

Review of Drivers of Marketing Oriented Social Entrepreneurship in Sri Lanka and need for Adopting Marketing Capabilities

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Abstract

The objective of the paper is to give clear understanding of the social entrepreneurship and gives the importance of being marketing oriented and adopting marketing capabilities for Sri Lankan social entrepreneurship. While social entrepreneurs are changing their conventional method of social entrepreneurship, marketing orientation is very much essential for social entrepreneurs to become a commercial business with the attributes of assisting to the society as large. In order to be marketing oriented, social entrepreneurship should also adopt marketing capabilities. As per the previous studies, social entrepreneurs cannot determine which marketing capabilities are needed for social entrepreneurs. Therefore, there is a need for research on the marketing orientation and marketing capabilities adopted by social entrepreneurs.

Keywords: *Entrepreneurship, social entrepreneurship, marketing orientation, marketing capabilities.*

Introduction

Any organization to succeed in their business, entrepreneurial orientation is vital. Despite the fact that many successful entrepreneurs are in Sri Lanka, there is still untapped social entrepreneurs which have to be found and capitalized. These entrepreneurs play a significant role in the country's economy by way of creating employment and stimulating economic growth and innovation. Entrepreneurship is defined as the process by which organizations are renewed with its markets by pioneering, innovating and risk taking (Miller, 1983). Further, Onuoha (2007) defines entrepreneurship as responding to an identified opportunity by way of starting up new business or reviving mature organizations or by finding purely new business. Thus, an entrepreneur is who can exploit a market opportunity via innovations (Schumpeter, 1965).

Social entrepreneurship can be differentiated from business entrepreneurship. Social entrepreneurship is defined that as a commercial ventures for social objective for profit commercial ventures (Dees & Anderson, 2003) or for corporate social entrepreneurship (Austin et al., 2004). This also should have innovation as businesses entrepreneurship is having. Social entrepreneurship is creating social values to the country. Although many researchers and scholars are giving different meanings to the social entrepreneurship, there is a possibility to find similar attributes for both business and social entrepreneurship to create and offer social value. The similarities are innovation, personal characteristics, operating sector, process and resources used and the social mission. The attribute which is differentiating social entrepreneurship from business entrepreneurship is the purpose. Social entrepreneurship creates social value and business entrepreneurship is driven economically. Yet, there is

no hard and past rule that social entrepreneurship should not generate economic value (Austin et al., 2006).

In spite of the fact that social entrepreneurship is growing in Sri Lanka, there is still room for improvement. Besides, people are unaware of the social entrepreneurship and its importance to the country. Social entrepreneurship is very significant for country like Sri Lanka since it contributes to the sustainable development and poverty alleviation in the country. Hence, social entrepreneurship in the country as other commercial entities, need to be marketing oriented and be with marketing capabilities and thus, enhance the performance and contribute more to the society. Therefore, the study about marketing orientation and marketing capabilities of social entrepreneurs in the country is paramount enabling an improvement in the performance of those social entrepreneurs. Thus, the objectives of the paper is to make awareness of the social entrepreneurship and differentiate it from the commercial enterprises. Another objective is to understand the need for research on the market orientation and marketing capability adaptation in social entrepreneurs in Sri Lanka. Hence, this paper is prepared in the following line. Firstly, the characteristics and orientation of the entrepreneurship is addressed. Secondly, differences between business entrepreneurship and social entrepreneurship are explained. Next, the marketing orientation and marketing capabilities for social entrepreneurs are addressed and finally, conclusion is given with a research idea on social entrepreneurship in Sri Lanka.

Characteristics and orientation of entrepreneurs

Daft (2014) explains that an entrepreneur has to be with various characteristics. The first is autonomy which is the primary motivator for

every entrepreneur to go ahead in the entrepreneurial life. Entrepreneurs has desire to be autonomy in all aspects of the business. This means that they are autonomous in planning and decision making without any contribution of partners in their business. Secondly, the entrepreneurial struggle which state that entrepreneurs will experience long struggle in their life in the business. Even though they experience struggling in the entrepreneurial life, they continuously stay positively. Third characteristic is power and influence that some people want to be entrepreneurs due to the desire for power and influence. Forth is high energy which requires for business startup i.e great efforts. Entrepreneurs should have high level of risk taking behavior and passion towards earning that will help get rid of obstacles and traumas. Fifth character is need to achieve. Entrepreneurs are motivated towards the situation where the success is expected. This characteristic is helpful for them to set goal which is difficult to achieve and challenging. The sixth character is self-confidence which is vital for entrepreneurs. They should have confidence over their ability and thinking to run the business with day to day activities. This infers that they should have the confidence in winning the customers, solving problems including technical problems and in moving the business forward. The final characteristic is tolerance for ambiguity. This characteristics is with regard to uncertainty. This is, in fact, a psychological characteristic. Entrepreneurs are making decision without knowing which options are successful to start. This is important for entrepreneurs because some business situations offer uncertainty.

