

**Malmo University Urban Studies**

OL602B - Social Entrepreneurship and Innovation

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The Relationship between Social and Venture Capital in Uppstart Malmö
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Abstract

Today’s the concept of social entrepreneurship; social capital and venture capital are defined by several experts. This case study sets out to gain an understanding of the relation between social capital and venture capital in Uppstart Malmö, a new social entrepreneurial organization which focuses on creating job opportunities in the city of Malmö, where unemployment rate is comparatively high. Analyzing empirical data from interview and other documentation, the results show that Uppstart Malmö is concentrating in the social dimension of enterprise and emphasizing on social capital more than venture capital. While by some means, the foundation is going toward achieving social goal. Uppstart Malmö is not yet an ideal model for completely social organization and commercial signs can be seen in their plans.

Key Words: commercial entrepreneurship, social entrepreneurship, social capital, venture capital, Uppstart Malmö

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Section 1: Introduction

Social entrepreneurship focuses on creating social values, providing benefits to society and resolving societal problems. For providing long-term social benefits, social enterprises generate profit from their activities.

On the other hand, commercial entrepreneurship often starts with an actor who attempts to exploit an entrepreneurial opportunity – where business opportunities are typically defined as situations in which an actor introduces new goods, services, or processes for profit. Sometimes the entrepreneur has a problem starting a business because of a lack of knowledge or finance issues. To solve this problem, venture capitalist ideas came into existence. Venture capital is money provided by an outside investor to finance a new, growing, or troubled business.

Finding the relationship between all these concepts is challenging because they are so interrelated and differences and similarities of them are not easy to be defined. To make all these concepts and their relations more clear and understandable for readers, the paper was planned to work on these concepts through a case study. A case study about a new foundation, Uppstart Malmö, in the city of Malmö (Sweden).

During recent years, many efforts were done to solve social and economic problems such as unemployment to make this city an ideal model. One of the most recent solutions was taken by Dan Olofsson (a senior professional entrepreneur in the city of Malmo). He founded Uppstart Malmö (“Malmo Start-Up Foundation”) on 1st March 2011, a social entrepreneurial foundation whose goal is to focus on creating job opportunities in Malmo city.

Exploring the real intention and ambition of the founder and other staffs and experts involved in this organization led us to realize a gap between theoretical planned ideas of organization and real-life situations.

1.1. Research Question:

As mentioned in the introduction, social issues are a little complicated to be absolutely defined without concerning the commercial and economic issues in any organization, enterprise, or company.
In real life it is difficult to find a pure social or commercial enterprise or to distribute the capital of an organization according to venture and social aspects. To solve this problem we set a question to be answered through this paper.

What is the relationship between Social and Venture Capital in Uppstart Malmö?

1.2. Aim:

As we mentioned before clarifying the concept of venture capital and social capital and the relation between them are the main points of this paper. We used a case study to investigate our research question in the real life situation. In reaching our aim we needed to define all the concepts and also we need to make the reader more familiar with the Malmö city and Uppstart Malmö.

1.3. Document Disposition:

This document is organized in 6 sections.

Section 1 that introduced the theme of our thesis and concepts of social, commercial enterprise and others factors related to them like social and venture capital. Also the research question is presented to motivate the analysis part.

Section 2 presented the research design as a case study to explore the real life situation for theoretical concept and also introduced the method was used to obtain the primary data and secondary data. Limitation that we faced in this study and also reliability of data is explained in this section.

Section 3 Theoretical framework of concepts such as social entrepreneurship, commercial entrepreneurship, the differences between them and also social capital and venture capital are illustrated in this section.

Section 4 Background of city (Malmö) and background of organization (Uppstart Malmö) is explained in this section and also organization and its process is explained in details. Also the interviews information is explained in detail this part.
Section 5 is the analysis and the finding part. Here the research question was answered by relating the case study to the theoretical concepts. It’s clear that the aim of the paper achieved in this section and Uppstart Malmöis as a model to help us in reaching the goal.

Section 6 is conclusion and final remarks that relating the question and case study and create an opened option for later research.
Section 2: Method

2.1. Choosing Case Study:

This part of the paper explains and motivates the research design and the methods were chosen for this paper. This thesis is a single case study clarifying the relationship between social and venture capital. As it will define in theory part later social entrepreneurship, commercial entrepreneurship, venture capital and social capital all are concepts are so interrelated. Although all concepts explained carefully and clearly by experts, finding the relation between these concepts is problematical through theory.

To solve this problem and make this relation more concrete and readable for the reader, we decided to do our paper as a case study using the model of Uppstart Malmö foundation. Yin (2009), believe that case study explores a contemporary phenomenon in depth and within its real-life contexts and it is really the factor that we need for making this paper comprehensible and helpful for later researches.

As we will describe later in case study part because of social and economic issues related to high unemployment rate in the city of Malmö, Dan Olofsson (a senior professional entrepreneur in the city of Malmö) came up with the idea to help and support the entrepreneurs of Malmö. He founded Uppstart Malmö on 1st March 2011, a social entrepreneurial foundation whose goal is to focus on creating job opportunities in Malmö city.

We chose this case because it’s a new foundation and there is not much published information about it. The idea of starting this organization seems social concept that highly related to our field of study and thesis and give us the chance to explore our studies information that we gain during the course in a real situation.

2.2. Limitation:

The study was limited by two main factors. The first factor is that the foundation is new and it started less than three months ago. It seems that a new foundation that is not stable yet and don’t have an established framework, limits the possibility of challenges between theoretical knowledge and empirical data for us.
The second limitation is time frames that make it difficult to interview applicants and other investors to have more reliable information. For solve this limitation, the website information and brochures of Uppstart Malmö are used as data that represents the idea of the organization. Lack of knowledge in understanding, language is another factor and time-consuming for us because mostly all the published information are in Swedish language.

2.3. Primary Data Collection: (interview)

We considered qualitative research as the bases for gathering data in this case study. Qualitative research relies in interpretation and bases its results more in words than in numbers (Bryman, 2008). Primary data (empirical data) was collected through direct field, interviews as well. Interview is one of the six sources of evidence Yin (2009) identifies for case study research.

According to Kvale (1996), with qualitative research interviews, interviewer attempt to understand something from the subject’s point of view and to uncover the meaning of their experiences. Interviews allow people to convey to others a situation from their own perspective and in their own words.

According to Bryman (2008) semi-structured interview allow deepening in specific knowledge area on interviewed person. The choice of semi-structured rather than structured interview was employed because it offers sufficient flexibility to approach different respondents differently while still covering the same areas of data. The other advantages of semi-structured interviews are that semi-structured interview allowing new questions to be brought up during the interview as a result of what the interviewee says. In this thesis, semi-structured interviews were conducted to two people. We set a series of open-ended questions and give the chance to interviewee feel confident to talk freely.

We set two interviews. For arranging the interviews first we sent email to the admin of office of Uppstart Malmö and described to her our thesis and the reason of interviewing someone from that organization. She replied and informed us that she can arranged two session interviews with two persons. The interviewees, place and times of interviews were decided with her. The interviews were recorded in audio format and also transcribed to secure an exact version of the conversations and avoid losing data since not everything can be written down during interview. On 17th May 2011 we arranged to meet with one of the investors of Uppstart Malmö at the
foundation’s office. The interview took one hour and a series of questions were asked. The questions were direct, clear, open-ended questions which gave both sides the option to add information as necessary or desired. The information that we received from interviewee side was more about budget and investments section of organization. The second interview was with admin of Uppstart Malmö. The meeting was held on 19th May 2011 in the same place. We followed the same structure for questions but the questions were more focus on the background of organization and purpose of forming of Uppstart Malmö. The interview duration was also one hour. This interviewee gave us more detailed information about the organization and its goals. Transcription of both interviews was completed within twenty-four hours of the interview and was used for case study and analysis sections of the thesis.

