



**THE SOCIAL AND ECONOMIC PROCLIVITY OF SOCIAL
ENTERPRISES: ANTECEDENTS, MEASUREMENT, AND
DYNAMICS**

Robin Stevens

Advisor: Prof. dr. Aimé Heene

Co-advisor: Prof. dr. Nathalie Moray

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ADVISORS

Prof. dr. Aimé Heene
Prof. dr. Nathalie Moray

ADVISORY COMMITTEE

Prof. dr. Aimé Heene
Prof. dr. Nathalie Moray
Prof. dr. Bart Clarysse
Prof. dr. Jan Lepoutre

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SAMENVATTING

Sociaal ondernemerschap is wereldwijd uitgegroeid tot een belangrijk thema bij beleidsmakers en politici, in de media, bij NGO's, en in wetenschappelijk onderzoek en universiteiten. Sociaal ondernemerschap is een recent begrip dat zijn oorsprong vindt in zeer diverse contexten. Terwijl sociaal ondernemerschap in de Verenigde Staten gelinkt is aan nonprofit organisaties die op zoek moeten gaan naar additionele inkomsten, blijken in Europa sociale ondernemingen vooral verbonden met de sociale economie. Tegelijkertijd zien we in de derde wereld sociale ondernemers die initiatieven ontwikkelen om belangrijke sociale problemen aan te pakken in diverse sectoren zoals onderwijs, gezondheidszorg, landbouw, ecologie, en financiën. Ondanks die verschillende origines zijn twee karakteristieken centraal in de huidige sociaal ondernemerschap literatuur met haar plethora aan definities, invalshoeken en scholen. Een eerste centrale karakteristiek is een focus op de creatie van sociale waarde, een tweede is het creëren van inkomsten uit de markt om deze doelstelling te bereiken.

Het onderzoek naar sociaal ondernemerschap en onze kennis van sociale ondernemingen is niet in verhouding met het belang van het fenomeen. Hoewel eerder onderzoek naar sociaal ondernemerschap aandacht heeft gehad voor thema's zoals legitimiteit en opportuniteiten bij opstart, werd het centrale kenmerk van sociale ondernemingen (namelijk het hebben van zowel sociale als economische doelstellingen) voorlopig genegeerd. Bovendien concentreerde het weinige bestaande onderzoek zich op (zeer succesvolle) casestudies terwijl kwantitatief onderzoek erg zeldzaam is. Dit doctoraat probeert aan deze lacunes tegemoet te komen en heeft daarom de volgende centrale doelstelling: *een beter inzicht krijgen in de combinatie van sociale en economische doelstellingen in sociale*

ondernemingen. Het doctoraat bestaat bijgevolg uit drie empirische studies die telkens een theoretische en empirische bijdrage leveren aan het inzicht en de kennis in de sociale en economische doelstellingen van sociale ondernemingen.

De thesis start met een kwalitatieve casestudie van een sociale ondernemer om een grondig inzicht te krijgen in fenomeen van het combineren van een sociale en economische doelstelling met een open en inductieve onderzoeksvraag: *Wat zijn de onderliggende dynamieken van het hebben van sociale en economische doelstellingen?* Gebaseerd op interviews, een persanalyse, archiefdata, en een analyse van de concurrenten kwamen we tot de vaststelling dat de combinatie van sociale en economische doelstellingen zich manifesteerde in vier onderliggende processen: een focus op de sociale missie, een sterke groei, overheidssteun doorheen de ontwikkeling van de onderneming en managementfouten. Bijkomend toonden de data dat twee conflicterende institutionele logica's een grote rol hadden in de sociale onderneming: een sociale tewerkstellingslogica en een marktlogica. Deze studie draagt ten eerste sterk bij tot de literatuur rond sociaal ondernemerschap door voor het eerst conflicterende institutionele logica's te beschrijven en empirisch te linken aan sociale ondernemingen. Ten tweede draagt deze studie bij tot de institutional theory door aan te tonen dat organisaties moeilijkheden kunnen hebben om te beantwoorden aan twee conflicterende logica's. Zo kunnen organisaties de neiging hebben om te voldoen aan één logica, terwijl ze de formele en informele regels van de andere logica naast zich neer leggen.

De tweede studie bouwt verder op het belang van sociale en economische doelstellingen in organisaties en komt tegemoet aan de noodzaak om deze combinatie ook in kwantitatief onderzoek mee te nemen. Een eerste stap in die richting is de ontwikkeling van een meetinstrument dat het sociale en economische kwantitatief operationaliseert. Dit leidt tot de

volgende onderzoeksvraag: *hoe meten we de sociale en economische oriëntatie van sociale ondernemingen?* Vanuit de sociaal ondernemerschap- en managementliteratuur identificeerden we de volgende dimensies die het sociale en het economische van sociale ondernemingen reflecteren: de waarden van de sociale ondernemer, de identiteit van de sociale onderneming en de doelstellingen van de onderneming. Gebaseerd op data van 270 enquêtes bij sociale ondernemers bevestigt de studie dat er twee higher-order constructen bestaan: social proclivity (bestaande uit de subdimensies normative identity, other-regarding values and social orientation) en economic proclivity (bestaande uit utilitarian identity, self-regarding values and economic orientation). Dit onderzoek is erg belangrijk omdat het een startpunt kan zijn voor hypothese testend onderzoek naar de impact van sociale en economische doelstelling op andere facetten van de bedrijfsvoering van sociale ondernemingen.

De derde studie van het doctoraat wil een antwoord bieden op de volgende onderzoeksvraag: *Beïnvloeden situationele factoren de relatie tussen de aandachtstructuren en de aandachtfocus naar sociale en economische doelstellingen?* Met deze onderzoeksvraag peilen we ten eerste naar de antecedenten bij sociale ondernemingen voor de mate waarin ze aandacht hebben voor sociale en economische doelstellingen. Ten tweede beantwoordt de studie de theoretische vraag in welke mate contextuele factoren de aandachtprocessen beïnvloeden in organisaties. De resultaten bevestigen een modererende invloed van situationele factoren op de relatie tussen aandachtstructuren en aandachtfocus. Bovendien toont de studie aan dat de aandacht voor sociale en economische doelstellingen afhankelijk is van de waarden van de sociale ondernemer, de identiteit van de onderneming, de beschikbare middelen, en de vroegere performantie van de organisatie. Deze resultaten zijn erg belangrijk omdat het verder de black box van de aandachtallocatie in organisaties ontleedt wat reeds

tientallen jaren een belangrijke topic is in managementonderzoek. Ten tweede tonen we de antecedenten van de aandacht naar sociale en economische doelstellingen en bevestigen we de belangrijke rol van de sociale ondernemer in dit proces.

Dit doctoraat toont kwalitatief aan hoe sociale en economische doelstellingen zich manifesteren in bepaalde processen van sociale ondernemingen, identificeert en valideert kwantitatief dimensies waarin de sociaal en economische oriëntatie van sociale ondernemingen zich reflecteert, en toont tot slot welke antecedenten variantie verklaren in aandacht hebben voor sociale en economische doelstellingen. Het onderzoek is hiermee een toegevoegde waarde voor onze kennis van sociaal ondernemerschap en het hebben van sociale en economische doelstellingen. De studies leveren bovendien een theoretische bijdrage aan de institutional theory en managementtheorie rond aandachtallocatie in organisaties.

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CHAPTER I: INTRODUCTION AND RESEARCH OBJECTIVES

In this introductory chapter we discuss the general context and objectives of the thesis. We first highlight the importance of social entrepreneurship as a field of study. We then review how the literature has contributed to our understanding of social entrepreneurship. Throughout the review, we identify the main issues for future research and present the general research objectives underlying this dissertation. We conclude this chapter with an overview of the studies, the structure, and the working papers that preceded the thesis.

1 The importance and origins of social entrepreneurship

Social entrepreneurship (SE) can be seen as a new phenomenon that reshapes the way we think about social value creation. SE has many faces, thrives in different organizational forms, and is present in a variety of contexts. Scholars, governments, media, and NGOs increasingly recognize the importance of social entrepreneurial approaches to problems the world is facing today (Christie & Honig, 2006; Sarason, DeTienne, & Dean, 2010). SE received attention from politicians such as Tony Blair, business people such as e-Bay founder Jeffrey Skoll, and institutions such as the World Economic Forum (Mair, Robinson, & Hockerts, 2006). The eighties proved a fruitful ground for the foundation of numerous social enterprises in the US and Europe (Bacq & Janssen, 2011; Kerlin, 2006). At the same time, leading social entrepreneurs founded organizations in the third world to realize much needed social change in their countries (Seelos & Mair, 2005a). As a result, in past decades the SE movement led to the establishment throughout the world of a plethora of organizational forms all being “entrepreneurship with an embedded social purpose” rapidly emerging in the private, public and nonprofit sectors (Johnson, 2000). In some parts of the world, the number of social enterprise start-ups now outpaces those of traditional enterprises (Kistruck & Beamish, 2010). In practice, the concept encompasses a wide range of activities: enterprising individuals devoted to making a difference, social purpose business ventures dedicated to adding for-profit motivations to the non-profit sector, new types of philanthropists supporting venture capital-like investment portfolios, and nonprofit organizations that are reinventing themselves by drawing on lessons learned from the business world (Mair et al., 2006).

In describing the antecedents to the global success and importance of SE, scholars illustrate how the origins of SE are often region and context specific. We summarize the origins along the following lines.

First, an important origin of SE lies within the changes in the nonprofit sector. Governments have dramatically cut spending on social services such as education and community development (Zahra, Gedajlovic, Neubaum, & Shulman, 2009) resulting in a tremendous decrease of funding of nonprofit organizations (Dees, 1998a; Fowler, 2000; Johnson, 2000; Mort, Weerawardena, & Carnegie, 2003; Weerawardena & Mort, 2006). Therefore, nonprofit organizations are recognizing the need to build their own revenue to become self-sustaining (Boschee, 1995; Sagawa & Segal, 2000) which requires diversification of its funding streams (e.g., a partnership with a for-profit) (Reis, 1999). The social enterprise movement is seen as an innovative response to these funding problems, a dynamic of commercialization at work within the nonprofit sector (Dees, 1998a; Defourny & Nyssens, 2008; Harris, Sapienza, & Bowie, 2009; Kerlin, 2006; Mort et al., 2003; Weerawardena & Mort, 2006). Doing so, the nonprofit sector is currently answering the intensifying demands for improved effectiveness and sustainability (Johnson, 2000). For example, in the US, Federal and state funding for nonprofits dropped by 38 billion during the 1980s while the commercial revenue increased by 219% between 1982 and 2002 (Kerlin, 2006). The upsurge of interest in SE has changed the increasingly competitive environment of nonprofit organizations (Weerawardena & Mort, 2006). Next to social entrepreneurs, commercial providers are also attracted to markets traditionally served by nonprofits (Dees, 1998b). The growing competition for donors and grants makes it more difficult to get funding (Perrini & Vurro, 2006). Therefore, nonprofits are forced to adopt a competitive posture in their operations and to pursue innovative ways of delivering superior value to the target market (Mort et al., 2003). This efficient delivery of services is important because the welfare benefits flow to society as a whole when nonprofit organisations become increasingly self-sufficient and independent from grants (Harding, 2004).

A second important factor in the rise of SE is the development of the social economy in many European countries. In Europe, social enterprises are connected to the broader notion of a social economy (Defourny & Nyssens, 2008; DTI, 2007) which originated in a context of decline in economic growth and increased unemployment that began at the end of the 1970s and continued into the 1990s (Kerlin, 2006). The social economy refers to "the universe of practices and forms of mobilizing economic resources towards the satisfaction of human needs that belong neither to for-profit enterprises, nor to the institutions of the state in the narrow sense (Moulaert & Ailenei, 2005)". The social enterprise movement has developed extensively in the UK (Tracey & Jarvis, 2007) and in other EU countries (Defourny & Nyssens, 2008), where social enterprises are often supported by the government (Bacq & Janssen, 2011; Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008; Kerlin, 2006). For example, municipalities can support social entrepreneurs because they bring leadership and resources to communities with innovative and cost-effective initiatives (Korosec & Berman, 2006).

Third, there is a growing disparity in the world in income and access to opportunities which continues to grow. Resources are highly concentrated in developed economies, leading to an increasing awareness of opportunities for social improvement in developing countries (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). This is a painful paradox because while traditional markets are saturated, billions of people are desperately waiting for companies to cater to their most basic needs and wants (Seelos & Mair, 2005b). Innovative and creative forces of entrepreneurs and their flexibility in choice of structure, funding, resources and business models can efficiently cater to those basic human needs. As a result, SE can be an important factor in developing countries in helping the poorest individuals.

Fourth, there is a general climate where entrepreneurship is a favourite solution to social problems. A global movement toward privatization (Zahra et al., 2009; Zahra et al., 2008) and the movement by several countries to marketize the social service sector fuelled the desire to use the efficiency of competitive markets to improve social performance (Zahra et al., 2009). Scholars refer to a crisis of the traditional welfare state (Perrini & Vurro, 2006) or social market failure (Nicholls, 2006) when describing a trend in many countries of diminishing government involvement in the economy and society which makes it increasingly difficult for welfare states to answer social needs (Den Hond & De Bakker, 2007; Nicholls, 2006; Perrini & Vurro, 2006; Sharir & Lerner, 2006; Spence & Rutherford, 2003). The state fails to provide sufficient or appropriate public goods (Nicholls, 2006) and traditional market solutions to social problems are mostly impractical, as they are costly complicated, or unprofitable (Zahra et al., 2008). Furthermore, many governmental and philanthropic efforts have fallen short of our expectations (Dees, 1998a) and the current dissatisfaction with the pace and management of standard charities and foundations (Barendsen & Gardner, 2004) resulted in an erosion of legitimacy (Fowler, 2000). Consequently, we have come to a point where entrepreneurial approaches to social problems are accepted (Dees, 1998b). In this context, entrepreneurship is essential to the trend in many countries of adopting the liberal ideology of diminishing government involvement in the economy and society (Sharir & Lerner, 2006). The recent enthusiasm for privatization makes actors highly interested in identifying best techniques and practices for managing services (Christie & Honig, 2006) and social entrepreneurs typically address areas of unmet social need or new social opportunity creation that the public or private sectors have failed to address (Nicholls, 2006). The recognition of and advocacy for the expansion of social purpose enterprises, often operating for-profit ventures, is an effective socio-political and economic link between government and

free market enterprise (Wallace, 1999). As a result, Dart (2004) links the emergence of social enterprises with neoconservative, pro-business, and premarket political and ideological values that have become central in many Western countries.

In sum, SE emerged globally and rapidly from very diverse origins as a valuable approach to create social value. The study of SE is important to establish SE as a field and to help educators, students, and practitioners enhancing the impact of SE (Anderson & Dees, 2006). SE is in need of large theoretical strides to catch up with practice (Kistruck & Beamish, 2010). The practical experience of social entrepreneurs must be tested, refined, and deepened by rigorous research to identify patterns, formulate principles, and structure frameworks that can help guide social entrepreneurs (Anderson & Dees, 2006). Academic institutions acknowledge the importance of SE as a field of study and several academic centres have popped up in top universities like Harvard Business School (Social Enterprise Initiative), University of Oxford (Skoll Centre for Social Entrepreneurship), Duke-Fuqua Business School (Center for the Advancement of Social Entrepreneurship), and ESSEC (Institut de l'Innovation et de l'Entrepreneuriat Social).

2 The boundaries of social entrepreneurship

The academic interest in SE that followed the growing societal interest in SE (Christie & Honig, 2006), resulted in the publication of a number of conceptual papers in journals and books. The question of what exactly encompasses SE has been the main topic of interest and discussion to date in these publications (Dacin, Dacin, & Tracey, 2011). The views on the boundaries and conceptualizations of social entrepreneurship are often context specific and differ depending on the different origins of SE. Both the locus of SE and the levels of analysis it embraces, have been subject of debate.

Publications discussing the locus of SE have been grouped in three broad perspectives (Mair & Marti, 2006). The first perspective posits that SE resides in a not-for-profit context (Coombes, Morris, Allen, & Webb, 2011; Mort et al., 2003). This perspective involves efficient nonprofit management, bringing market-based skills and business expertise to the non-profit sector (Nyssens, 2006). The second perspective views SE as a socially responsible practice of commercial businesses and refers to the literature on corporate social responsibility. The third perspective views SE as a means to tackle social problems irrespective of the for-profit or not-for-profit status of the organisation (Mair & Marti, 2006; Townsend & Hart, 2008). More specifically, SE is a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs (Mair & Marti, 2006; Nicholls, 2006). Next to the discourse about the locus of SE, the field embraces individual and organizational levels of analysis. Definitions of social entrepreneurs (at the individual level) focus on the founder of the initiative (Mair & Marti, 2006) who is generally referred to as a ‘change maker’ (Barendsen & Gardner, 2004; Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006) At the organizational level, definitions of SE typically refer to the process of value creation, including opportunity recognition, adopting a mission to create social value, engaging in a process of continuous innovation, adaptation, and learning (Dees, 1998a; Waddock & Post, 1991).

The variety in origins and perspectives on SE led to the establishment of different schools and traditions in SE (Bacq & Janssen, 2011). Two main strands of thought can be identified: the ‘Social innovation school’ and the ‘Social enterprise school’ (Bacq & Janssen, 2011).

The social innovation school has its focus on the individual social entrepreneur (e.g., Barendsen & Gardner, 2004; Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006) who acts as a change agent to create and sustain social value without being limited to resources currently in hand (Sharir & Lerner, 2006). In this context, Thompson and colleagues (2000) define social entrepreneurs as people who realize opportunities that satisfy a need unmet by the state welfare system, and who combine the necessary resources in order to make a difference. These successful entrepreneurs are not limited to a specific judicial form or for profit/nonprofit status (Dees, 1998a).

The social enterprise school has different origins in the US and in Europe (Defourny & Nyssens, 2006; Kerlin, 2006). The American social enterprise school originated in a period during which nonprofits increasingly experienced cutbacks in government funding and focused on revenue generation by nonprofit organizations as a distinct characteristic (Kerlin, 2006). In this view, social enterprises are an innovative response to the funding problems of nonprofit organisations, which are finding it increasingly difficult to solicit private donations and government and foundation grants (Dees, 1998a). The European term social enterprise is argued to be strongly connected to the broader notion of a social economy (Defourny & Nyssens, 2008; DTI, 2007) and refers to organizations with an explicit aim to benefit the community, initiated by a group of citizens towards a need in which the material interest of capital investors is subject to limits (DTI, 2007; Nyssens, 2006; Vidal, 2005). In practice, researchers often take a narrow view on the concept of social enterprise, limiting social enterprises to ‘work integrating social enterprises’ (Bucolo, 2006; Campi, Defourny, & Gregoire, 2006; Delaunois & Becker, 2006; Hulgard & Spear, 2006). Work integrating social enterprises seek to help poorly qualified and unemployed people who are at risk of permanent

exclusion from the labor market by helping these employees to return to work and to society through a productive activity (Vidal, 2005).

3 Definition of social entrepreneurship

Despite the very diverse origins, schools, and the conceptual discussions in SE, two characteristics of SE are recognized across all perspectives: a dominant social objective and sustainability through trading. In this thesis, we define SE accordingly and bridge the schools of thought by focusing on these two dominant characteristics of SE. We define social enterprises broadly as organizations with an embedded social purpose (Austin, Stevenson, & Wei-Skillern, 2006; Dorado, 2006; Nyssens, 2006; Peredo & McLean, 2006), who are (partially) sustainable through trading (Birch & Whittam, 2008; Chell, 2007; Di Domenico, Haugh, & Tracey, 2010; DTI, 2007; Haugh, 2007; Lepoutre, Justo, Terjesen, & Bosma, forthcoming; Peredo & Chrisman, 2006; Tracey & Jarvis, 2007). In our approach, SE is not being limited to a particular judicial / organizational form (Mair & Marti, 2006; Nicholls, 2006).

However, to address the inherent tautological problem in our definition (which is a problem in most current definitions of SE), we have to elaborate on the meaning of social and economic value. Although there is a general consensus among scholars that social entrepreneurs focus on the social mission or the creation of social value (Austin et al., 2006; Dorado, 2006; Nyssens, 2006; Peredo & McLean, 2006) and consequently define social entrepreneurship as ‘entrepreneurship towards creating social value’ (Austin et al., 2006), many authors fail to give a necessary definition or clarification of what is meant with social value. We offer three solutions to resolve this tautological problem.

The first possible solution is to be very precise in defining social value in your specific research context. For example (see Chapter 4 for a more detailed overview), some scholars describe the social mission of social entrepreneurs as “the regeneration or expansion of local economic activity (Wallace, 1999: 161)” or “a potential strategy for sustainable local development in poor populations (Peredo & Chrisman, 2006: 309)”. Other specifications are “a sustainable method of enabling disadvantaged groups to improve their position” (Hibbert, Hogg & Quinn, 2002: 299), “to alleviate social exclusion and unemployment (Haugh, 2007: 165)”, and “raising public awareness of an issue of general public concern (Waddock & Post, 1991: 394)”. This approach results in very diverse (and often narrow) interpretations of social value and of what social entrepreneurs are and do. As such, the solution is difficult to sustain with heterogeneous samples of social enterprises.

A second solution is offered by Santos (2009) with a rejection of the dichotomy between economic and social outcomes. Santos argues that SE is in its essence not about upholding particular ‘values’ (i.e., social and economic value) but about the creation of value defined in terms of the increase in the utility of society’s members. Following his line of argument, the central dilemma for organizations is the trade-off between value creation (when the utility of society’s members increases after accounting for the resources used in that activity) and value appropriation (when the focal actor is able to capture apportion of the value created by the activity). In this logic, social entrepreneurs usually maximize on value creation and satisfice on value appropriation by aiming to capturing just enough value to sustain operations and re-invest in growth. However, this approach replaces the issue of the trade-off and boundaries between social and economic value creation with the trade-off between value appropriation and value creation where it is (equally) difficult to be normative in establishing definitions and cut-off points.

A third solution lies within a very broad conceptualization of social value which is supported by the idea that social means very different things to different people (Seelos & Mair, 2005a). The term ‘social value’ is subjective, varies greatly from one context to another, and social value is subsequently imprecise and difficult to measure (Murphy & Coombes, 2009; Zahra et al., 2009). Peredo and Mclean (2006: 59) broadly define social value as “to contribute to the welfare of well-being in a given human community” whereas Murphy and Coombes (2009: 326) imply “an underlying range of basic values that are desirable and important in a civilized society”. This thesis adheres to this third solution by following the definition of Brickson (2007: 866) of social value and by defining social value as “that which enhances well-being for the earth and its living organisms”. Similarly, we define economic value as ‘that what enhances economic return and shareholder wealth / profit’ (Austin et al., 2006; Dees & Anderson, 2002; Hibbert, Hogg, & Quinn, 2002; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Moss, Short, Payne, & Lumpkin, 2011; Murphy & Coombes, 2009; Peredo & Chrisman, 2006; Sharir & Lerner, 2006; Wallace, 1999). In traditional entrepreneurship, the focus is on the process of endowing resources with new wealth-producing capacity, extracting profits (Amit, Glosten, & Muller, 1993).

Following our definition of social entrepreneurship, social value, and economic value, SE differs from commercial entrepreneurship although we acknowledge that there is no exact way of fixing the border below which the importance of social goals fails to qualify something as SE (Peredo & McLean, 2006). Commercial entrepreneurs seek to primarily create economic value (Amit et al., 1993; Peredo & Chrisman, 2006) whereas social entrepreneurs focus on their social mission (Meyskens et al., 2010). This diversity in focus

may result in differences in terms of, for example, financial and human resource mobilization (Austin et al., 2006) or legitimacy building (Nicholls, 2006; Nicholls, 2010).

4 Research gap

To date, a gap exists between the increasing academic attention for SE and the empirical and theoretical foundations on which the SE literature is based (Grimes & Victor, 2009; Short, Moss, & Lumpkin, 2009). Recently, scholars started to gradually bridge this gap by a number of theoretical and empirical contributions. Through the discussion of these efforts below, we will identify the research gap on which this thesis is based.

Most empirical work is limited to explorative cases or qualitative field studies (Anderson & Dees, 2006; Lepoutre et al., forthcoming; Waddock & Post, 1991) and focused on practitioner oriented research (Santos, 2009). For example, Mort and Weerawardena (2003) develop a bounded multidimensional model of SE drawing on nine indepth case studies of social entrepreneurial nonprofit organizations in the Australian nonprofit sector. An exploratory qualitative field study of Sharir and Lerner (2006) aimed at identifying the factors affecting the success of social ventures operating in social settings in Israel. The study on 33 social ventures included eight variables as contributing to the success of the social ventures in the order of their value: (1) the entrepreneur's social network; (2) total dedication to the venture's success; (3) the capital base at the establishment stage; (4) the acceptance of the venture idea in the public discourse, (5) the composition of the venturing team, including the ration of volunteers to salaried employees, (6) forming cooperations in the public and nonprofit sectors in the long-term; (7) the ability of the service to stand the market test, and (8) the entrepreneurs' previous managerial experience. Haugh (2007) looked at the process of venture creation in five community-led nonprofit social ventures. The study identified six

stages of venture creation including opportunity identification and stakeholder mobilization and highlighted the resource acquisition and network creation that precede formal venture creation.

While we have found some qualitative studies on SE, rigorous quantitative research on SE is still sparse. In the extensive literature review of Short and colleagues (2009), only 72 articles (out of 152) contained empirical research of which only 16 contained quantitative methods (e.g., correlations, descriptive statistics) and merely 2 articles have set forth operational hypotheses to test. For example, based on a study of 70 online profiles of 70 Ashoka Fellows, Meyskens et al. (2010) concluded that social entrepreneurs when viewed through a resource based view lens, demonstrated similar internal operational processes in utilizing resource bundles as commercial entrepreneurs (Meyskens et al., 2010).

In sum, despite the definitional debates that dominated much of the prior work in SE (Kistruck & Beamish, 2010), (some) empirical evidence improves our understanding of SE. The focus of that research stream has been on many diverse themes such as the individual characteristics of the social entrepreneur (Thompson et al., 2000), stakeholder management (Moizer & Tracey, 2010), organizational structure (Kistruck & Beamish, 2010), resource management (Meyskens et al., 2010), and franchising (Tracey & Jarvis, 2007). While some of these studies have found similar processes both in social enterprises as in commercial enterprises (Meyskens et al., 2010; Sharir & Lerner, 2006), the results of other empirical studies and theoretical contributions have suggested both the importance and uniqueness of combining social and economic goals in its implications for the social enterprise.

As a result, we have reason to suggest that the presence of both the social and the economic in social enterprises is critical to these organizations. In an important study of two commercial microfinance organizations who have the fundamental mission of helping the poor but who also have to acquire the necessary profits sufficient to support ongoing operations, Battilana and Dorado (2010) describe how these hybrid organizations struggle to balance these goals and how the organizations need to create a common organizational identity that encompasses both logics. Moss and colleagues (2011) studied 118 award-winning ventures and conclude that social ventures exhibit both a utilitarian- and a normative organizational identity and found that the normative organizational identity is greater manifested in comparison with other (commercial) high-performing entrepreneurial enterprises. Townsend and Hart (2008) argue that when choosing between a for-profit or nonprofit organizational form, social entrepreneurs can be driven by the relative importance of social goals as compared to economic goals. Tracey and Jarvis (2007) described the process of social venture franchising through an in depth case study of UK's most high-profile social franchises. The authors conclude for example that the cost of selections are higher in social venture franchising than in business format franchising because franchisees are assessed on their ability to achieve social as well as commercial objectives. Finally, Di Domenico and colleagues (2010) identify three additional constructs in bricolage associated with SE: social value creation, stakeholder participation, and persuasion.

In sum, these preliminary findings suggest that the combination of social and economic goals may be vital to social enterprises. Academics have shown how the social and the economic in social enterprises originates unique processes in, for example, bricolage, identity formation, franchising and choosing organizational form. This raises important theoretical and empirical research questions and demonstrates the importance of

understanding the social and the economic in social enterprises. Understanding the social and the economic in SE enhances the understanding of SE and thus contributes to the practice of SE.

However, empirical research and theoretical contributions largely neglect the key characteristic of social enterprises (i.e., the combination of social and economic goals) and has been mostly qualitative, on small samples, with weak theoretical underpinnings, and with a lack of rigorous methods (Dacin et al., 2011; Short et al., 2009). This doctoral research will provide a contribution to the SE literature by (1) focusing on the key characteristic of SE (i.e., the combination of social and economic goals) through research and theory development in SE, (2) adding empirical rigour and evidence through the sampling of large groups of social enterprises and the usage of multivariate methods.

5 Overview research questions and rationale of the thesis

In the foregoing sections, my objective was to summarize the literature on SE to identify an important research gap. The review showed how the key defining characteristic of SE across all traditions and perspectives is the combination of social and economic goals. We further found how this combination of social and economic goals is important in social enterprises. However, this is theoretically poorly understood by the current literature and has not been supported by empirical research. Therefore:

The overall objective of the thesis is to get a better understanding in the combination of social and economic goals in social enterprises.

