

The Evolution and Dynamics of Social Entrepreneurship: Bridging Innovation, Sustainability, and Societal Impact

L'évolution et les dynamiques de l'entrepreneuriat social: Relier Innovation, Durabilité et Impact Sociétal

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Abstract

This literature article explores the evolution, definitions, and core principles of social entrepreneurship, emphasizing their roles in addressing societal and environmental challenges. The purpose of this literature review is to synthesize existing research on the conceptual and practical development of social entrepreneurship, identify its key milestones, and examine the interplay between social entrepreneurship and social enterprises. Methodologically, it draws on seminal works and recent studies to analyze the economic, social, and governance dimensions of social enterprises, highlighting their distinct operational frameworks and participatory dynamics. The findings reveal that social entrepreneurship has matured into a professionalized field, with innovative frameworks and institutional support. However, gaps remain in measuring long-term social and environmental impact and understanding how social enterprises sustain systemic change. This review provides a foundation for further exploration into the scalability of social entrepreneurship and its potential to address pressing global challenges.

Keywords: Social entrepreneurship, Social Enterprise, Innovation, Sustainability, Social impact

Résumé

Cet article de synthèse explore l'évolution, les définitions et les principes fondamentaux de l'entrepreneuriat social, en mettant l'accent sur leur rôle dans la résolution des défis sociétaux et environnementaux. L'objectif de cette revue de littérature est de synthétiser les recherches existantes sur le développement conceptuel et pratique de l'entrepreneuriat social, d'identifier ses jalons clés et d'examiner les interactions entre l'entrepreneuriat social et les entreprises sociales. Sur le plan méthodologique, il s'appuie sur des travaux fondateurs et des études récentes pour analyser les dimensions économiques, sociales et de gouvernance des entreprises sociales, en mettant en lumière leurs cadres opérationnels distincts et leurs dynamiques participatives. Les résultats révèlent que l'entrepreneuriat social s'est transformé en un domaine professionnalisé, avec des cadres innovants et un soutien institutionnel. Cependant, des lacunes subsistent dans la mesure de l'impact social et environnemental à long terme, ainsi que dans la compréhension de la manière dont les entreprises sociales maintiennent un changement systémique. Cette revue fournit une base pour des explorations ultérieures sur la possibilité de mise à l'échelle de l'entrepreneuriat social et son potentiel à relever les défis mondiaux pressants.

Mots-clés: Entrepreneuriat social, Entreprise sociale, Innovation, Durabilité, Impact social

Introduction

Entrepreneurship is defined as the process through which individuals or groups identify opportunities, mobilize resources, and innovate to generate economic or societal value. It broadly involves the mobilization of resources to initiate projects and establish businesses that address societal needs through their products or services (Derkaoui & Rabhi, 2022). In the twenty-first century, entrepreneurship has expanded to encompass broader economic, social, and environmental dimensions. Shaped by precarious labor markets and rapid technological advancements, it is increasingly recognized as a critical driver of competitive advantage and innovation across sectors (Portales, 2019).

Entrepreneurship, as a catalyst for innovation and economic transformation, has evolved significantly over time. From its early association with risk-taking and value creation in the eighteenth century to its modern role as a transformative force, entrepreneurship has continuously adapted to address emerging societal challenges. In recent decades, the concept of social entrepreneurship has emerged as a dynamic paradigm, integrating entrepreneurial principles with a mission to generate societal and environmental value. Social entrepreneurship bridges innovation and impact by aligning economic sustainability with solutions that address systemic societal challenges. It emphasizes the potential of entrepreneurial innovation to create long-lasting change, positioning social entrepreneurship as a critical mechanism for fostering global development (Austin et al., 2006).

This article explores the origins, evolution, and distinguishing features of social entrepreneurship. It seeks to examine the conceptual frameworks underpinning social entrepreneurship, its historical milestones, and its operational manifestations through social enterprises. Through a synthesis of existing literature, the article highlights the mechanisms through which social entrepreneurship drives innovation, ensures sustainability, and fosters societal transformation.

This article aims to address the central question: *How do the dynamics of social entrepreneurship facilitate the integration of innovation, sustainability, and societal impact in responding to contemporary global challenges?* The research problem seeks to shed light on the role of social entrepreneurship as a driver of innovation, sustainability, and social transformation

To address the stated research question, a rigorous methodological approach was adopted, based on a comprehensive literature review. This approach was structured around the mobilization of key theories to explore the relationship between social entrepreneurship,

innovation, sustainability, and societal impact. The primary objective is to ensure a comprehensive understanding of the complex dynamics underpinning these concepts and their interaction across various contexts.

