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Studying the Origins of Social Entrepreneurship: Compassion and the Role of Embedded Agency

Social entrepreneurship—the process of employing market-based methods to solve social problems—continues to grow in popularity but remains poorly understood. Researchers have justifiably expressed a growing desire to leave behind definitional debates regarding social entrepreneurship and instead focus on its antecedents and consequences. Arend's (2013) response to our article (Miller, Grimes, McMullen, & Vogus, 2012) furthers this discussion by suggesting that our focus on the motivational origins of social entrepreneurship is misplaced. He outlines two major critiques: (1) compassion is an inappropriate starting point for studying the origins of social entrepreneurship, and (2) social entrepreneurship research should instead focus on "how the social entrepreneur-opportunity nexus evolves" (2013: 4).

We address both critiques by highlighting the fact that the social entrepreneur in our model is an embedded agent (Holm, 1995; Seo & Creed, 2002). While societal forces may shape the role of social entrepreneur and the scripts associated with social entrepreneurship, our model recognizes that individuals must be motivated to assume that role. In other words, the process associated with social entrepreneurship is embedded in a matrix of institutions that provides the opportunity for such a process while the individual is, in effect, a configuration of moti-

uations, cognitions, and capital that make up the entrepreneurial agency required to take part in the process. Among the motivations is compassion, which has received considerable attention from social entrepreneurship researchers (e.g., see Dees, 2007). Building on prior theory, our recent work (Miller et al., 2012) specifies the complex set of mechanisms through which compassion encourages the agency required to engage in social entrepreneurship and the conditions that channel this agency toward social entrepreneurship. In clarifying our approach, we offer an agenda for future research that recognizes the need for a more, not less, comprehensive approach essential to understanding a phenomenon as complex as social entrepreneurship. As a result, the proposed path is more consistent with the moral of the elephant and blind men parable often used by critics (Gartner, 2001), as well as advocates (Arend, 2013), of the nexus approach to studying entrepreneurship.

DOES COMPASSION MATTER TO SOCIAL ENTREPRENEURSHIP?

Part of what animates Arend's critique and much debate in the social entrepreneurship literature is the desire to articulate what makes social entrepreneurship distinct from other forms of organizing, as well as to question the role of compassion in motivating it (Leadbeater, 1997; Peredo & McLean, 2006). We agree that entrepreneurship and social entrepreneurship share many similarities. However, the latter's emphasis on social mission (e.g., eliminating poverty) alongside market-based organizing and the embrace of a distinctive identity (i.e., social venture as a hybrid organization with multiple bottom lines) separates them from those focused primarily on maximizing shareholder value. As a result of these distinctions, the burgeoning literature on social entrepreneurship consistently points to the theoretical importance of founder motivations, especially compassion (e.g., Mair & Marti, 2006; Shaw & Carter, 2007). In our article we argued that compassion upends typical evaluation criteria by making it more other focused as well as actively distorting one's perceived efficacy and commitment to creating social value. In other words, compassion creates a distinct motivated reasoning process that complements traditional theories of entrepreneurship. We do not, however,

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suggest that individual motivations, independent of other entrepreneurial and contextual factors, fully determine the pursuit of social entrepreneurship, nor do we suggest that compassion is unaccompanied by other motivations. Instead, we argue here as we argued previously (Miller et al., 2012) that compassion results in the creation of a social venture *when paired* with institutional factors that channel it toward social entrepreneurship. Moreover, even if compassion (and emotions) may be as transient as Arend (2013) argues, we posit (Miller et al., 2012) that compassion can become a relatively more enduring prosocial motivation that taps into an increasingly legitimate response to social problems.

THE SOCIAL ENTREPRENEUR AS AN EMBEDDED AGENT

Arend (2013) suggests that broader theories of entrepreneurship and organizations can help to develop a more complete theory of social entrepreneurship. Specifically, he posits that greater attention to the "individual-opportunity nexus" is necessary in order to understand fully the origins of a social enterprise. We agree. Indeed, this was our intent when emphasizing the institutional factors that channel compassion toward social entrepreneurship (Miller et al., 2012). Instead of reiterating our argument, however, we see an opportunity to build on our model and Arend's (2013) critique.

