



Agency theory utility and social entrepreneurship: issues of identity and role conflict

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Abstract

Social entrepreneurs are often at the forefront of remedying complex societal issues by linking the entrepreneurial mindset with approaches to solving these systemic societal issues. We build upon existing notions regarding the field of social entrepreneurship and existing forms of social entrepreneurship while deepening the understanding of the different roles that social entrepreneurs must embody on a daily basis. Agency theory is used by identifying principal and agent factors underlying social entrepreneurship in terms of role stressors and role conflict. We outline varying types of social entrepreneurs and discuss role duality, an area with room for much exploration. We also identify and discuss problems for principals and agents within these types of social entrepreneurship. Thus we contribute to the literature (1) by extending on the types of social entrepreneurs, (2) by identifying the threats that social entrepreneurs face through an agency lens; namely the dual role that social entrepreneurs must embark upon, and (3) by describing the boundary conditions of the different social entrepreneur types, we link the potential challenges of social entrepreneurship with a deeper look into the growing domain that is social entrepreneurship.

Keywords Social entrepreneurship · Agency theory

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1 Introduction

Over the past two decades, governments around the world have struggled to meet the needs and expectations of their constituents. As a result, social entrepreneurs have endeavored to address complex social problems through entrepreneurial

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thinking and social networking (Kraus et al. 2014). Given the rise in these nontraditional organizations, scholars have raced to explain this phenomenon (Gibson et al. 2016; Halberstadt and Kraus 2016; Kraus et al. 2014; Pless 2012). While researchers scramble to volumize the social entrepreneurship literature, practice seeks to understand if social entrepreneurs “get rich or save the world while trying” (Smart-Company, 2014), or if it is possible for social innovations to create value for some while destroying it for others? To address both the needs of researchers and practice, a closer examination of the many roles a social entrepreneur plays is needed. While the practice and research of social entrepreneurship moves forward, social entrepreneurs continue to tackle societal problems through entrepreneurial thinking and value creation.

There are countless instances where entrepreneurs engage in behaviors that seek a solution or partial solution to a larger social problem. These “heroic characterizations” tell inspirational stories of successful social entrepreneurs (Dacin et al. 2011; Seelos and Mair 2005). Yet often these accounts contain biases that tend to paint a rosy and altruistic view of the social entrepreneur. By one account, social entrepreneurs can change the world through the power of new ideas (Bornstein 2004). If this is indeed the norm, perhaps social entrepreneurship is the answer to many of the world’s problems. However, we contend that these biases need to be placed into context and warrant further examination to better understand the social entrepreneurship domain. Accordingly, we ask of duality: since social entrepreneurial ventures begin with an individual, is it possible for the social entrepreneur to engage in self-interested behaviors (Peake et al. 2015) that lead to questionable actions and decisions?

While heroic tendencies are well published, challenges of social entrepreneurship are important yet less explored. At the heart of any social entrepreneurial mission lies an individual who believes that they could make a difference (Halberstadt and Kraus 2016). Social entrepreneurs cannot separate the creation of both financial and social value (Kraus et al. 2017). As the social entrepreneur engages with others (i.e., individuals and organizations) to achieve the mission, they engage in entrepreneurial agency, hence becoming an embedded agent (Seo and Creed 2002). Through this lens, we argue that at times these embedded agents may indeed act as agents, yet in other instances may be more of a principal. For instance, as the leader/owner of the social enterprise, the social entrepreneur is the principal and employees of the company are agents. Samuel Bistran is the founder and owner of ROMA Boots and the ROMA Foundation. As the owner, Samuel Bistran is the principal who contracts with agents to act in the best interest of his firm and foundation. Yet, when engaging with large donors, Samuel engages in entrepreneurial agency where those donors grant donations to his foundation and expects him to engage in activities consistent with the purpose of the donation. In other words, he is now more like an agent governed by a contract with his donors (principals). The shifting of these roles can create tension for the social entrepreneur and the social enterprise. Regardless of the case, serving as a dual agent/principal poses challenges.

The purpose of this manuscript is to shed light on this challenge. Specifically, we examine how social entrepreneurs face agency issues that place them at the cross-roads of difficult decisions. At the heart of each decision lies a foundation of right and wrong that resides within each individual. Yet, research to date primarily points to those

altruistic foundations as a director of the needle on the moral compass within social entrepreneurship. However, we posit that individuals may pursue charitable acts for reasons completely unrelated to selflessness.