The structure of this article is organized into two parts. The first part addresses the concept of social entrepreneurship, aiming to provide a comprehensive understanding of its foundations. It examines the origins, definitions, and distinctive characteristics of social entrepreneurship. While the second part investigates the interplay between social entrepreneurship, innovation, sustainability, and societal impact.

1. Social Entrepreneurship: Origins and Definition

Social entrepreneurship is a multidimensional concept as it integrates several interdependent dimensions, including economic, social, environmental (Kamaludin et al., 2021). This multidimensionality is one of the key characteristics that distinguishes social entrepreneurship from traditional forms of entrepreneurship.

This part explores the evolution of social entrepreneurship, tracing its origins and development. And it delves into the core principles and definitions of social entrepreneurship, analyzing its conceptual frameworks and its operational manifestation through social enterprises. The interrelation between social entrepreneurship and social enterprises is further explored, highlighting their complementary roles in driving systemic change.

1.1. The Origins and Evolution of Social Entrepreneurship

Social entrepreneurship emerged as a distinct concept in the 1980s, integrating the seemingly opposing ideas of entrepreneurship and social responsibility (Friedman & Desivilya, 2010; Peredo & McLean, 2006; Yunus, 2008, Portales, 2019). It gained prominence as an alternative means of achieving sustainable solutions to societal problems, leveraging the tools of entrepreneurship to generate social value (Mair & Marti, 2006). Its rise coincided with increased recognition of social and environmental challenges that traditional economic models struggled to address (Portales, 2019).

The concept became widely accepted due to its ability to combine economic wealth generation with sustainable social impact, breaking away from the dichotomy between profit-driven enterprises and charitable organizations (Portales, 2017).

Researchers have traced the emergence and evolution of the concept of social entrepreneurship through distinct phases. This progression illustrates how social

entrepreneurship has evolved from a nascent concept to a dynamic global movement, consistently adapting to meet emerging societal needs (Boulkhir & Touhami, 2024).

Social entrepreneurship began to take shape as a concept during the 1970s and 1980s, marked by significant innovation and the contributions of visionary pioneers. Muhammad Yunus introduced the concept of microcredit through the Grameen Bank, revolutionizing poverty alleviation efforts, while Bill Drayton founded Ashoka in 1980, creating a structured platform to support social entrepreneurs. This period marked the formalization of social entrepreneurship, transitioning it from a marginal idea to a recognized movement. It was also characterized by the diversification of entrepreneurial models designed to address the unique challenges faced by specific communities.

The 1990s brought significant structural development and increasing recognition of social entrepreneurship. Key milestones included the establishment of the Skoll Foundation by Jeff Skoll in 1999 and the growing academic focus on the field, which further legitimized its principles and practices. These developments played a crucial role in shaping the future of social entrepreneurship as an impactful and recognized domain.

By the 2000s, social entrepreneurship had matured into a professionalized and institutionalized field. This period was marked by the creation of dedicated networks, the establishment of academic programs, and the development of structured models, which solidified the sector as a formal area of study and practice. These advancements helped establish coherence within the field and enhanced its strategic impact across various initiatives.

The 2010s represented a pivotal phase where social entrepreneurship gained significant institutional legitimacy. A notable example is France's Social and Solidarity Economy Law, enacted in 2010, which formalized the operational framework for social enterprises. This legislation demonstrated the integration of social entrepreneurship into national policies, reflecting its growing importance in addressing societal challenges.

Between 2010 and 2020, social entrepreneurship evolved into a global movement, extending its influence across sectors such as education, healthcare, and environmental sustainability. This period highlighted the adaptability and relevance of social entrepreneurship in addressing diverse global challenges, showcasing its capacity to foster innovation and systemic change.

The 2020s have ushered in a stronger focus on accountability and the development of rigorous tools to measure social and environmental impact. Social entrepreneurship is now widely

recognized as a critical tool for tackling pressing global challenges, such as climate change and social inequality. It has positioned itself as an essential driver of sustainable and innovative solutions, reaffirming its role in creating transformative change on a global scale.

