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Resource construction in social enterprises: The role of entrepreneurial bricolage

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Abstract.

Social entrepreneurship attracts interest of scholars and practitioners due to its impact on solving social problem and creating social value. One of the crucial issues in social entrepreneurship is resource constraint that hinder social enterprises from solving social problem and exploiting new opportunities. The literature has highlighted the entrepreneurial bricolage behaviour for enabling creation of resources in pursuing opportunities in a resourceconstraint environment. However, the over dependence on bricolage may cause drawbacks such as more time are required to gather and recombine resources from social network. Through a bias of action, social enterprises engage in bricolage which involves trial and error responses which may contribute to the firms experiencing negative outcomes and inefficiencies. The present literature gives less focus to the process of resource construction through bricolage behaviour. Addressing such gap is critical because research on resource construction and bricolage behaviour promotes understanding of how social enterprises develop its unique resources while staying competitive especially in the early stage of firm development. The objective of the study is to review the literature on resource construction and use of bricolage in social enterprises. The study provides insights into the dual role of entrepreneurial bricolage in resource construction within social enterprises.

Keywords: Social entrepreneurship, resource constraint, resource construction, bricolage

1.0 Introduction

The first paper on social entrepreneurship was published in 1991 (Short, Moss, & Lumpkin, 2009) and ever since, social entrepreneurship has become a popular topic among scholars. Nearly after three decades, the interest in social entrepreneurship research is still growing with many debates centre among others on its rigorous conceptual grounding and lack of empirical studies, especially sound qualitative and quantitative research (Sunley & Pinch, 2012).

Mair and Marti (2006) define social entrepreneurship as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs”. The focus of social entrepreneurship studies centres on social



International Virtual Conference on Management and Economics

29 MAY, 2020

Organizations who creatively synergize internal and external resources to solve social issues and inadvertently change the existing social structures. The initial set-up of social organizations (whether for profit or not for profit) depends on the kinds of social needs that require solutions, resources requirement of the ventures, scope for raising capital and economic value that they created.

Social enterprises are businesses established on missions to overcome social problem and produce social value (Lee, 2019; Janssen et. al., 2017; Social Enterprise Malaysia, 2020). Among others, the social cause may include poverty reduction and environment conservation. Social enterprises facilitate change through identifying social problems and creating relevant solutions. In due course, social enterprises create new business opportunities and contribute substantially to the economy by generating employment and providing care for vulnerable and marginalised communities. This is in line with sustainable development goals set out by the United Nations (Lee, 2019).

Due to low public awareness, social enterprises received inadequate supports from both consumers and investors. The investors are vigilant due to lack of reliable information and data on the sector. This phenomenon inherently impedes social enterprises to scale up successfully (Lee, 2019). As a result, social enterprises' market size of entrepreneurship activity is much smaller compared to the commercial forms of entrepreneurship. Particularly in Malaysia, its social enterprises market is much smaller than that of other Asian countries, such as Indonesia or the Philippines.

The resource constraint in social entrepreneurship is a serious issue as the social enterprises depends on financial, physical and human resources to pursue business opportunities (Janssen et. al, 2017) especially in the early stage of firm development. Many social organizations have difficulty in getting funding as investors undervalue their social and long-term economic benefits. Suffering from the 'cultural aversion' (Sunley & Pinch 2012), some social entrepreneurs rely on their own limited resources. Social entrepreneurs develop bricolage behaviour in developing idiosyncratic resources for exploiting opportunities and creating innovation. However, how and what resources are created has not been discussed thoroughly in the literature.

Resource construction is particularly important in the early stages of firm development (Brush et al., 2001) because resources are generally limited. New firms depend primarily on entrepreneurs and their teams to bring in their education, previous work experience and networking as firms' resources. The insights and actions of the social entrepreneurs and their teams in organizing and transforming resources to build firm capabilities and competencies contribute to firm development. In other words, the social entrepreneurs constitute social enterprises' core resource in acquiring and transforming resources for exploiting business opportunities (Ireland et al., 2001; Kraaijenbrink, Spender, & Groen, 2010). The social entrepreneurs' task is to organize and transform their limited resources for new uses valuable



29 MAY, 2020

to pursue new business opportunities (McMullen & Shepherd, 2006). While the bricolage actions overcome resource limitation, it can lock social entrepreneurs into a self-reinforcing cycle of activities that hinder the firm growth (Fisher, 2012).

Resource construction and bricolage behaviour in social enterprises are not given enough focus in the extant literature. There is a need to study how resources are acquired and combine through bricolage behaviour in social enterprises. The objective of this paper is to review literature on resource construction and entrepreneurial bricolage in social enterprises. This study provides insights on the role of entrepreneurial bricolage in resource construction within social enterprises.