This doctoral thesis will improve our understanding of the social and the economic in social enterprises in order to address the current inability of the SE literature to answer this research question. The thesis gives insight in this phenomenon through three subsequent studies in which existing theoretical frameworks and constructs outside the SE literature are used and identified. As such, the main contribution of this thesis is a better theoretical and empirical understanding of the social and the economic in social enterprises which conveys wider theoretical implications. The thesis has a focus on the antecedents and dynamics of the balance between social and economic goals in social enterprises and offers a measurement model to capture the social and economic proclivity of firms. In successive phases, the three studies of the thesis explore, validate and hypothesize on the social and the economic in social enterprises. The following paragraphs offer the rationale of the thesis and provide the reader with a roadmap of the research.

5.1 Exploring the dynamics of combining social and economic goals

To get a rich understanding of the issue of combining social and economic goals in social enterprises, the research of the doctoral thesis starts with a qualitative case-study of a social enterprise with a focus on the dynamics underlying the social and economic goals in social enterprises.

The increasingly blurred boundaries between the public, nonprofit and for profit sector makes combining social and economic goals increasingly a key issue in a plethora of organizational forms (Birch & Whittam, 2008; Cheever, Kinney, & Wolfe, 2000; Loza, 2004; Rondinelli & London, 2003; Selsky & Parker, 2005). Although scholars recognize the combination of social and economic goals as the key defining element of SE (Di Domenico et al., 2010; Dorado, 2006; Haugh, 2007; Moss et al., 2011; Thompson & Doherty, 2006; Zahra

et al., 2009), surprisingly little theoretical understanding and empirical research exists on this issue while the dynamics of this trade-off a major theme in SE literature (Kistruck & Beamish, 2010; Moizer & Tracey, 2010; Zahra et al., 2009). To understand this phenomenon of interest, the manuscript starts from an inductive research question aimed at understanding the dynamics of social and economic goals in the organization:

RQ1: What are the underlying dynamics of having social and economic goals in social enterprises?

We conducted an inductive case study research starting from an open-ended research question which is appropriate in new research fields like the one of SE (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Langley, 1999). We opted for an explanatory single-case study and studied the case because the process of interest is transparently observable and unusually revelatory as an extreme exemplar (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Pettigrew, 1990; Yin, 2003). To this end we selected Metalcon, a social enterprise that eventually failed after a very turbulent history. Data collection came from multiple sources allowing triangulation (Eisenhardt, 1989): interviews, archival data, press releases, and a competitors analysis. To avoid inappropriately mixing inductive and deductive strategies in our study, the data were analyzed without a theoretical framework in mind (Pratt, 2009). More specifically we reconstructed the growth and subsequent decline of the firm through historical process analysis (Cusumano, Mylonadis, & Rosenbloom, 1992) and performed a categorical analysis to identify first order terms and concepts and assign these under second-order theoretical labels (Van Maanen, 1979).

The study shows that Metalcon had difficulties in balancing its social and economic goals. The social and economic goals of Metalcon contributed to a focus on the social mission, government support, management flaws and high growth. We further found that competing logics (i.e., social employment logic and a market logic) were highly influential in balancing the social and economic goals and the development of the social enterprise.

The main contribution to theory development in SE is the introduction and documentation of competing logics in the research on social enterprises. The study is the first to empirically and inductively link competing logics as a potential explanatory framework in social enterprises. Moreover, we extend the SE literature through the description of four processes in social enterprises underlying the combination of social and economic goals. We also contribute to the literature on competing logics which has engaged limited empirical attention to the impact of competing logics on actors within the field (Battilana & Dorado, 2010; Reay & Hinings, 2009). We show how organizations can experience difficulties in responding to both logics and how they display a tendency to adhere to “the formal and informal rules of action, interaction, and interpretation” (Thornton & Ocasio, 1999) of one logic but fail to do so in another logic.

5.2 *Capturing the social and economic proclivity*

The next step of the doctoral thesis in understanding the balance of the social and the economic is the quantitative validation of measures to capture the social and economic proclivity in firms. The explorative first study showed how having both social and economic goals can be very determinative for an organization. As a consequence of the importance of this balance, the literature is in need of a better quantitative understanding of (the consequences of) social and economic goals. The proclivity of social enterprises towards

social and economic goals is argued to be a vital variable in understanding the social entrepreneurial process.

Additionally, on the one hand, most research treats the extent to which social entrepreneurs adhere to social and economic goals as a black box suggesting homogeneity in the social adherence of social enterprises. However, on the other hand, scholars have indicated that social enterprises can be positioned on a continuum in their adherence towards social and economic goals (Mair & Marti, 2006; Peredo & Chrisman, 2006). Therefore, the degree to which social entrepreneurs adhere to a social purpose and how this is balanced with economic-market oriented goals is a key question in the SE literature (Mair & Marti, 2006; Peredo & McLean, 2006). To date, there is no measurement instrument that captures the social and economic proclivity of social enterprises. To address this gap, this study aims at developing and validating a measure that captures the social and economic proclivity of the firm. This leads to the second research question:

RQ2: How do we measure the social and economic proclivity of social enterprises?

We sent out a survey to a well-defined sample of social enterprises (N=271). The social enterprises in the sample are relatively young and small, set up by independent entrepreneurs with relatively low amounts of private capital. We tested our measurement model through a confirmatory factor analysis.

The construct validity of the measurement model was evaluated by testing (a) unidimensionality of the constructs, (b) reliability, (c) convergent validity, (d) discriminant validity. The results of the structural equation model (higher-order confirmatory factor

analysis) show that normative identity, social orientation and other-regarding values are significantly related to social proclivity. Conversely, utilitarian identity, economic orientation, and self-regarding values are significantly related to economic proclivity. In other words, the paper identified dimensions and validates measures capturing the social and economic proclivity as two distinct higher order constructs.

The main contribution of the paper is the empirical validation of the social and the economic as distinct constructs which creates opportunities for much needed quantitative empirical research in the SE realm (Short et al., 2009). The measure is useful as a starting point to empirically delineate between different types of social entrepreneurs and to investigate the explanatory power of both the main and interaction effects of the social and the economic proclivity on key organizational characteristics such as the revenue model, growth, perceived performance, and adoption and adaptation of legal form.

5.3 Attention to social and economic goals

The third step towards a better understanding of the balance of social and economic goals in this thesis is a study that explains the antecedents of the variation in attention to social and economic goals in a hypothesis testing research design. The study builds further on the findings of the two previous studies and on the literature on attention allocation. The first study concluded that having social and economic goals is an important mechanism and that social enterprises “often struggled to balance its focus on social goals with the necessary attention to its economic goals (see *infra*).” Because the balance in attention to social and economic goals is crucial, it is important to know and understand the antecedents to this balance in organizations. The second study validated the theoretical proposed latent higher-order constructs social and economic proclivity that explain variance of three subconstructs

identity, values, and attention to goals. However, the study did not inform us on the theoretical and empirical relations between the three subconstructs. The structural equation model estimates the relations from the higher-order constructs to the subconstructs, but did not estimate the relation between the subconstructs. These important theoretical and empirical issues have yet to be investigated. As a result, the findings of study one and two led up to the following research question: What are the antecedents of the attention towards social and economic goals? While the first two studies are framed within the SE literature, the third study starts from a gap in the attention allocation literature and uses SE as a context to address this theoretical gap. Attention is a central concept in management research and theory and is described as a vital but limited resource of firms (Cyert & March, 1963; Simon, 1947). Despite its importance, the process of attention allocation is not fully uncovered by management scholars. The attention based view (ABV) theorizes how attention structures influence the attention focus in firms (Ocasio, 1997) and the principle of situated attention shows how situational factors influence the attention allocation in firms (Tuggle, Sirmon, Reutzel, & Bierman, 2010b). However, the interplay between the attention structures and situational factors has not yet been investigated. To address this gap, we studied which structural and situational factors influence the attention to social and economic goals and how they interplay. Taken the empirical and theoretical gap in concert, this has led to the third research question:

RQ 3: Do situational factors influence the relation between attention structures and the attention focus to social and economic goals?

We test our hypotheses on a sample of (for profit) social enterprises (N=101) selected out of four strata: integration enterprises, social investors' portfolio, VSOs, and triple-bottom-

line cooperatives. The clear combination of attention towards social and economic goals makes social enterprises ideal organizations for this research on attention allocation. We performed a hierarchical regression analysis on the data we gathered through (1) a questionnaire and (2) the use of Belfirst for the financial data.

Our results show that other-regarding values and resource availability have a positive significant impact on the relative attention to social goals, while utilitarian identity has a negative significant impact. Although we found no direct effect of performance on the social and economic goals of firms, we found a moderating effect of performance on the relation between values, identity, and resources on the one hand, and the relative attention to social goals on the other hand. Higher levels of performance weaken the effect of values, identity, and resource availability (the main effects) on the attention to social and economic goals. In other words, we found a moderating effect of a situational factor on the relation between attention structures and the focus of attention.

This study makes several contributions to the literature. First, we contributed to the ABV and our knowledge on the attention allocation in firms by showing how situational factors can moderate the relation between attention structures and the focus of attention. Second, the study advances management theory by introducing values, identity, resource-availability and performance as mechanisms affecting attention to social and economic goals. This is valuable because organizational actions are largely a function of how decision makers allocate their attention (Cho & Hambrick, 2006; McMullen, Shepherd, & Patzelt, 2009; Yu, Engleman, & Van de Ven, 2005). Third, the study contributes to theory development in SE by showing how the attention to the social mission varies and by confirming the central role of the social entrepreneur in his firm (Zahra et al., 2009).

6 List of publications, awards, and conference presentations based on the doctoral research

6.1 Conference proceedings

Stevens, R. en Moray, N., 2010. The social and economic proclivity of social entrepreneurs. Measurement, dimensions and validation. **Academy of Management Best Paper Proceedings**. Academy of Management Conference 2010.

Moray, N. en Stevens, R. 2009. Social proclivity of social entrepreneurs: how social are they? **Frontiers of Entrepreneurship Research**, Babson College Entrepreneurship Research Conference, Babson Center for Entrepreneurial Studies, Wellesley, MA.

6.2 Book Chapters

Moray, N., Stevens, R. 2010. A resource-based view of value creation in social purpose business ventures. In: Hockerts, K., Mair, J., and Robinson, J. Values and opportunities in social entrepreneurship. Palgrave Macmillan. 221-240.

6.3 Working papers

Moray, N. en Stevens, R. 2009. Social proclivity of social entrepreneurs: how social are they? **Working paper series Faculty of Economics and Business Administration Ghent University**. 09/622, Ghent.

6.4 Awards

Lewis Institute Award at Babson College for the Best Paper Exploring the Significance of Social Entrepreneurship. 2010.

Academy of Management Entrepreneurship Division Award: Rowan University Best Social Entrepreneurship Paper Award.2010.

6.5 Conference presentations

Moray, N., Stevens, R., Crucke, S. 2007. The process of value creation in social entrepreneurial firms: A theoretical framework and research proposal. Paper presented at the **International Social Entrepreneurship Research Conference**. June, Copenhagen, Denmark.

Stevens, R., Moray, N. 2008. Exploring the Social Orientation and Enterprising Character of Social Enterprises. Paper presented at **Soci(et)al Entrepreneurship Conference**. April, Amsterdam, Netherlands.

Stevens, R., Moray, N. 2008. The process of value creation in social ventures: an exploratory study. Paper presented at the **Babson Conference**. June, Chapel Hill, USA.

Moray, N., Stevens, R., Crucke, S. 2008. The process of value creation in social ventures: A theoretical framework. Paper presented at the **Academy of Management Conference**. August, Anaheim, USA.

Stevens, R., Moray, N., Fassin, Y. 2009. From success to failure of a social venture: a clash of logics in a cross-sector social partnership. Paper presented at the **Babson Conference 2009**. June, Boston, USA.

Stevens, R., Moray, N., Fassin, Y. 2010. From success to failure: analyzing the process of start, growth and failure of a social enterprise. Paper presented at **Academy of Management Conference**, August, Montréal, Canada.

Stevens, R., Moray, N., 2010. The social and economic proclivity of social entrepreneurs. Measurement, dimensions and validation. Paper presented at the **SATTER Conference**. November, New York, USA.

Stevens, R., Moray, N., 2011. Untangling The Social And Economic Orientation Of Social Entrepreneurs. What Brings The Attention Of Social Entrepreneurs To Social And Economic Goals? Paper presented at the **Babson Conference**. June, Syracuse, USA.

Stevens, R., Moray, N., 2011. Untangling the attention to social and economic goals of social entrepreneurs. Paper presented at the **Academy of Management Conference**. August, San Antonio, USA.

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CHAPTER 2: FROM SUCCESS TO FAILURE: COMPETING GOALS AND LOGICS IN A SOCIAL ENTERPRISE

Abstract. Balancing both social and economic goals is a key issue in social enterprises. This paper reports a historical process analysis of an award-winning social enterprise that faced bankruptcy only two years after founding to understand the dynamics of having both economic and social goals in social enterprises. We performed a categorical analysis and identified two aggregated analytical dimensions which affect the goals of the venture and provide a super-ordinate framework for organizing the second order themes: a social employment logic – encompassing the social mission focus and supporting government – and a market logic – encompassing the growth and management of the firm. The paper contributes to the literature on competing logics where there has been limited empirical attention to the impact of competing logics on actors within the field. The findings further counterbalance the largely positive assumptions in the social entrepreneurship literature and offer lessons for the governance of social enterprises.

1 Introduction

Combining social and economic goals becomes increasingly an issue in a plethora of organizational forms. Traditionally, businesses were expected to maximize profits and contribute to economic development and growth (e.g., Barnett, 2007; Brickson, 2005), whereas the government and civil society were primarily deemed responsible for creating social value for the common good. Several authors argue that the boundaries between the public and nonprofit sector have become increasingly blurred (Birch & Whittam, 2008; Cheever et al., 2000; Den Hond & De Bakker, 2007; Loza, 2004; Rondinelli & London, 2003; Selsky & Parker, 2005), resulting in the development of an array of hybrid organizational forms combining social and economic goals. In this context, academics have used social entrepreneurship (SE) as an umbrella concept (Nicholls, 2006) referring to “society’s response to the institutional chasm that has formed between the nonprofit and the for-profit sectors” (Kistruck & Beamish, 2010). As such, SE is increasingly acknowledged as an effective solution for a variety of social problems (Moss et al., 2011; Short et al., 2009; Sud, VanSandt, & Baugous, 2009) and an important and vibrant economic phenomenon at a global scale in both developed as well as in developing countries (Santos, 2009; Zahra et al., 2009).

Presently, there is a gap between the increasing (academic) attention and importance of SE and the empirical and theoretical foundations of this research (Grimes & Victor, 2009; Moss et al., 2011; Short et al., 2009) while scholars (e.g., Austin et al., 2006; Santos, 2009) have plead for a distinct theory for SE because the phenomenon is fundamentally different from other forms of economic organization. Theoretical contributions have mostly focused on conceptual issues (i.e., the definition of SE in terms of scope) (e.g., Mort et al., 2003; Zahra et al., 2009) and how it differs with commercial entrepreneurship (e.g., Austin et al., 2006; Chell, 2007). Further, academic interest in SE has focused on practitioner events and most

empirical work has studied good practices and success stories of social entrepreneurs (Dacin, Dacin, & Matear, 2010; Sharir & Lerner, 2006; Short et al., 2009; Van Slyke & Newman, 2006) with the Ashoka fellows as the most cited examples (e.g., Meyskens et al., 2010). Several calls are made to focus much more on the entrepreneurial process (Mair & Marti, 2006; Short et al., 2009). Additionally, the literature gives no insight in the dynamics of having a social and economic goal (Moizer & Tracey, 2010) although scholars acknowledge this as the key defining theoretical assumption of SE (Di Domenico et al., 2010; Dorado, 2006; Haugh, 2007; Moss et al., 2011; Thompson & Doherty, 2006; Zahra et al., 2009), and the dynamics of this trade-off a major theme in SE literature (Kistruck & Beamish, 2010; Moizer & Tracey, 2010; Zahra et al., 2009).

This paper wants to address this gap and complements to the SE literature by reporting a historical process analysis of a newly established social enterprise that faced bankruptcy only two years after founding. Applying an inductive explanatory and open-ended approach, we focus on understanding having social and economic goals in a social enterprise and start from the following open research question (Eisenhardt, 1989): *What are the underlying dynamics of having social and economic goals in social enterprises?* From this case we build theory (Eisenhardt, 1989), following the guidelines of Van Maanen (1979) by systematically developing first order terms and concepts, and assigning these under second-order theoretical labels.

The paper makes important contributions to both practice and theory development in SE and to the literature on competing logics. First, the case-study empirically introduces and describes competing logics to understand the dynamics of having social and economic goals in social enterprises. The study further describes four processes in social enterprises that

underlie having social and economic goals. As such, our study extends a small but important body of work that examines the process of social enterprise creation (Di Domenico et al., 2010). This is important because our findings can help starting social enterprises in their effort to establish sustainable enterprises. Additionally, the study of a failure counterbalances the highly positive literature in SE and advocates a balanced governance structure of social enterprises. Second, the case study contributes to the research on competing logics where there has been limited empirical attention to the impact of competing logics on actors within the field (Battilana & Dorado, 2010; Reay & Hinings, 2009). We show how organizations can experience difficulties in responding to both logics and display a tendency to adhere to “the formal and informal rules of action, interaction, and interpretation” (Thornton & Ocasio, 1999) of one logic but fail to do so in another logic.

The paper is structured as follows. First, we provide a succinct overview of the literature on SE. Second, we present the research design and methods employed. Next, we discuss our data analysis and results. We conclude with a discussion section and the management implications. We end the paper with further research opportunities.

2 Social entrepreneurship

SE is increasingly recognized as an important global phenomenon in addressing social needs (Nicholls, 2006; Short et al., 2009). SE as an academic field of interest is relatively young. Two main strands of thought can be identified: the ‘Social innovation school’ and the ‘Social enterprise school’ (Bacq & Janssen, 2011).

The social innovation school originated in the 1980s with Bill Drayton and ‘Ashoka’ as pioneers focusing on social entrepreneurs as founders (Mair & Marti, 2006) and ‘change

makers' (e.g., Barendsen & Gardner, 2004; Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006). Here, a social entrepreneur is "acting like a change agent to create and sustain social value without being limited to resources currently in hand (Sharir & Lerner, 2006)". These highly visible, successful entrepreneurs have in common with traditional entrepreneurs that they act upon an opportunity and gather resources to exploit it (Dees, 1998a). Within the social innovation school, research is mostly limited to 'good practices' and success stories of social entrepreneurs as 'change makers' (Sharir & Lerner, 2006; Van Slyke & Newman, 2006) and few articles on social enterprises have documented failures (Desa, 2007).

The social enterprise school has different origins in the US and in Europe (Defourny & Nyssens, 2006; Kerlin, 2006) based on different conceptions of capitalism and the role of government (Bacq & Janssen, 2011). The American social enterprise school originated in the 1980s, a period during which nonprofits increasingly experienced cutbacks in government funding and focuses on revenue generation by nonprofit organizations as a distinct characteristic (Kerlin, 2006), referring primarily to market-oriented economic activities serving a social goal. As a result, the US social enterprise movement is seen as an innovative response to these funding problems, a dynamic of commercialization at work within the nonprofit sector (Dees, 1998a; Defourny & Nyssens, 2008; Harris et al., 2009; Kerlin, 2006; Mort et al., 2003; Weerawardena & Mort, 2006).

The European perspective on social enterprises refers to organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits (DTI, 2007; Nyssens, 2006; Vidal, 2005). The European term social enterprise is argued to be strongly connected to the broader notion of a

social economy (Defourny & Nyssens, 2008; DTI, 2007) which originated in a context of decline in economic growth and increased unemployment that began at the end of the 1970s and continued into the 1990s (Kerlin, 2006). Social enterprises are viewed as hybrid organizational forms in that they represent "the universe of practices and forms of mobilizing economic resources towards the satisfaction of human needs that belong neither to for-profit enterprises, nor to the institutions of the state in the narrow sense (Moulaert & Ailenei, 2005)". The social enterprise movement has developed extensively in the UK (Tracey & Jarvis, 2007) and in other EU countries (Defourny & Nyssens, 2008), where social enterprises are often supported by the government (Bacq & Janssen, 2011; Cornelius et al., 2008; Kerlin, 2006). Social enterprises subscribe to a number of common principles to satisfy a societal interest (Mertens & Marée, 2007). Leading examples of these principles are characteristics like 'community led initiative, ownership and governance' (Peredo & Chrisman, 2006) and 'decision-making power not based on capital ownership' (Borzaga & Defourny, 2001). Further, social enterprises place a high value on autonomy and on economic risk-taking related to ongoing socio-economic activity (Nyssens, 2006; Vidal, 2005). The dominant type of social enterprise across Europe is the 'work integration social enterprise' to tackle the structural unemployment among vulnerable / disadvantaged groups in society (Defourny & Nyssens, 2008).

In sum, despite the different origins, social entrepreneurial initiatives popped out throughout the world in recent decades. Essentially, these social enterprises, social ventures, social entrepreneurs – irrespective of terminology, school, or organizational / legal form – have in common that they explicitly focus on creating social value (Austin et al., 2006; Dorado, 2006; Nyssens, 2006; Peredo & Chrisman, 2006; Peredo & McLean, 2006; Vidal, 2005), and that they are sustainable through trading (Birch & Whittam, 2008; Chell, 2007; Di

Domenico et al., 2010; DTI, 2007; Haugh, 2007; Peredo & Chrisman, 2006; Tracey & Jarvis, 2007) referring to a continuous activity, producing and selling goods and/or services (Nyssens, 2006).

There has been surprisingly little attention for the dynamics of this key defining characteristic (i.e., having both social and economic goals) in the SE literature. We found an exception in the paper of Moizer and Tracey (2010) who explore conceptually the tension between allocating resources to commercial activity and social action arguing that managing a double bottom line demands a careful balance between resource utilization (to maintain competitive advantage) and engagement with stakeholders (to build and maintain organizational legitimacy). As a result, social enterprises must build and maintain legitimacy among two types of stakeholder with different interests and expectations because some stakeholders are more concerned with creating economic values while others are more concerned with creating social value. Failing to balance these partly competing objectives threatens the sustainability of the social enterprise.

Empirical research on having social and economic goals is still lacking although some research efforts investigated the entrepreneurial process of social enterprises. Haugh (2007) looked at the process of venture creation of five community-led nonprofit social ventures. The study identified six stages of venture creation including opportunity identification and stakeholder mobilization and highlights the resource acquisition and network creation that precede formal venture creation. In a qualitative study of eight U.K. social enterprises, Di Domenico and colleagues (2010) investigate how social enterprises acquire resources in resource-scarce environment. The study identified three additional key constructs in the process of bricolage in creating social enterprises: social value creation, stakeholder

participation, and persuasion. Tracey and Jarvis (2007) described the process of social venture franchising through an in depth case study of UK's most high-profile social franchises. The authors conclude for example that the cost of selections are higher in social venture franchising than in business format franchising because franchisees are assessed on their ability to achieve social as well as commercial objectives. In a different context, Mair and Marti (2009) describe how a (social) entrepreneurial actor behaves in case of institutional voids (i.e., the weakness or complete absence of supportive institutions) with a focus on the types of resources such actors deploy and what strategies they enact. The analysis describes the process of bricolage in BRAC, an NGO in Bangladesh in its effort to alleviate poverty and empower the poorest of the poor.

In conclusion, the SE literature recognizes having social and economic goals as the key defining characteristic and that the pursuit of these goals brings unique challenges (Chell, 2007; Di Domenico et al., 2010; VanSandt, Sud, & Marme, 2009). However, theory development and empirical research in SE is still in its infancy (Kistruck & Beamish, 2010; Moss et al., 2011; Murphy & Coombes, 2009) and we have yet no insight in the dynamics of balancing social and economic goals in social enterprises.

This paper addresses this gap by performing a historical process analysis of a social enterprise that was confronted with bankruptcy only two years after founding. Applying an inductive approach we answer the following open research question: *What are the underlying dynamics of having social and economic goals in social enterprises?*

3 Research design and methods

Starting from an exploratory research question to build theory, using the case-study method (e.g., Steier & Greenwood, 1995) is appropriate in new research fields like the field of SE (Eisenhardt, 1989). This phenomenon-driven research question is driven by the importance of the phenomenon (Zahra et al., 2009) and the lack of plausible existing theory (Eisenhardt & Graebner, 2007) which leads to an open-ended inductive approach (Langley, 1999). To avoid inappropriately mixing inductive and deductive strategies in our study, the data were analyzed without a theoretical framework in mind (Nag, Corley, & Gioia, 2007; Pratt, 2009) and we began our research without formalizing any expectations of what dynamics of having both social and economic goals we would find (Rerup, 2009; Zott & Huy, 2007). Formulating precise hypotheses seemed premature because current social entrepreneurship theories are underdeveloped (Shane & Venkataraman, 2000; Short et al., 2009; Zott & Huy, 2007). In case-study research focus can emerge after the data collection is started (Eisenhardt, 1989) and the contextual conditions are very important (Yin, 2003). More specifically, we conducted an in depth historical process analysis (Langley, 1999; Perlow, 1998) of a social enterprise which faced bankruptcy only two years after founding, exploring the start-up and growth process of a social enterprise. The following section describes our research design in detail elaborating on the case selection, data collection and data analysis.

3.1 Case selection

Within the European perspective of the social enterprise school, we opted for an explanatory single-case study (Yin, 2003) sampled from a particular subpopulation of work integrating social enterprises in Flanders (region in Belgium): companies that were founded as integration enterprises. Work-integrating social enterprises refer to those enterprises that seek to employ persons that are at risk of permanent exclusion from the labor market (Vidal, 2005).

Work integrating social enterprises in Flanders take a variety of (judicial) forms and are diverse in their orientation towards specific target populations (Nyssens & Platteau, 2006), including sheltered workshops, social workshops and integration enterprises. In contrast to integration enterprises however, sheltered and social workshops are non-profit organizations. Integration enterprises are profit businesses who seek to help poorly qualified unemployed people return to work and to society through productive activity (Nyssens, 2006). After the formal recognition as an integration enterprise by the regional authorities, the firm receives subsidies that cover a part of the wage costs of the integration employees. In the legislation of 2004 the subsidies for these jobs decreased gradually over four years. In the first year, the government pays 80% of the wage cost of the ‘integration employee’, 60% in the second year, 40% in third year, and 20% in the fourth year. Some entrepreneurs found new enterprises, using this measure as leverage for building a firm that aims at social inclusion and eventual sustainable employment of disadvantaged groups. These firms have a social goal (inclusion of disadvantaged groups) and have to gain revenues from the market by selling services or goods (to remain viable as a for profit firm).

Within the population of integration enterprises we selected a case for theoretical purposes pursuing theoretical rather than statistical generalisation (Eisenhardt & Graebner, 2007). The firm was selected because the process of interest is ‘transparently observable’ (Eisenhardt, 1989; Pettigrew, 1990; Yin, 2003) or unusually revelatory as extreme exemplar (Eisenhardt & Graebner, 2007). Extreme cases facilitate theory building because the dynamics being examined tend to be more visible than they might be in other contexts (Pratt, 2000). To this end, we selected Metalcon for several reasons. In its short existence Metalcon displayed a turbulent history (Eisenhardt and Graebner, 2007) in its response to the social and economic goals. The social enterprise received the ‘Enterprize Award’ in Belgium in September 2004.

The 'Enterprize Award' is granted each year to one social enterprise which is considered as the best performing and most promising social enterprise in Belgium by an independent jury. Despite the enterprise was considered as a good practice during its growth trajectory, Metalcon eventually failed. Selecting a failed case is important because like in general entrepreneurship research (Bruderl, Preisendorfer, & Ziegler, 1992; Denrell, 2003; Kalnins, 2007; McGrath, 1999), few articles on SE have documented failures (Desa, 2007; Kistruck & Beamish, 2010). As stated by McGrath (1999): "By carefully analyzing failures instead of focusing only on successes, scholars can begin to make systematic progress on better analytical models of entrepreneurial value creation." Because firms that close down not necessarily can be categorized as failures (Bates, 2005), we define failure as the termination of an initiative as a consequence of actual or anticipated performance below a critical threshold (Gimeno, Folta, Cooper, & Woo, 1997; McGrath, 1999). The selected failed case also faced bankruptcy which occurs when firms lack sufficient capital to cover the obligations of the business (Thornhill & Amit, 2003). Further, we focus on a young social enterprise and the first two years after founding where social entrepreneurs struggle with the trade-offs between social and economic goals both in the start-up phase as in their maturation into established enterprises. This struggle could be due to growth problems (Gilbert, McDougall, & Audretsch, 2006) or the fact that a clearly stipulated strategy is only emerging during the first years. Finally, access to the firm and its network was also assured.

The enterprise Metalcon was founded as an integration enterprise by two entrepreneurs in 2004 with 425.000€ start-up financing (275.000€ equity and 150.000€ loans) (see table 1). Thirteen people were employed at start-up. The business idea was a clearly defined (social) opportunity: to employ integration workers who produce basic metal constructions together with experienced workers. Metalcon slowly developed serious cash

flow problems and eventually went into liquidation early 2006. By then, Metalcon employed 43 employees and had just finished a recapitalization round of 375.000 € consisting of both private and public money (see table 1).

