



**GOVERNANCE CHARACTERISTICS AS ANTECEDENTS FOR
ORGANIZATIONAL PERFORMANCE IN SOCIAL ENTERPRISES**

Saskia Crucke

2016

Advisors:

Prof. dr. Mirjam Knockaert & Prof. dr. Nathalie Vallet

Submitted at

Ghent University Faculty of Economics and Business Administration

and

University of Antwerp Faculty of Applied Economics

In fulfillment of the requirements for the Degree of Doctor in Applied Economics

Funded by the Research Fund of the University College Ghent/Ghent University

Copyright © 2016 by Saskia Crucke

All rights are reserved. No part of this publication may be reproduced or transmitted in any form or by any means electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the author.

ADVISORS

Prof. dr. Mirjam Knockaert
Faculty of Economics and Business Administration, Ghent University & University of Oslo

Prof. dr. Nathalie Vallet
Faculty of Applied Economics, University of Antwerp

ADVISORY COMMITTEE

Prof. dr. Mirjam Knockaert
Faculty of Economics and Business Administration, Ghent University & University of Oslo

Prof. dr. Nathalie Vallet
Faculty of Applied Economics, University of Antwerp

Prof. dr. Paul Matthyssens
Faculty of Applied Economics, University of Antwerp & Antwerp Management School

Prof. dr. Arjen van Witteloostuijn
University of Tilburg, the Netherlands

DOCTORAL COMMITTEE

Prof. dr. Marc De Clercq
Faculty of Economics and Business Administration, Ghent University

Prof. dr. Adeliën Decramer (secretary)
Faculty of Economics and Business Administration, Ghent University

Prof. dr. Mirjam Knockaert

Prof. dr. Nathalie Vallet

Prof. dr. Paul Matthyssens

Prof. dr. Arjen van Witteloostuijn

Prof. dr. Eddy Laveren
Faculty of Applied Economics, University of Antwerp

LIST OF PUBLICATIONS AND CONFERENCE PRESENTATIONS BASED ON THIS DOCTORAL RESEARCH

Articles

Crucke, S., Moray, N. and Vallet, N. (2015). 'Internal representation and factional faultlines as antecedents for board performance in social enterprises'. *Annals of Public and Cooperative Economics*, 86, 385-400.

Crucke, S. and Knockaert, M. (2016). 'When stakeholder representation leads to faultlines. A study of board service performance in social enterprises'. *Journal of Management Studies*, 53, 768-793.

Crucke, S. and Decramer, A. (2016). 'The Development of a Measurement Instrument for the Organizational Performance of Social Enterprises'. *Sustainability*, 8, 161.

Working paper

Crucke, S., Knockaert, M. and Vallet, N. Board social capital and organizational performance in social enterprises.

Conference presentations

Crucke, S., Moray, N. and Vallet, N. (2013). 'Internal representation and factional faultlines as antecedents for board performance in hybrid organizational forms: a theoretical framework'. European Academy of Management, Istanbul (Turkey), June 26-29.

Crucke, S., Moray, N. and Vallet, N. (2013). 'Internal representation and factional faultlines as antecedents for board performance in social enterprises: a theoretical framework'. 4th EMES International Research Conference on Social Enterprise, Liège (Belgium), July 1-4.

Crucke, S., Moray, N. and Vallet, N. (2013). 'Internal representation and factional faultlines as antecedents for performance in social enterprises'. 4th Ciriec International Research Conference on Social Economy, Antwerp (Belgium), October 24-26.

Crucke, S. and Knockaert, M. (2015). 'When internal representation leads to faultlines. A study of board performance in social enterprises'. European Academy of Management, Warsaw (Poland), June 17-20.

Crucke, S. and Knockaert, M. (2015). 'When internal representation leads to faultlines. A study of board performance in social enterprises'. Academy of Management Annual Meeting, Vancouver (Canada), August 7-11.

Crucke, S., Decramer, A. and Claeys, T. (2015). 'The development of an assessment tool for organizational performance in social enterprises'. 5th Ciriec International Conference on Social Economy, Lisbon (Portugal), July 15-18.

Crucke, S. and Knockaert, M. (2016). 'When stakeholder representation leads to faultlines. A study of board service performance in social enterprises'. Symposium on 'Sustainability, Ethics and Entrepreneurship', Academy of Management Annual Meeting, Anaheim (U.S.), August 5-9.

WOORD VOORAF

De beslissing om te starten met een doctoraat en om een onderzoeksvoorstel uit te werken, was niet evident. De uitdaging was groot en de afgelegde weg niet altijd makkelijk. Gelukkig kon ik rekenen op de steun van heel wat mensen, die ik dan ook graag uitdrukkelijk wil bedanken.

Dank aan mij promotoren, Prof. Dr. Nathalie Vallet en Prof. Dr. Mirjam Knockaert. Nathalie, bedankt omdat je als promotor wilde optreden bij het indienen van het onderzoeksproject. Dank ook voor de feedback, de steun en het vertrouwen gedurende het volledige proces. Mirjam, bedankt om me halfweg onderdak te bieden toen ik een nieuwe promotor aan Universiteit Gent nodig had. Verder bedankt voor de vele inhoudelijke input, je zeer grote beschikbaarheid, je optimisme en efficiëntie en je talrijke aanmoedigingen.

Verder wil ik de leden van mijn begeleidingscommissie, Prof. Dr. Paul Matthyssens en Prof. Dr. Arjen van Witteloostuijn bedanken. Paul, bedankt om voorzitter te willen zijn van mijn begeleidingscommissie. Dank ook voor je feedback, steun en vertrouwen. Arjen, bedankt voor je inhoudelijke input en je feedback die mij echt verder geholpen heeft.

Dank ook aan Prof. Dr. Eddy Laveren om deel te willen uitmaken van mijn examenjury en voor de waardevolle feedback. Dank aan Prof. Dr. Adélien Decramer om als jurylid en secretaris van de examenjury te willen optreden. Adélien, verder bedankt voor de samenwerking de voorbije jaren in het kader van het Steunpunt Werk en Sociale economie, maar ook in andere projecten. Maar vooral ook dank voor de steun, de ontelbare aanmoedigingen en je goed humeur die me er zelfs op 'dipdagen' weer bovenop hielpen.

Dank aan Prof. Dr. Freddy Heylen, de voorzitter bij de publieke verdediging. Freddy, ook bedankt voor de steun en de aanmoedigingen de voorbije jaren.

Dit doctoraat zou niet tot stand gekomen zijn dankzij de financiering door het Onderzoeksfonds van de Hogeschool Gent. Ik wil de Hogeschool Gent bedanken voor alle mogelijkheden die ik er gekregen heb als lector, evenals mijn toenmalige departementshoofden Prof. Dr. Frank Naert en Prof. Dr. Ludo Peferoen voor de steun en het vertrouwen. Dank ook aan de collega's van het voormalige Departement Handelswetenschappen en Bestuurskunde van de Hogeschool Gent. Sinds de integratie zijn we verspreid over de verschillende vakgroepen van de Faculteit Economie en Bedrijfskunde, maar ik kan nog steeds op heel veel collega's rekenen. Verder wil ik de Faculteit Economie en Bedrijfskunde van Universiteit Gent bedanken voor de mogelijkheid om te kunnen verder werken aan mijn doctoraat na de integratie. Bedankt ook aan

de talrijke ‘nieuwe’ collega’s van de faculteit die ik leerde kennen na de integratie en met wie het fijn samenwerken is.

Dit doctoraat is een gezamenlijk doctoraat aan de Universiteit Antwerpen en de Universiteit Gent. Hierdoor heb ik ook kennis kunnen maken met boeiende mensen aan de faculteit Toegepaste Economische Wetenschappen van de Universiteit Antwerpen. Een speciaal woord van dank aan Esmeralda Aerts voor alle praktische hulp en haar grote beschikbaarheid.

In het kader van dit doctoraat was ik ook verbonden aan het Steunpunt Werk en Sociale Economie. Dank aan de collega’s van de KULeuven en het HIVA voor de samenwerking.

Dank aan de vakgroepvoorzitter, Prof. Dr. Alex Vanderstraeten, en aan de collega’s van mijn huidige vakgroep Personeels- en Organisationsmanagement van de faculteit Economie en Bedrijfskunde van Universiteit Gent voor de steun en de fijne samenwerking in de vakgroep. Een speciaal woord van dank aan Tine Claeys met wie ik samenwerkte voor de datacollectie. Verder veel dank aan Mieke Audenaert voor de samenwerking de voorbije jaren, voor de back translation van mijn vragenlijst, maar ook voor de vele steun en de vele fijne momenten in ons bureau.

Dank ook aan de collega’s van de vakgroep Innovatie, Ondernemerschap en Dienstenmanagement waar ik me altijd heel erg welkom voel. Dank aan Ann De Smaele voor de praktische hulp bij de voorbereiding van de verdediging.

Dank aan de collega’s van de OAP-geleding met specifiek dank aan de collega vertegenwoordigers in de Faculteitsraad Ine Paeleman, Len Lemeire en Ewoud Quaghebeur.

Verder dank aan mijn SEM-hulprijnen Hendrik Slabbinck en Thomas Van Waeyenberg.

Een speciaal woord van dank aan Liesbet Van Herreweghe voor de bezorgdheid, het luisterend oor en het heel vele supporteren.

Dank aan onze vrienden Fien en Gert op wie we altijd kunnen rekenen. Dank aan de vrienden van de oud-scouts: ik kijk altijd enorm uit naar onze back to basics weekendjes en activiteiten, die echt genieten zijn. Dank aan de vrienden van mijn karateclub. Karatetrainingen waren ideaal om stress en frustraties weg te slaan en te trappen!

Dank aan mijn ouders die, zonder het waarschijnlijk te beseffen, me overtuigd hebben om een onderzoeksvoorstel uit te werken en te starten met het doctoraat. Het feit dat ik wist dat ik op hen kon rekenen voor de opvang van de kinderen was een overtuigende factor. Ondertussen zijn de rollen helaas omgekeerd en zorgen wij, de kinderen, nu voor onze ouders. Dank aan mijn zus Katrien om in het heetst van de strijd een deel van mijn zorgtaken over te nemen.

Dank aan mijn schoonouders, Hilde en Karl, voor de steun en voor het begrip omdat ik de laatste tijd toch heel wat familiebijeenkomsten heb moeten missen.

