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Social Entrepreneurship and Social Value Co-creation: the case of Mageires (a social restaurant)

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Introduction

Although addressing social problems is at the heart of social entrepreneurship (Dees and Economy, 2001; Mair and Marti, 2006; Zahra *et al.*, 2009; Peredo and McLean, 2006), there is still limited research on how social entrepreneurs can generate social value and transformation (Ormiston and Seymour, 2013; Seymour, 2013). In tourism, the development of social entrepreneurship is booming (Kline *et al.*, 2014; Mody and Day, 2014; Sloan *et al.*, 2014), since it is viewed as a good way to support sustainable and community-based tourism that can alleviate many social problems (Kravva, 2014). However, research about social entrepreneurship in tourism simply replicates existing knowledge by examining the operations and motives of social entrepreneurs (e.g. Tetzschner and Herlau, 2003; von der Weppen and Cochrane, 2012) rather than adds to our understanding on how social value and transformation can be created.

Moreover, although market failures are widely recognised as the driving force of social entrepreneurship, the conventional economic approaches examining social entrepreneurship provide limited understanding into the functioning and formation of the markets (Dean and McMullen, 2007) and so, of the processes and the capabilities enabling social entrepreneurs to engage with and shape (new) markets that can solve these market failures. On the other hand, advances in marketing thinking (Kjellberg and Helgesson, 2007; Storbacka and Nenonen, 2011a; Vargo and Lusch, 2011) explaining the nature of markets and the factors influencing their becoming and formation, provide a useful theoretical lens for understanding how social entrepreneurs can identify and create market oppor-

tunities for achieving their social goals. Consequently, Sigala (in press) proposes a market-based framework advocating three market capabilities explaining how social entrepreneurs can generate social value and transformation.

This chapter aims to enhance your understanding of how social entrepreneurs can generate social value and transformation by applying this framework in a case study of a social restaurant called *Mageires* (meaning 'Chefs' in Greek). Thus, by the end of this chapter you should be able to explain:

- The role and the importance of the three market capabilities enabling the social enterprises to form markets in which social value and transformation can be co-created;
- How social entrepreneurs access and mobilise resources by building social networks (market structure capabilities);
- How social entrepreneurs enable and motivate market actors to exchange and integrate resources in different ways and contexts (market practices capabilities);
- How social entrepreneurs nurture and diffuse a new mind-set and language for interpreting and understanding the markets that, in turn, can drive and support social transformation (market pictures capabilities).

The chapter first critically reviews and discusses the limitations of the current literature in explaining social entrepreneurship. It then presents and advocates the three market capabilities and their importance in generating social value and transformation. Finally, the case study of *Mageires* is analysed by applying this framework and showing its implications.

Social entrepreneurship and social value and transformation: research approaches and limitations

Social entrepreneurship is heavily researched from three major streams: research examining the entrepreneurial behavior and goals of social ventures (Dees and Economy, 2001; Mort et al., 2003); research primarily focusing on the personality and distinctive characteristics, traits and competencies of the social venture founder (e.g. Dees, 1998); and research on social enterprises concentrating on the tangible outcomes of social entrepreneurship. However, the directions of existing research have been accused (e.g. Mair and Marti, 2006) for our limited understanding and consensus on what social entrepreneurship is, and how it can generate social value and transformation. For example, Ormiston and Seymour (2013) claimed that research has been asking the wrong questions: i.e. inquiring "who is and can be characterised as a social entrepreneur" and "what are the

social entrepreneurship motives, goals, drivers and impacts”, instead of examining how social entrepreneurs and enterprises act and create social value. Indeed, the entrepreneurial and environmental/sustainable entrepreneurship approaches investigating social entrepreneurship provide limited and abstract insight into how social entrepreneurs can recognise and exploit opportunities for generating social value and transformation.

First, the entrepreneurship literature is heavily used for defining the social ‘entrepreneur’, since social entrepreneurs are one species of entrepreneurs (Dees, 1998), who apply the principles and tenets of entrepreneurship for developing social ventures that aim to alleviate socio-economic and/or environmental problems and catalyse social change (Dees, 1998; Mort *et al.*, 2003; Ormiston and Seymour, 2013). However, this approach entails a very deterministic role of social entrepreneurs in continually sensing the market environment for identifying and satisfying social needs (Dees, 2001; Mort *et al.*, 2003; Haugh, 2005), while it also limits the conceptions of social entrepreneurship to those that capture opportunities through superior alertness. On the other hand, the entrepreneurship literature (Buchanan and Vanberg, 1991; Venkataraman, 1997) identifies three approaches for generating entrepreneurial opportunities: the allocative view (opportunity recognition); the discovery view (opportunity discovery); and the creative view (opportunity creation). Moreover, entrepreneurship viewed as ‘creative destruction’ (Schumpeter, 1934), requires social entrepreneurs to not only identify and meet existing social gaps, but also to initiate societal transformations by shaping and/or creating new and better markets and institutions that can address both social needs and generate economic value (Cohen and Winn, 2007). Hence, although from an entrepreneurial approach, the social enterprises have to be both reactive and proactive in order to address social needs and drive social change by creating new institutions (e.g. Dees, 1998; Peredo and McLean, 2010), the literature in (social/sustainable) entrepreneurship, that is reviewed below, provides limited insight on how this can be achieved.

In creating a typology of social entrepreneurs, Zahra *et al.* (2009) identified three types of social entrepreneurs based on: how they discover and define social opportunities and social needs (i.e. search processes); the scope and scale of their social value and impact on the broader social system; and the ways they use the market for assembling resources to pursue social opportunities.

- *Social bricoleurs* utilise and depend on their own local knowledge and resources for discovering and addressing small-scale local social needs by developing, maintaining and reconfiguring relations with various market actors (e.g. volunteers, employees, institutions, governmental agents) that give them access to resources and knowledge.