

# How Entrepreneurial Leadership Can Drive Social Change: A Catalyst for Social Innovation

January 2025

**By Prof. Dennys Eduardo Rossetto, Ph.D.**

*Associate Professor of Global Innovation and Entrepreneurship at SKEMA Business School*

## Foreword

The purpose of this article is to question the ability of entrepreneurial vision to drive social change, particularly through the innovation and agility it can demonstrate. By comparing the impacts of entrepreneurial vision with traditional governmental or philanthropic approaches, the author highlights the strengths of social innovation, nourished by the constraints of reality and capable of considering the realities on the ground. This new form of support for social innovation requires a particular vision specific to entrepreneurs, one that must be encouraged by all stakeholders, and it is this vision that the author sets out in this paper.

Using case studies that have demonstrated their success, the author proposes a new path and solutions for deploying entrepreneurial leadership at scale, solutions in which all players have an ecosystemic role to play.

## Introduction:

In a world facing complex challenges such as poverty, inequality, and environmental issues, traditional approaches, such as top-down governmental aid programs and conventional charity models, have often proven insufficient (Millard & Fucci, 2023). Social innovation - creating new solutions such as microfinance programs, renewable energy initiatives, or community-based education projects that directly tackle these issues - requires leadership that is visionary and adaptable. These solutions also require leaders who are willing to take calculated risks. Entrepreneurial leaders, such as Muhammad Yunus of Grameen Bank, who have a unique ability to navigate resource-constrained environments and inspire others, are instrumental in driving these types of innovations. Yunus's work in microfinance has provided millions of people with access to financial services, demonstrating how entrepreneurial leadership can effectively foster social innovation. This article discusses how entrepreneurial leadership can catalyze social innovation and what makes these leaders effective in making real societal change.

### **1. Visionary leaders mobilize resources, navigate constraints, and inspire social change.**

Entrepreneurial leadership, characterized by traits such as creativity, resilience, and vision, has emerged as an essential factor in promoting social innovation (Kuratko, 2007; Leadbeater, 2007; Renko et al., 2015). Specifically, creativity allows these leaders to develop innovative solutions to complex social problems, resilience helps them to persevere through setbacks and challenges, and vision enables them to see

opportunities where others see obstacles, thus inspiring others to follow their lead. Social innovation refers to the development and implementation of new solutions that address pressing social needs, improve well-being, and foster community development. Additionally, the concept of frugal innovation, which emphasizes creating more with fewer resources, is highly relevant in the context of social innovation. Frugal innovation capabilities—such as focusing on core functionalities, achieving substantial cost reductions, and promoting shared sustainable engagement—can play a critical role in addressing resource-constrained environments (Rossetto et al., 2023; Zeschky, Widenmayer, & Gassmann, 2011). The integration of frugal innovation principles into entrepreneurial leadership enhances the ability to tackle social challenges effectively. These leaders differ from traditional ones because they actively seek opportunities where resources are scarce and find innovative ways to solve pressing social issues (Heifetz & Linsky, 2002). For instance, Muhammad Yunus's work with Grameen Bank and Bunker Roy's Barefoot College demonstrates the transformational potential of entrepreneurial leadership in addressing poverty and gender inequality (Roy, 2011; Yunus, 2007).

Entrepreneurs, by nature, are risk-takers who are not afraid to challenge the status quo. This quality allows them to break down institutional barriers that often inhibit social progress (Battiliana et al., 2012). Visionary leaders like Elon Musk and Jacqueline Novogratz, who focus on creating sustainable solutions, show how innovative approaches can bring about large-scale change even in industries considered to be resource-heavy, such as electric vehicles and space exploration. Novogratz, through Acumen, has invested in impactful initiatives such as D.light, a solar energy company that provides affordable energy solutions to underserved communities, demonstrating her dedication to creating positive social change and showcasing the potential of entrepreneurial leadership in addressing social challenges. Musk's projects, such as Tesla's push for electric vehicles to reduce carbon emissions and SpaceX's vision of making life multi-planetary, demonstrate how entrepreneurial leadership can align profit with societal benefits, driving broader social innovation (Westley & Antadze, 2010). Recently, Elon Musk has also been involved in the political sphere, participating in Donald Trump's campaign and playing a role in the US federal state reform project (DOGE) alongside Vivek Ramaswamy. This involvement demonstrates how entrepreneurial leaders can extend their influence beyond business, applying innovative thinking to governance and policy reform, and potentially driving societal transformation.