In the discussion of characteristics of entrepreneurs, it is important to discuss the entrepreneurial orientations which reflect the characteristics of an entrepreneur. Lumpkin and Dess (1996) explain that entrepreneurial

orientation consist of three dimensions that also reflect the characteristics; namely innovativeness, risk taking and proactive.

Innovativeness is the source through which the firm finds new opportunities. This could be done by researching the market and find new needs and capitalize it. This may result in new product or service. According to Schumpeter (1942), entrepreneur with innovative character will be able to contribute to the wealth creation by way of disrupting the existing market structure. This would be possible through the innovation by introducing new product of service to the market. Thus the innovation is called as specific tool of entrepreneurs.

The second dimension of the entrepreneurial orientation is risk taking which is also connected with entrepreneurship. Risk taking means that an entrepreneur should be able to invest on the business with bearing risks. Entrepreneur can enter a new market dumping more resources without expecting exact outcome from the business.

The third dimension of the entrepreneurial orientation is proactive. This means that entrepreneur can anticipate and act towards future needs and wants of the market and capitalize it so that it can enjoy first mover advantage than competitors. Hence, this is associated with entrepreneur opportunity seeker and forward looking person.

Having discussed the entrepreneurship in general, it is worthy to discuss the social entrepreneurship in detail. Social entrepreneurship is serving to the society with the central goal is solving environmental or social problems. According to Dees (1998), the social mission for social

entrepreneurs is obvious and central to them. For social entrepreneurs targeting and completing social mission is major task than creating revenue for themselves. In contrast, business entrepreneurs generate income for them is the way to measure the value creation. Mostly, social entrepreneurs handle vulnerable people like elders, differently able people, unemployed youths and widows etc. in a way of producing goods and services to meet their needs that impact on social environment positively.

It is also noted here that there is no generally accepted definition for social entrepreneurship. In literatures, many dimensions have been incorporated for the social entrepreneurship. This is explained in the following Figure 1.

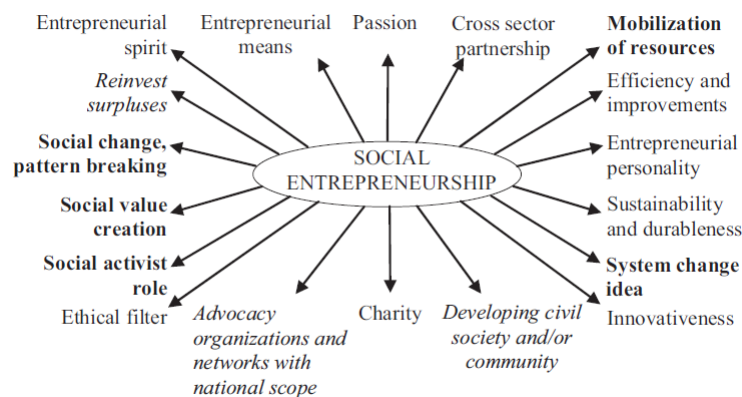


Figure 1: Source: Kaseorg and Raudsaar (2013)

Differences between social entrepreneurs and business entrepreneurs

Dees et al. (2001) explains that social entrepreneurs are differed in many ways which include five points delineating the behavior of social entrepreneurs. They are discussed below.

Mission to create social value

The roles played by social entrepreneurs are different and they play as change agent in the social sectors. Social entrepreneurs are creating a mission to sustain social value. This is the prime difference between business and social entrepreneur. In fact, social mission is prime for a social entrepreneur. Social mission should be formulated to social improvement to the private income for individuals. Profit generation and creation of wealth may be a part of social enterprise which will also be a means of social end. Basically, social entrepreneurs are expecting long term social return on investment so that sustainable impact should be emerged.

Recognizing and relentlessly pursuing new opportunities

Social entrepreneurs take opportunities when others are with problems. They do not just get the social problem and become social entrepreneurs. Instead, they have the vision of achieving improvement in the social problems they encounter. Whatever the actions they take and whatever model they follow will impact on the society and do a change. Even when there is an obstacles for their efforts, they sometimes adjust accordingly rather than giving up the task.