2.4. Secondary Data Collection:

The information collected from website (http://www.uppstartmalmo.se) and brochures of organization. We have limitation in getting information about figures and application process details because admin prefer to keep information unpublished for public. In theory part academic literatures are used for gather information and relating the case with theory parts.

2.5. Reliability of Sources

We believe we have collected the data in a logical, responsible and right way. Both primary and secondary data were collected from reliable sources. Our interviews make interviewees able to talk in detail and depth. We tried to give an option to interviewee to speak about their interests and from their own point of view by selecting semi-structured interviews and just little direction from interviewer can be seen in these interviews. For interviews, we had presented to the interviewees the aim of the study, the purpose of the interview, the need for recording and the option for them to remain anonymous in clear, written form before the interview was conducted.
Section 3: Theory

3.1 Social Entrepreneurship

Social entrepreneurship is a popular concept in the field of social sciences and business in view of the fact that in recent years social entrepreneurs have become well-known for both their outstanding achievements and for their exceptional results in terms of improving the economies of countries. As the idea of social entrepreneurship is quite new, and the definition of the principle and its acceptance into mainstream social sciences is even more recent, there are still many who do not understand what social entrepreneurship means. Social entrepreneurship can be explained in several ways: According to Dees (1998), social entrepreneurship conveys different meanings to different people. Some authors define social entrepreneurship as “not-for-profit initiatives in search of alternative funding strategies, or management schemes to create social value” (Austin, Stevenson & Wei-Skillern, 2003; Boschee, 1998). Others define the concept as “the socially responsible practice of commercial businesses engaged in cross sector partnerships” (Sagawa & Segal, 2000; Waddock, 1988). Seelos and Mair (2004) say “the term ‘social entrepreneurship’ is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy”. Taking different definitions of ‘social entrepreneurship’ into consideration, we can say that: Social entrepreneurship is business activity which does not fixate on financial profits but rather focuses on societal needs, wants or benefits which for-profit businesses and organizations have generally failed to address.

Having now defined ‘social entrepreneurship’, one can see there is a clear difference between ordinary businesses and businesses which engage in social entrepreneurship. For ordinary businesses profit is one of the foremost priorities – to the extent that sometimes even workers are overlooked in favor of the dominance of profits. On the other hand, social entrepreneurship concentrates on what ordinary businesses fail to do – such as investigating the process of business more deeply and to a greater extent so that profits or benefits will not only accrue to the organization, but will also accrue to all members of the business process. Furthermore, social entrepreneurship is different from ordinary business in its social aspect because it touches people of all socioeconomic levels, from poorest to richest, and does not concentrate only on one level.
like ordinary business do. This latter characteristic of social entrepreneurship is why it is mostly associated with not-for-profit business activity. Social entrepreneurship focuses on creating social values, providing benefits to the society and resolving societal problems. Notwithstanding this, if evaluated in terms of the long term benefits provided, then social enterprises can indeed be said to generate profit from their activities. They creating opportunities for the community and resolve social issues, but the efforts of a social enterprise are not limited to these areas. Basically it is the socially innovative ideas which define the social enterprise as such. Boschee and McClurg (2003) competently elucidate the distinction between a not-for-profit organization and a social enterprise thus: “A not-for-profit organization generates earned revenue from its activities; it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs, but it is still not innovative; not entrepreneurial”.

Within the discourse on the significance of social enterprises, it is necessary to remember specific points which were previously mentioned in this paper: (i) Social entrepreneurship comprises activities which complete the lack found in conventional businesses and conventional organizations. (ii) Social enterprises concentrate their efforts on people from all levels of society, both rich and poor. (iii) Social enterprises assist and improve the circumstances and conditions on a much wider scale than ordinary organizations could ever do. (iv) Although social enterprises are a type of not-for-profit organization, their activities do not interfere with or hinder those of conventional businesses, so social enterprises cannot be considered competitors to those companies. (v) Social enterprises, rather, are a class of business that helps ordinary businesses better fulfill their stated role. In the words of Peredo and McLean (2005), “developing new social enterprise business ventures is only one facet of social entrepreneurship. Another facet is maximizing revenue generation from programs by applying principles from for-profit business without neglecting the core mission”.

In relation to alliances and trust – elements which are essential to modern business – social entrepreneurs and companies based on social entrepreneurship can be good, trust-worthy partners. This would be because social entrepreneurship is the type of business that has lofty, altruistic ideals, that are not centered around profit-making, but instead focus on quality, and concentrate on creating and reaping rewards to the whole society – this latter being a goal which is general and so will also favor ordinary businesses.
In reviewing the definition for social enterprise, we would say it is important to emphasize that the aim of a social enterprise is to organize, create and manage a venture to bring about social change. Summarizing the points expounded here: Social entrepreneurship is based on innovation which touches and affects people of all socioeconomic levels.

### 3.2 Commercial Entrepreneurship

According to Austin et al. (2006), although the concept of entrepreneurship was first defined more than two hundred and fifty years ago, the practice of entrepreneurship is as old as trading between tribes and villages. Many different and useful approaches have been used to describe and to analyze entrepreneurship. Numerous experts believe that enterprise and entrepreneurship focus on potential economic dimension and range, and because of that, those experts consider commercial entrepreneurship to be the most complete principle for entrepreneurship. Commercial entrepreneurship is entrepreneurship that aims to create profitable operations resulting in private gain. Nevertheless, this does not mean that creating social value for the public is not important in commercial entrepreneurship. Of course, commercial entrepreneurship does benefit society in the form of making new and valuable goods available for consumption, by providing services and jobs, and also through bringing about transformative social influences. Such changes can even be a powerful motivation for some commercial entrepreneurs (Austin et al., 2006).

Eckhardt, Ciuchta and Carpenter (2009) believe that commercial entrepreneurship often starts with an actor who attempts to exploit an entrepreneurial opportunity – where entrepreneurial opportunities are typically defined as: “Situations in which an actor introduces new goods, services, or processes for profit”. “In some treatments, an actor – in the form of an individual or firm – who previously may not have exhibited an interest in entrepreneurship, may begin to engage in commercial entrepreneurship as a result of information that becomes available to them regarding the market prospects of specific opportunities” (Kirzner, 1997). Therefore, an important assumption underlying entrepreneurial behavior is that information about the specific characteristics of opportunities is not static.

Sahlman (1996) suggests an analytical framework for entrepreneurship. Sahlman’s model succinctly captures the key elements that are critical considerations for commercial
entrepreneurship. This model stresses “the creation of a dynamic fit among four interrelated components: the people, the context, the deal, and the opportunity (PCDO)” (Sahlman, 1996). Because these elements are interdependent and are situationally determined, the entrepreneur must manage the fit and must adapt continuously to new circumstances over time.

“People are defined as those who actively participate in the venture or who bring resources to the venture. They include both those within the organization and those outside who must be involved for the venture to succeed. People’s skills, attitudes, knowledge, contacts, goals, and values provide the resource mix that contributes centrally to success. The presumption that economic self-interest drives most economic activity in organizations can lead to dangerous and expensive mistakes. Whether in [not-for-] profit or in for-profit organizations, the whole person with multiple motivations and capacities creates the energy and determines the nature of the outcome.

“Context is defined as those elements outside the control of the entrepreneur that will influence success or failure. Contextual factors include the macro-economy, tax and regulatory structure, and sociopolitical environment. Economic environment, tax policies, employment levels, technological advances, and social movements such as those involving labor, religion and politics are examples of specific contextual factors that can frame the opportunities and the risks that a new venture faces. With this definition, it is clear that one of the critical elements for success is defining those elements that must be consciously dealt with, and those that can simply play out as they will. Attention to everything can mean attention to nothing. On the other hand, leaving out a single critical element of context can be the precursor of failure.

