

FUNDAÇÃO GETULIO VARGAS
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**GROWTH PROCESS IN BUSINESS AND SOCIAL
ENTREPRENEURSHIP: THE CASE OF BRAZIL**

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Dissertation presented to Escola de Administração de Empresas de São Paulo of Fundação Getúlio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: Gestão e Competitividade em Empresas Globais

Adviser: Prof. Dr. Edgard Elie Roger Barki

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THE CASE OF BRAZIL

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Summary

The purpose of the dissertation is to investigate in depth the difference between the challenges social and business entrepreneurs face in the growth phase of their business in the particular environment of Brazil.

This objective has been achieved through a two-steps methodology.

The first step is a set of in-depth interviews carried out with industry experts such as professors, venture capitalists, consultants, fund managers or people involved in the support of growing startups (i.e. accelerators). These interviews allowed, first, to build a general perspective on the environment entrepreneurs operate into and to identify a list of challenges entrepreneurs face in the growth process of their business. This list was completed with the additional challenges identified in the previous literature.

The second step of the methodology was to test the relevance of these challenges in the mind and experience of social and traditional entrepreneurs. A questionnaire was then submitted to 145 social and 286 traditional entrepreneurs. The results were statistically analyzed to test the relative relevance of these challenges for one group of entrepreneurs with respect to the other. The outcome of the analysis was significant.

The most relevant challenges identified were, for both groups, taxation, bureaucracy, finding the right employees, creating effective teams, measuring firm performance and social value creation and obtaining funds. On the other side motivation, innovation, competition and lack of market space for growth represented the least relevant issues in the minds of entrepreneurs. This rank however did not differ significantly from social to traditional entrepreneurs. This testifies that in Brazil social and traditional entrepreneurs face the same set of challenges despite the widespread belief of the opposite.

Keywords

Entrepreneurship, Social Entrepreneurship, Quantitative Methodology

Resumo

O objetivo da dissertação é de investigar a fundo a diferença entre os desafios que os empreendedores sociais e os empreendedores tradicionais enfrentam na fase de crescimento do business deles no Brasil.

Este objetivo foi alcançado através de um método composto por dois passos.

O primeiro passo é um conjunto de entrevistas em profundidade, realizadas com especialistas do setor, tais como professores, capitalistas de risco, consultores, gestores de fundos ou pessoas envolvidas no apoio do crescimento das startups (ou seja, aceleradoras). Estas entrevistas permitiram, em primeiro lugar, de construir uma perspectiva geral sobre o meio ambiente empresarial e de identificar uma lista de desafios que os empresários enfrentam no processo de crescimento de seus negócios. Esta lista foi completada com os desafios identificados na literatura anterior.

A segunda etapa da metodologia foi testar a relevância destes desafios na mente e experiência de empreendedores sociais e tradicionais. Um questionário foi, então, submetido a 145 empreendedores sociais e 286 empresários tradicionais. Os resultados foram analisados estatisticamente para testar a importância relativa destes desafios para um grupo de empresários em relação à outra.

O resultado da análise foi significativo.

Os desafios mais relevantes identificados foram, para ambos os grupos, a tributação, a burocracia, encontrar os funcionários certos, criar equipes eficazes, medir o desempenho da empresa e a criação de valor social e obtenção de fundos. Por outro lado motivação, inovação, concorrência e falta de espaço de mercado para o crescimento representam as questões menos relevantes na mente dos empresários. Esta classificação, porém, não diferiu significativamente dos empreendedores sociais aos empresários tradicionais. Isso comprova que no Brasil os empreendedores sociais e tradicionais enfrentam o mesmo conjunto de desafios, apesar da crença generalizada do contrário.

Palavras Chave

Empreendedorismo, Empreendedorismo Social, Metodologia Quantitativa

Table of Contents

Introduction.....	9
Literature Review.....	12
1.1 Entrepreneurship: definition, meaning and evolution.....	13
1.1.1 Theoretical Foundation Works.....	15
1.1.2 Domain Defining Works.....	17
1.1.3 Empirical Studies.....	17
1.1.4 Definition of Entrepreneurship.....	17
1.2 Entrepreneurship in Brazil.....	18
1.3 Social Entrepreneurship: a multifaceted concept.....	19
1.3.1 Social Entrepreneurship in Brazil.....	24
1.4 Social and traditional entrepreneurship comparison: what has been done and what is left.....	26
1.5 Challenges: literature review.....	35
1.6 Growth Framework of a firm.....	38
2.Methodology.....	42
2.1 Explaining the methodology.....	42
2.2 Building the Questionnaire.....	42
2.2.1 Sampling Confirmation.....	42
2.2.2 Testing the Challenges.....	43
2.2.2.1 In-depth interviews.....	43
2.2.2.2 Combining the Challenges.....	44
2.3 Sampling.....	45
2.4 Response Rate Analysis.....	47
3.Data Analysis.....	48
3.1 In Depth Interviews.....	49
3.2 Questionnaire.....	51
3.2.1 Description of results and Statistical analysis.....	51
3.2.1.1. Description of results.....	51
3.2.1.2. Statistical Analysis.....	54
3.2.1.2.1 Z-Test for the difference of the means.....	54
3.2.1.2.2 Exploratory analysis.....	55
3.2.2 Interpretation of Results.....	59
3.2.2.1.Exploratory Analysis.....	66
4.Implications and Limitations.....	67
4.1 Implications.....	67
4.2 Limitations.....	73
5.Conclusions.....	75
References.....	78
Appendix.....	84

Introduction

The concept of entrepreneurship has been at the center of academic and institutional interest for more than a century (Baumol, 1968; Davidsson, Low and Wright, 2001; Shane and Venkataraman 2000). Entrepreneurs and their action constitute a fundamental pillar of our economic system. Entrepreneurs innovate, bring new ideas to the table, create and discover new industry sectors and new business models and above all impersonate the spirit of self-realization and achievement that characterizes the capitalist economy (Peneder, 2009). It is thus no surprise that becoming an entrepreneur, start one's own business represent a dream, an objective in the eyes of many. By the same token scholars and researchers have been fascinated by a topic that is so central and indeed so complex because of its multiple ramifications and its interactions with diverse field of studies which range from history to sociology and from management to psychology (Bhide, Roberts, Sahlman and Stevenson, 1999, p. 7; Venkataraman 1997, p. 120, Ahmad and Seymour 2008). In the last decades the concept of entrepreneurship has been enriched by that of social entrepreneurship (Alvord, Brown & Letts, 2004; Dees&Elias 1998). A social entrepreneur is an entrepreneur that has as a primary objective the creation of social value and the improvement of the well-being for the society as a whole (Dees, 1998). The birth and growth of the concept of social entrepreneurship is due to the increased awareness of the role individuals can play in re-shaping society and in solving some of the most taunting problems our world is facing. Some of these problems are diseases, famines and access to education, just to cite a few. Driven by some inspirational individuals such as Mohammad Yunnus, the founder of Grameen Bank, social entrepreneurs have become more and more common all over the world in developed as well as in developing societies and represent now a reality, which is impossible to ignore.

The increasing relevance of social entrepreneurs for our society, has led academics to increase their efforts in studying this relatively recent phenomenon. Studies have focused first on the identification of social entrepreneurs, on their motivations and on the outcomes of their ventures (Alvord et al. 2004). Academics also focused on finding a proper definition for the

concept (Boschee 1995) [Eb1]and finally on the difference between social entrepreneurs and traditional entrepreneurs (Drayton, 2002; Thompson, Alvy & Lees, 2000). Up to now the studies concerning these differences have focused mainly on the differences in motivation and in outcomes between social and traditional entrepreneurs. Given the newness of this field, many avenues of research remain open and unexplored.

This paper focuses on one of these many avenues. It tries to shed light on the difference in the growth process between social and traditional entrepreneurial ventures. It aims at understanding whether, while trying to grow their business, social and traditional entrepreneurs face the same challenges or whether the set of issues they have to deal with is different.

It will do so by using a quantitative methodology which implies testing for these differences on a population of social and traditional entrepreneurs operating in a developing country context: Brazil.

Therefore, the proper research question this paper is trying to answer to is:

“What are the challenges social and traditional entrepreneurs in Brazil face in the growth phase of their business? Are they the same or do they differ?”

The research question this paper is trying to answer is extremely relevant for a variety of reasons.

First of all it addresses a specific facet of the comparison between social and traditional entrepreneurs which has not been properly and fully addressed yet. So far the study of the difference between social and traditional entrepreneurs has focused mainly on the motivation of the creation of the venture, on its early stages [Eb2] and on the measurement of its outcomes and Kickul, 2012, pp.7). This paper extends the comparison to a further stage which is still unexplored.

Second it fills a gap in literature. It focuses on comparing the process of entrepreneurial and social ventures by using a quantitative methodology and thus bringing statistical evidence. This is a perspective that, so far, has not been addressed by previous studies.

Third it is set in a developing country environment. Given the increasing relevance developing economies are playing on the world, a study of this type brings a substantial contribution both from the academic and practical point of view. It is true that every country is extremely different but developing economies present similarities that allow the application of the conclusion drawn from this paper to other comparable settings.

Fourth, the study of social and traditional entrepreneurship in Brazil assumes an additional level of importance. Entrepreneurship in Brazil plays still a relatively minor role given the level of development of the Brazilian economy. Studying the issues entrepreneurs in Brazil are facing can help in suggesting possible avenues for the development of the entrepreneurial sector in the country.

Fifth it is in a country such as Brazil in which social entrepreneurship can have the highest impact. Even though in many respect similar to a developed country, Brazil presents very large social, economic and environmental problems of the type that social business can address (Neri, 2012). The Brazilian society is, in fact, characterized by strong levels of inequality and, as a consequence, by a large share of the population belonging to the so called Bottom of the Pyramid. This sizeable part of the Brazilian population has to face a variety of problems such as poor health and hygienic conditions, bad infrastructures, lack of market access and poor schooling, among others (ibidem). Given its size, this part of the population, represents a big opportunity for social entrepreneurs which can, by building the right business model, address these problems in a profitable way. By studying the level of development and the challenges of the social business sector this study can give a contribution to the development of the social business sector and thus help in addressing the social problems affecting the country.

Finally it has very concrete and direct implications on the choices social and traditional entrepreneurs will make while growing their ventures. A previous knowledge of the possible challenges and issues they are likely to face will give them the tools to take the necessary measures to increase the chances of success of their firms.

To achieve these ambitious objectives the paper will adopt the following approach. It will first go through past literature regarding social and traditional entrepreneurship. The purpose of the literature review is to clearly define the concept of entrepreneurs, that of social entrepreneur, their differences and to start structuring the questionnaire both in terms of questions and of sampling criteria.

The literature review will be followed by a section carefully explaining the methodology adopted by the research. It will outline the structuring of the questionnaire, the sampling process, the response rate and the possible limitations of such a methodology.

The third section will focus on the analysis of the data collected.

Finally the paper will link these results to theory and to practice by highlighting possible new avenues for research, implications this research has for managers, entrepreneurs and institutions and limitations on the application of these results.

1. Literature Review

In order to fully and comprehensively frame the issue of the different growth challenges social and traditional entrepreneurs face, the following approach will be taken with respect to the literature review.

First of all, the concept of entrepreneurship will be examined both vertically (historically) horizontally (by looking at its relationship with different fields of study). To do so the contributions of the major scholars to the development of the theories of entrepreneurship will be outlined. This approach will be complemented with the search of a definition of the Finally a focus on the situation and role of entrepreneurs in the Brazilian context will be carried out.

The second building block of the review will be a careful analysis of the concept of social entrepreneurship. In order to correctly frame the issue the process will start from the concept of social business. From there the focus will move to the definition of social entrepreneurship and its recent developments. Here again a zoom on social entrepreneurship in Brazil will follow.

The next logical step will be to examine the previous literature studying the differences between social and traditional entrepreneurship. The purpose of this analysis will be to identify the gaps in this field of research and understand how this paper can bridge them.

Afterwards past scholar works and research will be screened in order to identify the academic point of view on the challenges social and traditional entrepreneurs face when growing their business. These challenges will be complemented by those identified during the in-depth interviews with industry experts in order to build the questionnaire to be administered to social and traditional entrepreneurs in Brazil.

Finally the attention will shift on the definition of a framework objectively delineating the growth stages of a new entrepreneurial venture. This step is necessary to correctly identify the sample of entrepreneurs of the research.

1.1 Entrepreneurship: definition, meaning and evolution

The concept of entrepreneurship is a controversial one both in terms of definition and in the way it has been studied by scholars and academics. However it is exactly this controversial nature that makes it one of the most dynamic and heterogeneous among the fields of study.

Reviews of the evolution of the research on entrepreneurship over time have been carried out by multiple scholars (e.g. Hebert and Link, 1982, 2009; Swedberg, 2000; Parker, 2005; Landstrom, 2005; Landstrom and Benner, 2010; Landstrom, Harirchi and Astrom, 2012) with very different approaches. Some of them have focused more on the historical perspective (Fracasso, Reichert, Pufal, Zen, Zawislak, 2009), others have studied the relevance of previous literature (Landstrom et al. 2012) and others the relationship between entrepreneurship and other fields (McMullen and Shepherd, 2006; Audretsch, 2003). However no single, undisputed definition of entrepreneurship has been found. It still depends on the focus of the research and on the perspective from which the term is being studied. Entrepreneurship is thus a multidimensional concept (Bula, 2012). A careful analysis of the evolution of this concept over time is thus necessary to fully understand its implications.

Some historians date back the origin of the term entrepreneur to Marco Polo and the Middle Age (Fried and Hisrich 1994). However, the first author to analyze entrepreneurship in a methodic way was Richard Cantillon in his *Essai sur la Nature du Commerce en General* (1755). He outlined the key role the entrepreneur played in the early market economy that is to equilibrate supply and demand (Hebert and Link, 1982). For Cantillon the entrepreneur main qualities are its rationality and its ability to deal with risk (Fracasso et al, 2009).

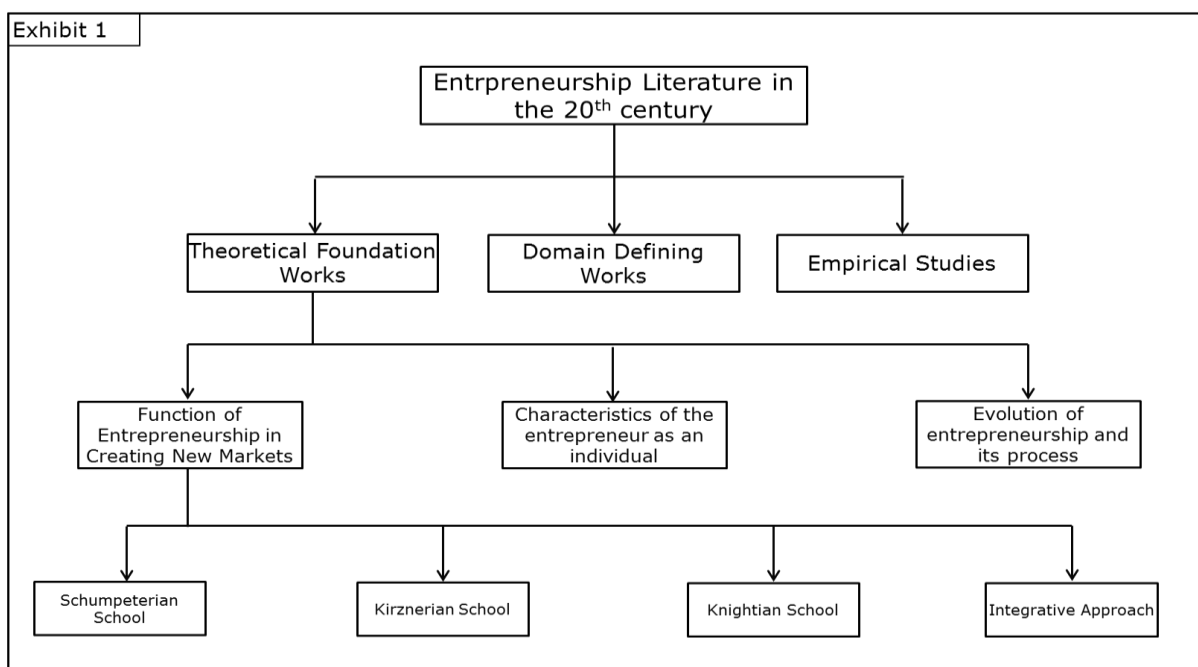
Another important scholar who developed the building blocks of the term entrepreneurship was Jean Baptiste Say who in the 19th century stated “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield” (Say, 2001, p. 44). Entrepreneurs, thus, create value.