The following tables (Table 1) summarizes the key phases of the evolution of Social Entrepreneurship.

Table 1: Evolution of Social Entrepreneurship: Key Phases and Milestones

Phase	Description
1970s–1980s	Social entrepreneurship began to emerge as a concept, driven by innovation and the contributions of visionary pioneers. It transitioned from a marginal idea to a recognized movement, characterized by the diversification of models addressing specific community challenges.
1990s	Marked by significant structural development and increasing recognition of social entrepreneurship. This era solidified the field's foundation, integrating it into academia and enhancing its legitimacy.
2000s	Social entrepreneurship matured into a professionalized and institutionalized field. Networks, academic programs, and structured models were developed, solidifying its strategic impact across various initiatives.
2010s	Represented a pivotal phase where social entrepreneurship achieved institutional legitimacy. National policies began to reflect its importance in addressing societal challenges.
2010–2020	Social entrepreneurship evolved into a global movement, extending its influence across sectors such as education, healthcare, and environmental sustainability. This period demonstrated its adaptability and relevance in fostering systemic change.
2020s and beyond	Focused on accountability and the use of rigorous tools to measure social and environmental impact. Social entrepreneurship is recognized as a critical driver of sustainable and innovative solutions to pressing global challenges.

Source: (Boulkhir & Touhami, 2024)

1.2. Social Entrepreneurship: Definitions and Core Principles

This section delves into the foundational aspects of social entrepreneurship, examining its definitions, guiding principles, and its unique approach to addressing societal challenges.

To provide a comprehensive understanding, the section also explores the relationship between social entrepreneurship and social enterprises, highlighting their areas of convergence.

1.2.1. Defining Social Entrepreneurship

Social entrepreneurship emerged as a distinct concept in the 1980s, signaling a paradigm shift from a focus solely on economic goals to the integration of social and environmental missions (Friedman & Desivilya, 2010). Unlike traditional entrepreneurship, which prioritizes financial gain, social entrepreneurship emphasizes creating positive societal impact by addressing barriers to inclusion, tackling systemic inequalities, and promoting sustainable change (Austin et al., 2006). Social entrepreneurship is viewed as a new form of entrepreneurship, responding to the evolving demands of the modern economy (El Halaissi & Boumkhaled, 2020).

At its core, social entrepreneurship combines entrepreneurial principles with a commitment to solving societal challenges and generating social value. It is defined as the process by which individuals or groups innovate and implement solutions to address social issues, driven by a mission-oriented approach aimed at achieving public benefit (Dees, 1998). In other words, social entrepreneurship involves identifying social problems, devising innovative solutions, and employing sustainable approaches to effect meaningful and lasting change.

The primary organizational outcome of social entrepreneurship is the establishment of social enterprises, which operationalize the vision and objectives of social entrepreneurship by delivering goods or services that balance both social and financial goals. Two prominent schools of thought in the United States have been instrumental in shaping the conceptual understanding of social enterprises: the Commercial Resources School and the Social Innovation School (Dees & Anderson, 2006).

The Commercial Resources School initially characterized social enterprises as economic activities undertaken by private non-profit organizations to support their social missions. This perspective framed social enterprises as innovative solutions to the funding challenges encountered by non-profits, which often struggled to secure private donations or obtain subsidies from public authorities and foundations (Kerlin, 2006). Over time, the definition expanded to include both for-profit and non-profit organizations engaged in commercial activities aligned with social objectives.

This broadened scope incorporated private-sector management techniques into the framework. A notable example is Muhammad Yunus's concept of social business, which prioritizes covering costs through commercial revenues while reinvesting profits into achieving social objectives. Such enterprises demonstrate a commitment to sustainability without profit distribution, aligning commercial activities with impactful social missions.

Conversely, the Social Innovation School underscores the pivotal role of social entrepreneurs, focusing on their creativity, dynamism, and leadership in addressing societal challenges. Social entrepreneurs are described as "agents of change in the social sector," characterized by their mission to create social value, their ability to seize opportunities to further this mission, their engagement in continuous innovation, adaptation, and learning, and their boldness in overcoming resource limitations, while maintaining a strong commitment to measurable social impacts (Dees, 1998). Unlike the Commercial Resources School, this perspective emphasizes systemic innovation and the scalability of social impact rather than the specific types of resources mobilized (Defourny & Nyssens, 2011). Organizations such as Ashoka have played a pioneering role in supporting social entrepreneurs, highlighting their transformative potential in driving systemic change.