Tot slot: dank aan de ‘vier mannen van mijn leven’. Jasper, Kobe en Joris: ik besef dat jullie de laatste tijd te veel ‘belangrijke deadlines’, ‘nog veel werk’ en ‘nu geen tijd’ hebben moeten horen. Bovendien ging het er ook iets chaotischer aan toe dan normaal gezien het geval is. Dank omdat jullie daar zo vlot mee omgingen. Erik, bedankt voor je steun en begrip en je immens relativiseringsvermogen waardoor ik altijd alles weer in het juiste perspectief zie.

TABLE OF CONTENTS

LIST OF FIGURES	III
LIST OF TABLES	V
NEDERLANSTALIGE SAMENVATTING.....	VII
1. GENERAL INTRODUCTION.....	1
1.1. ORIGIN AND DEFINITION OF SOCIAL ENTREPRENEURSHIP	1
1.2. SOCIAL ENTERPRENEURSHIP IN FLANDERS.....	3
1.3. IN THE SPECIFIC NATURE OF SOCIAL ENTREPRENEURSHIP	7
1.4. FOCUS OF THE DISSERTATION	9
1.4.1. Governance characteristics of Flemish social enterprises.....	10
1.4.2. Overview of the studies in the dissertation.....	12
1.5. REFERENCES.....	16
2. WHEN STAKEHOLDER REPRESENTATION LEADS TO FAULTLINES: A STUDY OF BOARD SERVICE PERFORMANCE IN SOCIAL ENTERPRISES	26
2.1. INTRODUCTION.....	27
2.2. A FAULTLINE THEORETICAL PERSPECTIVE	31
2.2.1. The origin and nature of faultlines	33
2.2.2. The relationship between faultline strength and board service performance.....	35
2.2.3. Board task conflict as a mediator between faultline strength and board service performance	36
2.2.4. Shared organizational goals and subgroup imbalance as moderating factors	37
2.3. METHODS.....	40
2.3.1. Research setting	40
2.3.2. Sample and data collection	42
2.3.3. Measures	43
2.4. RESULTS.....	47
2.5. DISCUSSION AND IMPLICATIONS	52
2.6. CONCLUSIONS.....	56
2.7. REFERENCES.....	56
3. THE DEVELOPMENT OF A MEASUREMENT INSTRUMENT FOR THE ORGANIZATIONAL PERFORMANCE OF SOCIAL ENTERPRISES	68
3.1. INTRODUCTION.....	69
3.2. PERFORMANCE MEASUREMENT IN SOCIAL ENTERPRISES	71
3.3. METHODOLOGY	74

3.3.1.	Phase 1: Literature review	76
3.3.2.	Phase 2: Focus groups	78
3.3.3.	Phase 3: Delphi Panel	82
3.3.4.	Phase 4: Survey instrument development and administration	82
3.3.5.	Phase 5: Validation of relevant indicators and the assessment tool	84
3.4.	DISCUSSION AND CONCLUSION	105
3.5.	REFERENCES	109
4.	BOARD SOCIAL CAPITAL AND ORGANIZATIONAL PERFORMANCE IN SOCIAL ENTERPRISES	121
4.1.	INTRODUCTION	122
4.2.	THEORETICAL BACKGROUND AND HYPOTHESES	125
4.2.1.	A Resource Dependence and Social Capital perspective	125
4.2.2.	Board external social capital and board service performance	128
4.2.3.	Board internal social capital and board service performance	129
4.2.4.	Board service performance and organizational performance	130
4.3.	METHODOLOGY	131
4.3.1.	Research setting and sample	131
4.3.2.	Data collection	132
4.3.3.	Measures	133
4.4.	RESULTS	135
4.4.1.	Analytical approach	135
4.4.2.	Descriptive statistics	137
4.4.3.	Measurement model	137
4.4.4.	Structural Model	139
4.4.5.	Alternative models	141
4.5.	DISCUSSION AND CONCLUSION	141
4.6.	REFERENCES	145
5.	GENERAL CONCLUSIONS AND DISCUSSION	156
5.1.	MAIN FINDINGS	156
5.2.	ACADEMIC CONTRIBUTIONS	157
5.3.	PRACTICAL CONTRIBUTIONS	160
5.3.1.	Practical contributions concerning board composition and board functioning	160
5.3.2.	Practical contributions concerning performance measurement in social enterprises	163
5.4.	IMPLICATIONS FOR FUTURE RESEARCH	164
5.5.	REFERENCES	166

LIST OF FIGURES

Figure 2.1: Conceptual model 32

Figure 2.2: Conceptual Model (Figure 2.1) represented as a path model, referring to the regression coefficients estimated and reported in Table 2.2..... 49

Figure 2.3: Interaction effect of faultline strength and shared organizational goals in relation with board task conflict..... 52

Figure 3.1: Overview of the five selected performance domains 77

Figure 3.2: Economic Performance: items and item loadings CFA. 89

Figure 3.3: Environmental Performance: items and item loadings CFA 92

Figure 3.4: Community Performance: item and item loadings CFA. 95

Figure 3.5: Human Performance: items and item loadings CFA 99

Figure 3.6: Governance Performance: item and item loadings CFA. 104

Figure 4.1: The Structural model 140

LIST OF TABLES

Table 1.1: Overview of the studies in the dissertation	13
Table 2.1: Mean, Standard Deviations and Correlations	48
Table 2.2: Regression models with the process macro (Hayes, 2013)	51
Table 3.1: Overview of the different phases of the research process	75
Table 3.2: Overview of the indicators selected through literature review, focus groups and Delphi panel .	80
Table 3.3: Overview of the population and sample of the survey	84
Table 3.4: Economic performance: overview of indicators, items and scales	87
Table 3.5: Economic Performance: items and item loadings EFA	88
Table 3.6: Environmental performance: overview of indicators, items and scales	90
Table 3.7: Environmental Performance: items and item loadings EFA.....	91
Table 3.8. Community performance: overview of indicators, items and scales	93
Table 3.9: Community Performance: item and item loadings EFA.	94
Table 3.10: Human performance: overview of indicators, items and scales	97
Table 3.11: Human Performance: items and item loadings EFA.....	98
Table 3.12: Governance performance: overview of indicators, items and scales	101
Table 3.13: Governance Performance: items and item loadings EFA.	102
Table 3.14: Retained indicators after EFA and CFA.....	105
Table 4.1: Mean, Standard Deviations and Correlations	138
Table 4.2: Results of the ULMC procedure for assessing common method variance.....	139

NEDERLANSTALIGE SAMENVATTING

Sociale ondernemingen zijn ondernemingen die sociale en maatschappelijke problemen, zoals armoede, sociale uitsluiting en ecologische problemen willen aanpakken en dit doen door het verhandelen van goederen en/of diensten. Ze onderscheiden zich van non-profit organisaties doordat ze hun financiële middelen verwerven via het uitoefenen van een ondernemingsactiviteit en niet (alleen) uit giften en subsidies. Ze onderscheiden zich van reguliere, commerciële organisaties omwille van het dominante sociale doel dat ze nastreven. Sociaal ondernemerschap krijgt in toenemende mate aandacht van beleidsmakers en academici als een middel om sociale en maatschappelijke problemen op te lossen.

In de literatuur worden sociale ondernemingen beschreven als hybride organisaties omdat ze in hun kernactiviteiten zowel financiële als sociale doelstellingen nastreven, wat niet altijd makkelijk combineerbaar is in de bedrijfsvoering. Omwille van hun hybride karakter, worden sociale ondernemingen blootgesteld aan specifieke interne en externe uitdagingen. Intern staan sociale ondernemingen voor de uitdaging om hun sociale en financiële doelstellingen in evenwicht te houden. In deze context wordt vaak gewezen op het risico van ‘mission drift’, wat inhoudt dat de oorspronkelijke doelstellingen verwateren. Zo kunnen, bijvoorbeeld, de sociale doelstellingen minder belangrijk worden door de toenemende druk om te voldoen aan de wensen van klanten en om goede financiële resultaten te kunnen voorleggen. Extern zijn sociale ondernemingen blootgesteld aan de vaak uiteenlopende verwachtingen van verschillende dominante stakeholders, wiens steun ze nodig hebben om legitimiteit te verwerven. Wat op zijn beurt belangrijk is voor het aantrekken van (financiële) middelen.

Gegeven deze interne en externe uitdagingen waarmee sociale ondernemingen geconfronteerd worden, wordt vaak gewezen op het belang van ‘governance’ in sociale ondernemingen. Governance verwijst naar structuren en besluitvormingsprocessen en heeft te maken met besturen, controle en verantwoording. In de context van sociale ondernemingen wordt specifiek verwezen naar de uitdaging van verantwoording voor de het realiseren van sociale én financiële doelstellingen en van verantwoording naar verschillende dominante stakeholdergroepen. We volgen deze benadering ook in dit proefschrift. We bestuderen specifiek de rol van de Raad van Bestuur, als een ‘interface’ tussen de sociale onderneming en haar externe omgeving en onderzoeken hoe betrokkenheid van stakeholders in de Raad van Bestuur van sociale ondernemingen kan helpen om in te spelen op de uiteenlopende verwachtingen van stakeholders voor wat betreft het realiseren van de sociale en financiële doelstellingen.

Na de algemene inleiding, worden in de volgende hoofdstukken drie empirische studies voorgesteld.

De eerste studie focust op stakeholder vertegenwoordiging in de Raad van Bestuur, waarbij bestuurders gelinkt aan specifieke stakeholdergroepen, worden aangesteld als bestuurder. In het bijzonder onderzoeken we de relatie tussen stakeholder vertegenwoordiging en de mate waarin de Raad van Bestuur zijn service functie opneemt. De service functie omvat de mate waarin de Raad van Bestuur advies geeft aan het management, betrokken is bij de strategische besluitvorming en zijn relaties en netwerk gebruikt om de doelstellingen van de organisatie te helpen realiseren.

Het realiseren van de sociale doelstellingen en het rapporteren hierover naar de (belangrijkste) stakeholders is cruciaal voor sociale ondernemingen. Er bestaat echter geen eenduidige manier om de niet-financiële resultaten van sociale ondernemingen te meten. In de tweede studie ontwikkelen we, in samenwerking met de sector, een instrument om de niet-financiële performantie intern te beoordelen en een set van indicatoren om hierover extern te rapporteren naar de stakeholders.

In de derde studie bestuderen we hoe stakeholder betrokkenheid in de Raad van Bestuur beïnvloedt in welke mate de Raad van Bestuur zijn service rol opneemt en hoe dit vervolgens de sociale en financiële resultaten van de sociale onderneming beïnvloedt.