These two authors contributed decisively in giving the term entrepreneur (which in French means someone who “undertakes”) the meaning of “venturesome individual who stimulated economic progress by finding new and better ways of doing things” (Dees, 1998, p3).

In addition to the rational, risk bearing and value creating aspects highlighted by Say and Cantillon, the early neo-classical economist Alfred Marshall delineated a new view of the entrepreneur as continuously searching for opportunities (Schwedberg, 2007).

After this point it is possible to analyze the evolution of the study on the term entrepreneurship in a more systematic way. Following the framework outlined by Landstrom et al. (2012) the literature on entrepreneurship has been divided into theoretical foundation works, domain defining works and empirical studies on entrepreneurship and small businesses (Landstrom et al. 2012). The theoretical foundation works can in turn be classified into those focusing on the function of entrepreneurship in the creation of new markets, those analyzing the characteristics of the entrepreneur as an individual and those studying the evolution of entrepreneurship and the entrepreneurial process (Landstrom et al. 2012). The works focusing in the function of entrepreneurship in the creation of new markets can be grouped into Schumpeterian school, Kirznerian school, Knightian school and Integrative approach (Figure 1).

The framework outlined above will be followed for the rest of the analysis.



1.1.1 Theoretical Foundation Works

Theoretical Foundation works are those that aim at outlining the theoretical basis of a theory of entrepreneurship.

Some of the works belonging to this group are rooted in economics and elaborate on the function of entrepreneurship in creating new markets. They can be classified depending to the school of economic thought they adhere to.

The first school is that following the theories of Joseph Schumpeter. He used the entrepreneur as a cornerstone of his economic theory based on change and newness. He believed that economic growth was not pulled by capital accumulation but by innovation that creates disequilibrium in the market. In his view entrepreneurs identify these disequilibria as opportunities and build on them to bring the economy to a new equilibrium. In his own words “the function of the entrepreneur is to reform or revolutionize the pattern of production” (Schumpeter, 1912, 1934). For Schumpeter entrepreneurs are thus the change agents in the economy and are responsible for moving the economy forward (Dees, 1998).

The second school is that following the Austrian School of economic thought and its most prominent representative, Israel Kirzner. This school of thought regards the entrepreneur as a person who is alert to imperfections in the market and is able to coordinate resources effectively to exploit them (Kirzner, 1973). Kirzner had the merit to highlight the role of the entrepreneur as a resource-mobilizer, a person able to identify new and better uses of resources.

The Knightian view focuses instead on the function of the entrepreneur as a ‘risk-taker’. Knight argues that opportunities arise from uncertainty and that entrepreneurs profit from taking decisions under uncertainty (1916/1921).

Finally the integrative approach aims at introducing the entrepreneur into economic modeling or analysis. The most influential work in this sense is that of Mark Casson (1982) who introduces the entrepreneur as a fundamental agent of economic models.

A second group of works belonging to the theoretical foundation category focuses on the characteristics of the entrepreneur as an individual. These works have been mainly carried out by sociologists and psychologists. The most important work in this sense is David McClelland *The Achieving Society* (1961) in which the author identifies the ‘need for achievement’ as a key entrepreneurial trait. To the same group belong Carland and Rokeach. Carland (1991) identified key entrepreneurial characteristics such as self-confidence, originality, people orientation, task-result orientation and future orientation. Rokeach (1973) instead highlights the importance of cultural values for entrepreneurs.

The remaining works belonging to the theoretical foundation category study the evolution of entrepreneurship and the entrepreneurial process. Influential works belonging to this group are those of Howard Aldrich. Here Aldrich focuses on the evolution of the entrepreneurial venture and the processes necessary for its growth (1999). The same author together with Zimmer carried out a relevant study identifying the importance of networks and relationships for entrepreneurs (Aldrich and Zimmer, 1986).

Category	Focus	Role of The Entrepreneur	Main Contributors
Schumpeterian School	Economic	Change Agent, moves the economy forward	Schumpeter
Austrian School	Economic	Resource-Mobilizer, identifies new and better uses of resources	Kirzner
Knighitian School	Economic	Risk-Taker	Knight
Integrative Approach	Economic	Agent in economic models	Casson
Individualistic View	Psychological Sociological	Individual characterized by needs such as achievement and personal realization and influenced by personal characteristics and cultural values	McClelland, Carland, Rokeach
Concept View	Historical Literary	As a relevant agent in the evolution of economic history and as focus of studies and research	Aldrich, Zimmer

Table1
Theoretical Foundation Works
Source: Personal Elaboration based on Landstrom et al (2012)

1.1.2 Domain Defining Works

Domain defining works are characteristics of a field of study such as entrepreneurship. They define the direction of research and start intense academic debate on the subject (Landstrom et al., 2012). Important works in this sense are that of William Gartner (1988) and that of Shane and Venkataraman (2000). Gartner with his article “Who is the entrepreneur? Is the wrong question” (1988) started to shift the focus from the study of the entrepreneur to more behavioral and process related approaches (Landstrom et al., 2012). Shane and Venkataraman (2000) instead were able to shift the focus of research on the importance of business opportunity recognition and on the exact limits of entrepreneurship research.[Eb6][VG7]

1.1.3 Empirical Studies

Finally empirical studies of entrepreneurship and small businesses are fundamental to conduct academic debate back to reality. Some of the most important pieces of research in this sense are those of Hamilton (2000), Bhide (2000), and Saxenian (1994). Hamilton (2000) studied the reasons why people decide to become entrepreneurs and finds out that non-pecuniary benefits play a key role. Bhide (2000) analyzes small enterprises and their success factors and one of its main findings was that many successful new ventures start without an innovative idea or substantial external finance. Finally, Saxenian (1994) by studying the growth of ventures in Silicon Valley highlighted the importance of context and culture for the development of small ventures.[Eb8][VG9]

1.1.4 Definition of Entrepreneurship[Eb10]

From the literature review carried out so far some conclusions can be drawn. First of all the theoretical base of the field of entrepreneurship is based on fairly old theories related to other disciplines such as economics (Schumpert) or behavioral science (McClelland). Second it is difficult to find a unique definition of entrepreneurship. However over time many characteristics of the entrepreneur and the entrepreneurial ventures have been identified. The entrepreneur is a rational risk-taker and a value creator in constant search of opportunities. He is also able to move the economy forward by identifying disequilibria and managing resources

(people and capital) effectively and creatively. He can act outside or inside a venture and can leverage on networks and relationships. Finally he needs to be aware of the cultural and context-related factors that can influence the success of his venture.

Keeping this in mind a definition has been chosen that is rather comprehensive and suits the purpose of this analysis. Hitt et al. (2001) defines entrepreneurship as “the sources as well as the processes of discovery, evaluation and exploitation of opportunities, but also the set of individuals who discover, evaluate and exploit these opportunities”.

1.2 Entrepreneurship in Brazil

In theory, Brazilian people have an entrepreneurial mindset (GEM,2013). Starting one’s own business is, in the mind of many Brazilians, a fundamental life accomplishment. However they face a wide variety of constraints in terms of culture, education, governmental policies and bureaucracy. These constraints have the effect of creating a gap between this entrepreneurial mindset and the effective level of entrepreneurship in the country. This is the result of a yearly research carried out by the Global Entrepreneurship Monitor (GEM) which analyses the characteristics of entrepreneurs in Brazil, the factors limiting and favoring the success of entrepreneurial ventures and the perception of entrepreneurship throughout the whole country. It then compares the results with those of the same researches carried out all over the world.

According to GEM’s 2013 report on entrepreneurship in Brazil, 85.3% of the Brazilians affirm that opening a new venture is a very desirable career option. This is 20 basis points higher than the world average (67.8%). Moreover more than 41.5% of the Brazilians have as a primary dream in their life opening their own business (GEM, 2013). This result is confirmed by another study carried out by da Silva, Correia and Gomes (2009) which outlined that the orientation towards entrepreneurship of Brazilian people is several points above the world average. However only 32.7% of the people surveyed reported to know someone who launched his/her own business in the last two years. This is below the world average of 36.4% (GEM, 2013). There is thus a gap between the willingness Brazilians have to become entrepreneur and the

actual level of entrepreneurship. It is important to mention that, from the data, it is very difficult to distinguish between entrepreneurial orientation and necessity.

To understand why this happens, it is necessary to weight the factors that limit and favor launching and growing new businesses in Brazil. GEM identifies as positive factors the economic climate created by the favorable economic conditions of the last five years that inspires a positive outlook toward the future and cultural and social norms that encourage private business initiative (GEM, 2012). As far as social norms are concerned the valorization of the entrepreneurial role and the value given to innovation (in terms of services, processes and products) are key positive factors. These positive drivers are counterbalanced and often outweighed by important constraints. The main limiting factors identified by GEM are governmental policies (taxes, bureaucracy, lack of support), financial access and support and education. In particular limiting governmental policies imply long waiting times to register new business and obtaining permissions, too heavy, inconsistent and unpredictable tax burden and laws and regulations favoring large enterprises over small ventures (GEM 2012; Eunni and Manolova, 2012). In terms of financing, problems arise especially in terms of difficult access to capital markets for small growing businesses and of extremely high interest rates (GEM, 2012; da Silva et al. 2009). Finally regarding education-related challenges, generally speaking, entrepreneurs often lack the knowledge to succeed. They tend to have very scarce notions of economic and managerial sciences and even entrepreneurs owning university degrees did not have the chance to attend courses especially focused on entrepreneurship.

Summing up Brazil is characterized by a general cultural and economic climate favorable to entrepreneurship. However this is heavily counterbalanced by limiting governmental, financial and educational factor that in the end make becoming an entrepreneur in Brazil and growing one's own venture extremely challenging.

1.3 Social Entrepreneurship: a multifaceted concept

During the last two decades the concept of social entrepreneurship has gained extreme relevance in the business environment. Academic institutions, scholars, associations and

journals give more and more space to the matter. Notwithstanding this growing interest there is no unanimous agreement on what social entrepreneurship really is (Peredo and Mc Lean 2006; Martin and Osberg, 2007; McMullen,2011; Dees 1998).

The term social entrepreneurship presents a double complexity since to properly define it, it is necessary to define both what is meant by social and what is meant by entrepreneurship (Mc Lean and Peredo, 2006). The issue of defining the latter has already been tackled in the previous section. This part will try to shed light on what is meant by the former and how it interacts with the concept of entrepreneur. Being able to reach a single accepted definition is paramount in order to properly test the appropriate research question.

Defining what is exactly meant by “social” is no easy task. It is widely accepted among scholars that social entrepreneurs and their businesses are driven by social objectives. This means that they aim at increasing social value, “to contribute to the welfare or well-being in a given human community” (Mc Lean and Peredo, 2006, p. 22). The real issue that divides scholars is the relevance this social purpose has in the overall business model. Depending on this parameter it is possible to identify a wide spectrum of alternative “categories” of social business.

The spectrum goes from entrepreneurial ventures whose purpose is solely social to those in which the social benefit is considered as a goal among the many other goals of an enterprise.

At one extreme of the spectrum are located those ventures whose aim is exclusively social. As Dees (1998 p.4), states: “for social entrepreneurs the social mission is explicit and central [...] wealth is just a means to an end”. This implies that financial goals are excluded from the aims of the business. Ventures belonging to this category are strictly related to that of Non Profit organizations and may not necessarily include forms of “earned income” in their business model (Anderson and Dees, 2002).

Enterprises which use “earned income strategies for non-profit purposes” (Northland Institute, 2001) represent the next stage of the spectrum. Enterprises belonging to this category emphasize the concept of “double bottom line” (the art of simultaneously pursuing social and financial returns on investment) and are described as “hybrids” (Davis, 1997). An example of

this type of business is the Grameen Bank. This organization provides credit to the poor which would otherwise not qualify for lending. By doing so Grameen Bank improves the living conditions of its clients by providing them access to credit and at the same time operates a self-sustainable business model which creates profits that are re-invested into additional lending capacity. Moreover the shareholders of Grameen Bank are lenders themselves which participate in the growth of the business.

Ventures belonging to this category are related to the concept of Social Business developed by Muhammad Yunus. In his book “Building Social Business” (2010 p.32) Yunus defines social business as an undertaking with the following characteristics:

- “1.The business objective is to overcome poverty, or one or more problems [...] that threaten people and society, not to maximize profit;
- 2.The company will attain financial sustainability;
- 3.Investors get back only their invested amount. No dividend is given beyond the return of the original investment;
- 4.When the investment amount is paid back profit stays with the company for expansion and improvement [...].”

The author does not directly link the concept of social business to that of social entrepreneurship but nevertheless his definition of social business perfectly fits into the spectrum under analysis.

These “Hybrid” social businesses can be divided into those that directly produce beneficial social outcomes (Integrated Social Enterprises, Fowler,2000) and those that do not produce social benefits themselves but support some other activity which aims at generating social benefits (Complementary Social Enterprises,Fowler,2000).

It is important to underline that up to this point of the spectrum social enterprise is still associated with non-profit. A research carried out by Taylor, Hobbs, Nilsson, O’Halloran & Preisser (2000) shows that 83% of the literature produced on the topic of social enterprise refers to non-profit ventures. However the remaining 17% is gaining more and more relevance in

recent years. This is indeed a good reason to not confine the concept of social entrepreneurship to Non-Profit. The fact that the border between profit and non-profit social enterprises is extremely subtle and, in many cases, not relevant, ambiguous and porous (Mc Lean and Peredo, 2006) adds to the importance of extending the field of study.

For a for-profit business to still be considered a social enterprise it is important for the social goal to remain the driver of the enterprise. However profits and dividends can and should be distributed to shareholders and owners.

Approaching the opposite end of the spectrum we find ventures which put social benefit and profitability at the same level and often achieve one thanks to the other. Some notorious examples of this type of examples are the ice cream company Ben&Jerry's or the organic yoghurt company Hirshberh. This category is extremely controversial. Some scholars exclude these undertakings from the concept of social business (Leadbetter, 1997) while others include it (The Social Enterprise Program News, 2003).

The end of the spectrum is represented by those companies that have social aims which are, however, secondary with respect to financial ones. The risk with considering this category of businesses social is that, more often than not, the social objective hides some form of corporate social responsibility or marketing objectives. For this reason scholars rarely include them into talks concerning social ventures (Mc Lean and Peredo, 2006). An important point to make here is that even though businesses belonging to this category are rarely classified as social *per se* the socially aimed action that they undertake are often considered social ventures. For example Danone, the French multinational cannot be considered a social venture. However its partnership with Grameen that gave birth to Grameen-Danone can indeed be considered a social undertaking.

Thus depending on the relevance social objectives have in defining the *modus operandi* of the venture it will occupy a different spot on the social business continuum.

One important takeaway of this classification is that the distinction among public, private and non-profit sectors is extremely blurred: "Socially entrepreneurial activities blur the traditional

boundaries between the public, private and non-profit sector and emphasize hybrid models of for-profit and non-profit activities” (Johnson, 2000 p16).

For the purpose of this paper will be considered as social only those undertakings in which the social purpose is at least as relevant as the financial one. This cut will allow a more precise study of the differences between social and traditional entrepreneurs. Allowing the definition of social undertaking to leak into the social-second world will risk blurring the distinction between social and traditional entrepreneurs (Martin and Osberg, 2007).

Now that the concept of social undertaking has been defined it is paramount to understand how it interacts with the concept of entrepreneurship. This process will make it possible to define exactly who a social entrepreneur really is.

