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SOCIAL ENTREPRENEURSHIP IN SCANDINAVIA: A FIELD SURVEY

Abstract

Purpose - The article aims to better understand the entrepreneur's role in the economic development in the Scandinavian countries, and to test the reliability and validity of findings from three scientific articles on social entrepreneurship: the Scandinavian welfare states, financial systems in Scandinavia and the prevalence of innovation management among social entrepreneurs in Scandinavia. It is an analysis on how practitioners and academics in Scandinavia define innovation, social entrepreneurship, what entrepreneurs aim to accomplish and the challenges they meet.

Research methods - The article relies on a field survey with respondents from the three countries Norway, Sweden, and Denmark, where five questions were asked to 25 respondents. The procedure has been to formulate questions based on previous articles on social entrepreneurship in Scandinavia, making a list of criteria, selecting respondents that meet the criteria, performing the field survey and analyzing the answers received.

Results - The understanding of social entrepreneurship is built upon theories on entrepreneurship in the European tradition dating back to the 17th Century. Because the entrepreneur is the creative leader of all economic change, innovation can only be understood in terms of conditions given by the entrepreneur.

Originality/value/implications/recommendations - We need independent science and theories based on sources from academia and practitioners, so entrepreneurs, scientists, teachers and students have access to independent information.

Key words: social entrepreneurship, entrepreneurship, Schumpeter, field survey, Scandinavia, innovation, Sweden, Denmark, Norway.

INTRODUCTION

The welfare state has had a crucial role in forming Scandinavian society through the 20th Century with remarkable growth and a major improvement in living conditions for all citizens. The Scandinavian welfare state is facing serious challenges it has difficulties with resolving due to inability to adapt to the modern society and modern way of living. The challenges are related to legitimacy, governability, economic efficiency, and scope of activity. The political and financial climate has changed considerably since 1891 when Denmark introduced Old Pension Law and Sweden introduced Sickness Insurance Law. Society has changed considerably during the last 130 years, but the Scandinavian welfare model has not been able to change accordingly.

Klemdals (2009) noted that even if the Nordic work, welfare and societal model has never been more celebrated than now, it is pointless to trust that the model will take care of itself. Rather, it must be carefully monitored and further developed in order to survive the ever-changing environments. There is a growing recognition that the government can't solve the present challenges and there is a demand in the public for different and creative solutions.

The welfare system is dependent on the third sector to provide service for the population, but the third sector has become as static, bureaucratic, and controlling as the welfare state, and the process of social innovation has no space to be developed inside these systems.

Entrepreneurship opens for new solutions. There are unlimited possibilities for social entrepreneurs in a changing global economy. The role as an entrepreneur is available to anyone, and it is the entrepreneur's ability to raise capital to spread new combinations of land and labor, in a social system that is important. Innovations are not dependent on the financial system but have to adapt to changes in the economy when the innovation process has finished, and the production function has been established.

Dependency on governmental funding limits the entrepreneur mentally, creatively and ability to act. A high level of state capitalism undermines future

innovations due to entrepreneurial inefficiency. That fact creates an environment that prevents entrepreneurs from testing their combinations in an open market.

Political statements in the Scandinavian countries do not take social entrepreneurs seriously as leaders in financial growth because the social entrepreneurs are considered a provider for the welfare state on the same level as the voluntary sector.

Innovation demands nothing else than a creative individual with an idea and the skills of self-management. In the Scandinavian countries, most people are free to spend their time on what they want, including innovation and entrepreneurship.

To be a social entrepreneur in Scandinavia is challenging because the government controls everything from the financial system, education institutions, the market, and solutions to the social problems.

The purpose of this article is to identify how practitioners define innovation, social entrepreneurship, what the entrepreneurs aim to accomplish and the challenges they meet in the Scandinavian countries. As a part of the scientific study of social entrepreneurship in a Scandinavian context, it is rational to examine where the scientific and the practical approach coincide and where they diverge.

