynesian model of development because of the domination of market. These institutions liberalized their stand on the state's involvement in development. However they were keen to minimize the scope and duration of the state interventions and made sure that unlike the previous times, the state interventions should not interfere with market forces (Rapley, 2007). Poverty alleviation became one of the development priorities of the Bretton wood institutions. This led to the World Bank and similar institutions supporting issues concerning social development.

The discovery of poverty in third world nations was an attempt to restructure the global culture and political economy. In spite of the negative consequences, neoclassical theorists believed that structural adjustments will bring benefits in the longer run and it will benefit the entire world population, however they were concerned about the political instability as a result of the ill-effects of structural adjustment. *“To sustain support for reforms during these difficult times, neoclassical theorists propose measure to target aid to affected groups”* (Rapley, 2007, p. 137). Infusion of aid was needed because, the structural adjustment program had worsened the condition of the larger population. Poverty rates were really high during the

period. Targeted aid was chosen instead of broader state welfare mechanism, as it would reintroduce strain on government budgets and distortions in market. Targeting favored by the World Bank was used to direct to the poor in the areas of food, jobs, healthcare and even school fees. The aid policy ensured that the underdeveloped nations will continue with the neoliberal policies. In this context mainstreaming of NGOs as vehicles for welfare service delivery was strongly linked to privatization of welfare practices. The Work of development institutions has been very disappointing. *“Development has been successful to some extent as it has been able to integrate, manage and control countries and populations in increasingly detailed and encompassing ways”* (Escobar, 1995, p. 47) however it has failed to solve the problem of underdevelopment. It has created a type of underdevelopment which is politically and technologically manageable.

## **RETURN OF CIVIL SOCIETY AND MUSHROOMING OF NGOS**

Civil society has existed since time immemorial, it goes back to the times of Aristotle, however ideas about civil society has become popular among policy makers and state apparatus since the late 1980s. The civil society started enjoying the support of political and intellectual spectrum and it gained reputation throughout the 1990s (Lewis & Kanji, 2009). *“The re-emerging of the term civil society has in time coincided with strong dominance of liberal social theory and with the consolidation of a neo-liberal regime within politics and economics”* (Berglund, 2009, p. 1). Its ascendancy can be traced back to the advent of the global free market capitalism. Civil society was the beneficiary of the broader unrest, which happened as a result of the dissatisfaction with too much state intervention (1945-mid 1970s) and consequences of over reliance on market (1970s to 1990s). It was justified by a body of evidence, backed by specialists from various academic institutions and think-tanks and with financial support from research funding bodies, foundations and Government (Edwards, 2004). The development policy agendas took on an increasingly neoliberal character with market and democratic governance as its twin priorities. Civil society was looked upon as significant for ensuring democracy, good governance, pluralism and for the attainment of socio-economic goals. The neoliberal tradition emphasized on the interdependent relationship between market, state and civil society. This relationship ensured that the civil society is sustained by a productive economy and well-run government. A well run government and civil society will support economic growth and strong civil society helps in efficient functioning of the government (Lewis & Kanji, 2009). Ideally the developmental role of civil society is broken down in to three interrelated areas – Economic, political and social. However as a result of the neoliberal developments, the cultural and political significance of civil society has been displaced by economic role, *“particularly the*

*benefits that accrue from providing health, education and other goods and services on a not-for profit basis to lower income groups as states continue to retreat from their social obligations*” (Edwards, 2011, p. 5). The economic role of civil society focused on securing livelihood and providing services where states and markets are weak.