By combining the previous definition of entrepreneur and that of social undertaking it is possible to define a social entrepreneur as “a person who aims at creating social value, either exclusively or at least in a prominent way; shows a capacity to recognize and take advantage of opportunities to create that value; employs innovation, ranging from outright invention to adapting someone’s else novelty, in creating and/or distributing social value; is willing to accept an above-average degree of risk in creating and disseminating social value and is unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture” (McLean and Peredo, 2006, p. XX).

The criterion of social aim creation is the one that most decisively discriminates between social and traditional entrepreneurs. It is important to underline the issues this criterion brings in distinguishing the two. By its own nature it is blurred, dynamic and subjective. In many cases it is extremely difficult to define the extent to which a certain aim is social or the extent to which that same aim is primary or secondary. Moreover reducing the differences between social and traditional entrepreneurs to just the motivation moving the venture is often overly simplistic (Martin and Osberg, 2007). Other aspects such as the value proposition in some cases are a better discriminant than the pursuit of financial profits (Martin and Osberg, 2007). Finally this definition is clearly “idealized”. Social entrepreneurs will fit the above mentioned criteria

in different ways and to different extents. The closer a person gets to satisfying all these conditions, the more the person will fit the ideal model of social entrepreneur (Dees, 1998). Despite these limitations the chosen definition and the criteria deriving from it allow, if carefully applied, to properly identify social entrepreneurs and their undertakings with relative precision.

It is also important to stress the relevant role innovation plays in the definition of social entrepreneur. Given the peculiar combination of objectives, motivations and constraints social entrepreneurs face, innovation becomes extremely relevant in their business model (Comini, Barki, Aguiar 2012). Disruptive innovation is necessary to provide the right product and services at an accessible price (Christensen, Baumann, Ruggles and Sadtler 2006).

Summing up, even though social entrepreneurship has been relatively deeply addressed as a field of study, there is no general agreement on a definition of the term. The approach followed has been to define what is meant by social by comparing the relevance of the social objective in the purpose of the venture and then combine this definition with that previously identified of entrepreneur. This allowed the set out a proper and complete definition of the concept of social entrepreneurship.

1.3.1 Social Entrepreneurship in Brazil

In order to build up this section of the paper a parallel will be drawn between social enterprises and social impact enterprises (Barki et al. 2013). Even though differences do exist between the two concepts, for the purpose of this paper they can be considered as synonyms. The data presented are the result of the first “Mapping of Businesses with Social Impact” (“Mapeamento de Negócios com Impacto Social no Brasil” in Portuguese) carried out in 2011 by Fundacao Avina, Potencia Ventures, Polo Ande Brasil and elaborated and implemented by the consulting firm Plano CDE. This data is presented in the book by Barki, Izzo, Torres and Aguiar “Negocios com Impacto Social no Brasil” (2013). In Brazil social undertakings are distributed according to population with 50% of them operating in the Southeast (42% in Sao Paulo). 50% of these businesses operate outside of their region of origin and 22% have national reach. Of

the entrepreneurs who founded these ventures, eight out of ten attended secondary education or graduate school and 78% had already opened a business before. Two thirds of these entrepreneurs developed their business model on their own while the remaining third have been helped by institutions (mainly universities) or copied business models which had already proven successful in other countries.

72% of the social undertakings in Brazil belong to the service sector and the rest to manufacturing. They mainly focus on education, microcredit and financial services, culture and distribution channels.

52% of these businesses were born in the last 5 years and 64% of them are already independent from donations while 86% can finance its day to day operations with its own resources. However only 46% of the social entrepreneurs have already reached the break-even point which highlights both the challenges of making social businesses sustainable and the opportunities present for investors.

The majority of these undertakings have individuals (74%), SMEs (60%) or large firms (48%) as their main customers. Only 26% attended NGOs or other non-profits.

As far as the generation of social impact is concerned 86% of the interviewed created social value by providing access to product and services and 82% by introducing poor people in the value chain. 68% of the businesses did both at the same time.

The overwhelming majority of the businesses are focused on serving people belonging to the Bottom of the Pyramid. To do so lowering costs is paramount and necessary. If the price at which these businesses sold were higher 22% of the customers will not be able to afford them. 40% of the businesses thus achieve lower costs through lower salaries, 32% through lower production costs, 30% through scale economies and 26% through different distribution channels. Very few however presented disruptive business models.

From the financial and growth side 56% of the entrepreneurs expect to get up to 5 million reais in investments (primarily equity). Investors on their side expect to make available an average of 1-2 million reais per investment. Even though the expectations of the two groups differ there

is still evidence that capital to be invested in successful business models is present and available. Investors offer different types of investments ranging from donations to seed capital and venture capital.

As far as the institutions supporting the development and growth of social enterprises are concerned, half of them are accelerators, 25% are incubators and 25% NGOs. However just one of them is focused solely on social enterprises highlighting a potential opportunity for future developments. The type of support these institutions give to social entrepreneurs comes in the form of trainings, workshops, courses, strategic consulting, technological support and network building. Generally speaking the environment of supporting institutions does not follow a structured pattern in terms of type, rules and length of the relationship with entrepreneurs. Moreover very few entrepreneurs and institutions had an interest in monitoring closely the social impact of their ventures.

Investors and institutions apply similar criteria when selecting a target venture. The potential to create social impact, the profile of the entrepreneur and of the management team and a structured business model are the main elements considered when taking a financing/selection decision.

Summing up the sector of social business in Brazil is still in a very early stage of development. There is still a lot of uncertainty in terms of industry structure and legal forms. This increases the level of complexity but at the same time leaves room for a large number of opportunities.

1.4 Social and traditional entrepreneurship comparison: what has been done and what is left

A large amount of literature has already been developed on the differences between social and traditional entrepreneurship. This is normal considering the importance the two concepts have in modern business environment and the very subtle line that divides them.

However this consistent body of literature has so far focused on the differences that can be found in the early stages of the ventures that is to say social motivation and mission,

opportunity definition, financial leverage, organization building and dealing with multiple stakeholders (Dorado,2006; Austin et al, 2006; Dees,1998, McMullen 2010) and on the differences in outcomes (Lumpkin, Moss and Short, 2009). These differences in outcome relate mainly to social value creation and sustainability and scalability of solutions (Lumpkin et al, 2009). Only a few paper have addressed the differences in process between the two classes of ventures (Perrini, Vurro and Costanzo. 2010; Lumpkin et al, 2009).

As far as early stage differences are concerned, it all starts with the motivation and mission of the venture (Austin, Stevenson and Wei-Skillern,2006). There are three main dimensions in which motivation and mission differentiate social and traditional ventures^[Eb11]. First of all in case of traditional ventures motivation tends to be self-focused (wealth accumulation and self-employment) while for social entrepreneurs the motivation is mainly other-focused or collective-focused (Austin et al.2006, Conger, 2012)). Secondly for social ventures the mission usually focuses on long standing societal problems such as hunger, poverty or health and thus a different type of research is needed to deal with them. This type of problems require less research to “find” them but a heavier amount of research to solve them given their complexity. In the case of traditional ventures broad and wide research is often necessary to identify a problem to solve Then, once it is identified the level of research necessary to understand all its complexities is lower. The type and of research is thus different in the two types of ventures (Clarkin et al, 2012). Finally social mission is usually perceived as more motivating than the traditional/commercial one (Campbell and Yeung, 1991; Drucker, 1985, p.89, Conger, 2012). It is important to consider that these differences are not black and white. There exists a selfish component in social ventures as well. The difference lies in the importance this component has in the mind of the entrepreneur.

With respect to opportunity definition the difference between social entrepreneurial opportunities (SEO) and traditional entrepreneurial opportunities (EO) is that every SEO solves a social problem. This distinction however proves often insignificant in practice. Often entrepreneurs starting a new venture do so for reasons that go beyond purely financial benefits

(independence, self-realization) and that are common to both social and traditional entrepreneurs (Hamilton, 2000). There is a larger difference in the relationship between entrepreneurs' previous background, the kind of opportunity they will identify and their rate of success (Shane and Khurana, 2003). In case of EO, traditional entrepreneurs tend to identify opportunities related to their previous background (Klepper, 2001). This does not necessarily hold true for SOE as it seems that the drivers of SEO identification are not related to the entrepreneur's background but to macro trend such as social activism, the ongoing reconceiving of people as clients instead and not as beneficiaries and the emergence of social investors (Hockerts,2006). In this context it is important to define what is meant by background. Previous professional or academic background tend not to influence the type of venture the entrepreneur takes part into. However other types of background such as personal tend to have an influence on the type of venture chosen.

The stage of leverage of financial resources has been carefully studied as well. Generally speaking there is agreement among scholars that given the right opportunity resources will follow (Kirzner, 1997) and that most ventures start with entrepreneurs' own capital (Aldrich, 2005). They then start requiring financial resources in the phase of growing and scaling up. Traditional financing criteria however rarely apply to young business venture mainly because it is extremely difficult to value a business at such an early stage. Scholars have shown that the two main drivers of financing are the profile of the entrepreneur (Lounsbury and Glynn, 2001) and the availability of local financial infrastructures (Stuart and Sorenson, 2003). The first does not represent a discriminating factor since traditional and social entrepreneurs share many common characteristics. However the second point implies a significant difference between the two categories insofar as the availability of financial infrastructures for traditional ventures is much higher than for social ones (Dorado, 2006). This is due mainly to the fact that the social sector is a relatively young and under significant development. The increased relevance of the field of social entrepreneurship has increased the number of financial infrastructures dedicated to Social Ventures. The difference in this sense is thus reducing (Barki et al, 2013). Another

significant difference on the financing side is that social entrepreneurs will, more often than not, have to rely on a mix of income, investment and donations to finance their business (Lumpkin et al, 2011). The mix of financing for traditional entrepreneurs will usually be more homogeneous (Salamon, 1987). This difference has however been reducing in the last years as more social ventures started to rely more and more on their own revenues and less on donations. Finally research shows that outside sources of financing are more central to the development of Social Ventures than to that of traditional ones. This is because of the relative asset poorness social ventures face and to the additional difficulty to break even. For this reason external financing becomes often the main issues for them (Dees and Dolby, 1991; Young et al, Social ventures will often have to deal with a wider of variety of external stakeholders (Low, 2006). If the setting is commercial investors, employees, suppliers and buyers will be the most influential stakeholders. Other groups such as citizens, government agencies or the community will be less relevant. In a social context commercial stakeholders will be extremely relevant but, at the same time, other stakeholders will start playing a major role. Communities and agencies will increase their involvement because of their direct interest in social issues, customers and beneficiaries will often become two separated categories (Kaplan, 2011) and other groups will start playing a role as owners of the business (users, local communities, governments) (Shaw and Carter's,2007).

Lastly organization building is related to both the process of venture formation and to employees recruiting. In terms of venture formation the legal forms available to a social as well as a traditional venture vary depending on the country. Generally speaking the more developed a legal framework the wider the range of types of enterprises available [Eb13]exclusively for the of social entrepreneurs. Often, however, the legal framework for traditional enterprises is much more developed thus forcing social ventures to “alter” their nature and register as traditional ones (Dees and Dolby, 1991). [Eb14]This last piece of evidence holds true in most developing countries but not as much in developed countries environments which tend to have equally

developed legal frameworks for both social and traditional businesses (Mezias and Fakhreddin, 2012).

People management can itself be divided into two phases: hiring and training and the shaping of a culture. Hiring is difficult for both categories of ventures since they face the competition of large enterprises offering more structured and safer career paths (Williamson, Cable and Aldrich, 2002). The leverage small startups have in this case is the trade-off between security and excitement and potential learning. This trade off may even be more present in the case of social enterprises. As far as the development of a culture is concerned usually hiring individuals with more things in common facilitates the formation of a culture. Given that people in social enterprises have a more heterogeneous background, creating a common shared culture may prove more challenging (Cooney, 2003).^[Eb15] This is counterbalanced by the stronger the social mission exercises on individuals working in social businesses thus enhancing their cohesion and effectiveness in the pursuit of such an objective (Conger, 2012).

The differences in the outcome of social ventures and entrepreneurial ventures have been carefully analyzed as well.

The first group of differences in outcome relates to social value creation that is to say the betterment of society as a whole. Economic value creation can appear together with social value creation but this has not necessarily to be the case. There are however three characteristics of social value creation that have strong implications on the difference between social and commercial ventures (Lumpkin et al 2011). First of all a large part of the social value created is a positive social externality and is thus difficult to capture and measure. This is a key difference between social and traditional enterprises. The latter focus on capturing the value they create while the former don't. This characteristic increases the likelihood of cooperation between social ventures (Lumpkin et al 2011). Secondly social value creation as a primary objective is still rare. There are thus less available precedents, best practices and experts (Lumpkin et al 2011). Finally measuring social value creation is extremely complex (Cho, 2006; Tool 1977). This is due to subjectivity, contingency and dynamicity of social value, the

difficulty of finding a metric to measure it and the inseparability of social value and social activity (Young, 2006). Progress are being made in this sense but the solution to the problem is still far (Yunus, 2010).

Long term sustainability of solutions to social problems introduced by social entrepreneurs is a key them in outcome-related literature (Dees, 1998). Two aspects are relevant to this issue: sustainability of activities from a resource perspective (Dees and Anderson, 2003) and institutionalization of solutions (Mair and Marti, 2006). Both imply that social businesses need to survive and operate without creating another social problem. They thus have to add an additional level of attention to issues related to possible failures leading to unemployment or environmental damages.

Finally, scalability is critical in the context of social entrepreneurship since the goal of social entrepreneurship is social change. Thus growth and scalability become central priorities (Austin et al.2006), even more necessary than in traditional ventures^[Eb16]. There are, however, exceptions to this rule. Represented, in particular, by social businesses operating in the European environment (Perrini and Vurro, 2012).

Generally speaking, however, the role scalability plays for traditional ventures is very different from the role it plays for social ventures. Traditional ventures need scale to become profitable and then eventually maximize profitability thanks to economies of scale and spreading of fixed costs. (Austin et al.2006). For social entrepreneurs scalability is instead the key to maximize social value creation. A scalable business model allows the spreading of the social benefits of the venture to a larger number of customers/users. The motivation of the ventures thus strongly influences the role scalability will play (Perrini et al.2010).

Summing up, as far as the early stage is concerned, the major differences identified by researchers so far fall in the difference in mission, the background of social and traditional entrepreneurs, the easiness, mix and importance of external financing, the variety of stakeholders and in some cases, to the legal form of enterprise. Both the financing and legal

sides are, however, strongly influenced by the external environment. On the outcome side there are significant differences in terms of value creation, sustainability and need for scalability.

As said there is an almost complete lack of literature comparing the two types of ventures in the way they bridge the gap between the early stage and the outcomes. There is thus a lack of analysis of the differences in process between the two classes of entrepreneurial venture. Few pieces of literature focus on the issue and they either focus on the pre-venture stages of the process (Haugh, 2007) or the launch of enterprises by marginal groups (Ram and Smallbone, 2003; Johnstone and Lionais, 2004).

It is especially worth mentioning the papers “Entrepreneurial processes in social contexts: how are they different, if at all?” by Lumpkin et al (2011) and “A process based view of social entrepreneurship: from opportunity identification to scaling up social change in the case of San Patrignano” by Perrini et al. (2010) since they are the ones that most closely approximates the scope of this paper.

Lumpkin et al (2011) use a theoretical inputs-throughputs-outputs framework to understand to what extent the antecedents and outcomes that make social entrepreneurship unique influence the entrepreneurial process. They assess the relationship of four antecedents and three outcomes with the dimensions of entrepreneurial orientation (innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy) (Lumpkin and Dees, 1996). The research finds out that many entrepreneurial processes remain essentially the same or are affected only slightly. The only differences are related to the presence of multiple stakeholders, access to resource/funding and achievement of sustainable solutions (Lumpkin et al, 2011).