Het laatste hoofdstuk geeft een overzicht van de voornaamste bevindingen en gaat dieper in op de theoretische bijdrage van dit proefschrift. Daarnaast worden ook besproken wat de resultaten betekenen voor sociale ondernemingen. Tot slot formuleren we suggesties voor toekomstig onderzoek.

1. GENERAL INTRODUCTION

1.1. ORIGIN AND DEFINITION OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurship, broadly defined as entrepreneurial, market-based approaches to address social issues, is increasingly recognized as an effective way to tackle a variety of unsolved social problems, such as poverty, social exclusion or ecological damage (Dacin et al., 2010; Mair and Marti, 2006). Over the past decades, the number of social enterprises has substantially increased in many regions of the world (Kerlin, 2013; Nicholls, 2009). Furthermore, social entrepreneurship has drawn the attention of governments and public sector organizations, taking initiatives to encourage social entrepreneurial initiatives such as establishing specific legal frameworks (Galera and Borzaga, 2009). Alongside the public interest, interest by the scientific community has significantly increased, as evidenced by the increased attention for social entrepreneurship in the curricula at universities (Miller et al., 2012b; Mirabella and Young, 2012), the growing number of conferences, special issues in journals and even newly established journals, entirely devoted to the field of social entrepreneurship (Bacq and Janssen, 2011; Lumpkin et al., 2013). Finally, many organizations with the specific aim of supporting social entrepreneurship have emerged (Nicholls, 2010). Although social entrepreneurship as a practice is not new, the concepts ‘social entrepreneurship’ and ‘social enterprise’ only emerged in the 1990’s (Bacq and Janssen, 2011; Defourny and Nyssens, 2010). Since then, there has been extant debate among researchers and practitioners on how to define the concept. It is clear that there are different understandings of the phenomenon (Dees, 1998). These different approaches of social entrepreneurship can be partly explained from the fact that social enterprises emerged in different contexts: non-profit, for-profit as well as in the public sector (Short et al., 2009). Other scholars point to the importance of the institutional context for the emergence and development of social enterprises, resulting in regional differences in defining social entrepreneurship (Kerlin, 2013; Sud et al., 2009). Specifically, several scholars have studied the differences and similarities between European and American conceptions of social enterprises (Bacq and Janssen, 2011; Defourny and Nyssens, 2010; Kerlin, 2006). Indeed, according to Defourny and Nyssens (2010), the

conceptualization of social entrepreneurship and its development took place in parallel in Europe and the US, with very few connections until the years 2004-2005. Furthermore, the typology proposed by Dees and Anderson (2006) distinguishes between two major approaches of social entrepreneurship in the US. The first one, the American Social Enterprise School, refers to the use of commercial activities by non-profit organizations, which originates from cutbacks in federal funding, urging these organizations to find other ways of income generation to realize their social mission (Eikenberry and Kluver, 2004). The second perspective, the American Social Innovation School, focuses on innovative ways to tackle social problems and emphasizes the importance of the social entrepreneur as an activist of social change (Austin et al., 2006). Then, Dees and Anderson (2006) point to the convergence of the two approaches and the blurring boundaries between the government, nonprofit and business sectors in addressing social needs (Dees and Anderson, 2003). In Europe, social enterprises mainly emerged because of the persistence of structural unemployment and the need for more active policies to tackle the increasing exclusion of specific groups from the labor market (Defourny and Nyssens, 2010). Social enterprises are considered to belong to the ‘third sector’ or the ‘social economy’, generally of the non-profit or cooperative type, although it is acknowledged that social entrepreneurship may increasingly be found in the private for-profit sector and the public sector (Defourny and Nyssens, 2008). In Europe, the definition developed by researchers cooperating in the EMES Research Network is often used. This definition distinguishes between economic and social criteria, establishing a social enterprise ‘ideal type’. This implies that these criteria are not prescriptive and that social enterprises, not precisely adhering to these ‘ideal type’ criteria, may still be considered social enterprises (Defourny, 2001; Defourny and Nyssens, 2006). Four criteria, encompassing the economic and entrepreneurial dimension of social enterprises, are proposed: (1) a continuous activity producing and selling goods and/or services, (2) a high degree of autonomy, (3) a significant level of economic risk and (4) a minimum amount of paid work. To capture the social dimension of social enterprises, five criteria have been put forward: (1) an explicit aim to benefit the community, (2) an initiative launched by a group of citizens, (3) decision-making power not based on capital ownership, (4)

a participatory nature, which involves the various parties affected by the activity and (5) limited profit distribution.

1.2. SOCIAL ENTREPRENEURSHIP IN FLANDERS

In what follows, we want to give insight in the field of social entrepreneurship in Flanders as well as in the sample of social enterprises we used in our research. We performed our research in one specific region because Belgium has a federal structure and social economy policies are organized at the regional level.

In Flanders ‘Social economy’ (Sociale economie) is often used to refer to initiatives of social entrepreneurship (Department of Work and Social Economy, 2010). As it is the case in Europe in general, in Flanders social enterprises mainly emerged with the aim of reintegrating disadvantaged people in the labor market, because neither the public sector nor the mainstream for-profit sectors succeeded in providing jobs for disadvantaged people such as disabled people, low-skilled and long-term unemployed people (Defourny and Nyssens, 2010; Van Opstal et al., 2009). Various initiatives of so-called Work Integration Social Enterprises (WISE), also referred to as ‘social inclusion economy’, were set up to provide jobs for people who are very distant from the labor market. These initiatives often originated bottom-up and have as a consequence a different background, target group and organizational culture. In Flanders, we can identify specific policy programs for ‘Social Inclusion’, recognized and supported by the Flemish government. These programs differ in terms of recognition criteria, organization types, nature and level of financing and intended target group. The population of Work Integration Social Enterprises in Flanders is rather easy to define as they are subsidized and monitored by the Flemish administration (Department of Work and Social Economy, 2010; Van Opstal et al., 2009; Van Waeyenberg and De Cuyper, 2016).

It is however recognized that, next to Work Integration Social Enterprises, there are also other forms of entrepreneurial initiatives with a dominant social aim in Flanders (Van Waeyenberg and De Cuyper, 2016). However, this group of organizations is much more difficult to identify as they are not monitored by the Flemish government. Moreover there is no

particular organizational or legal form for social enterprises (Coates et al., 2008). Organizations working according to the co-operative principles are generally considered as social enterprises (Gijssels et al., 2011). However, the Belgian legal framework for co-operatives (e.g. CVBA; Coöperatieve Vennootschap met Beperkte Aansprakelijkheid) makes little reference to the co-operative principles and can be adopted by regular for-profit enterprises as well. Co-operatives can opt for an accreditation by the National Council for Co-operatives if they clearly subscribe the principles of co-operative entrepreneurship and can, by consequence, be considered as social enterprises. However, only a small number of co-operatives have applied for this accreditation (about 500 out of 40 000 Belgian co-operatives) (Coates and Van Opstal, 2009).

In 1995, a new legal framework, tailored to social enterprises, was established. ‘Social Purpose Company’ (SPC) (‘Vennootschap met Sociaal Oogmerk’ - VSO) is a legal label that all types of companies can adopt if their statutes comply with a series of conditions demonstrating the social aim of the company. However, also the SPC-framework has hardly been adopted (Coates and Van Opstal, 2009; Defourny and Nyssens, 2008).

We can conclude that, next to the Work Integration Social Enterprises which are rather easily to identify, there are other organizations that may be considered as social enterprises because they are accredited co-operatives or because they adopted the legal label of ‘Social purpose company’. However, the number of these companies is limited and there is also overlap between these several groups of social enterprises (Van Waeyenberg and De Cuyper, 2016). As there is no specific legal form for social enterprises, we have to recognize that, next to the accredited co-operatives and the social purpose companies, social entrepreneurs may exist that adopted another legal form. If these organizations do not receive subsidies for integrating disadvantaged workers, it is very difficult to identify them. For this reason, in combination with the difficulty that the concept of social enterprise is not clearly defined, sampling issues are considered challenging when studying social enterprises (Short et al., 2009). Social entrepreneurship researchers can make sampling decisions by using a respondent-driven sample of social enterprises or do purposive sampling, starting from a sample frame of social enterprises that are generally expected to have dominant social goals (Stevens et al., 2015). As we performed our

research in collaboration with the Policy Research Centre Work and Social Economy (Steunpunt Werk en Sociale Economie), we followed the latter approach. More specifically, in our sample, we used organizations that are identified and monitored by the Flemish Administration. This monitor encompasses Work Integration Social Enterprises and accredited co-operatives (De Cuyper et al., 2015; Van Waeyenberg and De Cuyper, 2016). We identify 6 groups of Work Integration Social Enterprises. Some of these enterprises are specifically set up to employ disadvantaged workers (e.g. sheltered workshops and social workshops). Others employ target group employees next to a majority of regular employees (e.g. work integration enterprises and work experience enterprises) (Van Opstal et al., 2009).

In what follows, we describe in detail the several forms of Work Integration Social Enterprises we studied in this dissertation¹. In 2013, 29339 people were employed by these WISEs², including 25703 disadvantaged workers and 3636 people specifically hired to support and give training to the target group employees ('omkaderend personeel') (Van Waeyenberg and De Cuyper, 2016).

Sheltered workshops ('Beschutte Werkplaatsen') offer a job to people with a work-limiting disability who are not (yet) able to work in the mainstream economic sector. They offer assisted work in a customized workplace. Sheltered workshops mainly operate in a business-to-business context and often combine different activity domains, such as packaging, printing, assembly, gardening and recycling. Because of the disabilities of the workers, activities have to be easy to explain and to carry out. It is a challenge for sheltered workshops to find work adapted to the capabilities of their workers, moreover because they often operate in highly competitive industries (Department of Work and Social Economy, 2010; Van Opstal et al., 2009). In 2013, there were 54 sheltered workshops, offering jobs to 16602 people (14439 disadvantaged workers). The average number of employees (in FTE) of the sheltered workshops is 286 workers (Van Waeyenberg and De Cuyper, 2016).

¹ In 2015 new Flemish legislation (Maatwerkdecreet) changed the several forms of Work Integration Social Enterprises. This legislation is suspended by the Council of State in January, 2016. As a consequence, the old legislation is again applicable.

