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Social Entrepreneurship as a Mechanism to Correct Institutional Shortcomings

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We conceptually investigate opportunities for social entrepreneurs and non-profit organizations (NPOs) through an Austrian economics lens. To do so we provide an overview of (1) Austrian economics and its role in entrepreneurship, (2) certain institutional shortcomings, and (3) institutional signals and opportunities for social entrepreneurs as leaders of non-governmental organizations (NGOs). We posit that NGOs have the ability to address institutional shortcomings and address societal needs. As such, recognizing these opportunities allows inspired social entrepreneurs and their NGOs to fill certain societal needs.

INTRODUCTION

To better understand how social entrepreneurship through non-government organizations (NGOs) can mitigate government intervention when the market fails, or can augment government shortcomings, we discuss the Austrian perspective, include relevant content from Austrian economics and entrepreneurship, institutions, and how institutional signals pave the way for social entrepreneurship. Over the past two decades social entrepreneurship has received an enthusiastic welcome by those who are cynical of the government's ability and business leaders' unwillingness to solve problems (Harding, 2007). Proponents of social entrepreneurship may point to the prevalence of social entrepreneurs as evidence that governments are less competent in alleviating social issues (Dacin et al., 2011). That is, if governments could adequately administer food assistance through welfare programs, then why would private food banks need to operate in tandem? To date we know that NGOs can have powerful effects upon regions that lack recourses and can effect positive changes such as alleviating poverty and empowering minorities (Saebi et al., 2019). We also understand that individuals may be motivated to engage in social action due to their disposition and soci-

etal norms (Kruse et al., 2021). However, we know less about how social entrepreneurs identify opportunities to launch social ventures. Understanding the process of social entrepreneurship in terms of how social entrepreneurs identify where they are needed and their redundancy with many existing social institutions is beneficial for our knowledge of both entrepreneurship and public policy. We build theory by outlining the role of institutional failure as the key signaling mechanism for social entrepreneurs, analogous to the role market inefficiencies play for coordinating general entrepreneurship.

The process of social entrepreneurship entails theoretically puzzling questions for entrepreneurship scholars as social entrepreneurs fill gaps that are not signaled by market prices (Kirzner, 1973). For example, a conventional entrepreneur may launch a lawn care company to operate in a town with excess demand evidenced by currently inflated prices of lawn care. The conventional entrepreneur calculates based on prices that they could profitably undercut the competition and meet the excess demand. The social entrepreneur on the other hand does not have the same information carried by the price of their service, even though community members may intuitively know that having less homeless people on the street is of value to the homeless

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as well as to the communities in which they reside. The social entrepreneur cannot provide the same guarantee to its stakeholders as the conventional entrepreneur can give their customers. That is, donating to a homeless shelter does not guarantee a tangible reduction in the homeless population in the same way that spending money on lawn care guarantees that your grass will be cut. Savvy donors can determine this impact, but the lack of price for the social entrepreneurship process makes pricing even more abstract and less useful as a guide for opportunity recognition.

To date, social entrepreneurship represents a growing research domain in the field of entrepreneurship (Gupta et al., 2020). As the topic gains popularity, researchers have made important contributions to the field in terms of understanding what drives social entrepreneurs (Renko, 2013) and how they build legitimacy (Ruebottom, 2013). Perhaps one of the most significant articles on the topic of social entrepreneurship is the work of Zahra and colleagues (2009), which examines the motivations and contributions of social entrepreneurs. Although this work made significant progress in theoretically unpacking the phenomenon of social entrepreneurship, Zahra et al. (2009, p. 530) urge scholars to consider “the antecedents of social entrepreneurship also require careful analysis which might include societal, organizational and individual variables.” For example, how do social entrepreneurs recognize opportunities? Absent a price mechanism, how are social issues signaled?

Understanding social entrepreneurship is beneficial for public policy, as it will help clarify the role of social entrepreneurs and social institutions for scholars and practitioners of public policy. That is, if governments are incapable of providing adequate social assistance as some free-market hardliners suggest (e.g., Harding, 2007), then those in public policy should seek to scale back their efforts and create pro-business reforms. However, if social entrepreneurs and social institutions complement each other by filling the blind spots of one another, then public policy makers should encourage communication between government run social institutions and social entrepreneurs.