Investors	Start-up financing	Recapitalization
Founders	50.000 €	25.000 €
Bank loan	150.000 €	
Social investor	75.000 €	
Participation Fund	150.000 €	
Private investor	50.000 € *	
Private investor		100.000 €
Private investor		100.000 €
Government Fund		150.000 €
Total	425.000 €	375.000 €

Table 1: Capital structure Metalcon

* Not deposited

3.2 Data collection

To obtain a deep understanding of the dynamics of having social and economic goals, we sought information about the context and the perspectives of multiple constituents within this context (Pratt, 2000). Data come from multiple sources and complementary methods, revealing different perspectives and facets of the phenomenon (Eisenhardt & Graebner, 2007; Siggelkow, 2007) and allowing triangulation (Eisenhardt, 1989). Following Gartner (Gartner, 1985), we collected data on the founders / stakeholders involved in the start-up process, the specific characteristics of the firm that was created, start-up and growth process and the environment surrounding the new venture although it is not a straightforward process to separate levels of analysis (Langley, 1999).

First, we interviewed 23 stakeholders (e.g., founders, investors, sector organization, customers,...) who view the focal phenomena from diverse perspectives (see Table 2). We interviewed the founder and one investor a second time for additional questions which resulted in a total number of interviews of 25. We used open-ended questions in order to facilitate the respondents to reconstruct the start-up and development of the firm and the

determinants of the perceived success and subsequent failure. Open-ended responses are useful in scouting new areas of research (Judd, Smith, & Kidder, 1991). All the interviews were conducted between June 2008 and December 2009 and lasted between one and two hours. All the interviews were transcribed.

Respondent	Code	Role in METALCON	Function in own organization	Industry Experience Y/N	Social / public Sector? Y/N
John (2x)	R1	Founder	Director	Y	N
Madge	R2	Founder	Director	N	Y
Werner (2x)	R3	Member of Board and Investor	Director	N	N
Marcel	R4	Trustee	Director	N	N
Bertel	R5	Consulting from incubation center	Director	N	Y
Fritz	R6	Expert metal sector	Economic Director	Y	N
Ted	R7	Lawyer – worked for trustee	Lawyer	N	N
Mason	R8	Supplier	Director	Y	N
Wesley	R9	Customer (Building company)	Project leader	Y	N
Daniel	R10	Financer	Director	N	Y
Peter	R11	Investor	Director	N	Y
Vince	R12	Contacted by John to invest - Expert sector – owner of similar company	Director	Y	N
Gert	R13	Social enterprise expert – director of member organization social enterprises	Director	N	Y
Jean	R14	Investor – Government fund	Director	N	Y
Fred	R15	Investor – Bank	Director	Y	N
Mark	R16	Expert building sector	Project leader	Y	N
Ted	R17	Employee of Metalcon	Project leader	Y	N
Guy	R18	Customer	Project leader	Y	N
Agatha	R19	Employee of Metalcon	Staff function	Y	N
Bob	R20	Customer	Project leader	Y	N
Lance	R21	Customer	Project leader	Y	N
Ozzy	R22	Government – government fund	Head of department	N	Y
Patricia	R23	Employee of Metalcon	Staff function	Y	N

Table 2: Overview respondents interviews

Second, we used archival sources to provide a complete historical overview of Metalcon, allowing triangulation with our interview transcriptions (Jick, 1979; Miles & Huberman, 1994). We had access to the complete archive of the trustee of Metalcon and the complete archive of the founder of Metalcon (e.g., mail correspondence, internal memos, financial reports, correspondence with customers,...). The trustee archive contained financial

analyses of Metalcon, business plans, lawsuit reports, various types of correspondence, and reports of board meetings. Third, we collected press releases on Metalcon resulting in a total number of 25 articles after removing overlaps (using databases such as *Roularta* and *LexisNexis*¹). Fourth, we collected data on the direct competitors of Metalcon. Five relevant competitors were identified by the founders of Metalcon, an industry expert and a supplier of Metalcon. The data was extracted from the company annual reports and was consolidated in a competitive analysis by AGORIA (Belgium's largest employers' organization and trade association in the metal sector).

3.3 *Data analysis*

We used the principles of Miles and Huberman (1994) as a guide for transcribing the interviews and analysing the data. We reconstructed the growth and subsequent decline of the firm through historical process analysis (Cusumano et al., 1992). In this way, we present a relatively complete rendering of the story (Eisenhardt & Graebner, 2007). Further, we performed a categorical analysis to identify first order terms and concepts and assign these under second-order theoretical labels (Nag et al., 2007; Van Maanen, 1979). We assembled the concepts into categories that defined similar ideas, issues, or relationships that had relevance for the informants into first order (informant) terms (see column 1 of figure 1). We then assigned second-order, theoretical labels to the emergent themes (see column 2 of figure 1). We derived these 'theories' by developing a more general label that subsumed and that explain the patterning of the first-order data. Finally, we assembled the second-order themes into aggregate analytical dimensions that provide a superordinate framework for organizing the emerging findings (see column 3 of figure 1). This was an evolving process during which data was closely analyzed and discussed between the authors. We iterated between our data

¹ Roularta and LexisNexis have databases of Belgian press-articles (Newspapers, magazines,...).

categories and theory to answer our research questions, searched for anomalous results and discovered how our findings contributed to extant theory (Eisenhardt, 1989; Purdy & Gray, 2009). Triangulation of sources helped us refine and strengthen our emerging categories (Jick, 1979) and using multiple investigators enhanced the creative potential and confidence in the findings (Eisenhardt, 1989).

4 The case Metalcon

4.1 Understanding the history of Metalcon: detecting first order issues

The following paragraphs describe the succinct story of Metalcon. Table 3 displays a more detailed history of facts and events during the two years of existence of the firm, data that allow us to detect first-order issues. The engineer John was director of a company in the metal sector. When the company faced bankruptcy in 2003, he saw the opportunity to establish his own company and to realize his ambition to support a specific target population of low skilled, unemployed laborers in a particular segment of the building sector that is familiar to him: the production of (basic) metal constructions. His wife, a social worker, shared his social ambition and would help in pursuing this endeavor. In parallel, John got acquainted with the possibility to adopt the integration measure in the enterprise. This resulted in the foundation of Metalcon where John's desire was to employ and help as many low skilled laborers as possible. In January 2004 Metalcon was founded with start-up financing of 425.000 €. At time of founding, Metalcon acquired the assets of the previous failure (18.000 €) and rented a building (3500 € a month) from the trustee of the previous failure. The starting team consisted of an engineer for the study, a sales person, a responsible at the construction site and a supervisor at the work preparation and marketing, while John's wife took the personnel management. John did the daily management and was responsible for the tenders. Further, three blue-collar workers were taken over from the previous company. The enterprise

employed 15 people at the end of the first half year. Metalcon received its official recognition as integration enterprise by the Flemish government in February 2004. From the start, the stakeholders assessed Metalcon as a project with much potential and stressed the sincerity of the founders. Both founders were committed to their employees by supporting them in handling their personal administration and offering training and education possibilities. The social enterprise was quickly regarded as a good practice and was subject to press coverage as the enterprise received the 'Enterprise Award' (for young entrepreneurs) in September 2004 and received official visits from several government officials (e.g. Flemish and federal ministers) and local politicians (e.g., mayor of Antwerp).

Metalcon benefited from costless consulting from an 'incubation center' active in the social economy (installed and subsidized by government) for business plan development, the application procedure and follow up in terms of financials and social legislation. The business plan stipulated a growth strategy characterized by a turn-over in 2004 of 1.5 M Euro, in 2005 2.7 M Euro, and in 2006 3.6 M Euro. Further, the business plan of Metalcon foresaw 40 employees of which 28 integration employees by the end of 2004, and respectively 49 and 37 by the end of 2007. Very quickly after start-up however, Metalcon outperformed this growth strategy and by early 2005 the firm employs 44 employees of which more than 30 are people from the target population (low skilled unemployed laborers). The initial business idea was to deliver the product directly to other companies (direct contracts with companies for the installations steel constructions) and not to work as a subcontractor for other building contractors. However, in order to gain the much needed additional turn-over (Metalcon had many employees from the start and continued to grow), the company also worked as a subcontractor. Most of the revenues were generated from the building sector (73%), followed

by the steel construction (12%). Metalcon had enough work and a filled order-book throughout its short existence.

Date	Facts and events	Data source
2003	John gets acquainted with the integration measure at a meeting of local employers Business idea validated by stakeholders Idealism of founders at start-up	R1- R5 R1-R2-R3-R5-R8-R10-R11-R14 / Expert report of Flemish government R1-R2-R5-R8
January 2004	Founding of Metalcon: 13 employees and 425.000 € start-up financing (private and government investors) Sincerity and commitment of founders is stressed Board of directors consists of 2 founders and 1 additional member	Belgisch staatsblad / archival data R1 / archival data R3-R5-R8-R10-R11-R12 Archival data
February 2004 - August 2004	Formal recognition as integration enterprise by the Flemish government Problems with the use of the equipment 'Full order book' in first year – Metalcon starts to work in shifts because of the workload Fast growth during first year Visit by a minister of the Flemish government Subject to the 'late payments' of customers in the business sector Problems with workflow – help from senior consultants Hiring of graduated student to elaborate on his project on street furniture	Report of advice committee to Flemish government R1-R2-R8 R1-R2-R3-R5-R8 / Financial reports R1- R2 – R5 – R11 R1-R2 / Press reports R1 – R6 R1 – R5 / Archival data / expert report R1 – R6 – R12 – R8 – R4 – R7 R17 / R19 / Archival data
September 2004 – December 2004	September 2004 social investor delivers short term financing for 20.000 € Metalcon receives 'Enterprize Award' (September) Metalcon is subject to press coverage Metalcon received some additional training by suppliers that was not charged The founders help their employees with their administration and offer training opportunities Mistakes in production result in serious costs Large company as compared to other companies in the sector Loss of 564.965 € in first year Negative net worth by 30/9/2004 of -197.579 € 20/12/2004 John ends his cooperation with the company revisor	R 10 R1-R2-R5 / Website / Press reports Press reports R1- R2 – R5 – R3 R1 – R3 – R17 / Archival data R6 – R8 / Archival data Archival data Report of Board of Directors Email correspondance R1-R3-R8
January 2005 – August 2005	Early 2005 Metalcon employs 44 employees Involved in several lawsuits with customers Disputes with costumers and insurance claims Integration employees break a new machine (value ~ 100.000 €) Continuing problems with flaws in the products Negative net worth of -333.786 € by 31/8/2005 Trying to employ and help employees as many as possible Continuing positive press coverage Social investors contact government fund for additional capital Cash flow problems / financial position worsens Insufficient (or lacking) financial reports Too low realized profit margin Director government fund gets direct calls from minister advisors to invest in Metalcon Internal problems at workplace: team from previous failure resist to integration of new employees In second year Metalcon had a full order-book New member for board of directors	Archival data Archival data from trustee Archival data / Expert report R1 – R2 R3 – R5 / Archival data Expert audit report R1 – R2 – R3 – R5 - R10 Press reports R14 Financial reports / R1-R3-R5-R11 R10 / R11/ R5 / Expert report Expert reports / Archival data R14 R17 / R19 / R23 R3 / R5 / R17 / R19 / Archival data Archival data
September 2005	Experts write report to prepare recapitalization Recapitalization of 325.000 € (private and government investors) Installation of advice committee Additional member for board of directors (total members 5)	Archival data / R10 / R14 R1 / Archival data R1 / R3 / R5 / R14 / Archival data Archival data
December 2005	Metalcon gets deadline to leave its building (31/12/2005) Financial situation continues to be bad In scenario's for a new start, Metalcon employs 6 to 8 people	Archival data from trustee Archival data Archival data / email correspondence / R7-R4
January 2006	Liquidation of the venture (bankruptcy)	Belgian Bulletin of Acts R4-R7
After January 2006	The trustee employs 4 employees of Metalcon in an attempt to sell the halffabricates	Archival data / R4-R7

Table 3: History of facts and events – detecting first-order issues

In the spring of 2004, a student (engineer) worked on a project of street furniture at Metalcon. As this was identified as a business opportunity by the management of Metalcon, Metalcon hired the graduated student in the summer of 2004 to continue working on the project. After one year, this resulted in a first project with a local municipality. However, the project was never a great success.

Despite the professional coaching in business plan development and follow-up and the positive image of Metalcon, the enterprise was quickly confronted with serious problems in work flow. Working with low skilled laborers resulted in flaws in the production process and expensive machinery was damaged due to rash handling of the equipment. This had a clear negative impact on the products resulting in higher costs for Metalcon and several disputes from customers and subsequently in a few lawsuits. Combined with price setting that was rather low given industry standards, expert reports point at a too low realized profit margin. Moreover, Metalcon lacked adequate financial reports to follow up the financial situation (two accountants were fired during the short existence of the enterprise). Another problem within the firm was the fact that the work team of the previous failure acted like a separate group in the organization. They did not allow new employees to integrate and did not provide sufficient training and support to other employees. Although the management of Metalcon tried to change this situation and hired several overseers, this remained a problem until the failure. Metalcon's financial situation worsened. By the end of 2004 John started to search for additional capital with different groups, including the business angels network (BAN). By the end of August 2005 the enterprise faced a *negative net worth* (-330.000 €) and a recapitalization was deemed necessary. Because of the strong commitment of the management-founders and the support of stakeholders to the social endeavor of the enterprise, two private partners and a government fund invested 375.000€ in Metalcon with the founders.

By then two new members with significant business experience had joined the board of directors. The continuous search for additional capital had a big impact on the time use of John which influenced his daily management tasks. At the end John and Madge were working 7 days a week. Alongside the financial injection, an advice committee composed of the investors together with several experienced experts was installed to guide Metalcon. However, the recapitalization and continuing support could not overcome the failure of Metalcon. The trigger of the failure was the fact that the social enterprise had to leave the factory site which was still exploited by the trustees of the previous failure. Only three months after the recapitalization, Metalcon had to leave the site on short notice by the end of December 2005. By then, the firm was in a weak financial position and could not finance the cost of this forced move and relocation.

In conclusion, in its short existence Metalcon developed a strong image: high growth and an explicit social goal. This strategy received positive reinforcement from government and much publicity and media coverage for its eagerness to address an important social issue - employing low skilled (unemployed) laborers. However, with its growth strategy in a competitive sector, the enterprise developed serious internal organizational, operational and management problems (e.g., quality, lack of financial transparency, intuitive price setting), which eventually led to the failure of Metalcon. At the time of failure, Metalcon employed 44 persons, of which 35 were blue collar laborers. In a last attempt to rejuvenate the social enterprise, proposing a slow growth mode (6-8 employees) in a new business plan, the founder tried to find an acquiring partner without success.

4.2 *The development of second order issues*

Following Van Maanen's methodology (Van Maanen, 1979), the first order issues are grouped into four second order concepts entailing higher levels of abstraction: social mission focus, supporting government, management and growth, as illustrated in figure 1. The underlying arguments are developed in the following paragraphs.

4.2.1 Social mission focus

The first second-order concept refers to the focus on the social mission of Metalcon. Our data give evidence of the strong commitment of the founders to the social mission. At the individual level, all respondents pointed to the idealism, sincerity and strong social orientation of the founders. Among the stakeholders of Metalcon there was a genuine appreciation for the founders of Metalcon.

'John and Madge certainly wanted to help employees. Their concern was definitely sincere and where they could, they helped with for example their administration. But they never had the chance to fulfill their social mission as they were constantly involved in managerial problems. However, I am convinced of their integrity.' –
(Peter - Investor)

At the organizational level, our data shows that the strong social orientation of Metalcon was influential for management decisions. Employing integration employees was at the forefront in the decision making of Metalcon.

'John certainly worked in good faith and knew the business. However, maybe John was too idealistic. Could it be that 'more work means more jobs to help people' guided his management decisions?' – (Mason - Supplier)

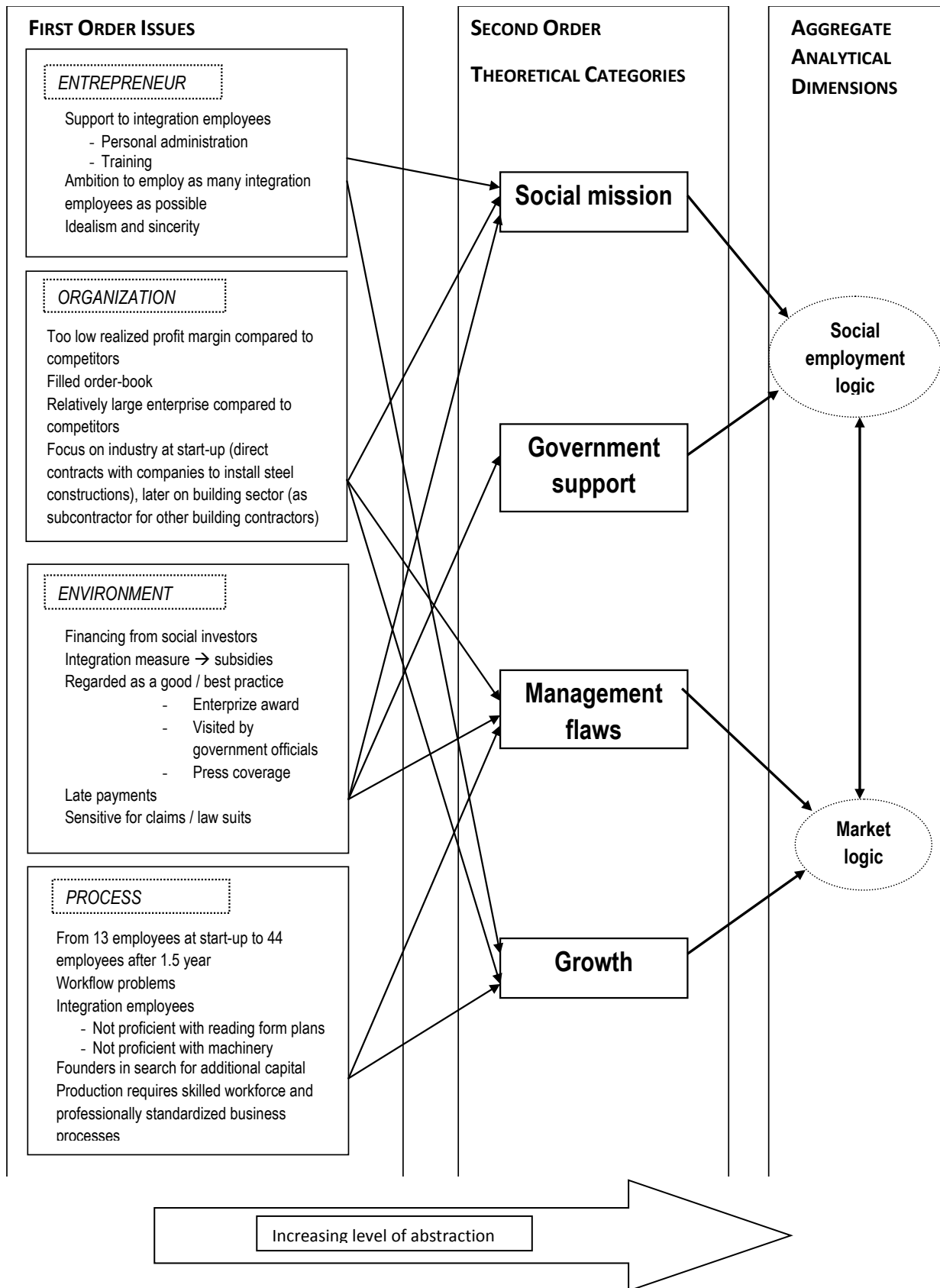


Figure 1: Developing second-order issues

In the environment, this genuine social-inspired attitude was acknowledged and reinforced by the positive reactions from the various public organizations that provided Metalcon with additional means to hire more people. According to our data, the social goals were also recognized and supported by the positive reactions in the media, and by the encouragements of politicians, who visited the company.

'The goal of the integration enterprises is to employ and help people with difficulties in the labor market. The government and the social investors double check if this social orientation is genuine' – (Ozzy – Government fund)

The data show that the process of strong emphasis on the social mission was a key issue in the case Metalcon. The displayed evidence of the strong focus on the social mission is in line with the literature where social enterprises are argued to primarily focus on the creation of social value (Austin et al., 2006; Dorado, 2006; Nyssens, 2006; Peredo & Chrisman, 2006; Peredo & McLean, 2006; Vidal, 2005), whereas profit making is not the primary purpose (Johnstone & Lionais, 2004; Peredo & Chrisman, 2006). Authors emphasize the importance of the social entrepreneurs' motives for starting a company in order to understand the entrepreneurial process (e.g., Kuratko, Hornsby, & Naffziger, 1997; Yalcin & Kapu 2008). The socio-moral motivation and a strong commitment to social justice is what generally motivates social entrepreneurs more than anything (Catford, 1998; Dees, 1998a).

In the process of finding a balance between social and economic goals of Metalcon, the social mission received a prominent place. The focus on the social mission had several implications. The nature of the mission of social ventures often provides their operations with an inherent measure of legitimacy (Dacin et al., 2009). Legitimacy is based on judgments about whether the activity is the right thing to do and reflects a positive normative evaluation

of the organization and its activities (Suchman, 1995). These judgments usually reflect beliefs about whether the activity effectively promotes societal welfare. In this context, Dart (2004) claims the emergence of social enterprise as a newly legitimated institution where managers follow environmental cues to make organizations conform to social expectations. This makes the organization legitimate, and from this legitimacy benefits can be derived and is a key resource in the creation, survival, and growth of new ventures (Zimmerman & Zeitz, 2002). Our data show that hiring and supporting poorly qualified employees was considered as the right thing to do by various stakeholders believing that the activity effectively promoted societal goals (Suchman, 1995). As such, emphasizing the social mission of the firm can legitimize and thereby contribute to the survival of the social enterprise. On the other hand, we found that the social mission affected the decisions of Metalcon while Metalcon had to survive in a competitive sector. In this context, our data show that Metalcon often struggled to balance its focus on social goals with the necessary attention to its economic goals.

4.2.2 Supporting government

The first-order issues show that government officials were highly supportive of the Metalcon-project and indicate that the newly founded enterprise quickly acquired support from its environment. Before founding, Metalcon was thoroughly screened by the Flemish government in order to formally receive recognition as an integration enterprise. In practice, this means that the initial business plan was validated by experts and government officials and that Metalcon subscribed to a clearly agreed upon set of triple-bottom-line principles. Next to this, Metalcon received financing from government funds and social investors. At start-up, a government fund invested 100.000 € and at the recapitalization another government fund added another 150.000 € equity capital (see Table 1). Further, social investors supported the

social enterprise with other financial instruments (e.g., short term loans), strengthening an image of trustworthiness.

'We took a lot of risk to deliver short-term financing to Metalcon. Moreover, it cost us a lot of energy and we didn't gain a lot out of it. However, providing financial support to these kinds of enterprises is our basic function'. – (Daniel - Financer)

Following government support, press coverage provided a positive image and empathy from the environment where Metalcon received a lot of endorsements (Zimmerman & Zeitz, 2002). More specifically, receiving the 'Enterprise-Award' in September 2004 gave Metalcon an aura of being a successful social enterprise in Flanders. The following quotes from a Belgian business magazine and newspaper reflect this:

'Metalcon gives a chance to people without prospects and immigrants. (...) When employees have problems with their residence permit or they have problems with their administration, they can always come to the social service of Metalcon.' – (Gazet van Antwerpen – Belgian Newspaper)

'And this empathy is probably an important precondition for a company with a social ambition.' – (Trends – Belgian Financial Magazine)

The data-analysis shows that the government support was important in the development of Metalcon. Government support has the potential to have a positive impact on Metalcon. Mobilizing resources to build a new organization is an uncertain process because the decision of external resource holders to invest is one that must be made under considerable uncertainty. Research has shown that new firms with prominent strategic alliance partners have greater ability to acquire the resource necessary for survival and growth (Stuart et al., 1999). In this context, Singh et al. (1991) use the concept of external legitimacy to mean an organization having its actions endorsed by powerful external collective actors and

developing strong relationships with external constituencies. More specifically, the accreditation or certification of organization by state agencies leads to the institutional mechanism of external legitimacy (Schneiberg and Clemens, 2006). Our data and first order issues demonstrate how Metalcon had the support of the government and how the government was a strategic partner of the enterprise through its start and growth process. This support facilitated resource acquisition when, for example, Metalcon received additional short-term financing.

The government influenced the balance between the adherence to social and economic goals. The support was based on the endorsement of the employment of integration employees. As a result, Metalcon was, in its contacts with the government, especially supported to focus on its social goals. The engagement in employing integration employees (i.e. the social goal of Metalcon) led to a government support which in turn pushed a further commitment in employing integration employees.

4.2.3 Management

The first-order issues show that the management of Metalcon demonstrated several flaws which we grouped under the second order-category 'management'. First, the product quality could not be guaranteed. The integration employees could help with the preparation of the metal constructions, but missed the skills and coaching to install and deliver the constructions at the building sites. The obvious lack of product quality became especially clear in a number of lawsuits in which Metalcon got involved. The archival data indicate that by the time of the bankruptcy, the law firm of Metalcon was involved in 14 cases.

'In the end (4 months behind schedule), Metalcon only installed 95% of what the plans provided. The constructions had a bad quality: not painted and no priming coat although this was promised in the plans.' – (Lance - Customer)

'When the products contain mistakes and this is only realized at the construction site, enterprises have very high costs to repair and replace the metal construction.' – (Fritz – Sector expert)

The case data also give evidence for several critical remarks on the overall functioning of the social enterprise and its economic performance. For example, an audit report to the Flemish government (August 2005) urges Metalcon to employ a sales/commercial person and points to several organizational problems (e.g., too many integration employees, many insurance claims).

'One of the main problems within Metalcon was the poorly trained employees. Poorly trained employees deliver a lower degree of quality in the production and take more hours to produce one product than originally planned in the tenders.' – (Daniel - Financer)

The case data point to the competitive nature of the (metal construction and building) sector in which a primary social orientation in general and the employment of a majority of integration workers in particular is very difficult to manage as quality standards are very high. Many of the social actors and investors did not have significant experience in the metal construction industry. The fact that Metalcon was a social enterprise did not necessarily result in more understanding from the part of customers or suppliers. Although management flaws were not accepted, Metalcon could benefit from some indulgence from their part.

'Metalcon was a company as any other to which we delivered machinery. Although we knew about the social mission driving the firm, it did not change our behavior towards

them. But we gave the people some additional training that we did not charge' –

(Mason - Supplier)

'A serious miscalculation was made in one of our tenders. Although it was an obvious mistake (we mistakenly used an unrealistic low price for steel), the tender was approved and the mistake became clear after the acceptance of the contract. This caused a lot of problems for Metalcon. Even though the building company knew it was a social enterprise, we could not count on some understanding and were expected to stick to our tender.' – (John - Founder)

'In the building sector, we do not discuss centimeters but millimeters. Quality requirements are extremely high.' – (Agatha – Employee of Metalcon)

Although Metalcon had a clear goal to combine its social mission with a strong business plan and qualitative work in order to fulfill its economic goals, the many management flaws show how this balance was problematic. Metalcon was not able to align its social goal (i.e., employing integration employees) with its economic goal (i.e., delivering quality metal constructions) which lead to an accumulation of management flaws. Our data show that the many management flaws decreased the performance of Metalcon. Metalcon did not meet the requirements posed by its customers, given the accumulation of problems in product quality and operational inefficiencies and it increasingly did not meet the quality standards, norms, practices, and technology of the metal- and building sector.

4.2.4 Growth

A final second order category in which we grouped the first-order issues is growth. Our data show that Metalcon grew much faster than its direct competitors, making Metalcon a fast growing firm because growth is best understood as growth in comparison with other firms

in the same industry (Moreno & Casillas, 2007). The analysis of five direct competitors of Metalcon displays that the mean number of employees of the competitors of Metalcon in 2005 is 20 while Metalcon employs 44 employees in 2005. The interviews learned that a company of fifty employees is considered as large in the sector. Further, the growth in number of integration employees alarmed several stakeholders. According to legislation minimum 30% of the employees should be integration employees. Metalcon exceeded this criterion largely (around 60% of its employees were integration employees). In parallel with the fast growth, Metalcon had to add an extra work shift (to meet production demands) and developed cash flow problems (resulting in delayed payments – or no payments at all – of the rent of the factory and the social contributions to government). Scholars have argued that high growth firms experience similar management challenges (e.g., customer management, human resource management) (Chan, Bhargava, & Street, 2006). Due to this high growth Metalcon was confronted with problems in terms of control. More specifically, there was no system or procedure controlling the workflow.

‘There was no inspection in the production process. I could speak in terms of ‘ostrich policy’ where Metalcon would not check the production out of fear of detecting faults.’

– (Werner – Member of Board and Investor)

Additionally, Metalcon lacked a good financial reporting system. There was no thorough cost calculation system and two successive accountants were fired which resulted in a systematic lack of financial follow up of the enterprise.