In Europe, the EMES network, established in 1996, has provided a comprehensive theoretical and empirical foundation for the study of social enterprises. The network introduced nine key indicators grouped into three dimensions: economic, social, and governance. The economic dimension includes continuous production of goods or services, significant economic risk, and a baseline level of paid employment. The social dimension encompasses an explicit objective of community service, citizen-driven initiatives, and restrictions on profit distribution. The governance dimension emphasizes high autonomy, decision-making independence from capital ownership, and participatory governance involving multiple stakeholders.

These indicators act as a compass for classifying and analyzing social enterprises, rather than rigid normative criteria. They provide a structured framework for grouping entities, defining boundaries, and deepening the understanding of the dynamics of social enterprises within the broader economic landscape (Nicholls, 2006). This framework allows for a nuanced appreciation of how social enterprises navigate the intersections of economic activity, social impact, and governance, further underscoring their role as a bridge between innovation and societal transformation.

1.2.2. Social Entrepreneurship and Social Enterprise: Core Principles and Characteristics

As previously discussed, the relationship between social enterprises and social entrepreneurship is profoundly interconnected, with social enterprises serving as the tangible embodiment of the principles and practices of social entrepreneurship. This connection can be understood through the following key aspects:

❖ *A Conceptual Link*

Social entrepreneurship represents a comprehensive process or mindset that applies entrepreneurial principles to address societal challenges and create social value. At its core, it involves identifying social issues, developing innovative solutions, and implementing sustainable strategies to drive change (Nicholls, 2006). In contrast, social enterprises are the concrete organizational outcomes or practical vehicles of social entrepreneurship. These entities transform the vision and objectives of social entrepreneurship into actionable initiatives by delivering goods or services that balance social and financial goals. For example, Muhammad Yunus's groundbreaking concept of microcredit, as an act of social entrepreneurship, led to the creation of the Grameen Bank—a social enterprise that provides financial services to marginalized communities (Yunus, 2008).

❖ *A Shared Purpose*

Both social entrepreneurship and social enterprises share a mission-driven focus on creating social value. Social entrepreneurship offers the strategic framework and innovative methodologies to tackle social issues effectively (Austin et al., 2006). Social enterprises, in turn, implement these methodologies through their operations, blending entrepreneurial activities with a commitment to measurable social impact. This synergy ensures that the aspirations of social entrepreneurship are translated into tangible, impactful outcomes (Peredo & McLean, 2006)

❖ *A Process vs. an Entity*

Social entrepreneurship is best understood as a process that encompasses the identification of opportunities, the mobilization of resources, and the innovation necessary to solve societal problems (Austin et al., 2006). Social enterprises, by contrast, are the entities that result from this process. They serve as operational structures that embody and execute the objectives of social entrepreneurship. A notable example is Ashoka, a global organization that supports social entrepreneurs in developing transformative initiatives. These entrepreneurs often

establish social enterprises to implement their strategies, thereby turning visionary ideas into practical, real-world solutions (Bornstein, 2004).

❖ *Economic Sustainability*

Sustainability is a fundamental principle of social entrepreneurship, emphasizing the need for scalable and enduring solutions to societal challenges. Social enterprises play a critical role in achieving this sustainability by engaging in commercial activities that ensure financial independence while simultaneously pursuing their social missions (Defourny & Nyssens, 2008). This ability to align economic self-sufficiency with social objectives highlights the entrepreneurial aspect of social entrepreneurship and underscores the importance of social enterprises as integral components of the ecosystem (Yunus, 2010).

❖ *Complementary Roles*

Social entrepreneurs are the innovators and strategists who design solutions for complex social challenges. They aim to create systemic change by introducing novel ideas and approaches (Dees, 1998). Social enterprises, on the other hand, are the platforms through which these strategies are implemented, transforming visionary concepts into practical actions. In this complementary relationship, social entrepreneurs drive the process of change, while social enterprises provide the mechanisms to actualize and sustain this change (Smith et al., 2013).

The following table (**Table 2**) highlights how social entrepreneurship and social enterprises are interconnected but distinct, working together to create and implement impactful social solutions.

