

## Barriers to Social Entrepreneurship in Iran: An Application of Grounded Theory

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### Abstract

Social entrepreneurship involves social value creation activities and like many change-oriented activities does not take place in a vacuum. Rather, it develops within a complex context of political, economic, and social changes and on the local and global levels. Although, some countries have introduced laws for social supports, they are inefficient and unpractical and there are still many obstacles in the path of social entrepreneurs that need to be dealt with.

Therefore, the present research seeks to answer the following question: what are the barriers to entrepreneurship in Iran? For this purpose, the qualitative research method has been employed using the Grounded Theory method. Moreover, explorative interviews were conducted with 15 key experts who had biological and practical experiences related to the research subject.

The pattern derived from the current research shows that the main obstacle that hinders the development of social entrepreneurship is the attenuation of individuals' active participation in altruistic social responsibilities which is due to contextual factors and causative relationships. However, social responsibility can be fostered in individuals by implementing a series of initiatives and strategies, as a result of which, entrepreneurial activities begin to develop.

**Keywords:** Social entrepreneurship; Social capital; Grounded theory; Barriers; Iran; Contextual factors; Strategies

### Introduction

Social entrepreneurship involves innovative processes that lead to the creation of social values. This phenomenon takes place when pursuing social goals and it is the same primacy of social goals over economic ones that distinguishes social entrepreneurship from business entrepreneurship [1]. Despite researchers' agreement on the necessity of understanding social entrepreneurship and social entrepreneurs, most research in this field has been inspired by the business entrepreneurship literature, while it cannot help in understanding social entrepreneurship which is initially driven by social value creation [2]. Furthermore, the literature on social entrepreneurship has been generally built on case studies [3] and anecdotal evidence from organizations that support social entrepreneurs [1,4]. Therefore, it is essential to define and conceptualize social entrepreneurship as a scientific and independent discipline using more consequential research methods.

Like many change-oriented activities, social entrepreneurship does not take place in a vacuum. Rather, it develops within a complex context of political, economic, and social changes and on the local and global levels [5-7]. Some researchers believe that environmental factors are very important for the emergence and implementation of social activities [8-11]. Altruistic and charitable works have been long in practice in Iran and existed under titles such as association, institute, foundation, etc. where individuals and groups of people gathered to help the poor and the needy. These organizations were engaged in various activities such as help in providing food, clothing, housing, educational facilities, medical expenses, etc.

On the other hand, social entrepreneurship is a context-dependent phenomenon; therefore, it is essential to better understand its processes, mechanisms, and components before implementing it in certain cultural, economic, and social contexts. Despite its importance, there

is a profound lack of understanding about social entrepreneurship in Iran due to which it has remained nearly unknown. This study aims to fill this void and provide theoretical antecedents for the development of this phenomenon in Iran and seeks to answer the main research question: "what are the barriers to social entrepreneurship in Iran?" To answer this question, the qualitative research method has been employed using the Grounded Theory method.

### Relevance of Study

**Social entrepreneurship:** As an emerging phenomenon, social entrepreneurship has become a general approach for meeting social and economic needs. The contemporary business thinker, Peter Drucker believes that social entrepreneurship may become more important than business entrepreneurship in the future [4]. In general, researchers consider social entrepreneurs as important agents of change in communities [12-14]. In other words, not only is a social entrepreneur an individual who has a business attitude in solving social problems [15] but also an individual who seeks innovative ways to evaluate social problems and creates social values by finding solutions to those problems [12,16-19].

Few studies have been done about the barriers to social entrepreneurship. Robinson [20] argues that the barriers to the

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development of social entrepreneurship mainly involve institutionalized and organized structures. According to Ferri [11], the environmental factors that influence the social entrepreneurship activities include formal institutions: public spending, governance effectiveness, access to finance; and informal institutions: societal attitudes, social needs, education. Urban et al. [10] argue that the environmental factors that influence the emergence and implementation of social entrepreneurship fall under two categories: informal and formal institutions. The formal factors which are important in facilitating the implementation of social entrepreneurship include: new social values, entrepreneurial and responsible social attitudes and informal factors

## Methodology

In order to achieve the research goals and answering the question it raises with regard to the research problem, the Grounded Theory (GT) qualitative approach was used. The main reason for adopting this method has been the nature of the research problem, its pertinent questions and the research goals.