Growth is a key issue in the entrepreneurship literature (Moreno & Casillas, 2007) since it is often used as an indicator of performance in entrepreneurial firms (Ensley, Pearson, & Amason, 2002; Murphy, Trailer, & Hill, 1996; Read, Song, & Smit, 2009; Stam & Elfring, 2008; Wiklund & Shepherd, 2005). However, the majority of firms starts small and remains

small because most firms are not interested in growth (Levie & Lichtenstein, 2010; McKelvie & Wiklund, 2010). The characteristics of the entrepreneur play an important role in the growth of a firm (Chan et al., 2006; Gilbert et al., 2006; McKelvie & Wiklund, 2010; Moreno & Casillas, 2007). In this context, non-economic concerns can be more important than expected financial outcomes in determining overall attitude toward growth (Wiklund, Davidsson, & Delmar, 2003). The founders of Metalcon clearly wanted to achieve high growth. Our interview and archival data repeatedly express the will of John to grow fast with Metalcon. In his opinion, a larger enterprise would allow Metalcon to make and deliver larger metal constructions which would enable him to employ and help many integration employees. This opinion was confirmed by some investors who stimulated Metalcon for the employment of integration employees.

The analysis shows that Metalcon had difficulties to align its social and economic objectives in its growth strategy. The social goal to employ integration enterprises influenced the growth rate of Metalcon while this high growth made it difficult to fulfill its economic goal of delivering quality metal constructions. As a result, the data-analysis indicates that the performance of Metalcon decreased due to the high growth of Metalcon. The high growth of Metalcon did not fit into the socially accepted procedures and was not expected by various stakeholders and the industry.

In sum, based on the analysis of the first-order issues, we discussed four second order processes in the case Metalcon that show the dynamics underlying the social and economic goals in Metalcon. We found evidence of a strong focus on the social mission, a supporting government, management flaws and a high growth. To further conceptualize our findings we

grouped the second order issues into two aggregate analytical dimensions which will be discussed in the next paragraphs.

5 Competing logics as analytical dimensions

Taking the second order constructs in concert, we propose two aggregate analytical dimensions which provide a super-ordinate framework for organizing the second order themes. We position the social mission focus and supporting government within a social employment logic while we place management and growth within a market logic (see table 4 for an overview of the logics).

Characteristic	Social employment logic	Market logic
Goals	Employment of integration employees	Production of qualitative steel constructions
Support	Government, the administration, social investors, politicians and the media	Customers, bank, investors, and suppliers
Second-order issues	Social mission focus, supporting government	Management, growth
Management principles	Support of employees	Maximizing profit, efficiency
Focus of attention	Social issues	Financial results

Table 4: Characteristics of institutional logics as aggregate dimensions

Multiple logics can be available to individuals and organizations (Friedland & Alford, 1991). Institutional logics refer to socially constructed patterns of practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality (Thornton & Ocasio, 1999). As such, institutional logics guide and constrain decision makers in accomplishing the organization’s tasks (Lounsbury, 2007; Marquis & Lounsbury, 2007; Thornton & Ocasio, 1999). The two aggregate dimensions (i.e., the two institutional logics) are a further abstraction of the second-orders and help understand (1) the dynamics in

Metalcon underlying its social and economic goals and (2) why Metalcon was almost directly perceived as highly successful while on the other hand faced bankruptcy within two years after founding.

The social employment logic, characterized by an altruistic social mission, emphasizes the social outcomes of the enterprise (i.e., employment of integration employees). The focus of attention is on the social issues and the support of employees is central in the enterprise. This logic was actively supported by the government, the administration, social investors, and was praised as good practice by politicians and the media (such as supporting the employees and improving their skills). This logic, in providing “formal and informal rules of action, interaction, and interpretation” (Thornton & Ocasio, 1999), emphasized the social mission and government support was received within this logic. The ‘market logic’ emphasizes the market outcomes of the enterprise (i.e., the production of qualitative steel constructions) and is characterized by focus on resource competition, profit margins, and market return (Thornton, 2002; Thornton & Ocasio, 1999). The focus is on financial results and maximizing profit and efficiency are guiding principles among stakeholders. This market logic is associated with the bank, customers, and suppliers of Metalcon. The market logic stresses (1) a certain growth rate because growth suggests the presence of an entrepreneurial/market orientation (e.g., Moss et al., 2011; Thornton, 2002) within a market logic that shapes economic behavior (Greenwood, Diaz, Li, & Lorente, 2010) and (2) a lack of management flaws in its focus on efficiency and maximizing profit.

Our data and subsequent second order construct development clearly indicate that Metalcon had severe difficulties in aligning and counterbalancing the social employment logic with the market logic and explains why such a failure can actually occur. Within a dominant

social employment logic, Metalcon received support from several social actors and the government who were highly stimulating for Metalcon to start and continue its activities. Social actors give support to an organization if they judge the organization and its activity to be beneficial. When Metalcon contributed to social employment, it build up support within the social employment logic (Suddaby & Greenwood, 2005). Both the social employment and market logic influence organization level behaviour independently and can compete because actions, processes, norms, and structures that are seen as legitimate from the vantage point of one institutional logic may be seen as less legitimate or even illegitimate from the perspective of another logic (Bryson, Crosby, & Stone, 2006). With a dominant focus on the social employment logic, Metalcon however failed to respond to the guidelines of the market logic where it gradually loosed support among customers and suppliers.

6 Discussion and contribution

This paper found how the social and economic goals of a social enterprise contributed to a focus on the social mission, government support, management flaws and high growth and that the social employment and market logic were highly influential in balancing the social and economic goals and the development of the social enterprise. Although the data support that Metalcon is subject to some traditional problems faced by commercial entrepreneurs (Yalcin and Kapu, 2008; Zimmerman and Chu, 2009) in their formative years of existence (Alpander, Carter and Forsgren, 1990), we showed how the competing social employment and market logic can be a strong explanation for why a failure of this magnitude can actually occur.

The results of the case-study contribute to a better understanding of the dynamics in social enterprises underlying social and economic goals in a context of competing logics. This

insight - a process that is often overlooked in the literature (Battilana & Dorado, 2010) - provides contributions to both the SE literature and the literature on competing logics.

First, the paper contributes to theory development in SE where we empirically and inductively introduced and described competing logics in the research on social enterprises. This study is the first to link competing logics as explanatory framework in social enterprises on how the dynamics underlying the social and economic actually unfold. As such, we follow Dacin and coauthors (2010) who conclude that the greatest opportunity for scholars in SE is using existing entrepreneurship frameworks and theories and applying these in ways that address phenomena in the SE context. The case also contributes to the SE literature by describing the dynamics underlying social and economic goals through four processes in social enterprises: a social mission focus, the influence of government support, management and growth.

With the discussion of a failed enterprise, the case further responds to the call for the study of failures to contextualise the optimistic idealism in most SE literature (Denrell, 2003). Failures are substantially under-sampled in entrepreneurship research (Gimeno et al., 1997) while learning from business failure benefits society, through the application of that knowledge to subsequent businesses (Chuang & Baum, 2003; Jenkins, 2009; Kim & Miner, 2007; Shepherd, Wiklund, & Haynie, 2009; Shepherd, 2003). Doing so, the case counterbalances the positive assumptions in the SE literature. Austin et al. (2006), for example, refer to 'a greater forgiveness factor or margin for error among capital providers' for social enterprises and support the view that the context in which social enterprises operate would not punish inferior performance as readily as in the commercial marketplace (Austin et al., 2006). Metalcon subsisted somewhat longer thanks to the governmental institutions –

clearly operating in a social employment logic – that continued to support the company with a new capital injection. However, although public investors and board members did not punish inferior economic performance, the final judgment was done in the marketplace, based on operational performance in terms of cost, quality and timing. Eventually, the market logic requires the firm to tackle its operational issues. Additionally, although SE ought to flourish irrespective of the sector (Mair & Marti, 2006), our case points to the difficulty of operating within a very competitive environment for social entrepreneurs, especially when working with large proportions of low skilled employees is at the heart of the social mission. We observed severe difficulties in aligning and balancing the social employment logic with the market logic in terms of specific sector / market.

Second, we contribute to the research on competing logics where there has been limited empirical attention to the impact of competing logics on actors within the field (Battilana & Dorado, 2010; Reay & Hinings, 2009) and existing research makes no predictions about how organizations respond to conflict in institutional prescriptions (Pache & Santos, 2010). Our research shows how Metalcon experienced difficulties in responding to both a market and social employment logic and how actors can focus on one logic while neglecting “the organizing principles” of the other logic (Suddaby & Greenwood, 2005).

Institutional scholars have acknowledged that changing institutional logics is a complex and very artful task (Seo & Creed, 2002) and efforts to institutionalize emerging fields can be tumultuous and conflictual (Purdy & Gray, 2009). Despite these difficulties, much research on institutional logics has looked at how these logics change (e.g., Thornton & Ocasio, 1999) with a focus on institutional entrepreneurship which are the attempts to alter or replace an institutional logic (Suddaby and Greenwood, 2005). Scholars also describe how

competing logics result in one dominant logic that prevails (Purdy & Gray, 2009) or following the concept of praxis, how institutional agents are able to artfully mobilize different institutional logics and resources, appropriated from their contradictory institutional environments, to frame and serve their interests (Seo & Creed, 2002). Following Seo and Creed (2002), institutional contradictions then may lead to use of alternative institutional logics of action and systems of meaning found in the larger heterogeneous social world. Acknowledging the view that competing logics can also coexist (Battilana & Dorado, 2010; Pache & Santos, 2010; Reay & Hinings, 2009), our case study shows on the other hand how organizations can have severe difficulties in responding to competing logics and not being able to comply to or change both contradictory institutional environments. As such, Metalcon adds to the model of Pache and Santos (2010) showing how one organization can have different responses to the different institutional logics and severe problems even when there are no two internal champions of conflicting institutional demands which are equally powerful. Metalcon displayed an acquiescence strategy (i.e., adoption of demands) towards the social employment logic and an avoidance strategy (i.e., an attempt to preclude the necessity to conform to institutional demands) to the market logic.

7 Management implications

The problem of the competing social employment and market logic that operate in isolated vacuums without good working governance mechanism is a potential explanation for why a failure of this magnitude can actually occur. The competing logics argument raises the need for sufficiently counter-balancing both logics in the governance and management of social enterprises. For example, while the expert report for the official recognition as integration enterprise to the Flemish government assessed the growth rate as realistic (within a social employment logic perspective), several industry experts had serious doubts about the

size and growth of Metalcon, based on industry data and experience (within an market logic). As such, this study offers lessons for the governance of social enterprises.

Among the board's directional tasks – monitoring, service, strategy and resource provision (Daily, Dalton, & Cannella, 2003; Zahra & Pearce, 1989) – much attention has been given to accountability and compliance - the monitoring role of the board (Coles, McWilliams, & Sen, 2001; Mallette & Fowler, 1992) although scholars have recently re-emphasized the reflective role of the board in strategy (Barroso-Castro, Dominguez De La Concha, Vecino Gravel, & Villegas-Perinan, 2009; Hendry & Kiel, 2004; Kerr & Werther, 2008). Importantly, in Metalcon, the founder held the title of CEO and chairperson of the board of directors which is referred to as CEO duality (Finkelstein & Daveni, 1994; Mallette & Fowler, 1992). This board leadership structure has been frequently criticized (Coles et al., 2001; Mallette & Fowler, 1992) as CEO duality can weaken board independence from the management of the firm, thereby reducing the board's motivation and/or ability to execute its monitoring and control responsibilities and conflicts of interest may arise because the CEO may take decisions in their own self-interest and at the expense of shareholders (Mallette & Fowler, 1992; Tuggle, Reutzler, & Bierman, 2008).

The case shows that this is even more problematic in a context where the social employment and market logic have clearly divergent priorities and operate isolated from each other. The social organisations stimulated the founder to grow fast in terms of employment meeting the demand from the social side, but without consideration of the personal risk for the entrepreneur and without sufficient attention for industry standards. The fact that the Board did not (sufficiently) warn the entrepreneurs and proceeded with a recapitalisation shows that this problem was also present at the level of the board: Metalcon was clearly successful in

meeting its social objectives, but the board failed to recognize that too hard a focus on the social objectives moved the firm away from the economic reality in which controlled growth, product quality and professional managerial judgment are essential ingredients for survival. The private investors - who had gradually built up sympathy for the company and the entrepreneur did not bring additional counterbalance to John's optimism. As a result and despite the time spent, Metalcon's board of directors did not fulfill its monitoring role as it should have. Influenced by positive support of the representatives of the social investment funds, in the advisory board, and for reasons of sympathy for the enterprise, the independent directors seemed to be too indulgent. As such, the case illustrates the difficult task of board members in the context of a social enterprise, especially when the social ambitions are very high. The governance structure was not able to be aware, let alone manage, the competing operating social employment and market logics.

Although the corporate governance literature has emphasized the need for professionalization of how board of directors operate (Judge & Zeithaml, 1992; Westphal, 1999), advocating the appointment of directors with complementary expertise and independence (Fiegener, 2005; Van Der Walt, Ingley, Shergill, & Townsend, 2006), it offers very little insight in how the alignment of competing logics can actually be brought together and successfully governed. Our case suggests that in such instance CEO duality may not be a good practice in the governance of social enterprises, as this leadership structure may fail to counterbalance both logics in the management of the social enterprise.

8 Future research

The tension between the social mission on the one hand and trading on a competitive market on the other hand has been recognized by scholars as the central definitional element

of SE. However, research on how to manage this double bottom line is still sparse (Bacq & Janssen, 2011; Moss et al., 2011). We suggest further research to look at how social enterprises can manage the competing logics in their institutional environment (Lounsbury, 2007), investigating in depth which themes are salient and merit special management's attention (Thornton, 2002). This is especially relevant for social enterprises who reside in a very ambiguous institutional environment (Townsend & Hart, 2008). Additionally, investigating competing logics of social enterprises could bring new insights into the idea of social entrepreneurs as institutional entrepreneurs (Greenwood & Suddaby, 2006; Mair & Marti, 2006, 2009). In what way are social entrepreneurs modifying or creating new institutional structures (Mair & Marti, 2006)? Or are social enterprises managing existing competing logics to ensure access to resources and win legitimacy?

We recommend (multiple) case study designs in other geographical regions and socio-political contexts to develop a fuller understanding of how the competing social and market logics unfold for nascent and start-up social enterprises, both surviving firms and failed enterprises. These case studies could target research questions at how board of directors and the founder/manager focus their attention to the social and the economic in the enterprise and how this affects the development of the firm. From a quantitative perspective, it would be valuable to conceptually and empirically disentangle the social and economic as distinct constructs. Identifying the appropriate dimensions and developing measures capturing the social and economic orientation of social entrepreneurs would be very valuable to complement to the insights and theoretical contributions of qualitative case studies.

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CHAPTER 3: SOCIAL AND ECONOMIC PROCLIVITY OF SOCIAL ENTERPRISES: DIMENSIONS, MEASUREMENT, AND VALIDATION

Abstract. Social entrepreneurs have a dominant social purpose and generate revenue to ensure financial viability. However, most research treats the extent to which social entrepreneurs actually adhere to social and economic goals as a black box. Performing higher-order confirmatory factor analysis on a well-defined sample of social enterprises (N~270), this study identifies dimensions and validates measures for understanding and delineating social and economic proclivity. The structural equation model shows that normative identity, social orientation, and other-regarding values relate to the second-order construct social proclivity and utilitarian identity, economic orientation, and self-regarding values relate to the second-order construct economic proclivity. The analysis provides evidence of construct validity of the measures. Although social entrepreneurs are argued to be unique in their pursuit of a dual bottom line, the paper contributes to theoretically untangling the importance of the social and the economic. The empirical validation of social and economic proclivity as distinct constructs – and multiple potential constellations of attached relative importance – opens up opportunities for much needed quantitative hypothesis-testing research in social entrepreneurship.

1 Introduction

Research interest in social entrepreneurship (SE) continues to increase. SE originated in the non-for-profit sector (Harris et al., 2009; Sud et al., 2009; Weerawardena & Mort, 2006) as a response to diminishing government involvement in the economy and society (e.g., Nicholls, 2006; Sharir & Lerner, 2006). There are two main strands of thought within SE literature: the social innovation school and the social enterprise school (Bacq & Janssen, 2011). The social innovation school focuses on social entrepreneurs as founders (Mair & Marti, 2006) and change makers (Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006), referring to social entrepreneurs as individuals who create and sustain social value without being limited to resources currently in hand (Sharir & Lerner, 2006). The US social enterprise school looks at revenue generation by non-profit organizations (Kerlin, 2006) while the European social enterprise school connects strongly to the broader notion of a social economy (Defourny & Nyssens, 2008; DTI, 2007). The latter refers to organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits (DTI, 2007; Nyssens, 2006; Vidal, 2005). Essentially, social entrepreneurs – irrespective of terminology, school and organizational or legal form – have in common that they explicitly focus on creating social value (Austin et al., 2006; Dorado, 2006; Nyssens, 2006; Peredo & McLean, 2006), and that they are sustainable through trading (Birch & Whittam, 2008; Chell, 2007; Di Domenico et al., 2010; DTI, 2007; Haugh, 2007; Peredo & Chrisman, 2006; Tracey & Jarvis, 2007) referring to a continuous activity, producing and selling goods and/or services (Nyssens, 2006).

Social entrepreneurs place high value on the creation of social value and vary in their ambition for economic value creation (Dorado, 2006; Schuler & Cording, 2006). This raises

the question of the degree to which social entrepreneurs adhere to a social purpose and how this is balanced with economic – market oriented goals. As Mair & Marti (2006: 39) report: *“The main difference between entrepreneurship in the business sector and SE lies in the relative priority given to social wealth creation versus economic wealth creation.”* To date however, empirical research in SE focused on good practices of leading social entrepreneurs as change makers (Sharir & Lerner, 2006; Van Slyke & Newman, 2006), taking the social largely for granted and suggesting homogeneity in the social manifestation and considering the economic as less important albeit crucial framework condition. The question to what extent the social and economic indeed refer to distinct constructs with varying importance has not been investigated to date. Building on established theoretical constructs, this paper identifies a number of sub-dimensions and measures that can potentially contribute to our understanding of the social and economic as distinct predispositions in organizations in general and social enterprises in particular. A standardised survey to a well-defined sample of social enterprises (N=271) provided the data to assess the reliability and (construct) validity through confirmatory factor analysis (CFA).

This research is important and contributes to the aforementioned discussion about the qualification of the social at the organizational level. The importance of the goals of organizations and its subsequent behaviour is widely acknowledged (Cyert & March, 1963; Sitkin, See, Miller, Lawless, & Carton, 2011). The study answers the call for more research into understanding how difference in importance of the social motive influences the behaviour of firms (Certo & Miller, 2008). The paper opens up possibilities for empirical research that actually measures the relative importance of the social and economic which opens up opportunities for much needed quantitative empirical research in the SE realm (Short et al., 2009).

The remainder of the paper unfolds as follows. Section 2 offers a succinct overview of the SE literature. Section 3 elaborates on the dimensions for measuring and validating the social and economic proclivity of social enterprises. Next, the methodology section discusses the cross-sectional survey design. The results section reports the reliability and validity of the sub-dimensions and subsequent measures. The paper closes with summarising the main conclusions and limitations and providing suggestions for further research.

2 The social in SE

Social entrepreneurship or entrepreneurial activity that primarily serves a social objective has been on the rise in recent decades (Austin et al., 2006; Peredo & Chrisman, 2006; Peredo & McLean, 2006) and emerged as a response to diminishing government involvement in the economy and society (e.g., Nicholls, 2006; Sharir & Lerner, 2006). As such it originated from the non-for-profit sector (Dees, 1998a; Harris et al., 2009; Mort et al., 2003; Sud et al., 2009; Weerawardena & Mort, 2006) and extended rapidly to the private and public sector (Johnson, 2000). This paper defines social entrepreneurship as entrepreneurship with an embedded social purpose (Christie & Honig, 2006; Peredo & Chrisman, 2006; Peredo & McLean, 2006), which is sustainable through trading (Birch & Whittam, 2008; Chell, 2007; DTI, 2007; Haugh, 2007; Peredo & Chrisman, 2006; Tracey & Jarvis, 2007), and not limited to a particular judicial / organizational form (Birch & Whittam, 2008; Chell, 2007; Mair & Marti, 2006).

There is a general consensus that social entrepreneurs focus on the social mission or the creation of social value (Austin et al., 2006; Dorado, 2006; Nyssens, 2006; Peredo & McLean, 2006). However, we found only a few social entrepreneurship papers which were

specific about their view on social value, and that these interpretations differed strongly. Peredo and Mclean (2006: 59) broadly define social value as “to contribute to the welfare of well-being in a given human community” whereas Murphy and Coombes (2009: 326) imply “an underlying range of basic values that are desirable and important in a civilized society”. These definitions are very open and what is exactly meant by social remains unclear (Murphy & Coombes, 2009). This should come as no surprise as social means very different things to different people (Seelos & Mair, 2005a), it is subjective, varies greatly from one context to another, and social wealth is imprecise and difficult to measure (Murphy & Coombes, 2009; Zahra et al., 2009). Some scholars are more specific in their approach and, for example, stress addressing social challenges in their communities referring to community entrepreneurship (e.g., Johnstone & Lionais, 2004; Peredo & Chrisman, 2006; Wallace, 1999). “The regeneration or expansion of local economic activity (Wallace, 1999: 161)” or “a potential strategy for sustainable local development in poor populations (Peredo & Chrisman, 2006: 309)” are key issues in this perspective. Korosec and Berman (2006: 449) see social entrepreneurship as “organizations and individuals that develop new programs, services, and solutions to specific problems (such as chemical dependency, unwanted pregnancy,...) and those that address the needs of special populations (such as children with disabilities, caregivers of Alzheimer’s patients, veterans,...)”. In the work of Seelos and Mair (2005a), the social is about efficiently catering to basic human needs that existing markets and institutions have failed to satisfy. Social needs are “the goal of achieving sustainable development” (Seelos & Mair, 2005a: 244). Similarly, Certo and Miller (2008) refer to social as the fulfillment of basic and long-standing needs such as providing food, water, shelter, education, and medical services to those who are in need. Other specifications are “a sustainable method of enabling disadvantaged groups to improve their position” (Hibbert, Hogg & Quinn, 2002: 299), “to alleviate social exclusion and unemployment (Haugh, 2007: 165)”, and “raising

public awareness of an issue of general public concern (Waddock & Post, 1991: 394)". In the study of Sharir and Lerner (2006: 7) social is about "answers to social problems whether educational, welfare, environmental or health related". Finally, Neck et al. (2009) see the environment as one of the many social problems the world is facing today.

Despite the very diverse interpretations we found that social value is often explained in contrast to wealth/economic value. Where social value refers to value for the 'common good' or 'society', economic value refers to personal and shareholder wealth / profit (Austin et al., 2006; Dees & Anderson, 2002; Hibbert et al., 2002; Meyskens et al., 2010; Moss et al., 2011; Murphy & Coombes, 2009; Peredo & Chrisman, 2006; Sharir & Lerner, 2006; Wallace, 1999). In traditional entrepreneurship, the focus is on the process of endowing resources with new wealth-producing capacity, extracting profits (Amit et al., 1993). Social entrepreneurs are companies which are founded with the mission to change the world in a specific socially-oriented way rather than to provide 'an (economic) return on investment' (Strothotte & Wüstenhagen, 2005). As a result, social enterprises aim to create social value rather than personal wealth for the leader manager (Chell, 2007; Dees, 1998a).

Consequently, scholars (e.g., Grimes & Victor, 2009; Peredo & McLean, 2006; Townsend & Hart, 2008; Zahra et al., 2009) acknowledge a continuum of possibilities, with varying degrees of importance attached to the social goals. Clearly, the extent to which a firm adheres to a social purpose is often a matter of relative priority, where goals related to profit realization on one hand and social value on the other often interplay (Certo & Miller, 2008; Chell, 2007; Dacin et al., 2011; Desa, 2007; Mair & Marti, 2006; Miller & Wesley, 2010; Peredo & McLean, 2006; Tan, Williams, & Tan, 2005). It is the attempt to combine social and financial motives that makes social entrepreneurial organizations unique (Grimes & Victor,

2009) although balancing social wealth with the desire to make profits and maintain economic efficiency is no simple matter (Zahra et al., 2009).

Building on the generally accepted theoretical assumption that social entrepreneurs have a dual social and economic objective (Di Domenico et al., 2010; Dorado, 2006; Haugh, 2007; Moss et al., 2011; Thompson & Doherty, 2006; Zahra et al., 2009), this paper identifies and validates measures for capturing the social and economic proclivity in a social entrepreneurship context. Proclivity refers to “a tendency to choose or do something regularly; an inclination or predisposition towards a particular thing” (Oxford English Dictionary Online²). Applied to this context, proclivity refers to the level to which the organization inclines to creating social and economic value. This endeavour contributes to the aforementioned discussion about the qualification of the social and the economic in organizations.

3 Understanding social and economic proclivity

While the social in SE is rarely specified and often compared to economic value creation, the social in SE can also refer to different levels (i.e., the individual, organizational, and strategic level) in the organization. To understand the social and the economic proclivity of social enterprises, we include these levels in our theoretical model. The following paragraphs explain our rationale.

3.1 Values

The social entrepreneurship literature has emphasized the importance of the individual social entrepreneur who plays a central role in social enterprises (Barendsen & Gardner, 2004;

² <http://oxforddictionaries.com/>

Dacin et al., 2010; Robinson, 2006; Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006). Definitions of SE at the individual level focus on the founder of the initiative (Mair and Marti, 2006), who is generally referred to as a 'change maker' (e.g., Barendsen & Gardner, 2004; Sharir & Lerner, 2006; Shaw & Carter, 2004; Van Slyke & Newman, 2006), acting upon an opportunity and gathering resources to exploit it. The values and the morality of the individual social entrepreneur (e.g., Spear, 2006) are important in understanding the social in social entrepreneurship (Mort et al., 2003; Thompson et al., 2000; Waddock & Post, 1991). Social entrepreneurs should have the values to be committed to helping others and choose to work for the community rather than for personal financial gain (Thompson et al., 2000). As a result, only certain individuals with particular values, capabilities and skills seem to be attracted to social entrepreneurship (Zahra et al., 2009). These social entrepreneurs are altruistic in their activities and place social values above profitability (Dacin et al., 2011). In this context, the motives for SE are often based on ethical motives, moral responsibility and altruistic reasons (Mair & Marti, 2006) and looking at the individual characteristics is crucial in describing new venture creation (Gartner, 1985). Social entrepreneurs start organizations which pursue predominantly other-regarding or pro-social goals (i.e., goals that target societal rather than only private gains) (Estrin, Mickiewicz, & Stephan, 2011). As a result, the goals of social enterprises are deeply rooted in the values of their founders (Zahra, 2009; Zahra et al., 2009).

Academics have been discussing values and the relation between individual values and the organization extensively outside the SE literature. Values are relatively enduring and stable over time (Dose, 1997), affect behavior (Elizur, Borg, Hunt, & Beck, 1991), and have an impact on decision making (Judge & Bretz, 1992; Mumford, Helton, Decker, Connelly, & Van Doorn, 2003). Work values refer to what a person wants out of work in general and are

guiding principles for evaluating work outcomes and for choosing among different work alternatives (Ros, Schwartz, & Surkiss, 1999). Interestingly, personal characteristics in general (Cambra-Fierro, Hart, & Polo-Redondo, 2008; Lepoutre & Heene, 2006; Spence & Rutherford, 2003) and work values of owners/managers in particular are a key factor in socially responsible business practice in SMEs (Murillo & Lozano, 2006). Indeed, managers may engage in social practices because their moral or ethical values compel them to do so (Waldman, Siegel, & Javidan, 2006). For example, environmental strategies are significantly influenced by the individual managerial interpretations of these environmental issues (Sharma, 2000). In small enterprises, the entrepreneur is likely to exert control over organizational decisions, and therefore more influential than managers in larger or older enterprises, where there is a separation of ownership and control (Gimeno et al., 1997).

A key dimension that informs on the social and economic proclivity of an individual, is the level of other-regarding and self-regarding values (Agle, Mitchell, & Sonnenfeld, 1999; Murphy & Coombes, 2009; Santos, 2009; Van de Ven, Sapienza, & Villanueva, 2007). In other words, to what extent is behavior ultimately self-interested or do individuals act in ways that benefit others, even to their own disadvantage? The self-interest dimension is important and varies widely among individuals. People perceive as important the things that are connected with their self- or other-regarding values which influences the decisions organizational leaders make. The level of self- and other-regarding values informs on the social and economic proclivity of the organization because the balance between self- and other-regarding values “is specific to each individual and shapes the types of activities and organizational behaviour in which he/she engages” (Santos, 2009). Individuals who place a strong weight on others-interest will tend to associate together in the context of organization focused on maximizing the benefits for others in society (Santos, 2009).

As a result, we argue that the level of self- and other-regarding values informs us on the social and economic proclivity of social enterprises.

