

Can entrepreneurship save capitalism? The role of social entrepreneurship and institutions

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Capitalism and market imperfections

- Capitalism
 - Free market, invisible hand
 - BUT market imperfect given asymmetric information and bounded rationality
- Opportunities
 - Entrepreneurial opportunities (Alvarez, 2007, JBV; Alvarez, Barney & Anderson, 2013, OS) and superior firm-level economic performance (Mahoney & Qian, 2013, SMJ) both from market imperfections
- Challenges
 - The incentive problem
 - Self-interest/opportunism → agency and transaction costs
 - 2008 financial crisis: Misallocation of resources, banks excessive risk taking, too big to fail (Stiglitz, 2010)
 - The “minority” problem
 - Wealth and resources concentrated

Capitalism and market imperfections

- Question
 - How can the downside of capitalism be limited while the upside is retained?
- Mechanisms
 1. Social entrepreneurship (e.g., Zahra, Newey, & Li, 2013, ETP)
 2. Institutional development and change (e.g., Stiglitz, 2010)

Social entrepreneurship

- Creation, discovery and exploitation of opportunities to create new businesses with goal of achieving blended value (Zahra et al., 2013)
 - Blended value (Emerson, 2003, CMR; Nocholls, 2009, AOS)
 - Social ventures: doing good AND doing well (Toms Shoes?)
 - Not-for-profits: doing good
 - Commercial ventures: doing well
 - Corporate social responsibility (CSR): doing well by doing good
 - Deng, Kang & Low (2013, JFE); Julian & Ofori-dankwa (2013, SMJ); Servaes & Tamayo (2013, MS)

Social entrepreneurship

- Implications for research
 - Rethink definitions, assumptions, boundaries and research foci of entrepreneurship as a field (Zahra et al., 2013, ETP)
- Some research questions
 - Measure of social wealth and blended value
 - E.g., “global sustainable well-being” (Stiglitz, Sen and Fitoussi, 2010)
 - Social entrepreneurs and social ventures
 - antecedents, processes, consequences, comparison with commercial ventures
 - International social entrepreneurship (ISE)
 - Emergence of “global opportunities” and international social ventures (ISVs) (Zahra et al., 2013, ETP; Zahra et al., 2008, SEJ)
- Can social entrepreneurship solve the incentive problem?

Institutions and governance

- **Institutions and governance** (North, 1990; Kaufmann et al. 2007)
 - From “creative destruction” (Schumpeter, 1942) to destructive creation if institutions provide perverse incentives
 - “unproductive” entrepreneurship (Baumol, 1990, JPE)
 - “Financial innovations” prior to the 2008 crisis (Stiglitz, 2010)
 - **Institutional stimuli and barriers to (social) entrepreneurship**
 - 1979 "prudent man" rule (Gomers & Lerner, 2001, JEP)
 - Burdensome registration procedures (Klapper et al., 2006, JFE)

Institutions and governance

- Implications for entrepreneurship research
 - Institutional impact on (social) entrepreneurship
 - Delineation and enforcement of property rights
 - Comparative analysis across countries
- Implications for policy
 - What is the best way to stimulate social entrepreneurship in terms of providing proper incentives?
 - Institutions and institutional change with focus on resource re-allocation and wealth re-distribution OR on spurring (social) entrepreneurship?

How can entrepreneurship revitalize capitalism?

- To retain the upside via wealth creation
 - Creative destruction
 - Creative construction (Agarwal, Audretsch & Sarkar, 2007, SEJ)
- To limit the downside
 - “minority” problem - Social entrepreneurship
 - Incentive problem - Institutions
- To not limit the upside while limiting the downside
 - Institutions/social entrep for more even distribution of wealth?