

Social Entrepreneurship amid COVID-19 Pandemic Uncertainties

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Abstract

The impact brought by COVID-19 has been felt worldwide and has stricken companies and individuals. While increasing studies have been explored to different sectors as a response, still few studies focused on its effects on the social entrepreneurship sector. The objective of this paper is to examine how the Coronavirus affects social entrepreneurs. Secondary sources were used to develop a conceptual basis in addressing the following queries: the extent the COVID-19 impacts social enterprises, challenges, and opportunities brought by the crisis, and the resilient strategies and innovation platforms to curve down the virus and sustain social entrepreneurship even beyond the pandemic. Discussions also extend to mission drift, the social and economic impact of the crisis on the sector, and mission agility. However, this study recognized that a wider investigation should be done to affirm or solidify the conceptual claims raised.

Keywords: Social Entrepreneurship; Entrepreneurs; COVID-19; Social Mission; Enterprise

1. Introduction

Many studies have been conducted about the ill effects of the COVID 19 crisis on different businesses and individuals worldwide. However, the effects of the pandemic on social enterprises are still unnoticed though many strategies had already been implemented to alleviate the spread and economic impacts of the virus. Kuckertz et al. (2020) stressed that the devastation brought by this pandemic encompasses the economic, social, and health and it is highly transmissible through sneezes, cough, and others. Immediate actions were taken by the government and authorities to close businesses that they think are less essential businesses for weeks or months to combat

the spread of the Coronavirus at earlier stages (Gong et al., 2020; Liguori & Winkler, 2020; Zraick and Garcia 2020). These closures of many businesses particularly the small and medium enterprises limit their potentials to generate income and hardly restore their earnings though the closures are considered temporary. In America for instance, the BBC News (2020) revealed that one of the immediate negative consequences of the pandemic is the unemployment of roughly 40 million Americans on May 26, 2020, which superseded the great recession that happened two years back (Kelly, 2020).

According to Kuckertz et al. (2020), the emergence of this virus is considered a shocking truth for many entrepreneurs which include the social enterprise sector. It has built recent challenges socially and aggravates the social, economic, health problems that have already existed for decades. Businesses and establishments find it difficult to adjust to the deadly impact of this pandemic and the unprecedented nature of its occurrence. With these realities, the urgency to investigate or examine in-depth the consequences of this pandemic in the context of social entrepreneurs and the sector as well as knowing how these businesses survive and be sustainable with the severity of these problems in public health, socially, and economically.

Specifically, this paper tries to address the influence of the COVID-19 pandemic on social enterprises. According to Weaver (2019), there is no single definition of social enterprises, but the consensus of meanings brought into a common definition is that these are referring to businesses that intend to resolve social challenges utilizing innovative and revenue-generating endeavors. According to various authors, the emphasis of social entrepreneurship is embedded in social goals rather than economic goals although both consider profits as means to survive in the marketplace (Battilana, Besharov, and Mitzinneck 2017; Battilana 2018; Ebrahim, Battilana, and Mair 2014). Moreover, social enterprises are more flexible that enables them to be a unique form of an institution to investigate because it influenced legal structure on organizational resiliency amid uncertainties. Turning the disease outbreak into unique opportunities amid economic downfall by applying flexibility also pose a real challenge for social entrepreneurs while exploring how they should operate sustainably.

One of those affected in this crisis is social entrepreneurs who are facing social problems such as restrictions of social gatherings, lockdowns, limits on business activities, hunger, unemployment, and other related actions. The main aim of this paper is to examine the state of social entrepreneurship at the height of the pandemic crisis and its impact on their operational and financial functioning. Existing literature from management, economics, and entrepreneurship was examined to maximize

opportunities and address the challenges of social entrepreneurs in carrying out their businesses.

1.1. Objectives of the Study

This study addresses the following objectives:

1. To clarify the extent of impact brought by the COVID-19 to the social enterprises.
2. To examine the challenges faced by social entrepreneurs at the heights of the crisis.
3. To appraise opportunities for innovation and flexible strategies to address the ill effects of the pandemic.
4. To demonstrate the company's resilience through strategies and innovation platforms during the pandemic and even beyond.