3.2 *Organizational identity*

The SE literature acknowledges that the social in SE can be reflected in the organization and its characteristics (Nyssens, 2006). Nyssens (2006) suggests social organizational dimensions such as ‘decision-making power not based on capital ownership’, and ‘a participatory nature, which involves the various parties affected by the activity’ as key issues in social enterprises reflecting their social character. Similarly, community based enterprises are argued to be managed, owned and governed by the people in a manner that is meant to yield sustainable individual and group benefits (Peredo & Chrisman, 2006). Consequently, most members will participate in some relatively direct way in monitoring and directing the enterprise’s activities and be committed to a common undertaking (Peredo & Chrisman, 2006). As a result, researchers have linked SE to the literature on organization identity to explain and study SE (Moss et al., 2011). For example, Miller and Wesley (2010) build on organizational identity theory to examine how the dual identity of social ventures influences the assessment of social venture capitalists. In their view, the organization identity of social enterprises is intrinsically dualistic because it borrows elements from both the social and the commercial sector. Grimes (2010) found how organizations within the social sector employ performance measurement as a tool for making sense of SE as an organizational identity.

Organizational identity is a well-established and well-researched construct in management research. Researchers define organizational identity as members’ shared

perceptions about their organization's central, distinctive, and enduring qualities (Brickson, 2007; Dutton & Dukerich, 1991; Dutton, Dukerich, & Harquail, 1994; Dyer & Whetten, 2006; Fiol, 1991, 2001, 2002; Foreman & Whetten, 2002). Basically, organizational identity is the answer to the question 'who are we'? The literature covers two principal lines of thought (Ravasi & Schultz, 2006). The *social constructionist perspectives* see organizational identity as result of sense making processes carried out by members who interrogate themselves on central and distinctive features of their organization. Therefore, organizational identity resides in collectively shared beliefs and understandings about central and relatively permanent features of an organization. *The social actor perspective* emphasizes organizational identity as self-definitions proposed by organizational leaders, providing members with a consistent and legitimate narrative to construct a collective sense of self. In this view, Voss et al. (2006) claim that organizational identity is formed by top leaders' establishment of the core values and beliefs that guide and drive the organization's behavior. As such, organizational identity resides in institutional claims, available to members, about central, enduring and distinctive properties of their organization (Ravasi & Schultz, 2006). These institutional claims are explicitly stated views of what an organization is and represents and tend to change only rarely. Scholars use organizational identity in a variety of contexts and to study a number of phenomena. For example, Fiol (1991) approaches organizational identity as a core competence contributing to competitive advantage and according to Brickson (Brickson, 2005, 2007), the concept of organizational identity is well positioned to learn how businesses relate to stakeholders and why they relate to them as they do. Similarly, Basu and Palazzo (2008) argue that organizational identity is most appropriate to understand how managers think about their key relationships with others – including stakeholders and the world at large. Consequently, there is a growing interest in examining organizational identity as a determinant of corporate social performance (Dyer & Whetten, 2006). In this context, the

notion of organizational identity suggests that firms will engage in socially responsible business practices when to do otherwise is unthinkable – these concerns have been central to who we are as an organization (Dyer & Whetten, 2006).

A key dimension in the identity of organizations is the level of normative and utilitarian identity. Many, if not most, organizations are hybrids composed of multiple identities (Albert & Whetten, 1985). Foreman and Whetten (2002) define organizational identification in terms of multiple and competing identities: a normative system, emphasizing traditions and symbols, internalization of an ideology and altruism, and a utilitarian system, characterized by economic rationality, maximization of profits and self-interest. Normative organizations are generally founded upon the ideological vision of a charismatic leader (Albert & Whetten, 1985). A utilitarian organization is oriented towards economic production with the values of economic rationality, maximization of profit, and the minimization of cost, and for which financial return is both a condition of continuing operation and a central symbol of success (Albert & Whetten, 1985). The normative and utilitarian identity is a well-established and researched phenomenon (e.g., Glynn, 2000). Moss and colleagues (2011) examined the identities of 104 award-winning social ventures through a content analysis of their mission statements and found that these ventures exhibit both a utilitarian and a normative organizational identity. Additionally, the authors found that social ventures manifest a greater normative identity than commercial ventures.

Building further on these insights, we argue that the level of normative and utilitarian identity can reflect the social and economic proclivity of social enterprises.

3.2.1 Social and economic orientation

Finally, the social in social entrepreneurship is often considered as the strategic goal for social enterprises (Dacin et al., 2011; Mair & Marti, 2006). Here, social entrepreneurship is an approach to meet social needs (Townsend & Hart, 2008) and about achieving social goals through commercial activity (Moizer & Tracey, 2010). In this view, social entrepreneurship is a process towards the creation of social value (Mair & Marti, 2006; Moss et al., 2011) while the question of who and how the social value is reached, is of less importance (Dacin et al., 2011). For example, the strategic goal of the organization can be achieved irrespective of organizational or judicial form (Birch & Whittam, 2008; Chell, 2007; Mair & Marti, 2006). The process contains recognizing and exploiting opportunities to create this social value, employing innovation, tolerating risk, and declining to accept limitations in available resources (Peredo & McLean, 2006). The ability to leverage resources that address social problems is central (Dacin et al., 2010; Mair & Marti, 2006) and the process can have both differences and similarities with commercial entrepreneurship (Austin et al., 2006)

The question to what extent firms aim at reaching social goals has been discussed outside the SE literature as socially responsible business practice which implies that there is a responsibility of firms beyond their wealth generating function (Aguilera, Rupp, Williams, & Ganapathi, 2007; Barnett, 2007). Carroll (1979) presents a continuum on which firms can be positioned in terms of what they consider as their responsibility to give insight in their attention towards social and economic goals. More specifically, the author suggests four stances, representing increasing levels of social engagement and orientation. The first responsibility of business is economic in nature: the production of goods or the delivery of services society expects and sell them at a profit. Second, a business has to fulfil its economic mission within the framework of legal requirements. Next, ethical responsibilities refer to

society’s expectations over and above legal requirements which are considered to be intrinsically good. These responsibilities involve those activities the organization should do, if it wants to do the right thing. Finally, the discretionary social activities are of a non-enforced, rather philanthropic nature referring to those responsibilities for which society has no clear-cut message for business. McWilliams and Siegel (2001) refer to the ethical and philanthropic perspective as corporate social responsibility defined as “the actions that appear to further some social good, beyond the interests of the firm, required by law”. Assessing the level of social responsibility is not a clear-cut process (Aupperle, Carroll, & Hatfield, 1985) although Carroll’s model still enjoys considerable popularity among scholars and might accurately describe how managers see their social responsibilities (Wood, 2010).

We argue that assessing the level of attention to social and economic goals informs us on the social and economic proclivity of social enterprises.

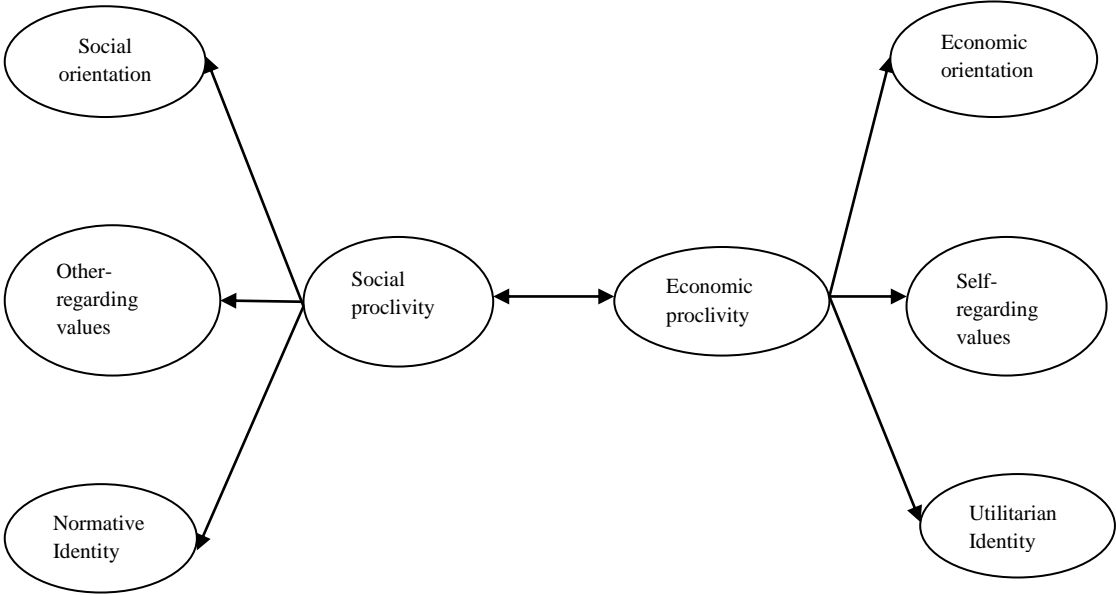


Figure 2: Conceptual model

In summary, this study theorizes that social and economic proclivity are distinct reflective or latent higher-order constructs (Diamantopoulos, Riefler, & Roth, 2008; Law, Wong, & Mobley, 1998) encompassing the sub-constructs and sub-dimensions organizational identity, values and orientation (see figure 2). More specifically, social proclivity can be manifested in the sub-constructs normative identity, other-regarding values, and social orientation whereas economic proclivity can be reflected in a utilitarian identity, self-regarding values, and economic orientation.

4 Methodology

Building on the theoretical constructs, measures to capture the identity, the orientation, and the importance of values are developed. Collecting data via an e-mail survey to the directors of a well-defined sample of social enterprises, confirmatory factor analysis was used to assess the reliability and validity of each of the constructs and to determine whether or not they pertain to the same higher order constructs.

4.1 Population and sample

Scholars recognize sampling decisions as crucial in SE research in which accessing large-scale databases is particularly challenging and “creative solutions are needed to provide the adequate sample sizes necessary to utilize rigorous application of multivariate techniques” (Short et al., p. 176). To this end scholars can either (1) put together a respondent-driven sample of social enterprises or (2) do purposive sampling (Kerlinger, 1986; Short, Ketchen, & Palmer, 2002) and start from a sample frame of social enterprises that are generally considered or expected to be driven by social goals. Following the latter approach (for details see appendix A), this study built a sample frame in Flanders (Belgium) from 4 sources. First, a list was used of all integration enterprises which are enterprises that want to create

temporary or long-term employment for a specific target population through productive activity (Nyssens, 2006). Second, two existing lists of people-planet oriented cooperatives (put together by sector experts from Coopkracht and VOSEC) were merged. Coopkracht is a consultation platform in Flanders for people- planet oriented cooperatives. VOSEC is the official member organization of social enterprises in Flanders. Further, the investment portfolios of the social investors were analyzed and the projects that were financed between 2004 and 2007 were listed. Only the social investors that invest in Flanders (i.e., Kringloopfonds, Hefboom, Netwerkreteenvrij, and Trividend) were considered. The goal of the investors is to finance organizations in the social and sustainable economy by equity participation and/or loans. Finally, organizations that adopted an additional judicial label specifically developed for enterprises that explicitly want to meet social goals were identified. These are referred to as ‘Vennootschappen met Sociaal Oogmerk’ (VSO) and their social objective can be internally or externally oriented. Associates can pursue only a limited capital gain. The foundation of the judicial form of VSO can be positioned within a tendency in which governments increasingly create judicial labels or new organizational forms. The CIC in the UK (Nicholls, 2010) and, more recently, the L3C and the B-Corporation in the US (D'Intino, 2010) are new organizational forms whereas the VSO in Flanders is an additional label attached to the legal form of an Ltd., PLC or cooperative. The total resulting sample frame after removing the overlaps is 484.

Next to social and economic proclivity measures (see section 4.3), data was collected on the number of integration employees, start-up capital, age, and judicial form. Financial data was gathered from the annual financial statements such as turn-over, accumulated profit, and start-up capital. To maximize response rate several follow-up calls resulted in a total response of 270 social enterprises (response rate of 56%).

4.2 *Sample characteristics*

Our sample displays the following characteristics (see Table 5). Although the social enterprises differ greatly in age (from start-up to well established enterprises of 89 years), the sample consists of mostly young (median 11 years) and small (median 10 FTE) enterprises. 34% (N= 91) of the sample consists of non-profit organizations while all other organizations have a for profit judicial form: 35% (N=95) are cooperatives, 13% (N=35) limited liability companies, and 15% (N=41) public limited companies. 68.5% (N=186) of the companies are founded by at least one entrepreneur and the median number of founders is 3. More than half of the responding organizations are established without participation of (local) government or an existing private enterprise. As a result, 72% of all the start-up capital comes from private (market) sources put together by the entrepreneurs. The majority of the enterprises deliver services (72%), 15% offers products and 12% offers both products and services. The amount of start-up capital varies greatly up to 2174 K Euro. Finally, our data on capital and reserves in 2007 show the same variance in enterprises from small to rather big companies.

	Mean	Median	Minimum	Maximum	Valid N
Age	17.7	11	1	89	270
Total start capital (in K Euro)	135	31	0	2174	166
FTE 2007	46	10	1	1035	245
Capital and Reserves 2007	3368	290	-424	195499	213
Accumulated profit (loss) 2007	367	24	-1008	36283	210

Table 5: Sample descriptives

In sum, the data analyses show that most social enterprises are relatively young and small, set up by independent entrepreneurs with relatively low amounts of private capital.

4.3 *Measures*

The following paragraphs explain the construction of the measures. Unless otherwise stated, respondents rate the items on scales ranging from 1 (completely disagree) to 7 (completely agree). Scholars (Berson & Avolio, 2004; Roth & Ricks, 1994) stress the importance of managers and leaders in specifying and clarifying the organization goals, making them appropriate respondents for this study. Like in previous research (Aupperle et al., 1985; Foreman & Whetten, 2002), the constructs were measured at the individual level although organizational identity and orientation are organizational-level phenomena. Self- and other-regarding values are individual level constructs but theory expects values to have implications at the organizational level, especially for small and medium sized enterprises.

4.3.1 Normative and utilitarian identity

To measure the extent to which the social enterprises adhere to a normative and utilitarian identity, the operationalization of Foreman and Whetten (2002) was used. The questionnaire included 4 items that represent the utilitarian identity (e.g., importance of price of products or services) and 4 items that represent the normative identity (e.g., social relationships with other members). Two adjustments were made to the original set of items to fit the questionnaire to our research population. In detail, two cooperative items were changed into two items attributed to social enterprises in general (e.g., quality of work is more important than profit) as described by Nyssens (2006). Note that perceived organizational identity was measured (Foreman & Whetten, 2002) and like in the study of Voss et al. (2006), the study captures leaders' beliefs about organizational identity by measuring their perceptions about the core values and ideology.

4.3.2 Other and self-regarding work values

Based on the measurement instrument of Rokeach (1972), Agle et al. (1999) constructed a measure capturing the level of self-interest and other-regarding interest. Values are expected to vary on a continuum ranging from profit maximization-firm-centred values to other-system-centred values. The authors developed 7 items of which 3 items represent self-interested values and 4 items other-regarding values. “A comfortable life (a prosperous life)” and “wealth (making money for myself and family)” were considered as self-regarding values while “helpful (working for the welfare of others)” and “loving (being affectionate, tender)” are examples of other-regarding values.

4.3.3 Social and economic orientation

To capture the enterprises' orientation towards social and economic responsibility the measure of Aupperle (1985) was used which has been employed successfully in numerous studies (e.g., Agle et al., 1999; Angelidis & Ibrahim, 2004; Ibrahim & Angelidis, 1995; Ibrahim, Angelidis, & Howard, 2000; Ibrahim, Howard, & Angelidis, 2008). The purpose of the instrument of Aupperle (Aupperle et al., 1985) is to measure degree of orientation to social responsibility based on the definition of Carroll (1979). As such, the instrument measures the attention managers give to social and economic goals. Respondents allocate 10 points among four items representing the four areas of responsibility. These four areas were represented by items such as “being as profitable as possible” (economic responsibility), “abiding by laws and regulations” (legal responsibility), “moral and ethical behavior” (ethical responsibility) and, “voluntary and charitable activities” (discretionary responsibility). The instrument was shortened to a manageable four sets of four items in our questionnaire although the original instrument contains 20 sets. Aupperle et al. (1985) indicate that each set of items searches the same basic information. Other researchers have limited the original set

to 3 four-item groupings (Agle et al.,1999). The forced-choice methodology minimizes the social desirability of responses (Aupperle et al., 1985).

4.4 Pretest

A pretest sample (N~35) was selected randomly from a database of the social economy in Flanders (N = 594), after excluding the two strata that are included in our sample frame. A draft questionnaire was sent out to the directors of the 35 organizations by email. The respondents were contacted by phone to ask for direct feedback on the questionnaire (response N=17). The pretest resulted in typographical adjustments, rephrasing the items which were not clearly articulated for the respondents and adapting the Aupperle measure to the specific regional context.

5 Data analysis

The goal of the data-analyses is to assess the reliability and validity of the measures and assess the existence of higher order reflective constructs social proclivity and economic proclivity. To minimize potential interpretational confounding, the validity of the measurement model is established before testing the structural model (Hair, Black, Babin, Anderson, & Tatham, 2006).

5.1 Model fit and construct validity

The higher order CFA validates our measurement instrument by testing a second-order factor structure that contains two layers of latent constructs. All the considerations and rules of thumb apply to second-order factors just as they do to first-order factors (Hair et al., 2006). The ultimate criterion in deciding to form a second-order measurement model is theory (Hair

et al., 2006). As a result, a primary validation criterion becomes how well a higher-order factor explains theoretically related constructs.

Because the variables of the model are all manager-rated and collected in the same survey instrument, an important concern prior to model building has to be addressed: common method variance. Although the procedure has some limitations (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), Harman's single-factor tests this concern. If method variance is a significant problem, a simple model (e.g., single factor model) should fit the data as well as a more complex model. A model in which all variables were allowed to load onto a single factor (Hoobler, Wayne, & Lemmon, 2009; Korsgaard & Roberson, 1995) demonstrated poor fit (RMSEA = 0.125, CFI = 0.83, IFI = 0.83, NNFI = 0.81, Chi-Square: 760.2 with $p < 0.01$ and $df = 152$). A principal component analysis on all survey measures further assessed the risk of common method bias. If common method variance is a serious problem in the study, a single factor will emerge from a factor analysis or one general factor to account for most of the covariance in the variables. The analysis returns five factors with eigenvalues greater than one (Konrad & Linnehan, 1995; Scott & Bruce, 1994). Thus, multiple factors emerge and the first factor does not account for the majority of the variance. These results indicate that our findings are less likely to be affected by common method bias.

Constructs	Mean	s.d.	1	2	3	4	5
1. Social orientation	2.9	1.32					
2. Economic orientation	1.9	1.45	-.71**				
3. Normative identity	5.7	0.87	.36**	-.44**			
4. Utilitarian identity	5.2	1.17	-.41**	.36**	.00		
5. Other-regarding values	5.6	0.87	.28**	-.33**	.45**	.07	
6. Self-regarding values	2.9	1.14	-.34**	.38**	-.15*	.31	.08

* $p < .05$; ** $p < .01$

Table 6: Descriptive statistics and correlations

The means, standard deviations, and correlation coefficients of all constructs appear in Table 6. The correlations indicate significant correlations between the different constructs in the model. For example, there is a strong positive significant relation between social orientation, normative identity, and other-regarding values and a strong negative significant correlation between social orientation, utilitarian identity and self-regarding values. In general, the table indicates those relations as was expected from theory.

LISREL 8.5 analyzed the data the maximum likelihood method. Structural equation modeling enables researchers to examine the relationships among a large number of variables simultaneously, extracting the relative impact of each variable on the proposed model. The technique allows accounting for the error associated with the measurement of the variables. Figure 2 summarizes the results of the higher order CFA. Items are specified to load only onto their respective construct and all error variances are specified as uncorrelated (Hair et al., 2006). From the original set of items we removed four items (one item that measured normative identity, utilitarian identity, self-regarding values, and other-regarding values).

To test the proposed model, different authors tend to favor different fit-indices and there seems to be little consensus on what are the appropriate indices (Hinkin, 1995). The study follows Hair et al. (2006) and reports the X^2 value, together with the degrees of freedom, the CFI or TLI, and the RMSEA which provide sufficient unique information to evaluate the model. Scholars accept values of up to .08 for the root-mean-square error of approximation (RMSEA) (Bagozzi & Yi, 1988; Hu & Bentler, 1999). The CFI and TLI index should exceed the 0.9 threshold (Hu & Bentler, 1998). Finally, the Chi-square value is compared to the degrees of freedom. The ratio chi-square value to the degrees of freedom should not exceed 5 to 1 (Hinkin, 1995). Overall, the model fits the data well as the fit

indicators meet all criteria (RMSEA=0.07, CFI = 0.92, IFI = 0.92, NNFI = 0.91, Chi-Square: 349.41 with $p < 0.01$ and $df = 145$).

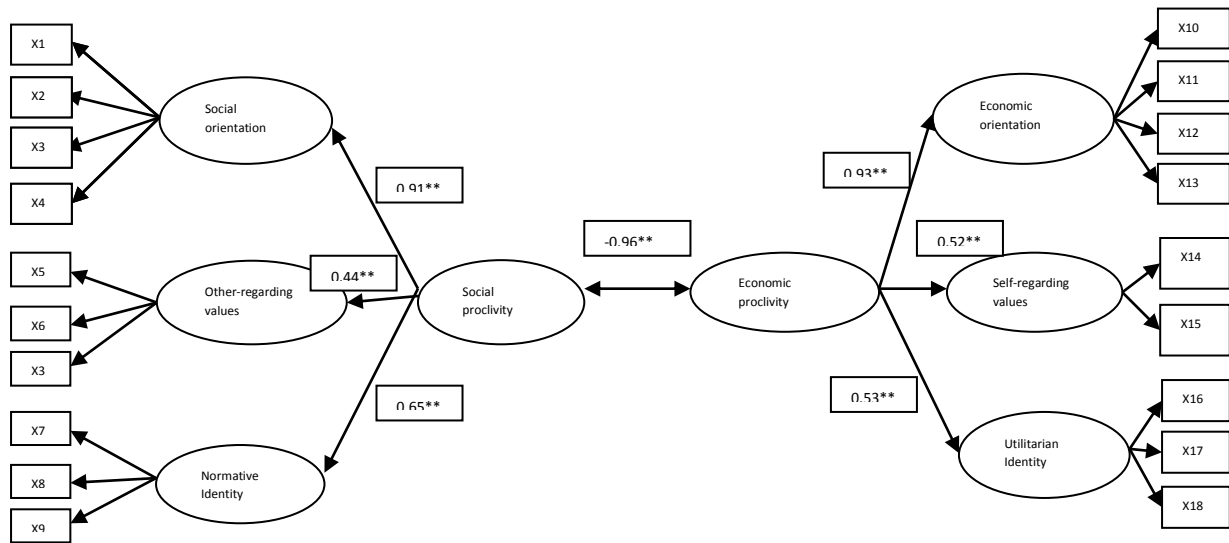
The construct validity of our measurement model is evaluated by testing (a) unidimensionality of the constructs, (b) reliability, (c) convergent validity, (d) discriminant validity. Constructs show unidimensionality when each set of alternate indicators has only one underlying trait or construct in common (Anderson & Gerbing, 1988). The overall fit of the measurement model (items of different constructs where not allowed to correlate) and the significance of the regression coefficients provide evidence of unidimensionality. For reliability, values greater than about 0.6 are desirable (Bagozzi & Yi, 1988) and Cronbach alpha's of all constructs exceed the 0.6 threshold (Bagozzi & Yi, 1988) and range from 0.6 to 0.9. The significant size of the factor loadings in our model is an indicator of the convergence validity. All factor loadings were well above the 0.5 rule of thumb (Hair et al., 2006) except for one item in the utilitarian identity construct which was significantly related but had a loading of 0.4. However, the recommended minimum in the social sciences is usually 0.4 (Ford, MacCallum, & Tait, 1986; Yli-Renko, Autio, & Sapienza, 2001). The analyses include testing the convergence validity by looking at the variance extracted for which the recommended minimum is 0.5 (Fornell & Larcker, 1981). The constructs meet this criterion without difficulty (variance extracted ranges from 56% to 80%). Analyzing the variance-extracted percentages for any two constructs compared with the square of the correlation estimate between these two constructs (Fornell & Larcker, 1981) tests for discriminant validity (the extent to which a construct is truly distinct from other constructs). The variance-extracted estimates should be greater than the squared correlation estimate. The data show this condition was met when examining each pair of constructs in our measurement model. Comparing all combinations of models with the correlation between two constructs

constrained to equal one with an unconstrained model is a second method to test discriminant validity. A significantly lower chi-square value for the model with the unconstrained correlation provides support for discriminant validity (Anderson & Gerbing, 1988). The differences chi-squares (1df) are all statistically significant at $p < 0.001$. As a result, the manager-rated scales are distinct from one another. In sum, the analyses validate the constructs in our model.

5.2 *Structural model*

Figure 3 provides the standardized path estimates which are in line with other second order CFAs (e.g., Dahling, Whitaker, & Levy, 2009; Jerez-Gomez, Cespedes-Lorente, & Valle-Cabrera, 2005; Spreitzer, 1995). The parameter estimates indicate support for all paths in our theoretical model and superordinate construct social proclivity and economic proclivity. Social orientation ($\gamma = 0.91$, $p < 0.01$), other-regarding values ($\gamma = 0.44$, $p < 0.01$) and normative identity ($\gamma = 0.65$, $p < 0.01$) are all significantly related to the second order construct social proclivity. In parallel, economic orientation ($\gamma = 0.93$, $p < 0.01$), self-regarding values ($\gamma = 0.52$, $p < 0.01$) and utilitarian identity ($\gamma = 0.93$, $p < 0.01$) are all significantly related to economic proclivity. Finally, as theoretically proposed, there is an inverse relation between the two second-order constructs social and economic proclivity ($\gamma = -0.96$, $p < 0.01$).

A CFA with only the young enterprises in our sample (Age ≤ 15 years) (N = 171) on the same structural model controls if the model holds for specific subsets of our sample. This model obtained as well a good model fit (RMSEA < 0.08 ; CFI > 0.9 ; NNFI > 0.9 ; Df = 146 and Chi-Square = 265.43) suggesting that the structural model can be applied on other (sub)samples of social enterprises.



**p<0.01

Figure 3: Standardized path estimates

6 Discussion and future research directions

The unique characteristic of social enterprises is their adherence to both social and economic goals (Mair and Marti, 2006). However, research to date has not conceptually captured the difference in proclivity between the social and the economic, treating it largely as a black box within the enterprise. This paper identifies dimensions and validates measures capturing the social and economic proclivity of social enterprises as two distinct higher order constructs. Confirmatory factor analysis shows that normative identity, social orientation, and other-regarding values are significantly related to social proclivity and utilitarian identity, economic orientation, and self-regarding values are significantly related to economic proclivity. The analysis provides evidence of construct validity of the measures.

The study shows how the social and economic proclivity of social enterprises can be reflected in the values, the identity and the attention towards social and economic goals. As such, this paper empirically validates insights of different schools and perspectives in the SE

literature. More specifically, the study integrates ideas from the social innovation school (with focus on the individual social entrepreneur) with the European perspective on social enterprises (with a focus on the organization), and scholars who focus on the entrepreneurial process towards social value creation (as the strategic goal).

The study is an important step towards answering the call for more research into understanding how difference in importance of the social motive influences strategy and resources (Certo & Miller, 2008). This research is significant as the importance of goals in organizations and its subsequent behaviour is widely acknowledged (Cyert & March, 1963; Sitkin et al., 2011). As a result, the main contribution of the paper is the empirical validation of the social and the economic as distinct constructs which opens up opportunities for much needed quantitative empirical research in the SE realm (Short et al., 2009).

First, using summary measures for the constructs social and economic proclivity can be useful as a starting point to empirically delineate between different types of social entrepreneurs and to investigate the explanatory power of both the main and interaction effects of the social and the economic proclivity on for example the revenue model, growth, perceived performance, adoption and adaptation of legal form. Hypothesis testing research designs – rooted in well-established theories – should be developed to tackle these issues.

Second, learning if the relationship between social and economic proclivity remains the same for different (sub)samples of social enterprises would be valuable. For example, researchers could hypothesize and test if for profit social enterprises have more difficulties in aligning their social and economic objectives over time compared to non-profit social enterprises, given similar social orientations. This question relates to the question whether or

not nascent social entrepreneurs struggle in the trade-offs they sometimes need to make both in the start-up phase as in their maturation into established enterprises. This struggle could be due to growth problems (Gilbert et al., 2006) or the fact that a clearly stipulated strategy is only emerging during the first years.

7 Limitations

This study is not without its limitations. The main limitation of the study is that the measures capture the perceptions of CEOs or their delegates about the social and economic proclivity of their enterprise, which does not necessarily reflect reality (Aupperle et al., 1985). Although this problem is recognized, there is a tendency to rely on the opinions or assessments because it is very hard to gather actual performance measures (Carroll, 2000; Turker, 2009) and the robust validity checks and tests for common method bias in this study are aimed at countering this inherent methodological problem.

