



## GLOBALIZATION OF SOCIAL ENTREPRENEURSHIP OPPORTUNITIES

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*Social entrepreneurship has emerged as an important research topic in the literature. This interest stems from social entrepreneurs' role in addressing serious social problems on a worldwide scale while enhancing social wealth, often without regard for profits. In this article, we explain the forces contributing to the formation and rapid internationalization of social ventures. We use the behavioral theory of the firm to distill key attributes of social opportunities and show how these attributes influence the timing and geographic scope of social ventures' international operations. Copyright © 2008 Strategic Management Society.*

*'You must be the change you wish to see in the world.'*

Gandhi

Entrepreneurship by new and established companies is a major source of wealth and job creation, economic and technological growth, and social transformation (Bhide, 2000). This transformation is made possible by the powerful forces entrepreneurship unleashes, where ordinary people conceive innovative ideas, organize production, assume risk, and engage customers to accumulate wealth or address pressing social causes, often across national borders. Entrepreneurship also empowers people to explore opportunities in distant locations, transforming their energies into worldwide movements to improve social conditions and enhance the quality of human

existence. Social entrepreneurs, in particular, have become the vanguard of this worldwide transformation by launching new organizations serving a multitude of social needs, thereby improving the quality of life and enhancing human development around the globe (Elkington and Hartigan, 2008; Lasprogata and Cotton, 2003; Leadbeater, 1997; Mair and Noboa, 2003; Martin and Osberg, 2007).

There is considerable interest in social entrepreneurship and the needs social entrepreneurs serve and fulfill around the globe (Chell, 2007; Desa and Kotha, 2005; Perrini, 2006). Still, despite the growing international nature of many social entrepreneurial activities, researchers have not devoted sufficient attention to understanding how entrepreneurs select particular global social causes or create their ventures around these international opportunities. Researchers have also failed to articulate the rationale for the emergence of new international social ventures or the timing and scope of their international operations.

In this article, we focus on the globalization of social entrepreneurship. First, we discuss four major forces shaping the globalization of social opportunities. Next, we apply the behavioral theory of the firm

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(March and Simon, 1958; Simon, 1979) to illustrate how entrepreneurs define and exploit opportunities by creating social ventures operating on a global scale. We use the cosmopolitanism (Beck, 2006), prosocial (Eisenberg and Fabes, 1998), regime (Krasner, 1983), and internalization (Hennart, 2001) theories to explain the formation of international social ventures and illustrate how social entrepreneurs decide on the timing and geographic scope of their international operations. We conclude by outlining a research agenda on the globalization of social entrepreneurship.

Our article contributes to the literature by highlighting the growing global reach of social ventures, an important issue deserving greater research attention. Social opportunities are global in nature and entrepreneurs have become adept in devising innovative solutions and organizational forms to address these global needs. In addition, we integrate insights from the strategy, international business, and entrepreneurship literatures to define the global scope and role of social ventures. Given the varied and complex issues global social entrepreneurs tackle, this integration can enrich future theory building.

## SOCIAL ENTREPRENEURSHIP

Social entrepreneurship means different things to different people, creating confusion in the literature. Zahra *et al.* (forthcoming) reviewed over 20 definitions of social entrepreneurship and integrated them into the following single definition: 'Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.' Social wealth is defined broadly to include economic, societal, health, and environmental aspects of human welfare.

Social entrepreneurs may discover or create opportunities (Alvarez and Barney, 2007) and launch ventures to make profits, create wealth, or balance social and economic imperatives (Elkington and Hartigan, 2008; Perrini, 2006). These social ventures can be created by independent entrepreneurs as well as corporations (Prahalad, 2006). Because profit- and nonprofit-seeking social ventures create jobs and develop the institutions and infrastructures needed for development, they can be the engine of economic and social development on a global scale.

## GLOBALIZATION OF SOCIAL ENTREPRENEURSHIP

The globalization of economies has heightened the importance of entrepreneurial action for creating wealth (Hitt *et al.*, 2001) and addressing persistent social problems (Zahra, Ireland, and Hitt, 2000). Demographic shifts, liberalization of national economies and attendant markets, institutional and state failures, and technological advances have combined to increase the calls for more social consciousness within businesses, providing the impetus for the formation of social ventures. In the paragraphs below, we discuss four key factors which, we believe, are fueling the globalization of social entrepreneurship.

### Global wealth disparity

Many of the world's poor, illiterate, and sick live in developing countries where widespread disparities in income and access to opportunities exist. This disparity continues to grow. In our world today, the richest 946 families are worth \$3.4 trillion (Kroll and Fass, 2007), while 40 percent of the world's population, 2.7 billion, live on \$2 or less per day (World Bank, 2007). This disparity in fortunes will likely continue, because even as worldwide birthrates are falling, the developing world will likely be home to almost all of the world's population growth in the next 30 years (World Bank, 2007). With resources so highly concentrated in developed economies and social problems rampant in developing nations, globalization has increased awareness of opportunities for social improvement in developing countries (Zahra *et al.*, 2000).

### The Corporate Social Responsibility movement

For decades, concern over these economic inequities has focused attention on the role of large and powerful multinational corporations have played in the distribution of the world's wealth and resources. In response to better informed stakeholders and social activists, global corporations have been forced to more fully consider their social responsibilities. This, in turn, has led to a vast body of research on Corporate Social Responsibility (CSR) (Doh and Guay, 2006; Freeman, 1984; Wood, 1991). This research shows CSR has shifted from a focus on profit making and maximizing shareholders' wealth (Epstein, 1976) to the inclusion of economic, legal, ethical, and philanthropic dimensions (Carroll, 1979; Matten, Crane,

and Chapple, 2003). Most recently, the stakeholder approach has come to dominate thinking about CSR, proposing that the firm has a responsibility to those who are harmed or helped by the corporation *as well as* those groups whose rights are impacted through corporate actions or decisions (Evan and Freeman, 1993). These key constituents typically include shareholders, customers, employees, governments, unions, suppliers, banks, environmentalists, activists, religious groups, and local communities.