Table 2: Key Distinctions Between Social Entrepreneurship and Social Enterprises

Aspect	Social Entrepreneurship	Social Enterprises
Definition	The process of using entrepreneurial principles to identify, innovate, and implement solutions for societal challenges.	Organizations created to operationalize the principles of social entrepreneurship by combining social and economic goals.
Focus	Focuses on the process, innovation, and strategy to create social value and address societal problems.	Focuses on the entity that delivers goods or services to achieve social and financial objectives.
Purpose	Provides a strategic framework and innovative approaches to	Implements and operationalizes these approaches in practical and sustainable

	solving social issues.	ways.
Output	Produces innovative ideas, strategies, and models to tackle societal challenges.	Produces tangible goods or services that directly create social and economic value.
Economic Sustainability	Emphasizes the importance of sustainability and scalability in solutions.	Achieves sustainability by engaging in commercial activities and generating revenue while pursuing a social mission.
Scope	Broad and conceptual, encompassing vision, strategy, and advocacy for societal impact.	Narrower and operational, focusing on specific business activities to deliver social and financial outcomes.
Role in Social Change	Acts as the driving force for innovation and change, identifying opportunities and mobilizing resources.	Serves as the vehicle to execute, scale, and sustain the changes envisioned by social entrepreneurship.

Source: Developed by the authors

2. Social Entrepreneurship, Innovation, Sustainability and Societal Impact

Social entrepreneurship serves as a transformative paradigm, bridging innovation, sustainability, and societal impact by combining entrepreneurial principles with a mission to address systemic social challenges. It achieves this through a unique integration of economic activities, innovative practices, and a steadfast focus on community betterment.

Below, we explore in greater depth how social entrepreneurship fulfills this bridging role. To do so, various theories were mobilized: Innovation Diffusion Theory (Rogers, 2003), Social Entrepreneurship Theory (Dees, 1998), Circular Economy Theory (Stahel, 1976), Stakeholder Theory (Freeman, 1984), Participatory Governance Theory (Savall et al., 2023), Social Capital Theory (Putnam, 2000), and Empowerment Theory (Zimmerman, 2000).

2.1. Social Entrepreneurship through Innovation: A Disruptive Solution to Societal Challenges

Innovation lies at the heart of social entrepreneurship. Disruptive innovation allows initiatives to be undertaken that would not have been possible without the support of qualified intermediaries or affluent individuals (Maaroufi & Aamara, 2022). Unlike traditional non-profits, which often focus on redistributing resources, social enterprises engage in the continuous production of goods and services that address pressing societal needs (Doherty,

Haugh, & Lyon, 2014). This innovative approach enables them to tackle a wide range of issues, including poverty, healthcare, education, and environmental sustainability.

The innovative effects of social entrepreneurship as a disruptive solution can be analyzed through various theoretical lenses, including Innovation Diffusion Theory (Rogers, 2003) and Social Entrepreneurship Theory (Dees, 1998). These theories provide a comprehensive framework for understanding how social entrepreneurship innovations are leveraged to address complex societal challenges.

Innovation Diffusion Theory (Rogers, 2003) explains the gradual adoption of innovations within a population, emphasizing the importance of filling gaps left by traditional systems. For example, fintech innovations such as mobile banking, peer-to-peer lending, and AI-driven financial products have gained traction in underserved communities by offering scalable and cost-effective solutions that enhance accessibility and transparency (Ahmed et al., 2024). In Saudi Arabia, social enterprises and fintech firms use digital platforms to bridge financial access gaps in rural areas, improving transaction efficiency and driving economic growth (Ahmed et al., 2024). Similarly, in Thailand, small and medium-sized enterprises (SMEs) are diversifying their business models by adopting social and technological innovations (White et al., 2024). By reducing reliance on the tourism industry, these enterprises enhance market resilience, foster inclusivity, and gain visibility through digital platforms that facilitate partnerships for sustainable development.

Social Entrepreneurship Theory (Dees, 1998) focuses on the mission-driven approaches employed by enterprises to tackle systemic social challenges while ensuring financial sustainability. Social enterprises align profit-making activities with social missions, often reinvesting profits to enhance their impact. A notable example is empowering marginalized communities through microcredit, which addresses the root causes of financial exclusion (Yunus, 2008; Alter, 2007). Additionally, tools such as mobile technology, renewable energy, and digital platforms enable social enterprises to reach underserved populations, reducing costs and ensuring the accessibility of essential services (Phillips et al., 2015). These innovations are critical in fostering financial inclusion, particularly in rural areas where traditional banking infrastructure is often absent (Ahmed et al., 2024).