Civil society organizations cover a wide spectrum of organizations, entities, professional groups, social movements, associations, labour unions, NGOs and many others. Although there are many organizational categories under the civil society, NGOs or Non-profit organizations constitute an important element in the ecosystem of civil society. Nonprofit organisations/ NGO form an integral part of the category of associational membership in civil society. Nonprofit sector supports the civil society broadly (Putnam, 1993). NGOs came to be seen as the main representative of civil society. This has been evident particular in the case of donor assistance provided to NGOs. The mushrooming of NGOs in every nook and corner of the globe, has been a resource led process as a result of the large amount of official aid for them. *“In the period 1975-85, when the exponential growth was in its early stages, an increase of 1400 percent in official aid was channeled through NGOs”* (Fowler, 1991, p. 55). *“If there had been no donor money, it is improbable that the NGO would have existed at the phenomenal scale we see today”* (Zaidi, 1999, p. 270). For many donors strengthening of civil society became a policy objective. However that required improvement in intellectual, material and organizational basis of civil society organizations, hence NGOs were promoted by donors to represent the larger civil society. Through financing of NGOs a wider public confidence in the idea of civil society and legitimacy for NGOs was constructed. This was strongly related to the planned delegitimization of the state. From late 1980s onwards NGOs rapidly assumed a greater role and profile on the landscape of development than ever before (Harvey, 2005). This was the post Reagan and structural adjustment stage when mushrooming of NGOs happened. *“The dynamic rise of the NGO sector is seen as clear evidence of the evolution of civil society to be able to self-regulate and self-manage its interests”* (Kamat, 2004, p. 158).

The installation of democratic governance in the 80s and the imposition of structural adjustment programme, followed by the consolidation of neoliberal economic policies sponsored by IMF, World Bank and major bilateral donors contributed to the proliferation of NGOs in underdeveloped economies (Arellano-lbpez & Petras, 1994). In spite of the confidence in the imposition of structural adjustment measures for development, the financial institutions and development donors vouched for some welfare provisions to alleviate the impact of SAP on the population, in order to avoid any sort of political unrest which arises due to poverty. *“As part of the neo-liberal project, aid agencies and Governments of the industrialized west promoted NGOs as the magic bullet that could positively address*

*the problems of the third world*" (Fisher, 1997, p. 442). NGOs were preferred over state institutions because of their nominal private nature. *"In some instances this has helped accelerate further state withdrawal from social provision"*. In this regard (Harvey, 2005, p. 177) argues NGO function as 'Trojan horses for global neoliberalism'.

## **NEOLIBERALISM AND CURRENT ORDER: CRISIS OF LEGITIMACY OF NEOLIBERALISM**

The voice of those skeptical of the contemporary model of development has grown over the years. Neoliberalism reduced everything into free market principles, as a result there has been various socio-economic issues. There is inequality of income due to polarization of wealth, unemployment, increased social conflicts and crisis in social integration across the globe. Traditionally it was the job of the state to solve these problems through welfare measures and other type of redistribution policies. Additionally a part of these problems were also absorbed and resolved by the family systems, community and society. However neoliberalism promoted competition between free individuals and market as a mechanism for the effective management of the society. This altered the way how societies used to function. Although efforts have been made in response to the growing concerns, however the larger economic order continues to revolve around the neoliberal trajectory. Concepts related to development still continue to be framed in narrow economic terms.

A growing number of population is excluded from the paths of employment, production and consumption (Levitt, 2006). There is a growing disillusionment with the neoliberal prescription for development forcing us to think about alternative models. In response to the growing disparities and the recent crises, *"western capitalist institutions are experiencing a loss of public confidence and the 'unmaking of the market' is back on the political agenda"* (Edwards 2008). *"Troubling imbalances between positive and negative forces generated by the functioning of the system-particularly the growing income disparities within and between nations and regions-threaten to undermine the conditions necessary for the system's ongoing health and sustainability"* (Bower, Leonard, & Paine, 2011, p. 186). Against the backdrop of changing political conjunctures, the underlying ideology and policy programme of neoliberalism has undergone several re articulations, however the results has always been lopsided. It has always favoured the powerful class and has not been able to stabilize growth or reduce inequality. Since its inception it has been gone through regular crisis and has adjusted itself to the criticisms. However the current crises reveal the many hidden fractures, which are threatening the socio-economic sphere. In this backdrop (Chiapello, 2013) argues the current form of capitalism is going through an unprecedented crisis, at once social, ecological,



moral, economic and financial level. Contemporary capitalism has reached a critical point (Amin, 2011, 2013). He argues that it is difficult for capitalism to survive or sustain in the current institutional framework. *“The global crisis since, 2008 has opened up new spaces to debate, and indeed to radically rethink the meaning of development”* (Marois & Pradella, 2015, p. 1).