A second limitation refers to the fact that the social and economic orientation measure uses a forced-choice or ipsative scale format. In other words, this measure already includes the assumption that one is either socially or economically oriented (i.e., precluding the possibility that the social and economic orientation might mutually support each other). However, this is a common assumption and using the scale has several advantages. First, the measure reduces common method bias by giving a different type of question (other than likert-scales) to the respondent. Secondly, the measure reduces social desirable answers. Thirdly, the measure forces the respondent to choose between the social and the economic or score both equally and rather low whereas in likert-type questions respondents are likely to score both aspects high and make no explicit choice. As a result, this measure makes clear where the primary purpose of the enterprise lies. Although an ipsative scale has limitations

and contributes to the inverse relationship between social and economic proclivity, the scale has several advantages and the other theoretical constructs (with non ipsative measures) are as well highly correlated to their respective second order factors.

8 Conclusion

In its development and validation of dimensions and measures of social and economic proclivity, this paper is a step in the direction of disentangling the relative importance between the social and the economic and its explanatory power for different types of social entrepreneurs. In this perspective, the proposed dimensions and measures are not to be used in a normative sense (i.e., to decide what is socially entrepreneurial and what is not). As Peredo and McLean (2006: 64) state: “There is no exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship.” Investigating the degree to which social entrepreneurs adhere to social and economic oriented goals, is the challenge ahead.

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CHAPTER 4: TOWARDS A BETTER UNDERSTANDING OF THE ATTENTION ALLOCATION IN FIRMS: THE MODERATING EFFECT OF PERFORMANCE ON THE ATTENTION TO SOCIAL AND ECONOMIC GOALS

Abstract. Managers continually have to divide their limited attention to both social and economic goals which is increasingly a key issue in firms. Applying the Attention Based View of the firm, this paper opens the black box of attention allocation by showing how situational factors and attention structures interplay towards the attention to social and economic goals. The study concludes that other-regarding values, utilitarian identity, and resource-availability have a significant impact on the attention to social and economic goals while finding evidence of a moderating effect of performance on these relations. The paper makes an important contribution to management theory and the knowledge of the attention allocation in firms.

1 Introduction

Attention is a limited resource of firms and a central concept in management research (Cyert & March, 1963; Simon, 1947). Firms cannot attend to all issues concurrently and must continually divide their attention to the different goals of their organization (Cyert & March, 1963; Greve, 2008) and to numerous environmental stimuli (Hambrick & Mason, 1984; Ocasio, 1997). The focus of attention has profound implications for the strategic orientation of an organization (Bouquet & Birkinshaw, 2008; Cho & Hambrick, 2006; Eggers & Kaplan, 2009; Ocasio, 1997; Tuggle et al., 2010b). For example, research confirmed the influence of attention on learning processes (Rerup, 2009), headquarters-subsidary relationships (Ambos, Andersson, & Birkinshaw, 2010), entry into a new markets (Eggers & Kaplan, 2009), formation of service orientation in the business strategy (Gebauer, 2009), and innovation (Yadav, Prabhu, & Chandy, 2007). Therefore, the question of what factors influence the attention patterns of organizations is fundamental and scholars have long been interested in the determinants and consequences of organizational attention (Ocasio, 2011).

This paper intends to further open the black box of attention allocation in firms. The study draws upon the attention-based view of the firm (ABV) which is based on three interrelated principles. The principle of focus of attention argues that firm behavior is the result of how firms channel and distribute the attention of their decision makers (Ocasio, 1997). Secondly, the principle of situated attention stipulates that what issues and answers organizations focus on, and what they do, depends on the particular context or situation they find themselves in. Indeed, research has shown how different situational factors affect the focus of an actor's attention (Tuggle et al., 2010b). For example, the organizational context plays an important role in shaping managerial interpretations of environmental issues (Sharma, 2000). Thirdly, the attention structures are central in the principle of structural

distribution of attention and refer to the determinants of what decision makers focus their attention on (Ren & Guo, 2011; Souitaris & Maestro, 2010; Yu et al., 2005). Attention structures are a primary force in governing the allocation of time, effort, and attentional focus of decision makers (Ocasio, 1997). In sum, attentional focus influences organizational action and is shaped both by the attention structures and the characteristics of the situation.

Interestingly, there is little insight in the interplay between attention structures and situational factors although both influence the attention allocation in firms. In particular, we do not know if situational factors moderate the relation between the attention structures and the attention focus in firms. This issue has not yet been investigated. Our study fills this void in a context where managers increasingly have to attend to social goals (Den Hond & De Bakker, 2007)— next to the traditional economic goals (Cyert & March, 1963; Greve, 2008) as a result of the growing societal and political consensus about the fact that organizations need to address social issues, questioning the narrow focus on profit maximization (Brickson, 2007; Margolis & Walsh, 2003). Therefore, the question of attention allocation becomes all the more relevant and it is imperative to understand the process by which managers allocate their limited attentional focus to social and economic goals. This leads to the following research question: Do situational factors moderate the relation between the attention structures and the attention to social and economic goals?

The results of the study make at least the following contributions. First, the study adds to a better understanding of the attention allocation in firms and elaborates the ABV which outlines the structures within a firm that drive where its decision makers focus their attention (Barnett, 2008). More specifically, we contribute to the ABV by showing how situational factors have a moderating effect on the relation between the attention structures and the focus

of attention. Additionally, the study is the first to include three attention structures simultaneously in the same model to explain the attention focus of firms. By including individual values as an attention structure in the model the study further extends ABV research which has mostly focused on organizational characteristics (Barnett, 2008). Second, the study introduces values, identity, resource-availability and performance as mechanisms affecting attention to social and economic goals. This is important and may inspire further research on the determinants of attention to social and economic goals. Gaining insight in the antecedents that lead to attention to social and economic goals is crucial because acting on social goals first requires that social enterprises allocate attention to these objectives (Tuggle et al., 2010b). In other words, gaining insight in the attention patterns of firms to social and economic goals, advances our understanding of the succeeding strategic choices and actions (Bouquet & Birkinshaw, 2008; Cho & Hambrick, 2006).

The paper is divided in four parts. We start with the development of the hypotheses after which the methodology is explained. This is followed by the presentation of our results. We end the paper with a discussion of the contributions of our research.

2 Theory and hypotheses

The central argument of the ABV is that firm behaviour can be explained by looking at how firms distribute and regulate the attention of their decision makers (Barnett, 2008; Ocasio, 1997; Rhonda, Engleman, & Van de Ven, 2005). This section elaborates on the basic premises of the ABV and then proceeds with developing the hypothetical model.

2.1 *The central tenets of the ABV*

Ocasio (1997) defines attention as: “the noticing, encoding, interpreting, and focusing of time and effort by organization decision-makers on both (a) issues; the available repertoire of categories for making sense of the environment: problems, opportunities, and threats; and (b) answers; the available repertoire of action alternatives: proposals, routines, projects, programs, and procedures”. The ABV is built on the premise that managers are bounded in their rationality and have significant limitations in their information processing capabilities (Cyert & March, 1963; Hambrick & Mason, 1984; Ocasio, 1997; Simon, 1947). The environment provides the organization with constant input and stimulus while individuals and organizations are limited in dealing with all available stimuli (Simon, 1947). These limitations make managers selectively attend to certain issues while missing others. ABV explains firm behavior by looking at information processing where organizational choices and outcomes are linked to the way top executives filter and process information from their environment (Hambrick, 2007; Simon, 1947).

The attention structures are central in the ABV and provide the decision-makers with a structured set of interests and identities through the principle of structural distribution of attention (Ren & Guo, 2011; Yu et al., 2005). Through the valuation and legitimization of issues and answers, attention structures govern and distribute the attentional focus of decision-makers (Ocasio, 1997) because decision makers will attend more to issues and answers with greater legitimacy, value, and relevance to the organization (Souitaris & Maestro, 2010). Studies have linked structural factors with the attention focus in firms (e.g., Vissa, Greve, & Chen, 2010). Bouquet and Birkinshaw (2008) describe how subsidiary units gain attention from headquarters by looking at several structural and relational determinants (e.g., the strategic significance of the local market, initiative taking, the strength of the subsidiary in its

network). Yu, Engelman, and Van de Ven (2005) studied how organizational structure influenced which aspects of the merger integration process managers attended to over time which in turn had significant implications for the strategic direction of the firm. Finally, Souitaris and Maestro (Souitaris & Maestro, 2010) contributed to the ABV by positioning polychronicity as a new type of attention structure in top management teams and showing how this has a positive effect on firm performance in the context of dynamic environments.

Next to the attention structures, the particular context or situation influences what issues and answers decision-makers focus on (Ocasio, 1997). The situational context includes the environmental stimuli for decision-making encompassing “the multiple material, social, and cultural factors, both internal and external to the firm” (Ocasio, 1997: 193). Research has shown the impact of situational factors on the attention allocation in firms. In a study on attention patterns in the boardroom, Tuggle and colleagues (Tuggle, Schnatterly, & Johnson, 2010a) highlight the importance of the situational context in which decision makers operate by showing how board meeting informality influences the attention to entrepreneurial issues. In a different study, Tuggle and colleagues (2010b) demonstrate that board members’ behaviors are contextually dependent by describing how deviation from prior performance affects the allocation of attention of board members to monitoring. Other research showed how deregulation was a situational factor in the airline industry which influenced managerial attention toward more of an entrepreneurial orientation (Cho & Hambrick, 2006) and how the level of past subsidiary initiatives is argued to influence the attention of headquarters to subunits (Ambos, Andersson, and Birkinshaw, 2010). Sullivan (2010) describes the context of formation of airline safety rules through the ABV stressing the importance of “urgency” induced by the aggregate flow of new problems.

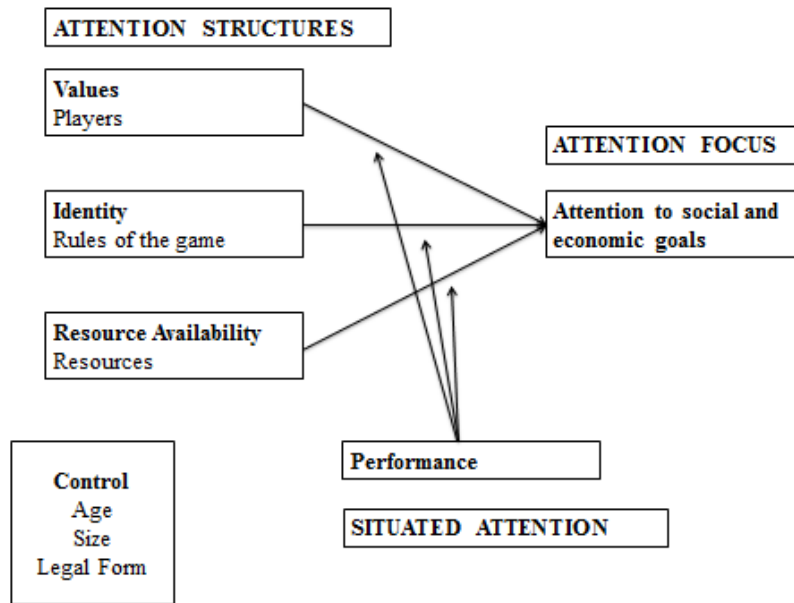


Figure 4: Theoretical model

In sum, the structural and situational mechanisms and principles of the ABV have been used in different contexts and to study diverse phenomena. ABV research uses attention as independent variable to explain for example innovation (Yadav et al., 2007) but mostly as dependent variable to explain the attention patterns of firms (Rerup, 2009) like the attention to designing structures and systems (Rhonda et al., 2005). However, despite these many valuable research efforts, research has not shown how attention structures interplay with situational factors in the attention allocation in firms. To address this gap and get a better understanding of the attention allocation in firms, we link the attention structures to the attention focus in firms while showing how a situational factor moderates this relation.

2.2 Hypothetical model

The ABV has theorized about the influence of the attention structures and situated attention on the focus of attention in organizations. The following sections hypothesize relationships between the attention structures (i.e., ‘the players’, ‘rules of the game’, and

‘resources’³), situated attention and the focus of attention (Ocasio, 1997). Figure 4 serves as a roadmap through this section. We develop our arguments in the following sections.

2.2.1 Players and values

An important component of the firm’s attention regulation consist of the individuals and groups of individuals as ‘the players’ in the organizational game because “individuals ultimately do the attending (Ocasio, 1997: 189)”. As a result, Ocasio acknowledges that players “can bring their own personal set of skills, beliefs, and values to those positions (1997: 197)” because managers are confronted with far more information than they can handle (Cho & Hambrick, 2006). The characteristics of the players are one of the numerous mechanisms that can influence attention, giving a major role for top executives (Cho & Hambrick, 2006).

The impact of the values of managers on the firm is generally acknowledged in management theory and in extant empirical studies (both inside and outside the ABV). In this context, values can be defined as “principles for ordering consequences or alternatives according to preference” (Hambrick and Mason, 1984: 195) who provide the basis for strategic choice by affecting perceptions or by entering directly into a strategic choice (Hambrick & Mason, 1984). For example, scholars suggest that managers have an impact on organizational structure and strategy (Miller & Toulouse, 1986; Nightingale & Toulouse, 1977; Yan, Zhao, & Baron, 2007) because key organizational leaders structure the firms and devise strategic plans in ways that are consistent with their personal values. Studies have also shown how values of founder CEO’s have a significant impact on new ventures’ performance

³ We excluded the fourth attention structure of the ABV ‘structural positions’ from the theoretical model. Structural positions refer to specialized structural positions in large business enterprises associated with an increase in the specialization of function and, as such, do not fit into our research design (e.g., respondents are all managing directors/CEOs and sample contains mostly relative young and small firms).

(Yan et al., 2007) and the fit with the environment (Miller, 1991). Scholars generally acknowledge that the impact of CEO's personalities will be the largest in small organizations (Miller, Droge, & Toulouse, 1988; Miller & Toulouse, 1986).

Although the number of empirical studies that used the ABV is limited, ABV research has already confirmed the influence of values of decision-makers in the attention allocation process. For example, scholars have shown that director characteristics influence the attention of boards to entrepreneurial issues (Tuggle et al., 2010a). Ren and Guo (Ren & Guo, 2011) recently argued how the values of managers are expected to influence the attention to opportunities.

Following this line of argument, attention can be (partially) seen as a result of the personal givens such as psychological properties as values and personality (Cho & Hambrick, 2006). More specifically, we propose that values influence attention to social and economic goals because managers engage in social practices because their moral or ethical values compel them to do so (Waldman et al., 2006). The motivation and the values of individuals are argued to effect the direction of their attention to the social as well as the economic environment (Shepherd & Patzelt, 2010). A key dimension in the values of individuals is the level of other-regarding values (Agle et al., 1999; Murphy & Coombes, 2009; Van de Ven et al., 2007). In other words, do individuals act in ways that benefit others, even to their own disadvantage? The other-interest dimension is ought to be important and to vary widely among individuals. It is argued that people perceive the things that are connected with their other-regarding values as important and thus influences the decisions organizational leaders make. The level of other-regarding values shapes the types of activities and organizational behavior in which he/she engages. Individuals who place a strong weight on others-interest

will tend to focus on maximizing the benefits for others in society (Santos, 2009). As a result, we propose that managers with strong other-regarding values will have more attention to social goals. We have the following hypothesis:

Hypothesis 1. The level of other-regarding values of the manager is positively related with the relative attention to social goals.

2.2.2 Rules of the game and organizational identity

‘Rules of the game’ refer to “the formal and informal principles of action, interaction, and interpretation that guide and constrain decision-makers in accomplishing the firm’s tasks and in obtaining social status, credits, and rewards in the process” (Ocasio, 1997). Rules of the game play a critical role in the allocation of legitimacy and have an impact on the focus of attention of decision makers. Within the ABV, identity is a key component of the social structures of attention (Hoffman & Ocasio, 2001) because organizational identity offers the rules which constitute out of a set of assumptions, norms, and incentives, about how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed (Ocasio, 1997). As such, the ABV points out that a firm’s organizational identity offers the rules of the game and shapes how its managers react to environmental stimuli. Organizational identity is defined as the members’ shared perceptions about their organization’s central, distinctive, and enduring qualities (Brickson, 2007; Dutton & Dukerich, 1991; Dutton et al., 1994; Dyer & Whetten, 2006; Fiol, 1991, 2001, 2002; Foreman & Whetten, 2002). Basically, organizational identity is the answer to the question ‘who are we’ and is used in a variety of contexts, to study a number of phenomena, and has a large impact on organizations (Hoffman & Ocasio, 2001). Organizational identity affects how organizations interpret issues, identify

threats, craft strategy, communicate about the organization, and resolve conflicts (Foreman & Whetten, 2002; Voss et al., 2006).

Similar to the ‘rules of the game’ in the ABV, organizational identity provides legitimacy and affects sense-making. For example, in a study of Glynn (2000), musicians and administrations were struggling on the identity of their orchestra to legitimize the characteristics of their professions, i.e., artistic excellence versus economic utility. Gioia and Thomas (1996) discuss how organization identity affects sense-making and indicate that identity type is related to the interpretation of organization issues as strategic. In a similar vein, Dutton and Dukerich (1991) argue that identity guides and activates the interpretation of an issue and motivates for action on it. As a result, “a knowledge of an individual’s beliefs about an organization’s identity is crucial for discerning the importance of an issue, its meanings and its emotionality”. For example, according to Brickson (Brickson, 2005, 2007), the concept of organizational identity orientation is well positioned to learn how businesses relate to stakeholders and why they relate to them as they do.

Building on the ABV and the extant research on organizational identity, we argue that organizational identity affects the attention to social and economic goals by giving legitimacy, rules and values to the organization. Like environmental issues may be legitimated as an integral part of the organizational identity (Sharma, 2000), attention to social goals may be legitimated in the organization. Most organizations are hybrids composed of multiple identities, meaning organizations where the identity is composed of two or more types that would not normally be expected to go together (Albert & Whetten, 1985). In their seminal article, Albert and Whetten (1985) define organizational identification in terms of multiple and competing identities: a normative system, emphasizing traditions and symbols,

internalization of an ideology and altruism, and a utilitarian system, characterized by economic rationality, maximization of profits and self-interest. An utilitarian organization can be defined as one that is oriented towards economic production with the values of economic rationality, maximization of profit, and the minimization of cost, and for which financial return is both a condition of continuing operation and a central symbol of success (Albert & Whetten, 1985). The normative and utilitarian identity is a well-established and researched phenomenon (e.g., Glynn, 2000) and is argued to have a significant impact on the organization (e.g., on the attitude toward leadership, organizational learning,...) (Albert & Whetten, 1985). Because decision makers will attend more to issues and answers with greater legitimacy, value, and relevance to the organization (Ocasio, 1997), we argue that an organization with a strong utilitarian identity will focus less of its attention to social goals. Therefore we hypothesize the following:

Hypothesis 2. The level of utilitarian identity is negatively related with the relative attention to social goals.

2.2.3 Resources and resource availability

“Resources” is the third attention structure we include in the model to explain the variety in attention to social and economic goals. Resources are broadly defined by Ocasio (1997) as “the human, physical, technological, and financial capital available to the firm at any moment in time for its objectives”. Resources shape the consideration of alternatives and influence the repertoire of answers of the decision-makers (Ocasio, 1997; Ren & Guo, 2011). As such, the resources available to the firm influence the attention of decision makers by including (or excluding) different options as they provide the organization with the skills and possibilities to perform a wide variety of tasks.

Applying the insights from the ABV that resources shape the consideration of alternatives (Ocasio, 1997), we argue that resources influence the attention to social and economic goals. In case of resource constraints, firms will use its resources towards economic efficiency and attend to economic goals. Firms with fewer resources are likely to focus on efficiency in leveraging them because resource constraints evoke behavior by which resources are garnered and expended, forcing managers to improve allocative efficiency (George, 2005). When resources are low, firms will look at economic performance to avoid further economic flaws (Shimizu, 2007). Firms will use their resources to commit to economic goals and will engage in a search for new (economic) resources in order to replenish resource reserves. On the other hand, when the resource availability is high, the firm can concentrate more on its social goals. Resources can give managers the means and opportunities to follow other/new directions with their firm (George, 2005). Resources influence managers' aspirations by providing opportunities for managers to pursue their own agendas (George, 2005). For example, the research of Bowen (2002) showed how that excess resources can be used to experiment with new environmental innovations. Therefore we hypothesize the following:

Hypothesis 3. Higher levels of resource availability are positively related with the relative attention to social goals.

2.2.4 Situated attention and performance

Next to attention structures and following the principle of situated attention of the ABV, research has shown how the situation of the firm influences the attention pattern of managers (e.g., Cho & Hambrick, 2006; Sullivan, 2010). The focus of an actor's attention is affected by situational factors when a variety of issues may compete for his attention. In line

with previous research (Shimizu, 2007; Sullivan, 2010; Tuggle et al., 2010b), this study identifies performance as an important situational factor to managers. Performance is an important situational factor because it creates an important context for future decisions (Shimizu, 2007; Vissa et al., 2010). Performance affects the attention allocation (Sullivan, 2010) because managers use performance as a means to assess managerial effectiveness (Tuggle et al., 2010b). Performance is a situational factor to assess management against concerns of other stakeholders and is a very high priority for managers. As a result, organizations respond to performance by making a broad range of strategic and operational changes (Boeker, 1997; Greve, 2008) and there is sufficient empirical evidence to show that decision makers are more likely to make changes when they face poor performance (Sullivan, 2010). Although there can be an influence of slack on performance, both concepts can be theorized independently as two different constructs (George, 2005).

Following the ABV, we argue that prior performance as a situational factor serves as a moderating variable (Baron & Kenny, 1986) in the relation between the organizational identity, values, resource availability on the one hand, and attention to social and economic goals on the other. Because of the limited information processing capabilities of managers, we have suggested that managers do not allocate equal amounts of attention to every issue and that they allocate attention based on the importance of the issue they face. Based on this insight, we suggest that changes in the allocation of attention to social and economic goals will differ across the performance levels. Low prior performance is very salient to entrepreneurs. Although attention to social issues is increasingly expected (Margolis and Walsch, 2003), having a sustainable venture is a condition sine qua non. Therefore low prior performance is expected to create a context in which managers of firms give their attention to these (economic) problems and deal with the performance situation first, making no room for

attention to social goals. Managers take actions in response to a decline in performance which acts as a catalyst to organizational change. Poor performance alerts management that the current manner of operating is inappropriate and that strategic changes may be necessary (Boeker, 1997). On the other hand, a context of strong prior performance creates a context where firms can attend to social goals, decreasing the negative relation between utilitarian identity and attention to social goals, and increasing the relation between other-regarding values and resource availability, and attention to social goals. As long as the performance is satisfactory, internal resources will continue to be allocated in the same way whatever rules of thumb they've been using in the past (Boeker, 1997). This will provide the organization with time and firms will allow to use its time to attend to social goals. In sum, performance is hypothesized to be a moderating variable and creates a context allowing the resources, identity and values to weaken or strengthen its impact on the relative attention to social goals. We hypothesize the following:

Hypothesis 4a. The positive relationships of higher resource availability and other-regarding values on the relative attention to social goals are moderated by the performance of the firm. Higher levels of performance increase the effect of other-regarding values and resource availability on the relative attention to social goals.

Hypothesis 4b. The negative relationship of utilitarian identity on the relative attention to social goals is moderated by the performance of the firm. Higher levels of performance decrease the negative effect of utilitarian identity on the relative attention to social goals.

3 Data and methodology

We test our hypotheses in a sample of social enterprises. Scholars generally accept the theoretical assumption that social entrepreneurs combine a dual social and financial objective (Di Domenico et al., 2010; Dorado, 2006; Haugh, 2007; Moss et al., 2011; Zahra et al., 2009). As a result, social enterprises give attention to the goal to reach social impact while they have to stay financial viable through trading on the market (Dacin et al., 2010; Stevens & Moray, 2010). This is acknowledged as a matter of relative priority (Mair & Marti, 2006; Peredo & McLean, 2006) and consequently, social enterprises can be placed on a continuum with varying degrees of attention to social and economic goals (Townsend & Hart, 2008; Zahra et al., 2009). Scholars have acknowledged social entrepreneurship as an ideal context to develop and refine existing management and entrepreneurship theories (Dacin et al., 2010; Di Domenico et al., 2010; Short et al., 2009). The combination of attention towards social and economic goals makes social enterprises ideal study objects for this research on attention allocation.

3.1 Sample

Accessing large-scale databases of social enterprises is particularly challenging and scholars need to be creative in their solutions to provide samples allowing multivariate techniques (Short et al., 2009). Applying purposive sampling (Kerlinger, 1986; Short et al., 2002) and starting from a sample of ventures with the probability of identifying a maximal number of social enterprises, we selected four strata with organizations who are generally considered as being to some extent driven by social goals (see appendix A for more details). Two strata can be positioned within the European view on social enterprises. First, we listed all integration enterprises (a specific type of social enterprise) in Flanders (region in Belgium) which are firms who want to create temporary or long-term employment for a specific target

population through productive activity (Nyssens, 2006). Second, we merged two existing list of cooperatives: Coopkracht and VOSEC are two Flemish institutions who unite cooperatives on their mission and values of people-planet-profit. The other two strata were selected on more traditional methods to find specific populations of enterprises. We took the investment portfolios of four social investors as a stratum and we traced the projects they financed between 2004 and 2007 as a third stratum of social enterprises. Lastly, we identified all ‘Vennootschappen met sociaal oogmerk (VSO)’ which is a special Belgian judicial statue for enterprises with a social objective. This social objective can be internal (aimed towards a social impact within the venture) or external while the associates can pursue only a limited capital gain. The foundation of the judicial form of “VSO” can be positioned within a tendency in which governments increasingly create (special) judicial forms for social enterprises like the CIC in the UK (Nicholls, 2010) and the L3C and the B-Corporation in the US (D'Intino, 2010). We excluded firms from the Walloon region in Belgium, firms we could not contact (no phone or address) or that were bankrupt. After removing overlaps between the strata and organizations with a nonprofit organizational form we calculated a total valid N (N=285).

We sent out a standardized survey to the managers of this sample of social enterprises. Scholars (Berson & Avolio, 2004; Roth & Ricks, 1994) stressed the importance of managers and leaders in specifying and clarifying the organization goals, making them appropriate respondents for our study. Next to construct of the study, we collected data on the number of integration employees, start-up capital, age and judicial form. We collected financial data from the annual financial statements such as (e.g., turn-over, accumulated profit,...). To maximize response rate we made several follow-up calls resulting in a total response of 101 social entrepreneurs (response rate of 36%). The data collection was performed in 2009.

3.2 *Measures*

3.2.1 Dependent variable.

The existing literature rarely offers scales for the operationalization of managerial attention (Gebauer, 2009) (for an exception see Ambos and colleagues (2010) for their operationalization of attention to subsidiaries). To measure attention scholars tend to rely on letters to the shareholders as predominant measure (Ocasio, 2011). This paper uses the model of Carroll (1979) as a proxy for measuring the attention to social and economic goals of the firm that was developed by Aupperle (1985) to measure degree of orientation to social responsibility based on the definition of Carroll (1979). The model presents a continuum on which firms can be positioned in terms of what they give attention to as their responsibility which has been employed successfully in numerous studies (e.g., Agle et al., 1999; Angelidis & Ibrahim, 2004; Ibrahim & Angelidis, 1995; Ibrahim et al., 2000; Ibrahim et al., 2008). We asked respondents to allocate 10 points among four items representing the four areas of responsibility. These four areas were represented by items such as ‘being as profitable as possible’ (economic responsibility), ‘abiding by laws and regulations’ (legal responsibility), ‘moral and ethical behavior’ (ethical responsibility) and, ‘voluntary and charitable activities’ (discretionary responsibility). We shortened the instrument to a manageable four sets of four items in our questionnaire although the original instrument contains 20 sets. Aupperle et al. (1985) indicate that each set of items searches the same basic information. Other researchers have limited the original set to 3 four-item groupings (Agle et al., 1999). The forced-choice methodology minimizes the social desirability of responses (Aupperle et al., 1985) and forces a choice between an attention toward social and economic goals. In line with theoretical insights of McWilliams and Siegel (McWilliams & Siegel, 2001) we made two summarized scales: the economic and legal perspective on the hand and the ethical and philanthropical perspective on the other hand as “*the actions that appear to further some social good, beyond the interests of the firm, required by law*”. Exploratory factor analysis on the sixteen items

supports this decision by generating one factor (loadings all higher than 0.5) in which economic and legal items are highly positive related whereas ethical and philanthropical items are highly negatively related explaining more than 50% of the variance. Further, Cronbach alpha's of the 8 economic and legal items and 8 ethical and philanthropical items are higher than 0.7.

3.2.2 Independent variables.

Based on the measurement instrument of Rokeach (1972), Agle et al. (1999) constructed a measure capturing the level of '*other-regarding*' values. Values are expected to vary on profit maximization-firm-centered values to other-system-centered values. We included 4 items measuring the other-regarding values construct (e.g., "helpful - working for the welfare of others" and "loving - being affectionate, tender"). Respondents rate each item on a seven-point likert scale.

To measure the extent to which the social enterprises adhere to a *utilitarian identity*, we use the operationalization of Foreman and Whetten (2002). We included 4 items that represent the utilitarian identity (e.g., value of products or services). Respondents indicate the importance of the items on a 7-point likert scale. We made two adjustments to the original set of items to fit the questionnaire in our research population. To be complete, we stress that we measure in fact the perceived organizational identity (Foreman & Whetten, 2002). Like in the study of Voss et al. (2006), we assessed leaders' beliefs about organizational identity by measuring their perceptions about the core values and ideology in their organization.