“Deal is the substance of the bargain that defines who in a venture gives what, who gets what, and when those deliveries and receipts will take place. Each transaction delivers a bundle of values. They include economic benefits, social recognition, autonomy and decision rights, satisfaction of deep personal needs, social interactions, fulfillment of generative and legacy desires, and delivery on altruistic goals.

“Opportunity is defined as any activity requiring the investment of scarce resources in hopes of a future return (Ibid). Change is motivated by a vision of the future that is better for the decision maker, and by the credibility of the path presented to that desired future state. One of the historic
difficulties in the study of entrepreneurship is that the definition of opportunity is not necessarily shared by the multiple constituencies who must work together to create change. Often change affects power relationships, economic interests, personal networks, and even self-image. A critical factor that creates motivation for joint action arises out of the ability to create a common definition of opportunity that can be shared.”

Sahlman (1996) considered that even slight disruption in one of these PCDO domains can have tremendous implications for the other domains. Changing people often requires a different deal. Changing context can render the skill set of one group obsolete and make another group’s skills more important. Different opportunities are perceived in differing contexts, and amending a deal may attract new players and drive away the old. Entrepreneurs must consciously manage the dynamic fit among these elements. Notwithstanding the preceding, the primary focus in commercial entrepreneurship is on economic returns (Austin et al., 2006).

3.3. Social Entrepreneurship and Commercial Entrepreneurship:

Are they the same or are they different?

It is often felt that there are a lot of differences between commercial and social entrepreneurship. Several authors argue that commercial and social entrepreneurship differs in respect to their mission, performance measurement techniques and resource mobilization. But there are also many similarities between these two types of entrepreneurships. If we analyze this matter more closely, it can be concluded that the similarities are numerous enough for the differences to be ignored. Needless to say, different authors have different points of view when enumerating and explaining these considerable similarities.

Experts believe that social entrepreneurship and commercial entrepreneurship are similar in terms of the following variables: People, Context, Deal and Opportunities – also known as “PCDO” (Sahlman, 1996) which is discussed in the above. The point is that, PCDO are so interrelated that altering something in one of these variables can affect the any one or all of the others (Austin, 2006). A lot of similarities can be found across any of the four PCDO factors. In terms of opportunity, both types of entrepreneurship pertain to customers, suppliers, barriers to entry, substitutes, rivalry and the financial part of the venture (Oster, 1994 & 1995; Porter, 1980 & 1985). In terms of both social and commercial entrepreneurship, certain traits and expertise can
be utilized to lead the project to be fruition. Austin (2006) describes these traits and expertise as: knowledge, ability, the talents and skills of all the people involved in the venture (i.e. the talents and skills of employees, funders and managers), and even the talents and skills of competitors. In the context of technological advances: political and economic changes, social movements and tax structure can affect the success and failure of the project. These factors play a significant role in both types of entrepreneurship (Austin, 2006).

Many experts argue that the growing concept of social entrepreneurship forces the leaders (the ‘social entrepreneurs’) to focus on generating revenue and investing that revenue into social development activities. The focus on revenue by social enterprises not only assists social development but also helps maintain the stability of the social enterprise. In the case of commercial entrepreneurship, the commercial entrepreneurs start to engage in social development activities. In simple terms, commercial and social entrepreneurs have started to become more mutually involved (in the other area). Both enterprises face market competition and other challenges. Commercial entrepreneurships decide to participate in community development activities not only to help the community but also to improve the reputation of the enterprise within the community.

It can be said that ideas of ‘social entrepreneurship’ always allude to charities and not-for-profit sectors, however, now-a-days, social enterprises participate in every sector and commercial enterprises are no longer just about making profits. There are even examples of commercial enterprises that establish themselves in not-for-profit sectors, and commercial enterprises that sometimes collaborate and share resources with not-for-profit firms to ameliorate social development. Recently a few research studies have argued that “businesses can contribute more to the community than just financial resources, as businesses also possesses specific expertise in solving social issues, and they should therefore be more intimately involved in the work of their non-governmental organization (NGO) counterparts” (Hess, Rogovsky&Dunfee, 2002).

Collaboration and networking is of the most salient aspects in modern social and commercial enterprises. Social entrepreneurs have adequately demonstrated their interest in joining business networks which they believe can help them to generate revenue. Similarly, commercial enterprises have started contemplating and aligning themselves with social networks in order to address potential social problems and provide their support in resolving those issues. “Firms
have a range of options for collaboration when addressing their ethical responsibilities; managers consider the option that optimizes both social impact and the economic realities of the firm”. (Peloza & Falkenberg, 2007)

To further our point that there are many similarities between social and commercial enterprises, we can bring your attention to a special kind of entrepreneurship that authors refer to it as ‘social entrepreneurship initiative’ organizations or SEIs. The compelling feature of SEIs is that they can simultaneously create both economic and social value. Social value can manifest in society in the form of work, employment, community self-respect, and personal development. (Southern, 2001). Social and commercial enterprises are similar in that they both create economic value for their partners. Both types of enterprises share a similar process in mobilization of resources and in the way in which they partner for startup and growth (Meyskens & Post, 2008; Morris, Lewis & Sexton, 1994).

3.4. Social Capital

In the past two decades the concept of social capital has become a central concept within the social sciences. Many researchers and social scientists describe the concept of social capital in different ways. According to Sobel (2002), social capital describes circumstances in which individuals can use membership in groups and networks to secure benefits. Some experts define social capital as the social structure which facilitates coordination and cooperation (Landry, Amara & Lamari, 2000). Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of mutuality (Dekker & Uslaner, 2001). Investments in human and social capital are widely believed to improve the performance of employees and also business – which is why businesspersons invest and promote new ideas for their businesses (Bosma, Praag, Thurik & Wit, 2002). Bourdieu, defines the social capital “the aggregate of actual and potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition—or in other words, to membership in a group” (Bourdieu, 1986, p. 248). The Bourdieu concept of social capital highlights the networking aspects of the concept and emphasizes the individual gains or profits (which are by-blow of the communal benefits) within a group membership. In 1977 Glen Loury introduced the term ‘social capital’ for the first time to describe “authority, trust and rights”, which he said were “the true resources for individuals within a group or community”.

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He further argues that: The merit notion that, in a free society, each individual will rise to the level justified by his or her competence conflicts with the observation that no one travels that road entirely alone. The social context within which individual maturation occurs strongly conditions what otherwise equally competent individuals can achieve. Putnam (1995, p. 67) defines social capital as follows: “Social capital refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.” In his expansion on the definition he says: “‘Social capital’ is closely related to what some have called ‘civic virtue’. The difference is that ‘social capital’ calls attention to the fact that civic virtue is most powerful when embedded in a network of reciprocal social relations. A society of many virtuous but isolated individuals is not necessarily rich in social capital (Putnam, 2000, p. 19). Most social scientists emphasize the importance of social networks and trusted relationships while explaining and defining the concept of social capital. Coleman (1990, pp. 300-301) writes that: “Authority relations, relations of trust, and consensual allocations of rights which establish norms can be viewed as resources for individuals”.

Social capital is a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors (Baker, 1990, p. 619). Belliveau, O'Reilly and Wade (1996, p. 1572) consider that: “Social capital can be viewed as an individual's personal network and elite institutional affiliations”. Bourdieu (1986, p. 248) offers further clarification to this premise in saying “it is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition”. Bourdieu also believes that social capital is made-up of social obligations or ‘connections’, which are convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility” (Bourdieu, 1986, p. 243).