² Not including the 'regular' employees working in the WISEs

Social workshops ('Sociale Werkplaatsen') develop a business activity with customized employment in a protected working environment for jobseekers who face difficulties to find a job in the regular labor market because of physical, social or psychological problems. Activity domains of social workshops are partly the same as that of sheltered workshops. A specific activity of social workshops is recycling shops ('Kringwinkels'). Of the 94 social workshops approximately 30 run a recycling shop (Department of Work and Social Economy, 2010; Van Opstal et al., 2009). Social workshops offer employment to 5254 people (4386 disadvantaged workers). Social workshops are on average smaller than sheltered workshops, with a mean number of 50 employees (in FTE) (Van Waeyenberg and De Cuyper, 2016).

Local service economy initiatives ('Lokale Diensteneconomie') provide employment for long-term unemployed people in combination with offering services to the local community and households. These organizations are often closely connected to local authorities. Their activities include cleaning services, shopping assistance for the elderly, maintenance of public parks (Department of Work and Social Economy, 2010; Van Opstal et al., 2009). In 2013, there were 231 local service economy initiatives, offering employment to 2418 people (1935 disadvantaged workers).

Work integration enterprises ('Invoegbedrijven') receive subsidies in return for employing long-term unemployed jobseekers and integrate them in their regular staff, while focusing on training and guidance (Department of Work and Social Economy, 2010). In 2013, there were 124 work integration enterprises, providing jobs for 807 disadvantaged workers. They have a mean number of employees of 115 (regular workers and disadvantaged workers) (Van Waeyenberg and De Cuyper, 2016).

Work experience enterprises ('Werkervaringsbedrijven') offer a job to long-term unemployed people. They focus on offering a work experience as well as on providing the skills necessary to find a job in the regular labor market. These organizations are mainly active in health and social care or the cultural sector (Van Opstal et al., 2009). In 2013, 196 work experience enterprises, with a mean number of employees of 135, offered jobs to 2315 disadvantaged people (Department of Work and Social Economy, 2010).

Work care initiatives ('Arbeidszorginitiatieven') provide unpaid employment tailored to people who can no longer or not yet function in the regular labor market or adapted employment systems. Work care initiatives are often part of social workshops, sheltered workshops or social profit organizations (Department of Work and Social Economy, 2010). In 2013, 1821 disadvantaged workers and 122 supporting staff was employed by work care initiatives (Van Waeyenberg and De Cuyper, 2016).

1.3. IN THE SPECIFIC NATURE OF SOCIAL ENTREPRENEURSHIP

The conceptual debate has dominated research in social entrepreneurship (Nicholls, 2010). The predominance of definitional debates resulted in a focus on conceptual work and a relative lack of empirical research. Moreover, empirical research has mainly relied on case studies (Short et al., 2009). Several authors consider the ongoing definitional debate as a concern. It makes it difficult to establish legitimacy for social entrepreneurship as a distinct construct or field of research. Moreover, it hinders theory building and theory testing in the field (Dacin et al., 2011; Dacin et al., 2010; Short et al., 2009). While case study research has provided rich qualitative data and researchers are encouraged to continue using qualitative methods, calls are made to use quantitative methods to advance theory, building on a variety of established management and entrepreneurship theories (Certo and Miller, 2008; Dacin et al., 2011; Short et al., 2009).

As to what the definition of social entrepreneurship is concerned, recent research is moving away from the strive for a strict definition as it is unlikely that a set of characteristics applying to all kinds of social entrepreneurial initiatives, set up in different contexts, could be found (Dacin et al., 2010). Instead, a consensus has emerged in which, irrespective of the adopted organizational or legal form and the activities undertaken, social entrepreneurs are viewed as pursuing a dominant social mission while paying attention to social as well as economic value creation (Stevens et al., 2015; Zahra et al., 2009). The predominant social mission distinguishes social enterprises from traditional for-profit organizations, that create social value at the periphery of their activities (Ramus and Vaccaro, 2014; Smith et al., 2012). Setting up an

economic activity differentiates social enterprises from social movements and charitable and philanthropic initiatives (Mair et al., 2012). By consequence, social enterprises are considered as a distinct category of organizations, positioned between profit and nonprofit organizations and are, in recent years, increasingly described and studied as ‘hybrid organizations’ (Santos, 2012; Wilson and Post, 2013). Hybrid organizations are characterized by their commitment towards multiple, possibly conflicting, goals. Because of these multiple goals, hybrids face the challenge of combining activities that are not always compatible and of dealing with a variety of stakeholders with divergent expectations towards the organization (Doherty et al., 2014; Pache and Santos, 2010). Following their hybrid character, social enterprises are exposed to some specific internal and external tensions. Internal tensions are related to balancing the social and economic goals in decision-making and resource allocation (Ashforth and Reingen, 2014; Battilana and Lee, 2014). More specific, several authors refer to the risk of mission drift, implying that an organization deviates from its original mission or goals (Ebrahim et al., 2014; Jones, 2007; Miller et al., 2012a). In the context of social enterprises, mission drift is mainly considered as the erosion of the social goals in favor of commercial and financial performance (Doherty et al., 2014). However, also the opposite situation may occur in which the social goals prevail and the financial goals are neglected, possibly resulting in business failure (Cornforth, 2014b; Hockerts, 2010; Tracey et al., 2011). Social enterprises are further also exposed to external tensions, related to the need to establish legitimacy and obtain support from different stakeholder groups. As multi-stakeholder organizations, social enterprises lack a dominant stakeholder and have to align the conflicting interests of diverge principal stakeholders. Dominant stakeholders of social enterprises are the beneficiaries of the social mission (e.g. the disadvantaged workers in work integration social enterprises who need training and social support) and the customers, paying for the products and services delivered by the social enterprise (Campi et al., 2006; Ebrahim et al., 2014). As social enterprises often rely on subsidies, also government representatives and policy makers are considered as important stakeholders (Spear et al., 2009). The same holds for funders, providing financial resources (Miller and Wesley, 2010). Obtaining legitimacy from different stakeholder groups is crucial

for acquiring the necessary financial and human resources (Doherty et al., 2014; Miller et al., 2012a).

Given the internal challenge of balancing potentially conflicting goals and the external challenge of addressing potentially conflicting stakeholder expectations, several authors point to the specific challenges social enterprises face regarding organizational governance (Battilana and Lee, 2014; Doherty et al., 2014; Ebrahim et al., 2014; Huybrechts et al., 2014), which may be defined as ‘systems and processes concerned with ensuring the overall direction, control and accountability of an organization’ (Cornforth, 2014a). Ebrahim et al. (2014) specifically use an ‘accountability lens’ to study the governance challenges social enterprises have to deal with. They argue that ‘it is a function of governance to articulate both for what an organization is accountable and to whom it is primarily accountable’ (Ebrahim et al., 2014:82). In the case of social enterprises, this means that social enterprises are accountable for both social and financial performance and are accountable to multiple dominant stakeholders, also referred to as multiple-goal and multiple-stakeholder organizations (Campi et al., 2006; Mason, 2010; Thompson, 2008).

1.4. FOCUS OF THE DISSERTATION

The aim of this dissertation is to study the governance challenges social enterprises face. By doing so, we aim at responding to calls to study how social enterprises, as hybrid organizations, internally deal with the challenges they are exposed to (Battilana and Lee, 2014; Pache and Santos, 2013). While the existence of the aforementioned tensions is agreed upon and is confirmed in recent empirical research (Battilana et al., 2015; Pache and Santos, 2010), less attention has been paid to how these challenges may be addressed or even prevented (Battilana and Lee, 2014). More specifically, we answer the calls to study organizational governance in social enterprises, which has surprisingly only received little attention in social entrepreneurship research (Doherty et al., 2014; Ebrahim et al., 2014; Spear et al., 2009).

While studying the governance challenges of social enterprises, we focus, in line with Ebrahim et al. (2014), on ‘accountability to whom’ as well as on ‘accountability for what’.

Considering the former, we build on the basic assumption that the alignment of interests of diverse stakeholder groups is crucial for social enterprises (Ebrahim et al., 2014; Hockerts, 2010). As mentioned before, social enterprises are considered multi-stakeholder organizations, as they lack a dominant stakeholder. Multi-stakeholder dialog and stakeholder involvement are often discussed as typical governance characteristics of social enterprises (Cornforth and Spear, 2010; Huybrechts et al., 2014; Mason et al., 2007). Furthermore, such involvement is in line with the democratic and participatory values that characterize social enterprises (Pestoff and Hulgård, 2015; Spear, 2004). In particular, the board of directors, as an interface between the social enterprise and its external environment, is considered of major importance in dealing with diverging stakeholder expectations and securing stakeholder support (Diochon, 2010; Doherty et al., 2014; Huybrechts, 2010). Appointing board members, connected with or representing specific stakeholder groups, is considered a good practice as it enables the board, as the ultimate decision-making body, to align and balance the diverging stakeholder expectations (Campi et al., 2006; Spear et al., 2009). In this dissertation, we study how stakeholder involvement in the board may support social enterprises in addressing the tensions they face.

1.4.1. Governance characteristics of Flemish social enterprises

As mentioned before, we study Flemish social enterprises in this dissertation. In order to better understand the specific research questions and research settings, we will first elaborate on the governance characteristics of social enterprises in Flanders.

The specific governance structure of enterprises is related to the adopted legal form and its legal implications. As mentioned before, in Belgium there is no specific legal form for social enterprises. In Flanders, social entrepreneurship is largely encompassed by associations ('Vereniging zonder winstoogmerk'). The main reason is that, in order to be recognized as a Work Integration Social Enterprise, necessary to receive subsidies, Flemish legislation requires that organizations are associations (this requirement will be adapted in new legislation). Next to the majority of associations, social enterprises mainly adopt the co-operative legal form or

the social purpose company label (Coates et al., 2008; Coates and Van Opstal, 2009). Given the sample of social enterprises in this dissertation, we will discuss governance characteristics of social enterprises being associations or co-operatives.