2.0 Literature Review and Theoretical Background

2.1 Resource-based view and Penrosian theory of firm growth

One of the earliest studies that influenced the resource-based view was rooted in the theory of firm growth, proposed by Edith Penrose in 1959. Her study focused on the internal resources of a firm, where a firm's productive resources, particularly management experience and competence, defined the kinds of productive services the firm can deliver. Penrose suggested that the firm, through its management, strives to efficiently utilize the firm's available resources by organizing and combining its existing resources with other acquired resources, and further develop these resources into innovative products and services to gain profit. In addition, the managers and entrepreneurs need to be flexible and imaginative in attracting resources for the development of new product or service in the firm.

The entrepreneurship theory contributes to the resource-based view by describing the role of entrepreneur in transforming inputs into heterogeneous outputs that others have not previously recognized (e.g. Shane & Venkataraman, 2000). In addition, the resource-based view can potentially extend entrepreneurship theory by focusing on the unique entrepreneurial actions needed to develop sustainable firms that create long term wealth (Alvarez & Barney, 2002). RBV also argues that a firm's resources contribute to its growth and performance (Barney, 1991), and these resources include both tangible and intangible assets (Barney, Wright, & Ketchen, 2001). Moreover, these resources must be heterogeneous in nature and cannot be easily transferred from one firm to another without cost in order to support achievement of a firm's sustainable competitive advantage (Barney, 1991; Priem & Butler, 2001) and bring in above-average returns.

2.2 Resource construction

Brush et al. (2001) define construction of resources as a series of resource development activities, in which initial resources are strategically constructed and unique capabilities are developed to gain competitive advantage and long-term profitability. In this study, based on Newbert (2008), competitive advantage refers to a firm's improved performance in a short-term period, while resource is defined as firms' initial resources, which include human, social,



International Virtual Conference on Management and Economics

29 MAY, 2020

financial, physical, technology and organizational resources (Brush et al. 2001). Specifically, in new firms, resources are generally embedded in the entrepreneurs and their teams. The entrepreneurs and their teams brought with them their knowledge, skills, networking and other capabilities into the new firms.

Moreover, Brush et al. (2001) argued that to achieve long term profitability, a firm's early strategy must originate from the innovative combination of unique resources to exploit opportunities. As such, the construction of resources is assumed to be path dependent of past activities performed by the entrepreneurs (Penrose, 1959; Kraaijenbrink et al., 2010; Lockett, Thompson, & Morgenstern, 2009). These resources are usually unique and firms specific and they enable firms to pursue opportunities that other firms have yet to recognize. The construction of resources is also assumed to be different for each firm, as each firm has made different kinds of resource decisions and resource choices in the past. These decisions and choices will influence the decisions for future resource construction.

While Lichtenstein and Brush (2001), for example, provide some understanding about the decisions made by entrepreneurs regarding types of resources and changes of the resource bundle, and their implications for firm performance, how social enterprises' initial resources were being developed had not been fully understood. So far, there is inconclusive evidence about the process of resource construction for social enterprises.

2.3 Entrepreneurial Bricolage and Social Entrepreneurship

The concept of 'bricolage' was first introduced by Levi Strauss (1967) and centres on the notion of "making do with whatever is at hand" (Baker & Nelson, 2005; Cheung et al., 2019). Baker and Nelson (2005) further expand the bricolage concept as making do through employing combinations of the resources at hand to counter new problems and develop opportunities. The three characteristics of bricolage are the making do, the use of resources at hand, and the re(combination) of the resources to overcome problems (Baker & Nelson, 2005). Social enterprises that engage bricolage concept combines resources such as physical, social or institutional inputs that others overlook. They are most likely to introduce different kinds of services to the market due to their ability in combining the resources (Penrose, 1959). Through bricolage, firms refuse to accept common limitation and constraint (Baker & Nelson, 2005).

When facing resource constraint, firms are required to actively exercise their creative and combinatorial capabilities, having tolerance for ambiguity, messiness and setbacks, and able to improvise and take advantage of social skills and networks. Such creativity, improvisation and social skills are important behaviours and capacities that support bricolage process (Baker &



International Virtual Conference on Management and Economics

29 MAY, 2020

Nelson, 2005). Through networks, founders gain access to resources needed during and after start-up period. Leveraging on stakeholder network, governance and persuasive strategies, firms gain legitimacy and financial sustainability (Sunley & Pinch, 2012). Both personal and professional networks work are regarded as ‘the means at hand’ (Baker, Miner, & Eesley, 2003).

Bricolage in social entrepreneurship takes a slightly different definition. Janssen, Fayolle and Wuillaume (2017) define bricolage as “the making do with any resources at hand to provide innovative solutions for social needs that traditional organizations fail to address in an adequate way’. According to Janssen et al. (2017), bricolage and social entrepreneurship have a similar economic motivation that causes entrepreneurial actions. While their actions may not be a logical chain of input to outcomes, they engage in bricolage approach to respond to the local community needs.