Resource availability has been conceptualized, operationalized and measured in a number of ways. Like in the study of Shimizu (2007), we take two absolute kinds of resource

availability into consideration. First, we take potential resource availability operationalized as the debt-to-equity ratio. A corporation with a high debt-to-equity ratio has a relatively low ability to obtain additional funds. Second, we included available resources in our analysis operationalized as the current assets divided by current liabilities.

3.2.3 Moderating variable

Measuring *performance* in entrepreneurial firms is a challenging task. There is no single measure that fully captures firm performance (Voss et al., 2006) and researchers have relied upon a diversity of measures (Murphy et al., 1996). Most researchers have taken growth as an indicator of performance in entrepreneurial firms (Ensley et al., 2002; Murphy et al., 1996; Read et al., 2009; Stam & Elfring, 2008; Wiklund & Shepherd, 2005). While managers view growth as a form of performance (Greve, 2008) and may be more accurate and accessible than accounting measures of financial performance (Wiklund & Shepherd, 2005), growth can occur in many different aspects of a firm's operations. The most important measures of new venture growth in literature are in terms of sales and employment (Gilbert et al., 2006; Murphy et al., 1996; Wiklund, Patzelt, & Shepherd, 2009). Because sales growth is dependent on industry, a more relevant indicator of growth performance is growth in employment (Gilbert et al., 2006). As a result, growth in employees has often been used as a proxy of venture growth (Baum & Locke, 2004) and most often as only measure of growth (Achtenhagen, Naldi, & Melin, 2010; Murphy et al., 1996). We argue that for social enterprises -where size to reach social impact is important- growth in employees is the best indicator of the firms performance and take annual growth in employees from the start as a proxy for performance.

3.2.4 Control variables.

We include three variables in the regression as controls to exclude alternative explanations. First, the *age* of the ventures could affect the attention towards social and economic goals as economic goals would potentially overwhelm the social objectives over time, especially when ventures grow and more is at stake in case of financial/economic problems (for example more people depend on the organization as employee). For example, younger ventures could also still struggle with their goals due to growth problems (Gilbert et al., 2006) and research has shown that younger ventures pursue more radical innovations than older ventures (Rosen, 1991; Zahra & Bogner, 2000) resulting in a different relation between social and economic goals. As a result, we include age as a control variable in the regression. We also take into account the *size* of the ventures in the analysis (measured as total assets) because scholars could argue that small ventures still pay considerable more attention to economic goals as compared to more established large ventures. For example scholars have shown that larger ventures might possess more resources that allows them to support R&D and introduce more new products than smaller ventures (Zahra & Bogner, 2000). Thirdly, the sample contains cooperative judicial forms as well as Ltd and PLC ventures. Traditionally, cooperatives share characteristic values such as democratic decision making, limited distribution of dividends and employee participation (Coates, Van Steenberge, & Deneff, 2008). For example, Brickson (2005) found that cooperatives to have a more collectivistic identity orientation than those companies who are not structured as cooperatives. Our analysis controls for these different *judicial forms* in explaining the attention to social and economic goals. We use a dummy variable (1 cooperative and 2 non-cooperative) to capture this effect on our dependent variable.

3.3 *Validity tests*

Because the variables of our model were all manager-rated and collected in the same survey instrument, we had to address an important concern prior to model building: common method variance. Although the procedure has limitations (Podsakoff et al., 2003), we conducted Harman's single-factor test to address this concern. We performed a CFA wherein all variables are allowed to load onto a single factor (Hoobler et al., 2009; Korsgaard & Roberson, 1995). If method variance is a significant problem, a simple model (e.g., single factor model) should fit the data as well as a more complex model. The model demonstrated poor fit. Further, we assessed the risk of common method bias by using principal component analysis on all survey measures. If common method variance were a serious problem in the study, we would expect a single factor to emerge from a factor analysis or one general factor to account for most of the covariance in the variables. The analysis returned five factors with eigenvalues greater than one (Konrad & Linnehan, 1995; Scott & Bruce, 1994). Thus, multiple factors emerged and the first factor did not account for the majority of the variance. These results indicate that our findings are less likely to be affected by common method bias.

We tested for reliability and Cronbach alpha's of all constructs exceed the 0.6 threshold (Bagozzi & Yi, 1988) and range from 0.6 to 0.9. Before analyzing the regression results we tested for multicollinearity and heteroscedasticity. In our correlation table (see Table 7) we found no correlations higher than 0.8 and all variance inflation factors (VIFs) had values lower than two, suggesting that multicollinearity did not threat parameter estimates. We checked for heteroscedasticity by looking at the residuals but found no evidence of a pattern (Hair et al., 2006). The results suggested that heteroscedasticity was not a concern for our model.

4 Results

The descriptive statistics and bivariate correlations among the variables are shown in Table 7 (N=101). The variables correlate as theoretically expected. Table 8 presents the results of our regression analysis in which the relative attention to social goals is the dependent variables. In the first model, we included only the control variables. In model 2 we added the hypothesized main effects. In the third model, we finally added the interaction effects of hypothesis 4. The R^2 significantly increased in every model. The final model demonstrate a relatively high explanatory power ($R^2 > 0.4$) in this kind of research (Tuggle et al., 2010a). To facilitate understanding of the interactions and further elaborate upon the unexpected results of hypothesis 4a, we present the results visually in Figure 5.

	Variable	Mean	s.d.	1	2	3	4	5	6	7	8
1	Other-regarding values	5.46	.89								
2	Utilitarian identity	5.54	.93	.159							
3	Potential resources	0.78	23.04	.058	.071						
4	Available resources	2.85	4.39	-.134	-.208*	.000					
5	Performance	.37	.75	.108	.017	.024	-.107				
6	Rel. attention to social goals	20.36	5.67	.424***	-.324**	-.107	-.091	.153			
7	Age	12.70	20.14	.037	-.229*	.029	.210*	-.199	.159		
8	Size	3442.56	10146.75	.005	.052	.038	.014	-.099	-.055	.374***	
9	Judicial form	1.39	.48	-.252*	.185	.103	.076	-.201	-.471***	-.080	.046

***<0.001; **<0.01; *<0.05

Table 7: Descriptive statistics and correlations (N=101)

Consistent with hypothesis 1 other-regarding values have a significant positive influence on the relative attention to social goals. This supports the claim that values explain the attention patterns in firms. Similarly, utilitarian identity, in agreement with hypotheses 2, has significant negative influence on the relative attention to social goals. This confirms the role of the identity in the attention allocation. The results partially support hypothesis 3. Only in the final model including the interaction effects, we found a significant negative effect of the debt-to-equity ratio on the relative attention to social goals. This means that a high level of potential resources (i.e., a low level of the debt-to-equity ratio) has a positive impact on the relative attention to social goals which is as theoretically expected. There is no significant

effect of available resources. Overall, the findings show a weak (although significant) direct effect of resources on the attention allocation in social enterprises. We found an opposite effect in the regression equations for hypothesis 4a. Unlike theoretically expected, we found a negative significant interaction effect between other-regarding values and performance. This means that the effect of other-regarding values becomes stronger as performance decreases (see figure 5). In a similar way, the positive effect of potential resource availability decreases as performance decreases. Finally, we could confirm hypothesis 4b and found a significant interaction effect of potential resources and utilitarian identity on performance. Figure 5 shows that the effect of an increasing utilitarian identity becomes weaker as performance increases. The findings did not establish a moderating effect of performance on the relations between available resources and the relative attention to social goals.

Variable	Relative attention to social goals		
	Model 1	Model 2	Model 3
<i>Controls</i>			
Size (k Euro)	-0,051	-0,021	0,000
Age	0,042	0,075	0,027
Judicial form	-0,455***	-0,269**	-0,278**
<i>Main effects</i>			
Other regarding values		0,402***	0,464***
Utilitarian identity		-0,326***	-0,391***
Available resources		-0,055	-0,046
Potential resources		-0,070	-0,296**
Performance			-1,051
<i>Two-way interactions</i>			
Performance x Other-regarding values			-1,868*
Performance x Utilitarian identity			2,650**
Performance x Available resources			0,080
Performance x Potential resources			0,459**
ΔR^2	//	0,215***	0,078**
R^2	0,238	0,453	0,531
Adjusted R^2	0,214	0,406	0,467
F	10,090***	9,529***	8,294***

***<0,001; **<0,01; *<0,05

Table 8: Results of Hierarchical Regression Analysis

5 Discussion and contribution

The purpose of this study was to improve our understanding of the attention allocation in firms through (1) study how contextual factors moderate the relation between the attention structures and the focus of attention and (2) identify the factors that lead to a variety in attention to social and economic goals in firms. We can summarize our key results as follows. First, we showed a moderating effect of the contextual factor performance in the relation between the attention structures and the focus of attention. Second, we found a significant effect of the three attention structures other-regarding values, potential resource availability, and utilitarian identity on the relative attention to social goals.

The moderating effect of performance did not consistently played out as theoretically expected. As hypothesized, a higher level of performance in interaction with low utilitarian identity creates a context in which the firm is facilitated in giving attention to social goals as compared to firms with a lower level of performance. The negative effect of high utilitarian identity on relative attention to social goals is less strong for firms with a higher level of performance. On the other hand and in contrast to our hypotheses, we found that the positive effect of other-regarding values and potential resource availability on the relative attention to social goals is strengthened by lower levels of performance. Interestingly, taken the three interaction effects in concert, a pattern becomes clear (see figure 5). Although we found no direct effect of performance on the social and economic goals of firms, higher levels of performance weaken the effect of values, identity, and potential resource availability (the main effects) on the attention to social and economic goals. The results suggest that firms with higher levels of performance have a more stable balance between their attention to social and economic goals, whereas firms with lower levels of performance are less stable. In firms with lower levels of performance, the effect of values, identity, and resources influences more

sharply the attention allocation to social and economic goals. In firms with higher levels of performance, the values, identity and resources are of less importance in the attention allocation and the attention to social and economic goals remains more constant across the different levels of the attention structures.

Management theory offers insight in this interaction effect and the reaction of organizations to low performance and ‘threats’ (Shimizu, 2007). Prospect theory suggests that preferences for behavior change depending on how alternatives compare to a point of reference (Shimizu, 2007; Tuggle et al., 2010b). When managers assess the performance of the organization as good when evaluating to a reference level of performance, this will make managers to conclude that the management is taking the right decisions. As such, organizations are not motivated to change their attention to social and economic goals and are less influenced by the attention structures. Conversely, when performance is seen as low, organizations are expected to react by shifting their attention to social and economic goals, making more room for variation in the effect of the attention structures on the attention to social and economic goals. Individuals tend to be more likely to change when facing losses and are less likely to change when facing gains (Sullivan, 2010). In contrast to prospect theory, the threat-rigidity theory suggest that economic adversity (like low performance) may result in “restriction of information processing, such as a narrowing in the field of attention” (Staw et al., 1981: 502) and may result in organizations that behave rigidly in threatening situations. Following this line of argument, low performance may result in a restriction of information processing and a reduction in the communication complexity which leads to a stronger, more direct, and straightforward relation between the attention structures and the focus of attention. The threat makes the organization focus solely on the attention structures and as such, there is a stronger relation between the attention structures and the focus of

attention. More specifically, in case of low performance, the organization will rely more directly on its organizational identity (rules of the game), the values of the decision-makers (players), and its potential resources (resources) to allocate the focus of attention to social and economic goals. On the other hand, in the case of high performance, organizations broaden their field of attention and information processing, making other influences on the attention focus apart from the traditional attention structures more likely.

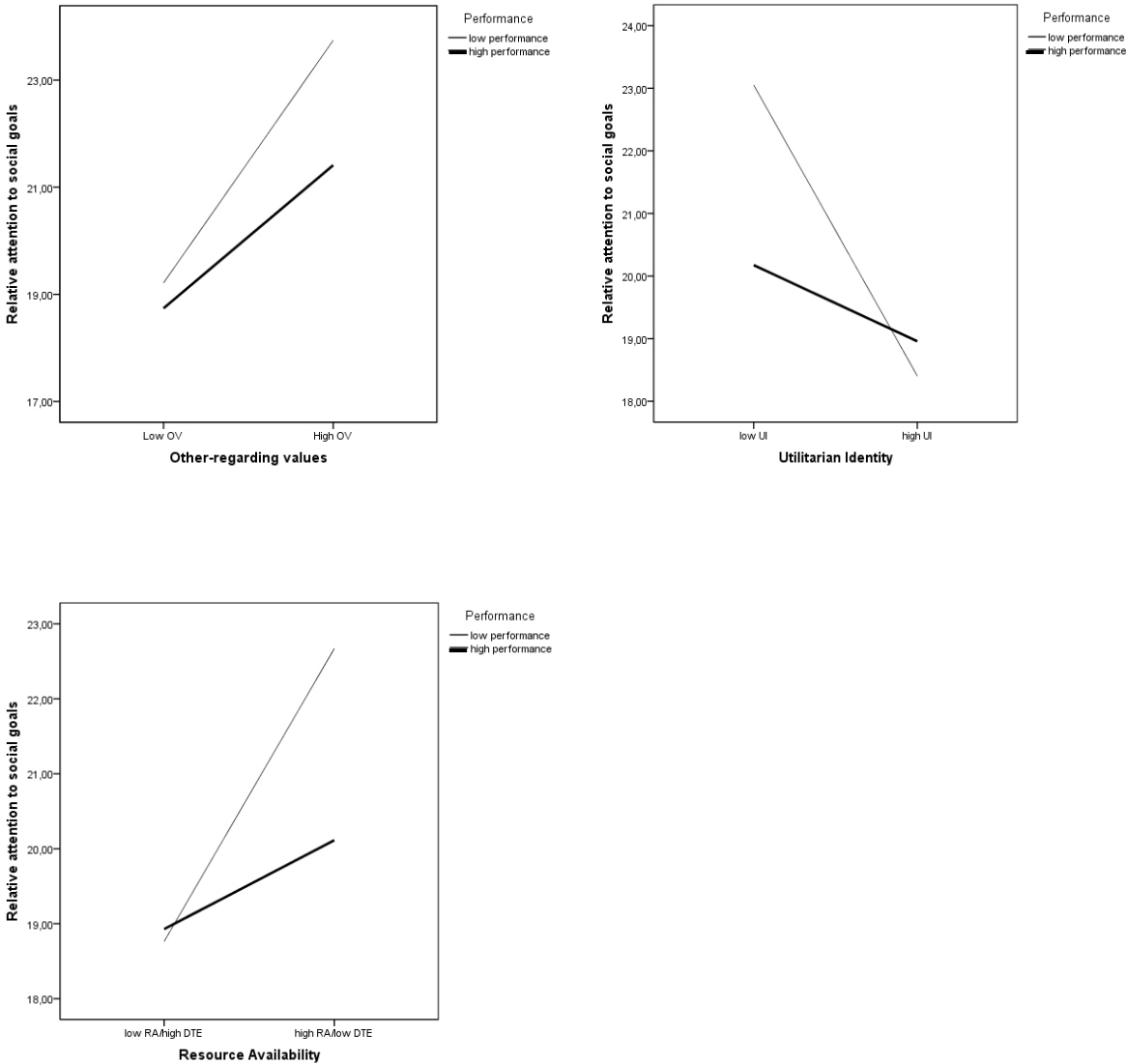


Figure 5: Interaction effects

The study makes several contributions to theory. First, we improved our understanding of the attention allocation in firms. The ABV provides a broad framework (Souitaris & Maestro, 2010) where the theoretical mechanisms are described on a general level (Cho & Hambrick, 2006). As such, this study answers the call for a further theoretical elaboration of the ABV (Ocasio, 1997; Sonpar & Golden-Biddle, 2008) and aims at further opening the black box of attention allocation in firms. More specifically, the study shows how situational factors moderate the relation between the attention structures and the focus of attention. As such we further elaborate on the principle of the structural distribution of attention where the attention focus depends on how the firm's rules, resources, and social relationships regulate and control the distribution and allocation of issues, answers, and decision-makers into specific activities, communications and procedures. The results indicate how other situational factors may moderate this relation. For example, while we found -in accordance to ABV theory- that identity had an effect on the attention focus, we also found how performance may weaken or strengthen this relationship. Additionally, we are the first to include three attention structures as described in the ABV (Ocasio, 1997) simultaneously in the same model to explain variation in the attention focus of firms while previous studies (e.g., Souitaris & Maestro, 2010) focused mostly on one attention structure. The results show how the attention structures had all three a significant impact in the final regression model, thus explaining variation in the dependent variable. As such, this study empirically validated the relation between the attention structures and the focus of attention. We further contribute to ABV research by adding the values of the decision makers in our model. ABV research traditionally focuses on contextual and organization characteristics where "behavior is dependent more on the situation rather than characteristics of the individuals" (Barnett, 2008). Our results show that other-regarding values have a significant impact on the relative attention to social goals which adds to the knowledge of how executives' characteristics affect their decisions. The

study highlights the importance of the human dimension in the attention allocation of firms (Sharma, 2000). This is essential for ultimately improving the insights we can provide executives regarding how they might surmount or overcome the biases associated with their experiences and dispositions (Hambrick, 2007). This is important as managerial attention is regarded as the most important resource inside the organization (Yadav et al., 2007) caused by a recent explosion of information (Hansen & Haas, 2001).

Second, the study advances management theory by introducing values, identity, resource-availability and performance as mechanisms affecting attention to social and economic goals. This is valuable as the importance of attention in decision-making processes has long been noticed by organizational scholars (Sullivan, 2010) because organizational actions are largely a function of how decision makers allocate their attention (Cho & Hambrick, 2006; McMullen et al., 2009; Yu et al., 2005). For example, research has shown that CEO attention is a critical driver of innovation (Yadav et al., 2007), accelerated entry into a radical new technological market (Eggers & Kaplan, 2009) and contributes substantially to changes in strategy (Cho & Hambrick, 2006). Consequently, this study identified factors that will potentially lead to actual behavior towards achieving social and economic goals which in turn advances our understanding of the strategic choices and actions of firms towards social and economic goals (Bouquet & Birkinshaw, 2008; Cho & Hambrick, 2006).

Third, the research contributes to the social entrepreneurship literature. Firstly, we gained insight in the attention allocation of social enterprises to social and economic goals which is the key issue in social entrepreneurship (Di Domenico et al., 2010; Dorado, 2006; Haugh, 2007; Moss et al., 2011; Zahra et al., 2009). Despite the centrality of the social mission, this research shows how the attention to social goals varies among social enterprises

and how different factors have a significant effect on the variation in this attention. Secondly, the significant regression scores of other-regarding values confirm the central role of social entrepreneurs of social enterprises (Zahra et al., 2009). To some scholars, the values and the morality of the individual social entrepreneur (e.g., Spear, 2006) are important in understanding social entrepreneurship (Mort et al., 2003; Thompson et al., 2000; Waddock & Post, 1991) because social entrepreneurs have the values to be committed to helping others and choose to work for the community rather than for personal financial gain (Thompson et al., 2000). As a result, only certain individuals with particular values, capabilities and skills seem to be attracted to social entrepreneurship (Zahra et al., 2009). The results of our study confirm this importance of the values of the social entrepreneur in the attention allocation in social enterprises.

6 References

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CHAPTER FIVE: CONCLUSIONS, CONTRIBUTIONS, AND DIRECTIONS FOR FURTHER RESEARCH

This thesis aims to contribute to a better understanding of having both social and economic goals in firms. Specifically, the dissertation had three primary objectives. The first was to understand the dynamics underlying social and economic goals in social enterprises. The second objective was to measure and validate the social and economic proclivity of social ventures. The third objective was to improve our understanding of the attention allocation in firms through a study on the antecedents of attentional focus on social and economic goals. To this end, we conducted three empirical studies and attained each of the three goals it set out to accomplish. In doing so, our research makes important contributions. We start this chapter with a conclusion of our main findings. Further, we offer a discussion of our findings and how these contribute to the social entrepreneurship literature and management theory. We then identify opportunities for further research to provide avenues to push the research forward. We end the doctoral thesis with concluding reflections.

1 Conclusion

Social entrepreneurship is high in the agendas of NGOs, policy makers, and academics who increasingly acknowledge the benefits of SE for society. In this context, a better understanding of SE is important. This doctoral research focused on the key defining characteristic of social enterprises: the combination of social and economic goals. Although the SE literature acknowledges the importance of the combination of social and economic goals, the phenomenon lacks empirical grounding and theoretical framing. This thesis explored the dynamics of the combination of the social and the economic, validated it into a measurement model, and hypothesized on the variation. I start the chapter with a brief summary of the key findings on the three research questions we set out as starting point of the thesis after which general conclusions on the social and the economic will follow.

1.1 Answering the research questions

RQ1: What are the underlying dynamics of having social and economic goals in social enterprises?

Chapter two concluded with two main findings to answer the first research question. First, we found how the social and economic goals affect social enterprises who can struggle to balance a focus on the social mission with the necessary attention to its economic goals. More specifically, we identified four underlying processes: focus on the social mission, supporting government, management flaws, and high growth. Second, we position the social mission and government support within a social employment logic while placing the management flaws and growth with a market logic, showing the importance of institutional logics in understanding social enterprises and the balance between social and economic goals.

Our data and subsequent second order construct development indicate how Metalcon had severe difficulties in aligning the social employment logic with the market logic. With a focus on the social employment logic, Metalcon failed to respond to the guidelines of the market logic where it gradually support among stakeholders (e.g., customers, suppliers).

RQ2: How can we measure the social and economic proclivity of social enterprises?

The main finding of the second study is the validation of the measurement model to measure social and economic proclivity. Evidence was found of two higher-order constructs social and economic proclivity. The structural equation model shows that normative identity, social orientation and other-regarding values relate to the second-order construct social proclivity and utilitarian identity, economic orientation and self-regarding values relate to the second-order construct economic proclivity. The analysis provides evidence of construct validity of the measures.

RQ3: Do situational factors moderate the relation between attention structures and the attention to social and economic goals?

The third study of the thesis has two main findings. First, the data show how values, resources, and identity (i.e., the attention structures) affect the attention to social and economic goals in firms. More specifically, other-regarding values and resources are positively related to the relative attention to social goals while utilitarian identity is negatively related to the relative attention to social goals. Second, the results show how situational factors can moderate the relation between attention structures and the focus of attention.

Performance significantly moderates the relation between other-regarding values, resources, utilitarian identity, and the relative attention to social goals.

1.2 General conclusions

This research is the first to describe and empirically focus on the social and the economic in social enterprises. The effort to understand the combination of the social and the economic delivered general insights across the studies of the thesis.

In all three studies of the thesis, we empirically delineated the social and the economic as two different constructs. The data of the first study showed how the social and economic were linked to two different institutional logics with different rules and objectives. Whereas the social mission was supported within the social employment logic, the economic objectives were understood as important within a market logic. The measurement model of the second study noticeably indicated an inverse relation between the social and the economic and discriminant validity between the constructs was clearly established. Further, the social and the economic are reflected in different goals, values, and identities. For example, while the social is reflected within a normative identity, we found that the economic is reflected within a utilitarian identity. In the third study we showed how different levels of the attention structures caused significant changes in the attention focus to social and/or economic goals, also suggesting the difference between the social and the economic in the organization. The empirical delineation and description is an important step in our understanding of the social and the economic in organizations.

Further, we found variation in the adherence to the social and the economic with social enterprises which is ignored by current research. This is especially found in the third study in

which we found variation in the attention to social and economic goals. To support this idea of variance of the third study we performed an additional analysis to the structural equation model of chapter 3. We further analyzed the data of the study by looking if different groups in the data set score differently on the social and economic orientation measure which would back the idea of variance in adherence to the social and the economic. To this end, we divided our dataset into different groups to perform the multi-group analysis in Lisrel. We split the dataset based on judicial form into one group with nonprofit judicial forms (VZW) (N=90) and one group with all the for profit judicial forms (CVBA, BVBA, NV) (N=180). We also divided the sample into firms that were younger than 10 years (48%) versus firms that are older than 10 years (52%). We then checked if the relation between social and economic orientation is different between young and old firms and between for profit and nonprofit firms. Considering the two judicial groups, the χ_2 difference test was not significant ($\Delta \chi_2 = 1.1, df=1$) and no moderation effect of judicial form was found in the analysis ($\gamma_{\text{profit}} = 0.82$ with t-value= 9.51; $\gamma_{\text{vzw}} = 0.66$ with t-value= 6.31). However, as for the two age groups, the χ_2 difference test was significant ($\Delta \chi_2 = 4.93, df=1$) and there was no equal regression between social and economic orientation. Consequently, a moderation effect of age was found in the analysis ($\gamma_{\text{youngfirms}} = 0.71$ with t-value= 8.81; $\gamma_{\text{oldfirms}} = 0.92$ with t-value= 10.41). This moderation effect confirms the idea that different groups of social enterprises have a different relation to the social and the economic and thus suggests variation. This has important consequences. For example, this rejects the view of homogeneity in the focus on the social mission in social enterprises and suggests a trade-off social enterprises have to make in the pursuit of social and economic goals.

Building further on this idea, the data of the thesis suggest that the social and the economic are two ends of a continuum on which social enterprises can be positioned

depending on their social and economic goals. This is especially apparent in the inverse relation between the social and the economic proclivity in the third chapter and in the results of the fourth chapter in which we found variation in the attention to social and economic goals affected by the attention structures. Although we have to be careful in this interpretation (for example due to measurement issues), this means that we could place social enterprises on a continuum between attention to social goals and attention to economic goals. Doing so, the thesis includes studies who are the first to empirically support the idea of a continuum with varying degrees of importance attached to social goals (e.g., Grimes & Victor, 2009; Peredo & McLean, 2006; Townsend & Hart, 2008; Zahra et al., 2009).

In sum, the research of this thesis is the first to empirically and theoretically identify different dimensions and underlying dynamics that reflect the social and the economic. We further found that social enterprises differ in their adherence to the social and the economic and support the idea of the social and the economic as the two ends of a continuum.

2 Conceptual boundaries: organizational identity and values

Before moving on to the theoretical contributions, we want to use the concluding chapter to discuss the relation between the concept of ‘values’ and the concept of ‘organizational identity’ and the different levels of analysis in the thesis.

This thesis defines and measures values at the individual level. We take a conceptual definition of values as concepts or beliefs that pertain to desirable end states or behaviors, transcend specific situations, guide selection or evaluation of behavior and events, and are ordered by relative importance (Schwartz & Bilsky, 1990). In this respect, other-regarding values and self-regarding values refer to the extent to which individuals act in self-interest or

act in ways that benefit others, even to their own detriment (Agle et al., 1999). However, like in extant empirical studies (e.g., Shimizu, 2007; Yan et al., 2007) and in well-known management theories like upper-echelons theory (Hambrick & Mason, 1984) and congruence theory (Nightingale & Toulouse, 1977), we expect individual values of managers to have a significant impact on organizational level decisions and phenomena. This is also the case in the theoretical framework of this dissertation (i.e., the ABV) where Ocasio (Ocasio, 1997) acknowledges that players bring their own personal set of values to the organizational decision-making process.

The thesis defines organizational identity as that which is central, distinctive, and enduring about an organization (Albert & Whetten, 1985; Scott & Lane, 2000). Organizational identity consists of participants' shared perceptions about what their organization is (Brickson, 2007) and has a reality independent of individual members (Scott & Lane, 2000). As such, organizational identity is an organization-level construct and speaks to the very definition of an organization, delineating its fundamental essence (Brickson, 2007). Identity guides organizational action and is a way to explore and explain organizational phenomena (Brickson, 2007; Foreman & Whetten, 2002).

Although organizational identity is objectively held on the organizational level and we discuss values at the individual level, there can be a relation between the two constructs because organizational identity is conducted through the complex interactions among individuals (with different individual values) (Scott & Lane, 2000). More precisely, organizational identity is socially constructed and negotiated with internal and external stakeholders (Brickson, 2005) encompassing employees, managers, customers, suppliers, shareholders, and board members among others (Scott & Lane, 2000). In these interactions

goals, missions, practices, action, and values contribute to shaping organizational identity (Scott & Lane, 2000) in an often eclectic process, embracing statements of ideology, management philosophy, culture, ritual, etc (Albert & Whetten, 1985). The process further involves managers' and stakeholders' reflection on the meaning of organizational events, policies, and actions.

In sum, although there can be a relation between the individual values of managers and the organizational identity, both constructs can be clearly distinguished. As a result of the complexity of attributes and processes (of which individual values is only one) that shape the organizational identity and the different parties involved (of which the managers are only one participant), the organizational identity does not (necessarily) reflect the values of the manager. We can confirm this empirically by establishing the discriminant validity between the values and identity constructs of Chapter 3.

3 Theoretical contributions

The central contribution of this thesis is an improved theoretical and empirical insight in the social and the economic in social enterprises. Additionally, the research of the thesis has general theoretical implications as well. We summarized the contributions of the thesis on three domains: the SE literature, institutional theory, and the attention allocation in firms.