To arrive at the junction of an individual's moral compass, we rely on agency theory (Eisenhardt 1989) to examine the notion that social entrepreneurs contend with agency problems that threaten their organizations' mission. Agency theory suggests that principals are concerned with the self-interested behaviors of the agents and governance mechanisms are needed to monitor agent behavior. The use of governance mechanisms is necessary to ensure that the agent acts in the stead of the principal. However, as roles change from agent to principal and back, it may become more difficult to establish effective governance mechanisms. Accordingly, we focus on areas of conflict and strain a social entrepreneur may encounter, as a result of stress and role conflicts. For the purposes of this manuscript, we define role conflict as a matter that arises when two or more role requirements impact performance such that successful performance of one role may pose difficulties to carry out the performance of the other role (Fisher 2001). The aforementioned performance difficulties are due to the challenge of role duality the social entrepreneur faces. To broach this complex nexus of theory building, we first describe different types of social entrepreneurs. Then we advance our understanding of the complexities associated with wearing the often dualling hats (roles) of principal and agent. Examining the different typologies in the context of agency theory establishes a foundation in which the social entrepreneur may experience varying levels of stress due to role conflict, ambiguity, and overload.

Our paper contributes to the literature in a number of ways. First, we extend our understanding of different types of social entrepreneurs first offered by Zahra et al. (2009). Our manuscript extends the typology posed by Zahra et al. (2009) by identifying the principal and agent factors that could lead to stress and role conflict. These revelations provide a more complete picture of the many roles played by the social entrepreneur. Second, our paper extends the agency theory literature by further examining dual principal/agent issues. Through careful theory development and the use of practical examples, we highlight the need to more closely examine role duality for principals and agents. Third, we lay a foundation to establish the boundary conditions for each type of social entrepreneur. By establishing boundary conditions, we begin to better understand at what point role stressors impact the social entrepreneur's ability to achieve the mission and objectives of the social organization. Lastly, our work creates a foundation for social entrepreneurship researchers to explore avenues of questionable behaviors that may stem from potential impacts of diverting away from the social entrepreneur's mission and vision. While social entrepreneurship is still growing as a domain, our manuscript offers another lens to view and examine the phenomena of social entrepreneurship.

2 Theoretical overview

2.1 Social entrepreneurship

As a key sub-domain in entrepreneurship literature, social entrepreneurship has emerged as a key intellectual structure within entrepreneurship (Ferreira et al. 2019). In a review of the literature, social entrepreneurship has a number of definitions. Mair and Marti (2006) define social entrepreneurship as a particular subset of entrepreneurial activity that utilizes products and services to address societal problems. Others suggests that there is a hierarchical view of the social entrepreneurship definition that hinges on both a societal and economic mission that drives the social entrepreneur to act (Dacin et al. 2010; Dacin et al. 2011). Zahra et al. (2009) define social entrepreneurship as “encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (p. 522). Yet, other typologies emphasize definitions that are rooted in the type of capital used to address the social issue (Mair Battilana and Cardenas 2012), or the specific performance outcomes (Salavou and Cohen 2020) stemming from the efforts exerted to address the social problem.

In an effort to leverage the typologies presented by Zahra et al. (2009), we employ the use of the entrepreneurial mindset to help frame the different typologies. An entrepreneurial mindset is defined as a “growth-oriented perspective through which individuals promote flexibility, creativity, continuous innovation, and renewal” (Ireland et al. 2003 p. 968). From this definition, we contend that social entrepreneurs have an entrepreneurial mindset as they have the cognitive abilities to scan and observe environments and impart meaning to ambiguous and defunct systems (Alvarez and Barney 2002). At the heart of these defunct systems, social issues arise, where the social entrepreneur believes he or she can make a difference.

For the purposes of this manuscript, we will adopt the definition of social entrepreneurship offered by Zahra et al. (2009) for several reasons. First, the definition permits the inclusion of solutions to social problems that may preclude the creation of a new entity. It also includes existing organizations, if they are managed differently. This encompasses those organizations that wish to address societal issues without creating an entirely new entity or any entity at all. Second, the definition specifically identifies activities and processes as means of contributing to the innovation necessary to create social wealth. This approach broadens the base of contributions from which the social entrepreneur may draw. Finally, the proposed definition offers a comprehensive account of recognizing and addressing the social problem through the discovery and definition of problem recognition, and through the proposed solution via exploitation. We will use this definition and the works of Zahra et al. (2009) to build and extend social entrepreneurship theory by way of agency theory and theories of role conflict. Where appropriate, we will combine other typologies that emphasize other definitions to frame the social problem (Mair et al. 2012) to further illustrate the challenges the social entrepreneur may face.