Social capital is defined by its function; it is not a single entity, but a variety of different entities having two characteristics in common: They all represent some aspect of social structure, and they facilitate certain actions of individuals who are within the structure (Coleman, 1990, p. 302). Fukuyama (1995, p. 10) considers that social capital is “the ability of people to work together for common purposes in groups and organizations”. He says: “Social capital can be defined simply
as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them”.

3.5. Venture Capital

The first true venture capital firm was American Research and Development (ARD), established in 1946 by MIT President Karl Compton, General Georges F. Doriot, who was a professor at Harvard Business School, and local business leaders (Gompers and Lerner, 2001). They defined venture capital as equity or equity-linked investments in young, private companies, where the investor is a financial intermediary who is typically active as a director, an advisor, or even a manager of the firm (Kortum and Lerner, 2000).

According to Gompers and Lerner, (2001) Venture capital has developed as an important intermediary in financial markets, providing capital to firms that might otherwise have difficulty attracting financing. These firms are typically small and young, plagued by high levels of uncertainty and large differences between what entrepreneurs and operate in markets that change very rapidly (Gompers and Lerner, 2001).

To clarify venture capital definition it can be said that venture capital is money provided by an outside investor to finance a new, growing, or troubled business.

Venture capital is an important source of funding for start-up and other companies that have a limited operating history and do not have access to capital markets. A venture capital firm (VC) usually looks for new and small businesses with a potential of long-term growth that will result in a large payout for investors. Many of today's multinational companies, such as Apple, Intel, Google and Microsoft, were funded by VC firms (VCs) in their early development stages. VCs are characterized as being “active investors” in financing startups in high-tech industries. (Wang, Wang, 2010)

According to Zider (1998), the venture capital industry has four main players: entrepreneurs who need funding; investors who want high returns; investment bankers who need companies to sell; and the venture capitalists that make money for themselves by making a market for the other three.
Gompers and Lerner (2001) believed that to understand the venture capital industry, understanding the whole "venture cycle" is necessary. The venture capital cycle starts with raising a venture fund; takings through the investment in monitoring of, and adding value to firms; continues as the venture capital firm exits successful deals and returns capital to its investors; and renews itself with the venture capitalist raising additional funds. All aspects of the venture cycle are related to each other.

It is generally believed that venture capitalists are extensively involved in the businesses they finance, not only closely monitoring their activities, but also providing valuable support and governance (Hellmann, Puri, 2000). Most of literature believed that venture capitalist can make benefits by means of monitoring, advising, giving information about market and stakeholders; on the other hand, they should be aware that gaining venture capital is not free of cost because venture capitalist spent times for entrepreneurs that all the times don’t lead to success. (Hellmann, Puri, 2000) “Venture capitalists are said to benefit their companies through a variety of activities such as mentoring, strategic advice, monitoring, certification to outside stakeholders, corporate governance, professionalization of the company, and recruitment of senior management, on the other hand, obtaining venture capital financing also has its costs. The close involvement of the venture capitalist can be time consuming for the entrepreneurs and the entrepreneurs can also experience a significant loss of capital”

Many authors argue that venture capitalists are a different type of investor for entrepreneurial companies. Venture capitalists are full-time professional investors who invest for their partnership funds. “Venture capitalists tend to carefully follow the technology and market developments in their area of expertise in order to stay in the deal flow and to be able to make an informed investment decision” (Fenn, Liang, and Prowse, 1995), before making an investment, “they carefully scrutinize the founders and their business concepts” (Fried and Hisrich 1994, Garmaise 1999). “When making the investment, they bring financial expertise to structuring the deal and setting appropriate incentive and compensation systems “(sahlman 1988, 1990, Kaplan and stromberg 1999). “After the initial investment, venture capitalists tend to be very active in the process of raising additional funds for their portfolio companies “(Gorman and Sahlman 1989). They also continuously monitor their companies, both formally through participation at the board level and informally (Rosenstein 1988, Lerner 1995). As monitors and through their private
information, like banks, they can help provide certification to outside stakeholders (James 1987, Puri 1996, 1999). They can provide valuable mentoring and strategic advice for the entrepreneurs and they frequently assist companies in providing business contacts and recruiting senior managers (Bygrave and Timmons 1992). They tend to play an important role in corporate governance, frequently replacing the original founder as CEO (Hellmann 1998). They help professionalize the company, both within the organization and at the CEO level (Hellmann and Puri 2000). Finally, they often take an active role in guiding the exit decision, such as influencing a company’s initial public offering (Lerner 1994, Gompers 1995)
Section 4. Case Study

Figure 1: Logo of Uppstart Malmö

Kauffman Foundation, one of the world largest foundations devoted to entrepreneurship in United States has found that from 1980 to 2005 nearly all net job creation in the U.S. occurred in firms that were less than five years old. In Kauffman Foundation the professional believes that the focused should be on improving the ecosystem for start-ups and small businesses by funding basic research, streamlining the obvious process, limiting regulation and encouraging venture-capital and private-equity companies that fund new ventures. Perhaps the single biggest benefit for small companies would be to let in more skilled immigrants (Schramm, 2011).

In Malmo (Sweden), many companies such as ALMI, MINC Malmö Incubator, and IKF Malmö and several others are helping young entrepreneurs, by converting their business ideas into a real business. We take into account one of these new foundations “Uppstart Malmö”, the foundation which helps in supporting the business ideas of young entrepreneurs for the purpose of creating more job opportunities in Malmö city. As the unemployment rate in Malmö city is 9.7% which, comparatively, is higher than that of the Stockholm and Goteborg having the unemployment rate of 6.9% and 9.4% respectively.

4.1. History of Malmö

Malmö is the third largest city of Sweden, located in the southern part of Skåne province and is the capital of Skåne, with approximately 295,000 habitants. The city historically was known as an industrial city especially in ship building and textile industries but after the 1970s oil crisis the city faced severe challenges. Since then Malmö has undertaken structural changes to transform to a sustainable knowledge based city. The structural changes in industries and businesses matter was lead to high unemployment and budget shortages faced by the municipality in the 1990’s (Seewww.MalmöStad.se).
Malmö municipality has also set some ambitious environmental goals: Malmö is expected to be sustainable by 2020, with pilot projects becoming the norm for the entire city; to be climate-neutral by 2020; and to operate on 100% renewable energy by 2030. Several district level programs are also directed towards making Malmö an eco-city. Several neighborhoods like western harbor have already been transformed using innovative design and are planning to become more socially, environmentally, and economically approachable.

Malmö is divided into ten city districts. Rosengård is among one of them, with a population of over 22,262. The district was built under the million homes program mainly to accommodate immigrant workers during Malmö’s industrial days and has a young population, of which, 38% are under 20 and only 6% over 70 years of age. The area has a multicultural atmosphere which includes residents from 111 countries representing fifty different language groups. From the total population in Rosengård, 59% are foreign born while 26% born in Sweden have parents born abroad. The district is now characterized with relatively higher unemployment and crime rates and related socioeconomic problems. More than 60% of the population is unemployed. In Herrgården, one of the areas in Rosengård, 97% are foreign born from which more than 80% are unemployed. The area in general, is supposed unsafe and segregated from the rest of the Malmö culturally, socially and economically. (Ibid)

4.2. Background of Uppstart Malmö

Upon realizing the high unemployment rate in Malmö, Dan Olofsson a successful entrepreneur came up with the idea to help and support the young entrepreneurs. He realized that the young entrepreneurs with good ideas in Malmö needs attention and support from successful stable entrepreneurs (like himself) to grow and thrive in the current economic climate. Supporting the business idea of those new entrepreneurs will not only benefit them but also will create more job opportunities for others unemployed people, which is the main goal and needed to be achieve. For this reason Dan Olofsson took the first step and founded on 1st March 2011 a foundation Uppstart Malmö (“Malmo Start-Up Foundation”), a social entrepreneurial foundation whose goal is to focus on creating job opportunities primarily in Malmo city (where unemployment rate is comparatively high) by supporting the business idea of young entrepreneurs which can create more job opportunities.
Taking high unemployment ratio of Malmö into consideration not only Mr. Dan was concerned but also many other entrepreneurs. Mr. Dan contacted different successful entrepreneurs for support and asked for involvement in this new social enterprise. In the beginning, he contacted 13 entrepreneurs that he knew, who he believes, had the financial strength and professional experience and were eager to become a part of social enterprise. Those 13 entrepreneurs who were already waiting and thinking to do something for the unemployed people and bring a change in Malmö city, became the first investors of the newly formed foundation.