In a very crowded and competitive markets, firms with very strong bricolage capabilities have a positive overall effect when there is a decline in available resources (Baker & Nelson, 2005). Bricolage capabilities refer to firm’s ability to apply bricolage skilfully at various stages of their firm development. Over time, rivals may be unable to compete, and some may exit the market. Thus, the firms with strong bricolage capabilities may develop new opportunities that other firms failed to exploit, using limited resources at hand.

Baker and Nelson (2005) observe that the firms in their study were able to exploit business opportunities due to the idiosyncratic resources that they have created through process of bricolage. These firms perceive opportunities subjectively and external to firm’s resources (Baker & Nelson, 2005; Janssen et. al., 2017). Both opportunity discovery and enacting resources are considered one and the same activity, where both are uniquely associated and created through the process of bricolage. Leveraging on the resources that they have at hand, the firms enact and structure the environment to exploit opportunities. The opportunities seemed to be created rather than discovered by the firms (Baker & Nelson, 2005; Janssen et al., 2017). This notion is in contrast with Kirzner (1973), where opportunities are objectives and only alert individuals or individuals with relevant knowledge and experience would discover such opportunities.

Prior knowledge about resources at hand and other available inexpensive or free resources allow social enterprises to discover different kind of opportunities (Baker & Nelson, 2015). This knowledge allows them to combine resources for exploiting new business opportunities. The process of opportunity discovery is both iterative and social (Baker & Nelson, 2005). This interactive social process of resource combination involves each member of the firm bring together their experience and knowledge to solve problem or/and exploit opportunities.



International Virtual Conference on Management and Economics

29 MAY, 2020

Prior studies have suggested that entrepreneurial bricolage can act as a double-edged sword having both beneficial and harmful effects. Bricolage activities help social enterprises overcome resources constraint through making do through applying combination of resources to solve problem and create opportunity. However, the bricolage activities also could lock the firms into a self-reinforcing cycle which could dampen growth.

Bricolage within multiple domains (i.e. input domains which consist of material, skills and labour, the regulatory and institutions) generates commonly reinforcing patterns which create ‘parallel bricolage’ and delays growth. As a result of parallel bricolage, social entrepreneurs are unable to exploit opportunities outside their focused communities and at some point, they are unable to sustain. This is in contrast with ‘selective bricolage’ which social entrepreneurs selectively limit input domains to create efficient business routines for growth (Baker & Nelson, 2005). In selective bricolage, social entrepreneurs focus on servicing broader markets with more profitable customers.

3.0 Conclusion and Future Study

The entrepreneurial bricolage and social entrepreneurship share important characteristics where both are linked to resource-constrained environments. The social entrepreneurs adopt a ‘less rational’ entrepreneurial behaviour and refuse to be constrained by resources limitation at hand to solve social problems. They also demonstrate ‘bias for action’ through recombination of resources at hand to respond to social issues (opportunities) and grow (Janssen et.al., 2017). This recombination of resources which is idiosyncratic to the social enterprises enable them to exploit and create new opportunities. Nevertheless, the discussion on the types of resources at hand, how these resources were constructed and combined, and the bricolage actions involved is scant in bricolage and resource construction literature, which require further study.

Understanding of entrepreneurial bricolage in resource construction for social enterprises is useful in guiding the entrepreneurs of new entrants in improving their decision makings and implementing their business strategies. Recognition that resource construction in bricolage involves ‘creative reinvention’ (Fisher, 2012), improvisation and various social and network skills (Baker & Nelson, 2005) and persuasion helps social entrepreneurs to solve social problem and exploit new opportunities. More studies are needed to understand the link between creativity, improvisation, social networks and persuasion, entrepreneurial bricolage and resource construction in social enterprises.



International Virtual Conference on Management and Economics

29 MAY, 2020

Entrepreneurial bricolage supports social enterprises to deal with their lack of resources especially at the early stage of firm growth. Performing bricolage behaviour at different domains repeatedly (parallel bricolage) help social enterprises to acquire and recombine resources to exploit different kind of business opportunities. However, with the diversification of business activities, social enterprises could lose their focus on developing their core innovation and identity. As such, social enterprises need to balance between performing parallel and selective bricolage to sustain and grow. More studies on when and how social enterprises offset between parallel and selective bricolage need to be examined.

Social enterprises also experience tension due to their dual mission: maximizing social benefits and gaining self-sufficiency (Florian et. al., 2017; Yin & Chen, 2019). Social enterprises need to deal with conflicting and competing commercial and social logic, on top of differing demands from stakeholders. As a result, it creates conflict for social enterprises to carry out the bricolage actions when there are conflicting goals, norms and values. As such, more study on how to mobilize the dual identity is needed.

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International Virtual Conference on Management and Economics

29 MAY, 2020

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International Virtual Conference on Management and Economics

29 MAY, 2020

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