LITERATURE REVIEW

The literature review is based on works by David Ricardo, Jean-Baptiste Say, Frederick Winslow Taylor, Joseph A. Schumpeter, Arthur Cole, Alfred D. Chandler jr, Karl Marx, John Maynard Keynes, Peter Drucker and Mark Casson. The scientist cited comes from various schools of thought, from early economics to modern economics. On social entrepreneurship works by Bill Drayton, Charles Leadbeater, Jan-Urban Sandal, Bengt Johannisson, and Tanya Ellis have been examined.

RESEARCH METHODS

During the initial stages of the field survey, a presentation was held at the 63 SUMMIT Conversations on Emerging Issues in SOCIAL ENTREPRENEURSHIP at Fil. Dr. Jan-U. Sandal Institute, Lørenskog, Norway. The participants gave feedback and asked questions related to the upcoming field survey.

Secondly, thorough research was conducted in order to find potential candidates from the three countries Norway, Sweden and Denmark. They were divided into three groups: professors in economics, business entrepreneurs and social entrepreneurs. By choosing these three groups it would be possible to compare the answers from both academia and practitioners. The candidates were selected based on the following criteria:

- Professors:
 - Their knowledge on economics, innovation, and entrepreneurship.
 - They have published scientific articles in their field.
 - They teach at a public university or private educational institution in Norway, Sweden, or Denmark.
- Business entrepreneurs:
 - They have established a commercial company with an organizational form that is either sole proprietorship or limited liability company.
 - The company was established more than 3 years ago.
 - The company has an income above NOK 0.
- Social Entrepreneurs:
 - They call themselves social entrepreneurs.
 - They have established a company with an organizational form that is either sole proprietorship or limited liability company.
 - The company was established more than 3 years ago.
 - The company has an income above NOK 0.

The selection process consisted of thorough research on each business entrepreneur, social entrepreneur and professor found. They were checked against the list of criteria. Articles about entrepreneurs and social entrepreneurs in Scandinavian newspapers were identified. Articles, papers, reports and scientific works were read and analyzed.

The candidates were contacted by telephone and were asked five questions in the same order. They received identical information at the introduction and identical questions. They were given the opportunity to answer as fully as they wished. The interviews were conducted in Norwegian, Swedish, Danish, and English. Five respondents chose to only answer in English and the remaining 20 answered in their mother tongue. These answers were translated to English by the article author.

The target groups for this article are academics, students, and practitioners. Other likely groups are teachers in the field of innovation, management,

entrepreneurship, and administration. Findings in this article will be useful for entrepreneurs and individuals who want to create new combinations of the first and second production function.

The ambition is to use Schumpeter's theory as a tool to analyze the entrepreneurial practice in Scandinavia today. According to Schumpeter (1934/1978), the role of the entrepreneur is to be a creative leader of innovation. An entrepreneur needs a set of skills to be that leader, and must have financial freedom to be an entrepreneur. The only thing the creative process requires is the entrepreneur's will and action. The article aims to analyze if that is the case for entrepreneurs and social entrepreneurs in Scandinavia today.

From economic theory, a selection of scientists from Richard Cantillon to Peter Drucker have been studied and used to identify which theories the entrepreneurs use as guidance in their entrepreneurial activity. It is essential to select a group of scientists from various time periods and schools of thoughts, and at the same time have a realistic number of scientists for the scope not to become too extensive.

There was a challenge to get answers from academia, and therefore there were 25 respondents and not 27, as planned. There were 6 possible respondents who required questions by email. When the interview could not be performed with the same method as the rest, it was canceled by the article author.

RESULTS

This field survey is based on a qualitative study of 25 interviews. The survey consists of five questions. The questions were open-ended so the candidates could answer as comprehensively as they wanted. The same questions were asked to all the candidates and had to be relevant for all three groups of informants. The questions were:

1. What is innovation?
2. What skills does an entrepreneur need?
3. What is the purpose of entrepreneurship for the entrepreneur?
4. What is social entrepreneurship?
5. What challenges do entrepreneurs and social entrepreneurs face in Scandinavia today?