The newly formed foundation Uppstart Malmö was advertised in the paper and electronic media, and gained too much popularity. In a short period of one month, two new successful entrepreneurs joined the foundation as investors. Including the new investors, many commercial organizations who were already involved in facilitating young entrepreneurs in starting up their businesses, formed partnership with Uppstart Malmö.

Uppstart Malmö is formed as a social enterprise, where the people living anywhere in Malmö can present their business idea and get support for to start their own venture. The motive of Uppstart Malmö is to support only those business ideas, which can create job opportunities in those areas of Malmö where unemployment ratio is high. In the foundation young entrepreneurs not only get advice for starting a new business or expanding their current business but also get financial support.

4.3. Organization and process

Uppstart Malmo helps entrepreneurs regardless of gender, race or age; it helps anyone who comes up with a good idea for starting a new business or expanding their current business. The important thing for Uppstart Malmö is that the young entrepreneur has a business idea that he / she believes in, and that it is an idea with potential to generate jobs for more than just themselves. It is not necessary to present a business plan upon the first contact with the Foundation, as Uppstart Malmo supports and helps the new entrepreneurs in creating a business plans for their company through personal dialogue.

To assist with starting of the business, Uppstart Malmo provides at least 50,000 Swedish Krona (SEK) interest free loan for the period of one year. The young entrepreneurs are also supported by free coaching and advices for their business by Uppstart Malmö. The foundation does not
hold any security against the loan provided to the young entrepreneurs. If the business effort of young entrepreneurs fails, then there is no return on the loan and if the business idea succeeds, then Uppstart Malmö can provide more resources to fund the growth of the business. This means a partnership can be formed between the new business and another more profitable company that could offer future loans with interest to the new business, but there are several other ways that another company may become involved with the new business. Still, the bottom line is to develop a trusting relationship between the entrepreneurs and the successful business for few years so that a business with several employees can be built up and developed.

The foundation consists of investors, partners, and advisors.

4.3.1. Investors

The investors of Uppstart Malmö are the experienced entrepreneurs and managers of different companies and organizations in Malmo. To support the foundation financially, professionally, and to become a part of a social scheme and for the positive change in Malmö city, they have invested the capital of 30 million SEK for the period of three years. The investors not only invested the financial capital, but also brought along their professional expertise of different commercial and social entities. The purpose of their investment in this social venture, primarily, is to deal with the unemployment issues in the identified districts of Malmö. The partners of uppstartmalmo includes Rune Andersson, Jan Barchan, Martin Gren, Sten K. Johnson, Therese Karlsson, LjuboMrnjavac, Percy Nilsson, Dan Magnusson, SpirosMylonopoulos, Dan Olofsson, HåkanRoos, Alf Tönnessson and Kent Widding Pearson, Lars Svensson and FirasMohamad.

4.3.2. Partners Organizations

Looking at the social mission of Uppstart Malmö, many organizations that were involved in the similar projects formed partnership with the foundation. The partner organizations bring their skills and experience to support the initiatives. The partners of Uppstart Malmö include various organizations including: Swedbank, Almi, Malmö, Region Skåne, Setterwalls, Vinge, Sydsvenskan, Deloitte, Employment Services, Nyföretagarcenter South and Folksam. The functions of all these organizations are similar
to that of Uppstart Malmö. These organizations invest in the new business ideas of young entrepreneurs, or provide their support and expertise for the extension of current businesses. The partner organizations provide consultancy and interest base loans. The aims of these organizations are to support commercial business ideas.

4.3.3. Advisors

Many investors of Uppstart Malmö also act as advisors to the young entrepreneurs, and provide professional support to their new business idea. Furthermore the partner organizations also offer their professional services as advisors to the young entrepreneurs. Many other business professional who wanted to be the part of a social venture and wanted to utilize their expertise for the social purpose, contact the foundation by them self and offer their professional expertise as advisors to the new business ideas of young entrepreneurs. Some business consultants contacted Uppstart Malmö and propose to provide their business expertise on minimal cost. All the advisors acted so eagerly for becoming the part of this new social venture, and wanted to get involved in some organization for social purpose.

4.3.4. Operation

The operation of handling the business idea and dealing the young entrepreneurs of Uppstart Malmö is more simple and easy from any other business organization. The young entrepreneur submits their business idea through the Uppstart Malmö web site, and receives an automatic generated reply as a receipt with in few minutes. The first response time from Uppstart Malmö to the applicant is maximum two weeks. The employee of Uppstart Malmö read the newly presented business idea and called the applicant by phone or by email, for the interview to the Uppstart Malmö office, where the applicant is interviewed by the case dealing officer. Applicant is asked many questions related to his/her presented business idea, the interviewer also try to find out the interest and motivation of the applicant to his/her business idea in meeting.

After the first interview with the applicant, the interviewer makes a summary of the business idea of the applicant, based on a specific criterion, which we came to know from the interview with one of the staff members of Uppstart Malmö.
The criterion of selecting the business idea for funding and support is based on the three main points.

1. In the period of one year how much unemployed people can get employment through this business?

2. Is there a need in market, for such kind of business?

3. Does the applicant have the potential to run the new business?

If the presented business idea fits in the above mention criterion, then the idea is forwarded to the CEO of Uppstart Malmö, where he review it and give permission for further process on the idea. After that the applicant is contacted again for the meeting and also informed, that Uppstart Malmö will support his/her business idea. On the second meeting with the applicant different detailed questions are asked, for to make the first version of business plan. After having the informal business plan, the applicant is then referred to the advisor. The advisor is selected according to the business type and expertise from the advisor committee of Uppstart Malmö, for the applicant. Continues meetings starts between the advisor and applicant, until all business plan is ready. The business plan is then presented to the Uppstart Malmö. Where the CEO review it, and allow the funding for the start of new business, the loan provided by the Uppstart Malmö for the new business is interest free for the period of only and only one year.

If the business idea does not fit in the above mentioned criterion, then it is forwarded to the partner organizations of Uppstart Malmö, who are also related to similar operation. The partner organizations also provide the same support and help to the new business idea of young entrepreneurs, but finance the new business idea is not interest free.

To understand the functions and purpose of Uppstart Malmö more clearly we felt the need of expanding our research. For this purpose we tried to interview the applicants, investors, and the employees of Uppstart Malmö. We did not manage to interview any applicant, but we got lucky to interview one of the investor and one of the employee of Uppstart Malmö. From the interview we have come to the knowledge of many new things
that were not published. The interview gave us a very good and clear idea about the Uppstart Malmö.