We adopt the perspective of Austrian economics to theoretically explore the phenomenon of social entrepreneurship, how social entrepreneurs recognize market opportunities, and understand the relationship between social entrepreneurs and government social institutions. This perspective is well suited for our theoretical endeavor as Austrian economics, as a theory of entrepreneurship, is based on the opportunity-discovery or opportunity recognition paradigm of entrepreneurship (Klein & Bylund, 2014). Austrian economics focuses on the entrepreneur recognizing types of inefficiency or opportunities in the market and finding ways to capitalize on them (Kirzner, 1973). This perspective serves as the foundation of mainstream/seminal entrepreneurship work such as Shane and Venkataraman (2000) and Shane (2003). Starting from this perspective in our analysis of social entrepreneurship we find that social entrepreneurs rely on institutional signals to identify social opportunities as prices are not readily available. Additionally, we conclude that social entrepreneurs are best considered complimentary to government social institutions rather than evidence of the government’s incompetence. We suggest that social entrepreneurs fill gaps around govern-

ment social institutions in the same way that start-ups (e.g., craft beer companies) fill gaps around incumbent firms (e.g., industrial beer companies). However, social entrepreneurs differ in their gap filling process as the relationship between the government and social entrepreneurs is ostensibly cooperative in addressing social issues rather than competitive for market share. Given that the two entities are not subject to antitrust regulation we suggest both parties have much to gain by increasing their levels of communication and coordination.

LITERATURE REVIEW

Social Entrepreneurship

To begin our theoretical examination of the social entrepreneurship process and ensure we focused on the phenomena of interest, we first sought to settle upon an accepted definition of social entrepreneurship. As a recent domain of research, the concept of social entrepreneurship is fraught with the usual problems in definition and theoretical rigor (Santos, 2012). However, scholars have been developing a sense of conceptual clarity to the definition. One description of social entrepreneurship is “entrepreneurial activity with an embedded social purpose” (Austin et al., 2006, p. 370) and that such an entity can be “for profit and nonprofit organizational activity” (Dacin et al., 2011, p. 1203). As such, this focus could describe a wide range of NGOs that have social priorities that extend beyond making a profit including social entrepreneurs and NGOs. However, the most important overlap is that they create value for society by creating positive externalities that benefit parties that are not part of the exchange (Santos, 2012).

Austrian Economics

Given the close conceptual ties between Austrian economics and conventional entrepreneurship, we use Austrian economics as the starting perspective for discussing social entrepreneurship. Austrian economics is a heterodox economic school that places its prime theoretical focus on the individual in determining the functioning of the economy (Holcombe, 2020). A social order spontaneously emerges as a result of the actions of individuals (Holcombe, 2020). As such, it places a high emphasis on individual actions, not individual design, and through individual actions, spontaneous order emerges. The difference between Austrian economics and other economics schools, such as neo-classical economics, comes from a thought experiment of Wagner (2007). He proposed that Austrian versus neoclassical economics could be considered as a difference between a parade and customers at a shopping mall. Both the parade and customers reveal an order. However, the social order of the parade comes through design while the customers operate through independent action. Each shopper makes, modifies, and implements their own plans to increase their own utility. Based on these individual plans, an order emerges. For example, if one store is crowded, shoppers will have to weigh the cost of waiting versus the benefit of going to a lesser, but still acceptable store. This form of recognition and moving allows for a spontaneous order to develop. The most prominent example of a spontaneous social order is

the market. As Holcombe (2020) pointed out, no one developed, designed, or invented the market. Rather, the market emerged or evolved from human behaviors (Sowell, 1980).

Another marked difference between the Austrian school and neoclassical school regards the assumption of information. Neoclassical economics assumes perfectly rational actors with complete knowledge who make identifiable and value associated decisions to maximize utility (Stigler & Becker, 1977). Rather than assuming perfect information, the Austrian school assumes that individuals possess unique knowledge that others do not or could not possess (Holcombe, 2020; Kirzner, 1973). Knowledge is not just scientific knowledge, but “knowledge of the particular circumstances of time and place” (Hayek, 1945, p. 52). Individuals gain unique knowledge through empiricism, but this knowledge may only have a fleeting and temporary importance.

Both characteristics means that knowledge is subjective (Holcombe, 2020). People value goods based on their subjective belief that the goods will increase their utility. Subjective value may vary from one person to another, or it may vary within a person. For example, neoclassical economics would predict that when the price of water rises, people will reduce their consumption by not performing activities of less value such as washing their car. However, as Holcombe (2020) notes, this is conjecture. Some people will stop washing their cars; others will value the appearance of their car and will continue to wash the car. Whether or not this behavior is rational will be dependent on an individual’s perception of the value of their activity.