2. Literature Review

2.1. Concept and Definition of Social Entrepreneurship

The uprising of the social entrepreneurship phenomenon started for the past 20 years as a popular topic of interest in the academic arena and practice although it has already been conceptualized in the 80s (Dees, 2001). However, Bornstein (2004) claimed that social entrepreneurship was developed into an academic inquiry in the 90s although a history of great entrepreneurs in the 70s was identified such as Robert Owen and Florence Nightingale. Scholars and public institutions have internalized the significance of social entrepreneurship also in the 90s started to expand globally (Leadbeater, 1997). Social Entrepreneurship as defined by Mair and Marti (2006, p.37) encompasses the process requiring the “innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs”. Unlike a regular business activity or a profit-oriented enterprise, social entrepreneurship profit to an end rather than an end in itself. This also means that profits in social enterprise are utilized for social value creation or social needs (Bacq and Janssen, 2011). Individuals or groups who are responsible to carry out the social entrepreneurship business activity are called social entrepreneurs and specifically identify, evaluate, and exploit opportunities for the institution of social value through business activity (Bacq and Janssen, 2011). On the other hand, social enterprises are projects or ventures created by social entrepreneurs who act as agents in tackling social and environmental requirements (Littlewood and Khan, 2018).

2.2. Effects of COVID-19 on Businesses

The continuous existence of COVID-19 has surprisingly shaken the business sectors and social entrepreneurship as an integral part of business activities. Many scholars have tried to advance their knowledge through research on how the severity of the damages brought by this crisis be lessened, controlled if not eradicated. Recent results from the initial outbreak in March 2020 practically brought economic paralysis worldwide and the United States was not exempted from business and community breakdowns (Kuckertz et al. 2020). Particularly during the crisis, businesses that are considered “non-essentials” were ordered to close for months in many countries. For certain periods re-opening was made but they are operating under limitations in time of work, number of employees, and strictly follow strict protocols with the precaution that failure to comply with the protocols will suffer from penalties to permanent closure based on the severity of the offense.

In the study of Brown, Rocha, and Cowling (2020) they found out that the riskiest impact of the COVID-19 pandemic is the economic and financial aspects of companies. They added that opportunities for financing and investment have drastically gone down while facing the crisis. Investment for example on equity shares and trading of securities reduced dramatically. Not only that vast number of businesses from different sectors experienced sales decline while maintaining fixed costs of rentals, salaries, and payables (Kuckertz et al., 2020). Nevertheless, some of the businesses were able to sustain their profitability even amid pandemics as they have found ways to be flexible in their offerings while performing at the same magnitude before the pandemic. According to Kuckertz et al. (2020), they have a strong unique selling proposition and have established a stable crisis management response over the pandemic.

On the other hand, planning has seemed underestimated with the sudden outbreak of COVID-19 leaving companies in a state of shock. Giones, et. al. (2020) stressed that resiliency is required by entrepreneurs to overcome the difficulties brought by pandemics and strive to vie for new opportunities. They pointed out that businesses should quickly draw business plans to map out strategies with the flexibility to counter the ever-changing environment with agility, conserve resources and utilize resources on projects or activities that directly support income, and firms should provide avenues for employees to express their emotional concerns and openness to share their predicaments. Also, the importance of geographical location is a strong contributor to entrepreneurship recovery as Gur et. al. (2020) revealed that locations that possess a strong culture of entrepreneurship are inclined to possess high levels of opportunity recognition whether in the midst or after the crisis. Moreover, places that demonstrate a

strong entrepreneurial presence before the pandemic are seen to survive and overcome the unprecedented ill effects of the Coronavirus outbreak (Kuckertz et al. 2020).

3. Research Methodology

This study mainly utilized secondary data in investigating the influence of the COVID-19 pandemic crisis on social entrepreneurship. Documentary pieces of evidence were taken from a wide range of academic sources such as journals and studies including Scopus and Web of Science databases, books, news and reports, websites, and others. This study focused on conceptual formulation and is descriptive and, interpretations were based on the analysis of the information gathered from different sources by the researcher.

4. Conceptual Formulation, Challenges and Opportunities of Social Enterprises, and Strategies and Innovation Platforms Amid COVID-19 Crisis and Beyond.