In associations as well as in co-operatives, three bodies relevant for organizational governance can be distinguished: (1) general assembly, (2) board of directors and (3) the day-to-day management (CEO or management team). The general assembly and the board of directors are required by law. In associations, the board of directors has at least three members and the general assembly must have more members than the board of directors. In co-operatives, the board of directors has at least one member³, while the general assembly must consist of at least three members. The general assembly has a meeting at least once a year. From a strict judicial point of view, the general assembly is sometimes considered to be the most important governing body. In practice this is not the case because of two reasons. First, the general assembly predominantly has a control function regarding the functioning and financial status of the association, but it can mainly exercise this function post-hoc, when major decisions are already made. Second, specifically in the case of associations, it appears that very often the general assembly and the board of directors have more or less the same composition. By consequence, the general assembly not really has a distinguishing function from the board of directors, making the board of directors the most important governing body of the organization (Ceuleers et al., 2009). Having a CEO or a management team is not required by law. By consequence, there is no legislation regarding the distinct tasks of the board of directors and the management. In general, we can state that the board of directors is responsible for formulating (and safeguarding) the mission and for developing a long term strategy to carry out the mission, while the operationalization of the mission and the strategy is the task of the CEO or the management team. The board of directors monitors the activities and results of the management team as well as the financial and non-financial performance of the organization. Next to the control or monitoring function, the board of directors in social enterprises also has a service role. This service role encompasses, next to the earlier described strategic participation, advice

³ In our samples, board of directors have at least three members.

giving to the CEO and the managers. Board members further use their connections and networks to help the organization in achieving its goals and can help the organization to establish legitimacy in the external environment. Although there is a consensus that boards have to fulfill a control and a service role, there remain important questions about the ability and willingness of boards to fulfill their tasks properly. The ability of the board of (social) enterprises is related to the knowledge, experience and networks of board members. Recruiting board members with the right skills and experience is found to be challenging in social enterprises. It appears that only a small number of suitable people are willing to serve on boards. Possible explanations for this might be that board members are not paid, while this task can be quite time-consuming (Spear et al., 2009). Even if the necessary knowledge, experience and networks are available, this does not guarantee that boards function adequately. A common complaint of boards (not particularly in social enterprises) is that they become a ‘rubber stamp’ for management’s proposals, providing legitimacy for managerial decisions (Huybrechts, 2010; Spear et al., 2009). As such, boards become passive boards, executing operational tasks instead of taking a strategic role. Indicators of active versus passive boards include the frequency and the quality of meetings and time spent discussing and determining strategies (Coombes et al., 2011). In our research we take into consideration the activism of the board by studying the (self-reported) engagement of the board in fulfilling its service role.

1.4.2. Overview of the studies in the dissertation

Our research is performed using different samples of Flemish social enterprises. In close cooperation with sectoral federations and the Flemish government, we identified different types of social enterprises in Flanders. More specific, we examine in study 1 the relation between stakeholder representation in the board and the engagement of the board in its service role, encompassing networking with the external environment, giving advice to executives and participating in decision-making (Minichilli et al., 2009). As the ultimate goal of social enterprises is to create social and financial value (Arena et al., 2015), we also consider the ‘accountability for what’ –dimension of governance. The difficulty of measuring the non-

financial results, which is core to the performance of social enterprises, is often referred to (Arvidson and Lyon, 2014; Ebrahim and Rangan, 2014; Grieco et al., 2014). In study 2, we develop, in close cooperation with social economy organizations, a measurement tool for assessing the non-financial performance of social enterprises. Study 2 was carried out at the request of the Flemish government as part of the Policy Research Centre Work and Social Economy (Steunpunt Werk en Sociale Economie). Finally, in study 3, we take an overarching view and examine how stakeholder involvement in the board impacts board service performance and subsequent organizational performance.

Data were collected in 2013-2014, using qualitative and quantitative research methods. Table 1.2 gives an overview of the samples and methods used in each of the studies.

Table 1.1: Overview of the studies in the dissertation

	Study 1	Study 2	Study 3
Sample	Sheltered workshops Social workshops Analyses based on 344 completed surveys of 79 organizations: -79 CEOs -265 board members	Sheltered workshops Social workshops Work experience enterprises Work care initiatives Work integration enterprises Cooperatives Local service economy initiatives Quantitative analyses based on 241 surveys completed by CEOs	Sheltered workshops Social workshops Work experience enterprises Work care initiatives Work integration enterprises Cooperatives Analyses based on 196 surveys completed by CEOs
Methods	Process macro of Hayes (2013) for mediation, moderation and conditional process analysis	Focus groups Delphi Panel Exploratory and confirmatory factor analysis	Structural equation modeling (SEM) using Lavaan for R (Rosseel, 2012)

In the following sections, we discuss the specific research questions and research settings of the three studies.

Study 1: When stakeholder representation leads to faultlines. A study of board service performance in social enterprises

This study focuses on stakeholder representation, obtained by appointing board members representing different stakeholder groups (Harrison and Freeman, 2004; Moriarty, 2014) . While this is considered a good ethical practice for all kind of organizations (Hendry, 2001; Hielscher et al., 2014), the context of social enterprises is particularly relevant as social enterprises often have multi-stakeholder boards (Kerlin, 2006; Spear et al., 2009). Several authors however point to the potential negative implications for board functioning, such as conflict, subgroup formation and slower decision-making (Huybrechts et al., 2014; Matten and Crane, 2005; Pache and Santos, 2010). Although boards generally engage in two roles, the control and the service role, our study aims at understanding the relationship between stakeholder representation and the engagement of the board in its service role. Through its service role, the board is involved in networking with the external environment, as well as in giving advice to executives and decision-making (Minichilli et al., 2009). As stakeholder representation is suggested to lead to subgroup formation (Pache and Santos, 2010; Smith et al., 2013), we build on faultline theory. Faultlines are hypothetical dividing lines splitting a group into relatively homogeneous subgroups, based on the alignment of individuals along multiple characteristics, possibly leading to conflicts (Lau and Murnighan, 1998). More specifically, we argue that the alignment of stakeholder representation with other social category characteristics, such as age and gender, may result in faultline emergence, ultimately leading to decreased board service performance. Additionally, we study how faultline strength indirectly affects board service performance through board task conflict (De Dreu and Weingart, 2003; Jehn, 1995). Finally, we elaborate on moderators, mitigating the negative effects of faultline emergence and board task conflict.

Our study was carried out in a sample of 79 work integration social enterprises (WISEs), aiming at the reintegration of disadvantaged people, such as disabled people and people with social or psychological problems, by offering these people a job while simultaneously investing

in job training and social support (Battilana et al., 2015; Van Opstal et al., 2009). Our analyses are based on the responses of 265 board members and 79 CEOs of 79 WISEs.

Study 2: The development of a measurement instrument for the organizational performance in social enterprises

In the second study, we develop an instrument suitable for the internal assessment and the external reporting of the non-financial performance of social enterprises. Because of the dual mission of creating social value and being financially sustainable, there is a consensus that, when evaluating the performance of social enterprises, non-financial and financial performance have to be considered (Arena et al., 2015; Austin et al., 2006; Meadows and Pike, 2010). This may support internal decision-making and may answer the demands of accountability towards different stakeholder groups (Battilana and Lee, 2014; Ebrahim et al., 2014).

Different methodologies and tools are developed by researchers and practitioners to measure the performance of social enterprises (Grieco et al., 2014). Many of these methodologies are, on the one hand, very general in their design, not offering specific indicators of measurement tools (Manetti, 2014; Nicholls, 2009), or are, on the other hand, case-specific, making it difficult to replicate them to other social enterprises (Bellucci et al., 2012). The goal of this study is to fill this gap by developing an instrument suitable for a diverse group of social enterprises. To reach this end, we used qualitative (focus groups and a Delphi panel) and quantitative (exploratory and confirmatory factor analysis) research methods, involving multiple actors in the field of social entrepreneurship. The quantitative analyses are based on the responses of 241 CEOs of social enterprises.

Study 3: Board social capital and organizational performance in social enterprises

In this study we integrate study 1 and 2. We examine the relationship between board social capital, board service performance and subsequent organizational performance. Using a social capital perspective (Nahapiet and Ghoshal, 1998), we take into consideration the importance of

stakeholder involvement in social enterprise governance as we study board external social capital, encompassing the external ties from board members with external stakeholders (Kim, 2005; Wincent et al., 2010). Additionally, in line with the growing attention to board internal processes and the importance of boards working together as teams (Finkelstein and Mooney, 2003), we focus on board internal social capital, referring to the internal linkages within the organization, mainly between board members (Kim and Cannella, 2008). Using a resource dependence perspective (Pfeffer and Salancik, 1978), we study how board external and internal social capital contribute to the engagement of the board in fulfilling its service role and how this board service performance subsequently affects organizational performance. When measuring organizational performance, we consider financial as well as non-financial performance, in which our measures for non-financial performance are derived from study 2. More specifically, we use the scale measuring the primary social goals of social enterprises (Defourny and Nyssens, 2006), namely hiring disadvantage people and engaging in community responsibilities. Our analyses are based on the responses of 196 CEOs of Flemish social enterprises.

In summary, this doctoral research is embedded in the growing interest in the governance characteristics of social enterprises in order to deal with diverging stakeholder expectations and accountability for both social and financial performance. The following chapters present the three studies outlined above. The concluding chapter of this dissertation provides a summary of the main findings, and highlights the implications for theory and practice.

1.5. REFERENCES

Arena, M., Azzone, G. and Bengo, I. (2015). 'Performance Measurement for Social Enterprises'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26, 649-672.

Arvidson, M. and Lyon, F. (2014). 'Social Impact Measurement and Non-profit Organisations: Compliance, Resistance, and Promotion'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 25, 869-886.

Ashforth, B. E. and Reingen, P. H. (2014). 'Functions of Dysfunction: Managing the Dynamics of an Organizational Duality in a Natural Food Cooperative'. *Administrative Science Quarterly*, 59, 474-516.

Austin, J., Stevenson, H. and Wei-Skillern, J. (2006). 'Social and Commercial Entrepreneurship: Same, Different, or Both?'. *Entrepreneurship: Theory & Practice*, 30, 1-22.

Bacq, S. and Janssen, F. (2011). 'The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria'. *Entrepreneurship & Regional Development*, 23, 373-403.

Battilana, J. and Lee, M. (2014). 'Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises'. *Academy of Management Annals*, 8, 397-441.

Battilana, J., Sengul, M., Pache, A.-C. and Model, J. (2015). 'Harnessing Productive Tensions in Hybrid Organizations: The Case of Work Integration Social Enterprises'. *Academy of Management Journal*, 58, 1658-1685.

Bellucci, M., Bagnoli, L., Biggeri, M. and Rinaldi, V. (2012). 'Performance measurement in solidarity economy organizations: the case of fair trade shops in Italy'. *Annals of Public and Cooperative Economics*, 83, 25-59.