The people who were marginalized in the process of development, who are not responsible for the crisis are targeted to overcome the crisis. The austerity measures have further worsened poverty, social inequality and have impacted the working population. There have been various arguments in the backdrop of the 2008 crisis about possible ‘post- neoliberal’ transformations in the global political economy. *“While some scholars identify first attempt to break with some specific aspects of neoliberalism* (Brand & Sekler, 2009, p. 6), while others remain skeptical about the potential of such a transformation. (Crouch, 2011) argues while the crisis has delegitimized the neoliberalism, *“however there is no chance of going back to Keynesian times or even consider the emergence of new neo-authoritarian variant of capitalism more likely”* (Robinson, 2010, p. 306) Gramsci identification of crises as a contested phase when ‘ the old is dying and the new cannot be born (Gramsci, 1971, p. 276). This sort of explains the current state of neoliberalism. Despite socially costly crisis and recovery processes, neoliberalism remains largely intact and unscathed among the globe’s major international policy makers (Marois , 2012). Chiapello states *“the history of capitalism cannot be separated from history of its critiques. Critiques and critical ideas have been particularly strong in the time of crisis, when the usual remedies are not functioning, where the need of alternative intensifies and these critiques contribute to transformations in the economic system”* (Chiapello, 2013, p. 60).

Du Gay and Morgan (2013) have described the current economic crisis as the tipping point for the emergence of many such ideas, which has gained significant influence in the recent past. There has been a compartmentalization of the social and economic values. There is a growing dissatisfaction across the globe over the lopsidedness of free market policies and a skeptical belief in the efficiency of the non-profit sector in addressing social problems. All over the world the public sector and the third sector are facing tremendous financial constraints. There has been various resistance movements across the globe, on the backdrop of economic crisis, however economic crisis alone is not going to cause the collapse of neoliberalism or capitalism (Hanieh, 2013). The crisis and the movements arising in response to the injustices of the system has provided a platform to envision and explore for alternatives (Marois & Pradella, 2015). It is clearly not dead and we don’t see any other alternatives emerging anytime soon. Alternatives cannot and do not simply arrive pre-formed from outside existing society. Hence something has to emerge within the system or the limitations



of the current system should be addressed. This crisis has been largely due to structural reasons. There is lack of diversity-integration under the currently practiced neoliberal system. The ongoing crises are an expression of the fundamental contradiction of capitalism. These contradictions emerge from the ideological limitation of neoliberalism.

## **IDEOLOGICAL LIMITATION: NEOLIBERALISATION AND CURRENT ECONOMIC ORDER**

There has been a lot of criticism about the neoliberal model of functioning of the economy in the aftermath of 2007-08 crises. A lot of this criticism has focused on the economic sphere, but not much attention has been paid on the political or ideological crisis which would have threatened the ‘legitimacy and continuance of the currently practiced neoliberal system. Much has written about how the capitalist system has been a failure, but it has largely failed to address the conceptualization failure of the system. It will be childish to argue that this system is in itself a failed system. There is a fundamental issue with the way how the economic order is being understood. Economists have analyzed economics with equilibrium theory and this type of approach has dominated mainstream economic theory since around 1900. Proponents of this theory have argued that pursuit of economic and social goals are not compatible, hence there is a need to divide the society’s basic structure into for-profits and not-for-profits. The larger belief popularized under the system is that, economic and social values are isolated entities and hence there is no need to integrate societal values into the economic value system. As a result the social structure of the system has got affected because of the kind of economic activity pursued by the business enterprises. *“Contemporary society is often conceptualized as consisting of three separate spheres: namely the market economy, the third sector and the state”* (Kothari & Minogue, 2002, p. 13) which has limited the way how they look at the society.