While some firms may be intensifying their CSR efforts, they can keep pace with neither growing worldwide expectations of greater involvement and responsiveness nor the global explosion of social problems. Globally diversified corporations, in particular, face formidable challenges because of the multitude of stakeholders with whom they interact and the issues they have to address. These corporations are also believed to have *deep pockets*, raising societies' expectations for corporate action. Some believe these corporations also have skills and capabilities necessary to address pressing social issues. As a result, some global corporations have begun to work with local companies, governments, and nongovernment agencies (NGOs) to pursue issues of mutual interest. For example, Starbucks has worked closely with Fair Trade USA, an organization created to foster trade between farmers in developing countries and U.S. businesses. Since 2000, Starbucks has increased its commitment to sourcing fair trade coffee and providing millions of dollars in affordable credit to farmers in developing countries. Typically, corporations pay special attention to issues which transcend international borders and could be ameliorated by existing resources and capabilities (Prahalad, 2006). Still, other social concerns are left unaddressed. These voids create opportunities for social entrepreneurs to create international social ventures to tackle particular problems.

### Market, institutional, and state failures

Despite growing worldwide attention to CSR activities, some companies have been slow to react to efforts aimed at ensuring corporate compliance (Neubaum and Zahra, 2006). Frequently, companies focus on issues most directly related to firm performance, leaving many serious problems for society to address. Unfortunately, traditional market solutions to persistent social problems are usually impractical, as they are costly, complicated, or unprofitable. This has created a void that is further exacerbated by

institutional (e.g., regulatory) failures, where policy makers do not have the will, power, or means to effect reform or induce efficient market-based remedies to reduce persistent social issues. Worse, in some parts of the globe, market and institutional failures are not only commonplace, but they are also perpetuated by state failures where governments are weak and persistent power struggles preclude reconciliation (Zahra *et al.*, forthcoming).

Globalization has also accelerated the movement towards market liberalization. While these free markets often promise long-term efficiency (Zahra *et al.*, 2000), citizens of many countries are now experiencing serious short-term volatility in the market for vital services. Many citizens are unprepared or unable to pay for these services that were once provided by the state for free, but now priced at going market rates. Privatization of utilities, such as water and electricity, has left citizens in Bolivia and South Africa without these essential services, or unable to pay market prices for these now scarce resources. This has left many in poverty, intensifying the plight of those who occupy the *bottom of the pyramid* (Prahalad, 2006).

### Technological advances and shared responsibility

Advances in communication technologies have increased everyone's access to information, providing knowledge individuals can apply to exploit social opportunities, especially in the developing world. The internet, blogs, 24-hour worldwide television, and easier international travel have facilitated personally transformative interactions between those in the developed world and those in developing countries. These increased interactions and sometimes intense exposures have encouraged the founding of many social ventures (Barendsen and Gardner, 2004). As a result, individuals in developed countries are more interested than ever in forming, investing in, donating to, buying from, and partnering with organizations that are socially beneficial to those in the developing world.

Globalization in the information age has also heightened customers' expectations and desire for products, even among the poor. Yet, this wave of consumerism has ignited some concerns over the effects of this increased materialism, conspicuous consumption, and potential abuse of the resources of the natural environment. Many of the world's poor have also been deprived of taking advantage

of the opportunities made possible by globalization because of poverty, illiteracy, and disease. Still, this information has increased sensitivity to the need for social participation, which has been advocated by organizations such as Business in the Community, Business for Social Responsibility, International Business Leaders Forum, World Business Council for Sustainable Development, and World Economic Forum.

Highly successful technology-turned-social entrepreneurs like Jeffrey Skoll and Pierre Omidyar of eBay, Bill Gates of Microsoft, and Larry Page and Sergey Brin of Google, have inspired other entrepreneurs to help redress today's global social problems. Their successful entrepreneurial styles are rapidly becoming the standard to imitate, probably because of the visible success of their commercial enterprises and the financial capital they have thrown in support of various social efforts. Influenced by their prior knowledge (Shane, 2000) and experience in building and launching rapidly scalable and globally relevant technology-based companies, their solutions often break with tradition, disregard geographic distance, and rely on mass adoption. These solutions are especially relevant for the masses in the developing world.

Successful technology entrepreneurs who are pioneering global social ventures understand that failing to solve the social issues facing a large percentage of the world population could undermine both the economic and social progress of their own businesses, as well as hamper the prosperity of their home countries. They also appreciate the fact that the supply of skills and resources essential to combat these issues is unevenly distributed around the globe. Further, these entrepreneurs are aware their worldwide reputations give them privileged access to existing power centers where they can engage local officials and institutions in beneficial collaborative efforts to redress social problems. These connections also help bypass existing bureaucracies, facilitating the creation of new international ventures.

In addition to making social opportunities more salient, advances in communication have also provided new ways for social entrepreneurs to organize and manage their operations to deal with social problems worldwide, especially in developing countries. Social problems and opportunities are often colocated with severe poverty, while their solutions are not. For example, 99 percent of maternal deaths caused by complications at childbirth occur in the developing world (Gates Foundation, 2007), while the expertise

to remedy this problem is located in the developed world. Typically, entrepreneurs can achieve greater coordination in their operations and gain knowledge by locating near customers, knowledge centers, and suppliers (Zahra and George, 2002). The paucity of available local resources in socially deprived communities, however, may impede social entrepreneurs from locating solely in the developing world. For example, safety, educational opportunities, and standard of living considerations discourage social entrepreneurs and their key staff from permanently immigrating to the developing world. However, improved telecommunications infrastructures, such as the internet, are helping many overcome these and other obstacles by spawning connections between enterprising individuals and opportunities in the formerly distant developing world. Since 2000, the use of the internet has increased 249 percent, with the largest gains in the developing world (Internet-worldstats.com, 2007). Combined with the rise in the number of people who can speak English, these changes have lowered distance costs for social entrepreneurs while increasing the worldwide supply of social opportunities.