WHAT IS INNOVATION

Answers from academics in Scandinavian countries indicate that there is an uncertainty which theories they refer to when they talk about innovation. Only one respondent referred to scientific research. Several of the academics responded that innovation can be a new idea, a new product or service, a new way of manufacturing a product. This correlates with Schumpeter's identification on five types of innovation: new production processes, new products, new materials/resources, new markets, and new forms of organizations.

Entrepreneurs and social entrepreneurs answer that innovation is a process that has the purpose to improve the world. Finding better and more effective solutions to problems.

Innovation is defined by new thinking and "something new" by all three groups. What something new is, seems uncertain. Respondents from all three groups answered that innovation is doing something that has not been done before to create a new experience and improve the world.

SKILLS AN ENTREPRENEUR NEED

Academics responded that an entrepreneur needs to be able to analyze, must have financial skills, be able to understand and address market needs, be able to establish a team, work with investors, and be able to lead. This correlates with Jean-Baptiste Say theories from 1821, that the entrepreneur has the knowledge of the world, the knowledge of business, knows the art of administration and he must give attention to order and economy.

Two professors answered that no particular skills are necessary and referred to recent research.

Business entrepreneurs answered that creativity, perseverance, curiosity, and confidence are skills needed. Social entrepreneurs had the same response as business entrepreneurs but added that being able to create value is an important skill.

General agreement among the respondents was that the entrepreneur is a risk-taker, which correlates with Richard Cantillon's theory on entrepreneurship from 1755; a person who tries to balance supply and demand while he is bearing the risk.

THE PURPOSE OF ENTREPRENEURSHIP FOR THE ENTREPRENEUR

When it comes to purpose, academics from Scandinavian countries focus more on the financial gain than the other two groups by responding: high degree of autonomy, profit, solving a problem, and recognition. The purpose is the will to do something of value. It is much more than making money. It is having an idea and the willingness to test it for personal and financial reasons.

Business entrepreneurs and social entrepreneurs answer that it is a personal motivation, a passion. To create something, freedom, and creating change are important purposes for the entrepreneurs. Social entrepreneurs added that the driving force is creating social impact to make the world a better place. The meaning of making the world a better place was not explained. There were two respondents who differed between positive and negative social impact.

All three groups answered that the motivation is personal rather than financial.

Schumpeter describes the entrepreneur's motivation in his theories from 1934 as the dream to establish a private kingdom, the will to succeed with tasks and challenges, not because of the financial gain but because of vision, and the joy through creation, getting things done by using energy and intelligence.

SOCIAL ENTREPRENEURSHIP

Impact beyond economic value were the responses from academics when asked how they define social entrepreneurship. It is the capability to solve a social and a societal problem, it is partially or fully funded by philanthropy, and where you replace profit with a social problem.

Entrepreneurship with the purpose of helping something or someone like a subset of the population, were responses from business entrepreneurs. Examples are disabled people, people with reduced work abilities, people in socially disadvantaged environments and unemployed. Four business entrepreneurs were unsure and said they could not give a good answer on the definition.

Social entrepreneurs responded that it is entrepreneurship with a triple bottom line. Not only the financial aspect, but also the combination of the service or product that has a social impact on the individual and society. Social entrepreneurs work across sectors. There can be cooperation between the municipality, organizations, and businesses to help vulnerable target groups. In

what situations cooperation with municipalities and organizations can help individuals were not explained.

In academia it was Bill Drayton who spread the term social entrepreneurship in the 1980s, when he said that a social entrepreneur is a changemaker. He stated that a social entrepreneur often has direct experience with the problem they want to solve and knows where the biggest challenges are in the sector, market and with the existing products or services. According to Charles Leadbeater (1997), the value of social entrepreneurs comes in three main forms: bring measurable benefits by creating jobs, generating output, or saving on public spending, have great value as potential models for the reform of the welfare state, and their ability to create and invest social capital.