Adam Smith has argued in the theory of moral sentiment that without moral sentiments, a transparent capitalism cannot survive, however that moral sentiment is lacking in the capitalism practiced by business enterprises, where societal structure is blatantly ignored. There is a need to produce new vocabularies of economy. One way is to look at the order as a complex system. Similarly Polanyi, 1977b, (2001) argues that capitalism constructs an artificial separation between the economy and society, such that the market is disembedded from social life. He argues *“self-regulating markets have subordinated society to the logics of market and it has unleashed amoral, opportunistic drives upon human beings and nature both of which come to be treated as mere means to an end of personal gain”* (Sandbrook, 2011, p. 23). Capitalism has been interpreted too narrowly. According to (Yunus, 2007) social

problems are resistant mainly because of the ideological limitation in the way society's basic system has been constructed. It has been interpreted in such a way, that doesn't allow the integration of economic value and social value. The free market theory postulates that profit making should be the indicators on which the success of this system should be measured. It leads to the view that all business/ entrepreneurial activities are conducted purely with the exclusive objective of maximizing profits. *"The consequences of disembedding the market from its social roots is disruption to social obligations and roles, community, reciprocity, norms etc eventually leading to unrest and a mass "countermovement" against the capitalist system"* (Sandbrook, 2011, p. 6). Hence under the neoliberal project, two ideological blocks namely for-profit and not-for-profit were established for carrying out economic and social objectives separately. This segregation has limited the role of both entities in the overall development of the society

### **CRITIQUE OF THE NEOLIBERAL DEVELOPMENT: NO ALTERNATIVE**

While there has been a continuous criticism challenging the neoliberal status quo, however the development practitioners have failed to imagine, create or sustain alternative models of development. There has been much critique of the development apparatus under the theories of post-structuralism and post-development. Although the critique is sensible, however any of these criticisms has failed to provide an alternative. Few Development alternatives which has emerged has not remained alternative for long, the one which has been successful has been absorbed into the mainstream. Capitalism has the habit of integrating its criticism into the system. The 'economic fallacy' of the system propagates capitalism as the only legitimate system of economy ever present or possible. This view disguises and discourages the emergence of alternative models of development (Gibson-Graham, 2006). With all these developments happening across the globe, there is no doubt that 21<sup>st</sup> century is more complex than those prior times. Hence the socio-economy needs to be properly managed. *"This context of social complexity calls for a social innovation to facilitate original and creative solutions for the needs and demands that are constantly emerging in today's rapidly changing societies"* (Escobar, Gutiérrez, & Carlos, 2011, p. 35). Social problems are multi-disciplinary and inter-departmental, hence there is a need to pursue diversity integration to address multiple constituents of a problem.

Communism has been long ago declared as a failed experiment; today even capitalism is on the verge of failure. There is a urgent need of an alternative, a fusion of two ideologies capitalism and socialism, which should not be confused with the traditional understanding of welfare state, as state is not anymore in a position to control the market. It acts as a reactionary body. *"The fusion of ideologies should not be a capitulation of either, but simply an economic and social transformation which is*

*directed at the optimization of life in all its facets*” (Slabbert, 1996, p. 49). In this backdrop Gibson-Graham challenges the ideological domination of capitalism through exploration of alternate economic possibilities. They argue that ‘the diverse economy’ comprises of different types of enterprises with different ownership and production practices. Hence by reimagining the types of economic activities in the capitalistic framework, it is possible to explore alternate development discourse distinct from the usual neoliberal prescription.

## CONTEXTUALIZING SOCIAL ENTERPRISES

*“To put the current interest in social entrepreneurship into perspective, it is useful to think about human history as a series of experiments in social organization – from family, clan, and tribal structures to the elaborate governmental, corporate, and social structures of today. These experiments can be seen as a response to the question: How should we organize ourselves, publicly and privately, to move closer to the ideals of a good society??”* (Dees, 2007, p. 25)

Looking at the global context, social enterprises have not evolved in a vacuum. Social enterprise has evolved within a complex framework of political, economic and social changes occurring at the global, national and local level. Social enterprises have existed for many years, however understanding it in the current context is important as it indicates a blurring of sector boundaries in the social economy spectrum. *“The concept of social enterprise is relatively new, however its principles and practices can be traced back to the past organizational forms that have been observed in leading western countries since the 19th century atleast”* (Sepulveda, 2014, p. 855). The emergence of social enterprise as a concept in the early 1990s was majorly due to the socio-political and economic factors of that time .It was triggered by the dominant nature of the neo-liberal ideology on one hand and the evolution of social economy, which incorporated organizational forms such as co-operatives, mutual benefit societies and associations on the other. It has been discussed that, the mushrooming of social enterprises in the recent past has occurred due to market failures and because of the ineffectiveness of the public initiatives in solving socio-economic problems.