The four forces of globalization we have just discussed have increased global awareness about the social problems that exist in the world, providing rich information about institutional failures and the opportunities these voids create. Social entrepreneurs' recognition of these voids and their resultant opportunities is likely to spur their efforts to create social ventures that work with local stakeholders to mobilize the talents and resources needed to address issues of concern. These opportunities differ greatly in their key attributes and, therefore, attract different types of entrepreneurs, as discussed next.

## THE NATURE OF SOCIAL OPPORTUNITIES

A major factor separating social entrepreneurship from similar activities is the presence of social opportunities that entrepreneurs can exploit. Even though economists agree the *key* to the foundation of opportunities is profits (Kihlstrom and Laffont, 1979; Kirzner, 1973), defining opportunities remains the subject of debate (Eckhardt and Shane, 2003; Sarasvathy *et al.*, 2003). *Social* opportunities are inherently fraught with vagueness, possibly explaining why research on social entrepreneurship is sparse, fragmented (Weerawardena and Mort, 2006), non-



cumulative and unfocused (Austin, Stevenson, and Wei-Skillern, 2006). Defining social opportunities is further complicated by its merger of economic and non-economic aims (Baker, Gedajlovic, and Lubatkin, 2005).

Some have suggested the concept of opportunity separates entrepreneurship from business and trade (e.g., Shane and Venkataraman, 2000), making research on the nature of opportunity a central topic of inquiry in the field of entrepreneurship. Three conceptualizations of opportunity have dominated research to date (Sarasvathy *et al.*, 2003). The first is the *allocative view*, which asserts opportunities arise from inefficient allocations in the market which can be exploited by moving to *Pareto superior allocations*<sup>1</sup> (Dean and McMullen, 2002). The second is the *discovery view*, which emphasizes the value of prior information in discovering information asymmetries (Kirzner, 1973) about the true value of resources. The third is the *creative view*, which posits that entrepreneurs seek to optimize the gains of a large group of stakeholders and, in doing so, identify opportunities post hoc (Buchanan and Vanberg, 1991; Eckhardt and Shane, 2003).

The allocative, discovery, and creative views focus on the system, process, and decision elements of opportunity recognition, respectively. Still, these views share certain limitations which lessen their usefulness in the study of social entrepreneurship. For instance, all three views reflect the forms of market imperfections that create opportunities for alert entrepreneurs. As such, the concept of market offers a common and central platform for comparing different potential opportunities. Within the context of social entrepreneurship, relying on the market mechanism, however, is often impossible as social goods have unique attributes that defy quantification and direct comparisons. For instance, it would be unrealistic to compare the market value of a project that helps the blind with another project that provides microfinancing to the needy. Further, the three views of opportunities just mentioned are grounded in the assumption of the rent-seeking or profit-maximizing entrepreneur. As we observed earlier, social entrepreneurship is mainly concerned with social, rather than economic, improvement (Mair and Marti,

2006). Traditional economic conceptualizations of opportunity also use the common metric of increasing economic utility, usually proxied as profit maximization. It is difficult, however, to conceptualize a formal and uniform metric of measuring social utility and social welfare using a measure based solely on profit maximization (Zahra *et al.*, forthcoming). As a result, a useful conceptualization of social opportunities should reflect economic and noneconomic goals (Baker *et al.*, 2005). However, when these conceptualizations are considered on a global scale, definitions and evaluations of opportunities become increasingly complex. In the section below, we hope to overcome some of these obstacles by viewing opportunities within the social realm through the lens of the behavioral theory of the firm.

## ATTRIBUTES OF SOCIAL OPPORTUNITIES

The issue of social welfare has its origins in some of the earliest work in welfare economics (Arrow, 1951), where efforts have centered on developing a single metric of social improvement based on the *Pareto criterion*. According to this criterion, social welfare is created when at least one person is better off while all others' utilities remain at least unchanged, or perhaps improved. Unfortunately, the *Pareto criterion* is insensitive to the distribution of utilities, especially those related to inequities in resource allocations. The practicality of this criterion is further limited because it is difficult to draw preferences for society as a whole while assuming individual preferences would continue to be held independently (Arrow, 1977; Baumol, 1986).

An alternative, and perhaps more effective, way to conceptualize social opportunities is to use the insights from the behavioral theory of the firm (Cyert and March, 1963). This view can free us from some of the limiting constraints of a formal economic definition of social improvement. The behavioral theory of the firm also proposes that any conceptualization of opportunities should reflect our understanding of individuals and organizations (Simon, 1979). A key idea underlying this theory of human decision making and judgment is based on simple relations, heuristics, and routines (Bromiley, 2005). Thus, instead of seeking the most optimal solutions, social entrepreneurs operating on a global scale would engage in *satisficing* decisions (Simon, 1979). Operating internationally is usually fraught

<sup>1</sup>For a review of Pareto efficiency and its relationship with social welfare, please refer to Sen (1995), who illustrates the relationship between the Pareto principle, social choice, and welfare.

with political, technological, and socioeconomic uncertainties, making optimization infeasible. The nature of social causes and opportunities pursued globally also constrain the choices entrepreneurs make. In this context, a bounded rationality view of social opportunities emerges from understanding how entrepreneurs process information and make decisions on a global basis.