Continuous innovation, adaptation and learning

Irrespective of business and social entrepreneurs, all entrepreneurs are innovative in their activities. They bring new models and approaches for which they will be pioneers. Innovation not only the entire new things putting into practice but simply putting or applying existing practices and ideas in a new ways. Thus, social entrepreneurs are not necessarily inventors but they should be able to be resourceful and innovative in their business with what others have already found out. Social entrepreneurs should make sure that they would have resources until they create social value by adopting innovations. When they have risk, social entrepreneurs

should have tolerance and learn how to manage particular risk in their efforts.

Acting boldly with limitation of resources in hand

Social entrepreneurs use their limited resources for pursuing their visions. They have skills to maximize the use of their limited resources efficiently and able to attract resources from others or they will collaborate with others for using limited resources belonging to others. They will also calculate the risk and act accordingly in order to reduce the harm resulting from the failure.

Exhibiting accountability and outcomes created

Social entrepreneurs clearly understand the people whom they serve and make sure that they are creating social value to them and reach them properly by assessing their needs and values of the people who receive social values. Social entrepreneurship should be very closer to the customers they serve. Social entrepreneurs take steps to measure their progress of their social, financial and managerial outcomes and if there is any discrepancy between the actual state and desired state, they take corrective actions.

In addition to the characteristics of social entrepreneurs given above, it may be useful to analyze the characteristics explained by Sibieude (2010). Social entrepreneurs know well about the social challenges and economic challenges faced by the people in the areas in which they reside. They, therefore, are with a sense of social duty and responsibility. Further, they are well induced by strong social value which are with them to pursue their social mission. Sibieude (2010) further noted that due to this characteristics of social entrepreneurs, approximately 5000 social enterprises generated over 700,000 jobs for diabolos and long term

unemployed people. Therefore, it was concluded that social entrepreneurs are connecting the society and economy.

Despite the fact that many researchers and scholars provide many definition for social entrepreneurship and point out many characteristics, Saifan (2012) differentiate the characteristics of social and business entrepreneurs as under.

Table 1: Unique and Common Characteristics of Business and Social Entrepreneurs

Unique characteristics of the business entrepreneur	Common Characteristics for both business and social entrepreneur	Unique characteristics of the social entrepreneur
High achiever	Innovator	Mission leader
Risk bearer	Dedicated	Emotionally charged
Organizer	Initiative taker	Change agent
Strategic thinker	Leader	Opinion leader
Value creator	Opportunity alert	Social value creator
Holistic	Persistent	Socially alert
Arbitrageur	Committed	Manager
		Visionary
		Highly accountable

Source: Saifan (2012)

Although social and business entrepreneurs are with unique and similar characteristics, social entrepreneurs are operating within a spectrum of entrepreneurship of two business strategies such as organizations without profit while earning income and organizations for profit with mission driven strategies (Saifan, 2012). Under the first strategy, social entrepreneur will generate income which will be used for further improving the social value. In the second category is that for profit

under which, organization will earn profit for sustainability and shareholders and investors will benefit from the social entrepreneurship. This is diagrammatically illustrated in Figure 2 as follows.

In summary, social entrepreneurs are different from business entrepreneurs. Both entrepreneurs have some similar, different and unique characteristics. Social entrepreneurs are also experiencing challenges and overcome it with their strategies. Since they face challenges and they become heroes with the talent of entrepreneur and win the social mission with reception of competitive return for them (Austin et al., 2006).

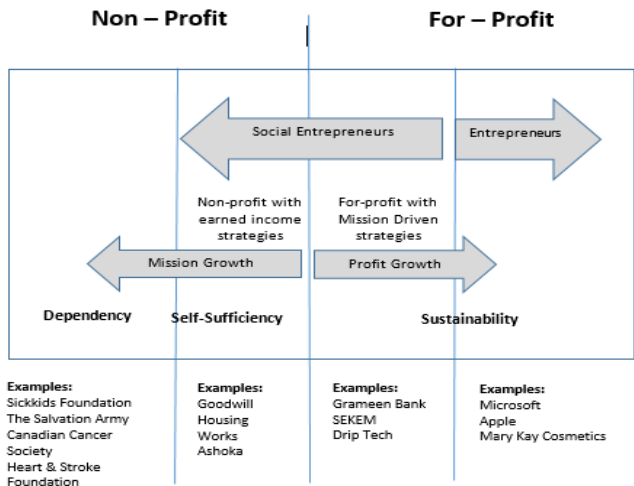


Figure 2: The Entrepreneurial Spectrum (Source: Saifan (2012))

These findings challenge the conventional wisdom that market-driven organizations must develop all types of marketing capability. We suggest that social entrepreneurs should develop their marketing capabilities selectively according to their specific performance objectives. These findings challenge the conventional wisdom that market-driven organizations must develop all types of marketing capability. We suggest

that social entrepreneurs should develop their marketing capabilities selectively according to their specific performance objectives.