Perrini et al (2010) instead carried out an in-depth longitudinal case study of the drug rehabilitation community of San Patrignano which allowed an understanding of the processes of a venture with a prominent social objective and a need of economic viability and sustainability. The paper identifies an evolutionary process in which the entrepreneurial venture passes through subsequent stages. Between each stage are present contextual and individual dimensions that determine the success of such a passage. Of interest in comparison

with this paper is the passage between the last two stages of the process (Opportunity exploitation and Opportunity scaling-up) and the intervening dimensions and how these vary between social and traditional entrepreneurs. The authors identify scalability as a crucial difference. For traditional entrepreneurs scalability is needed to remain competitive and maintain the first mover advantage while for social entrepreneurs scalability is necessary to allow the replication of the model and maximize social impact. As far as the intervening dimensions are concerned, the authors identified as paramount the ability to create a network (individual) and the existence of such a network (contextual). The type of network needed and the availability of such network clearly vary between social and traditional entrepreneurs. The challenges a social entrepreneur will face in identifying and building such a network will thus clearly differ from those a traditional entrepreneur will face.

All the results of the studies comparing social and traditional entrepreneurs are summarized in Table 2.

The two papers described above make an important step in analyzing the differences in process between traditional and social ventures. They however present limitations insofar as they are purely theoretical (Lumpkin et al) or based on a case study with thus limited statistical limitations (Perrini et al.). This does not diminish the importance of the papers in framing the issue and providing analytical accuracy. They can however be complemented by a work able to fill a gap between theory and practice and provide additional statistical evidence to the research.

		Traditional Entrepreneur	Social Entrepreneur
Early Stage	Motivation and Mission	Self-Focused	Other/Collective Focused
		Motivating	Highly Motivating
	Opportunity Definition	Related to Customer needs: harder to identify	Related to Lon Standing Societal Problems: Easier to identify
		Entrepreneur Background influences chosen opportunity	Entrepreneur Background does not

			influence chosen opportunity
		Any	Solving Social Problems
	Financial Resources	Variety of Financial Institutions and Options	Limited Financial Institutions and Options
		Homogeneous Financing	Mixed Financing
		Central but not vital	Vital for the survival of the venture
	Stakeholders	Closer, traditional ones	Wide array
	Organization Building	Wide range of legal forms available	Few legal forms available
		Homogeneous Background shapes common culture	Heterogeneous background complicates common culture
Process	Multiple Stakeholders	Narrower set to involve and satisfy	Wider set with different aims and requests
	Access to Funding	Larger number of financing options	Narrower number of financing options
		Easier to communicate achievement of results	Harder to communicate achievement of results
	Sustainability of Solutions	Scale Paramount to maintain first mover advantage	Scale Paramount to allow imitation, replication and maximization of social change
	Network	Wider array of potential network members	Limited number of potential network members
Outcome	Value Creation	Focus on creating and capturing value	Focus on creating social value
		Wide range of best practices, expertise and precedents	Limited amount of best practices, expertise and precedents
		Measurement of results is standardized common practice	Measurement is complex
	Long Term Sustainability of results	Failure is seen as a normal outcome	Failure is not acceptable: creates additional social problems
		Scalability relevant but not fundamental	Scalability is paramount
Source: Personal Elaboration			

Table 2
Social vs Traditional Entrepreneur comparison (literature review)

Source : Personal Elaboration based on the literature presented in the chapter

The purpose of this paper is to fill the above-identified gap by investigating the differences between social and traditional entrepreneurs in the growth phase of the business with a different methodology. This thus implies a shift in focus from the origins and missions of the ventures to the processes of entrepreneurial growth. By comparing the different growth challenges social and traditional entrepreneurs face this paper will shed light on the real (if any) process-related differences between the two classes of ventures. Some of the challenges this paper aims to test are a logical continuation of those social and traditional entrepreneurs face when starting the business while others are peculiar of the growth stage. This last group of challenges will be identified partly in the literature and partly through interviews to industry experts.

1.5 Challenges: literature review

As said entrepreneurial and social entrepreneurial literatures have already partially identified some of the challenges that entrepreneurs of the two classes are likely to face when growing their ventures. Some of them are considered by scholars as common while some others are peculiar of one of the two groups. Some others logically derive from the challenges the two classes of business faced in the earlier stages. The purpose of this section is to put together these findings in an organic and structured manner. The challenges classified here will join those identified by industry experts in the interview phase to form the questionnaire to be submitted to social and traditional entrepreneurs.

Various authors have identified as challenges the relationship the firm and the entrepreneur himself have with the market they serve. These challenges relate to the lack of space for growth (Lumpkin et al, 2011), the intensity of the competition (Lumpkin et al, 2011), the difficulty to understand market demand and trends (Lumpkin et al, 2011), the issues in building a relationship with customers (Austin et al, 2006; Barki et al., 2013, pp.88), the difficulty in finding the correct positioning (Churcill and Lewis, 1983), the need to maintain the first mover advantage and the fear of imitation by competitors (Churcill and Lewis, 1983) and the lack of

knowledge of specific segment of the market such as those at the bottom of the pyramid (Barki et al., 2013,pp.88).

Another group of scholars highlighted as challenges those related to the management of the firm. These include difficulty to innovate and implement innovation (Lumpkin et al, 2011), to maintain good relationships with internal stakeholders during the growth process of the firm (Lumpkin et al, 2011), to build a scalable and functioning business model (Perrini et al 2010; Barki et al., 2013,pp.89; McMullen, 2011) and to reach financial autonomy and the breakeven point (Lumpkin et al, 2011). Still related to the management of the firm are the challenges in hiring the right and qualified personnel (Dorado, 2006; Austin et al, 2006; McMullen, 2011), and measuring their performance and that of the firm (Austin et al, 2006). Measuring firm's performance includes in particular issues related to the measurement of social value creation (Dees, 1998). Finally an entrepreneur will face managerial and organizational challenges with respect to implementation of internal systems (Churchill&Lewis, 1983), planning (Churchill&Lewis, 1983) and the structuring of a suppliers' network (Churchill&Lewis, 1983). The following set of challenges relates instead to the abilities of the entrepreneur himself. The main challenge scholars pointed out is related to the inability of the entrepreneur to challenge the status quo and take the risks necessary for growth (Lumpkin et al, 2010) and the need to create a network favorable to the growth of the venture (Perrini et al, 2010; Austin et al, 2006). Other challenges the entrepreneur may face related to its own characteristics are the lack of ability to delegate and to maintain a long term focus on its objectives (Churchill and Lewis, 1983), the lack of knowledge of the BoP market (Barki et al., 2013,pp.89) and the inadequate capacitation, motivation and preparation of the entrepreneur (ibidem).

Finally the last group of challenges pointed out relate to the context the entrepreneur faces in the growth phase of the venture. Challenges of this type are the difficulty to obtain funding (Lumpkin at al, 2006; Austin et al, 2006), the difficulty to identify a support network (Barki et al., 2013,pp.89; Perrini et al, 2010), to identify the right partners (Barki et al., 2013,pp.89), to deal with multiple external stakeholders (Austin et al, 2006) and to deal with institutions

(Perrini et al, 2010; Austin et al 2006). The problems faced in dealing with institutions include bureaucracy, tax system and government.

The points identified above have been grouped in four macro sets (market-related, management/firm related, entrepreneur related and context related) are shown in Table 3 and represent a list of the main growth challenges scholars have identified. The list is, of course not exhaustive, since there are very specific challenges to particular situations and industries. However, although not including all the possible challenges in the spectrum of entrepreneurs, it nevertheless represents an appropriate tool to measure the difference in the process of growth between social and traditional entrepreneurs. To make this instrument even more robust it will be complemented by additional challenges identified by industry experts during a round of in depth qualitative interviews.

Cluster	Market Related	Management Related	Entrepreneur Related	Context Related
Challenges	Lack of space for growth	Innovate	Create a Network	Obtain Funding
	Competition	Implementing Innovation	Take Risks	Find a Support Network
	Market Trends and Demand	Dealing With Internal Stakeholders	Delegate	Find the right partners
	Market Positioning	Scalability of the Business Model	Maintain a Long Term Focus	Dealing with external stakeholders
	Customer Relationship	Financial Autonomy	Motivation	Dealing with institutions
	Competitors' Imitation	Reaching the Breakeven Point	Lack of Preparation	
	Maintain First Mover Advantage	Finding the right employess		
		Retaining Employees		
		Measuring Firm Performance		
		Measuring Social Value Creation		
	Creation of Internal Control Systems			

		Building a suppliers' network		
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Table 3

Growth Challenges: Literature Review

Source: personal elaboration based on the literature presented in the chapter

1.6 Growth Framework of a firm

Before proceeding to the explanation of the methodology of the research it is necessary to go through a final review of the literature on entrepreneurship. The purpose of this last review is to identify a framework delineating the different stages of growth of an entrepreneurial venture: to define what is exactly meant by “growing entrepreneurial venture”. The identified framework must allow, through objective criteria, to classify different ventures in different stages. This classification will in turn permit to identify the correct sample of entrepreneurial ventures to survey. This is a necessary step to make the sampling process consistent and the research results significant.

Entrepreneurial and firm growth literature has identified a variety of frameworks delineating the different stages of entrepreneurial growth. Categorizing the growth patterns of small businesses in a systematic way seems at first glance an impossible task. This is because small businesses vary widely in size, capacity for growth and characteristics. However it is possible to identify common problems that they face at similar stages of their development (Churchill and Lewis, 1983). Scholars have used different determinants to identify such stages. These include size of revenues, firm’s maturity, number of employees, managerial structure, role played by the owner/founder and different crisis the firm is facing (Mitra&Pingali, 1999). Firm size, growth and maturity have revealed to apply more properly to large businesses or to businesses that started at the same time in similar contexts (Jovanovich, 1982). They, in fact, don’t work well in classifying small business ventures for three major reasons. First they assume that a company must pass through all stages of development or die in the attempt. Second, the models based on these variables fail to capture the important early stages in a company’s origin and growth. Third, these frameworks characterize company size largely in terms of annual sales without taking into account other factors such as value-added, number of

locations or complexity of product line (Churchill and Lewis, 1983). Patel (1995) proposes thus a model based on identifying the dominant crisis type in order to classify the stage of development the venture finds itself into. The framework he proposes matches the dominant managerial problems the firm faces in its early years. He classifies ventures in four stages depending on the crises they are facing:

- Start-up crisis and cash crisis (usually in the first three years);
- Delegation and leadership crises (usually between the third and seventh year);
- Finance and prosperity crises (between seventh and tenth years);
- Management succession crises (ten years and onwards).

This model however falls short because of its implied linearity (Mitra&Pingali, 1999). It, in fact, implies that every crisis will appear after the precedent one is solved and the possibility of firms re-experiencing already experienced crises is ruled out. Similarly the possibility of external factors such as business cycles and exogenous turbulences to reopen precedent crises is ruled out (Mitra&Pingali, 1999).

Churchill and Lewis (1983) instead develop a framework based on literature and empirical research that better fits small business growth. They built on the works of Rostow (1960) and McGuire (1963) on economic development stages of companies, of Steinmetz (1969) on critical phases of business development, of Christensen and Scott (1964) on venture evolution and product line and market coverage growth and of Greiner (1972) on organizational revolutions that influence firms' growth.

The framework Churchill and Lewis developed delineates five stages of development. Each stage is characterized by an index of size, diversity and complexity and described by five management factors: managerial style (how directly manages and how much does he delegate), organizational structure (number of organizational layers and flatness of the pyramid), extent of formal systems (presence or not of system of planning, finance and control), major strategic goals and the owner's involvement in the business. Table 4 depicts the five stages and their characteristics.

	Stages of Small Business Growth					
	StageI Existence	StageII Survival	StageIII-D Success- Disengagement	StageIII-G Success- Growth	StageIV Take Off	StageV Resource Maturity
Management Style	Direct Supervision	Supervised Supervision	Functional	Functional	Divisional	Line&Staff
Organization	One Layer	Two Layers	Two Layers	Two Layers	Two Layers	Three + Layers
Formal Systems	Minimal to Nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major Strategy	Existence	Survival	Maintaining Profitable Status Quo	Get Resources for Growth	Growth	Return on Investment
Business & Owner	Complete Coincidence with Business > Owner	Complete Coincidence with Business = Owner	Partial Overlap with Business=Owner	Partial Overlap with Business > Owner	Partial Overlap with Business > Owner	Partial Overlap with Business >> Owner

Table 4
Stages of Small Business Growth
Source: Churchill and Lewis, 1983

For the purpose of this paper the firms interviewed will be those belonging to stage III-G, Success-Growth. In this stage the owner consolidates the company and collects resources for growth. He takes the cash and the established borrowing power of the company and risks it all in financing growth. In this stage the style of management is functional with still some extent of direct involvement in everyday decisions, the organization is still flat (2 layers), formal systems are starting to be developed and the strategy is to find financial, human and technical resources for growth. The owner will still be deeply involved in the business venture.

The above-mentioned characteristics will thus be used to define sampling criteria. The most evident weakness of this model is its age (1983). It can be argued that growth stages and processes might have changed in such a large time span. However this model proves to be extremely modern and apt to modern times. It has been used as a basic framework in a variety of modern articles studying small business development (Casillas and Francisco, 2013) and small business growth determinants (Gabrielsson and Gabrielsson, 2013). It is thus possible to confidently state that the framework outlined by Churchill and Lewis will properly serve the

purpose of this research and the criteria the authors identified will allow to select a sample coherent with the objective of the paper.

A thorough review of past literature has allowed to correctly this paper's potential relevance, methodology and theoretical basis. First a review of the term and concept of entrepreneurship has been carried out to correctly frame the concept of entrepreneur. The analysis of past scholar research on the issue has allowed to build up a definition of entrepreneurship as "the sources as well as the processes of discovery, evaluation and exploitation of opportunities, but also the set of individuals who discover, evaluate and exploit these opportunities" (Hitt, Ireland and Sexton, 2001). This analysis has been followed by the review of the domain of social entrepreneurship. A social entrepreneur has been defined as "a person who aims at creating social value, either exclusively or at least in a prominent way; shows a capacity to recognize and take advantage of opportunities to create that value; employs innovation, ranging from outright invention to adapting someone's else novelty, in creating and/or distributing social value; is willing to accept an above-average degree of risk in creating and disseminating social value and is unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture" (McLean and Peredo, 2006).

This definition allowed for a comparison between social and traditional entrepreneurs, carried out in the subsequent section. Similarities and differences between the two groups have been then highlighted and classified depending on the different stages of the venture-creation process. Such a comparison made possible to position this paper in the gaps left by already existing literature on the matter. After that, challenges entrepreneurs face while growing their business have been pointed out. These challenges, coupled with the proper framing of the growth stages of a venture will allow the structuring of a solid research methodology. The exact methodology used will be outlined in the following section.

2. Methodology

This section will go through the methodology used to answer the research question “*What are the challenges social and traditional entrepreneurs in Brazil face in the growth phase of their business? Are they the same or do they differ?*”

It will first explain the methodology itself going through the sequence of steps involved. Then it will depict the structuring of the questionnaire used and the sampling process. This will be followed by the analysis of the response rate and the effectiveness of the process. Finally the strengths and limitations will be outlined together with a description of how these limitations have been minimized.

2.1 Explaining the methodology

The methodology used by this study is a two-stage process. The final aim is to develop a questionnaire to be administered to a sample of social and traditional entrepreneurs.

In order to make the questionnaire suited to serve the purpose of this paper a two-stage approach has been followed. First a careful review has been carried out to identify the growth challenges scholars had previously identified and that could then be tested. Then, to increase the exhaustiveness of the spectrum of challenges a round of in-depth interviews has been carried out with industry experts to identify additional issues that had not been highlighted by the literature review. The two set of challenges identified have then be combined in the questionnaire as explained in section 2.2.2.

The questionnaire built in this way has then been administered to a sample of 145 social entrepreneurs and 286 traditional entrepreneurs. The sampling process is described in section 2.3.

2.2 Building the Questionnaire

The structuring of the questionnaire has been carried out in different steps. The first is related to the sampling confirmation while the second to the testing of the difference in challenges.