4.4. Interviews Information

4.4.1. Interview with Investor

Our first interviewee was one of the potential investor. The interview started with the normal greeting on 17th May 2011, in the office of Uppstart Malmö. We have already explained the reason of our interview to the investor through email. The interviewee started his speaking by give us brief information about history of Uppstart Malmö, which was so close to the information we got from the website, newspapers and Uppstart Malmö broacher. He told us about the first investors of Uppstart Malmö, that all was contacted by the founder Mr. Dan; and he knew them before but the interviewee was not included and he didn’t knew the founder as well. The interviewee read about the Uppstart Malmö in the newspaper and called founder directly for joining the foundation as an investor and advisor. On one of the question, why joining Uppstart Malmö? The interviewee said “I always had concerns about the segregation in Malmo and I didn’t have good feeling about this segregation if continues in the future”. He further explained that he had been contacted by many different social organizations but he refused to engage, interviewee said “they were just show interest in words not in action”. He mentioned that Uppstart Malmö is his first social project and the budget he put for investing in this project is 1.5 million SEK. He mentioned that the total available fund for Uppstart Malmö is 35 million SEK, for three year. He answered to our question that the money he is investing in Uppstart Malmö is his personal finance not his company or business money. He further said “Uppstart Malmö is not a project investors want to have our own partnership it’s a social events because many of small companies want to get started or want to get helps are too small for this group of 15 people” (investors). He emphasized that Uppstart Malmö is not welfare, it’s not a revolutionary idea, it’s just a normal business idea about starting a business and they put money together to give loan, advice, or other supports that entrepreneurs want to let them start.
For better understanding about the interest free loan we made a scenario and asked the interviewee to answer it. (A scenario we made: what if the young entrepreneur who get help from Uppstart Malmö and he is running a successful business and creating lots of job opportunities, but the young entrepreneur cannot drag out the money from his/her new business to return the loan after one year, which is the time limit of returning the loan). He answered that “no interest loan in first year and in the next year the entrepreneur must return the money to the investor and if he/she needs money again, the investor will lend him/her loan with three percent interest rate or connect him/her to the bank or giving a part of share in the business or any other way the applicant (entrepreneur) be interested in. He said because no enterprise finalized yet, there is no specific role yet”.

He further explained, “It’s a Win-Win situation although the idea originally sounds odd. it’s easy to talk about being a nice person specially for immigrant who needs jobs but it’s not our idea, we also need to think about future, we should think about how to develop Malmö and how to develop business around and off course we also wind up with interesting people around us, its entrepreneurship and also social”.

He told us that “Uppstart Malmö is much like an umbrella has three staff members that were hired by founder Mr. Don, and they are in contact with applicants to interview them and make them prepared by setting consultancy meeting and then introduce them to investor”. Investors make decision about loans and there is no limitation about which area the applicants lives in (not especially Rosengård) and also no limitation about the amount of loan that the investor will lend the entrepreneur.

All investors meet once a month and there is no written documents or regulation about the way of operation. Age, education, race, gender is not matter for selecting a person. The only thing that are necessary is having a good idea, having potential to run that business personally, also having experiences and know the market or having a parts of business budget will be a positive points.

He emphasized on social purpose of participation in this project and told us if they want to go for just profit they can do it by themselves. He said that “We are not financial institution, we are here to help entrepreneurs to start a business and we are here because
we believe there is lots of idea that person behind that idea cannot go to the bank to ask for loan or cannot start without startingpoint money and from this aspect Uppstart Malmö is a social entrepreneurship”. He believes at the same time it is difficult to be an entrepreneur and just focus on social aspects. For being a business man, we have been trained to have goals and money cannot be spent on ideas that are not so developed. “We have it in our blood”. Then if we separated the business and just some person comes to give up some money it is not really good. He considered that we as investors should be sure that the idea is good enough to be survive and I myself as a business man prefer to see if I spend money in 15 enterprises, some of them will be successful otherwise it will be a fail at least a break of my heart.

He mentioned he was expecting to see more immigrants with new idea that unfortunately he didn’t see and he believe it’s because they scare to contact and also the project is new and need more marketing.

He highlighted the trust role for both side as he said if I lend money and the enterprise fail or don’t return my non-interest loan back I will lose my money but if he be successful maybe I as investor get inside that company or have some connection with new entrepreneur and its trust because business is a lot about trust.

4.4.2. Interview with Admin

On the 19th of May, 2011, we have conducted the interview with the employee of Uppstart Malmö, which investor mentioned in his interview was hired by the founder of Uppstart Malmö. The interview was in the same office and in the same room of Uppstart Malmö where we interviewed the investor.

She started the conversation about introducing the founder by calling him a philanthropist and he has someone beside from parliament of Sweden and he is representative for social democrats of Sweden. The interviewee was hired from the start of foundation to work through official administration with CEO and another staff. She mentioned they had done a lot of marketing through newspaper Sydsvenska.
Since they started they received 150 applications of business ideas in three months, and she said that they cannot say yes to everybody, the applicant must be realistic not a dreamer and can run the business. She said: “we look through idea and if it’s interesting enough we provide 10 hours advising or coaching within the area of business”. On one of the question about the advisors she replied: “we got the advisor through our own network, people who know the founder and also we put ad in newspaper. It’s possible if the advisor wants to do it for free or ask for a small amount of money and during two weeks we put ad in the newspaper and got 50 applications from advisor”. The admin officer told us that they are expecting around 400 applications for one year and from which 10 percent will be accepted and will forward to the next level. Almost 15 percent just asking for advice, a young entrepreneur start the business but faces many questions she said. 20 applications are about expanding the business, it means they are young entrepreneur already running the business and are ready to expand but they don’t know the way or they need financial support. One of the questions about the selection criteria of the business idea, she said: the most important factor is that new entrepreneur is able to hire more people after one to three years in this new business. Also person should have the ability to run the business and the idea must have a market and customers”. She said that: within all application, we will send some of them to our partners to get more skills within the area of their business and assistance help and they can return to us after 6 months. She said: everybody is welcome but at the same time we are asking a lot of questions, about all the details. Some of people never thought about those questions before.

According to her the amount of loan is 50,000 to 150,000 SEK and also they ask their partners to help the applicants who need more money to get loan with low interest.

When we asked her about the conflict about the relation between innovative idea by an immigrant and available market for a business as a criteria for accepting a business, she gave an example about an Arab female wanted to start an event business, her markets was from her own native community and she can hire a lot of people because she needs a lot of employees to start the business.

When she was asked about low immigration rate who participate in this project comparing to Swedish, she said there is but no so many application by immigrant and we also try to
reached out to those people who are immigrant in Sweden I myself went to SFI class and talked to immigrant if they have a new idea we as Uppstart Malmo can be a partner in their ideas. There are lots of people we have to find them but now most of applicants are Swedish people living here for all their lives or a long time and know the market and know how the society runs. She continued that off course we want to attract more immigrants to come to us but it also important that how many people they can hire.

She mentioned the franchise business as a solution for immigrant unemployment. She said: “if they are hired by companies to work in cleaning in private home and gardening, the jobs that was not possible before because of high tax rate in Sweden but now it’s possible because of lower tax rate can be helpful specially for immigrants that don’t know the markets or coming to Sweden recently or they don’t know Swedish language well.”

She thought maybe if they looking to within the applications in next 6 months or one year later, she hope to find lots of applications from immigrants coming to them and say that they are ready and have a business here and can hire a lot of people but there isn’t challenge for us to reach out to `those people off course. The goal is to reach out to those people who have no jobs today but everybody among them is not the one who should run a business, maybe one who the business will hire them.
Section 5 Analysis

5.1. Uppstart Malmö a Social Enterprise

The societal problem of Malmö city was addressed by Dan Olofsson the founder of Uppstart Malmö that the Malmö has high unemployment rate and this problem is ignored by many commercial enterprise. For this purpose he presented an innovative idea to form a foundation Uppstart Malmö a social enterprise. As mentioned above in the theory section that “Social entrepreneurship is business activity which does not fixate on financial profits but rather focuses on societal needs, wants or benefits which for-profit businesses and organizations have generally failed to address”.

The only main goal of this newly formed social enterprise foundation is set for to solve the social problem of unemployment in Malmö city. Also the investor we interviewed mentioned that “We are not financial institution, we are here to help entrepreneurs to start a business,……from this aspect Uppstart Malmö is a social entrepreneurship”.