Market failure and the underdeveloped public approaches and the limitations of traditional NPOs were tapped as opportunity space by social enterprises. The concept which emerged in the western countries, spread to other parts of the world, which embraced marketization and privatization. Social enterprises have emerged within the boundaries of social economy, i.e between the market and the state. The organisational forms that these enterprises adopt depends on various factors such as legal frameworks, political environment, welfare provision and the cultural and

historical tradition of non-profit development in each country. The field of Social entrepreneurship is understood to be having different schools of thought. These schools of thought explain the evolving field of social enterprise across the globe (Igbineweka & Egbai 2017). the concept of social enterprises explained through the literature, reflect distinct regional differences (Kerlin, 2010).

**The Social Innovation School** – the social innovation school focuses on “*creating large scale, lasting and systemic change through the introduction of new ideas, methodologies and change in attitudes*” (Kramer, 2005, p. 6). It is “*focused on establishing new and better ways to address social problems or meet social needs*” (Dees & Anderson, 2006, p.41). This school of thought lay great emphasis on the role played by individual entrepreneurs in setting up organizations for innovatively addressing developmental issues (Hoogendoorn, Pennings, & Thurik, 2009).

**The Social Enterprise School** - The Social enterprise school on the other hand, propagates market approaches for addressing social issues. It aligns economic value with social value creation (Dees & Anderson, 2006). This approach considers business methods as an effective method for improving the functioning of non-profit organisations. The unit of analysis is the enterprise which generates income independent of subsidies and grants, while serving a social mission in order to ensure the sustainability of the organisation. This school is also known as earned income school

**Social Economy School** - The social innovation and social enterprise schools belong to American traditions. These schools emerged as a result of the large cutbacks in the social sector due to economic downturns during 1970s and 80s. The social economy school traces its link to European tradition. It evolved in response to the retraction of the state from public services (Kerlin, 2006).Some scholars of the social economy school “*link social entrepreneurship to the issue of democracy and participation and has locate social enterprises in the intersection of the public, private and civil society actors*”(Hulgård, 2010, p. 15).

Hence it could be understood that the social enterprise discourse in the Unites States is influenced by market based approaches to revenue generation and social change. They tend to have a strong commercial orientation. The European tradition has placed social enterprises in the social economy or the third sector. It is generally represented as meeting the needs neglected by government rather than market failure.

### **Social Enterprises: Transcending Ideological Segregation**

The concept and definitions of social enterprises are intertwined with the literature on social entrepreneur/social entrepreneurship. “*There is an ongoing debate over whether*

*social enterprise should be considered as a sub-set of social entrepreneurship or whether it should be analyzed in a field of its own” (Thompson, 2008, p. 159). However we go with the distinction made by Alter, (2007) who claims that “In its widespread usage ‘social entrepreneur’ the individual and ‘social enterprise’ is the organisation. Therefore, social enterprise is an organizational expression of social entrepreneurship” (Alter, 2007, p. 12). In comparison to social entrepreneurship literature, social enterprise is not given much attention in the academic circle. Hence there is a need to look at the concept divorced from the dominating social entrepreneurship research. There is no consistent usage of the term social enterprise in the international literature (Dart, 2004). It is inherently complex and little consensus has emerged in the literature thus far as to what it means, what its distinguishing features are and how and why they come about. Various parties adopt different definitions according to the area of research or operations. However in order to understand the basic characteristics of social enterprise, we would look in to some of the available literature. “A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for the external shareholders. Social enterprises can be structured as a for-profit or non-profit, and may take form of cooperative, mutual organization, a social business, or a charity organization” (Ridley-Duff, Seanor, & Bull, 2011). “Social enterprises are private organizations dedicated to solving social problems, serving the disadvantaged and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets. These organizations have pursued goals that could not be measured simply by profit generation, market penetration or voter support” (Dees et al., 2003, p. 13). Social enterprises catalyses social change and or address important social needs in way such that it is not dominated by the profit making mentality of the entrepreneurs. Social entrepreneurship is seen as differing from other forms of entrepreneurship, as it gives high priority in promoting social values and development versus capturing economic value (Mair & Martí, 2006).*

