

Social Entrepreneurship Questioning Status Quo: Waste as a Resource

Denise Linda Parris and Cecilia V. McInnis-Bowers

Abstract: Progressively there has been an interest in social entrepreneurs' roles in creating social value, fostering economic development, and advancing environmental sustainability. In institutional economics there is extensive support for entrepreneurship as having a positive impact in economic development and personal well-being. This paper challenges the accepted understanding of social entrepreneurs' heroic nature and their process of starting a new venture as beginning with passion or recognition a social problem. Through examining the case of Clean the World, a social enterprise, we demonstrate that not all social ventures start with the intention of creating social value, but rather some, as this case, from asking the question: How can I make a profit? We discuss a recently proposed paradigm called effectual entrepreneurship and then illustrate how this paradigm fits the path of Clean the World. They questioned the status quo and focused on the existing or available resources first, rather than identifying opportunities first. Next, we explore how Clean the World fell into social entrepreneurship by 'accident' by considering waste a resource. We conclude by offering some suggestions for how to facilitate more of these 'accidents' by fostering a culture that questions the status quo.

Keywords: social entrepreneurship, development, effectual process, causation process, environmental sustainability, social value

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Denise Linda Parris, Ph.D., Marketing and Strategic Management Consultant

Cecilia V. McInnis-Bowers, Ph.D., Professor, Department of Business and Social Entrepreneurship, Rollins College

Introduction

By the questioning status quo an entrepreneur either identifies and/or creates market possibilities (Gaglio and Katz 2001; Sarasvathy 2001; Schumpeter, 1934; 1943; Kirzner 1973, 1999). Entrepreneurship is understood in institutional economics to play an essential role in advancing economic development and human well-being (Gimmon and Levie 2009; Klein 1988; McDaniel 2003, 2005; Warnecke 2013). Increasingly there has been an interest in social entrepreneurs who seek to promote social value, economic development, and environmental sustainability (Mair and Mati 2006; Warneck 2013). The interplay between growth, the environment, and development has been heavily discussed in institutional economics (van den Bergh and Kallis 2012). Much of the social entrepreneurship literature portrays the process of social entrepreneurship as starting with the passion for or recognition of a social problem (Dacin, Dacin and Tracey 2013). An attribute often ascribed to the social entrepreneur is that of "hero" who eschews self-interest.

We challenge this accepted understanding of the nature and process of social entrepreneurship through examining Clean the World, a social enterprise. This paper starts by discussing a recently proposed entrepreneurial paradigm called effectual entrepreneurship (Saravathy 2001). Next we illustrate the better fit of this paradigm to the path of Clean the World from two key points: the process of questioning the status quo and focusing on existing or available resources first, rather than identifying opportunities first. By examining the case of a Clean the World, this paper demonstrates that not all social ventures start with the intention of creating social value, but rather some, as in this case, from asking the question: How can I make a profit? Furthermore we explore how the new business model of Clean the World fell into social

entrepreneurship by 'accident' by recognizing waste a resource. We conclude by offering some suggestions for how to facilitate more of these 'accidents' by fostering a culture that questions the status quo.

A New Paradigm: Effectual Entrepreneurship

Scholars have begun to distinguish between social entrepreneurship and market entrepreneurship. Joseph Schumpeter's (1943) pioneering work on market entrepreneurship acknowledged the roles of personal qualities such as boldness, imaginativeness, and creativity in enabling the entrepreneur to not operate passively in the world but rather to disrupt the status quo by introducing previously unthought-of products, methods, and markets. In accompaniment to Schumpeter creativity is the entrepreneurial quality of alertness introduced by Kirzner (1973, 1999). An alert entrepreneur responds to existing possibilities previously unseen to create market opportunities (Kirzner 2009). Both the entrepreneurial process of identification of existing yet unrecognized possibilities and the creativity leading to generation of opportunities result in the creation of new economic opportunities. The social entrepreneur's intentionality is to improve a social problem by building a sustainable for-profit or not-for profit venture to ensure the continuance of the organization's social mission.

The traditional paradigm of social entrepreneurship is that it starts with a given social problem and focuses on selecting between effective ways to positively impact the problem. The social entrepreneurial process is understood to be an ongoing and repetitive cycle of envisioning, formulating, taking action, evaluating, and sustaining (London 2008). Thus, the process follows the causation process of entrepreneurship that starts with search for an opportunity such as a

solution for a market need or a new product that brings value to customers followed by marshaling of resources, financial and otherwise, resulting in the creation of a sustainable organization.