2.2.1 Sampling Confirmation

This section of the questionnaire has the purpose to test the integrity and coherence of the sample with the definition of growing business delineated in the literature review. The frame of reference will be that of Churchill and Lewis (1983). The questions have the objective to verify that the firm presents the characteristics of a Stage III-G venture (Success-Growth). The questions will thus be those outlined Appendix I.

2.2.2 Testing the challenges

The section of the questionnaire testing the difference in challenges has been built in three steps. First a review of literature has been carried out identifying challenges to test in the questionnaire. Then in depth interviews with industry experts have been conducted to make the list of challenges more exhaustive and finally the two sets of challenges have been combined to fit into the questionnaire.

2.2.2.1 In-depth interviews

The purpose of the round of in depth interviews was to complement the literature with a different point of view on the growth challenges entrepreneurs and social entrepreneurs face. Interviewing industry experts made possible to unveil practical challenges that previous research had not identified. This is especially true for challenges faced by social entrepreneurs given the newness of the field and its continuous evolution. Of course many of the challenges identified by industry experts overlap with those identified by the literature but nevertheless their contribution increased the exhaustiveness of the list of challenges and linked it to the reality entrepreneurs face in their everyday business.

The industry experts surveyed belonged to various institutions dealing with entrepreneurship on a regular basis. A total of fourteen professionals operating in Brazil [Eb17] has been three of which belonging to universities and academic institutions, two of them to small business accelerators, three to venture capital funds, three to social impact funds, one to an

association of entrepreneurs and two to the consulting industry (venture capital practice leaders). Among the institution the experts belonged to there are Universidade de Sao Paulo (USP), Endeavor, Pipa, Bain&Company, Fundaçao Getullio Vargas and Vox. The spectrum of institutions surveyed it thus quite wide both in terms of objectives (social vs commercial) and of role in the industry. This made possible to obtain a different and richer range of perspectives on the issue.

Every interview followed the same pattern. First the role of the expert interviewed and the nature of its interactions with entrepreneurs was investigated. Then the expert was asked what were in his opinion the main challenges social (or traditional, depending on the type of entrepreneurs he interacted with) entrepreneurs faced during the growth phases of their business. Finally the last question aimed at understanding whether in his/her opinion the challenges social entrepreneurs faced were different from those traditional entrepreneurs faced. This last question had the objective to understand whether a general agreement on the issue was already present in the industry.

2.2.2.2 Combining the challenges

The challenges identified during the round of in-depth interviews have then been combined with those highlighted by the literature review to build the second part of the questionnaire. The combined set of challenges is outlined in Table 5.

Growth Challenges: Literature Review & In-depth Interviews				
Cluster	Market Related	Management Related	Entrepreneur Related	Context Related
Challenges	Lack of space for growth	Innovate	Create a Network	Obtain Funding
	Competition	Implementing Innovation	Take Risks	Find a Support Network
	Market Trends and Demand	Dealing With Internal Stakeholders	Delegate	Find the right partners
	Market Positioning	Scalability of the Business Model	Maintain a Long Term Focus	Dealing with external stakeholders

	Customer Relationship	Financial Autonomy	Motivation	Dealing with institutions
	Competitors' Imitation	Reaching the Breakeven Point	Lack of Preparation	<i>Taxation (I)</i>
	Maintain First Mover Advantage	Finding the right employees	<i>Lack of Financial Knowledge (I)</i>	<i>Bureaucracy (I)</i>
	<i>Customers' Understanding of the Product/Service (I)</i>	Retaining Employees	<i>Lack of Entrepreneurial Spirit (I)</i>	<i>Corruption (I)</i>
		Measuring Firm Performance	<i>Lack of Empathy with the market (I)</i>	<i>Complex Regulations (I)</i>
		Measuring Social Value Creation		<i>Lack of Supporting Institutions (I)</i>
		Creation of Internal Control Systems		
		Building a suppliers' network		
		<i>Building effective teams (I)</i>		
		<i>Create an organizational culture (I)</i>		

Table 5
Challenges Identified through Personal Interviews (I) and Literature Review
Source: Personal Elaboration based on In-Depth Interviews and Literature Review

The entrepreneur surveyed will then be asked to grade the different challenges on a likert scale ranging from 1 to 5 in which 1 is associated with an insignificant challenge and 5 with a very significant one. The second part of the questionnaire is shown in Appendix I. Some of the challenges highlighted above have been combined in the questionnaire to reduce its length, minimize the risk of misunderstanding and increase the chances of a reply. In particular the challenges of “Market Trends and Demand” and “Maintain first Mover Advantage” have been combined with “Market Positioning”, “Competition” with “Competitors Imitation”, “Financial Autonomy” with “reaching the Breakeven Point”, “Retaining Employees” with “Finding the Right Employees” and “Lack of Entrepreneurial Spirit” with “Motivation”. Finally “Dealing with Institutions” and “Complex Regulations” have been combined with “Bureaucracy”.

2.3 Sampling

The aim of the sampling process has been to build two comparable sets of traditional and social entrepreneurs on which it has been possible to test the research question. In selecting the entrepreneurs to be surveyed criteria have been applied to match the classification of Stage III-G (Success-Growth) outlined by Churchill and Lewis (1983). Entrepreneurial ventures in an already later stage of development have been identified matching the management style, organizational, formalization and strategic criteria already previously defined.

The identification of a larger enough sample of entrepreneurs has been made possible thanks to the support of various institutions such as Venture Capital Funds, Accelerators, Social Impact Funds and Chambers of Commerce which provided access to their database of entrepreneurs. Given the nature and high profile of these institutions the entrepreneurs surveyed presented an already higher than average profile. Moreover the institutions themselves were able to apply filters that ensured the matching of the characteristics of the entrepreneurial ventures with the criteria used by this paper.

This approach was complemented by a “snowball sampling” (Malhotra, 2012). This is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. For this reason the sample group appears to grow like a rolling snowball. This sampling technique is used to access populations which are difficult to reach such as entrepreneurs, especially social ones. One could argue that snowball samples are subject to numerous biases. However first of all it is only a complement of the sample methodology and second it is extremely adequate to an environment such as that of social entrepreneurs in which, as an industry expert suggested, “given the newness of the sector everyone knows everyone”.

To ensure the consistency of the sampling process three final double checks were carried out. The first was to ensure the division between social and traditional entrepreneurs according to the definition identified in the literature review. The second was a question verifying the number of employees in the venture to exclude those that are to be considered too small to be

sampled. Finally the third was carried out by the questionnaire itself in actually ensuring the match of the venture characteristics with the sampling criteria.

In the end 431 ventures were selected for sampling, 145 can be considered social and 286 can be considered traditional.

As far as the sampling distribution is concerned 20% of the ventures were based in the South 55% in the Southeast, Brasil, 10% in the Center and 15% in the North East. No venture was base din the North. As far as the industry sector of operation is concerned the distribution is fairly even.

It is important to mention that the actual number of entrepreneurs reached is far larger than the one mentioned above thanks to the “Snowball sampling” which allowed the multiplication of the number of contacts thanks to each entrepreneurs’ network.

The entrepreneurs were contacted in two rounds. The first round was an e-mail containing the link to the digital questionnaire. In case a response had not been received within three weeks a phone call was carried out when possible to directly ask the entrepreneur to fill the questionnaire. A follow up e-mail was immediately sent.

2.4 Response Rate Analysis

The questionnaire was extremely successful. 217 entrepreneurs filled out the questionnaire. Of these 78 could be considered Social while 139 could be considered traditional.

Summing up, the methodology chosen involved two successive steps. The first one was a round of in depth interviews which aimed at complementing the literature review in the definition of a set of challenges to be tested in a questionnaire. The questionnaire developed through this two-stage methodology was then administered to 431 entrepreneurs (145 Social and 286 traditional). This number was then amplified thanks to Snowball Sampling. 217 filled questionnaires were collected (78 social and 139 traditional) an n large enough to test the research question. This methodology presented various strengths. On the level of structuring the questionnaire it made possible to link theory with practice since it crossed the evidence and

theories coming from the academic world with those coming from the everyday reality of entrepreneurs. Secondly it complemented the academic view with the view of industry experts thus making the range of challenges identified more solid and exhaustive.

On the level of the sampling process the pre-filter applied by the institutions that helped in carrying out the sampling ensured a high quality of the sample together with a high response rate. Moreover the rigorousness of the sampling process and the numerous checks present ensured the testing of the differences on a comparable set of entrepreneurs. Of course this methodology is not exempt from limitations which will be addressed in section 4.2.

3. Data Analysis

This section will first analyze and interpret the replies received during the in depth interviews. It will then shift the focus on the analysis of the questionnaire. The results will be first illustrated in a descriptive manner and then interpreted in light of the theory and previous literature.

3.1 In Depth Interviews^[Eb18]

The in depth interviews carried out with industry experts revealed precious insights that allowed to fill the gaps left by literature in the identification of the challenges and to improve the depth and effectiveness of the questionnaire. Moreover they helped in building a qualitative and Brazil-centered perspective on the challenges entrepreneurs face.

The answers to the questions aimed at understanding whether, in the opinion of experts, social and traditional entrepreneurs were facing the same challenges highlighted the importance of this paper in answering its research questions. The responses received were in fact, quite diverse. Three experts replied that traditional entrepreneurs had to face a wider set of challenges with respect to social entrepreneurs mainly due to the major competition they face and the higher level of saturation of the market. By quoting one of them “*Traditional entrepreneurs tend to operate in market segments which have been existing for some time and in which competition is more established. They thus face greater challenges*”. Six of them replied that two groups were facing the exact same challenges. The remaining six answered that social entrepreneurs were facing additional challenges related to additional stakeholders to satisfy, scarcity of funding and newness of the field. One of them stated “*Social Entrepreneurs do not only have to compete with social entrepreneurs. They often fight in the same arena with traditional entrepreneurs and established institutions*”. These results highlight the relevance this paper has in trying to bring an agreement on the issue.

As far as the challenges identified by experts are concerned they can be grouped by the same criterion used for challenges identified in the literature (market related, management related, entrepreneur related and context related). This also facilitated the combination of the two sets.

As far as the challenges related to the market are concerned experts highlighted as main challenges the difficulty to sell a new concept to the customers, especially in the case of a social business in which the customer might have to pay more for a product because of its positive social externalities and the lack of market knowledge especially as far as Bottom of the Pyramid markets are concerned.

With respect to managerial and organizational challenges experts highlighted the difficulty to attract and maintain human capital and talent and to combine this talent effectively in a team. Additional challenges belonging to this group are the difficulty to find disruptive innovations, structure the business model in a scalable way, the length of the return curve, the difficulty to reach the breakeven point and to measure the social impact of the business. In particular measuring social impact has been highlighted as an important issue by various experts. *“If an individual is not able to measure the results of his actions then he cannot demonstrate if he is being successful or not and thus he will have huge problems to attract the necessary funding”*, said one of them.

Concerning the individual capabilities of the entrepreneur, experts identify as problems the lack of financial knowledge, the lack of entrepreneurial spirit and culture, the inability to take risks and leave the comfort zone and the lack of experience and empathy with the market they are serving.

Finally concerning the contextual challenges experts identified issues related to overly complex taxation, difficulty to find capital, excessively high interest rates, slow and complex bureaucracy, corruption, youth of the sector and thus lack of the necessary institutions and regulations, lack of an entrepreneurial ecosystem (difficulty to find the elements to find a successful network) and difficulty to find the right partners to grow.

Industry experts thus did not show a consensus on whether the challenges social and traditional entrepreneurs faced were similar or different. They however introduced new categories of challenges not highlighted by previous literature. Their contribution was thus fundamental to

underline how controversial the issue is and to complement the questionnaire with new, previously hidden, challenges.

3.2 Questionnaire

3.2.1 Description of results and Statistical analysis

The description and analysis of the questionnaire’s results will proceed according to the following pattern.

This section will start with a pure description of the results. This will include the filtering and categorization of the replies and the ranking of the challenges according to their relevance.

Then a statistical analysis will follow. This section includes a test of the significance of the difference between the two groups’ scores (to answer the research question) and a factor analysis followed by a linear regression (for exploratory purposes).

3.2.1.1. Description of results

217 entrepreneurs filled out the questionnaire. 78 of them were social and 139 traditional. Of these 217, 195 matched the sampling criteria identified in section 2.6. Of the 22 that had to be discarded 6 did not match the management style criterion, 8 did not match the organization criterion, 6 did not match the formal system criterion, 8 did not match the strategy criterion and 4 did not match the business and owner criterion. 10 of the 22 entrepreneurs were not matching various criteria at the same time.

Of the 195 entrepreneurs left 64 could be considered social and 131 traditional.

The geographical distribution of the entrepreneurs followed the distribution of the Brazilian economy. About 20% of the respondents came from the South, 55% from the Southeast, 10% from the Center and 15% from the North-East. The distribution was approximately the same for both Social and Traditional entrepreneurs. [Eb19]

	Social	Traditional	Total
S	13	26	39
SE	34	72	106

Center	6	13	19
NE	11	20	31
N	0	0	0

Table 6
Region of operation of surveyed entrepreneurs
Source: Questionnaire

As far as the industries represented are concerned traditional entrepreneurs belonged mainly to Information Communication Technology, Marketing and Communication, Retail, Entertainment, Finance and Consulting while social Entrepreneurs belonged to ITC, Marketing and Communication, Retail, Education, Services and Healthcare. Four of them were NGOs. Other industries represented among the two categories were Real Estate, Chemicals, HR and Recruiting, Security, Logistics, Agriculture, Automotive, Energy, Fitness and Wellness, Food and Beverage, Import-Export, Printing and Mining. The full results are illustrated in Table 7 below.

Industry	Number of Social Entrepreneurs	Number of Traditional Entrepreneurs	Total
ITC	5	34	39
Marketing and Communication	4	18	22
Retail	8	12	20
Education	11	5	16
Services	5	4	9
Healthcare	8	2	10
Entertainment	1	8	9
Finance	2	5	7
Consulting	1	5	6
Real Estate	3	3	6
Chemicals	3	2	5
NGOs	6	0	6
HR+Recruiting	2	2	4
Security	2	2	4
Logistics	0	3	3
Others	3	26	29

Table 7
Industry of operation of surveyed entrepreneurs.
Source: Questionnaire

As far as the number of employees is concerned the ventures had an average of 26 employees. 8 had more than 100 employees, 7 between 50 and 100, 14 between 25 and 50, 46 between 10 and 25 and the rest less than 15 employees. The average size of social and traditional ventures was very similar. [Eb20]

#Of Employees	Social	Traditional	Total
<15	42	78	120
10-25	19	27	46
25-50	5	9	14
50-100	2	5	7
>100	3	5	8
Total	64	131	195

Table 8
Number of Employees per venture surveyed
Source: Questionnaire

Given this general picture the challenges have been ranked based on the average score given by the two classes of entrepreneurs. The higher the score received the more relevant the challenge. The rank for the two classes is showed in Table 9 below.

Rank	Social	Traditional
1	Bureaucracy	Taxation
2	Building Effective Teams	Bureaucracy
3	Reaching the Breakeven Point	Finding the Right Employees
4	Finding the Right Employees	Reaching the Breakeven Point
5	Measuring Firm Performance	Building Effective Teams
6	Creation of Internal Control Systems	Find the Right Partners
7	Obtaining Funds	Market Positioning
8	Measuring Social Value Creation	Obtaining Funds
9	Taxation	Inability to Delegate
10	Create an Organizational Culture	Customer Understanding of Product and Service
11	Inability to Delegate	Create an Organizational Culture
12	Find the Right Partners	Creation of Internal Control Systems
13	Market Positioning	Measuring Firm Performance
14	Customer Understanding of Product and Service	Dealing With Internal Stakeholders
15	Dealing With Internal Stakeholders	Measuring Social Value Creation
16	Lack of Supporting Institutions	Create a Network

17	Corruption	External Stakeholders
18	Lack of Economic and Managerial Knowledge	Lack of Supporting Network
19	Create a Network	Maintain a Long Term Focus
20	External Stakeholders	Lack of Supporting Institutions
21	Maintain a Long Term Focus	Building Suppliers' Network
22	Building Suppliers' Network	Corruption
23	Lack of Empathy with the market	Scalability of the Business Model
24	Implementing Innovation	Lack of Economic and Managerial Knowledge
25	Lack of Financial Knowledge	Lack of Empathy with the market
26	Lack of Supporting Network	Lack of Financial Knowledge
27	Scalability of the Business Model	Competitors' Imitation
28	Not Able to take Risks	Implementing Innovation
29	Competitors' Imitation	Not Able to take Risks
30	Keeping Customers	Lack of Motivation
31	Lack of Market Space for Growth	Lack of Market Space for Growth
32	Innovate	Keeping Customers
33	Lack of Motivation	Innovate

Table 9

Ranking [Eb21][VG22] of the challenges faced by social and traditional entrepreneurs

Source: Questionnaire

3.2.1.2 Statistical Analysis

3.2.1.2.1 Z-Test for the difference of the means

The following step of the analysis was a z-test for the significance of the difference between the mean scores for each question across the two entrepreneurs' groups (Social and Traditional). The results of the test are illustrated in Table 10 below.