The notion of ideology is not entirely new to the field of social entrepreneurship (Dey, 2011). However in recent years there has been some amount of research on the ideological issues pertaining to social enterprises. However most of the time it has been in pejorative terms. It is mainly because there is this tendency of ‘ideology’ to be used in its negative association, which is majorly influenced by the Marxist interpretation of ideology as “false consciousness” (Chiapello, 2013). There are no studies in social entrepreneurship which has used a positive theory of ideology (Dey, 2011), one that looks at how ideology creates new realities and subjects.. The current status is mainly due to the fact that social entrepreneurship has not yet reached a paradigmatic consensus and it also lacks a normal science or clear epistemology. A

brief look at the available literature suggests that, it is a contested concept with competing agendas and overlapping ideologies.

Due to this the field of social entrepreneurship has remain muddled. It is because of these issues, social enterprise debates usually take a binary position of either being a profit or a not-for-profit as per the convenience. Even the hybrid definition of social enterprise usually falls under the category of not-for-profit. In most of the interpretations the meaning of social enterprise is fixed by the mode of their hegemonic articulation. It is interesting to note that, similar kind of binary has been created in the capitalistic interpretation of social enterprises. On one hand a section of authors claim that social enterprise has emerged as a criticism of the current capitalistic system, on the other hand some argue that it is a garb under which neo-liberal policies are further pursued. It is argued that social entrepreneurship is an under researched (Hjorth & Bjerke, 2006) and under-theorized concept, however it is indeed surprising how there has been various criticisms about social entrepreneurship (Ziegler, 2009) or justification about the concept of social enterprises, without even understanding the concept clearly.

The glorifications or criticisms of social enterprise/ entrepreneurship have always been in antithetical terms. The confusion and conflict around the topic indicates that the domain of ideological values of social entrepreneurship cannot be reduced to a singular logic (Dey & Lehner, 2017). Hence it is the need of the hour to take social enterprise/ entrepreneurship out of these contested concepts and try to explain it as something which does not align itself to such rigid hermeneutic imaginations. (Dey, 2011, p. 57) argues that *“inorder to create a sense of justice, interventions into the third sector needs to be justified ideologically. He is of the opinion that new spirit of the third sector represents the post-welfarist ideological justification of the social entrepreneurship”*. However, he has restricted the new spirit only as a way out of the third sectors current stalemate. According to him, *“the critique of third sector and non-profit organisations has paved the way for an entirely new spirit of the social”*. However we argue through that it has emerged as a result of the crisis of the legitimacy of capitalism, which includes the criticisms thrown at both for- profit as well as the third sector. There is enough literature which argues on those lines, that social enterprise is indeed something different.

One can argue that such claims are a matter of conceptual choices, but it does indicate that social enterprises do challenge the established convictions of the economic system. Many scholars have argued that social enterprise is something which couches on the cusp of the for-profit and not-for profit, as something which transcends the limitation of the aforementioned compartmentalization. It demonstrates a way forward to the capitalistic mode of production, one in which economic and social values are no longer seen as antithetical. Social enterprise brings

competing and conflicting interests together to create a shared value, which goes against the conventional understanding of the current system.

## **FOR-PROFIT SOCIAL ENTERPRISES: A REDEFINING PARADIGM**

Regardless of wide variety of examples and perspective, the integrating common-denominator that consistently remains is the extent to which profits are required to operate the social enterprise (Dorado, 2006). Although scholars agree that social enterprises vary across contexts, geographical location, however taking the current environment of the social economy into context, one could argue that for-profit social enterprise has many advantages in comparison to other legal structures. The presence of a large category of social enterprises has created more confusion to define the sector. Hence it is important to delimit the concept into fewer categories to avoid confusions regarding the performance of the sector. Research should not be caught up in the rhetoric such as concepts are blurred, otherwise research agendas will lose conceptual clarity (Corbin & Strauss, 1990).