Saras Saravathy (2001) defined the causation process to “take a particular effect as given and focus on selecting between means to create that effect” (245). A causation process is underlined in economic theories that contend, “artifacts such as firms are inevitable outcomes, given the preference ordering of economic actors and certain simple assumption of rationality (implying causal reasoning) in their choice behavior” (245). In the traditional entrepreneurial paradigm the process of starting a new venture begins with multiple searches for new possibilities from a predetermined market then the identification of the ‘big idea’ followed by analysis and research to select an optimal target segment from the market. The causation entrepreneur views the world as “static, linear, and independent environments” (251) and focuses on predictability of the future with outcomes to increase market share in existing markets through execution of competitive strategies. Thus, operating from a causation framework by assuming the future is predictable and therefore, controllable does not foster questioning the status quo.

Alternatively, the new paradigm called effectual entrepreneurship begins the process of starting a new venture in the complete opposite direction by first exploring the set of means, or resources, available. The effectuation process is defined by taking “a set of means as given and focus on selecting between possible effects” (Saravathy 2001, 245). As a paradigm shift the effectual entrepreneur views the world as having “dynamic, nonlinear, and ecological environments” (251) and focuses on controllable aspects of an unpredictable future with the outcome of developing new markets through alliances and cooperative strategies. As a

consequence, operating from an effectual framework assumes the future is emerging thus encourages questioning the status quo.

In the entrepreneurship literature, a new venture is either explored through the framework of causation or effectuation. We offer one of the first examples, through the case of Clean the World, of how entrepreneurs started their entrepreneurial process from a causation paradigm, and then switched to an effectual paradigm. This transformation was a result of recognizing how waste was a resource in need of an opportunity.

The Case of Clean the World

In February 2009 John Seipler and Paul Till started Clean the World a non-profit that has a two part mission: collect and recycle soap and shampoo products discarded by the hospitality industry; and, distribute these and other donated hygiene products to impoverished people to prevent the millions of deaths caused hygiene related illnesses every day (Clean the World 2013). The entrepreneurs had not intended on creating a nonprofit, neither had prior experience in this sector, rather they were looking for an opportunity to own a business, one that would surpass their already substantial salaries as partners in the e-commerce industry. Their intention was to take advantage of the political and business climate favoring environmental sustainability; they wanted to own a "green" company with the goal to "make a buck" (Santich 2012). They were responding to the upswing of liberal environmentalism whose proponents echo the classical economist Adam Smith's belief that "a sustainable society can best be realized by way of market forces, alongside scientific progress and individual consumer choice" (Dale 2012, 860). At this stage these entrepreneurs were using a causation paradigm as they looked for the next 'big Green idea' their decision-making criteria included: helping "choose a means to achieve the given effect" and

“selection criteria was based on expected return” (Sarasvathy 2001, 251). As they searched for the new and high-potential opportunity in 2008, while on a business trip Seipler identified a previously unseen possibility in recycling soap discarded by the hotel industry.

Each day one million bars of hotel soap are dumped in landfills in the United States (Braun and Glenn 2013). The identification of discarded soap as a potential resource from which to make a profit began to shift the partners’ framework from a causation process to an effectuation process. Consequently, their decision-making criteria focused on helping “choose between possible effects that can be created with given means” and “selection criteria based on affordable loss or acceptable risk” (Sarasvathy 2001, 251). In contrast to employing the competencies of knowledge exploitation applied in the causation process, they began to practice an effectual competency of exploiting contingencies. The partners started questioning the existing system with intent of discovering how this discarded resource could be recycled, repurposed, made valuable? And more importantly, could it be a business, one that made money?

With no apparent market opportunity for recycled soap in the US, "the ick factor" of used soap could not be overcome (Santich 2012); they searched to discover new contingencies. The United Nations Children’s Fund (UNICEF) study indicated 2.2 million people die every year because of hygiene-related illnesses, mostly children under five; sixty-five percent of those deaths could be prevented if the children had access to soap. This was the "aha moment" (Braun and Glenn 2013). The two top killers of children less than five in third world countries is acute respiratory infection and diarrheal diseases and the impact of these fatal diseases can be significantly reduced by hand washing (Clean the World 2013). They had found the opportunity to use the discarded soap to transform global hygiene.

In discovering that the opportunity resided in the third world and amongst the poorest changed their orientation from pursuit of profit to advancing the social mission of distributing recycled soap. At this phase of the effectual entrepreneurship process by ‘accident’ these partners became social entrepreneurs. This reorientation of their intention from seeking a profit motive to advancing a social mission lead to a cascade of decisions:

- To move soap from hotels in the first world to the third would require a different kind of business model.
- The value proposition – an innovation, service or feature intended to appeal to a customer’s decision-making drivers – would need to be compelling for hotels to participate, to change there existing system of discarding the soap.
- A distribution system would need to get the soap to Clean the World for processing and then sent across the world into areas that lack developed infrastructures.