Challenge	Difference of the means (Social-Traditional)	Z-Score	Significant at 90%	Significant at 95%
Bureaucracy	-0,03245	0,868829	no	no
Building Effective Teams	0,251614	0,167553	no	no
Reaching the Breakeven Point	0,067108	0,727458	no	no
Finding the Right Employees	-0,09676	0,609493	no	no
Measuring Firm Performance	0,342565	0,052779	yes	no
Creation of Internal Control Systems	0,312946	0,083047	yes	no
Obtaining Funds	0,130322	0,525599	no	no
Measuring Social Value Creation	0,385661	0,027862	yes	yes
Taxation	-0,65741	0,00123	yes	yes
Create an Organizational Culture	0,175926	0,335442	no	no
Inability to Delegate	0,121841	0,53679	no	no
Find the Right Partners	-0,184	0,289301	no	no
Market Positioning	-0,06481	0,73053	no	no

Customer Understanding of Product and Service	-0,00153	0,99359	no	no
Dealing With Internal Stakeholders	-0,05776	0,75156	no	no
Lack of Supporting Institutions	0,210826	0,149979	no	no
Corruption	0,194444	0,31432	no	no
Lack of Economic and Managerial Knowledge	0,200104	0,281823	no	no
Create a Network	-0,02925	0,86673	no	no
External Stakeholders	-0,05556	0,734504	no	no
Maintain a Long Term Focus	-0,00425	0,981751	no	no
Building Suppliers' Network	0,074598	0,675059	no	no
Lack of Empathy with the market	0,16072	0,358106	no	no
Implementing Innovation	0,302929	0,069061	yes	no
Lack of Financial Knowledge	0,141182	0,422545	no	no
Lack of Supporting Network	-0,22613	0,250014	no	no
Scalability of the Business Model	-0,24303	0,208903	no	no
Not Able to take Risks	0,12037	0,453053	no	no
Competitors' Imitation	-0,13889	0,377884	no	no
Keeping Customers	0,239382	0,131859	no	no
Lack of Market Space for Growth	0,158456	0,328673	no	no
Innovate	0,24144	0,122333	no	no
Lack of Motivation	-0,32381	0,036163	yes	yes

Table 10

Statistical Analysis

Source: Questionnaire

Generally speaking very few significant differences exist. The only challenges in which the difference is significant at the 95% confidence level are Lack of Motivation, Measuring Social Value Creation and Taxation. At the 90% confidence level Implementing Innovation, Measuring Firm Performance and Creating Internal Control Systems are also significant. The qualitative reasons behind these differences will be outlined in paragraph 3.2.2.

3.2.1.2.2 Exploratory analysis

Given the quality and quantity of the data available it has been decided to carry out an additional step of exploratory analysis that extends the answer to the research question. Such analysis will be structured as a factor analysis, which will aim at reducing the challenges entrepreneurs face to a lower number of significant factors. These factors will then be used as variables in a linear regression which will test the relationship between such factors and social or traditional entrepreneurs respectively. Being a social or traditional entrepreneur will be used as a dependent variable while the factors obtained will be the independent ones. If the difference in

coefficients were to be statistically significant it would be possible to affirm that social and traditional entrepreneurs differ in the relevance given to that particular set of challenges.

The analysis started with 33 variables.

The first step of the factor analysis was the testing of the correlations among the variables, which represent the different challenges. It was then followed by the elimination of the less significant ones. All correlations were considered satisfactory to carry out a meaningful factor analysis. No variables were eliminated at this stage.

The following step was the extraction. This step required several iterations to refine the results obtained. Factors were extracted based on easiness of interpretation and statistical significance.

The extraction method used was the Principal Components Analysis. The analysis resulted in very satisfactory communalities. Only one variable showed a level of communality lower than 0.4.^[Eb23]

Variable	Initial	Extraction
Understanding of Market and Customers	1	0,657
Lack of Market Space	1	0,546
Customers' Understanding of Product and Services	1	0,583
Competitors Imitation	1	0,592
Market Positioning	1	0,586
Competition	1	0,483
Scalability of Business Model	1	0,527
Finding Right Suppliers	1	0,487
Dealing with Internal Stakeholders	1	0,582
Measuring Social Value Creation	1	0,316
Finding the Right Employees	1	0,679
Creating effective teams	1	0,703
Reaching the Breakeven point	1	0,499
Innovate	1	0,649
Implementing Innovation	1	0,614
Measuring firms' performance	1	0,691
Creating an organizational culture	1	0,645
Creating internal control systems	1	0,641
Lack of managerial Knowledge	1	0,605
Lack of Motivation	1	0,453
Inability to take risks	1	0,577
Inability to delegate	1	0,551
Build a supporting network	1	0,569

Focus on long term objectives	1	0,545
Lack of financial knowledge	1	0,594
Bureaucracy	1	0,688
Lack of supporting institutions	1	0,639
Corruption	1	0,596
Find th eright partners	1	0,547
Taxation	1	0,687
Find a supporting network	1	0,725
Dealing with external stakeholders	1	0,691
Obtain funds	1	0,551

Table 11

Communalities

Source: Questionnaire

Other tests were carried out to test the adequacy of the analysis. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy resulted in a score of 0.814 ad the Bartlett's Test of Sphericity resulted in a p-value lower than 0.01. Both results encouraged in carrying out the additional steps of the analysis.

The extraction was carried out and the cumulative variance explained, together with the eigenvalues of the factors is represented in Table 12 below.

Components	Eigenvalues	% of Variance	Cumulative %	Components	Eigenvalues	% of Variance	Cumulative %
1	8,042	24,369	24,369	18	0,608	1,841	83,733
2	2,359	7,148	31,517	19	0,558	1,691	85,424
3	1,917	5,809	37,326	20	0,542	1,643	87,067
4	1,697	5,141	42,467	21	0,477	1,446	88,513
5	1,671	5,064	47,531	22	0,441	1,336	89,850
6	1,381	4,184	51,715	23	0,401	1,216	91,065
7	1,231	3,730	55,445	24	0,383	1,160	92,225
8	1,201	3,640	59,085	25	0,380	1,152	93,378
9	1,080	3,272	62,357	26	0,350	1,060	94,438
10	1,068	3,235	65,592	27	0,327	0,992	95,430
11	0,957	2,899	68,491	28	0,313	0,950	96,379
12	0,902	2,735	71,226	29	0,287	0,869	97,248
13	0,787	2,384	73,610	30	0,267	0,808	98,056
14	0,770	2,335	75,945	31	0,238	0,720	98,776
15	0,677	2,051	77,996	32	0,218	0,662	99,438
16	0,658	1,994	79,990	33	0,185	0,562	100,000
17	0,628	1,902	81,892				

Table 12

Eigenvalues and variance explained

Source: Questionnaire

The values outlined above together with several iteration to facilitate interpretation led to choose a solution presenting an extraction of five factors. The solution identified was then rotated with the Varimax Method with Kaiser Normalization. The rotated solution with respective factor loadings is outlined in Table 13 below. Factors with loading lower than 0.4 have been excluded from the analysis.

Challenge	Factor				
	Internal Issues	Market Issues	Context	Human Resources	Networking
Not Able to Take Risks	0,685602				
Innovate	0,590836				
Scalability of the Business Model	0,587917				
Maintain a Long Term Focus	0,558634				
Lack of Motivation	0,55253				
Creation of Internal Control Systems	0,521616				
Reaching the Breakeven point	0,520816				
Implementing Innovation	0,504263				
Lack of Managerial Knowledge	0,480799				
Measuring Firm Performance	0,464594				
Measuring Social Value Creation	0,430954				
Lack of Empathy with the Market		0,756087			
Market Positioning		0,693077			
Customers' Understanding of Product and Services		0,672078			
Competition		0,592394			
Lack of Market Space for Growth		0,443273			
Competitors' Imitation		0,584226			
Bureaucracy			0,658861		
Taxation			0,623486		
Lack of Supporting Institutions			0,618153		
External Stakeholders			0,581387		
Corruption			0,504391		
Lack of Financial Knowledge			0,45353		
Building Effective Teams				0,725515	
Finding the Right Employees				0,704431	
Inability to Delegate				0,627913	
Create an Organizational Culture				0,505804	
Find a Supporting Network					0,661326
Build a Supporting Network					0,613234

Find the Right partners					0,514404
Building Suppliers' Network					0,418722

Table 13

Rotated Component Matrix

Source: Questionnaire

The factors obtained have then been transformed into variables using a Factor Score method.

The obtained variables have been used as independent variables in the regression analysis.

The regression analysis included as a dependent variable a dummy distinguishing between social and traditional entrepreneurs (0=social, 1=traditional). The independent variables were the five factors constructed during the previous analysis. The size of the ventures in terms of number of employees was inserted as a control variable. The results of the regression and the ANOVA are summarized in Table 14 and 15 below.

	Unstandardized Coefficients		Standardized Coefficients	t	Significance
Variable	Beta	Std. Error	Beta		
(Constant)	0,681	0,037		18,231	2,35E-42
Internal Issues	-0,023	0,036	-0,048	-0,626	0,532
Market Issues	-0,035	0,036	-0,074	-0,955	0,341
Context	0,015	0,036	0,033	0,427	0,670
Human Resources	-0,028	0,036	-0,059	-0,772	0,441
Networking	0,061	0,036	0,128	1,678	0,095
Size	0,000	0,000	-0,093	-1,202	0,231

Table 14

Regression Coefficients

Source: Questionnaire

	Sum of Squares	Degrees of Freedom	Mean Square	F	Significance
Regression	1,396	6	0,233	1,046	,398 b
Residual	36,714	165	0,223		
Total	38,11047	171			

a. Dependent Variable: Tipo Empleado Dummy

b. Predictors: (Constant), Internal Issues, Market Issues, Context, Human Resources, Networking

Table 15

Anova

Source: Questionnaire

3.2.2 Interpretation of Results

The interpretation of the results will be based on the analysis illustrated in the previous paragraphs. Given the relationship between the rankings and the difference in relevance of each challenge the two aspects will be interpreted together to obtain stronger and more organic results.

The first challenge to be analyzed is taxation. It represents the biggest challenge for traditional entrepreneurs and the ninth biggest challenge for social entrepreneurs. The difference in the relevance of taxation is significant at 95%. However this difference is misleading. The lower relevance of taxation in the minds of social entrepreneurs is due to the fact that, of the social entrepreneurs surveyed, six were NGOs. NGOs, because of their legal status are relieved from taxation issues and thus social entrepreneurs owning NGOs classified taxation as an almost irrelevant challenge. Once this effect is expurgated taxation becomes the most relevant challenge for social entrepreneurs as well and the difference is not significant at the 90% level. Thus taxation and bureaucracy represent the two biggest challenges for both classes of entrepreneurs. The importance of these challenges had already been highlighted by Austin et al. (2006) and Sahlman (1999) who identified them as two elements of the context in which entrepreneurs operate which can heavily influence firm performance. They put these two elements at the same level with others such as the macroeconomy and the sociopolitical environment. In the case of Brazil these two factors become even more relevant (GEM, 2013). The heavy and complicated taxation system, together with the slow and complex bureaucratic apparatus are cited as two of the most important factors hindering firms' growth in Brazil (GEM, 2013). Austin et al (2006) already predicted that these two challenges would have a similar relevance for the two classes of entrepreneurs given that the taxation system and the bureaucratic apparatus do not differ for the two ventures' types. The research confirmed this prediction. Due the nature of these challenges, their relevance is very country-specific and thus may vary depending on the country taken into consideration.

Building effective teams enters among the five most relevant challenges for both classes of entrepreneurs. This challenge had not been identified in previous literature but was brought

into the surface by one of the industry experts interviewed. He pointed out that “*often entrepreneurs have problems in creating and managing teams working in an effective way. This is probably due to their lack of experience in managing people*”. (Source: Personal Interviews). Moreover the fact that this challenge has more relevance for social than for traditional entrepreneurs may be linked to the fact that usually employees in social ventures have more diverse backgrounds and are thus more difficult to integrate effectively (Cooney, 2003). However this difference in relevance is not statistically significant.

Reaching the Breakeven Points and Financial Sustainability is another challenge entering among the five most relevant for both entrepreneurs. Lumpkin et al (2011) anticipate this challenge as having a different importance in the eyes of social and traditional entrepreneurs. This is due to the difference in the primary objective of the two classes of entrepreneurs. For the traditional entrepreneurs the key aim is the creation of financial value while for social entrepreneurs the creation of financial value is subordinated to that of social value. This suggests that traditional entrepreneurs should be operating a business model whose primary aim is reaching profitability while social entrepreneurs operate one whose primary aim is social value creation. Reaching the breakeven point should then be both more challenging and less relevant for social entrepreneurs given that it represents a secondary aim (Lumpkin et al, 2011). This prediction is, however, contradicted by the research, which shows that both classes of entrepreneurs find reaching the breakeven point very challenging. This might be motivated by the fact that the financial objective, even though secondary, is essential for the survival of the social business and thus becomes a priority for the social entrepreneur while building its business model. The consequence of this is the development of a social business, which is as efficient as the traditional ones in reaching financial sustainability. Nevertheless it is very important to notice that reaching financial autonomy is still one of the biggest challenges entrepreneurs face. This highlights how challenging is to actually build a profitable venture. Finding the right employees is, in descending order of importance, the following challenge for both classes of entrepreneurs. This was identified as a challenge by Dorado (2006), Austin et

al (2006) and McMullen (2011). Dorado (2006) in particular states that finding the right human capital represents a bigger challenge for social rather than traditional entrepreneurs. This statement is based on the underlying finding that social business cannot offer a compensation package (salary, stock options) able to compete with the one traditional ventures can offer (Oster, 1995). Moreover social businesses often rely on volunteers, which are in many cases difficult to find (especially for managerial or more skilled positions) (Oster, 1995). The finding of this paper contradicts Dorado's prediction by showing that the challenge has the same relevance for the two classes of entrepreneurs. A possible underlying reason is that the intrinsic benefit employees of social businesses receive in creating social value makes up for the difference in monetary compensation.

Measuring firm performance and social value creation are two challenges with different importance for social and traditional entrepreneurs (90% and 95% significance respectively). Both challenges are more relevant for social rather than traditional entrepreneurs. This result is aligned with past research and academic literature. The measurement of social value creation represents a central issue for social businesses (Barki et al., 2013). Being able to quantify social value created is fundamental in order to measure the success of the venture (Dees, 1998). Doing so however is not easy or immediate given that no reliable and universally accepted measure of social value creation is yet available (Barki et al., 2013). This difficulty in measuring social value is inherently related to the difficulty in measuring firm performances since social value is, for social entrepreneurs, the main indicator of their firms' success (Barki et al., 2013). It is important to underline that, for traditional entrepreneurs, the measurement of social value lies in the top 50% of the challenges. This shows that even traditional entrepreneurs are worried with the measurement of the social value created by their ventures. This trend is likely to increase in the future (Barki et al., 2013).