Campi, S., Defourny, J. and Grégoire, O. (2006). 'Work integration social enterprises: are they multiple-goal and multi-stakeholder organizations?'. In: Nyssens, M. (ed.) *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*. New York: Routledge, 29-49.

Certo, S. T. and Miller, T. (2008). 'Social entrepreneurship: Key issues and concepts'. *Business Horizons*, 51, 267-271.

Ceuleers, J., Debaillie, T. and Luyten, L. (2009). *Leiden of lijden: Tien facetten van goed bestuur in organisaties met een maatschappelijke doelstelling. Een praktijkgericht handboek*. Antwerpen-Apeldoorn: Garant, 103 p.

Coates, A. and Van Opstal, W. (2009). 'The joys and burdens of multiple legal frameworks for social entrepreneurship. Lessons from the Belgian case.'. Universiteit Antwerpen - HIVA KU Leuven, 68 p.

Coates, A., Van Steenberge, J. and Deneff, M. (2008). 'Juridische aspecten eigen aan de ondernemingen in de sociale economie'. Universiteit Antwerpen, Steunpunt Werk en Sociale Economie, 127 p.

Coombes, S. M. T., Morris, M. H., Allen, J. A. and Webb, J. W. (2011). 'Behavioural Orientations of Non-Profit Boards as a Factor in Entrepreneurial Performance: Does Governance Matter?'. *Journal of Management Studies*, 48, 829-856.

Cornforth, C. (2014a). 'Nonprofit governance research: the need for innovative perspectives and approaches'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit Governance, innovative perspectives and approaches*. Abingdon: Routledge, 1-14.

Cornforth, C. (2014b). 'Understanding and combating mission drift in social enterprises'. *Social Enterprise Journal*, 10, p. 3.

Cornforth, C. and Spear, R. (2010). 'The governance of hybrid organizations'. In: Billis, D. (ed.) *Hybrid organizations and the third sector: challenges for practice, theory and policy*. Basingstoke, UK: Palgrave, 70-89.

Dacin, M. T., Dacin, P. A. and Tracey, P. (2011). 'Social Entrepreneurship: A Critique and Future Directions'. *Organization Science*, 22, 1203-1213.

Dacin, P. A., Dacin, M. T. and Matear, M. (2010). 'Social Entrepreneurship: Why We Don't Need a New Theory and How We Move Forward From Here'. *Academy of Management Perspectives*, 24, 37-57.

De Cuyper, P., Jacobs, L. and Gijssels, C. (2015). 'More than work integration strategy for the delimitation of a population of social economy actors for a monitor of the social economy in Flanders'. *Annals of Public and Cooperative Economics*, 86, 267-290.

De Dreu, C. K. W. and Weingart, L. R. (2003). 'Task versus relationship conflict, team performance, and team member satisfaction: A meta-analysis'. *Journal of Applied Psychology*, 88, 741-749.

Dees, J. G. (1998). 'The meaning of social entrepreneurship'. doi. Available at <https://csistg.gsb.stanford.edu/sites/csi.gsb.stanford.edu/files/TheMeaningofsocialEntrepreneurship.pdf>

Dees, J. G. and Anderson, B. B. (2003). 'For-Profit Social Ventures'. *International Journal of Entrepreneurship Education*, 2, 1-26.

Dees, J. G. and Anderson, B. B. (2006). 'Framing a theory of social entrepreneurship: Building on two schools of practice and thought'. *Research on social entrepreneurship: Understanding and contributing to an emerging field*, 1, 39-66.

Defourny, J. (2001). 'Introduction: From third sector to social enterprise. '. In: Borzaga, C. and Defourny, J. (Eds), *The emergence of social enterprise*. London, New York: Routledge, 1-28.

Defourny, J. and Nyssens, M. (2006). 'Defining social enterprise'. In: Nyssens, M. (ed.) *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*. New York: Routledge, 3-26.

Defourny, J. and Nyssens, M. (2008). 'Social enterprise in Europe: recent trends and developments'. *Social Enterprise Journal*, 4, 202-228.

Defourny, J. and Nyssens, M. (2010). 'Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences'. *Journal of Social Entrepreneurship*, 1, 32-53.

Department of Work and Social Economy (2010). *Policy Barometer. The Flemish Social Economy*. Brussels.

Diochon, M. C. (2010). 'Governance, entrepreneurship and effectiveness: exploring the link'. *Social Enterprise Journal*, 6, 93-109.

Doherty, B., Haugh, H. and Lyon, F. (2014). 'Social Enterprises as Hybrid Organizations: A Review and Research Agenda'. *International Journal of Management Reviews*, 16, 417-436.

Ebrahim, A., Battilana, J. and Mair, J. (2014). 'The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations'. *Research in Organizational Behavior*, 34, 81-100.

Ebrahim, A. and Rangan, V. K. (2014). 'What Impact? A framework for measuring the scale and scop of social performance.'. *California Management Review*, 56, 118-141.

Eikenberry, A. M. and Kluver, J. D. (2004). 'The Marketization of the Nonprofit Sector: Civil Society at Risk?'. *Public Administration Review*, 64, 132-140.

Finkelstein, S. and Mooney, A. C. (2003). 'Not the usual suspects: How to use board process to make boards better'. *Academy of Management Executive*, 17, 101-113.

Galera, G. and Borzaga, C. (2009). 'Social enterprise: an international overview of its conceptual evolution and legal implementation'. *Social Enterprise Journal*, 5, 210-228.

Gijssels, C., Coates, A. and Deneffe, P. (2011). 'Coöperatieve antwoorden op maatschappelijke uitdagingen'. *HIVA KU Leuven*, 251 p.

Grieco, C., Michelini, L. and Iasevoli, G. (2014). 'Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models'. *Nonprofit and Voluntary Sector Quarterly*, doi: 10.1177/0899764014555986.

Harrison, J. S. and Freeman, R. E. (2004). 'Special topic: Democracy in and around organizations'. *Academy of Management Executive*, 18, 49-53.

Hendry, J. (2001). 'Missing the target: normative stakeholder theory and the corporate governance debate'. *Business Ethics Quarterly*, 11, 159-176.

Hielscher, S., Beckmann, M. and Pies, I. (2014). 'Participation versus Consent: Should Corporations Be Run according to Democratic Principles?'. *Business Ethics Quarterly*, 24, 533-563.

Hockerts, K. (2010). 'Social entrepreneurship between market and mission'. *International Review of Entrepreneurship*, 8, 1-22.

Huybrechts, B. (2010). 'The governance of fair trade social enterprises in Belgium'. *Social Enterprise Journal*, 6, 110-124.

Huybrechts, B., Mertens, S. and Rijpens, J. (2014). 'Explaining stakeholder involvement in social enterprise governance through resources and legitimacy'. In: Defourny, J., Hulgard, L. and Pestoff, V. (Eds), *Social Enterprise and the Third Sector: Changing European Landscapes in a Comparative Perspective*. London & New York: Routledge,

Jehn, K. A. (1995). 'A Multimethod Examination of the Benefits and Detriments of Intragroup Conflict'. *Administrative Science Quarterly*, 40, 256-282.

Jones, M. B. (2007). 'The Multiple Sources of Mission Drift'. *Nonprofit and Voluntary Sector Quarterly*, 36, 299-307.

Kerlin, J. A. (2006). 'Social Enterprise in the United States and Europe: Understanding and Learning from the Differences'. *Voluntas*, 17, 246-262.

Kerlin, J. A. (2013). 'Defining Social Enterprise Across Different Contexts: A Conceptual Framework Based on Institutional Factors'. *Nonprofit and Voluntary Sector Quarterly*, 42, 84-108.

Kim, Y. (2005). 'Board Network Characteristics and Firm Performance in Korea'. *Corporate Governance: An International Review*, 13, 800-808.

Kim, Y. and Cannella, A. A. (2008). 'Toward a Social Capital Theory of Director Selection'. *Corporate Governance: An International Review*, 16, 282-293.

Lau, D. C. and Murnighan, J. K. (1998). 'Demographic diversity and faultlines: the compositional dynamics of organizational groups'. *Academy of Management Review*, 23, 325-340.

Lumpkin, G. T., Moss, T. W., Gras, D. M., Kato, S. and Amezcua, A. S. (2013). 'Entrepreneurial processes in social contexts: how are they different, if at all?'. *Small Business Economics*, 40, 761-783.

Mair, J., Battilana, J. and Cardenas, J. (2012). 'Organizing for Society: A Typology of Social Entrepreneurial Models'. *Journal of Business Ethics*, 111, 353-373.

Mair, J. and Marti, I. (2006). 'Social entrepreneurship research: A source of explanation, prediction, and delight'. *Journal of World Business*, 41, 36-44.

Manetti, G. (2014). 'The Role of Blended Value Accounting in the Evaluation of Socio-Economic Impact of Social Enterprises'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 25, 443-464.

Mason, C. (2010). 'Choosing sides: contrasting attitudes to governance issues in Social Firms in the UK'. *Social Enterprise Journal*, 6, 6-22.

Mason, C., Kirkbride, J. and Bryde, D. (2007). 'From stakeholders to institutions: the changing face of social enterprise governance theory'. *Management Decision*, 45, 284-301.

Matten, D. and Crane, A. (2005). 'What is stakeholder democracy? Perspectives and issues'. *Business Ethics: A European Review*, 14, 6-13.

Meadows, M. and Pike, M. (2010). 'Performance Management for Social Enterprises'. *Systemic Practice and Action Research*, 23, 127-141.

Miller, T. L., Grimes, M. G., McMullen, J. S. and Vogus, T. J. (2012a). 'Venturing for others with heart and head: how compassion encourages social entrepreneurship'. *Academy of Management Review*, 37, 616-640.

Miller, T. L., Wesley, C. L. and Williams, D. E. (2012b). 'Educating the minds of caring hearts: Comparing the views of practitioners and educators on the importance of social entrepreneurship competencies'. *Academy of Management Learning & Education*, 11, 349-370.

Miller, T. L. and Wesley, C. L. (2010). 'Assessing Mission and Resources for Social Change: An Organizational Identity Perspective on Social Venture Capitalists' Decision Criteria'. *Entrepreneurship Theory and Practice*, 34, 705-733.

Minichilli, A., Zattoni, A. and Zona, F. (2009). 'Making Boards Effective: An Empirical Examination of Board Task Performance'. *British Journal of Management*, 20, 55-74.