The behavioral theory of the firm suggests five criteria to be used to delineate viable global social opportunities: prevalence, relevance, urgency, accessibility, and radicalness. The multiplicity of these criteria highlights the complexity of social entrepreneurs' decision-making processes and helps explain the *satisficing* behavior noted in these decisions. These criteria are discussed next.

### Prevalence

A major reason for the existence of social opportunities is the prevalence of needs in human society. For example, according to the United Nation's *Human Development Report* (2007, 2005), half of the world—nearly 3 billion people—live below the poverty line, earning less than \$2 a day. With poverty being so rampant around the globe, it is not surprising that the majority of social ventures listed by the Schwab Foundation are engaged in economic and enterprise development activities (Schwab Foundation for Social Entrepreneurship, 2005).<sup>2</sup> The consequences of poverty comes in many forms, as economic disparity often lies at the heart of many social problems, such as starvation, child mortality, illiteracy, short life expectancy, and violence, to name a few. For example, one-third of human deaths, or 50,000 deaths per day, are attributed to poverty-related causes (World Health Organization, 1999). The problem of poverty, as well as a myriad of other social concerns, are both widespread and easily observable, creating many opportunities for social entrepreneurs.

The prevalence of an opportunity is a subjective concept for an entrepreneur. The beliefs of individuals and groups about the prevalence and extent of a social issue can significantly influence which oppor-

tunities entrepreneurs consider salient and worthy of attention. Behavioral theory would suggest that entrepreneurs aspiring to improve the quality of life are likely to identify and tackle the most widely prevalent problems because these problems are most salient to them. Some social ventures—such as those focused on hunger among children—might begin domestically, as different solutions to these issues are explored at home, before gradually expanding internationally. Other ventures might start by focusing on a world region, and then expand over time. Other social ventures may begin tackling international social opportunities from infancy.

By focusing on the prevalence of a social problem or issue, researchers can overcome the difficulties associated with defining social opportunities that handicapped prior research. For example, prevalence of poverty across numerous countries and the desperate need for start-up capital have fueled the growth of global microfinancing institutions. Questions as to why and where these social ventures emerge and grow can be addressed by considering the widespread need for financial resources. Focusing on prevalence might also explain why social entrepreneurs are more concentrated in certain sectors based on the relative frequency of various social problems. It also clarifies why some corporate entrepreneurial efforts have moved closer to serving the multitudes at the *bottom of the pyramid* (Prahalad, 2006). Finally, emphasizing *prevalence* in defining opportunities facilitates investigations of how social opportunities differ by world regions, how national cultures shape beliefs about social issues, and how beliefs about the scale of these issues drive social entrepreneurial activities. These beliefs define the importance of the issues of interest, as well as the skills and resources dedicated to them.

Further, emphasizing *prevalence* in defining social opportunities might render the notion of *psychic distance* meaningless. Though some social entrepreneurs develop their ventures to tackle issues in their own communities and countries, many target countries and regions with markedly different cultural values and socioeconomic structures, overcoming cultural and *psychic distance*.

### Relevance

This criterion denotes a match between the opportunity's salience to the entrepreneur and his/her background, values, talents, skills, and resources. The global prevalence of some social problems makes

<sup>2</sup>The list of sectors that social entrepreneurs are engaged in is not comprehensive. The Schwab Foundation also states that most social entrepreneurs work in more than one sector, and the list highlights the major activities by sector. The list is only illustrative of where opportunities for social entrepreneurship may be concentrated in the absence of reliable statistical data.

them more salient. Yet, some social problems are more relevant to some social entrepreneurs in certain situations, helping them capture their attention. At any given time, several opportunities typically hold relevance for entrepreneurs because of their personal experiences, expertise, skills, goals, demographics, and identity (Meyer, 1995). *Relevance* is one of the key variables likely to influence how individuals respond to their environments (Bromiley, 2005), determining the type, scope, and speed of their actions.

The relevance of a social problem can also determine whether entrepreneurs see an opportunity in resolving a problem, or whether they view the problem better suited for the attention of others. For instance, an entrepreneur might appreciate the importance of fighting blindness, a serious and widespread problem in developing economies. Simultaneously, the benefits associated with providing vocational education for youth and empowering women in those economies might more strongly capture that entrepreneur's attention. The entrepreneur might reason vocational training is a more worthy issue because it can offer the necessary skills for youth, increasing their participation in the labor force, raising their incomes, and addressing other related issues such as disease and violence. The entrepreneur might also see an opportunity, therefore, to transfer their initial successes in one country to other countries. Thus, the pursuit of the opportunity is not likely to be made based solely on the prevalence of a social opportunity, but also on the relevance of that opportunity to the entrepreneurs' existing skill set, connections, and aspirations. While the social entrepreneur might clearly see the opportunity and need to serve the blind, the specialized skills and assets he/she possesses from starting and running his/her own business might not readily address those needs, but might be more relevant to creating vocational training centers for disadvantaged youths. Corporations active in social entrepreneurship are also likely to probe the match between potential social opportunities and their existing corporate goals, resources, and skills—a process not dissimilar from leveraging their core competencies in related product market arenas.

By recognizing how the relevance of global social issues may affect opportunity recognition and evaluation, researchers can better explain why social entrepreneurs choose to exploit particular opportunities and not others. They can also gain insights into the choice of the *business model* employed to exploit

these opportunities, as this model is likely to build on entrepreneurs' talents, skills, and background. The relevance of opportunity can also provide some clues regarding how new global social ventures develop their own connections and cultivate relationships across international borders. Other considerations, such as entrepreneurs' international experience and aspiration levels (Zahra and George, 2002), are likely to influence decisions about social ventures' geographic scope. Researchers could also establish if there is a difference in the relevance of an opportunity for corporations versus independent entrepreneurs.