The creation of internal control systems represents another challenge in whose perception the two classes of entrepreneurs differ. This challenge was highlighted by Churchill & Lewis (1983)

and the two authors do not point out any difference in relevance for the two classes of entrepreneurs. The results of the questionnaire however contradict this statement.

Obtaining funds is another relevant challenge for the two groups of entrepreneurs. Both Lumpkin et al (2010) and Austin et al (2006) highlight this challenge and state it represents a bigger issue for social rather than traditional entrepreneurs. Austin et al (2006) motivates this statement by affirming that even though the financial resources the two type of ventures need are similar social entrepreneurs are often faced with more constraints. They have fewer financial institutions, instruments and resources available and more rigidities in terms of where and how to look for funding. Lumpkin et al (2010) add to these points that external funding is often more important for social rather than traditional ventures because of their relatively lower profitability and that, being often in form of donations, capital going to social ventures is more volatile and subject to external shocks. The results of the research however go against these theoretical predictions by showing that social and traditional entrepreneurs face the same challenges in terms of obtaining funds.

Now that the main challenges and their differences have been highlighted the focus will shift to the analysis of the least relevant challenges in the mind of entrepreneurs.

Lack of motivation represents the least relevant challenge for social entrepreneurs while it is significantly more relevant for traditional entrepreneurs (it still, however, belongs to the lowest quartile in terms of importance). The issue of motivation is brought up in Barki et al., (2013) as a personal challenge each entrepreneur faces. The difference shown in the questionnaire can be attributed to the very nature of the social business. Being a social entrepreneur requires an additional drive and objective and thus a stronger motivation (Barki et al., 2013). It is thus not surprising that this challenge presents a different relevance for the two sample groups.

The ability to innovate represents one of the least relevant challenges for both classes of entrepreneurs. Lumpkin et al (2011) affirm that being innovative is one of the key characteristics of any entrepreneur. They however add that it is even more vital for social entrepreneurs. This is due to the need of creating business models able to create both social and

financial value, to the even more limited at disposal of the social entrepreneur and to the exposure to a wider variety of stakeholders and inputs. However the results of the quantitative research carried out show that innovating is not an issue for either of the two classes of entrepreneurs. These classes however differ in the difficulties entrepreneurs face in implementing innovation, which is more challenging for social than for traditional entrepreneurs. This difference was predicted by Lumpkin et al. (2011) and it is due to the fact that the nature of the social business forces the social entrepreneur in being innovative as outlined above. However, the authors state that the entrepreneurial agent faces additional constraints in implementing this innovation such as the limitations imposed by the social mission, the complexity of the social problems the entrepreneur aims to solve and the additional limits posed by an increased number of stakeholders.

Finally keeping customers and the lack of market space for growth represent two of the least relevant challenges for both classes of entrepreneurs. These challenges are identified by Lumpkin et al. (2011) and Austin et al. (2006). The authors point out to the lack of market space and competition as relevant issues for social and traditional entrepreneurs. However they are more relevant for traditional entrepreneurs insofar as they tend to operate in market spaces in which competition is more intense and established. As a consequence the market space to grow is more limited. Social business instead tend to operate in less explored market spaces with less established players which tend to emphasize other aspects rather than competition. This theoretical statement however contradicts the results of the questionnaire, which put these two challenges at the bottom in order of importance for both classes of entrepreneurs.

By taking a broader look at the results of the analysis two main takeaways can be identified. First of all the biggest challenges for both classes of entrepreneurs relate to the context in which the ventures operate and to the issues in managing these ventures. Out of the ten most relevant challenges for both types of entrepreneurs, three relate to the context, six to the management of the firm and only one to the entrepreneur's capabilities. None of them relates to the market the firms operate into. This means that for social and traditional entrepreneurs in Brazil

legislation, bureaucracy and taxation represent much bigger issues than competition, imitation, market positioning and understanding of market trends. This is to be expected given the dynamics characterizing the Brazilian economy. Brazil has been characterized by high growth rates and thus positive economic and market environment in the last decade. This growth however has been partially hindered [Eb24] by institutions, complex bureaucracy and corruption. perception entrepreneurs have that the challenges for growth are represented mainly by these factors and not by economic situation confirms this. The management of the firm represents the second biggest category of issues. Reaching the breakeven point, building effective teams, finding the right employees, building internal control systems and measuring firm (social and financial) performance are all very relevant challenges in the mind of entrepreneurs. By the same token entrepreneurs surveyed gave very little relevance to the challenges related to their own inabilities (lack of managerial knowledge, lack of motivation, inability to delegate) and, as said above, to the market.

The second takeaway is that even though there are some differences in the relevance of the challenges for social and traditional entrepreneurs a very small percentage is statistically significant. The results of the questionnaire show that, except for the measurement of social value and the lack of motivation, all the other challenges do not differ in importance among the two sample groups at 95% confidence level. This result contradicts the theory illustrated in sections 1.4 and 1.5, which pointed out various theoretical differences in the challenges the two group of entrepreneurs face.

Summing up this section illustrated the results of both the in-depth interviews and the questionnaires. It then went through the statistical analysis of such results which included both a ranking of the challenges in terms of importance and a test for the significance of the difference in ranking between the two sample groups surveyed. Subsequently these results have been analyzed and linked to previous theory. Finally two broader and more general conclusion have been driven. These conclusions allow answering to the research question of this paper:

“What are the challenges social and traditional entrepreneurs in Brazil face in the growth phase of their business? Are they the same or do they differ?”

As far as the first part of the question is concerned social and traditional entrepreneurs both face the greatest challenges in terms of context in which they operate into and in managing their firms. In particular bureaucracy and taxation represent the biggest challenges together with finding and integrating the right human resources and reaching the breakeven point.

In terms of the second part of the question the answer is definitely no. Results show that there are very small and statistically not significant differences between the two groups' rankings.

3.2.2.1 Exploratory Analysis

The additional exploratory research [Eb25][VG26](factor and regression analysis) has been increase the depth of the research and enrich the results obtained.

As far as the factor analysis is concerned five statistically and theoretically significant factors have been built. Challenges have been grouped into Internal Issues (those that the entrepreneur and the firm face on the inside such as measuring performance or innovate), Market Issues (those related to the market and the arena in which the firm competes such as Competitors or Customers' Relationship), Context Issue (related to the socio-political context the firms operate into), Human Resource Management Issues (those related to people hiring and management) and Network Issues (those linked with the ability/need to form partnerships and networks with relevant external stakeholders). This grouping seems sensible from a logical point of view and is supported by statistical tests and results.

The regression carried out revealed that none of the coefficients is statistically significant at either 90 or 95% confidence level. It [Eb27][VG28]is thus possible to say that there not seem to difference between the two groups represented by the dummy variable (social and traditional) in terms of the five groups of challenges outlined above.

4. Implications and Limitations

4.1 Implications

The results illustrated in the previous section of this paper have a wide range of implications for entrepreneurs, institutions, financial partners, academics and researchers in general.

As far as government and institutions and concerned the fact that challenges related to taxation and bureaucracy rank first in the mind of Brazilian entrepreneurs should increase the urge of improving these two aspects. The weakness of Brazil in these two aspects is already known and has been outlined by various authors (Da Silva et al, 2009; Eunni and Manolova, 2012). The results of this research state again this point and extend it to all categories of entrepreneurs, from social to traditional. It is thus paramount for Brazilian institutions to speed up processes and bureaucratic practices and reduce and simplify the taxation system. These improvements would have a significant impact on the entrepreneurial process and would very likely increase the productivity of Brazilian entrepreneurs.

The difficulties entrepreneurs have in obtaining funding can also be partially addressed by the Brazilian government through a variety of mechanisms such as below market rates loans offered specifically to entrepreneurs.

As far as entrepreneurs themselves are concerned, the results of the questionnaire have a variety of implications.

First of all it allows new and established entrepreneurs to understand what challenges they should prepare for. A ranking of this type increases the awareness entrepreneurs have of what are the main difficulties they should prepare to face while growing their business. This is extremely valuable insofar as it allows for better planning and eventually better results.

Entrepreneur will need to prepare for the different types of challenges in different ways.

As far as those related to the context are concerned, entrepreneurs would probably not be able to influence actively the bureaucratic and fiscal apparatus of the country. However they should

be able to take the necessary measures to face these challenges prepared. It would instead be possible to influence actively the challenges related to the management of the firm and to the lack of capabilities of the entrepreneurs themselves. Entrepreneurs should identify which of these challenges are more likely to influence their business and try to mitigate them. This could be done, for example, through specific education, courses, sharing of knowledge and experiences with other entrepreneurs and seeking of external advices. Through these or other means entrepreneurs should be able to improve their personal capabilities and address managerial challenges more effectively. The possibility to know which challenges they will be more likely to face should allow entrepreneurs to identify the aspects in which they need to improve and thus tailor their formation subsequently.

Moreover by looking at these results both classes of entrepreneurs should realize that they are more similar than the current perception suggests. They of course are different in terms of objectives, antecedents, motivation and business models but they face the same set of challenges in the same order of relevance. This similarity can help them in address those challenges which one single entrepreneur alone cannot influence actively such as taxation or bureaucracy. Actions carried out by both classes of entrepreneurs together can be more politically effective than those performed by just one of the two groups.

By looking specifically at some challenges the challenge of finding the right human resources is extremely relevant for both. Experts interviewed pointed out that this issue has two main causes. First of all *“the average level of Brazilian graduates is not up to the international standards”*(Source: Personal Interviews with Industry Experts) and second *“brightest graduates in Brazil prefer looking for careers in consulting, banking or industry. They don't consider being part of a startup of great value.”*(Source: Personal Interviews with Industry Experts) To increase their likelihood of attracting new and bright talents entrepreneurial ventures should enrich their value proposition to increase their attractiveness.

As far as funding is concerned this research has shown that obtaining funds is tough for both social and traditional entrepreneurs. An expert interviewed from the financial sector however

affirmed that *“it happens very often that we cannot allocate all the funds we have available. We cannot find enough ventures worth investing into”* (Source: Personal Interviews with Industry Experts). Other experts from the financial industry made very similar statements. This point should be carefully considered since it is the proof that funding is available to everyone who is able to show funding institutions a viable and successful business model. This mismatch between the view of entrepreneurs and that of financial institutions can be explained either by the inadequacy of Brazilian entrepreneurs in creating successful business models or by their inability to get noticed by financial institutions. Both points should be considered by Brazilian entrepreneurs to enhance their competitiveness and increase their chances of success. Finally this similarity should encourage cross learning and sharing of information and experiences between social and traditional entrepreneurs. Both groups have peculiar knowledge and experiences that could be applied by the other one.

Institutions supporting and working with entrepreneurs such as Venture Capital Funds, Incubators or Accelerators should also carefully analyze the results of this research. This is due to their strict relationship with the entrepreneurs they support, their interest in the smooth and effective growth of the entrepreneurial ventures and their ability to influence entrepreneurial decisions actively. A rank of the challenges entrepreneurs face such as the one provided by this research is thus an extremely valuable tool for the above-mentioned institutions. It allows them to focus on the aspects, which matter the most and have the highest impact on ventures' performance.

Of relevance for institutions working with social entrepreneurs is especially the challenge of measuring social value creation and thus firm performance. An expert from a Brazilian social startup accelerator affirmed that *“the measurement of social value is a key challenge for both us and entrepreneurs. The lack of a unique measure makes it very difficult for us to identify possibly impactful ventures and for them to communicate the potential impact they might have”* (Source: Personal Interviews with Industry Experts). Other experts released statements on the same line. Research is already taking place in a variety of forms regarding this issue (Barki et

al., 2013, pp231) and the results of this paper underline, once again, its relevance. It is important to add that implications of the importance of measurement of social value creation do not stop to social-directed institutions. The questionnaire showed that this is a relevant issue also for traditional entrepreneurs. Traditional institutions should thus start considering it as well.

For universities the results of the questionnaire have a two-sided set of implications. From the point of view of teaching this results should give academic institution a suggestion on which issues to focus on. It should help in prioritizing the key topics to be addressed in courses directed towards entrepreneurs or aspiring entrepreneurs. Given the increasing number of courses focusing on entrepreneurship and social entrepreneurship a type of ranking such as the one produced by this paper plays a very important role in increasing the effectiveness of universities' efforts. Various experts interviewed pointed out the weakness of the academic offer directed to entrepreneurs. They affirmed that it was "*lacking depth*", was "*often backward*" and "*not tailored to the specific situation of the Brazilian country.*"(Source: Personal Interviews with Industry Experts). The fact that finding the right human resources represents a very relevant challenge for both sample groups reinforces this point. The results of this research, if properly interpreted, could surely help in addressing these problems, make entrepreneurs-directed education more effective and consequently make Brazilian entrepreneurs more productive and better suited to face the challenges this country puts in front of them. For example the fact that the challenge of building effective teams ranks very high in the minds of both classes of entrepreneurs should encourage universities to put more emphasis on this aspect. This can be done through workshops simulating the management of small teams, seminars or testimonials of how successful entrepreneurs handled this kind of challenge. Still on the teaching point of view business schools should start encourage entrepreneurship and increase their efforts to make it become a valuable and attractive career option in the eyes of young graduates and students. This will increase the likelihood of them choosing an entrepreneurship-related career path when finishing their studies.

Universities and the academia in general are also impacted by this paper in terms of future research. The two main outputs of this paper, the ranking of challenges and the non-significance of the difference in ranking between social and traditional entrepreneurs, should both create new directions and objectives for research.

The ranking of challenges will allow researchers to prioritize and focus efforts on where they can make the highest contribution. In particular it is paramount to deepen the understanding of why some challenges are extremely relevant while others aren't, to identify possible ways to address these challenges more effectively and to investigate whether this difference in relevance is a peculiarity of Brazil.

As far as the difference in relevance is concerned research should be carried out to understand why bureaucracy, taxation, team management, financial autonomy and identification of resources (human and financial) are more relevant than other challenges that have been identified. A wide array of research has already identified these challenges as existent and has been properly outlined in previous sections of this paper. No academic work is however available with the objective of ranking which challenges are more or less important and why. Works of this type should follow different methodologies. More qualitative works should identify theoretical reasons for the difference in importance of the various challenges while quantitative works should investigate directly why such a difference exists.

Concerning the identification of possible ways to face these challenges researches should try to identify possible ways entrepreneurs could address the more relevant issues more effectively. Qualitative works should look for evidence in past research and academic works while quantitative one should focus on the way entrepreneurs are already facing these challenges to identify best practices and effective solutions.

Finally researchers should test whether this ranking is valid in other contexts rather than Brazil or if it is very context-specific. To do so cross-national studies replicating the structure of this paper should be carried out. The significance of the difference between the results of this

research and those of other studies carried out with similar methodology will reveal to what extent the results obtained are extendable to other countries/contexts.

The non-significance of the difference between the two classes of entrepreneurs will also open up new paths for future research.

From one side academics should focus on understanding why this difference does not exist. So far theory has not reached a conclusion on whether this difference exists or not and has investigated to an even lesser extent why there should be or not be such a difference. Qualitative and quantitative works investigating this aspect could be carried out. Theoretical models should be built to try to predict the existence (or inexistence) of this difference and interviews or questionnaires should be carried out to understand more in depth the reasons behind it.

Finally even in this case it is important for researchers to understand whether this result is extendable to other countries and contexts. Cross-national studies with a similar methodology should be carried out to test the significance of differences in challenges between different classes of entrepreneurs.

The exploratory research carried out added additional depth to the implications just outlined. The factor analysis has both practical and theoretical implications.

From the practical side entrepreneurs and stakeholders have a valid analytical tool to understand how challenges are related and how to properly address them. Internal issues may require different measures with respect to Market or Context ones. By identifying the more problematic cluster, entrepreneurs can work on them in a more targeted and effective way.

From the theoretical and academic side this grouping may be a valuable tool for future frameworks of research.

As far as the regression analysis is concerned it once again highlighted the non-significance of the difference in challenges social and traditional entrepreneurs face. The p-values of the coefficients show that the two groups are not statistically different in terms of score in the five factors. This implication is strictly related to those outlined earlier in this same paragraph.