Marketing orientation and marketing capabilities for social entrepreneurs

Implementation of marketing concept in an organization is called market orientation. In the case of entrepreneurship, market orientation directly influencing on the enhancement of its performance. Narver and Slater (1990) explain market orientation is connected to the market. This infers that market orientation should be reflected in fulfilling the customers' needs. Many studies also found that positive relationship between marketing orientation and firm performance (For example; Liao et al., 2011).

Market orientation consists of five dimensions such as customer orientation, competitor orientation, inter function coordination and responsiveness and profit emphasis (Brendan et al., 1998). These dimensions can be used to measure market orientation of an organization. Further, it was emphasized that managers need to give more attention on these five dimensions in order to enhance their firm performance and support in spotting weakness areas in the organization and take remedy situation.

In order to have the market orientation, social entrepreneurial organizations need to have marketing capabilities. Marketing capabilities are connected to the marketing functions of the organization (Danneels, 2007). According to the literatures, two types of marketing capabilities are in practice. One is individual marketing mix process and the second is

with regard to development of marketing strategy and execution (Morgan et al., 2009).

Vorhies and Morgan (2005) posit that the first type of marketing capabilities consist of marketing activities such as product development and management, pricing, selling, marketing communication and channel management. Dutta et al. (2003) suggest that the second type of marketing capabilities contain the sources of competitive advantages that is always improving the business performance of the organization.

Many studies by Morgan et al. (2009), Vorhies and Morgan (2005) have been carried out to understand the contribution of capabilities of marketing to the business performance of organizations. However, very rare to find researches on the marketing capabilities of the social entrepreneurship especially in Sri Lanka. Although many social entrepreneurs are operating in Sri Lanka, there are no studies addressing about their marketing orientation and marketing capabilities. Many social enterprises are now moving from conventional third sector (organizations functioning purely for social works) to more market oriented sectors (Gordan, 2015).

Sri Lankan social entrepreneurs are also facing same dramatic change in the effort to operate the social entrepreneurship. This necessitates the adoption of market orientation. Consequently, it is necessary to have organizational capabilities (marketing capabilities) for them to be marketing oriented. Due to the fact that social entrepreneurs are moving to marketing oriented business in the changing dynamic business environment, they cannot avoid competitions from other business firms

competing in the same industry and hence, outperforming is an important requirement in the same industry. As Day (1994) indicates that organization relies on the marketing capabilities to enjoy competitive advantage in the industry, social entrepreneurs in the country should also have marketing capabilities which is one of the prerequisites for the social entrepreneurs.

Conclusion

Many of the social enterprises in Sri Lanka are only creating the social value which may sometimes be difficult for survival. In order to avoid this, social enterprises need to convert themselves from conventional to commercial sectors and that assists them to become social enterprises for which marketing capabilities and marketing orientation are vital.

Specifically, social entrepreneurs need to implement the marketing concept and thus, is said to be marketing oriented. In the case of market orientation, entrepreneurs with social mission should attempt to focus on the customer orientation, competitor orientation, inter functional coordination and responsiveness and profit emphasis. The stated elements of the marketing orientation have greater positive impact on the organizational performance. Therefore, it is very much important to diagnose whether these elements of marketing orientation within the social enterprises are implemented and contribute to the improved performance of those social enterprises.

In the case of marketing capabilities consist of strategies for pricing, product, distribution, marketing communication and selling, dealing with market information, marketing planning procedures and implementation

of marketing (Morgan et al., 2009). All these factors have positive impact on the firm performance irrespective of the size of the entrepreneurship (Pascal and Shin, 2015). According to Gordan (2015), firms cannot determine what marketing capabilities are important for a social enterprises to attain achievement of social marketing and for the creation of social value. As a result, Sri Lankan social entrepreneurs also need to find what marketing capabilities which are appropriate for the social value creation out of the eight stated above.

In Sri Lanka, there are many social entrepreneurs are operating to contribute to the sustainable development and reduction of the poverty. For example Ecowave (Guarantee) Ltd., TCT Supermarket, Lanka Social Ventures etc. As the other entrepreneurs in the country, existing and emerging social entrepreneurs are also facing with many challenges in the country especially in the areas of marketing. This necessitates many researchers and practitioners to study the social entrepreneurs in Sri Lanka in order to improve the performance with respect to profitability and social mission.

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