GT is one of the qualitative research methods. Glaser, Strauss and Corbin [21] are among those who created this method. This method, as its name implies, seeks to arrive at a theory that is qualitatively derived and developed from the data and deep understanding of a certain field or context.

## Research sample and instrument

In this study, exploratory and semi-structured interviews have been conducted with the key informed experts as the research instrument. Targeted and strategic sampling was used to comply with the specific goals of the research and problem solving strategies. The content from the exploratory interviews with the experts using the snowball sampling technique proved the need for interviewing with other experts. The sampling and interviewing continued until the analysis and discovery process reached theoretical saturation [22,23]. Using purposive sampling, 15 experts were selected and exploratory interviews were conducted with them. Sampling was based on theoretical saturation. The study uses the coding system for data analysis in a three-step process: open, axial and selective coding.

The interviewees were sent invitations and email requests prior to the interviews. Later, after several days, the researcher tried to maintain their interest by giving a more detailed account of the work via telephone calls and personal visits.

## Data analysis

Based on its systematic design, the Grounded Theory method followed three stages [24]. In the open coding stage, first, the transcripts of the interviews were carefully examined to find conceptual statements and underlying issues. In total, the extracted 320 sets of statements (indices) represented by "conceptual statements" were listed in the open coding table and formed the ultimate 84 conceptual statements. Afterwards, based on common nature, the conceptual statements were classified into separate clusters. Thus, eventually, 18 general categories were determined in this stage. In the axial coding stage, one of the general categories which was determined in the last stage and which, according to the data analysis, had the most connections with other categories and played an important role in the process was chosen as the main category. Next, through narrative analysis, the relationship between other categories and the main category was determined i.e. as in causal conditions (the factors involved in producing the main phenomenon), the conditions and contexts as indirect influencing

factors. The connections were then projected based on the axial coding paradigm. In the selective coding stage, the relationship between the categories which had been obtained from data analysis and technical notes were classified into narratives which in turn composed the research intermediate theory.

In an attempt to show the triangulation of the findings, of the categories were validated through accurate reporting and giving reference to the data. Also, two 5 member focus groups from the samples evaluated the results and by applying their opinions the final theory was developed. Furthermore, the interviewees were asked to review the transcripts and make modifications where necessary.

## Findings

Based on the methodology used in this study, the findings fall into two sections. In the first section, the obtained categories are presented according to the main six indices in the axial coding paradigm. In the second section, the projected pattern resulted from the study is offered.

### Part one: Categories analysis

#### The key phenomenon in barriers to social entrepreneurship

**Lack of willingness to participate actively in social responsibility activities:** Conducting in-depth interviews with the research sample individuals, we repeatedly observed a decrease in their willingness toward social responsibility activities. For instance, in case 9, the engagement of people in their daily life affairs causes them to hardly think about the poor and the needy. In case 5, the individuals are not inclined to social works because of a lack of understanding about social entrepreneurial activities. In case 11, the overall attitude of the community toward social issues is negative and there is a rampant belief among them that it is the duty of the government to solve social problems as it itself is the root of the problems that exist. Since these findings respectively suggest the affective, cognitive, conative aspects of the tendency toward social responsibility activities and are somewhat related to other categories, therefore, the present category was identified as the main category in the process [25].

**Causative casuals:** They include factors that indirectly cause people not to show interest in actively participating in social activities.

- **Social attitude:** Religion is one of the most important factors that used to motivate people toward philanthropic activities and good deeds. Unfortunately, for various reasons, religious motives are diminishing in communities and especially among the youth and this along with other factors have caused people to become rather indifferent toward social issues.
- **Behavioral stimuli:** Today, social work motivation is low in Iran. This is because the individuals who work in the administrative body of the government do not have a deep understanding of social businesses and have little knowledge, if any, about social entrepreneurship and do not have a social work background or experience. Therefore, they could not call society's attention to social issues. Another factor that could explain the lack of interest in social activities is the lack of a successful model in this regard.
- **Specialized knowledge:** Specialized knowledge is another important factor that has a direct effect on motivating people toward social activities. Most research and studies in this area are solely theoretical in Iran and empirical evidence is very scarce. Moreover, the lack of knowledge in this area is also due to the lack of knowledge management. The heads and managers

of social enterprises do not have a proper understanding of social issues.