Austrian Economics and Entrepreneurship

Based on issues related to subjectivity and time, the Austrian school of economics, unambiguously, allows for the entrepreneur to play a significant role in the economy (Kirzner, 1973). Orthodox economists have struggled to develop a role for the entrepreneur in their theories because of the assumptions of equilibrium, under which mainstream economists labor (Foss & Klein, 2012; Kirzner, 1985). If markets are completely efficient and information is perfect, the entrepreneur, who finds price variations, is going to play only a minor role. The boundaries of assumptions in economics limits the role of the entrepreneur because if information is not costly to obtain and everyone has access to it, then it should eliminate the role of the entrepreneur. As a neoclassical economist would joke: “A well-known story tells of a finance professor and a student who come across a \$100 bill lying on the ground. As the student stops to pick it up, the professor says, “Don’t bother—if it were really a \$100 bill, it wouldn’t be there” (Malkiel, 2003, p. 60). The implication being that markets are so efficient that they would preclude for entrepreneurial profit. As Hayek (1948) wrote, the essentials of competition are “washed away” in static equilibrium.

Austrian economics does not adhere to the same assumptions regarding the impact of the entrepreneur (Foss & Klein, 2012). Various Austrian economists have written about the role of the entrepreneur over the years. Although there are substantial differences between these writers, nevertheless, some overarching themes exist. Firstly, entrepreneurs are willing to embrace risk in a manner that other

economic actors are not willing, or able, to accept. For example, according to Schumpeter (1942), entrepreneurship occurs through periods of creative destruction, whereby old industries are destroyed by the emergence of new industries. However, new ways of producing goods or services is often a very risky proposition. For example, Henry Ford’s first automobile company failed (Muldoon, 2020). A second assumption is superior knowledge. Hayek (1945) proposed the thesis that the entrepreneur has superior knowledge to others in the market, due to the fact that knowledge is localized and tacit. Accordingly, they utilize their superior knowledge to produce products superior to their competitors. Thirdly, entrepreneurs recognize opportunities through alertness by making “systemic changes in expectations concerning ends and means” (Kirzner, 1973, p. 71).

Prices serve as an important signal that there is an entrepreneurship opportunity (Baumol, 1993; Kirzner, 1985). For a for-profit entrepreneurship opportunity, the market price can be perceived from a distortion in the market. However, social entrepreneurship does not have, what economists consider to be prices, as the profit motive does not in this case completely hold. Yet prices do not always come from fluctuations in the market (O’Driscoll & Rizzo, 1985). They can also emerge from an individual’s subjective cost/benefit analysis and whether or not the institution is meeting their needs and the cost of constructing a different structure (Holcombe, 2020).

Institutional Shortcomings

Whether in its government or market form, institutional shortcomings are a driver of social entrepreneurship, as social entrepreneurs use their expertise to address these issues (Ebrashi & Darrag, 2017). That is, similar to the way market inefficiency and prices orchestrate entrepreneurial action, intuitional shortcomings and the corresponding signals play a primary role in orchestrating social entrepreneurship. Various scholars have written about institutional shortcomings over the years. As North (1990) theorized, political competition is not as robust nor efficient as market competition because rational ignorance is a key defining feature in a political system. While a democracy is more efficient than a dictatorship, as it allows for dispersion of knowledge, it may fail because even the most informed voter lacks awareness of issues beyond his/her own interests (North, 1990). Therefore, political processes are not efficient because of knowledge issues and since institutions emerge from politics; it stands to reason that those institutions which emerge from politics may be inefficient as well. A common theme in these explanations is imperfect information, which means that decision makers are unlikely to select an optimal arrangement (Simon, 1947).

Furthermore, since institutions emerge from political competition, it stands to reason, that this political competition will feature interest groups who seek to increase their utility at the expense of others (Buchanan & Stubblebine, 1962). As an example, if on one side there is public opposition of subsidies for sugar producers; on the other side, healthcare professionals, politicians, and bureaucrats have a deep concern over the increases in obesity, especially in children (Mitchell & Munger, 1991). Despite this opposi-

tion, sugar subsidies continue, likely as the sugar producers have lobbyists and money to protect their subsidies. This pattern is repeated throughout the political process leading to a reduction of efficiency (Holcombe, 2020). Compounding the self-interest issue, is the problem of rational ignorance (Downs, 1957), as even the most informed voter may be unaware of the subsidies issue. Accordingly, politicians may act on rational ignorance. Hence, there are numerous programs that may be wasteful and are difficult to repeal because of support from politicians, interest groups, and bureaucrats. This political process makes it difficult to repeal unpopular legislation or it provides incentives to support programs that people may normally oppose (Sowell, 1980).