First, the notion of the individual-opportunity nexus represents an attempt by entrepreneurship scholars to resolve and move past the agency versus structure debates that plagued social theories of human behavior. Although this debate has taken many forms (e.g., individual versus situational, behavioral versus functional, strategic choice versus environmental determinism), the research question is basically the same: Are human actions guided by instrumental and emotional calculations or structured by economic, political, and cultural forces (McMullen, Plummer, & Acs, 2007)? Along with other scholars (DiMaggio, 1988; Eisenhardt, 1988), we argue that the question creates a false choice and unnecessarily fragments theory development. By calling for the study of social entrepreneurship at the individual-opportunity nexus, Arend (2013) unwittingly suggests that social entrepreneurs, like commercial entrepre-

neurs, are engaged in entrepreneurial action (McMullen & Shepherd, 2006) or socioeconomic "agency" (Emirbayer & Mische, 1998). We add that because this agency is social as well as economic, its social embeddedness (Granovetter, 1985) may be even more influential than in commercial entrepreneurship. Therefore, although both forms of entrepreneurship require simultaneous exploration of both microlevel (e.g., sociocognitive, emotional) and macrolevel (e.g., institutional, categorical) antecedents (Battilana, 2006; Dacin, Dacin, & Tracey, 2011), this need may be even more pronounced for social entrepreneurship.

Second, we argue that in order to fully understand embedded agency, social entrepreneurship scholars must start by examining the environmental and market conditions that give rise to particular social entrepreneurial opportunities. Mair, Marti, and Ventresca (2012), for instance, highlight the importance of institutional voids in structuring opportunities for market building and social entrepreneurship. Yet more work is needed to understand the nature of such institutional voids, the relationship between institutional voids and social entrepreneurship in different economies, and, perhaps most important, the factors that predict and condition the success of social ventures at overcoming such voids.

Third, acting on social entrepreneurial opportunities requires individuals to perceive such opportunities and to believe that social entrepreneurship is not only a feasible but also a desirable approach for pursuing them (Krueger, 1993). By accounting for the embedded agency of the social entrepreneur, we highlight the need for future research to attend to both the individual- and environmental-level antecedents that encourage such perceptions and judgments. In particular, research in this area should attend to the sociocognitive processes that structure perceptions and interpretations of opportunities, as well as the emotion-driven processes that compel individuals to act (Mitchell et al., 2007). Our article (Miller et al., 2012) lays the groundwork for considering how a specific emotion (compassion) intersects with sociocognitive processes (e.g., integrative thinking) to motivate social entrepreneurship. We argue in the article that compassion encourages one to explore the nature of perceived pain as well as its causes, thereby altering cognitive structures (e.g.,

schema of social issues) and making one more aware of social entrepreneurial opportunities. This merits further empirical work. In our study, however, we also highlight how institutional factors condition the perceived appropriateness and desirability of social entrepreneurship as an approach to addressing social problems. As such, the field requires a better understanding of how these microprocesses interact with macrolevel institutions. For instance, why are particular individuals more likely to perceive opportunities for and pursue "path-breaking" social entrepreneurship (e.g., Yunus's effort to launch Grameen Bank), whereas others focus exclusively on opportunities related to well-established social entrepreneurship markets and approaches (e.g., subsequent efforts to transpose microfinance to other geographies)? Additionally, why are certain individuals more likely to mobilize the necessary resources to exploit those opportunities?