Summing up the implications of this research are wide and relevant for a very diverse range of players. It is important to underline that many of the abovementioned implications will involve a variety of players at the same time. For example the measurement of social value requires a strict collaboration between researchers, entrepreneurs and financial institutions. Researchers and academics should focus on identifying possible forms of measuring social value creation. Financial institutions should then test them and make sure they are widely accepted. They should then, together with entrepreneurs, use them to measure the social value created. By the same token the availability of funding requires entrepreneurs to improve their ability to obtain funding through an improvement of their business models and a wider knowledge of available financing options. These improvements can be obtained through an academic offer that contemplates these points. At the same time financial institutions should make sure entrepreneurs are aware of the funding options they offer and should increase their screening efforts in search of potentially interesting ventures.

The two examples outlined above illustrate how cooperation and coordination of efforts is important to obtain the final results. The efforts of one player, if not mirrored by the others, will likely have a limited effect.

4.2 Limitations

This research has, of course, various limitations. They can be divided into two sets. Those related to the methodology and those related to the nature of the paper itself.

As far as the limitations related to the methodology are concerned, first of all the instrument of research, a questionnaire with an already pre-defined set of answers, is itself a limited tool insofar as it already limits the possible set of challenges to be tested to those already pre-defined. This possible limitation has been addressed by trying to create a list of challenges as exhaustive as possible through the two-stage methodology already explained. Moreover an additional open question in which participants were given the possibility to list additional challenges they faced was inserted into the questionnaire to minimize this drawback.

Second it can be argued that not giving any incentive to the surveyed entrepreneurs to reply the questionnaire might have had a negative influence on the response rate. For this reason the questionnaire has been limited only to the necessary set of questions, making it as short as possible in order to limit the time burden for the surveyed entrepreneurs. A third limitation relies in the selection of the sample. It can be argued that selecting entrepreneurs among those already identified by high-profile institutions may create a bias making the sample of entrepreneurs surveyed not representative of the Brazilian entrepreneurs as a whole. This criticism is of course reasonable but in this case a choice has been made to partially sacrifice the representativeness of the sample for the sake of the quality of the entrepreneurs surveyed. This makes additional sense in the specific context of this research insofar as the entrepreneurs of interest are those that are going through or just went through a growth phase of their business. To be able to enter a phase of growth a business needs to have already proven the quality and potential of its business model. Seen in this light the selection of entrepreneurs already screened by high-profile institutions seems indeed reasonable.

Concerning the limitations related to the nature of this paper they are mainly due to the fact that the conclusions of this research are based on results obtained surveying entrepreneurs operating only in Brazil. This characteristic indeed creates doubts on the extent to which these results can be applied to other realities. However the purpose of this paper was to investigate this issue specifically in the Brazilian context and thus extendibility of results was not a primary aim. Moreover this research set out a methodology that could be replicated in different realities to test whether the conclusions drawn here are still valid. This has already been outlined as an important avenue of future investigation.

In conclusion the limitations of this paper do not seem to hinder its significance in answering the research question outlined.

5. Conclusion

The primary objective of this paper was to understand which are the main challenges social and traditional entrepreneurs face in the growth phase of their business and whether the relevance of these challenges differ between the two sample groups. To do so it carried out a deep review of previous literature with the objective of defining what a traditional and social entrepreneurs are. The identification of these definitions allowed a further step of literature review aimed at identifying previous comparisons already carried out between these two classes. The final step of literature review was to screen past academic papers in search of the challenges that social and traditional entrepreneurs could possibly face in the growth phase of their business. Once this challenge had been identified they were complemented with another set of challenges collected thanks to a round of in-depth interviews with experts in sectors in strict contact with entrepreneurs. This consistent group of challenges was tested through a questionnaire administered to Brazilian social and traditional entrepreneurs. The results of this questionnaire have collected and analyzed statistically with the aim of answering to the research question. The answer reached was a ranking of the most important challenges faced by the two classes of entrepreneurs. The most relevant ones were, for both groups, taxation, bureaucracy, finding the right employees, creating effective teams, measuring firm performance and social value creation and obtaining funds. On the other side motivation, innovation, competition and lack of market space for growth represented the least relevant issues in the minds of entrepreneurs. This rank however did not differ significantly from social to traditional entrepreneurs. This testifies that in Brazil social and traditional entrepreneurs face the same set of challenges.

The results outlined above underline the relevance of this paper and its effectiveness in achieving its objectives.

First of all, by focusing on an aspect of the entrepreneurial life-cycle that had not yet been explored it extended the field of research and revealed that, even though there exist significant differences in the motivations moving social and traditional entrepreneurs in the early stage of their ventures, these differences do not persist in the later phases, at least as far as the challenges they face are concerned.

Secondly it introduced a different methodology to be used to study a matter such as the comparison between social and traditional entrepreneurship. By combining past literature and qualitative interviews it was able to build a comprehensive set of challenges to be tested in the questionnaire administered to entrepreneurs. This approach links theory with practical experience and has revealed extremely effective. It could thus be replicated, with the proper adjustments, in other contexts/circumstances.

The third relevant aspect is the peculiar setting of this research. Being based in Brazil represents a unique value added for this research. It is true that this implies some limitations in extending the results obtained to other countries but at the same time it allows a deeper understanding of the dynamics of a country of increasing relevance on the world stage and with a variety of unique characteristics. Given the level of development of the Brazilian economy and its objective to play a relevant role on the world stage, entrepreneurship is still relatively underdeveloped and plays a peripheral role (GEM 2013). This study, by revealing the main issues entrepreneurs face, showed the direction in which to intervene to increase the relevance of entrepreneurship in South-America largest country. Institutions, entrepreneurs and other players now have an additional tool to identify the most relevant issues they should solve. If Brazil identifies the proper way to address these challenges, the measures taken there could be replicated in other contexts presenting similar problems.

The fourth aspect, which is relevant to underline, is the impact this paper can have on social entrepreneurship in Brazil. As already stated Brazil presents large inequalities and social problems. This is a situation in which, if implemented correctly, social businesses can have the largest positive impact in terms of social value creation. Now Brazilian social entrepreneurs

have an additional mean to get better equipped to face this task effectively. They should be aware however that the context and the challenges they face is not different from those traditional entrepreneurs face. They should thus not expect facilitations or concessions. They will probably compete more and more with traditional businesses for resources (human and financial) and market space. They must then be able to develop business models able to be competitive and also have a positive social impact, not an easy task.

This paper thus succeeded in its main objectives. However by doing so it opened the way to other questions such as how valid these results are in other contexts, why are some challenges more relevant than others or what could be done to make some of these difficulties less difficult to overcome. It is the task of future research to address these questions effectively.

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Appendix A: Questionnaire

English

Part I: Sample Confirmation

1) Which industry does your venture operate into? (open question)

2) Which management style better defines that of your organization?

- a) Direct Supervision (high involvement of the owner in everyday decisions)
- b) Supervised Management (the owner supervises the people involved in everyday decisions)
- c) Functional (the owner supervises functional managers, that supervise people involved in everyday decisions)
- d) Divisional (the owner supervises different regions/products managers which in turn replicate the earlier functional structure)

3) How many layers does your organization have?

- a) one (owner+employees)
- b) two (owner+managers+employees)
- c) three (owner+product/area managers+employees)
- d) More than 3

4) How developed are formal systems in your organization?

- a) minimal to nonexistent
- b) minimal
- c) basic
- d) developing
- e) maturing

5) What is your major strategic objective at the moment?

- a) Exist, develop a business
- b) Survive
- c) Maintain a profitable status quo
- d) Get resources for growth
- e) Growth

6) Which percentage of your time do you spend in your venture?

- a) 100%
- b) 90%
- c) 70%
- d) 60%
- e) less than 60%

Part II: challenges

7) How much do you agree with the following sentences: (On a scale going from Strongly Agree/Agree/Neutral/Disagree/Strongly Disagree or not apply)

Market Related

- It has been hard for me to deeply understand the market and customers
- It has been hard for me to build a strong relationship with my customers
- It has been hard to grow my business due to lack of space in the market
- It has been hard to grow my business because customers could not understand the value proposition of the Product/Service
- It has been hard to grow my business due to my competitors imitating my product/service
- It has been hard to find the right position in the market
- Competition
- It has been hard to grow my business due to competitors stealing my customers
- It has been hard to reach the right cost to offer my products / services
- It has been hard to capture the value of my business with consumers (I feel that many entrepreneurs didn't find the right way to charge the consumers, or to find who is the client that might pay for the service).
- It has been hard to work in different regions due to the costs it creates
- It has been hard to work in different regions due to the different cultures and needs of each region.

Management Related

- It has been hard to grow my business because of my inexperience in economic and managerial dynamics
- It has been hard to grow my business because my business model was not scalable
- It has been hard to grow my business because I could not find the right suppliers
- While growing my business I had to problems (???) in dealing with Internal Stakeholders
- While growing my business I had issues in Measuring Social Value Creation
- It has been hard to grow my business because I could not find the Right Employees
- While growing my business it has been difficult to build Teams of people working effectively together
- While growing my business it has been difficult to pay salaries according to the market average.
- While growing my business it has been hard to reach the Breakeven Point
- It has been hard to grow my business because I could not Innovate
- It has been hard to grow my business because I could not Implement Innovation
- While growing my business I had problems in Measuring Firm Performance
- While growing my business I had problems in Creating an Organizational Culture

- While growing my business I had problems in the Creation of Internal Control Systems
- While growing my business I had problems to find the best technology to support the business.

Entrepreneur Related

- It has been hard to grow my business because I could not Remain Motivated
- It has been hard to grow my business because I could not Take Risks
- While growing my business I had problems in Delegating to Subordinates
- While growing my business it has been difficult to Create a Network
- It has been hard to grow my business because I could not Maintain focus on the long term objectives
- It has been hard to grow my business because I did not have Knowledge of the Financial Market Mechanisms

Context Related

- While growing my business I had problems in dealing with overly Complex Regulations (bureaucracy)
- It has been hard to grow my business because I did not have the support of institutions
- It has been hard to grow my business because of Corruption
- While growing my business I had problems in Finding the Right Partners
- It has been hard to grow my business because of Taxation
- It has been hard to grow my business because I could not Find a Supporting Network (seems similar to the second question of this section).
- While growing my business I had problems in dealing with external Stakeholders
- It has been hard to grow my business because I could not obtain funds

8)Is there any other challenge you faced while growing your business not mentioned above?
(max 3)

Portuguese

Part I: Confirmação da amostra

1)Em que indústria a sua empresa opera?

2) Qual estilo de gestão define melhor a sua organização?

- a) Supervisão Direta (alto envolvimento do proprietário nas decisões diárias)
- b) Gestão Supervisionada (o proprietário supervisiona as pessoas envolvidas nas decisões diárias)
- c) Funcional (o proprietário supervisiona gerentes funcionais, que supervisionam as pessoas envolvidas nas decisões diárias)
- d) Divisional (o proprietário supervisiona diferentes gerentes de regiões / produtos que por sua vez replicam a estrutura funcional anterior)

3) Quantos níveis organizacionais a sua organização tem?

- a) proprietário + funcionários
 - b) dois (proprietário + gerentes + funcionários)
 - c) três (proprietário + gerentes de produto / área + funcionários)
 - d) Mais do que três
- 4) Quão desenvolvidos são os sistemas formais de sua organização?
- a) Inexistentes
 - b) o mínimo possível
 - c) Básico
 - d) em desenvolvimento
 - e) Maduro
- 5) Qual é o seu principal objetivo estratégico no momento?
- a) Existir, desenvolver o negócio
 - b) Sobreviver
 - c) Manter a rentabilidade
 - d) Captar recursos para o crescimento
 - e) Crescimento
- 6) Que porcentagem de seu tempo você gasta em seu empreendimento?
- a) 100%
 - b) 90%
 - c) 70%
 - d) 60%
 - e) menos que 60%

Part II: Desafios

7) Quanto você concorda com as seguintes frases: (Em uma escala que vai de Concordo Totalmente / Concordo / Neutro / Discordo / Discordo Totalmente / Não se aplica)

Relacionadas com o Mercado

- Ao tentar crescer meu negócio tem sido difícil para mim entender profundamente o mercado e os clientes;
- Tem sido difícil crescer meu negócio devido à falta de espaço no Mercado
- Tem sido difícil crescer meu negócio, pois os clientes não conseguem entender a proposta de valor do produto / service oferecido;
- Tem sido difícil crescer meu negócio, devido aos meus concorrentes que imitam meu produto / serviço
- Ao tentar crescer meu negócio tem sido difícil encontrar o posicionamento certo no mercado adequado
- Tem sido difícil crescer meu negócio, pois os concorrentes roubam meus clientes
- Tem sido difícil atingir os custos adequados para oferecer meus produtos / serviços
- Tem sido difícil capturar o valor do meu negócio com os meus consumidores.
- Tem sido difícil trabalhar em diferentes regiões, tendo em vista os custos que este crescimento gera.

- Tem sido difícil trabalhar em diferentes regiões, tendo em vista as diferentes culturas e necessidades de cada região.

Gestão

- Tem sido difícil crescer meu negócio, porque o meu modelo de negócio não é escalável
- Tem sido difícil crescer o meu negócio porque eu não consigo encontrar os fornecedores certos
- Enquanto crescia o meu negócio eu tive problemas em lidar com os *stakeholders internos* (públicos internos interessados na empresa)
- Enquanto crescia o meu negócio eu tive problemas na mensuração de Criação de Valor Social
- Tem sido difícil crescer o meu negócio porque eu não consigo encontrar os funcionários certos
- Enquanto crescia o meu negócio tem sido difícil construir equipes de pessoas trabalhando juntos de forma eficaz
- Enquanto crescia o meu negócio tem sido difícil pagar os salários de acordo com o valor de mercado.
- Enquanto crescia o meu negócio tem sido difícil atingir o ponto de equilíbrio financeiro
- Tem sido difícil crescer o meu negócio porque eu não consigo Inovar
- Tem sido difícil crescer o meu negócio porque eu não consigo implementar a Inovação
- Enquanto crescia o meu negócio eu tive problemas na mensuração do desempenho da empresa
- Enquanto crescia o meu negócio eu tive problemas em criar uma cultura organizacional
- Enquanto crescia o meu negócio eu tive problemas na criação de sistemas de controle interno.
- Enquanto crescia o meu negócio eu tive problemas em encontrar a melhor tecnologia para apoiar meu negócio.

Relacionadas com o empreendedor

- Tem sido difícil crescer meu negócio por causa da minha inexperiência nas dinâmicas econômicas e gerenciais
- Tem sido difícil crescer o meu negócio porque eu não consigo permanecer motivado
- Tem sido difícil crescer o meu negócio porque eu não consigo assumir os riscos necessários
- Enquanto crescia o meu negócio eu tive problemas em delegar aos funcionários
- Enquanto crescia o meu negócio tem sido difícil criar uma rede de apoio
- Tem sido difícil crescer o meu negócio porque eu não consigo manter o foco nos objetivos a longo prazo
- Tem sido difícil crescer o meu negócio porque eu não tenho conhecimento dos mecanismos do Mercado Financeiro

Relacionadas com o contexto

- Enquanto crescia o meu negócio eu tive problemas em lidar com regulamentos excessivamente complexos (burocracia)
- Tem sido difícil crescer o meu negócio porque eu não tenho o apoio de instituições
- Tem sido difícil crescer meu negócio por causa da corrupção
- Enquanto crescia o meu negócio eu tive problemas em encontrar os parceiros certos
- Tem sido difícil crescer meu negócio por causa de Tributação

- Tem sido difícil crescer meu negócio, porque eu não consigo encontrar uma rede de apoio
- Enquanto crescia o meu negócio eu tive problemas em lidar com os públicos externos interessados no negócio
- Tem sido difícil crescer o meu negócio porque eu não consigo obter fundos

8) Existe algum outro desafio que você enfrentou para crescer a sua empresa não mencionado acima? (máximo 3)