### Urgency

Urgency is often found in social entrepreneurs' responses to unpredicted events, such as hurricanes, typhoons, wars, genocide, tidal waves, or brush fires. The unpredictability of natural disasters, or similar events of devastation, can create immediate and dire needs among unprepared citizens and communities. The opportunities presented by such events require quick, immediate responses on the part of social entrepreneurs. It is the lack of predictability, and the inability to adequately prepare for such contingencies, that creates this sense of urgency. Some social ventures, which are swiftly created in the turmoil of a single catastrophic event, might later provide the basis for the development of globally scalable organizations that step in when similar disasters strike other regions around the world.

As we have just noted, some social issues or problems capture the spotlight because of their urgency. These opportunities for social improvements might be fleeting if they are not exploited quickly. Alternatively, they may lose their salience or, even worse, may lead to even higher social losses or leave many social problems left unmet. Urgent societal problems typically push entrepreneurs to engage in a *problem-solving search* (March and Simon, 1958). Social entrepreneurs often search for solutions to these urgent needs because they have limited windows of opportunity. Thus, recognizing how urgency influences opportunity recognition and evaluation can help explain the speed and timeliness of entrepreneurs' responses to particular social issues. This urgency might differ across international borders, as variations in cultural perceptions of time might possibly shape entrepreneurs' decisions about the timing and scale of international entry.

## Accessibility

In many cases, social entrepreneurs must differentiate themselves in order to gain the legitimacy, funding, and resources necessary to sustain their ventures. They might also target niches left unfulfilled by traditional welfare providers (Austin *et al.*, 2006). Accessibility refers to the level of perceived difficulty in addressing a social need through traditional welfare mechanisms, such as governments or charitable trusts. In this milieu, highly accessible opportunities are likely to receive the most attention from traditional welfare mechanisms because they are easier to address and real measurable results are most likely to be captured quickly. Further, given the scarcity of their resources, traditional welfare providers are more likely to allocate their limited resources toward more accessible opportunities, rather than funnel their efforts toward opportunities requiring more significant investment due to the difficulty in providing adequate service. Following the behavioral theory of the firm, we would expect social entrepreneurs to search for innovative solutions to those problems where expectations for social improvement are unlikely to be met through traditional means in arenas less accessible to traditional providers.

The concept of accessibility is similar to the notion of entry barriers in strategic management, except in the case of social opportunities, they work in the exact opposite way. In strategic management, high entry barriers serve to restrict new entry into a particular industry (Porter, 1980), protecting a firm from new rivals. Within the context of social welfare, however, low accessibility in a sector may increase the viability of social entrepreneurship. Similarly, accessibility parallels the benefits of a focus strategy, as traditional social service providers (i.e., the broad-based competitors) often overlook niche opportunities best served by focused competitors.

When considered in the context of international social ventures, accessibility could reduce the liability of foreignness and newness and, therefore, lower the need for legitimacy-building activities. This is because in an inaccessible market, few, if any, local service providers exist. Accessibility induces the formation of different social ventures and enables them to work collaboratively to address issues of common concern. These collaborative activities could expedite internationalization and enhance the legitimacy of social ventures, ensuring their survival and mission accomplishment.

## Radicalness

Sometimes, the inaccessibility of social opportunities requires particularly novel solutions, making them too radical for traditional welfare organizations. Existing welfare organizations usually have established organizational structures, boards of directors, business models, and donors. Innovative solutions, which might deviate greatly from the organization's current operations, are not only likely to threaten the ongoing provision of existing services, but are unlikely to gain widespread support from current stakeholders. In contrast, it is relatively easy for social new ventures with previously unspecified or defined social missions or business models to introduce radical social innovations.

The radicalness of an opportunity refers to the extent to which a major innovation or social change is necessary to address a particular problem. An entrepreneur aspiring for social improvement may recognize the need to introduce radical innovation in order to solve a social problem, something more established welfare organizations are unwilling or unable to do (Nelson and Winter, 1982). By recognizing the radicalness of a social opportunity, researchers can determine why social entrepreneurs are attracted to different types of opportunities and how social entrepreneurs develop their business models that address the complexity arising from that opportunity's radical nature.

To summarize, the attributes of pervasiveness, relevancy, urgency, accessibility, and radicalness combine to define social opportunities, especially in the international arena. As presented in Table 1, typical opportunities for commercial entrepreneurship are not likely to exhibit all five attributes. Like social opportunities, commercial opportunities must be relevant to the entrepreneur's background, talents, skills, and resources. Pervasiveness is not likely to be a key requirement for a viable commercial opportunity, as some entrepreneurs are likely to develop and focus on narrowly defined niches (Porter, 1980). Similarly, urgency is not likely to define viable commercial opportunities; what matters more is the potential of these opportunities to generate profits. Urgent needs, especially those that might disappear suddenly, are not typically the type of needs commercial entrepreneurs seeking sustainable competitive advantages are apt to pursue. Further, generally speaking, others' access to the opportunity is likely to discourage commercial entrepreneurs from pursuing an opportunity. Easy access signals low mobil-



Table 1. Implications of opportunity attributes for social ventures' speed and scope of internationalization

Dimension	Social opportunity	Commercial opportunity	Internationalization at inception	International geographic scope of the venture
Pervasiveness	+	+/-	+	+/-
Relevance	+	+	+	+
Urgency (social)	+	+/-	+/-	+
Accessibility to others	+	-	+	+
Radicalness of solution sought	+	-	+/-	-

ity barriers (Porter, 1980), a factor that limits the entrepreneur's ability to make a profit. Finally, the radicalness of the solution sought may discourage most commercial entrepreneurs from pursuing a given opportunity. Radicalness of the solution frequently indicates a need for innovative technical solutions and heavy early investments, which can limit profitability. Thus, a focus on the five attributes of opportunities can provide a useful basis for highlighting the differences between commercial opportunities and social opportunities, as summarized in Table 1.