4.1. COVID-19 Pandemic and Its Challenges to Social Enterprises

Many studies have investigated the impact of the COVID-19 pandemic in many sectors, but still, limited literature practically focused on social enterprises. To address this gap, the researcher has examined studies that cater to the common challenges experienced by social enterprises that are linked to the COVID-19 crisis. Drawing from extant literature a conceptual idea can be reached on predicting what kind of challenges the social enterprises may face which may enlighten entrepreneurs and similar organizations in addressing these issues. Before the pandemic, social enterprises have already been suffering in terms of financial status as previous studies confirmed that these enterprises struggled with start-up and investment funding (Battilana et al. 2012); challenges in cash flow management as well as measuring their firms' profitability (Hynes 2009; Teasdale, Sunley, and Pinch 2012). In addition, few social enterprises find it awkward to obtain loans and borrowings and are content with minimal profit for fear of non-payment most especially in times of pandemics (Teasdale, Sunley, and Pinch 2012) and while there are many sources of funding such as crowdfunding, venture capitalists, loan funder, online platforms, grants, etc., legalities and its structure pose a serious challenge to the enterprises considering that they are established as non-profit institutions, thus; pursuing commercial activities for profit would reduce receipt of philanthropic funds (Lyons and Kickul, 2013).

Striking a balance between economic and social goals has been seen as another challenge of social enterprises. Bacq and Lumpkin's (2020, p.287) study emphasized

dealing with the question that says, “To what extent does a sudden shift in societal needs expose the boundary conditions of mission drift and reveal the need for “mission agility” instead?”. According to various authors, mission drift the original intention of social enterprises social mission is overwhelmed by economic pursuit and goals (Ebrahim, Battilana, and Mair 2014; Cornforth 2014). On the other hand, Bacq and Lumpkin (2020) defined mission agility as a re-imagined concept on the linkage between the economic and social mission. With the severity of the impact of the pandemic, the social enterprises are hard-pressed to think of how to survive and sustain their operation although upholding the social mission as the heart and soul of the business (Weaver, 2017), the increasing threats and the uncertainties may have left no option but to blend the economic and social goals to create not only social value but also economic value.

Finally, the need for institutional collaboration is required for social enterprises in affirmation of Weaver’s (2019) findings wherein the emphasis on collaboration is one of the main challenges to reckon with. In the study of Weaver (2017), the findings revealed that collaborations do exist in the majority of 115 social enterprises that collaborated in activities such as non-financial resource acquisition, convening, service delivery, monitoring and evaluation, and funding. Collaboration also promotes resource acquisition that would enable social enterprises to achieve social and economic value using different institutional collaboration strategies and techniques (Mair and Marti 2009). Undeniably, the importance therefore of collaboration is very essential for the social enterprises and the sector although; however, the extent of collaboration may go upward or downward amid the Coronavirus outbreak.

4.2. Social Enterprises’ Opportunities at the heights of COVID-19 Pandemic

Many scholars believe that there are always opportunities amid any calamity which can be related to the COVID-19 crisis. Mair, Battilana, and Cardenas (2012) termed this phenomenon as “Social Entrepreneurship”. One of the promising opportunities at the heights of the pandemic is the three-day event gathering held by Bacq et. al. (2020) named “The COVID-19 Virtual Idea Blitz” wherein about 200 participants were present representing the five continents and 10 countries. With these participants’ desire to receive positive reports as well as opportunities to share their views and perspectives, concerns about the pandemic have been well-addressed with good responses. Evidence showed that despite the outbreak, one team of participants has reported their facilitation of distributing 21,000 masks to those in dire need during the initial stages of the pandemic to the communities.

Moreover, alleviating the problems or challenges caused by Coronavirus was suggested by Ratten (2020) in her study through devising a value co-creation strategy by social entrepreneurs to foster change positively. This strategy has been traced from a previous study that promotes the usefulness of dual social enterprises' mission especially in uncertainties socially and economically (Weaver, 2017). In the United States, for instance, social service funding for non-profit enterprises suffered federal cutbacks that lead them to engage in profit-motivated business activities. The pandemic crisis has shifted social enterprises from their commitment to social goals into a combination of both social and economic goals. The long-term impact of this uncertainty has shaken social enterprises to the extent that those enterprises that are financially stable and attain innovativeness before the pandemic likely survive in agreement with the concept drawn from Meyskens et al. (2010) study depicting innovativeness and partnerships as keys to the survival of social enterprises. But those social enterprises that have experienced cash flow management challenges and settings of price difficulties are unlikely to survive. This also means that opportunities are more prevalent for social enterprises that are financially stable and innovative before the pandemic than those that have been struggling.