To frame our analysis, we will leverage a typology consisting of three types of social entrepreneurs: social bricoleurs, social constructionists, and social engineers (Zahra et al. 2009). Each of these typologies access and activate their entrepreneurial mindsets differently. For instance, social bricoleurs focus on discovering and addressing small-scale, local social needs. Social bricoleurs are focused at the local level and utilize local resources and knowledge to solve immediate issues that plague the community. The localized emphasis and focus on a smaller more specific segment of the population is often small in size, low in status, and incapable of public influence (Santos 2012). Individuals in those segments are often missed by governmental entities. For instance in the United States, minority southern Baptist churches and their pastors act as social bricoleurs. In many of these communities, the church serves as an organizer and coordinator of resources to benefit the community. These pastors utilize their knowledge of community needs and know how to orchestrate resources available at the local level. These leaders are innovators in that they survey their surroundings to identify unmet needs of the community. In doing so, they create fundraisers and awareness programs that fill those voids. Church pastors are orchestrators of resources via their capability to pool resources of the church and the community in ways that outweigh their collective sums. The combining effects result in capabilities that enable problem solving. Identifying the problem and orchestrating the resources to build capabilities to address the problem is important. If the pastor or community leader is unable to deploy those capabilities, the problem will go unsolved. For some, community-level focus is the place where change happens (Lumpkin et al. 2018). As it relates to community change, the social bricoleur is the steward of those pooled resources and recently developed capabilities to ensure they are used as intended. While typically small in nature, the efforts of those individuals are foundational in the community where these social entrepreneurs desire to improve. While the efforts and scale are small, the entrepreneurial mindset is used here to address social issues without necessarily creating new entities.

In comparison to social bricoleurs, where the emphasis of the social entrepreneur is on the small and local level, the focus of the social constructionists is much broader. The social constructionists attempt to build, launch, and operate ventures that address social needs that are unmet by existing institutions such as governments, agencies, and businesses (Zahra et al. 2009). In this frame, social constructionists attempt to address needs that go unmet due to regulations, laws, political correctness, or an unwillingness to address the social problem. These gray areas that often go unmet, are problems nonetheless, but may be viewed as toxic for official agencies or businesses to directly address. Issues of healthcare, education, or the broader environment are “human capital” issues noted in Mair et al. (2012), which include gaining access to knowledge, skills, and expertise in support of a disadvantaged target group. For instance, Bill and Melinda Gates established the Gates Foundation to address several social issues that are not the foci for other governments or agencies; one of which is to combat infectious diseases amongst the world’s poorest demographic. In many instances, the most vulnerable citizens fall out of the scope of typical governments or agencies that are designed to service the needs of the median demographic. By leveraging their entrepreneurial mindset, social constructionists

are able to bring clarity to a social problem that other traditional institutions may not understand or are not geared to address. In the case of the Gates foundation, the creativity and constant renewal to redefine the impact AIDS/HIV has on the citizens of developing nations permitted the organization to focus on a socially and politically charged issue. It would be hard for a government to appropriate funds collected from taxpayers to devote so heavily to an issue that a majority of the tax base may not face.

Social engineers concentrate on larger scaled social problems. Unlike social bricoleurs, who focus at the local levels and generally work within the confines of defunct systems, or social constructionists who work around those same ambiguous systems, social engineers seek to build and replace those defunct and ambiguous systems. In this vein, social engineers also leverage their creativity and continuous innovation to change the social playbooks through newfound renewal in the creation of replacement entities. For instance, Grameen Bank, founded by Muhammad Yunus, was created to provide micro loans to poor entrepreneurs in Bangladesh. Grameen Bank means “village bank” and it focuses on granting loans to the poor, who ordinarily would be high risk clientele for a traditional bank. In building this new, community centric bank that focuses on addressing poverty, Yunus redefined the lending playbook for small-scale entrepreneurs in Bangladesh. This new institution works to reduce the poverty levels amongst Bangladesh entrepreneurs by providing these business owners a means to expand their businesses to better support their families. In doing so, the entrepreneurial ecosystem found in Bangladesh was strengthened and the poverty gap amongst the working poor was shortened. Unlike the initiatives and organizations created by social bricoleurs and social constructionists, the organizations and institutions created by social engineers are often viewed as competitors by the traditional organizations they seek to replace. As a result, it is extremely difficult for social engineers to garner legitimacy for the issues they undertake (Zahra et al. 2009). Yet, their entrepreneurial mindset allows them to redefine the problem or the rules associated with the problem to identify meaning that translates well to potential resource grantors (Alvarez and Barney 2002). Please see Table 1 for an overview of the varying characteristics of these different types of social entrepreneurs.

However, social entrepreneurship does carry certain risk. Firstly, when social entrepreneurship is undertaken, it allocates resources to be used to solve or alleviate a social problem. This implies a risk because the firm undertakes opportunity costs involved in using the resources, whether it is financial, human, political capital or social capital. Even the time that the entrepreneur devotes to social entrepreneurship is time lost that they could devote to other issues. Secondly, social entrepreneurship carries the risk of escalation of commitment. Stakeholders may regard social entrepreneurship as merely face saving and may require more resources than the principals are willing or able to provide (Campbell 2007; Fry et al. 1982). In many instances, the social entrepreneur organizes to address a specific social problem. However, as resource grantors come on board in support of the initial social cause, pressures to expand the reach of the social entity may emerge. Pressure from resource grantors to expand may add more stressors for the social entrepreneur, stretching his or her risk tolerances. A second explanation is that corporate