The role of governments can be rethought to foster this support for innovation by encouraging investment and reducing constraints. For example, the UK government's Social Investment Tax Relief (SITR) initiative has successfully reduced financial barriers for social enterprises, making investments easier for social innovations to scale. Policymakers can also create public-private partnerships to address social issues effectively, as seen in the case of Germany's Energiewende policy, where collaboration with the private sector has led to significant advancements in renewable energy. Furthermore, incorporating frugal innovation policies that encourage efficiency-driven projects, such as low-cost medical devices, can support broader access to essential services (Rossetto et al., 2023).

Impact investors should also support entrepreneurial ventures that focus on social issues, prioritizing not just financial returns but also societal impact. Examples such as the Acumen Fund, which invests in enterprises that provide critical services to low-income communities, highlight the role that funding can play in scaling social innovations. Additionally, Omidyar Network has been instrumental in funding social enterprises focusing on education, financial inclusion, and digital identity, demonstrating how investment can help scale impact-driven initiatives. Investors need to incorporate social metrics alongside traditional financial metrics to evaluate the success of their investments. For example, assessing improvements in community well-being or reductions in environmental impact can provide a more comprehensive view of the social returns on investment. Encouraging co-investment partnerships can also help mitigate risks and enhance the capacity to support larger, transformative projects.

## 2. Importance of Entrepreneurial Ecosystems

Creating impactful social innovation requires support from an interconnected ecosystem of stakeholders, including governments, financial institutions, civil society, and the private sector (Isenberg, 2010; Porter & Kramer, 2011). Governments provide regulatory frameworks and policy support, financial institutions offer funding and financial tools, civil society brings community insights and advocacy, and the private sector contributes innovation, resources, and scalability to social initiatives. Entrepreneurial ecosystems provide essential resources such as funding, mentorship, infrastructure, and policy support, all of which are vital for driving social innovation. For example, the Social Alpha incubator in India has successfully supported social innovation by providing seed funding, technical assistance, and connecting entrepreneurs with industry experts, ensuring their ventures have the necessary foundation for growth. These ecosystems enable entrepreneurial leaders to leverage collective knowledge, build strategic alliances, and mobilize resources that would otherwise be inaccessible.

For example, Barefoot College’s model, which trains rural women to become solar engineers, was successful partly due to a supportive network that included collaboration with local governments, international donors, and technical experts, all of whom contributed to creating a sustainable impact (Roy, 2011). Similarly, the Grameen Bank was able to scale its microfinance operations by leveraging an ecosystem comprising local communities, government support, and international financial institutions. This collaborative approach not only provided the necessary financial support but also strengthened community engagement and trust.

Another significant example is the Green Belt Movement in Kenya, founded by Wangari Maathai. The movement’s success relied heavily on the collaborative efforts of local communities, NGOs, and government bodies. This ecosystem approach facilitated the planting of over 50 million trees, combating deforestation while empowering communities, particularly women, with both economic opportunities and environmental stewardship skills.

The Skoll Foundation’s Social Entrepreneurship Network has also effectively supported entrepreneurial ecosystems by fostering collaboration and providing a platform for sharing best practices. Additionally, historical examples such as Andrew Carnegie, who used his wealth to establish public libraries across the United States, demonstrate how entrepreneurial efforts can have a lasting societal impact, setting a precedent for future leaders in addressing social challenges.

The concept of frugal innovation—doing more with less—is particularly relevant in emerging markets, where creative resource management is often necessary (Radjou & Prabhu, 2014; Rossetto et al., 2023). For example, the Jaipur Foot initiative in India is a practical illustration of frugal innovation, providing affordable prosthetics to individuals in need using locally available materials and cost-effective production techniques. This model succeeded largely because of a supportive ecosystem involving local artisans, healthcare providers, and charitable organizations, enabling communities to utilize available resources efficiently and achieve sustainable, scalable social impact solutions.