Another salient issue is that one cannot assume that public agents act for the common good. In fact, the opposite is possible: agents may work for their own self-interests, whether it is increasing their budget, protecting their office, or expanding their mission. Accordingly, there is an agency issue in politics (Mitnick, 1975). Presumably the principal, which is in this case the public, “hires,” whether elected or appointed, officials to act in their interest. However, politicians and bureaucrats may act in their own interests by supporting politics that members of their constituencies may oppose (Holcombe, 2020). Again, the issue of rational ignorance emerges as a problem as the citizen may lack awareness of a particular issue, especially if the issue is beyond their own localized self-interests. Even when they are aware, trying to change or punish the agent is expensive and difficult. Mostly, agency emerges because the interdependence of relationships that does not lend itself to a common goal or purpose. Accordingly, members may strive to enhance their own returns at the expense of others.

A final reason for institutional failure is the lack of price information (Foss & Klein, 2012; Holcombe, 2020). From both a neoclassical and Austrian perspective, prices play a key role in determining the flow of goods and services. Prices serve as a signal that a surplus or shortage exists, and they change based on how individuals view the utility of a good or service. Austrian economics states that sellers set prices based on their subjective belief over the utility that the object will provide. In a political setting, there are no prices, so this means that there will be limits on efficiency. Without prices to direct resources, profit maximization cannot occur. The market serves as a learning mechanism through which individuals are rewarded or punished based on their expertise. This is partly the reason why Austrian and non-Austrian economists try to use market methods to address failures.

The United States educational system serves as an example of how competing interests allow for non-optimal solutions to occur (Spring, 2019). Firstly, there is little agreement on standards, goals, or even what constitutes good teaching. Lack of goal agreement serves to limit interventions, as we do not know whether the interventions work. For instance, when standardized tests are used as a measure of teaching performance, the results can be challenged, because some educational experts believe that the tests have a bias. Second, the United States educational system features several interest groups such as teachers’ unions, bureaucrats, parent-teacher organizations, and educational lobby-

ing that are often in direct competition with each other. A substantial change would require sufficient support to overcome the inertia in the system (Ravitch, 2016).

Institutional failure occurs because institutions are designed to handle uncertainty (North, 1990). In fact, much of the role of institutions is to provide a mental framework that reduces uncertainty by providing a general sense of what to do in each situation. For example, people are socialized and are made aware of the consequences when they see a stop sign. However, given the mechanics of institutionalization, a complete and relevant consideration of all information cannot be considered due to the limitations of bounded rationality and imperfect information (North, 1990). Information is subjective and cannot be considered by all elements within an institutional setting. As Lavoie (1985) pointed out, designing efficient systems is not just a question of technical knowledge, but also understanding the subjective value people place on goods. Institutions cannot consider these issues very well as these subjective values may not be well communicated or if communicated, they may lack the ability to change the systems.

However, social entrepreneurs serve the role of balancing and addressing institutions, by correcting institutional shortcomings. Social entrepreneurs address these issues through their superior knowledge, insight, skills, and willingness to embrace trial and error in order to make profits (whether economic or charitable) and to also serve a portion of the population. As Alchian (1950) wrote, in the world of uncertainty, maximization cannot occur. The best that could occur is that better institutions emerge and entrepreneurs could play a key role in allowing for trial-and-error to occur. In fact, from an Austrian perspective, failure is acceptable (and inevitable), because through failure and alertness, entrepreneurs recognize and then address these failures (O’Driscoll & Rizzo, 1985).

Teach for America (TFA), a prestigious educational program, emerged from the failure of the educational system to provide enough teachers, especially for poor urban and rural school districts (Kopp, 2001). The founder of TFA, Wendy Kopp, noticed during her time as a Princeton student, that a Princeton graduate would not be allowed to teach high school students because they did not have a teaching license. Kopp felt the licensure process eliminated numerous and excellent candidates. Kopp also felt that while Wall-Street, tech companies, and prestigious law schools all had recruiting systems, teachers do not. Accordingly, Kopp developed a new pathway to provide access to educations for students, something that has earned her praise from both ends of the political spectrum.