Table 1 Characteristics of varying social entrepreneurs

	Social bricoleur	Social constructionists	Social engineer
Theoretical Foundation	Hayek (1942)	Kirzner (1973)	Schumpeter (1942)
Social Issue Scale	Small	Small—Large	Very Large
Social Scope	Local	Local—International	National—Global
Expertise	Knowledge of local needs and networks	Builder and operator of alternative entities	Architect of new structures to redefine social experiences
Role as the Principal (as the Social Entrepreneur (SE))	Identify and solve local social issues that impact the immediate community	Orchestrates the construction of institutions to fill gaps left by incumbents	Create new institutions and establish new rules of engagement to solve social issues
Role as the Agent (as the Recipient of resources from Resource Grantors (RG))	Recipient of community resources; solve community issues	Granted external financial resources to address gaps missed by existing institutions	Faces challenges of legitimacy in pursuit of funding; entrenched incumbents react
Agency Problems	As Principal: SE seeks independence and autonomy; RGs seek more control and community visibility As Agent: SE focuses on local issues; RGs seek a broader appeal and desires to expand	As Principal: SE struggles to manage financial and human resources; RGs require governance processes As Agent: SE expends energy to manage in lieu of solving the issue; RGs drive professional management	As Principal: SE faces direct threats from competitors; Influenced by incumbents RGs push SEs to gain legitimacy As Agent: SE diverts attention towards legitimacy issues pushed by funders; SE faces competitive rivalry from incumbents

philanthropy (and by extension social entrepreneurship) can be seen as an attempt to curry favor with politicians and the public (Bertrand et al. 2018). Finally, a major risk is that some problems are so large and complex that the social entrepreneur may take on more than he or she can handle. For instance, poverty is a global problem impacting nearly every country on every continent. If the scope of the problem is not carefully focused, the social entrepreneur may run the risk of failure. Social problems of this magnitude require a clear definition of the problem and a similarly focused approach for possible solutions. The apparent risks associated with poorly defined missions and visions are endless.

In summary, there are different ways social entrepreneurs address social issues. Whether seeking to solve a local social issue such as coordinating care for the elderly, educating the disadvantaged youth, or addressing the poverty levels of a country, social entrepreneurs are on the forefront of challenging social issues. Given these challenges and the complexities associated with orchestrating resources, we contend that social entrepreneurs are placed at the nexus of principal/agent relationships. This nexus presents unique challenges for the social entrepreneur. In what follows, we describe the issues social entrepreneurs face and prescribe insights into their complexities.

2.2 Agency theory

Agency theory is an economic theory that purposes the existence of a contract between two parties, principals and agents. Principals are owners who are no longer able or capable to oversee the work and supporting activities necessary for organizational success. As a result of this inability to be everywhere and oversee everything, principals are forced to identify and delegate work to agents (Bendickson et al. 2016a, b; Eisenhardt 1989). Agents are managers or the like, hired to act in the principal's best interests (Jensen and Meckling 1976). In other words, principals entrust responsibilities to agents and expect these agents to carry out those responsibilities as instructed by the principal. Although the principal/agent problem has been written about largely within corporate governance, the problem remains whenever agents are contracted. In what follows, although not exhaustive of all aspects of agency theory, we explore some of the issues that impact social entrepreneurs.

The relationship posed by agency theory is fraught with challenges. As long as the interests of both principals and agents are aligned, there are few issues to resolve, except for incompetence (i.e., Hendry 2002). However, when those interests are misaligned, a problem usually arises where “the focus of agency theory stems from assumptions that the agent will behave opportunistically, particularly if their interests conflict with the principal” (Mitchell and Meacham 2011 p. 151). One reason is that the principal and agent have different levels of risk. A principal has diversified stock holdings and therefore wishes to encourage a certain level of risk-taking on the part of the agent. The agent's wealth is attached to the firm and therefore, the agent seeks to pursue non-risky strategies.

Because interests are often difficult to align, principals engage in monitoring activities to ensure that the agent is acting on his or her behalf. Governing

mechanisms are needed to facilitate congruence and balance risks appropriately (Arrow 1971). Yet monitoring by employing governance mechanisms is difficult and costly (Eisenhardt 1989). In addition, monitoring and contracts are expensive to enforce, creating even more issues with the principal/agent relationship. Incentives are often created to align interests between principal and agent but due to issues such as information asymmetry, this is also not always effective.

Through an agency lens, the reasons for such challenges are often due to adverse selection and moral hazard. Adverse selection occurs when an agent makes claims and promises that they cannot provide and when asymmetrical information is present. In this case, the agent has information that the principal might not have access to. For example, to gain access to a job, a candidate may overclaim what they could accomplish. Applied to social entrepreneurship, the social entrepreneur, embracing the heroic model (i.e., Dacin et al. 2011), may exaggerate what they can accomplish. This could make the principal responsible for things that go beyond what they are willing to provide and could lose the agent face. The social entrepreneur may increase their reputation, but may have damaged that of their agent.