Community leaders could play an essential role by organizing local hackathons or innovation challenges to generate grassroots solutions to pressing local issues. The model used by the 'Smart City Hackathon' in India has inspired many urban communities to develop technology-driven solutions for waste management and energy use, demonstrating the power of local engagement. Another example is the “Youth Entrepreneurs Program” in Kenya, where local community leaders worked with young people to develop business ideas aimed at addressing unemployment and local issues. Such programs not only generate practical solutions but also build a culture of innovation and resilience within the community.

So, entrepreneurial ecosystems foster innovation through collaborative hubs that bring together various stakeholders, such as academic institutions, investors, government agencies and NGOs, as well as community leaders. These hubs play a critical role in facilitating the sharing of ideas, providing access to infrastructure, and nurturing early-stage ventures that have the potential to drive social change. For

instance, the Social Alpha incubator in India supports entrepreneurs working on solving critical social issues by connecting them with industry experts, providing seed funding, and offering technical support, thereby ensuring that these ventures have a solid foundation for growth.

### **3. Challenges and Opportunities for Social Innovation**

Entrepreneurial leaders often face challenges such as limited access to funding, bureaucratic hurdles, and resistance from established institutions. For example, securing permits for social innovation projects can be a lengthy and bureaucratic process, often involving multiple government agencies and extensive paperwork. Additionally, accessing funding from traditional banks can be difficult due to the perceived high risk associated with social innovation ventures, which often lack the collateral required for conventional loans. To mitigate these challenges, leaders can develop partnerships with local governments, NGOs, and impact investors to help navigate regulatory barriers and secure funding. For example, the partnership between Grameen Bank and local government bodies in Bangladesh helped overcome regulatory challenges, ultimately enabling the successful rollout of microfinance services to underserved communities. Utilizing alternative funding mechanisms like crowdfunding and establishing mentorship networks with experienced entrepreneurs can also provide the support and guidance necessary to overcome institutional resistance. For example, collaborating with local governments or non-profit organizations can help overcome regulatory barriers, while impact investors and mentors can offer financial and strategic advice. Muhammad Yunus faced numerous regulatory barriers when establishing Grameen Bank, yet his persistence ultimately led to the successful implementation of microfinance services that have reached millions. The Araku Coffee Project in India, which aimed to support tribal farmers by creating a sustainable coffee production ecosystem, faced numerous bureaucratic hurdles related to land permits and export licenses, demonstrating the complexities involved in navigating governmental processes. Alternative funding mechanisms, such as impact investing and crowdfunding, have successfully supported social innovation by providing flexible and mission-driven capital that is often more accessible to social entrepreneurs.

However, it is also crucial to acknowledge that entrepreneurial or economic thinking is not always the ideal solution for societal and political issues. For instance, in France, President Emmanuel Macron, who came from the world of banking and finance, promoted the idea of 'France as a start-up nation' in 2017. His project faced significant social backlash, as evidenced by the Yellow Vests movement, indicating that not all aspects of society can or should be approached with a business mindset. Addressing these barriers requires careful consideration, supportive government policies, and collaborative cross-sector partnerships (Westley & Antadze, 2010). These efforts can foster environments where social innovations thrive while recognizing the limitations of economic approaches to social problems.

However, companies can also play an essential role in supporting social and environmental innovations through their corporate social responsibility policies. For instance, Patagonia's commitment to environmental sustainability, including donating 1% of sales to environmental causes, shows how businesses can make a meaningful impact. Another example is Unilever's Sustainable Living Plan, which aims to decouple the company's growth from environmental impact while increasing its positive social impact. Entrepreneurs can integrate CSR strategies into their business models, making societal contributions a key part of their operations. For example, TOMS Shoes' "One for One" campaign, where the company donates a pair of shoes for every pair sold, is a notable demonstration of integrating social good directly into the business model.