Basically, TFA is a social entrepreneurship program because it benefits the students and it indirectly benefits the community by providing highly capable teachers in new communities. The opportunity for this type of social entrepreneurship comes from the competing interests of the American education system and imperfect information which allows for a suboptimal solution being selected. However, TFA (similar to other social entrepreneurship endeavors) augments government by serving as a partner and by addressing the suboptimal solution. The presence of social entrepreneurship does not mean that government should disappear or cease to be a partner. But institutional short-

comings are addressed when social entrepreneurs help governments to achieve their objectives.

Institutional Signals and Opportunities for Social Entrepreneurship

Information can be communicated from institutions by patterns of routine behavior (O'Driscoll & Rizzo, 1985). In essence, people may communicate utility or displeasure through their actions during routine behavior (Chwe, 2013). People communicate their subjective cost and benefit analysis through their behavior, like the behavior to purchase or sell a good or service (Holcombe, 2020). For example, by reading this paper, you are communicating that you find the topic interesting. The benefit is that (hopefully) we are providing an interesting conceptual paper that expands our understanding of social entrepreneurship by demonstrating how it can work with the Austrian perspective to augment government to meet the needs of society. The cost incurred through this action is both time and opportunity costs. These values are also subjective. As someone interested in social entrepreneurship, the costs and benefits of reading this article will be different for a non-academic or a professor of other topical areas (e.g., biology). As mentioned above with the example of shopping malls, people can create communication patterns through their behaviors.

These communication patterns can signal opportunities for either social discord or cooperation. As Hayek (1973) noted, institutions do not completely emerge due to the conscious decisions of others. Rather, the spontaneous actions on the part of individuals lead to the establishment and transformation of institutions. The answer comes from the concept of institutional signals which emerge as the institution functions. According to Hayek, these signals allow for people to interact with each other. As Hayek (1973, p. 162) wrote: "The greatest change/which man has still only partially digested, came with the transition from the face-to-face society to... the abstract society: a society in which no longer the known needs of known people but only abstract rules and impersonal signals guide action towards strangers. This made specialization possible far beyond the range any one man can survey." These signals serve to guide, inform and direct action and suggest to social entrepreneurs that issues exist that institutions are not adequately meeting at the present.

Members of society pick up on these institutional signals that there is some aspect of the institution, either government or market, that needs correction. Social entrepreneurs are those that find ways to establish NGOs to act on these shortcomings and seek to benefit society. O'Driscoll and Rizzo (1985) put forth the thesis that people can use social roles to coordinate behavior. For example, a person will leave their trash out on a Tuesday (pickup day) because they have belief that the sanitation department will pick it up. This information could be signaled through several different ways: the previous owner, a message from the sanitation department, notice in the newspaper, the homeowner's association, or a neighbor.

Communication is an essential aspect of this process. Individuals must want to cooperate with each other (Chwe,

2013). However, sometimes people cannot, or do not wish to, cooperate. They will signal this lack of cooperation or, to use a term from game theory, defect through their behaviors (Axelrod, 1984). Therefore, when the sanitation department does not pick up the garbage, it is a signal that something is wrong. It could occur for any number of reasons, some systematic such as poor management or some non-systematic such as a hurricane. Depending on the reason for not collecting, this could signal to the homeowner that there is a need to correct or improve the sanitation department. For instance, they could vote against the sanitation commissioner, petition the city council, or start their own waste management company. The last act listed is an example of opportunity recognition followed by entrepreneurial action (Shane & Venkataraman, 2000).

The same process could also communicate the inability of institutions to address social issues. The solutions to these problems come from "mavericks," "rule-breakers" or "unreasonable people" who challenge the norms and rules of society. People can pick up these signals from any number of ways and make corrections (Elkington & Hartigan, 2008). For example, Kopp (2001), through her interactions with classmates at Princeton, realized that not every American student was being provided with an excellent education. The interactions from her classmates provided her with a signal that the American education system lacked enough adequate teachers. Kopp then proceeded to check whether this information was correct. The process she took was the form of a senior thesis project. From her readings and interactions with faculty, Kopp noticed that her institution was correct and that the reason was due to both the licensure process as well as the lack of recruiting principles. From this genesis she began the process of building Teach for America, which would bring excellent education to under privileged communities that struggle to find teachers.