Lastly, the issue of moral hazard is relevant (i.e., when one party changes their behavior once a contract is signed). In other words, they take advantage of the contract since they will not bear the cost. For example, when a person is injured, they may take on a higher risk, knowing that their insurance company would be the one that pays for the outcomes. In the principal agent problem this can occur when agents put in less work than they claim they will, have different risk preferences than their contractors, or misuse company resources. Applied to social entrepreneurship, an example would be the social entrepreneur getting involved in a major and risky social undertaking, in which the principal may not be fully aware of the risks involved.

2.3 Agency problems in social entrepreneurship

In review of the literature of both social entrepreneurship and agency theory, we were unable to identify theoretical developments that framed the duality issue surrounding the many roles social entrepreneurs may have. If social entrepreneurs are indeed innovators (of ideas and solutions), orchestrators (of resources and capabilities), and grantors/issuers (of hope and physical means), then there will be instances where these roles are in conflict with one another. At first glance, possessing multiple roles aligned with creating value to benefit different benefactor groups may seem harmless. Yet, social identity theory (Tajfel and Turner 1979) allows a person to view themselves as a member of a group with common interests, goals, and desired outcomes. Identifying with a group, in turn, can help to guide an individual's behaviors, values and reduce uncertainty (Hogg 2009). But, what happens when an individual is a member of multiple groups? In this case, how does the social entrepreneur identify? When the social entrepreneur is faced with this change in context, he or she must negotiate the various expectations from the respective groups. These contextual changes may distort the values of the respective groups, resulting in role conflict for the social entrepreneur (Ethier and Deaux 1994).

3 Social entrepreneurship types

When juxtaposing the social entrepreneurship types with incumbent institutional response and displacement, we begin to gain deeper insights into the complexities that may further exacerbate the agency issues social entrepreneurs may face. Since, social bricoleurs seek to address gaps in institutional shortcomings on the local level, many of the incumbent institutions are supportive of the social bricoleur's efforts. There is little or no displacement of those incumbent institutions as the social bricoleur is usually small in scale and does not pose a threat to the incumbent institution. In this case, the incumbent institution is likely to acknowledge its shortcomings and encourage the social bricoleur to continue working to resolve the social issue at hand.

The case of the social constructionist is different. While these institutions arise out of a social need stemming from the failure or exclusion of existing institutions, the incumbent institutions are unsure how to view the actions taken by the social constructionist. In this vein, social constructionist usually addresses societal problems that traditional incumbent institutions are ill equipped to handle. The incumbent institutions must take into consideration the stakeholders that may present a more conservative view when dealing with large-scale "unpopular" or "messy" societal problems, such as drug addiction or homelessness. The incumbent institutions are watchful of the institutions created by social constructionists, because they could become competitors for resources down the road. While there is the potential for some displacement of the incumbent institution, these institutions are neutral in their response to the social constructionists actions.

On the other hand, the incumbent institutions view the actions taken by the social engineer as disruptive and threatening. Since social engineers seek to build new institutions to replace existing, inefficient or ineffective incumbent institutions, incumbent institutions often resist the creation of these entities. The resistance comes in various forms that may call into question the legitimacy of the institution or proclaim it as radical and not in the best interest of potential benefactors or stakeholders. Incumbent institutions are threatened by institutions created by social engineers because they view the newly created entity as a direct competitor. With this understanding in mind, the possible displacement of the incumbent institutions is high and this drives the resistance the incumbent institution has towards the entities created by the social engineers. Given the contextualization of the relationships between the different social entrepreneur types and incumbent institutions, we will now divulge the agency problems presented with each social entrepreneurship type.

3.1 The social bricoleur

A social bricoleur is the type of social entrepreneur who recognizes the ever-changing nature of the market and engages in social entrepreneurship that is episodic and localized in nature. Knowledge is mostly in the hands of the entrepreneur with its tacit and localized concept. For example, the Giving Field located in Beaumont

Texas provides fresh fruits and vegetables to the poor and hungry (Lawrence 2017). The nonprofit seeks to help the local poor and those experiencing homelessness by offering nutritious fruits and vegetables. Given these characteristics, we could expect very high levels of principal/agent problems. However, another aspect of social bricoleur is that rather than seeking funds elsewhere, the social bricoleur utilizes “whatever resources and repertoires one has to perform whatever tasks one faces” (Weick 1993 p. 353). Also given that the relationship, as Zahra et al. (2009 p. 525) write:

“In organizing their ventures, Social Bricoleurs typically require neither external nor specialized resources. They often rely on whatever resources that are readily harnessed (Weick 1993). This characteristic differs markedly from other types of social entrepreneurs, who typically depend on numerous external suppliers to achieve their objectives.”