### OPPORTUNITY ATTRIBUTES AND THE EMERGENCE OF INTERNATIONAL SOCIAL VENTURES

Having defined the attributes of social opportunities, it becomes evident that entrepreneurs have several options to capitalize on these opportunities. For example, they could contribute to charitable organizations and foundations that seek to ameliorate human suffering, contribute to educational institutions, or work to raise funds for NGOs. So why do some entrepreneurs create social ventures that are global in orientation from inception? An answer is found in the proposition that the *firm* provides an efficient mechanism for cultivating the benefits of internationalization through internalization (Hennart, 2001). Following the transaction costs economic perspective (Williamson, 1975), internalization theory explains that firms usually possess distinct internalization advantages that can be exploited by going international. These advantages might include proprietary knowledge, access to networks, innovative business models, or important assets such as well-skilled entrepreneurs and staff. Some firms (e.g., social ventures) can organize their operations

differently, thus serving the needy quickly and efficiently. Other ventures might excel in connecting with political elites and NGOs, using these relationships to develop alliances which accomplish their mission.

Following the internalization theory, social ventures are likely to internationalize when they have or can develop particular capabilities that could be deployed to serve unique social needs. Internationalization facilitates the efficient and timely transfer of these capabilities, thereby meeting the needs of affected individuals and groups in other countries. Internationalization also takes social ventures closer to where their services and skills are most needed. Internalization ensures effective coordination, which expedites the reliable delivery of services. It also enables the speedy and effective replication of social ventures' successful experiences in one country (region or served market) and the transfer of them to others. With increased replications (e.g., different branches are opened in different countries), internalization can ensure quality control as well as operational coherence, reliability, and efficiency.

Internalization theory works well when markets exist and perform well. Unfortunately, this is rarely the case with social opportunities, where efficient markets rarely exist, and institutional failures are common. Under these conditions, *regime theory* (Krasner, 1983) effectively complements internalization theory. Regime theory asserts that when anarchy exists (or formal institutions fail), social actors frequently rely on their shared understanding of common needs, norms, and principles. This mutual understanding develops based on a common appreciation of basic human needs and aspirations as well as the definition of what is right and morally just. Mutual understanding enables actors to appreciate the concerns of those afflicted and propose solutions, even when the economic payoff is uncertain,

negligible, or negative. For example, widespread and heightened awareness of the effects of famine on child hunger might lead to the development of a common understanding among different groups of citizens in different countries that coordinated action is needed. As a result, an international *regime* develops among interested parties about the nature of assistance needed and the most effective ways to provide it. The emergence of such a regime might encourage the creation of internationally oriented social ventures to capitalize on the growing convergence on given ideals, such as feeding hungry children in war torn countries. These actions are consistent with the theory of cosmopolitanism (Beck, 2006), which is discussed next.

Humans primarily identify with those who are more proximate to them, and want to help them in times of need—a view that is reinforced by behavioral decision theorists who proffer that search for opportunities tends to be local. The theory of cosmopolitanism asserts that friendship toward humanity frequently overrides local, and even nationalistic, tendencies by stressing the universal human vulnerability to suffering (Beck, 2006). Thus, while people tend to be more immune to the suffering that occurs farther away from them, cosmopolitanism theory describes the shared belief that certain basic needs (e.g., feeding children) are universal. These universal ideals or beliefs can lead some social entrepreneurs to internationalize their activities. These actions are reinforced by *prosocial theory*, which touts the important role of the altruistic agent in improving the quality of life of others (Eisenberg and Fabes, 1998). Prosocial behavior is driven by empathy, which is triggered by an event such as the increased awareness of the prevalence and urgency of a given social opportunity.

Our preceding discussion shows how propositions drawn from the regime, cosmopolitan, and prosocial theories converge to suggest that potential social entrepreneurs are likely to establish their ventures in other countries to help those in need because of human concerns about the well being of others. In turn, this reduces the theoretical value of both psychic distance and liabilities of foreignness, which have been used to explain the reluctance of new ventures and established companies to move into markets that are culturally distant from their own home markets (O'Grady and Lane, 1996). Further, the fact that there is mutual understanding and even an international regime to help identify ways to deliver assistance facilitates the emergence

of international social ventures. Internalization theory clarifies the various advantages associated with establishing these ventures across countries, including benefits associated with increasing efficiency, maintaining quality, ensuring consistency, and leveraging different skills.

## TIMING THE INTERNATIONALIZATION OF SOCIAL VENTURES

The timing of social ventures' internationalization can influence their ability to learn new skills (Coviello, 2006; Mathews and Zander, 2007; Sapienza et al., 2006; Zahra, Ireland, and Hitt, 2000), develop a reputation as industry pioneers, achieve legitimacy, survive, and even grow. The literature suggests that resources, skills, and capabilities shape these decisions (Fan and Phan, 2007; Zhou, Wu, and Luo, 2007). The rapid internationalization of some social ventures has been made possible by the presence of numerous organizations that serve as intermediaries, connecting social ventures with similar missions across international borders, as well as the ability of social entrepreneurs to develop collaborative relations with governments and NGOs. But, how do the attributes of the social opportunities we just presented influence the internationalization of social ventures' operations?