In traditional entrepreneurship, the market communicates opportunities for profit. But entrepreneurs also gather information from non-market sources such as the media, focus groups, market surveys, or word of mouth (Baron & Hmieleski, 2018). For example, an entrepreneur may find out about a growth opportunity from a friend or they may read about a new concept in a magazine, and based on information gathering they may form an intention to open a new business. Much like traditional entrepreneurship, institutional signals engage social entrepreneurs through several forms such as: the political process, advertising, media, ritual, embeddedness, education, and ecosystems.

The political process and the competition between interest groups serves as a source of information for potential social entrepreneurs (Holcombe, 2020). As mentioned above, the problems of the political process, such as rational ignorance or agency issues creates opportunities for social entrepreneurs. In particular, the competition between various groups signals that the political system and the government agencies produced by that system is in the process of needing reform. In essence, much like traditional entrepreneurship, political competition may signal that there is an issue that needs to be addressed (Kirzner, 1973). For example, the public schools in pre-hurricane Katrina New Orleans were rife with problems to the extent that only 54% of students graduated from high school (Dreilinger, 2021).

After the hurricane, the Orleans Parish School Board spent their time engaged in combative politics over who would be superintendent rather than immediately rebuilding. During this period, social entrepreneurs began to launch charter schools to keep students in the classroom and as the charter schools served the city, student standardized test scores and graduation rates grew beyond pre-hurricane levels (Barshay, 2021).

Advertising is another source that signals or communicates a need that can be addressed through the social entrepreneurship process (Kirzner, 1973). Advertising places a key role in the entrepreneurial/consumption process in that it can transform people's subjective cost and benefits. It could also signal that a product could need a supplement, compliment, or even replacement. Likewise, advertising by political and social groups can signal an issue is not being resolved. For example, the Humane Society may advertise that there is a pet surplus of rescue pets in municipal animal shelters and that unless they are adopted, could be killed. A social entrepreneur may create a company to foster dogs in a different way (e.g., Dog Is My CoPilot) and reduce the need for municipal animal shelters in their community. In addition, various stakeholders may communicate their unmet needs through their advertising. Advertising also has one more benefit: it educates people that problems exist.

The media, whether traditional or social media, is another important factor in providing information for social entrepreneurs (Olanrewaju et al., 2020). Media matters for several reasons. First, political actors can use the media to communicate issues that were unresolved in the political process, the media can be manipulated by the government, or the media can constrain government. Each of these actions can lead to the suboptimal operation of the government, which provides opportunity for social entrepreneurship. Second, political groups can use the media, such as special interest stories, to promote entrepreneurship. For example, the inability for a local government to provide recycling services can be picked up by the media and could provide an inspiration for someone to start a recycling company. Third, it could inspire social entrepreneurship through increasing entrepreneurial self-efficacy by providing success stories of social entrepreneurs, which in turn, can provide opportunities for vicarious learning. This signal is not one that an institution is failing, but rather a message that the institution may support an entrepreneur, due to the success of a similar person. For example, Bill Gates and Warren Buffett have used their platform of The Giving Pledge to encourage other successful entrepreneurs to engage in philanthropic behavior and launch social missions with the fortunes they have amassed (Mathias et al., 2017).

The use of rituals, actions, words, gestures, or objects which convey social meaning can be another source of institutional signals for social entrepreneurship. A ritual is an important source of communication within social groups, by promoting solidarity, emotional engagement, interactional focus and social motivation. As Goss (2008, p. 123) perceptively noted: "rituals, the effect of which, when combined with symbolic and discursive resources, is to motivate the individual and produce group solidarity." As the literature on embeddedness indicates, the exchanges must occur within trust networks and shared understandings (DiMag-

gio & Louch, 1998; Granovetter, 1985). Rituals allow for a solution to the coordination problem because they allow for communication to occur, by serving as a convoy in which passes meaning to the people involved or observing the ritual (Chwe, 2013). An example of social entrepreneurship that could be produced through ritual occurs with religious groups. The concept of ritual, whether it is a sermon, mass, prayer meeting, or religious ceremony, helps to produce group solidarity (King, 2003). Religious self-entrepreneurs may then wish to align their religious meaning with their work (Roundy et al., 2016; Zelekha et al., 2014). For example, the Little Sisters of the Poor was founded by Jeanne Jugan in France (Little Sisters of the Poor, 2021). Jugan was a devout Catholic who worked as a nurse—ever conscious of the plight of the elderly poor in her town she one day took in an elderly homeless woman to live in her apartment. To live out her faith, Jugan began taking in more elderly abandon women to her apartment, eventually she expanded from her apartment into running a full-fledged homeless shelter funded by donations. Moreover, her mission has since spread across the globe and now operates in all four major continents.