This means that we could expect that agency problems are going to be very low in social bricoleur situations. The costs involved will be low or non-existent since the social bricoleur type of entrepreneur uses resources that are on hand and will have no need to gain them elsewhere. The notion of minimal agency problems is in line with Santos’s (2012) work where given the opportunity to create value for the small underserved segment is greater than the potential value capture opportunity (reaping of benefits). Hence, a lower likelihood of misaligned values which leads to agency problems. In this instance, the principal will primarily be individuals in the community, who can socially sanction the entrepreneur. Monitoring costs will be low as well. Incentives will be primarily social (e.g., through the recognition that the social bricoleur gains from their community). Information symmetry will be low; given how close both the principal and the entrepreneur are to each other.

Moral hazard and adverse selection will present different issues. The moral hazard will be minimal, because there are no outside resources and given how connected the entrepreneur is to the situation, we could expect the social bricoleur to have minimal issues with moral hazard. The risk could be high if the social bricoleur acts poorly since this relationship is local. Adverse selection could be moderate. A social bricoleur may misunderstand the issue, assuming that something is local in nature, when it really is an ongoing institutional problem that has to be fixed nationally or even internationally. The social bricoleur can also over promise on what they can accomplish, thus, we believe that adverse selection should be low or in some instances high, hence the moderate designation.

However, the relationship between social bricoleur and agency can change. The social bricoleur can start off at a small scale, but can slowly, as they experience success, become larger. Although social bricoleurs may apply the same techniques, they will increasingly need more funding from the outside. As the relationship changes, outside factors, such as funding and increased regulation will enter into the framework. This will then create various agency problems because while information remains local, funding is more external. In fact, it could be argued that they will become a social constructionist. The question of honest incompetence is an important one. Several factors can lead to honest incompetence: specification, training, guidance, incentives and clear objectives (Hendry 2002). Given how socially

embedded the process is, we should expect the social entrepreneur to have an understanding of the conditions, and easy access to guidance and training. We could also imagine this given that the project will lend itself to quantifiable and reachable goals. Furthermore, there is no degree of separation between the principal and the agents, there should be a ready access to understanding the circumstances. Hence, we expect honest incompetence to be low. With the aforementioned discussion in mind, we propose the following:

Proposition 1 *Social bricoleurs face fewer agency problems in comparison to social constructionists and social engineers.*

3.2 The social constructionist

The social constructionist is the type of entrepreneur who drives “systemic changes in expectations concerning ends and means” (Kirzner 1973 p. 71). Social constructionists “build, launch and operate ventures which tackle those social needs that are inadequately addressed by existing institutions, businesses, NGOs and government agencies” (Zahra et al. 2009 p. 525). Social constructionists emerge due to issues regarding the fact that existing institutions (corporations and governments) cannot provide enough philanthropy and service to address societal issues. Social constructionists seek to plan and develop formalized approaches. Case in point, Faire Collection is a jewelry design firm that works with artisans from developing countries around the world to provide the artisans with a structured approach to working their way out of poverty by bringing their products to a more profitable market (Baxter n.d. (2020); Mentor Capitol Network 2017). One reason why there is a distinct difference between a social bricoleur and social constructionist is that a social bricoleur recognizes and conceptualizes issues based on local information. However, according to Zahra and colleagues (2009), social constructionists “result from their unique capacity to spot and pursue those opportunities that generate social wealth by creating and reconfiguring the processes enacted to deliver goods and services” (p. 525).

Therefore, we can expect the need for funds beyond the entrepreneurs’ assets, to lead to the start of agency problems. The cost of agency could be high: monitoring will be needed to ensure that money is being spent properly. It is not surprising that when individuals, corporations, charitable foundations, and trusts provide money for various projects, legal contracts are written to ensure that the money is spent correctly. However, once granted, monitoring could be high or low depending upon the choices of the principal. Some principals will intend to monitor to ensure every dollar is spent in the context of the wishes of the foundations. In these situations, monitoring costs will be high due to legal and contracting expenses. Other principals may be satisfied since they contributed funds and due to the tax benefits and recognition that they gain. This question will be dependent upon the nature of the gift and the intent of the principal. Incentives will range from financial to social recognition for social constructionists. If an agent is perceived to be competent and trustworthy, they can generate additional funds for their social entrepreneurship

endeavor and further recognition. Information asymmetry could be high since there is a degree of separation in both locale and knowledge between the principal and the agent. Not only could information asymmetry be high due to distance, but it could also be high due to timing of knowledge and any disclosures of socially responsible reporting (Martínez-Ferrero 2018, Rodriguez-Ariza, Garcia-Sanchez and Cuadrado-Ballesteros 2018). The combination of these factors will produce situations of high moral hazard and high adverse selection. Moral hazard can become a major issue, because the social constructionist can be more consumed by raising money than fixing issues—given the potential for complicated issues and the demands for high amounts of funding. Adverse selection can be high as well because the social entrepreneur can over-claim what they wish to do in solving problems, especially those they are systemic and generational in nature.