Uppstart Malmö is different from ordinary business in its social aspect because it touches people of all socioeconomic levels, and does not concentrate only on one level like ordinary business do. Uppstart Malmö focuses on creating social values, providing benefits to the society and resolving societal problems in terms of creating job opportunities. In Uppstart Malmö also we can see gender, race or age is not key elements for applicants. The important thing for Uppstart Malmö is that the young entrepreneurs has a business idea that he / she believes in, and that it is an idea with potential to generate jobs for more than just themselves.

5.2. Uppstart Malmö operate as Commercial entrepreneurship

Like commercial entrepreneurship Uppstart Malmö also aims to create profitable operations resulting in private gain as by helping new entrepreneurs to create their own business they also put mind in that if business idea of new entrepreneur succeed then the foundation will have more partners and sponsors who will help financially and will also be interested to provide help for other new entrepreneurs. As it was mentioned by investor if enterprise fails or the young entrepreneurs does not be able to return back the interest free loan then the investor will lose his
investment, but if he (young entrepreneurs) be successful, there will be a chance for investor to get inside the new business or find new connecting with other entrepreneurs.

The skills, attitudes, knowledge, contacts, goals, and values of new entrepreneurs provide for Foundation the resource mixes that contributes centrally to success. The Foundation does all to give knowledge and as much measures as it is possible to make new business for young entrepreneurs as it is also useful for the foundation itself. More young entrepreneurs become qualified and succeed more success will the foundation has, so benefit is going for both sides. Uppstart Malmö helps to define the elements that influence failure to the young entrepreneurs by providing professional help and advice.

In Uppstart Malmö, change is motivated by vision of the future as the foundation aims on getting benefit from young entrepreneurs’ success in their business which they plan and creating more job opportunities. Foundation does all to make that future vision come true, which is useful not even to the foundation but also to the young entrepreneurs. As in interview, we realized that everybody is welcome but at the same time they are asking a lot of questions, about all the details from the applicants. Some of the young entrepreneurs never thought about those questions before. The criterion of selecting the business idea for funding and supporting is based on the three main points. First in the period of one year how much unemployed people can be hired through this business. Second, market and customers must be available for this new idea (business) and finally the potential of new entrepreneur to run the business are significant factor to be chosen by Uppstart Malmö as an applicant.

5.3. Uppstart Malmö, Social or Commercial Entrepreneurship

Taking Uppstart Malmö in to consideration it is seen that there are signs of both the social and commercial entrepreneurship. The investor mentioned “It is a Win-Win situation, although the idea originally sounds odd. it’s easy to talk about being a nice person specially for immigrant who needs jobs but it’s not our idea, we also need to think about future, we should think about how to develop Malmö and how to develop business around and off course we also wind up with interesting people around us, its entrepreneurship and also social”.

Also the foundation pays attention to those elements which the young entrepreneurs can’t predict and those elements can be the reason for failure or success like the same in social and commercial
entrepreneurship. Professional advisors, investors and partners are some factors for Uppstart Malmö to achieve the goal. Like in both kind of entrepreneurship (commercial and social) every character in it (in this case, entrepreneurs and Uppstart Malmö Foundation) making a deal by knowing who will get what and what they will must to do after. Moreover, Uppstart Malmö foundation is same as social and commercial entrepreneurship in terms of investment of scarce resources and hopes for future return. Same like both types of entrepreneurship Uppstart Malmö create economic value for its partners (professional entrepreneurs) as the admin officer highlighted in the interview, that the most important factor is that new entrepreneur is able to hire more people after one to three years in their new business. Also person should have the ability to run the business and the idea must have a market and customers”. She said that: within all application, we will send some of them to our partners to get more skills within the area of their business and assistance help and they can return to us after 6 months.

According to all what was mentioned before it is seen that foundation’s activity (which has social and commercial entrepreneurship details) express very big similarity of social and commercial entrepreneurship and how those two entrepreneurship are connected.

5.4. Gaining social capital by joining Uppstart Malmö

According to Sobel (2002) social capital describes circumstances in which individuals can use membership in groups and networks to secure benefits. Uppstart Malmö has the potential to create social capital for individuals in the city of Malmö as they provide the opportunity for young entrepreneurs to join their network, presenting their business idea and get advantage of the investors’ extensive networks.

Fukuyama (1995, p. 10) considers that social capital is necessary for “the ability of people to work together for common purposes in groups and organizations” As the people who work in Uppstart Malmö Foundation and the advisors/investorscorporate as a one group with the main focus of helping new entrepreneurs fulfilling their ideas, their actions are linked to social capital. Social capital is transferred to applicants, but as the same time the investors increase theirs by participating in Uppstart Malmö.

As discussed in the chapter of social capital, Loury (1977) introduced the term ‘social capital’ for the first time and argues that in a free society, each individual will rise to the level justified by his
or her competence conflicts with the observation that no one travels that road entirely alone. The professional investors and advisors in Uppstart Malmö don’t only concentrate on their own success, but also think about sharing their professional experience with the young entrepreneurs for their success, which will create opportunities for the unemployed people in Malmö and more social capital for themselves. The investor we interviewed points this out clearly: “Uppstart Malmö is not a project in which we investors want to have our own partnership, it’s a social event because many of small companies want to get started or want to get help are normally too small for this group of 15 people”.

As we mentioned before, some scholars define social capital as the social structure which facilitates coordination and cooperation (Landry, Amara & Lamari, 2000). Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of mutuality (Dekker & Uslaner, 2001). In this case different stakeholders (investors, advisors, new entrepreneurs, and partners) are those diverse groups connecting together in a setting that allows this to happen.

Investments in human and social capital are widely believed to improve the performance of employees and also business – which is why businesspersons invest and promote new ideas for their businesses (Bosma, Praag, Thurik & Wit, 2002). In Uppstart Malmo, new entrepreneurs can make use of many resources to help start their new business. Free interest loan and free access to experienced people are examples of venture and social capital made available for new entrepreneurs. Not only young entrepreneur’s get advantage also the professional parts are beneficial in this project. Professional entrepreneurs invest in the idea of young entrepreneurs, and also provide advice, which improves the newly started business. Later on, if the new enterprise develop and do well, it can hire more unemployed individuals, spreading the social benefit further.

5.5. Venture capital of Uppstart Malmö

As we explained in the theory section, venture capitalists carefully examine the founders and their business concepts before making an investment. In Uppstart Malmö, they will scrutinize all applications and give 10 hours advising for accepted projects, but emphasizing the business’
capability of hiring more people after one to three years. Thus, new businesses are carefully examined in Uppstart Malmö.

In other word, as it is seen from the interview with the main staff member of the foundation, while they supposed to help new entrepreneurs to be successful, the point that they are choosing the right entrepreneurs by very carefully scrutinizing according to their criteria leads us to one important conclusion. They are careful to choose right persons to reduce risk of losing and it’s exactly the point of view of venture capitalists, not charity work.

We mentioned before that venture capital is an important source of funding for start-up and other companies that have a limited operating history and don’t have access to capital markets. We can see that in Uppstart Malmö, like any other venture capital industry, the organization helps new entrepreneurs to realize their ideas, but with a different toolbox available, which gives them more possibilities to succeed. In this point Uppstart Malmö is an example of venture capital meeting social capital for a good cause, job creation.

It can be said that, being involved with new organization and municipality are the best chance for investors and advisors to improve their networks to gain more venture capital. Having a politician in the list of investors will make it possible for investors (skilled entrepreneurs) to be updated and have some doors opened for them in the political world.