Another example of institutional symbols would be embeddedness. This suggests that economic activity, such as starting a business, is constrained by social forces. As Granovetter (1985, p. 487) argued: "Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations." To use the parlance of Austrian economics, embeddedness within a community has a close connection to the people they wish to help, so to understand both the issues and resources needed to address those issues. As Zahra et al. (2009) pointed out in their typology, social bricoleurs use their embeddedness in community to address issues. For example, Jacquie Berglund, co-founder of Finnegans Brew Co., knew a local pub owner and thereby acquired a beer "...recipe outright for \$1.00 and the world's first beer company to donate 100% of its profits to charity was born" (Finnegans Brew Co., 2021).

Education is another form of institutional signaling. For example, while the education system pursues its mission, it also serves as an important source for the communication of institutional needs. For example, business curriculums in colleges/universities include topics on sustainability, business ethics, and social responsibility (Nicholls et al., 2013). In providing these issues, students' ethical awareness should be increased. The justification of adding business ethics to the curriculum is that students need to be aware of the social impact of business on communities. Other activities, like pitch competitions, social entrepreneurship classes, and other experiential educational opportunities may also increase a student's entrepreneurial self-efficacy.

The final source of institutional signaling can come from the entrepreneurial ecosystem. The purpose of the ecosystem is to provide resources for aspiring entrepreneurs, whether the resource is tangible, such as financing, or intangible, such as cultural (Liguori et al., 2019; Wurth et al., 2021). Much like other social arrangements, ecosystems

are designed to provide the exchange of goods and services by allowing for the development of trust (Muldoon et al., 2018). For example, within the context of Detroit, the city has seen much institutional decline and has leaned on incoming entrepreneurs to maintain the city (Cowden et al., 2019). The reliance on entrepreneurs has led Detroit to develop a vibrant entrepreneurial ecosystem of both traditional and social entrepreneurs. However, the benefits of gaining membership to the ecosystem in terms of access to financing, cultural knowledge, and introductions to key stakeholders is withheld from start-ups until they prove themselves committed to the betterment of Detroit.

DISCUSSION

Austrian economics has been a powerful theory in the field of entrepreneurship for explaining the entrepreneurial process (Klein & Bylund, 2014). To further elaborate, we note contributions to the literature, but also include discussion of the relevance to policy and practice given recent calls to extend the impact of entrepreneurship research (Bendickson, 2021). A chief contribution of Austrian economics is illuminating the phenomenon of opportunity recognition (e.g., Shane, 2003). Austrian economics is particularly flexible and applicable to entrepreneurship as it does not rely on market equilibrium to the same extent as neoclassical economics (Foss & Klein, 2012; Kirzner, 1985). As such, this is applicable to practice too as entrepreneurs can act on their subjective knowledge rather than be explained as atomized actors seeking to equilibrate prices. This means that entrepreneurs may recognize opportunities based on many other factors in addition to price discrepancies. For example, in Shane's (2000) seminal study of opportunity recognition, he found opportunity was in the solution or the prior knowledge of the entrepreneur rather than in objective space existing in the environment. Shane (2000) found that entrepreneurs saw opportunities within new technology based on their expertise and different people would come up with different ideas depending upon their backgrounds. More recently, scholars have found that personality and attitudes toward risk taking also influence entrepreneurial intentions (Bergner et al., 2021). The Austrian process of opportunity recognition is different than what would be predicted by neoclassical theory which implies that entrepreneurs base their decisions solely on market inefficiencies and price.

We contribute to this line of research by introducing the process of institutional signaling as a mechanism which guides opportunity recognition in addition to prices and prior knowledge (O'Driscoll & Rizzo, 1985). In practice, prices of goods and services cannot be readily determined or inferred (e.g., when running a foodbank, homeless shelter, or animal rescue); as such, this precludes price from luring entrepreneurs and other forces must be at work to attract social entrepreneurs to establish NGOs. Institutional signals are one of the most prominent forces attracting entrepreneurship under these circumstances—as the entrepreneur must acknowledge that the institution is having a problem when they begin to recognize an abundance of the poor/homeless or they hear reports of municipal animal control centers being over capacity and having to euthanize

a large proportion of animals. While the social entrepreneur may know the economic value of the contributions and how they address the issue will depend on their background (Shane, 2000), it is the institutional signal, in the previously mentioned cases, that alerts them to the opportunity to effect change.