By working together, NGOs can also help scale initiatives more effectively, such as leveraging technology to improve service delivery or increasing outreach to marginalized communities. An example of this is the partnership between Ashoka and social entrepreneurs across different countries, which has resulted in scalable projects that address issues like education, health, and financial inclusion. Another successful collaboration is between the NGO BRAC and multiple social businesses, which helped BRAC expand its reach in delivering microfinance and healthcare to low-income families in Bangladesh.

To better analyze all these challenges and opportunities, future research should examine how cultural contexts influence social innovation success and explore how digital tools can expand the reach and efficiency of social enterprises. For instance, examining the cultural barriers that social enterprises face when trying to expand into different regions can provide valuable insights into the localization of social impact models. Moreover, researchers should investigate the unintended consequences of entrepreneurial interventions in society, such as the potential exacerbation of inequalities. A case study on the introduction of microfinance in different communities could reveal how these initiatives inadvertently created new social hierarchies. Studying such outcomes can help design more equitable innovation models that minimize risks while maximizing benefits. Researchers could also focus on evaluating the role of public policy in supporting social enterprises, providing evidence-based recommendations for effective policy frameworks.

### **Conclusion:**

Entrepreneurial leadership is a powerful catalyst for social innovation. By promoting creativity, resilience, and collaborative efforts, these leaders are capable of addressing some of the most persistent social challenges we face today. To maximize their impact, robust ecosystems and targeted policy interventions are necessary. Supporting entrepreneurial leaders is not just about enabling businesses; it is about nurturing the potential to make systemic changes that will benefit communities worldwide. These changes include improving access to education, healthcare, and renewable energy (Smith, 2014). For example, initiatives like Barefoot College, which trains rural women to become solar engineers, show how entrepreneurial leadership can create lasting social infrastructure and empower marginalized communities. However, it is important to remember that entrepreneurial approaches may have limitations when applied to complex social systems, as demonstrated by the social contestation seen in France against a business-oriented governance model. Balancing entrepreneurial initiatives with a nuanced understanding of societal dynamics is essential for achieving sustainable social progress. This includes understanding cultural values, political contexts, economic conditions, and social hierarchies that influence how initiatives are received and implemented. For instance, being aware of cultural norms can help leaders adapt their strategies to fit community expectations, while political stability can affect the feasibility and timing of new projects. By understanding these dynamics, entrepreneurial leaders can tailor their strategies to address unique challenges and opportunities effectively.

### **Key points and recommendations:**

In this paper, we highlighted how entrepreneurial leadership can catalyze social innovation and how these leaders can make real societal change. To ensure a clear understanding and context for the following points, here are some overarching strategies to support different stakeholders in fostering social innovation:

Firstly, **to drive social change, there is a need for visionary leaders who can mobilize resources, navigate constraints, and inspire social change.** In this contribution, we emphasized the uniqueness of the attributes that characterize entrepreneurial leadership. These are creativity, resilience, and vision. With these traits, entrepreneurial leaders are more inclined to address societal challenges as they can develop innovative solutions, persevere through setbacks, and see opportunities where others see obstacles. Then, we argued that the role of governments should be rethought to support innovation and thus the emergence of entrepreneurial leaders. This can be done by providing grants and reducing bureaucratic obstacles, thereby encouraging experimentation and risk-taking. Such policies would reduce financial barriers for social enterprises and make investment easier. Furthermore, investors should support entrepreneurial ventures that focus on social issues, prioritizing not just financial returns but also societal impact. This would demonstrate the role funding can play in scaling social innovations. Consequently, this

would imply that investors need to incorporate social metrics alongside traditional financial metrics to evaluate the success of their investments.

Secondly, there is an **importance in building entrepreneurial ecosystems**. To this end, entrepreneurial leaders could form networks to share resources and amplify their impact, while training programs focusing on social impact should be encouraged. Community leaders might also foster local innovation by encouraging entrepreneurial activities within their communities and act as facilitators by connecting local entrepreneurs with potential mentors and investors, further strengthening the local innovation ecosystem. As we mentioned earlier in the paper, policy support, collaborative ecosystems, and frugal innovation are key to scaling impact.