Despite these advancements, challenges remain in optimizing the impact of social entrepreneurship innovations. Regulatory barriers and the need for capacity building among stakeholders often hinder the full realization of green finance and digital solutions (Eyo-Udo & Agho, 2024). Addressing these challenges requires coordinated efforts among

governments, social enterprises, and financial institutions to ensure scalability and sustainability. Effective policy support, enhanced stakeholder collaboration, and targeted capacity-building initiatives are essential to unlocking the transformative potential of these practices.

2.2. Social Entrepreneurship a lever to Sustainability

To study the relationship between social entrepreneurship and sustainability, Social Entrepreneurship Theory (Dees, 1998) and Circular Economy Theory (Stahel, 1976) provide valuable frameworks. Social Entrepreneurship Theory (Dees, 1998) emphasizes the interdependence of social and financial objectives, moving beyond traditional profit-maximization approaches to prioritize both social impact and sustainability (Rosyadi et al., 2024). This perspective demonstrates how social enterprises recalibrate conventional entrepreneurial practices to meet the dual objectives of social impact and economic viability. Circular Economy Theory (Stahel, 1976) complements this by addressing the environmental dimension of sustainability. It justifies the transition from linear economic models—characterized by a "take-make-dispose" approach—to circular systems that prioritize resource efficiency, waste minimization, and environmental preservation (Goyal et al., 2018).

A significant aspect of balancing social and financial objectives is the adoption of hybrid business models, which merge revenue generation with philanthropic goals. For example, a business integrating environmental sustainability with financial health through eco-tourism ventures exemplifies this approach (Jayantilal et al., 2024). By charging fees for sustainable services and securing government grants for conservation, the business ensures both financial stability and environmental impact. This supports the theory's assertion that hybrid models not only generate income but also embed the social mission into core business operations, fostering systemic interdependence. Similarly, microfinance institutions support sustainable business models by providing financial tools and enabling entrepreneurs to identify niche markets. These efforts foster both economic and social objectives while reducing reliance on external aid (Alhassan, 2024). Accountability through measurable impact is another critical factor in ensuring sustainability. An Indigenous social enterprise illustrates this by using annual impact reports to evaluate financial performance alongside improvements in community well-being (Patara, 2024). These reports attract funders aligned with sustainable development goals, ensuring ongoing support and fostering resilience (Patara, 2024). This practice highlights the importance of transparency and accountability as mechanisms for

building stakeholder trust and aligning with dual objectives. Tangible contributions, such as measurable environmental outcomes, also facilitate institutional support by enabling access to grants (Jayantilal et al., 2024). Together, these practices demonstrate how transparent impact assessments build credibility and ensure alignment between financial sustainability and social missions. In this context, leadership plays a pivotal role managing the complexities of social entrepreneurship. Flexible policies and empathetic decision-making enable organizations to expand while maintaining financial stability (Akinyi, 2024). This reflects the theory's emphasis on transformational and inclusive leadership, which ensures the adaptability needed to navigate dynamic environments.

Moreover, and according to circular economy theory, social enterprises play a critical role in driving sustainable change by integrating financial incentives with sustainability goals to combat climate change. Partnerships between financial institutions and social enterprises align with this principle, facilitating the development of innovative financial products tailored to sustainability objectives (Eyo-Udo & Agho, 2024). For instance, solar energy enterprises exemplify circular economy practices by leveraging technological and financial innovations to implement resource-efficient systems. These initiatives, often supported by government subsidies and incentives, reduce waste, promote recycling and reuse, and demonstrate systemic strategies for aligning economic activities with environmental preservation (Taylor et al., 2024).

2.3. Social Entrepreneurship and Societal Impact

Social entrepreneurship plays a crucial role in addressing systemic societal challenges such as inequality, exclusion, and limited access to essential resources. Social enterprises emphasize inclusion and empowerment as central objectives, fostering systemic societal change. This transformative approach is realized through community-oriented missions, participatory governance, and citizen-led initiatives, creating a sustainable framework for addressing global challenges. To achieve this, four key theories are mobilized: stakeholder theory (Freeman, 1984), participatory governance theory, social capital theory, and empowerment theory.