The issue of honest incompetence can vary from moderate to high. Firstly, the social constructionist is trying to mend incumbent institutions that are currently failing to meet ongoing issues. While they are welcomed, they are seen as a release value, meaning that in certain circumstances addressing the problem should be sufficient. Therefore, the cost of honest incompetence could be moderate, but these costs could also be written off. However, the potential for honest incompetence is high because guidance, support, training, and clear objectives are difficult to determine. The social constructionist may lack resources to handle the complexity of the issue and the first-hand information. In light of this discussion, we propose the following:

Proposition 2 *Social constructionists face moderate agency problems in comparison to social bricoleurs and social engineers.*

3.3 The social engineer

Whereas the social constructionist seeks to repair institutions, the social engineer seeks to rip institutions apart and replace them with better, more effective ones. In most instances, this requires enormous amounts of capital to build a network and support for the system. Compounding this problem is the fact that business and government elites may seek to prevent changes, even if there is recognition that the institution is failing. This presents an issue, namely, that the social engineer may face power, but will need funds and political support to carry out their mission. This means that principals can place high demands on social engineers and may actually co-opt them. Therefore, we anticipate that agency problems could be limited.

However, the social engineer may “encounter situations where societal structures, incumbent institutions, and norms have become ossified, some may find rule breaking essential to introducing innovation and reform” (Zahra et al. 2009 p. 529). Mohammad Yunus broke the well-established, risk driven rules of lending when he created the Grameen Bank. His model blew up the traditional lending model to help entrepreneurs in poverty expand their businesses and improve their financial well-being (Forbes 2007). By extending loans ranging from \$30–\$200 dollars, the initiative helped many entrepreneurs work their way out of poverty. Compounding the notion of rule breaking in the

name of innovation is the notion that the social engineer is passionate and driven, and therefore may possess narcissistic, psychopathic, and Machiavellian traits. They may also have greater insight and may consider the nature of any justice of their cause. This is why Lord Acton stated that great men are often bad men. Furthermore, the social engineer can gather support from other forces, who may seek change, because of the belief that existing structures are failing to meet ongoing crises. This means that there is a strong potential for agency problems, because the agent could use popular support to constrain principals. In addition, the social engineer may downplay how radical they are when gathering institutional support. Therefore, we could expect agency problems to be high. The cost of monitoring a social engineer will be high—especially if the social engineer is aggressive, dishonest and charismatic. In addition, social engineers could use social support to raise additional support, punishing principals if the principals complain. Social support could also raise monitoring costs and limit the ability of principals to enforce contracts. Incentives used could be monetary and based on recognition. They will be, however, of limited efficacy, because there is a potential higher payoff from challenging structures. Information asymmetry may be high—because the social engineer may have additional insight and the personality characteristics to hide their intentions.

Issues with moral hazard and adverse selection will be different. In adverse selection, there is a tendency for people to over claim what they can promise. However, for the social engineer the problem may stem from under-claiming what they wish to accomplish. If they are not effectively consumed by their principals, social engineers may claim what they wish to accomplish is more limited than what they actually claim. Likewise, moral hazard, will be high, because popular support could protect the agent from the consequences of their actions. In fact, given the high risk, this should be an issue. The issue with honest incompetence will be present for the social engineer. There are some problems that require a complete break from the past. However, such changes are often difficult to make, since they do not lend themselves to quantifiable goals, and there may be conflict between the various objectives, causing problems with guidance, training, and overall goals. The cost can be high because given the high stakes, the social engineer may believe that they are acting in the best interests of others, so they may endure. This means the cost of incompetence could be high. For an overview of how the aforementioned agency issues impact social entrepreneurs, please see Table 2. Given this, we propose the following:

Proposition 3 *Social engineers face greater agency problems in comparison to social briocleurs and social constructionists.*

4 Discussion

The purpose of this paper was to demonstrate the risk associated with social entrepreneurship especially when there are agency problems. By no means do we suggest that social entrepreneurship is a bad thing. However, when a social entrepreneur has

Table 2 Agency issues and social entrepreneur type

Agency issue	Social bricoleur	Social constructionists	Social engineer
Cost (Governance Mechanism)	★★	★★★★	★★★★★
Monitoring (Governance Mechanism)	★★	★★★	★★★★
Information asymmetry	★★	★★★★★	★★★★
Moral hazard	★	★★★★	★★★★
Adverse selection	★★★	★★★★	★★★★
Honest incompetence	★★	★★★	★★★★★

Legend

Low = ★ or ★★

Moderate = ★★★

High = ★★★★ or ★★★★★

to serve as both a principal and as an agent when handling a social problem, there is a duality issue. In the case of a social bricoleur, the stakeholder (e.g., the local community suffering from the social problem) could be considered the principal, given there is no need to gain outside sources. However, for the social engineer and the social constructionist, there is a need to gain outside funding, creating potential agency concerns.

Yet, the agency concerns will be different. The social constructionist may spend a majority of their time seeking funds and overclaiming in order to get funds, potentially creating problems. In fact, some problems are so complex and systemic that they cannot be solved or do not lend themselves to the formation of easily understood goals. Accordingly, here we could expect agency problems. The social engineer would face even greater issues since they intend to radically transform society and may underclaim to gain legitimacy from people in power. Thus, each type of social entrepreneurship cannot be removed from risk.