Mirabella, R. and Young, D. R. (2012). 'The development of education for social entrepreneurship and nonprofit management: Diverging or converging paths?'. *Nonprofit Management and Leadership*, 23, 43-57.

Moriarty, J. (2014). 'The Connection Between Stakeholder Theory and Stakeholder Democracy: An Excavation and Defense'. *Business & Society*, 53, 820-852.

Nahapiet, J. and Ghoshal, S. (1998). 'Social Capital, Intellectual Capital, and the Organizational Advantage'. *Academy of Management Review*, 23, 242-266.

Nicholls, A. (2009). "We do good things, don't we?": 'Blended Value Accounting' in social entrepreneurship'. *Accounting, Organizations and Society*, 34, 755-769.

Nicholls, A. (2010). 'The Legitimacy of Social Entrepreneurship: Reflexive Isomorphism in a Pre-Paradigmatic Field'. *Entrepreneurship Theory and Practice*, 34, 611-633.

Pache, A.-C. and Santos, F. (2010). 'When worlds collide: the internal dynamics of organizational responses to conflicting institutional demands'. *Academy of Management Review*, 35, 455-476.

Pache, A.-C. and Santos, F. (2013). 'Inside the hybrid organization: selective coupling as response to conflicting institutional logics'. *Academy of Management Journal*, 56, 972-1001.

Pestoff, V. and Hulgård, L. (2015). 'Participatory Governance in Social Enterprise'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, doi: 10.1007/s11266-015-9662-3, 1-18.

Pfeffer, J. and Salancik, G. R. (1978). *The external control of organizations: a resource dependence perspective*. New York: Harper & Row.

Ramus, T. and Vaccaro, A. (2014). 'Stakeholders Matter: How Social Enterprises Address Mission Drift'. *Journal of Business Ethics*, doi: 10.1007/s10551-014-2353-y.

Santos, F. M. (2012). 'A Positive Theory of Social Entrepreneurship'. *Journal of Business Ethics*, 111, 335-351.

Short, J. C., Moss, T. W. and Lumpkin, G. T. (2009). 'Research in social entrepreneurship: past contributions and future opportunities'. *Strategic Entrepreneurship Journal*, 3, 161-194.

Smith, W. K., Besharov, M. L., Wessels, A. K. and Chertok, M. (2012). 'A Paradoxical Leadership Model for Social Entrepreneurs: Challenges, Leadership Skills, and Pedagogical Tools for Managing Social and Commercial Demands'. *Academy of Management Learning & Education*, 11, 463-478.

Smith, W. K., Gonin, M. and Besharov, M. L. (2013). 'Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise'. *Business Ethics Quarterly*, 23, 407-442.

Spear, R. (2004). 'Governance in Democratic Member-Based Organisations'. *Annals of Public & Cooperative Economics*, 75, 33-59.

Spear, R., Cornforth, C. and Aiken, M. (2009). 'The governance challenges of social enterprises: evidence from a UK empirical study.'. *Annals of Public & Cooperative Economics*, 80, 247-273.

Stevens, R., Moray, N. and Bruneel, J. (2015). 'The social and economic mission of social enterprises: Dimensions, measurement, validation, and relation'. *Entrepreneurship Theory and Practice*, 39, 1051-1082.

Sud, M., VanSandt, C. and Baugous, A. (2009). 'Social Entrepreneurship: The Role of Institutions'. *Journal of Business Ethics*, 85, 201-216.

Thompson, J. L. (2008). 'Social enterprise and social entrepreneurship: where have we reached?'. *Social Enterprise Journal*, 4, 149-161.

Tracey, P., Phillips, N. and Jarvis, O. (2011). 'Bridging Institutional Entrepreneurship and the Creation of New Organizational Forms: A Multilevel Model'. *Organization Science*, 22, 60-80.

Van Opstal, W., Deraedt, E. and Gijssels, C. (2009). 'Monitoring profile shifts and differences among WISEs in Flanders'. *Social Enterprise Journal*, 5, 229-258.

Van Waeyenbergh, H. and De Cuyper, P. (2016). 'Een uitgebreide monitor voor de sociale economie in Vlaanderen'. *HIVA - KU Leuven, Steunpunt Werk en Sociale Economie*, 135 p.

Wilson, F. and Post, J. E. (2013). 'Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation'. *Small Business Economics*, 40, 715-737.

Wincent, J., Anokhin, S. and Örtqvist, D. (2010). 'Does network board capital matter? A study of innovative performance in strategic SME networks'. *Journal of Business Research*, 63, 265-275.

Zahra, S. A., Gedajlovic, E., Neubaum, D. O. and Shulman, J. M. (2009). 'A typology of social entrepreneurs: Motives, search processes and ethical challenges'. *Journal of Business Venturing*, 24, 519-532.

2. WHEN STAKEHOLDER REPRESENTATION LEADS TO FAULTLINES: A STUDY OF BOARD SERVICE PERFORMANCE IN SOCIAL ENTERPRISES

ABSTRACT

Following the growing interest in sustainability and ethics, organizations are increasingly attentive to accountability toward stakeholders. Stakeholder representation, obtained by appointing board members representing different stakeholder groups, is suggested to be a good ethical practice. However, such representation may also have nefarious implications for board functioning. Particularly, it may result in strong faultline emergence, subsequently mitigating board performance. Our study aims at understanding the process through which faultlines affect board performance, and particularly the board service role through which the board is involved in providing counsel and strategic decision-making. We study the relationship between faultlines and board service performance in the particularly relevant context of social enterprises. We find that faultline strength is negatively related to board service performance and that this relationship is mediated by board task conflict. Furthermore, our study reveals the importance of clear and shared organizational goals in attenuating the negative effects of faultlines.

2.1. INTRODUCTION

Corporate citizenship, sustainability and ethics in organizational contexts are increasingly receiving notice (Aguinis and Glavas, 2012), thus bringing increased attention to accountability toward different stakeholders and the social responsibility of organizations (Carroll, 2015), as well as giving rise to an active discussion about stakeholder democracy (Matten and Crane, 2005; Van Buren III, 2010). Stakeholder democracy refers to “stakeholder participation in processes of organizing, decision-making, and governance in corporations” (Matten and Crane, 2005, p. 6). It is considered a best ethical practice or even an ethical obligation (Hendry, 2001; Moriarty, 2014; O'Dwyer, 2005): Van Buren III (2010) argues that, as stakeholders contribute to the value creation of organizations, they should also have the right to participate in the decision-making and corporate governance processes. Through stakeholder participation, stakeholders are not just considered as a means, but are also an end, in and of themselves (Evan and Freeman, 1993; Hielscher et al., 2014). As taking into consideration stakeholder demands is considered crucial for organizational health (Moriarty, 2014), stakeholder participation is expected to ultimately benefit both society and organizations (Harrison and Freeman, 2004).

However, despite the centrality of stakeholder democracy in ethical discussions, the literature devotes considerable attention to the participation of only one particular stakeholder group, namely employees (Harrison and Freeman, 2004; Matten and Crane, 2005; Moriarty, 2010), referred to as workplace democracy (Matten and Crane, 2005; Timming, 2015). Notwithstanding this empirical emphasis on the employees as stakeholders, the board of directors, as the ultimate decision-making body in organizations, is considered to play a crucial role in effectuating stakeholder participation (Moriarty, 2010; Van Buren III, 2010). Indeed, it is commonly accepted that one of the best ways to provide a diverse range of stakeholders with greater voice is through appointments to the board of directors (Harrison and Freeman, 2004; Moriarty, 2014). Researchers allude to the potentially positive aspects of stakeholder democracy through board appointments (hereafter: stakeholder representation). Specifically, it is considered a best practice from an ethical perspective as it enables the organization to share power with all stakeholders (Moriarty, 2014; Van Buren III, 2010). Furthermore, stakeholder

representation may often help in gaining legitimacy from different stakeholder groups, which is crucial for the acquisition of resources, including financial and human resources (Doherty et al., 2014; Miller et al., 2012). By contrast, other researchers allude to the potentially nefarious effects of stakeholder representation on the board, which is related to slower decision-making and the lack of knowledge of stakeholder representatives (Harrison and Freeman, 2004; Hielscher et al., 2014; Matten and Crane, 2005). Consequently, it is likely for stakeholder representation to affect board functioning. Boards typically engage in two different roles, referred to as the control role (Okhmatovskiy and David, 2012) and the service role (Fiegener, 2005; Forbes and Milliken, 1999; Zahra and Pearce, 1989). It is through the service role that the board is involved in enhancing the firm's reputation, establishing contacts with the external environment, as well as giving counsel and advice to executives (Minichilli et al., 2009; Zahra and Pearce, 1989). As such, it is likely for stakeholder representation to particularly affect the engagement of the board in its service role. Surprisingly, however, there is a dearth of research into the implications of stakeholder representation on boards of directors in general and, specifically, the board's service role.

Our study focuses on understanding the link between stakeholder representation and the engagement of the board in its service role (hereafter referred to as "board service performance;" similar terms used in the literature include "board service task performance" (Minichilli et al., 2009), "board engagement in the service role" (Knockaert and Ucbasaran, 2013), and "board service involvement" (Knockaert et al., 2015). In doing so, we focus on a relevant organizational behavior concept and related theories, namely faultlines. A faultline perspective is particularly relevant as stakeholder representation is suggested to lead to the formation of subgroups (Pache and Santos, 2010; Smith et al., 2013). Organizational behavior scholars point to the importance of studying the behavior of subgroups and suggest focusing on faultline emergence as an important mechanism (Bezrukova et al., 2012; Thatcher and Patel, 2012). Faultlines are hypothetical dividing lines splitting a group into relatively homogeneous subgroups, based on the alignment of individuals along multiple characteristics, possibly leading to conflicts (Lau and Murnighan, 1998). However, our knowledge on either the relationship between stakeholder representation and faultlines, or the relationship between

board faultlines and the subsequent board and organizational performance (Almandoz, 2012) is still limited. Our study aims at investigating the practice of stakeholder representation on the board, thereby focusing on board service performance and the extent to which stakeholder representation may affect such performance through the emergence of faultlines.

In aiming for its research objectives, our study considers a particularly relevant context, namely that of social enterprises, which engage in commercial activities to solve social problems and, as such, have a dual mission of financial sustainability and social goal achievement (Battilana et al., 2015; Doherty et al., 2014). First, from a stakeholder perspective, social enterprises are particularly relevant as they lack a dominant external stakeholder and are exposed to the conflicting expectations and demands of different principal stakeholder groups (Ebrahim and Rangan, 2014; Mair et al., 2015; Ramus and Vaccaro, 2014). To address such conflicting demands, social enterprises often have multi-stakeholder boards (Kerlin, 2006; Spear et al., 2009).