- **Social trust:** Social trust is a very important factor in every type of participation. When people trust each other and institutions and the government and vice versa, social participations increase and grow deeper. Another existing problem in this regard is the lack or absence of social networks that would connect different divisions to each other.
- **Information:** It is because of the lack of information and statistics that a community might not have the necessary awareness of social issues. Lack of statistics and not reporting it frustrates the efforts of people who are interested in the opportunities to participate in social activities. In fact, lack of statistics is one of the barriers that checks social participations.
- **Resources:** According to experts, one of the factors that directly affects social participations is financial resources. At the present, most charities raise their necessary financial resources through the public and government offerings.

**Environmental factors:** Causative casuals take place in certain conditions. Thus, to explain its process it is essential to understand these factors. Environmental factors category is itself composed of several sub-categories which include (not in order of importance): 1) cultural 2) political 3) economic 4) legal environments.

- **Cultural environment:** One of the reasons that the society has become insensitive to social issues is because of the insufficiency of cultural programs and inefficiency in the introduction of norms and customs and social values. The responsible institutions are also partly culpable because of their inadequate cultural policies.
- **Education:** Cultural factors need to be thought through education. A good and proper culture is passed on via education. Values and genuine beliefs are barely effective if they are not properly inculcated during childhood and thus they'd prove ineffective during adulthood.
- **Media:** The media performance is very important. Due to lack of a proper understanding, the media cannot make people sensitive toward social issues.

- **Family:** Narrative analysis of the samples shows that cultural problems are partly rooted in family circumstances such as responsibility evading behavior, poor empathy between family members.
- **Economic environment:** Government's absolute monopoly in the economy is one of the important factors that prevents the provision of necessary requirements for the implementation of social entrepreneurship. Most organizations belong to the government and even those that are contracted out are owned by the government. In this light, the economic system would face problems. On the other hand, the governmental agencies do not wish to admit social participation and participants in social policy decisions, because, it might lead to budget deficit for these agencies. That is why they do not allow investment in the non-governmental sector. This would give rise to diseconomy in the non-governmental sector which is a demotivational factor.
- **Legal environment:** Most of the rules on social efforts are obsolete or not up to date. In practice, there are always problems when exercising the laws.
- **Political environment:** Political factors are one of the major barriers to social participation. Social issues are majorly viewed from the political and security points of view. This could hamper the effect of non-governmental organizations and pose problems for the engagement of social entrepreneurs.

**Intervening factors:** As can be seen in (Figure 1), from the interviewees' points of view, social responsibility is brought about by causative casuals and influenced by the conditions; however, the role of intervening factors should not be overlooked. Through intervention and strategies, these factors could facilitate and provide the basis for the process.

The intervening factors as can be seen in the GT findings of the research exist on three levels: 1) the micro level (citizens), 2) the intermediate level (agents) and 3) the macro level (the government).

- **Intervening at the micro level (citizens):** The citizens are an important factor in creating and developing social entrepreneurship. The primary solution is making people sensitive toward social issues. It is very important to engage