Dees & Anderson, (2003) has argued that the blurring of sectoral boundaries between business, government and non-governmental organisations encouraged the emergence of for-profit social enterprises. They argue that “*for-profit social enterprises employ business strategies to tackle social issues, resulting in more innovative, cost-effective and sustainable structures*”. In this context they define social enterprises as organizations that are (Dees & Anderson, 2003, p. 2).

1. “*Legally incorporated as for-profit entities with one or more owners who have a formal right to control the firm and who are entitled to residual earnings and net assets. For-profit forms include proprietorships, partnerships, corporations, limited liability companies and cooperatives*”
2. “*Explicitly designed to serve a social purpose while making a profit. Having a social purpose involves a commitment to creating value for a community or society rather than just wealth for the owners or personal satisfaction for customers*”

The for-profit nature allows social enterprises to address some of the limitations of the non-profit sector. It helps to attract investments from capital markets and also helps in inviting experienced talent as the organization will be able to compensate the employees at competitive rates (Austin et al., 2006). Although there has been debates regarding the rise of commercial activities in non-profit organisation (Eikenberry & Kluver, 2004), however “*the benefits of for-profit social ventures are not easily imitable by non-profit or public sector setups*” (Dees & Anderson, 2003, p. 5). They have mentioned promoting efficiency and innovation, leveraging scarce public and philanthropic resources, responding quickly to demand and improving access to skilled personnel as some of the advantages of a for-profit social enterprise. Massetti (2010, p. 7) suggests “*for-profit social enterprises can provide the needed*



stability as well as a new perspective, as they are committed to correcting the fundamental problems that stem from both the not-for-profit and profit sides of our economic system". A look at the available literature suggests that social enterprise research has majorly examined not-for-profit or hybrid forms and clearly has not given much attention to the for-profit model. Marshall argues this might be due to the *"perceived incongruence between for-profit status and social mission primacy"* (Marshall, 2011). Although the advantages of operating as for-profit enterprise are stated by scholars, however there has also been a skepticism regarding the profit making nature of such social organizations. Dees & Anderson (2003) acknowledges the risk of targeting both social and economic objectives. (Thompson, Alvy, & Lees, 2000) in this regard argues that, for-profits could be considered as social entrepreneurship only if they take innovative approaches towards building social capital.

## CONCLUSION

Neoliberal capitalism today indicates an extraordinary impasse for development. It is true that we have achieved so much progress in the last few decades; however it has been unsuccessful in delivering on its social promises. Many social problems continue to persist, in fact it has aggravated over the years despite decades of government, private and non-profit interventions. In light of these failures, there are a *"multitude of changes to be made- in policies, in economic institutions, in the rule of the game and in mindsets- that hold out the promise of making globalization work better, especially for developing countries"* (Stiglitz, 2006, p. xi). The recent financial crisis has garnered more support of the academic and the development practitioners for social enterprises, *"as social enterprises offer either a partial or a complete rejection of established rules of international capitalist system"* (Ridley-Duff & Bull, 2015, p. 100).

Dart (2004) argues that social enterprises differ from other non-profits in terms of strategy, structure, norms and values and represent a radical innovation in the non-profit sector. (Sud *et al.*, 2009, p. 75) says *"it is in the values, strategies and norms that differs a social enterprise from a non-profit organization. Scholars are arguing for social enterprises and the social entrepreneurship notion as an encompassing set of strategic responses to many of the varieties of environmental turbulence and situational challenges that nonprofit organizations face"*. The existing literature has positioned social enterprise/ social entrepreneurship as superior to the traditional model of development. Scholars have explained their capacity of providing innovative responses that are more efficient and effective than those provided by public agencies, NPOs and for-profit enterprises, however there is little empirical evidence to support, why this approach is better than the past efforts.

In this backdrop this thesis has analyzed the possible role social enterprises could play to address the limitations of existing development practices. The thesis attempts to add to the existing body by examining the effectiveness of for-profit social enterprise in addressing livelihood concerns in comparison to the traditional non-governmental organisations. The following chapters will help to set out the scene by exploring in details the structure, processes, dynamics and how the same is related to context and outcomes. This would help explain the functioning of for-profit social enterprises in the current political and economic context and would possibly explain the futuristic role of social enterprises in addressing the limitations of various developmental efforts.

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