Stakeholder theory is particularly relevant as it emphasizes the importance of addressing the needs and interests of all stakeholders, including marginalized or underserved groups (Freeman, 1984). Social entrepreneurship aligns with this theory by prioritizing community-oriented missions aimed at improving the lives of stakeholders such as beneficiaries, community members, and employees. The integration of tailored solutions like microfinance,

healthcare, and education by organizations such as BRAC demonstrates how social enterprises create shared value for stakeholders while fostering trust and inclusivity (Smillie, 2009). This theory explains how social enterprises remain anchored in societal betterment by addressing the specific needs of their stakeholders, distinguishing themselves from traditional business models (Freeman et al., 2010).

Participatory governance theory emphasizes the active involvement of diverse stakeholders in decision-making processes to ensure that outcomes align with community needs and priorities (Savall et al., 2023). This is exemplified by practices such as the “one member, one vote” system often used in cooperatives, which foster inclusivity and local democracy (Savall et al., 2023). By engaging stakeholders, including clients, community members, and employees, social enterprises enhance accountability, transparency, and alignment with societal goals (Larner & Mason, 2011).

Social capital theory highlights the value of trust, networks, and collaborative relationships in achieving shared objectives (Putnam, 2000). Stakeholder involvement builds trust and strengthens collaboration, laying the foundation for sustainable societal impact (Reed, 2008). The Mondragon Corporation exemplifies this by empowering employees to influence company decisions, creating equitable and sustainable economic opportunities through trust-based relationships and collective decision-making (Richter, 2018).

Citizen-led initiatives form a cornerstone of social entrepreneurship, encouraging community members to take ownership of solutions to societal problems. This bottom-up approach is closely aligned with empowerment theory, which emphasizes increasing individuals' agency, control, and access to resources. By actively involving citizens in project design and execution, social enterprises build capacity and foster agency among beneficiaries. These initiatives enhance sustainability, strengthen the social fabric, and promote gender equality and sustainable development. Microfinance programs provide a clear example, as they empower women with financial resources to start and sustain businesses, leading to economic independence and social progress (Adhariani, 2022; Kivalya & Caballero-Montes, 2023). Research further confirms that microfinance contributes to poverty reduction and enhances women's economic and social opportunities (Swain, 2006; Rankin, 2002).

Empowerment theory also applies to broader initiatives that bridge resource gaps, promote equity, and enhance self-reliance (Popay et al., 2020). Renewable energy initiatives, for instance, deliver affordable solar power to off-grid communities, improving living standards while creating opportunities for economic empowerment (Surie, 2017; Atahau et al., 2021).

By fostering a sense of control over their circumstances, these initiatives transform individuals into agents of change, creating ripple effects of empowerment that extend across entire communities and drive systemic societal change.

Social capital theory further enhances the understanding of the impact of citizen-led initiatives by highlighting the value of trust, networks, and collaborative relationships in achieving shared goals (Putnam, 2000). By fostering connections and encouraging collaboration among community members, social enterprises create a sense of collective responsibility and mutual support, strengthening the social fabric and ensuring the sustainability of initiatives. The interaction of empowerment and social capital enables individuals to transition from passive beneficiaries to active agents of change, amplifying the societal impact of these efforts. Community empowerment, supported by social capital, plays a critical role in ensuring the long-term sustainability of social enterprises. By equipping marginalized populations with resources to sustain their businesses, social enterprises promote entrepreneurial resilience and economic inclusion (Morrison et al., 2017). These efforts lead to improvements in community well-being, strengthening local capacities and fostering enduring impacts (Venugopalan et al., 2021).

Conclusion

This article aims to answer the question: *How do the dynamics of social entrepreneurship facilitate the integration of innovation, sustainability, and societal impact in responding to contemporary global challenges?* The findings of this extended literature review reveal several key points.

Social entrepreneurship plays a central role in addressing societal challenges by introducing innovative, scalable, and cost-effective solutions. Innovations, such as fintech solutions like mobile banking and peer-to-peer lending, bridge gaps left by traditional systems, particularly in underserved communities. These innovations provide accessible alternatives to conventional financial services, thus helping to address issues of financial exclusion and enabling economic growth in regions that lack adequate infrastructure (Maaroufi & Aamara, 2022; Doherty, Haugh, & Lyon, 2014; Rogers, 2003; Ahmed et al., 2024).