Accordingly, the business model needed to address two actors: hotel management and people in the third world who need the soap. Hotel management has the pressure from the current sustainability movement to document how they are going “Green” in addition to the pressure to make a profit. The value proposition for the hotel management to partner with Clean the World was threefold: reducing the tonnage sent to landfills, improving the health of people the third world, and decreasing the cost of the hotels throughput. No significant changes nor additional time are required by the house keeping staff and the fee paid to Clean the World is less than the fee paid to the landfills. Clean the World tracks the tonnage of soap that would have gone to landfills in the previous system for each participating hotel and provides the data for the hotels sustainability reports. In addition, the organization produces public relations materials for

positing in rooms and lobbies of participating hotels to inform clientele of their commitment and impact on environmental sustainability and on saving the lives of children globally. As a consequence, hotels are able to promote their corporate citizenship to their clientele while also saving money. The business was a win for the hotels.

Distributing the soap through the third world was accomplished first by organizing distribution trips to Haiti in 2009, with 2000 bars of soap handed out in the 48th least developed country in the world (Clean the World 2013). Although mission centric and motivating to see the impact first hand, the inefficiencies were evident and scalability was an issue to reach more people across the globe. By identifying a value proposition for non-governmental organizations (NGOs), Clean the World is able to align with strategic partners who have expertise in distribution of goods in the third world. NGOs buy soap to put into the hygiene kits they distribute. The value proposition was to provide the soap to NGOs at a substantial 90% reduction in cost (Till 2013). The effectual social entrepreneurs capitalized on two opportunities to meet the needs of two different actors, hotel industry in first world and NGOs in the third world, needs which resulted in a sustainable economic engine to cover roughly 50% of the expenses of the Clean the World; the remainder comes from grants and donations (Clean the World 2013). They scaled the social mission impact via the strategic partnership with NGOs; they scaled throughput by opening soap recycling centers in geographically strategic areas located near major tourist-hospitality hubs. Over 11 millions bars of soap have been distributed to people in need (Santich 2012; Clean the World 2013).

Clean the World provides insight to a new business model and the role of the effectual entrepreneur process in facilitating questioning status quo. Even though, these entrepreneurs' an

original framework was a causation process with the self-interested intent of creating a new Green venture to make money their paradigm was transformed into an effectual entrepreneurial process when they identified waste as means (resource) to generate profit. Next, as they searched for contingencies they identified their first profit opportunity and social value opportunity: discarding soap for less for the hotel industry and as a consequence decreasing the amount of waste to landfills. As their line of questioning status quo continued by further exploiting contingencies while also seeking cooperative strategies they identified their second profit opportunity and social value opportunity: helping reduce costs for NGOs and ensuring people in third world received the lifesaving soap.

Conclusion

The Clean the World new business model links profit opportunities to social value opportunities through the application of effectual entrepreneurship. This case highlights not all social ventures are started by heroes motivated to solve solution problems, but rather and likely aligned with Adam Smith's heavily debated (1993; 2009) view that economic self-interest ultimately results in desirable social outcomes. The effectual process of questioning status quo provided a framework to change the existing system by redefining waste as resource. The partners' identification of a means - waste as a resource - steered them to exploit contingencies bringing about the development of new markets, alliances, and cooperative strategies. As a result they created a new system to generate profit and environmental impact in the first world and used this throughout to generate profit and social impact in the third world. We believe the new business model, represented by Clean the World is replicable through the application of effectual entrepreneurship. If more market or social entrepreneurs began to view waste as resource and

through the application of the effectuation process identified previously unseen contingencies that link profit opportunities and social value opportunities new economic opportunities would be created in conjunction with solving some of the wicked social problems of the twenty first century.

Given the field of economics is often perceived as being subject to Planglossian tendencies—too quick to make excuses for apparently dysfunctional aspects of the status quo and eager to question, dismiss, and criticize possible proposals to improve the status quo (Yunker, 2009)—perhaps the study of effectual entrepreneurship in conjunction with social entrepreneurship can shift this predisposition. Instead of discouraging innovation due to the risk of ridicule we should be fostering a cultural space where entrepreneurial creativity, alertness, and effectuation discovers or creates new plausible proposals to reform and improve the status quo. For instance, as in the case of Clean the World, we can challenge entrepreneurs to identify existing possibilities previously unseen by exploring economic production and consumption of society's throughput - resource and waste and asked the question: How can I turn waste into a resource to make a profit?

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