If Schumpeter's theory (1934) on entrepreneurship is used, then a social entrepreneur is a creative leader who raises capital in order to spread new combinations of land and labor in a social system. Not to develop the social system, but to change it radically. Activities like social work, voluntary work, philanthropy, doing good, and missionary work are irrelevant in the context of entrepreneurship.

CHALLENGES BUSINESS ENTREPRENEURS AND SOCIAL ENTREPRENEURS FACE IN SCANDINAVIA TODAY

Academics' answers vary from funding is the main challenge, to there is a lot of financial support. One response was that there may be challenges related to laws, regulations, organizational form, and political constraints.

Answers from business entrepreneurs and social entrepreneurs reinforced this by answering that politicians interfere in what you do through regulations and state capitalism, and innovative solutions and social innovations are lost. Business entrepreneurs explained that access to capital and investments as the main challenge. Social entrepreneurs replied that having to sell their service and educate their customers at the same time is hard. Starting a business is difficult enough. There is a cultural notion that it is wrong to make money doing social work.

All groups answered that challenges entrepreneurs face are universal.

Jean-Baptiste Say stated in 1821 that the entrepreneur is an economic agent who unites the combination of the production functions land, labor and capital and therefore constitutes innovation as the fourth input factor. Professor

Alfred D Chandler (1997) claimed that entrepreneurship is to create conditions that are necessary to commercialize innovation. He defined the entrepreneur to be an executive who allocates available resources. In both theories, capital has a vital function. When using Schumpeter's theories (1934), innovation is a creative process where land and labor are the input factors, but capital is not. The entrepreneur's ability to combine land and labor is not dependent on capital.

Some of the challenges mentioned are not about the innovation process, but challenges for business owners. Capital is needed to continue the production function when the process of innovation is over. It profits from sales of the new combinations on an open market that support operations.

Scandinavian welfare states are arranged after a hierarchy with three levels: politicians, a central administration, and civil servants. The implementation of the service provided must follow certain rules and regulations. Due to state capitalism, regulations and monopoly, the access to the open market is limited. In the Scandinavian welfare states, few enterprises are self-financed and therefore rely upon funding and investments to operate.

SUMMARY

Answers from the respondents show that the definition of innovation varies from individual to individual. Innovation can be understood as development rather than disruption. Improving a product or service is development. Disrupting the market or the field is innovation because it creates creative destruction.

The purpose of entrepreneurship is to create change and have a social impact to make the world a better place. Answers from business entrepreneurs and social entrepreneurs show that they have similar motivation and purposes. When using Schumpeter's theories on entrepreneurship, answers from business entrepreneurs are consistent with the definition and are more likely to create social innovation than individuals who call themselves social entrepreneurs. In most cases the organization, initiative, project, company, or group is not a social entrepreneur but an enterprise with a social mission.

Both business entrepreneurs and social entrepreneurs answered that there are challenges related to political constraints in Scandinavia, where politicians interfere in what you do through laws, regulations, and state capitalism. Innovative solutions and social innovations are lost.

Answers from the three groups indicate that state capitalism undermines innovations because it changes the entrepreneurial efficiency. It creates an environment that prevents entrepreneurs from testing their combinations in an open market. Dependency on funding limits the entrepreneur mentally, creatively and ability to act. This is also true for business entrepreneurs.

The lack of consensus on the definition of social entrepreneurship means that other disciplines are often confused with and mistakenly associated with social entrepreneurship. Philanthropists, social activists, environmentalists, and other socially oriented practitioners are referred to as social entrepreneurs.

Innovation carried through by social entrepreneurs overturn the existing pattern of local society and are accessible to all citizens. The opportunity for a social entrepreneur is always present in all countries at all times.

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