3.1 The social entrepreneurship literature

This doctoral thesis contributes to the SE literature in several ways. First, the thesis adds to the theory development in the SE literature. More specifically, we empirically introduced institutional logics in the research on social enterprises. SE has been conceptually linked to institutional theory (Kistruck & Beamish, 2010; Mair & Marti, 2006) and scholars

pointed at the turbulent institutional environment social enterprises face (Dart, 2004; Townsend & Hart, 2008) because social enterprises face unique challenges in, for example, working with communities which are characterized by limited access to resources or in areas where markets function poorly (Di Domenico et al., 2010). However, this study is the first study to inductively and empirically link competing logics as a potential explanatory framework in social enterprises. The thesis also describes these logics and shows how competing logics impact the issue of having both social and economic goals.

Second, the third study of the doctoral thesis confirms the central role of the individual social entrepreneur in SE (Zahra et al., 2009). The results of the study showed significant regression scores of other-regarding values on the relative attention to social goals. Some scholars focus on the individual social entrepreneur (e.g., Spear, 2006) in understanding SE (Mort et al., 2003; Thompson et al., 2000; Waddock & Post, 1991). In their view, social entrepreneurs have the values to be committed to helping others and choose to work for the community rather than for personal financial gain (Thompson et al., 2000). As a result, only certain individuals with particular values, capabilities and skills seem to be attracted to SE (Zahra et al., 2009). The results of the thesis give support to this perspective by confirming the importance of the social entrepreneur in the attention allocation in social enterprises which is a key process in firms.

Third, the thesis develops a measurement model to capture the social and economic proclivity of social enterprises. The constructs social and economic proclivity can be useful as a starting point to empirically delineate between different types of social entrepreneurs and to investigate the explanatory power of both the main and interaction effects of the social and the economic proclivity on for example the revenue model, growth, perceived performance,

adoption and adaptation of legal form. The constructs allow SE scholars to further deepen our understanding of the combination of social and economic goals in future research and how this influences the firm.

Fourth, the research of this doctoral thesis is unique in its sampling strategy. Accessing large-scale databases of social enterprises is a challenge and “creative solutions are needed to provide the adequate sample sizes necessary to utilize rigorous application of multivariate techniques” (Short et al., 2009). To this end we put together a purposive sample and started from a sample of ventures with the probability of identifying a maximal number of social enterprises (Kerlinger, 1986; Short et al., 2002). We selected four strata with organizations who are generally considered as being to some extent driven by social goals. In the future, more academics will study social enterprises because (1) SE is increasingly an important phenomenon and (2) scholars want to use social enterprises as a context to test and extend established theories (Battilana & Dorado, 2010; Dacin et al., 2010). The sampling strategy of this thesis can offer ideas for sampling social enterprises in future research.

Fifth, the doctoral thesis uses methods which are relatively new to the field of SE. The usage of multivariate methods is important to complement the case study techniques that dominate SE (Dacin et al., 2011). The SE literature is in need for empirical studies that move away from exploration to theory based hypothesis testing research literature (Mair & Marti, 2006; Short et al., 2009). In the literature review of Short and colleagues (Short et al., 2009), only 72 articles (out of 152) contained empirical research of which only 16 contained quantitative methods (e.g., correlations, descriptive statistics) and merely 2 articles set forth operational hypotheses to test. This doctoral thesis contributes to the SE literature in being

one of the first studies using hypothesis testing regression techniques and structural equation modeling.

Finally, we answered the calls to focus on the entrepreneurial process in SE research (Mair & Marti, 2006; Short et al., 2009). More specifically, we described four processes that underlies the combination of social and economic goals in social enterprises. The data of the second chapter indicated how Metalcon focused on the social mission, was actively supported by the government, had many management flaws and displayed a high growth rate.

In sum, we argue that this doctoral thesis is an important contribution to the understanding, the theory development, and the empirical rigor in SE that is much needed to move SE to a well-established academic field (Santos, 2009).

3.2 *Institutional theory*

The first study of the thesis makes a contribution to institutional theory where there has been limited empirical attention to the impact of competing logics on actors within the field (Battilana & Dorado, 2010; Reay & Hinings, 2009) and existing research makes no predictions about how organizations respond to conflict in institutional prescriptions (Pache & Santos, 2010). The thesis shows how a social enterprise can experience difficulties in responding to both a market and social employment logic and how organizations can focus on one logic while neglecting the organizing principles of the other logic (Suddaby & Greenwood, 2005). Doing so, the thesis adheres to the view that competing logics can also coexist (Battilana & Dorado, 2010; Pache & Santos, 2010; Reay & Hinings, 2009). The study illustrates how organizations fail to comply to or change both contradictory institutional environments. Study one adds to the model of Pache and Santos (2010) by showing how one

organization can have different responses to the different institutional logics and severe problems even when there are no two internal champions of conflicting institutional demands which are equally powerful.

3.3 Attention allocation in firms

The thesis enriched the understanding of the attention allocation in firms. More specifically, study three shows how situational factors moderate the relation between the attention structures and the focus of attention. The chapter elaborates on the principle of the structural distribution of attention and indicates how situational factors may moderate this relation. We further contribute to ABV research by adding the values of the decision makers in our model. ABV research traditionally focuses on contextual and organization characteristics where “behavior is dependent more on the situation rather than characteristics of the individuals” (Barnett, 2008). Results show that other-regarding values have a significant impact on the relative attention to social goals which adds to the knowledge of how executives’ characteristics affect their decisions. Doing so, the study highlights the importance of the human dimension in the attention allocation of firms (Sharma, 2000).

The study also advances management theory by introducing values, identity, resource-availability and performance as mechanisms affecting attention to social and economic goals. This is valuable as the importance of attention in decision-making processes has long been noticed by organizational scholars (Sullivan, 2010) because organizational actions are largely a function of how decision makers allocate their attention (Cho & Hambrick, 2006; McMullen et al., 2009; Yu et al., 2005). For example, research has shown that CEO attention is a critical driver of innovation (Yadav et al., 2007), accelerated entry into a radical new technological market (Eggers & Kaplan, 2009) and contributes substantially to changes in strategy (Cho &

Hambrick, 2006). Consequently, this study identified factors that will potentially lead to actual behavior towards achieving social and economic goals which in turn advances our understanding of the strategic choices and actions of firms towards social and economic goals (Bouquet & Birkinshaw, 2008; Cho & Hambrick, 2006).

4 Contributions to practice

In both academics and practice there has been an unprecedented wave of growth in SE globally over the last ten years (Nicholls, 2006). The concept of SE has attracted the recent interest of policy makers, with government departments and agencies declaring their support for this approach to alleviating social disadvantage (Hibbert et al., 2002). Social enterprises can become very influential players in the national and international economy. Research on SE may have great social relevance because of the practical implications that may influence the outcomes of social enterprises (Mair et al., 2006). This thesis makes several contributions to the practice of SE.

First, we have shown that the values of the social entrepreneur influence the attention allocation in social enterprises. Doing so, we open how executives' characteristics affect their decisions and highlight the importance of the human dimension in the attention allocation of firms (Sharma, 2000). This is essential for ultimately improving the insights we can provide executives regarding how they might surmount or overcome the biases associated with their experiences and dispositions (Hambrick, 2007). This is important as managerial attention is regarded as the most important resource inside the organization (Yadav et al., 2007). Social entrepreneurs should be aware of the impact their values have on the attention allocation in social enterprises. A high level of other regarding values may guide the social entrepreneur in

allocating relatively more attention to the social mission of the organization, neglecting the economic reality in which the social enterprise operates.

Second, the thesis counterbalances the positive assumptions attributed to social enterprises. The research points at the many practical challenges social enterprises may face in their effort to combine social and economic goals. In a young field like SE, there is the danger of 'rhetoric'. Passionate promoters tend to generalize from a small number of highly visible successes while paying less attention to failures and disappointing efforts (Anderson & Dees, 2006). Rigorous and longitudinal research is needed to capture the essence of the processes and techniques used by social entrepreneurs. Austin et al. (2006), for example, refer to 'a greater forgiveness factor or margin for error among capital providers' for social enterprises supporting the view that the context in which social enterprises operate would not punish inferior performance as readily as in the commercial marketplace (Austin et al., 2006). The results of the first study showed how Metalcon survived somewhat longer due to the governmental institutions that continued to support the company with a new capital injection. However, the findings also displayed how the final verdict was done in the marketplace, based on the performance of the social enterprise in terms of cost, quality and timing. Additionally, although SE ought to flourish irrespective of the sector (Mair & Marti, 2006), chapter two points to the difficulty of operating within a competitive environment for social enterprises, especially when working with large proportions of low skilled employees is at the heart of the social mission.

Third, we contribute to the practice of governance in SE. The competing logics argument of the second chapter raises the need for sufficiently counter-balancing both logics in the governance and management of social enterprises. More specifically, chapter two

showed how CEO duality (i.e., when the CEO holds the title of CEO and chairperson of the board of directors) may cause problems in social enterprises (Finkelstein & Daveni, 1994; Mallette & Fowler, 1992). CEO duality can weaken board independence from the management of the firm, thereby reducing the board's motivation and/or ability to execute its monitoring and control responsibilities (Mallette & Fowler, 1992; Tuggle et al., 2008). The data showed how the governance structure of Metalcon had to manage the competing operating social employment and market logics. The board should stimulate the adherence to the social mission while considering the personal risk for the entrepreneur and pay sufficient attention to the market. As such, the thesis illustrates the difficult task of board members in the context of a social enterprise.

5 Future research: Pushing the research forward

Building further on the findings of the dissertation, this section highlights two potential avenues for future research. The central theme of the thesis is the balance between social and economic goals in social enterprises. We argue that social enterprises are an ideal context to further study two important phenomena: (1) legitimacy building in a context of competing logics and (2) the influence of the environment on the attention allocation in firms. Next paragraphs discuss how the research of this thesis is a starting point in pushing our knowledge on this issues further.

5.1 Building legitimacy in a context of competing logics

Chapter 2 of the thesis concluded that competing institutional logics are an important mechanism in understanding social enterprises. More specifically, we have shown how organizations can display a tendency to adhere to “the formal and informal rules of action, interaction, and interpretation” (Thornton & Ocasio, 1999) of one logic but fail to do so in

another logic. This finding can be used as a the starting point for further research on the effect of competing logics on the organization with the following research question: how do firms build legitimacy within a context of competing logics? Let me explain the rationale in the following paragraphs.

Institutional theory suggests that organizations that want to appear credible must act in ways that conform to prevailing societal beliefs, otherwise they risk failing to obtain sufficient resources because of perceived lack of legitimacy (DiMaggio and Powell, 1983). Legitimacy is “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995).” The importance of legitimacy is widely acknowledged (Delmar & Shane, 2004) and is important to all new business ventures (Aldrich & Fiol, 1994; Bitektine, 2011; Zimmerman & Zeitz, 2002) for its contribution to the ability to garner personnel (Rao, 1994), initiate social ties with stakeholders (Delmar & Shane, 2004), procurement of critical resources, such as capital infusions, and help to increase the likelihood of long-term survival (Heusinkveld & Reijers, 2009; Rao, 1994). In general, new ventures gain legitimacy through aligning the firm’s activities and forms with its environment (Drori et al., 2009) by following commonly held norms and beliefs such as adherence to legal authority (Bitektine, 2011; Delmar & Shane, 2004). However, research -typically focused on established organizations (Ahlstrom et al., 2008)- delivers numerous and often very diverse ways in which firms gain legitimacy. For example, scholars argue that firms establish legitimacy through the use of symbolic communication (Delmar & Shane, 2004) or symbolic actions (Zott & Huy, 2007), creating associations with established entities (Rao, Chandy, & Prabhu, 2008), utilizing scripts (Drori, Honig, & Sheaffer, 2009), using visual symbols (Clarke, 2011), the composition of the top management team (Higgins & Gulati, 2006),

creating identities through “story-telling” (Lounsbury & Glynn, 2001), and winning certification contests (Rao, 1994). Despite these previous research efforts, the research on new venture legitimacy is still considered in its infancy and there is no agreement on the possibilities for building up legitimacy (Lounsbury & Glynn, 2001; Rao, 1994; Rao et al., 2008; Suddaby & Greenwood, 2005; Zimmerman & Zeitz, 2002). In sum, scholars acknowledge the importance of legitimacy but did not reach consensus on how organizations acquire this legitimacy.

Further contributing to the complexity of the process of legitimacy building, institutional theorists also pointed out that (1) legitimacy is assessed by the underlying logic (Pache & Santos, 2010; Suddaby & Greenwood, 2005) because institutional logics legitimate organizational forms and managerial practices (Greenwood et al., 2010; Thornton, 2002; Zajac & Westphal, 2004) and (2) inter-institutional contradictions become an increasingly common part of contemporary social life (Battilana & Dorado, 2010; Seo & Creed, 2002) because that fields are often populated by multiple and competing logics (Pache & Santos, 2010; Schneiberg & Clemens, 2006). As a result, institutional theorists have already acknowledged that conformity to certain institutional arrangements within a particular level or sector may cause conflicts or inconsistencies with the institutional arrangements of different levels or sectors (Seo & Creed, 2002). Although research pointed at the impact of competing logics on organizations (e.g., Battilana & Dorado, 2010; Greenwood et al., 2010; Lounsbury, 2007; Marquis & Lounsbury, 2007; Thornton, 2002), institutional understandings do not attribute much agency to the individual entrepreneurs in terms of obtaining resources and as such are not concerned with the actions entrepreneurs take to rationalize and legitimize their venture to relevant stakeholders (Clarke, 2011). There has been limited empirical attention to the impact of competing logics on actors within the field (Battilana & Dorado, 2010; Pache &

Santos, 2010; Reay & Hinings, 2009) and more specifically, no research sought to understand how actors build legitimacy in the context of competing logics.

This leads to the following research question: how do organizations build legitimacy in a context of competing institutional logics?

We propose the following research design linking the data to be collected to the initial question of the study. We suggest social enterprises as a valuable context to study this research question as we found in chapter two how social enterprises are influenced by competing logics. The data indicated how both a social employment logic and a market logic came into play in managing the social enterprise and how social entrepreneurs can have difficulty in responding to both logics. Therefore social enterprises are an ideal context to study actor's responses on multiple institutional logics.

We suggest a comparative case-study design to study the phenomenon as case-study approach is typically used to answer "how" and "why" questions (Eisenhardt & Graebner, 2007). More specifically, we propose to select two polar types of social enterprises designed to build theory from success and failure (Eisenhardt, 1989). The phenomenon of interest can best be observed in cases where it is "transparently observable" and the use of sites which illustrate high and low performance can be very revelatory (Pettigrew, 1990) because these polar cases allow to more easily observe contrasting patterns in the data (Eisenhardt & Graebner, 2007). The link between performance and legitimacy makes selecting polar types (i.e., both a low and high performing social enterprise) very insightful in understanding the processes of legitimacy building (Aldrich & Fiol, 1994; Bitektine, 2011; Heusinkveld & Reijers, 2009; Rao, 1994; Zimmerman & Zeitz, 2002). The selected cases should lead "to

very clear pattern recognition of the central constructs, relationships, and logic of the focal phenomenon (Eisenhardt & Graebner, 2007) (p27)". Further, we suggest to sample young social enterprises because the early stages of a venture creation provides a clear legitimizing imperative in the absence of a proven track record (Clarke, 2011). In sum, we propose to select one young social enterprise that is high performing and one young social enterprise that is low performing.

Data-collection will focus on the organization and its responses to competing logics in the process of legitimacy building (Yin, 2003). To ensure the construct validity in the data collection, we propose to use multiple sources of evidence and have key informants review draft case study reports and to ensure reliability, we would make use of a case study protocol (Yin, 2003). In analyzing the data, we look for cross-case patterns and list the similarities and differences between the cases (Eisenhardt, 1989). The result of the data-analysis should lead to clear propositions on how actors can build legitimacy in a context of competing logics.

This research would be unique and important. First, it is the first study on the legitimacy building process in a context of competing logics. Better understanding which specific elements may encourage or inhibit legitimacy can enhance our knowledge on the conditions favorable to new ventures. Legitimacy is a crucial element in the creation and survival of new organizational forms (Suddaby & Greenwood, 2005) and the understanding of how micro-level actors interpret and react on competing logics is important (Reay & Hinings, 2009). Second, it would contribute to the theory development and practice in SE as SE scholars recognize legitimacy as a vital organizational resource for social enterprises (Nicholls & Cho, 2006; Sud et al., 2009; Townsend & Hart, 2008; VanSandt et al., 2009). The process of legitimacy building is likely to differ with the process in commercial

entrepreneurship (Nicholls, 2006; Nicholls, 2010) because social enterprises (1) face a turbulent institutional environment (Dart, 2004; Townsend & Hart, 2008) and (2) have to consider and involve very diverse stakeholders in their processes resulting in greater complexity in managing these relationships (Austin et al., 2006).

5.2 *The environment and the attention allocation in firms.*

Chapter 4 concluded that performance had a moderating effect on the relation between values, identity and resource availability and the relative attention to social goals. These findings showed (1) how contextual factors influence the attention allocation in firms and (2) antecedents that significantly explained the variation in the relative attention to social goals. Despite the extant literature on attention allocation and the research of this thesis, there is still much to uncover in the process of attention allocation in firms. More specifically, future research should look at (1) how the environment influences the attention allocation in firms and (2) additional factors in explaining the attention to social and economic goals. To this end, we propose the following research question: how do institutional logics and the competitive environment influence the process of attention allocation in firms and do they explain variation in the attention to social and economic goals? Let me explain my argument.

The doctoral research focused on the values, identity, resources, and performance of the firm and their influence on the attention allocation of firms. These are all factors internal to the firm and future research should include how factors external to the firm come into play in the attention allocation of firms. Ocasio (1997) recognizes that the environment provides a set of stimuli for decision making and defines the environment of the decision as “the multiple material, social, and cultural factors, both internal and external to the firm, that impinge upon any decision activity” (p193). However, there is still a lack of theoretical and empirical

understanding (1) on what environmental factors influence the focus of attention and (2) how this environmental factors precisely come into play in the process attention allocation. We propose two factors in the environment of the firm that influence the attention allocation.

The first factor to include in the model are institutional logics. Ocasio recognizes that “the firm’s rules, resources, and social relationships are embedded in, and shaped by, the firm’s economic, social, and institutional environment.” As discussed previously in this thesis, the impact of institutional logics on the organization is widely acknowledged. For example, Marquis and Lounsbury (2007) conclude that competing logics can provide a foundation for resistance by investigating the conflict between a community logic and a banking logic emphasizing efficiencies of geographic diversification within banks. The study of Lounsbury (2007) describes the dynamics between the performance logic and the trustee logic in mutual funds. The study found that trustee and performance logics provided distinct forms of rationality that informed the behavior of different kinds of mutual funds. Finally, Thornton and Ocasio (1999) describe the shift from two institutional logics: an editorial focus to a market focus in the higher education publishing industry. Their findings suggest that a shift in these logics led to different determinants of executive succession.

To date, there is no research on how institutional logics influence attention allocation in firms although both concepts are discussed extensively in management research. We argue that institutional logics also influence the attention allocation in firms. Research of Greenwood and colleagues (Greenwood et al., 2010) shows how regional state logics and family logics impact responses to an overarching market logic and thus organizational behavior. More specifically, institutional logics influence firms in how they handle the practice of downsizing. In a similar way, we propose how institutional logics also influence

the attention focus in firms. For example, it could be hypothesized that in regions with a strong state logic there will be more attention to social goals as compared to regions with a strong market logic.

The second factor to include is the competitive environment of the firm. Attention is given in the context of an organization's environment. As a result, the process by which decision are made are influenced by environmental attributes (Rajagopalan, Rasheed, & Datta, 1993). Management research has gathered ample evidence of the impact of the environment on firms. For example, research has shown how characteristics of the environment impact the growth paths of young technology-based firms (Clarysse, Bruneel, & Wright, forthcoming), executive scanning (Walters, Garg, & Priem, 2003), corporate choice of environmental strategy (Sharma, 2000), and product innovation (Miller et al., 1988).

Research has yet to discover if and how the competitive environment shapes the attention allocation in firms. We argue it is important to understand the competitive environment in the attention allocation in firms and in its influence on the focus of attention to social goals. We include three managerial assessments of the firm's competitive environment: dynamism, complexity, and munificence (Dess & Beard, 1984; Rajagopalan et al., 1993; Simsek, Veiga, & Lubatkin, 2007). The concept of environmental munificence is similar to the concept of environmental capacity and refers to the extent to which the environment can support the firm with resources. Complexity refers to the heterogeneity and range of factors in the environment. Dynamism can broadly be conceptualized as the rate of change and the degree of instability of the environment (Dess & Beard, 1984). For example, it could be hypothesized that in firms within a low level of environmental munificence will have less

attention to social goals as compared to firms within a high level of environmental munificence.

Taken together, management literature suggests that the environment of the firm influences the attention allocation in firms. However, this is not specified, nor well-understood theoretically nor empirically tested. Future research could address this research gap by asking how competing logics and a competing environment influences the attention to social and economic goals. This research is important to (1) enrich our understanding of the attention allocation in firms which is a generally acknowledged precondition towards actual behavior of the firm and (2) contribute to our knowledge on what antecedents explain attention (and thus behavior) towards social and economic goals. In a time and world where this is increasingly demanded from firms (Margolis & Walsh, 2003), this is a valuable research effort.

Finally, future research on attention allocation would benefit from taken a longitudinal approach. To date, we can make no predictions regarding the evolution of the attention allocation to social goals in firms. At what stage do firms pay attention to social goals? Does the attention allocation goes through different phases? A longitudinal examination of how the attention allocations changes in response to the attention structures may provide insights on these issues.

6 Concluding reflections

In recent years, social entrepreneurship has evolved from a plethora of grassroots' initiatives to an important societal and academic field of interest. I want to end the thesis with some personal concluding reflections on this growing phenomenon.

Although this thesis supports the many advantages of SE, I start with some critical considerations. It is important to counterbalance the many optimistic examples of social entrepreneurs as successful change makers. The literature on SE offers the description of numerous successful case studies (Dacin et al., 2010; Short et al., 2009) and a number of influential organizations promote SE through providing anecdotal evidence of heroic individuals who change the world (Dacin et al., 2011). Without compromising the achievements of these social entrepreneurs, academics should also point at the many challenges social entrepreneurs face which are, to our opinion, often neglected in previous work on SE. An example of the important challenges social enterprises may face is the risk of mission drift. This happens when financial issues and motivations would start to jeopardize the fundamental social mission (Battilana & Dorado, 2010). For example, scholars have pointed to questionable practices (such as high interest rates) conflicting with the goals of microfinance in microfinance institutions (Dacin et al., 2011; Khavul, 2010). Similar processes may occur, for example, in work-integrating social enterprises. As a result of the pressure to perform financially and deliver qualitative service/products on the market, social enterprises need to hire those people who perform best on the job. However, these people are not necessarily the people that benefit most out of the employment in the social enterprise. As such, the social enterprise could compromise its social mission. Policy makers should be aware of these challenges so to support social enterprises accordingly. Further research on SE should continue to reveal other challenges social enterprises have to meet. We argue that this doctoral research is a step in this direction in its description of a social enterprise that faced failure.

On a political/societal level, we should as well be aware of the drawbacks of a social entrepreneurial approach. Whereas SE is supported for its focus on efficiency and economic rationale to social problems, this approach holds weaknesses as well. By focusing on economic returns and sustainability through trading, social enterprises focus on problems and benefit groups in which there is a potential financial return, thus excluding the societal problems and groups in which there is no financial return possible. For example, studies on microfinance institutions have shown how these institutions often focus on those at the margins of the mainstream economy, but not on the very poor (Brau & Woller, 2004). Another challenge in this respect is the absence of impact measurement of social enterprises. This is not surprising because measuring social return is anything but straightforward (Brau & Woller, 2004). For example, some scholars are still questioning the benefits of the microfinance approach to poverty elimination (Khavul, 2010). In other words, while we support SE as a practice to alleviate social problems, we have little evidence of the impact and efficiency of social enterprises. As a result, academics should be careful when discussing the impact of SE in the current literature and policy makers should compare social entrepreneurial solutions with other approaches in their ambition to tackle social issues.

Notwithstanding these considerations, social entrepreneurs should also be prized. During the Phd, I was fortunate to meet (and learn from) many social entrepreneurs. At international conferences I participated in several discussions on the tough challenges social entrepreneurs face. I hope this Phd not only contributes to the academic knowledge on social entrepreneurship but as well supports future social entrepreneurs in the management of their organizations and the creation of social value.

The most cited and most famous example of the social impact of SE, is the Grameen Bank of Nobel prize winner Muhammed Yunus. In Belgium as well, I found several examples of extraordinary social entrepreneurs for whom I have a profound respect. Although building knowledge on this societal phenomenon is important, the meetings with the entrepreneurs make me say that the social entrepreneurs are the ones to be admired.

7 References

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APPENDIX A: SAMPLING STRATEGY

The following tables give the details of the sampling strategy of the thesis and explain the difference between the sample of Chapter 3 and the sample of Chapter 4. A description and motivation of the different strata can be found in the sections 4.1 of Chapter 3 and 3.1 of Chapter 4.

Chapter 3

Table 9 summarizes the sampling strategy of Chapter 3. The sample aims at representing the social enterprise population in Flanders. By including the four strata we comprise a broad range of social enterprises (both nonprofit and for-profit social enterprises) which is suitable for validating a measurement instrument that aims to measure the social and the economic proclivity in social enterprises.

Integration enterprises (2007)	Portfolios of social investors (2007)	Triple bottom line cooperatives (2007)	VSOs (2007)
Official list of Flemish government (N = 170)	4 institutional social investors that invest locally (N = 230)	Constructed by FEBECOOP and VOSEC (N = 89)	CD-Rom Balanscentrale (N = 100)
Total valid N (overlaps removed) = 484 Response (response rate 56%) = 270			

Table 9: Sample frame Chapter 3

Chapter 4

The difference between the sample of Chapter 3 and Chapter 4 is the removal of the nonprofits in the sample frame of Chapter 4. This allowed us to reach more sample homogeneity in testing the hypotheses and was necessary because the regression analyses in Chapter 4 included financial data and ratio's which have a different meaning and importance

in nonprofit versus for-profit organizations. As a result, we removed 199 nonprofits from our initial sampling frame (see Table 10).

Integration enterprises (2007)	Portfolios of social investors (2007)	Triple bottom line cooperatives (2007)	VSOs (2007)
Official list of Flemish government (N = 170)	4 institutional social investors that invest locally (N = 230)	Constructed by FEBECOOP and VOSEC (N = 89)	CD-Rom Balanscentrale (N = 100)
Total valid N (overlaps removed) = 484 “Nonprofits” removed = 285 Responses (response rate 36%) = 101			

Table 10: Sample frame Chapter 3

APPENDIX B: SURVEY ITEMS

This appendix gives a detailed overview of the survey and the items used to measure the different constructs on which this dissertations builds.

Values

Respondents rated each item on a seven-point likert scale indicating the importance of the self-regarding and other-regarding values (1, least important, to 7, most important). Items are displayed in Table 11.

<i>Other-regarding values</i>
Helpful (working for the welfare of others)
Compassion (feeling empathy for others)
Equality (brotherhood, equal opportunity for all)
Loving (Being affectionate, tender)*
<i>Self-regarding values</i>
Comfortable life (a prosperous life)
Wealth (making money for myself and family)
Pleasure (an enjoyable life)*

* Excluded from analysis

Table 11: Items self-regarding values and other-regarding values

Organizational identity

Respondents answered to the following question on a 7-point likert scale (1, not important, to 7, most important): “please indicate your perception of the importance that the social enterprise places on each of the following aspects of the enterprise” (see Table 12).

<i>Utilitarian identity</i>
Economic value of products
Customer service
Price of products and services
Professionalism/expertise of staff*
Quality of products or services*
<i>Normative identity</i>
Community involvement
Social relationships with other members*
Quality of work is more important than profit
Democratic decision making
Education and training of organizational members*

* Excluded from analysis

Table 12: Items normative and utilitarian identity

Orientation and attention

To measure the orientation and attention to social and economic goals of social enterprises (see Table 13), we asked the following question to our respondents: “Based on their relative importance and application to your firm, please allocate up to, but not more than, 10 points to each set of four statements.”

It is important to our organization that:
(legal) a. legal responsibilities are seriously fulfilled.
(econ) b. long-term return on investment is maximized.
(discr) c. we have the possibility to participate in activities that address social issues.
(ethic) d. when securing new business, promises are not made which are not intended to be fulfilled.
Our organization is successful when:
(econ) a. it is consistently profitable.
(legal) b. it fulfills its legal obligations.
(ethic) c. it fulfills its ethical and moral responsibilities.
(discr) d. it fulfills its philanthropic and charitable responsibilities.
It is important that the organization is committed to:
(econ) a. being as profitable as possible.

(discr) b. adressing societal problems.
(legal) c. abiding by laws and regulations.
(ethic) d. moral and ethical behavior.
It is important to:
(econ) a. allocate resources on their ability to improve long-term profitability.
(legal) b. comply with new laws.
(discr) c. examine regularly new opportunities and programs which can result in an increase in value for society.
(ethic) d. recognize and respect new or evolving ethical/moral norms adopted by society.

Table 13: Items orientation