4.1 Theoretical implications

This study aimed to extend our understanding of social entrepreneurship by closely examining the roles the social entrepreneur embodies when attempting to solve a social problem. In contrast to previous research in social entrepreneurship, we leverage agency theory to frame various problems of role duality and conflict for the social entrepreneur. Hence, our manuscript contributes to the literature streams of both social entrepreneurship and agency theory.

To date, literature in social entrepreneurship has offered definitions (Mair and Marti 2006; Zahra et al. 2008; Dacin et al. 2011) and typologies (Zahra et al. 2009; Mair et al. 2012; Salavou and Cohen 2020), yet, there is little research on the challenges social entrepreneurs may face due to role conflicts (he or she faces). Utilizing agency theory, our manuscript sheds light on agency issues the social entrepreneur may face. Outlining these issues assists with contextualizing the difficult task of solving complex social problems. For the social entrepreneur researcher, this paper offers footing in social identity theory and role conflict to gain a more

comprehensive understanding of researching this area of entrepreneurship. In essence, the issues discussed in this manuscript offer a frame to identify boundary conditions a researcher may want to consider. When clarified, the research can offer a more nuanced framing of a research problem pertaining to the social entrepreneur as a principal or as agent. This framing can narrow the scope of a researcher's study by focusing on one role versus the other.

On the other theoretical hand, agency theory is rich with economic perspectives. While steeped in economic theory and undertones, agency theory also poses other perspectives more akin to social findings. As such, we propose a problem of role duality that results in role conflict. The issue of role duality has been touched upon (see Bendickson et al. 2016a, b), but it remains largely underexplored. Roles are social positions that carry expectations for behavior and actions (Jain et al. 2009). This extends the agency theory literature by offering a new avenue for researchers to examine agency problems.

4.2 Practical implications

Social entrepreneurship has a natural connection to practitioner focus and practical implications given it is relevant to stakeholders and scholarship that can make a difference (Fisher 2020). The purpose of this paper is to illustrate the potential issues that face social entrepreneurs, those who could benefit, and those who fund social entrepreneurship. The ideas within are designed to help assist social entrepreneurs with the challenges that they face. This paper is also timely with the emergence of COVID-19 and ongoing protests regarding race and discrimination, the need for social entrepreneurship for social problems may become more acute. Indeed, scholars are already setting out to better understand that challenges that are being faced by entrepreneurs and in entrepreneurship education during such times of crises (e.g., Gur et al. 2020; Liguori and Winkler 2020). Therefore, it is important for society to understand the weaknesses and issues that could arise from social entrepreneurship—especially, since many of the problems seem intractable. This paper posits that enabling and encouraging more local and direct action may be a solution. This is not to say that other forms of social entrepreneurship do not have merit; they do. However, the agency problems could be much lower for social bricoleur.

4.3 Limitations and future research

Our goal in this manuscript was to enhance our understanding of social entrepreneurship by exploring an issue of duality the social entrepreneur may face when attempting to address social problems. In doing so, we used agency theory to frame the challenges different social entrepreneurs may encounter. Through this approach, we provide fertile ground for future research in both agency theory and social entrepreneurship. From an agency theory perspective, we identified a novel area of duality that may exist when an individual simultaneously undertakes different roles. The agency problem of “duality” exists due to differing expectations that different groups have from a single individual. We contend that an individual with roles as

a principal and an agent may encounter role conflict due to competing priorities. While agency theory is well explored, matters of “duality” have not yet been fully vetted.

Future research opportunities in social entrepreneurship are also bountiful. First, by highlighting the duality issue the social entrepreneur may face, we position social entrepreneurship researchers to explore an entirely different context of social entrepreneurship, mainly decision-making and potentially the dark-side of social entrepreneurship. Understanding more about these individuals, such as their social entrepreneurship orientation (e.g., Halberstadt et al. 2020), could be useful in this examination. When challenged with competing interests from multiple stakeholders, how does the social entrepreneur broach the complex nexus of staying on mission, serving the targeted group, and satisficing the donors? Likewise, this manuscript has provided a foundation for those interested in dark-side tendencies to examine the dark-side of social entrepreneurship. The aforementioned nexus places the social entrepreneur in a difficult position. In future research, it may be appropriate to take a closer look at how these difficult choices may culminate in deception and darker behaviors.

5 Conclusion

Our purpose was to develop a typology for social entrepreneurship using known social entrepreneurship types and agency theory. We argue that agency problems (whether they are overclaiming or honest incompetence) exist in social entrepreneurship. The extent of the problems will vary based on the type of entrepreneurship. The practical implication is that social entrepreneurs should mostly focus on local issues, where there is not a direct problem of needing outside funding.

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Compliance with ethical standards

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