Thirdly, to **tackle the challenges and grasp the opportunities for social innovation**, companies should engage in corporate social responsibility (CSR) initiatives that align with their core values. Businesses can also engage in local community programs, which can strengthen their relationship with the community and create a positive brand image. Non-Governmental Organizations (NGOs) might also consider collaborating with entrepreneurial leaders to co-develop innovative solutions. Building alliances with entrepreneurs helps NGOs benefit from innovative thinking, gain access to resources that they may lack, and create more impactful solutions. Researchers could also play a role by investigating the unintended consequences of entrepreneurial interventions in society.

#### References:

- Battiliana, J., Lee, M., Walker, J., & Dorsey, C. (2012). In search of the hybrid ideal. *Stanford Social Innovation Review*(Summer), 50-55.  
[https://scholar.harvard.edu/files/matt/files/summer\\_2012\\_in\\_search\\_of\\_the\\_hybrid\\_ideal\\_1.pdf](https://scholar.harvard.edu/files/matt/files/summer_2012_in_search_of_the_hybrid_ideal_1.pdf)
- Heifetz, R. A., & Linsky, M. (2002). *Leadership on the Line: Staying Alive Through the Dangers of Leading*. Harvard Business School Press. <https://books.google.com.br/books?id=c3mYE7jNvn0C>
- Isenberg, D. J. (2010). How to start an entrepreneurial revolution. *Harvard Business Review*, 88(6), 40-50.
- Kuratko, D. F. (2007). Entrepreneurial Leadership in the 21st Century: Guest Editor's Perspective. *Journal of Leadership & Organizational Studies*, 13(4), 1-11.  
<https://doi.org/10.1177/10717919070130040201>
- Leadbeater, C. (2007). *Social enterprise and social innovation: Strategies for the next ten years*.  
<http://staging.community-wealth.org/sites/clone.community-wealth.org/files/downloads/paper-leadbeater.pdf>
- Millard, J., & Fucci, V. (2023). The role of social innovation in tackling global poverty and vulnerability [Original Research]. *Frontiers in Sociology*, 8. <https://doi.org/10.3389/fsoc.2023.966918>
- Porter, M. E., & Kramer, M. R. (2011). Creating Shared Value. *Harvard Business Review*, 11, 30.
- Radjou, N., & Prabhu, J. (2014). *Frugal Innovation: How to Do More with Less*. The Economist.  
<https://books.google.com.br/books?id=FpLCBAAQBAJ>
- Renko, M., El Tarabishy, A., Carsrud, A. L., & Brännback, M. (2015). Understanding and Measuring Entrepreneurial Leadership Style. *Journal of Small Business Management*, 53(1), 54-74.  
<https://doi.org/https://doi.org/10.1111/jsbm.12086>
- Rossetto, D. E., Borini, F. M., Bernardes, R. C., & Frankwick, G. L. (2023). Measuring frugal innovation capabilities: An initial scale proposition. *Technovation*, 121, 102674.  
<https://doi.org/https://doi.org/10.1016/j.technovation.2022.102674>
- Roy, B. (2011). *The Barefoot College: A Model of Grassroots Education and Training*. Retrieved Nov, 17 from <https://www.barefootcollege.org>
- Smith, W. K. (2014). Dynamic Decision Making: A Model of Senior Leaders Managing Strategic Paradoxes. *Academy of Management Journal*, 57(6), 1592-1623. <https://doi.org/10.5465/amj.2011.0932>
- Westley, F., & Antadze, N. (2010). Making a difference: Strategies for scaling social innovation for greater impact. *Innovation Journal*, 15(2).
- Yunus, M. (2007). *Creating a world without poverty: Social business and the future of capitalism*. Public affairs.

Zeschky, M. B., Widenmayer, B., & Gassmann, O. (2011). Frugal Innovation in Emerging Markets: The Case of Mettler Toledo [Research Article]. *Research-Technology Management*, 54(4), 38-45. <https://doi.org/https://doi.org/10.5437/08956308X5404007>