4.3. Organizational Resilience through strategies and innovation platforms

As previously described in this paper, the COVID-19 crisis has marked social and economic implications worldwide and it includes social entrepreneurship. Nevertheless, with the overreaching negative consequences of the pandemic, there are still opportunities that can be realized by organizations that possess positive mindedness to overcome the present situation. Social enterprises needed to be resilient by adopting flexible alternatives which strongly suggested in this paper that social and economic goals shall be converged to sustain amid the crisis. Also, enterprises should adopt crisis management strategies that promote short-term and long-term resiliency as the environment changes at a faster pace. Giones et al. (2020) reiterated that social entrepreneurs should not be only concerned with how to plan but ensure that the plan is flexible or agile with the business environment changes. They also pointed out that the emotional openness of the employees plays an essential role in fostering productivity and ensuring that due care is upheld by the management in this time of crisis.

It is also important for social entrepreneurs to embrace the concept of mission agility amid the Coronavirus (Bacq and Lumpkin 2020). While the risk of falling into mission drift will be the likely scenario of social enterprises during this crisis, given the win or loss or the criticality of them facing possible closure, adherence to mission agility

may drive them to be sustainable, alleviate social challenges while ascertaining financial stability. Hence, it is suggested that the adoption of the enterprises on revenue-generating activities can be the most viable option to survive the pandemic crisis.

5. Analysis, Results, and Discussions

Based on the analysis, the following findings were obtained. Social enterprises are struggling to maintain social mission and goals amid pandemic crises and are susceptible to mission drift. This means that social enterprises are faced with the dilemma of whether to engage in commercial profitable activities or increase their dependence on philanthropic funds and financially, social enterprises compared to profit-oriented enterprises are financially distressed with investing and start-up funds. Secondly, the infancy stage of social entrepreneurship reflects the difficulty to instill flexible planning. This may imply that the field of social enterprising is still understudied especially at the height of the pandemic crisis. Thirdly, alleviating social problem pose higher challenges to the sector and its sustainability. For instance, the reality of the pandemic dwelt on how businesses survive and sustain their operation, and social enterprises are faced with the difficulty of business survival without integrating the economic consideration.

Hence, the concept of mission agility has been the emphasis in the study to combine social and economic value for social enterprises' sustainability. Another important concept that should be given attention is organizational resilience or how organizations overcome difficulties for social business operations. Three emphases were identified in promoting organizational resiliency and these include attaining flexible alternatives by merging social and economic goals, adopting a crisis management strategy that enables social businesses to develop short-term and long-term resiliency in line with the environmental changes. Considering that social enterprises are experiencing sustainability issues, adopting the mission agility concept benefits the enterprises to have a balance between social and economic activities. Furthermore, the emotional openness of the employees plays an essential role in fostering productivity and ensuring that due care is upheld by the management in this time of crisis. Lastly, limited studies on this subject reduce possible strategies to lessen the effects of the COVID-19 pandemic on social entrepreneurs.

6. Recommendations and Conclusions

The role of social enterprises in alleviating the social problems brought by the COVID-19 pandemic is inevitable, however; challenges are evident in the sector considering that social enterprises are still in the infancy stage. Thus, exploration of how the COVID-19 crisis influence this sector is obvious. This paper contends that social enterprises' needs should embrace social agility to survive the pandemic crisis thus, creating a balance between the economic and social goals; it also acknowledged that flexible planning to overcome the fast-changing environment, resource conservation, and emphasize projects that directly support revenues. Secondly, collaboration among social enterprises helps promote the sustainability and survival of these enterprises in COVID-19 and beyond.

Drawing literature from different reliable sources, a conceptual basis for future research has been drawn those social enterprises during the pandemic and even beyond should extend its conventional practices of the business frame to examine the financial aspect of its operation, examine the challenges while appraising the opportunities they faced during this crisis to outline implications for policy, sustainable practices, and considerations for the social enterprise sector.

Also, resiliency in plans and strategies by social enterprises helps them execute innovations that may produce an immediate response to counter the issues that exasperated the COVID-19 pandemic. It is also suggested that the adoption of the enterprises on revenue-generating activities can be the most viable option to survive the pandemic crisis. Considering the newness of the social entrepreneurship concept, the outcome of this paper will be considered as a lay ground for future studies that measure the quantitative impact as well as get the benefit of expanding the concept drawn.

7. Limitation of the Study

This study is limited to secondary resources and deals with the topic in general. Examples and pieces of evidence provided need wider scope, hence; they may not be reflective of different settings. Finally, the scope of the study mainly rests on social entrepreneurship.

8. Scope for Further Research

Firstly, this study can be expanded to other sectors and the concept can be expanded based on the suitability to different research settings and scope. The concept drawn can be used as the basis for quantitative studies and in developing conceptual

frameworks. Areas of discussion may be extended to political and environmental factors.

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