5.6. Relation of social capital and venture capital in Uppstart Malmö

As mentioned in the chapter of venture capital, venture capital is money provided by an outside investor to finance a new, growing, or troubled business. Uppstart Malmö is also linked to the concept of venture capital, where many professional entrepreneurs provide funding for new, growing, or the businesses that needed to be extended. As the investor told us in interview “no interest loan in first year and in the next year the entrepreneur must return the money to the investor and if he/she needs money again, the investor will lend him/her loan with three percent interest rate or connect him/her to the bank or getting a part of share in the business or any other way the applicant (young entrepreneur) be interested in. He said because no enterprise finalized yet, there is no specific role yet”.

It means that in the first year they support the new businesses by free interest loan that can be called social capital but later in the next step they act as venture capitalist and give money by low interest or getting a part of share in new business that are clearly examples of venture capital.

We explained earlier, the main idea of founding of Uppstart Malmö focus on solving a social problem (unemployment). Achieving this social goal, combination of social and venture capital for all stakeholders who involved in this project are offered by Uppstart Malmö.

Investors and advisors of this project do not aim to generate financial capital from the Uppstart Malmö foundation, but the fact of generating social capital in Uppstart Malmö is not hidden, Uppstart Malmö creates social capital for all the investors, advisors, partners and all other individuals and organization who are involve in this foundation for social purpose. The social capital which Uppstart Malmö offers to the stakeholders includes a strong network of professional, organizations and different successful commercial businesses. Any stakeholder involves in this foundation can easily extent their social capital by the strong network of Uppstart Malmö. The stakeholders of foundation can meet several other successful entrepreneurs and advisors in different field of business, which can create a high social capital for their businesses or for other social purposes. Todays, using experience of successful and professional businessman is not easily possible but in Uppstart Malmö different professional get to gather with other professional entrepreneurs for social purpose. They meet, discuss and exchange information during their meeting and gathering. In the meantime these professional who joined Uppstart Malmö for bringing a social change in society uses their experiences to help the new entrepreneurs and make them prepare to face the real business life. It’s possible that some of these new entrepreneurs will be a successful and qualified entrepreneur later. By this way the investor can expand his network and share interests and business idea with more successful entrepreneur as well.

Having big company and institutes as partners in Uppstart Malmö is not just good fortune for new entrepreneurs but also investors and advisors can use this chance to introduce themselves as a social man and get access to these partners more easier to improved their own private business In all these angles Uppstart Malmö give venture capital to all stakeholders such as investors, advisors, partners and new successful entrepreneurs. In simple word, Uppstart Malmö presents a mix of social and venture capital for all its stakeholders.
Section 6 Conclusion

Uppstart Malmö is a new entrepreneurship focusing on creating jobs and reducing unemployment in city of Malmö. In this sense, Uppstart Malmö is a social entrepreneurship. But at the same time it is a little complicated, as Uppstart Malmö as an organization is commercial by its nature and uses venture capital in creating private business and all kind of new business, without focusing on social returns. It seems asthe key difference to commercial entrepreneurship is that while the primary focus is on economic returns, the investors focus on social returns for the city of Malmö.

Through the serious application process it is clear that Uppstart Malmö has a vision of creating sustainable business solutions for to the future. They choose the applicants wisely and give them free advice and training to reduce the risk rate after new entrepreneur goes into the market.

We found some conflict between their principal and their action. Primarily, they mentioned the district with high unemployment as an area to be developed by creating more job opportunities but later, we could see that they don’t have any limitation in place for starting enterprise and also most of applicants are Swedish who already know the market and don’t have too much problems to find a job. As we understood there isn’t challenge for Uppstart Malmö to reach out to those people (immigrants) who has social and economic problem in the society.

We were not completely convinced by the function of foundation focuses on reducing social problems such as segregation and unemployment gave this kind of solution for immigrants. “it’s a good idea if they are hired by companies to work in cleaning in private home and gardening, the jobs that was not possible before because of high tax rate in Sweden but now it’s possible because of lower tax rate and these jobs can be helpful specially for immigrants that don’t know the markets or coming to Sweden recently or they don’t know Swedish language well.”

In terms of social and venture capital relation, both are offered by Uppstart Malmö. Any participant according to their goals can access to social or venture capital they need.
For new entrepreneurs, essential business matters such as small amount of free interest loan, advice and supports are sample of social capital that they obtain while for professional entrepreneurs, expanding networks, accessing to stronger partner and finding new connections are the example of social and venture capital can be achieved.

From all the finding and our research on the foundation Uppstart Malmö, we came to know that, Uppstart Malmö is a social enterprise, and its function do not have any social element in it. In our opinion Uppstart Malmö only support a good commercial business idea, which can create more job opportunities. The only social factor in Uppstart Malmö can be found in its goal, that the new business idea must create job opportunities for unemployed people of Malmö.

It’s clear that Uppstart Malmö is a new foundation and many changes might happen in regulations and functions of project in the future.
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Appendix:

Uppstart Malmö brochure

Har du en idé som kan skapa nya jobb?

Vår idé är att hjälpa dig att nå framgång.
En satsning på dig som entreprenör


Det är därför vi har startat Uppstart Malmö.

Vår idé är att stödja drivande entreprenörer så att de i sin tur kan ge fler personer jobb. Vi ser stora möjligheter inom tjänstesektorn, till exempel service, handel och hantverk. Vår ambition är att vara en positiv kraft för nya jobb främst i de delar av Malmö som har en hög arbetslöshet.
Du har en bra idé

För oss spelar det ingen roll om du är kvinna eller man, ung eller lite äldre eller var du bor. Ditt företag kan redan vara igång eller så finns det än så länge bara i dina tankar.

Det viktiga är att du har en affärsidé som du tror på – och att det är en idé med potential att generera arbetstillfällen för fler än bara dig själv.

Du behöver inte ha någon affärsplan att presentera för oss. Om och hur vi kan hjälpa just ditt företag avgör vi i en personlig dialog med dig som entreprenör och huvudägare.

Vi hjälper dig


For ett befintligt bolag som vill expandera kan vi också medverka på flera olika sätt.

Vår förhoppning är att vi ska få ett förtröendetullt samarbete där du under några år kan bygga ett företag med ett flertal anställda.
Detta är Uppstart Malmö


Ta kontakt!
Gå in på www.uppstartmalmö.se eller ring 040-611 20 94
Har du en idé som skapar jobb vill vi att du kontaktar oss.
Personligt möte max 30 minuter. Beslutsunderlag fylls i så att ärendet är så väl förberett som det kan inför ett möte med en Rådgivande expert.

Formulär på hemsidan som innehåller frågor med anknytning till idén.

Beslut om ärendet ska vidare till Rådgivande expert eller avslutas och skickas till ngn av våra partners, som ger det stöd som behövs för att idén ska bli bärkraftig.

Flöde inkommande ärende:
Interview Questions:

**Question from Investor:**

Q1. Can you please give us a brief introduction about the Uppstart Malmö?

Q2. When did you become the member and investor of Uppstart Malmö?

Q3. Are you involved in any other social projects?

Q4. How much finance do you intend to invest in Uppstart Malmö and for how many years?

Q5. Why do you choose to invest in Uppstart Malmö?

Q6. The finance you are investing in the Uppstart Malmö is your own finance or is it your business profit.

Q7. Your involvement in the Uppstart Malmö is your personal involvement or you involve your business also in the foundation?

Q8. Do you share any of your business resources, other than finance?

Q9. Do you think your involvement in Uppstart Malmö will also benefit your business?

**Question from Admin:**

Q1. When was this project started?

Q2. How long you have been working on this project?

Q3. What is your current position in this project?

Q4. How do you analysis the business idea?

Q5. How many new business ideas came to Uppstart Malmö for support in three months?

Q6. How much application the investor think they will support within one year?

Q7. How much application you are expecting in this one year?

Q8. How much business idea came for financial support and how many was for only professional business advices.

Q9. How many business application came for expansion of current business and how many came for starting new businesses?