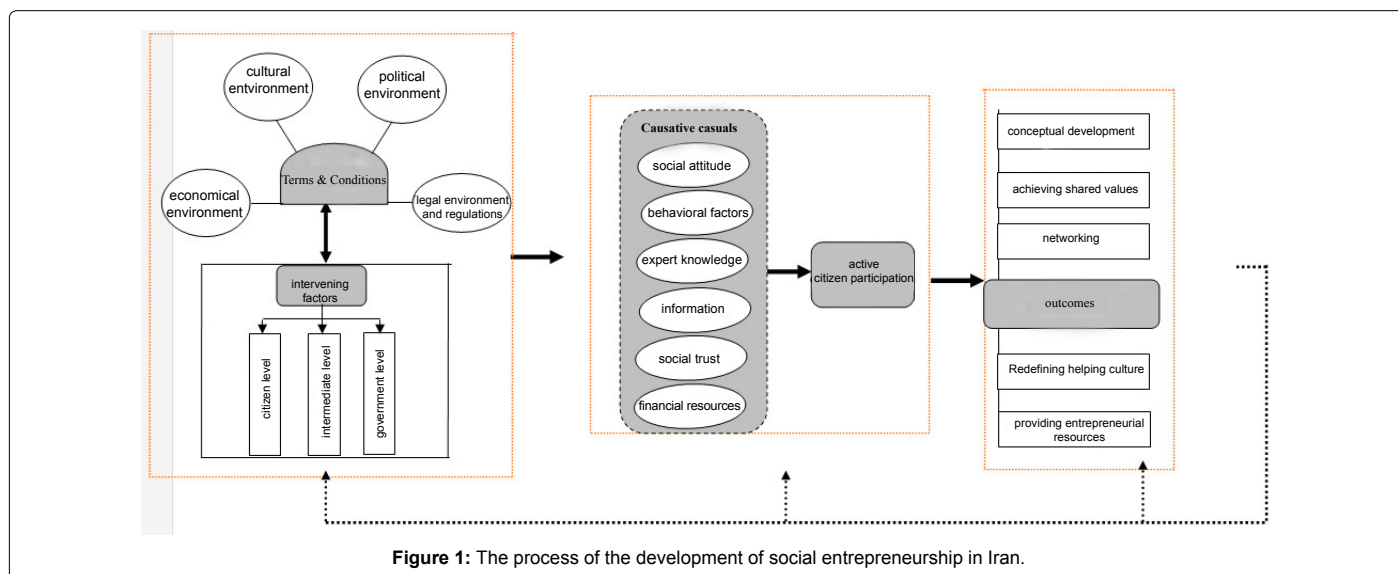


Figure 1: The process of the development of social entrepreneurship in Iran.

the society in this area and by creating community based hubs it would become possible to make the citizens sensitive toward social issues and encourage them to learn about the problems of their communities and learn, step by step, how to make decisions in order to act toward solving their problems.

- **The intermediate level:** It involves the following issues:
- **Non-governmental organizations:** These institutes provide the basis for the participation of people. In order to achieve this goal, it is essential to recognize the role of NGOs in the communities in general and to believe in, enhance and support them. For this purpose, the government needs to allow these institutes to intervene and accommodate them with education and training.
- **Family:** It is vital that values like respecting relatives, beliefs, norms and principles be taught to the families so that they could introduce responsible behavior, sympathy, and social trust to the younger generation.
- **Governmental institutes:** By creating social networks, governmental institutes contribute to the comprehensive development of social entrepreneurship. They should have an entrepreneurial structure.
- **Universities:** There should be a systematic connection established between universities and institutes so as to meet the research and education needs of the institutes.
- **Media:** By means of instruction, advertisement, and providing information and behavioral role models, the media could help enhance citizenship skills and shape civic behaviors and attract citizens into participation.
- **Macro level:** In order for the government to implement social entrepreneurship in the communities it is essential to pay attention to the following issues: introducing supportive laws (i.e. that support social efforts); encouraging the formation of civil institutions and enhancing them; improving and enriching public education; averting the monopoly of the government in different economic, cultural and social divisions.

## Results and Implications

The issues and processes that have been discussed so far, ultimately lead to the issue of results and implications. In fact, the Grounded Theory method takes advantage of a “if, so, then” pattern. In other words, if appropriate actions exist in accordance with the terms and conditions so the causative casuals provide the grounds and then we will see the consequences and results. As can be seen in diagram 1, the “results and implications” involve several categories:

- **Social networks formation**

The formation of social networks is one of the most important outcomes of GT. Social entrepreneurship will not develop in the communities without the formation of social networks. The social networks have a close connection with the individuals in a community and therefore could make the people sensitive toward social problems and teach citizens about trust and social empathy.

- **Redefining the culture of helping**

It is crucial to redefine the culture of helping in order to allow the growth and development of social entrepreneurship in the society. Traditionally, helping refers to meeting the physical needs; keeping the individual dependent and ruining self-confidence; furthering

poverty and increasing dependence on receiving help from others; using trickery to attract sympathy as a walk of life and apparent dependence on others. This is while, in providing help through social entrepreneurship, the goal is to contribute to the mental and physical growth of the disadvantaged people and attempting to increase their self-confidence; reducing dependence and liberating from on outside resources. Employment and innovation provide the grounds for collective affinities.

- **Nurturing shared values**

A prerequisite for development and promotion of social entrepreneurship in the society is to nurture shared values. Shared beliefs and/or common goals connect different parts inside a network together and unite the stakeholders in joint action. This, in turn, ends in the improvement of social entrepreneurship. The outcome of such efforts includes the exploitation of material interests in favor of the public good in order to achieve social capital; formation of a different perception of profits and paying attention to philanthropic efforts and exploiting the profits in favor of the public good; social attraction; collective affinity; overcoming of shortages and physical-mental weaknesses; overcoming inability to reduce the social gaps and preventing social cleavage, etc.