A rich body of research now exists on the internationalization of new ventures (for a review, see Zahra, 2005; Zahra and George, 2002). This research suggests that many newly launched companies go international from inception, to exploit unique capabilities by pursuing opportunities in other countries. Currently, there are no reliable statistics on the extent to which social ventures internationalize from inception. However, it is clear some social ventures are born global and operate in multiple countries or world regions (Elkington and Hartigan, 2008; Mair and Noboa, 2003; Perrini, 2006; Thompson and Doherty, 2006). This is consistent with the tenets of internalization, cosmopolitanism, prosocial, and regime theories presented earlier.

Social ventures are likely to capitalize on pervasive opportunities. When opportunities are pervasive, social entrepreneurs are likely to be motivated to create ventures that offer solutions to these rampant problems, alleviating the suffering of many around the globe. Regime theory would suggest that pervasiveness of an opportunity (problem) is likely to

promote global awareness of its effects and needed solutions (regimes) to alleviate its consequences. This understanding is coupled with a growing agreement on appropriate means (regimes) of introducing and sustaining necessary solutions (Krasner, 1983), a factor that can encourage the formation of ventures dedicated to internationalization from inception. Prosocial theory would suggest that individuals are more apt to act quickly when they believe injustice is immense or suffering is severe (Eisenberg and Fabes, 1998).

Moreover, going international from inception is likely to occur if the founding entrepreneurs view these opportunities as relevant (i.e., consistent with their skills, aspirations, and resources). These entrepreneurs would believe they can use their firm's skills and capabilities to affect positive change. Pursuing opportunities compatible with their skills can also increase these entrepreneurs' *psychic outcomes* and sustain their motivation to endure the challenges associated with internationalization.

Accessibility of the social opportunity is also conducive to early internationalization. The fact that other social entrepreneurs are interested in or pursuing the same opportunity might encourage entrepreneurs to go international from inception. Under these conditions, social entrepreneurs might conclude others' interest reinforces the importance of the problem. Rather than viewing competing efforts as rivals, social entrepreneurs are likely to interpret these actions as justification for their own efforts. The presence of other ventures or agencies seeking to address the same issue can also increase opportunities for collaboration, reducing social entrepreneurs' perceptions of and apprehension about the risks of their ventures. This might expedite the internationalization of social ventures.

As Table 1 indicates, the need to go international from inception is likely to be contingent on the urgency and radicalness of the solution sought. For example, when the social opportunity is viewed as urgent, some entrepreneurs may weigh this urgency against the resources and skills needed, the complexity of the establishing a new venture, and the political and nonpolitical challenges they might encounter. As a result, though rapid internationalization may be essential to capitalize on urgent social opportunities, the risks could be too large and constrain entrepreneurs' ability to do so.

The radicalness of the solution sought for some global social opportunities being pursued offers advantages to entrepreneurs. Radical solutions are

hard for others to imitate and, therefore, can position the social new venture as a standard setter. But radical solutions are hard to implement, especially when the venture is new. Some social ventures may lack the necessary skills or resources to create such a solution on an international scale. They might also reason the radicalness of the solution is likely to undermine the long-term sustainability of their venture. Radicalness might limit the venture's ability to achieve legitimacy (Meyer, 1995), increasing entrepreneurs' perceptions of the risks associated with their venture. Table 1 summarizes our predictions regarding the effects of the five attributes of opportunities on the timing of social ventures' internationalization.

### **DETERMINING THE GEOGRAPHIC SCOPE OF INTERNATIONAL SOCIAL VENTURES**

Given the wealth of worldwide social opportunities, entrepreneurs also need to decide on the scope of their ventures. The scope of the social venture determines the number of groups it serves and the breadth of its geographic reach. Some social ventures might find it advantageous to focus on just a few countries, or a specific region, to increase their impact. Other ventures might pursue social opportunities on a broader international scope, operating in several countries. Such variations in the scope of social ventures' operations are likely to reflect social entrepreneurs' preferences and motivations, the resources they have or could assemble, their perceptions of the risks involved, the business models they use, and their ability to coordinate across international borders. Variations in social ventures' international scope are also likely to reflect the five attributes of opportunities, as summarized in Table 1.

Greater relevance of a social opportunity to the entrepreneur's background, knowledge, skills, and experiences is likely to lower the perceived risk and uncertainty of operating on a broad international scale. The entrepreneur might find it inspiring and motivating to make use of his/her skills to bring about change by pursuing chosen opportunities in multiple countries.

Accessibility of opportunity to others also lowers the perceived risks associated with a broad international presence. This access makes it possible to share information, ally, collaborate, and develop intermediaries who perform specialized services

(e.g., bookkeeping), which further reduces the risks of increased geographic expansion. The presence of other ventures, and even NGOs, provides additional opportunities to engage in collective actions to increase recognition of the problem and the appropriate international regimes to address it, consistent with regime theory (Krasner, 1983). Finally, observing other ventures pursuing the same opportunity can increase entrepreneurs' learning (Zahra, Ireland, and Hitt, 2000) and help them gain new skills to improve coordination, induce efficiency, and improve administration, promoting broader international presence.

As reported in Table 1, the radicalness of the solution sought is likely to discourage broad internationalization because it magnifies the risks of the social opportunity and the venture's presence in several countries. When entrepreneurs reason that serious risks are associated with the proposed radical solution, they are apt to implement it on a limited scale before replicating it in other locations. Radicalness also limits the perceived legitimacy of the social new ventures, complicating its access to key stakeholders in other countries. The perceived difficulty of *diffusing* radical solutions across international borders because of cultural, ideological, and institutional differences might also limit entrepreneurs' willingness to roll out a radical social solution on a global scale. Under these conditions, international entry into multiple countries might be achieved gradually.