Stemming from our contributions to Austrian economics and institutional signaling is our contribution to social entrepreneurship. We contribute to social entrepreneurship by responding to Zahra et al.'s (2009) call for more work on the topic of the antecedents of social entrepreneurship. We find that despite often noble intentions, political competitions are often less efficient than market competitions (North, 1990). Moreover, inefficient institutions often are established because of the inefficiency of politics and democracy. Government operated social institutions are unable to meet all the needs of society and the environment. As government operated social institutions are unable to cover all the needs of their stakeholders, they begin to communicate to the public these troubles through institutional signals (e.g., unreliable service or lacking capacity). Social entrepreneurs then observe and respond to these institutional signals and can identify social opportunities without relying on price information.

Although we theorize that social entrepreneurs often rely on institutional signals to guide their behavior, we recognize and accommodate for the fact that social entrepreneurs may also leverage market signals when available. For example, Lange et al. (2021) illustrate how entrepreneurs may innovate products and employ business models designed to tap the unmet demand and excess labor supply found in some of the world's poorest regions. In such a case social entrepreneurs recognize an underserved market and launch ventures to tap that market which has the benefit of creating social returns. Accordingly, we accept that social entrepreneurs will use market signals to coordinate their effort when available, but in many cases, prices are not readily available or measurable (e.g., the value of a homeless shelter or predatory bird rehabilitation center). We build theory by filling the gap in explaining how social entrepreneurship is coordinated in absence of the market mechanism.

Lastly, we contribute to the field of public policy as we state that government social intuitions and social ventures are more like compliments to each other rather than evidence of the other's incompetence (Dacin et al., 2011). Social entrepreneurs respond to intuitional signals and fill gaps left behind by government social intuitions, as the institutions are often unable to cover the entire population. Given that social entrepreneurs can flexibly fill gaps, they afford government social institutions the opportunity to focus on general issues and seek large scale economies (Nalebuff & Brandenburger, 1996). Likewise, government social institutions afford the social entrepreneurs the ability to specialize on issues and scale economies. Accordingly, the positions taken by social entrepreneurs and government social institutions build off each other. By allowing each other to target their desired position, it is possible for both social entrepreneurs and government social institutions to be more efficient and effective (i.e., complimentary organizations).

If government social institutions and private social ventures are best treated as compliments to each other, then cooperation between the two entities provides a great opportunity for social gains. In most cases, non-governmental organizations run by social entrepreneurs and government social institutions do not have to contend with antitrust regulations and can freely communicate and cooperate to carry out their missions. Much of our theory regards how these two entities communicate through tacit signals. However, the process could be made more efficient through explicit communication. For example, a state-run homeless shelter could communicate with non-government funded private shelters that serve the homeless with special needs (e.g., those with pets, specific illness, children, and so forth) to determine how the state-run operation could most efficiently split demand with the private organizations.

Additionally, there are public policy implications stemming from how government social institutions and private social ventures operate together. This work could be extended by exploring how context or situational variables influence the interest of social entrepreneurs and how willing both government social institutions and private social ventures are to engage at a given point in time. In times of disaster, private social ventures are typically seen rising to the occasion and filling in gaps that are not being addressed by government social institutions. Likewise, government institutions are bound to operate according to adopted regula-

tions, like public bid laws. However, when the welfare of people is in the balance, government institutions could look to private social entrepreneurs as vehicles for responding quicker and potentially more effectively.

Conclusion

While the topic of social entrepreneurship has grown in popularity over the past decades (Dacin et al., 2011), we still have much to learn about the phenomenon. In this conceptual investigation of social entrepreneurship, we find that Austrian economics is a useful tool for understanding the recognition of social opportunities as well as market opportunities. Although government run social institutions may operate with the best of intentions, they are typically unable to serve all their stakeholders. This is similar to how any single business is unable to serve an entire country's customers. However, when social government institutions cannot keep up with demand, the market does not communicate the inefficiency through prices which attract entrepreneurs. Instead, the process unfolds through intuitional signaling where social entrepreneurs learn of opportunities by experiencing indications that communicate a government institutions' inability to keep up.

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