- **Financing entrepreneurship**

Social capital is one of the most important sources of the growth and development of social entrepreneurship in the society. Social capital includes sources of ideas, financial and human resources that could help with the growth and development of social businesses.

## Section two: Development of social entrepreneurship

According to the research findings, the following pattern for the process of the development of social entrepreneurship is offered (Figure 1)

## Discussion and Conclusion

As the research model shows, there are different factors that could prevent an individual from actively committing to altruistic social responsibilities. For an individual to engage himself in social practices, he needs to have a social attitude. Attitude in entrepreneurship is of great importance [11] because it provides the energy for doing innovative activities among the members of a society. This energy changes into motivation and motivation is the dynamic for behavior. As for Iran, leaders and officials have not prepared the society for doing humanitarian social issues as a result of lacking a proper model or pattern as well as not having enough knowledge about social entrepreneurial activities. When a society is sensitive to social issues, social demands are identified more easily and this is conducive to the development of promising ideas in the society. To achieve this, we need to use experienced, skilled personnel with social knowledge in the management areas. Moreover, people have to act according to what is taught by the management teams if the social entrepreneurship movement is to be injected into the society.

Another factor which directly affects the above-mentioned issue is expert knowledge. Theoretical as well as practical knowledge in this area in Iran is yet to be obtained. To achieve this, we need to take into the account the required trainings for different social groups to institutionalize the subjects and concepts of social entrepreneurship. These could be done through holding meetings, public media, and educational programs by Education Department or universities. Universities and higher education institutions, particularly, need to have close connections with executive organizations to meet their



research needs. In this regard, social trust affects the engagement in humanitarian activities. Different factors might affect trust including inability of families in transferring social values to their children; lack of a proper education system to institutionalize the values in students, and poor executive performance.

Lack of statistics and information system is another problem which hinders individuals from doing entrepreneurial activities. Lack of information, not providing the people with statistics might make people uninterested toward participating in these activities.

Government monopoly, bureaucracy, domination, centralization, and lack of legal systems are barriers to social entrepreneurship because - as mentioned before - social entrepreneurship is highly affected by infrastructures developed by governments (such as laws, copyrights, freedom to reform and criticize) and supporting contractors and founders. Successful social entrepreneur governments contribute to civil society and are open, available, active and supportive [26].

As it is shown in (Figure 1), in order to develop and sustain social entrepreneurship in Iran, some actions need to be undertaken. These interventions on the micro level might include: creating neighborhood-based clubs, holding scientific meetings and conferences, identifying social benefactors and developing meaningful continuous sustainable links with them and help them understand the latest updates on charity works science. On the intermediate level, it is crucial to identify the role public organizations play in the society and support them. To achieve this, the government needs to allow these organizations to intervene. Building capacity for non-public organizations is important because these organizations need to develop their management and knowledge capabilities. This is achievable only through education. These organizations need to understand business models to provide financial resources for their activities.

The problem these organizations face today is that some of them still hold traditional views (based on public donations). This view has to change through training and modeling. Therefore, they need to have access to social entrepreneurship best practices. Furthermore, families need some training with regard to passing social trust on to their children.

To reform a society, it is inevitable to change the attitude of people. Changing the attitude is a continuous and time-consuming task. In this regard, the media, especially the Iranian Broadcasting Service has to provide appropriate trainings through related programs. This could be accomplished by providing social training materials such as movies, etc. The media is also an important factor for motivating public opinion toward the issue at hand and make them sensitive and responsible to problems. TV programs could also address different ethnic groups to motivate social participation. However, some points need to be taken into account. On the macro level, the government needs to modify and change the regulations related to social practices and encourage civil institutions, strengthen and enrich public trainings, and avoid commissioning different cultural, social sections. These initiatives might give a better understanding with regard to the nature of social entrepreneurship. For example, it should become clearly known that the concept of social entrepreneurship is not just aiming at financial aspects or job creation and employment for the disadvantaged and isolated people. Shared values are one of the consequences of this process which leads to solidarity and social cohesion and develops trust among the members of the society.

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