The effect of the pervasiveness of the opportunity on the scope of internationalization could be mixed (see Table 1). While pervasiveness means there are many market opportunities to exploit (e.g., poverty is a major issue in numerous countries), the forces underlying these opportunities are likely to be different, making the internationalization of a standard business model and organizational structure difficult. These significantly different underlying forces could reduce the entrepreneurs' urge to pursue social opportunities on a wide international scale. This lack of standardization raises operational costs because local adaptation is necessary. Such adaptation requires a thorough understanding of local cultures, ideologies, and institutions.

The social urgency of the opportunity is also expected to have a mixed effect on the scope of internationalization (see Table 1). Consistent with prosocial theory, urgency could compel entrepreneurs to act on a broad international basis to address the social issues of concern. Urgency of a social problem can highlight its globalizing characteristics

and triggers a wave of social ventures that address the problem at a worldwide level. For example, the devastation caused by the 2004 tsunami led to an explosion of social ventures that addressed the problems of rehabilitation of the affected peoples in many different parts of the world. Urgency of certain social problems, such as threat of pandemics like SARS or bioterrorism, renders geographic boundaries irrelevant and requires action on a worldwide level. Adopting a regime theory perspective provides convergent explanation for an enhanced geographic scope of a social venture.

## DISCUSSION

Social entrepreneurship has commanded increased research attention worldwide in recent years. In this article, we have highlighted the forces leading to the globalization of social entrepreneurial activities. We also contributed to research on social entrepreneurship by using the behavioral theory of the firm to distill five attributes that define social opportunities. We then applied these attributes to differentiate commercial entrepreneurship from social entrepreneurship and showed how these attributes of opportunities might influence social ventures' timing and scope of internationalization, benefiting from the insights of the internalization, cosmopolitanism, prosocial, and regime theories. Our discussion illustrates how these theories converge to explain why social entrepreneurs might be attracted to opportunities that lie outside their home countries and launch ventures that go international from inception, even when markets do not exist or where there are serious institutional failures. Our discussion, therefore, sets the stage for future research on the globalization of social entrepreneurial activities.

## IMPLICATIONS FOR THEORY AND FUTURE RESEARCH

For years, researchers and policy makers have touted the major role entrepreneurship plays in creating jobs, developing new industries, and commercializing new technologies that promote economic growth and progress. With entrepreneurship's successful track record in transforming communities, industries, and societies, only scant attention has been given to understanding its role in creating social



wealth in a global setting. The emergence of social entrepreneurship as an area of scholarly inquiry reflects the growing appreciation of entrepreneurs' efforts to enhance social wealth globally.

As societies rely more and more on social entrepreneurs—whether independent or corporate—to mend holes in the social fabric left unaddressed by governments and NGOs, researchers need to examine the intimate links between the characteristics of these entrepreneurs and the social ventures they build. While the focus on determining the prototypical entrepreneur has waned, recent meta-analytical results indicate that entrepreneurs actually vary from managers on several personality dimensions (Zhao and Seibert, 2006). This raises the question of what the personal or structural factors that contribute to social ventures' emergence, organizing behavior, and subsequent successes and failures are. How different are social entrepreneurs from their counterparts who pursue economic wealth maximization?

Social new ventures may offer a rich context in which to extend research related to entrepreneurs' decision making. The behavioral theory suggests that, because of the cognitive limitations of humans, these entrepreneurs are likely to satisfice when confronted with multiple constraints. The consideration of multiple stakeholders, potentially across international borders, can increase the complexity of decision making for social entrepreneurs. However, because decision makers usually satisfice anyway, does this complexity influence the decisions of social entrepreneurs in the same way noted in the decision-making literature? Does the globalization of social ventures' missions slow down entrepreneurs' decision-making process? What heuristics do social entrepreneurs apply to expedite their ventures' internationalization decisions?

Social entrepreneurs' differing motives and goals might also lead them to recognize opportunities differently (Zahra *et al.*, forthcoming). For example, economic principles indicate that added focus on social dimensions can increase costs and depress financial performance. In this view, social costs become an additional constraints, as some portion of the profitable opportunities are no longer available for exploitation. Researchers should establish whether this logic affects the types of opportunities social entrepreneurs recognize and how their viabilities are determined.

Social ventures that operate internationally have to employ innovative organizational structures and

business models. They also need to employ cooperatives strategies and connect with different sources of funds around the globe. Consequently, documenting the variety of *business models* and strategies used by social ventures internationally is an important future research avenue.

We have speculated about the factors encouraging some social ventures to internationalize; empirical validation of these forces is essential. Future empirical research can also clarify why some social ventures internationalize quickly while others internationalize gradually. Research on these different patterns can improve our understanding of the forms of international social ventures, the strategies they use, and the benefits they accumulate through internationalization. In particular, the implications of early internationalization for these ventures' survival and performance should also be examined. Similarly, researchers should probe the nature and magnitude of differences in the goals, *business models*, and strategic thrusts of those social ventures established by independent entrepreneurs versus corporations. The effect of these differences on social ventures' internationalization deserves attention in future research.

We have highlighted the effect of opportunity attributes on the timing and scope of social ventures' internationalization. Future research would benefit from examining the interaction of opportunity attributes (e.g., pervasiveness and urgency) on these decisions. It is important to test the veracity of our assertions on how the pervasiveness of social opportunities would negate the potential effects of *psychic distance* and *liabilities of foreignness*.

## CONCLUSION

Social ventures are fast becoming the vanguards of social transformation, enhancing the quality of life and enriching human existence around the globe. In this article, we have noted that rapid globalization and related forces have created space for social ventures worldwide. We have illustrated how social opportunities and resultant entrepreneurial activities could be defined and studied, setting the stage for future research on this exciting global phenomenon. We hope our article will stimulate research on the vital and growing role of social entrepreneurship in the global economy.

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