Social entrepreneurship also serves as a key lever for sustainability by aligning financial objectives with social and environmental missions. Through business models such as microcredit and eco-tourism, social enterprises empower marginalized communities, reduce financial exclusion, and demonstrate that it is possible to integrate sustainability with

profitability. These models not only address immediate social needs but also create long-term economic opportunities for those who are often excluded from traditional financial systems (Dees, 1998; Yunus, 2008; Phillips et al., 2015). Furthermore, by merging financial incentives with environmental goals, social enterprises contribute to sustainability through initiatives like solar energy projects that reduce waste and promote recycling, showing how businesses can contribute to environmental preservation while remaining financially viable (Goyal et al., 2018; Taylor et al., 2024).

Furthermore, the impact of social entrepreneurship extends beyond financial and environmental concerns, exerting a transformative effect on society. By creating shared value, social enterprises address the needs of marginalized groups and communities, offering tailored solutions such as microfinance, healthcare, and education. These efforts foster inclusivity and empowerment, bridging resource gaps and promoting equity. Through such initiatives, social enterprises contribute to lasting societal change, helping to enhance economic empowerment and reduce inequalities. Moreover, community-driven initiatives, which emphasize self-reliance and social cohesion, drive systemic change, further supporting long-term sustainability. These efforts build resilience, enhance local capacities, and contribute to enduring social transformation (Surie, 2017; Atahau et al., 2021; Morrison et al., 2017; Venugopalan et al., 2021).

The findings of this research provide valuable contributions to the academic field of social entrepreneurship, offering a deeper understanding of its role as a transformative force. By bridging the gap between innovation, sustainability, and societal impact, this research illustrates how social entrepreneurship can be a powerful solution to persistent systemic social challenges. Through the integration of innovation, social inclusion, and community empowerment, social enterprises address complex societal issues, providing valuable frameworks for researchers and practitioners seeking to understand and harness the potential of social entrepreneurship in creating lasting social change.

However, several challenges can hinder the ability of social entrepreneurship to fully achieve its potential. One of the major challenges lies in the difficulty of measuring the social and environmental impact of initiatives. The quantification of long-term impact is complex, and measurement tools often lack standardization, making it difficult to assess and compare the effectiveness of different projects (Morrison et al., 2017). Another challenge is the balance between financial and social objectives in hybrid models. These models, which combine financial sustainability with social and environmental goals, often face difficulties in

maintaining a sustainable equilibrium between the two. While social entrepreneurship must remain financially viable, it also aims to have a positive impact on society and the environment. This balance can create tensions with the divergent expectations of investors and stakeholders, who may prioritize financial returns over social outcomes (Dees, 1998; Yunus, 2008). Access to financing remains a major obstacle for social enterprises, especially when it comes to supporting long-term innovative projects. Traditional sources of funding, such as banks or venture capital, are often reluctant to invest in ventures that do not promise immediate financial returns. This makes it difficult for social enterprises to secure the resources needed to sustain and scale their operations.

The scalability of solutions is another significant concern. While some social initiatives successfully generate local impact, expanding these solutions to a larger scale, both nationally and internationally, presents significant challenges (Rosyadi et al., 2024). Solutions that work in one context may require substantial adaptation to succeed in other settings, whether due to cultural, economic, or social differences.

Public policies and the regulatory framework can also hinder the expansion of social enterprises. In some countries, legislation does not sufficiently support hybrid models or social initiatives, making their implementation or expansion challenging. Moreover, tax incentives and other support mechanisms are not always designed to encourage innovation or ensure the long-term sustainability of social projects (Savall et al., 2023).

Additionally, there is often tension between innovation and the need for social solutions to be inclusive. Some innovations may primarily benefit wealthier or urban populations, neglecting the most vulnerable communities. It is essential that innovations be inclusive and meet the needs of the most disadvantaged groups, which requires ongoing effort to ensure that initiatives do not exacerbate social inequalities (Surie, 2017; Atahau et al., 2021).

Finally, there is a critical need to move beyond debates focused solely on the definitions of social entrepreneurship and the "heroic entrepreneur." The challenge lies in shifting the focus from individual entrepreneurs to the processes, missions, and impacts of social enterprises within the broader societal context. This perspective shift is crucial for advancing the field and ensuring that the broader goals of social entrepreneurship are met (Khassal & Debbagh, 2020).

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