Research on social entrepreneurship continues to excite a growing number of researchers, and we believe for good reason. The hybrid nature of these organizations and their increasing prevalence within society challenge the sufficiency of our existing theories of entrepreneurship and organizations. We have used this dialogue, first, to reiterate why compassion is necessary for explaining the origins of social entrepreneurship. More important, however, we have elaborated how such compassion must be contextualized with an appreciation for the embedded agency of the social entrepreneur. Such a view of the social entrepreneur is not only consistent with existing research on social entrepreneurship but also provides a substantive platform for future work on this important topic.

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On the Misuse of Realism in the Study of Entrepreneurship

The AMR Decade Award for Shane and Venkataraman's (2000) "The Promise of Entrepreneurship As a Field of Research" recently stimulated a number of commentaries around the burning issue of "entrepreneurial opportunities" (Eckhardt & Shane, 2013; Shane, 2012; Venkataraman, Sarasvathy, Dew, & Forster, 2012). Among them, Alvarez and Barney (2013) extend their earlier analyses on the philosophical foundations of entrepreneurial opportunities (Alvarez & Barney, 2007, 2010) to critique the "critical realist" underpinnings of the discovery approach to entrepreneurship¹ because of critical realism's alleged unsuitability for understanding the nature of opportunities. Our intention here is to explain why germane conceptions of critical realism are grounded on a misreading of realist philosophy of science that, as a matter of fact, subverts the very *raison-d'être* of realism² and perpetuates popular misunderstandings.

If Alvarez and Barney (2013) express their surprise regarding Shane's (2012) insistence on opportunity-realism, we express our surprise

about Alvarez and Barney's understanding of realism (see especially Alvarez & Barney, 2010). For what they describe as critical realism is, as a matter of fact, an expression of the empiricist philosophy that provoked the realist counter-movement.³ This assessment may be readily substantiated by paying closer attention to what Alvarez and Barney understand to be the theories of existence, meaning, and knowledge presupposed in realist philosophy of science.

Initially, let's fathom Alvarez and Barney's conception of realist theory of existence, in explicating that they ground their verdict of realism on the fact that "the proposition that 'opportunities are objective' [is] so central to [discovery] theory" (2013: 155). This form of reasoning has been frequently repeated by Alvarez and Barney and widely accepted by entrepreneurship scholars (e.g., Roscoe, Cruz, & Howorth, 2013). But *in what sense* do Alvarez and Barney gather that to say that something exists objectively "out there" is realist?

Here we submit that they suppose so because they treat reality synonymously with materiality. That is, their conclusion that discovery theory is realist presupposes a conception of reality according to which for something to exist outside our "minds" means it should be part of the material world, and this is why they suppose that for something to exist objectively is for something to be "in principle, observable" (Alvarez & Barney, 2007: 13).

But this is precisely what realists oppose. For realists, the realm of meaningful references to reality is infinitely larger than the realm of material existence, encompassing gravitation, electromagnetic forces, institutions, potentialities, and so on (see Fleetwood, 2005; Lawson, 2009; Runde, 1999; Searle, 1995). Within this view of reality, it additionally follows that observability is not an epistemologically necessary criterion of existence. As such, if discovery theorists *truly* treat opportunities akin to material entities, Alvarez and Barney are accountable for

¹ This is the prevalent approach to entrepreneurship and foundationally maintains that opportunities exist out there in the world, waiting to be discovered (Shane, 2012).

² *Critical realism* is a potentially misleading term since it is a portmanteau expression coined by two interrelated but not identical developments in the philosophy of science pioneered by Roy Bhaskar: (1) transcendental realism and (2) critical naturalism. We need not elaborate on the differences between perspectives in realist philosophy of science and, thus, unnecessarily take philosophical jargon on board. Sticking to the term *realism* should prove sufficient for our present purposes.

³ To briefly expand on this central point, empiricist philosophy of science maintains that scientific inquiry should be delimited to the study of the observable (and ultimately material) domain of the world. Realist philosophy of science counters this view to question the criterion of observability as a ubiquitously valid criterion of knowledge and additionally relaxes the idea that materiality is a necessary component of existence (Bhaskar, 1978; Harré, 1986; Lawson, 1997).