Second, any entrepreneurial firm faces challenges that make a board service role perspective particularly relevant (Hillman and Dalziel, 2003; Knockaert and Ucbasaran, 2013; Minichilli et al., 2009). However, in addition to general entrepreneurial challenges, social enterprises face specific external and internal tensions (Battilana and Lee, 2014). External tensions are related to the need to establish legitimacy and obtain support from different stakeholder groups. Internal tensions are related to balancing the social and economic goals while avoiding mission drift; for instance when making decisions on resource allocation (Ashforth and Reingen, 2014). As such, through engaging in the service role, boards may be particularly important in helping social enterprises deal with these external and internal tensions (Battilana and Lee, 2014; Ebrahim et al., 2014; Mair et al., 2015; Pache and Santos, 2013; Spear et al., 2009). Consequently, while boards of directors in social enterprises are largely neglected in academic research (Spear et al., 2009), they are of utmost importance as they set the overall framework within which these organizations operate and make critical decisions (Battilana and Lee, 2014; Mair et al., 2015), thus affecting organizational effectiveness (Ostrower and Stone, 2006).

Accordingly, this paper aims at unraveling the implications of stakeholder representation on boards of organizations. We specifically study the relationship between faultlines originating from stakeholder representation and the engagement of the board in its service role. By subsequently unraveling the mechanisms and contingencies through which faultlines are related to such performance, we aim at contributing to the business ethics, (social) entrepreneurship, corporate governance, and organizational behavior literatures in a number of ways.

First, we add to the literature on stakeholder democracy and stakeholder participation by leaving the beaten paths of workplace democracy to focus on stakeholder representation as a largely neglected aspect source of stakeholder democracy. Specifically, we introduce faultline emergence as a potentially nefarious consequence of stakeholder representation in corporate governance mechanisms in organizations in general. This paper also explicitly responds to calls to focus on the governance function in social enterprises (Battilana and Lee, 2014; Mair et al., 2015) and to specifically study stakeholder representation and subgroup formation in order to better understand the relationship between corporate governance practices and board performance in social enterprises (Almandoz, 2014; Doherty et al., 2014; Pache and Santos, 2010). This research further contributes to the extensive body of entrepreneurship literature that considers top management and boards as groups of individuals, or teams, and that is pointing to faultlines as a promising theoretical avenue (Lim et al., 2013), but is yet to incorporate the concept either theoretically or empirically.

Second, we respond to calls in the corporate governance literature to open up the black box of board dynamics (Hambrick et al., 2008; Huse et al., 2011; Van Ees et al., 2009). Specifically, Ostrower and Stone (2010) call for studies into a wider range of board member characteristics than just demographics such as race and gender. Further, as Westphal and Zajac (2013) and Knockaert and Ucbasaran (2013) highlight, while much of the corporate governance literature takes an agency theoretical perspective in studying the (control) role of the board, other (behavioral) theoretical perspectives may be more relevant when studying the service role of the board. Importantly, we respond to a call by Cornforth (2012), who argues that corporate governance research is often focused on boards in unitary organizations and calls for studies

into the governance of organizations with more complex governance structures, such as social enterprises.

Finally, we add to the organizational behavior literature, which introduced and widely studies faultlines. So far, however, faultline research mainly focuses on age, gender and ethnicity as social category characteristics that may give rise to faultline emergence (Thatcher and Patel, 2012). We add to this literature by introducing stakeholder representation as a potentially important social category characteristic (Van der Brempt et al., 2015).

The paper unfolds along the following lines. First, we systematically develop a number of hypotheses on the relationship between faultlines and the board's service role. We integrate these hypotheses in a theoretical framework that is geared toward a better understanding of the relationship between stakeholder representation at board level and board service performance, just as the intermediate mechanisms in the relationship. In a following section, we describe the research method, including the research setting, the description of the sample, data collection and operationalization of the variables. After presenting our results, we discuss the main conclusions and contributions of our paper, as well as the limitations and directions for future research.

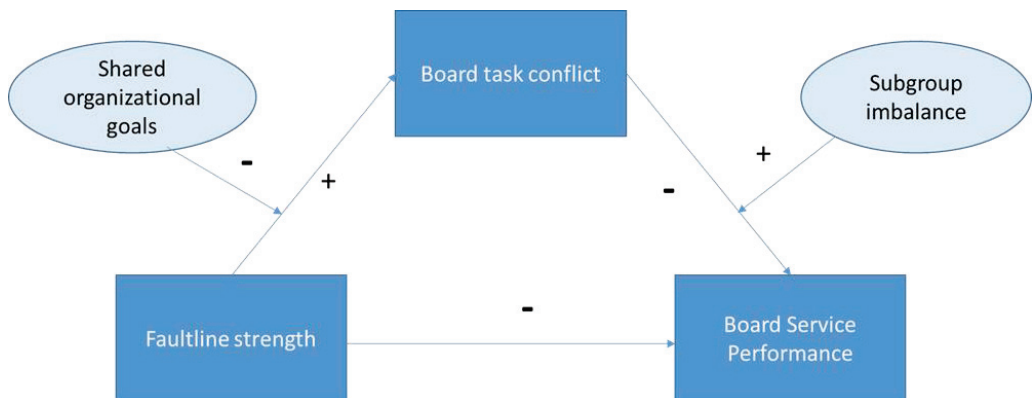
2.2. A FAULTLINE THEORETICAL PERSPECTIVE

As articulated above, the representation of different stakeholder groups is often considered to be a good practice in balancing the competing demands of stakeholders in the decision-making process (Moriarty, 2014; Pache and Santos, 2010). At the same time, several authors warn of the potentially negative effects of stakeholder representation (Pache and Santos, 2010). Specifically, stakeholder representation may contribute to subgroup emergence. Tensions between different subgroups on the board can make it difficult to achieve a clear purpose, as such slowing down the decision-making process (Huybrechts, 2010; Spear et al., 2009). Pache and Santos (2010, p. 468) even warn for 'dramatic outcomes'. Specifically, escalations of conflict may result in organizational paralysis or even permanent organizational breakups. However, the literature offers little explanation of the conditions under which the emergence of

subgroups may negatively influence board performance (Almandoz, 2014). A possible explanation can be found in faultline theory, studying the emergence of subgroups and its effect on group dynamics and performance. While faultlines may originate from social category, informational and personality differences (Thatcher and Patel, 2012), we introduce the representation of different stakeholder groups in the board of directors as an additional social category characteristic triggering faultline emergence.

In what follows, we build upon faultline theory and literature, linking faultlines to board service performance. Then, we add a conflict theoretical perspective to explain the process through which faultline strength may affect board service performance. Finally, we explore which contingency factors could affect the earlier hypothesized relationships. The framework we present is summarized in Figure 2.1 and serves as a guide throughout the remainder of this section.

Figure 2.1: Conceptual model



2.2.1. The origin and nature of faultlines

The faultline concept has its origin in research on group diversity and heterogeneity. Although group members' traits are important for the way they address issues, it is the heterogeneity or homogeneity of these traits among group members that affects how they cooperate (Tuggle et al., 2010). Research on group diversity reveals that diversity may have positive as well as negative effects on group performance (van Knippenberg et al., 2011). Indeed, diversity in a group can be a source of knowledge, information and expertise, leading to improved performance. This argument is in line with the earlier mentioned positive effects of stakeholder representation in groups, or boards of directors specifically (Diochon, 2010; Smith, 2010). On the other hand, diversity is also a potential source of conflict, engendering subgroups that may disrupt group processes and, consequently, group performance. Similarly, stakeholder representation, or diversity in the stakeholder groups represented in the board, may lead to negative effects (Pache and Santos, 2010; Spear et al., 2009). Harrison and Klein (2007) refer to these effects of group diversity as 'diversity as variety' versus 'diversity as separation'. Whereas the first refers to group members bringing a multiplicity of perspectives and experiences, the latter points to these members holding different positions or opinions on task- or team-related issues. By consequence, whereas variety enhances creativity and decision quality, separation typically reduces cohesiveness and subsequent task performance (Harrison and Klein, 2007).

Following the mixed findings on the effects of group heterogeneity, calls have been made to introduce more sophisticated models of diversity that are superior in predicting the negative or positive effects of diversity (Lau and Murnighan, 1998; Tuggle et al., 2010; van Knippenberg et al., 2011). The introduction of the faultline concept by Lau and Murnighan (1998) can be considered as a fruitful avenue to answer these calls. Group faultlines are defined as hypothetical dividing lines that may split a group into subgroups based on alignment along multiple attributes (Bezrukova et al., 2009; Lau and Murnighan, 1998). In the faultlines reasoning, different dimensions of diversity are studied in conjunction instead of looking at different traits separately (Rico et al., 2007). The theoretical mechanisms used to explain the

emergence and the effects of faultlines are self-categorization, social identification, and similarity attraction (Thatcher and Patel, 2012). Self-categorization and social identity theories explain how individuals, in order to define their identities and to protect their self-esteem, classify themselves and others into social categories. As a result of such categorization, individuals favor and trust their group members more than individuals of other groups (Lau and Murnighan, 2005; Rico et al., 2007). The similarity-attraction paradigm refers to the tendency of people to like, trust and cooperate with similar others (Li and Hambrick, 2005; van Knippenberg et al., 2011).

Although it is generally accepted that faultlines can form around many characteristics (Lau and Murnighan, 2005; Thatcher and Patel, 2012), the majority of faultline research focuses on faultlines based on demographic social category characteristics, i.e. the characteristics of age, gender and ethnicity. In addition, informational or task-related characteristics are studied in faultline research (Rico et al., 2007; Thatcher and Patel, 2012). Informational characteristics are underlying attributes that are directly job-related, such as functional background, tenure, and education (Bezrukova et al., 2009; Rico et al., 2007). While less frequently studied (Thatcher and Patel, 2012), personality traits and values are also considered a potential source of faultline emergence. Conscientiousness and emotional stability are examples of personality traits that are examined in faultline research (Molleman, 2005; Rico et al., 2007). In the context of faultlines in boards, board tenure, education level, functional background, industry background and type of directorship (executive versus non-executive directors) (Kaczmarek et al., 2012; Tuggle et al., 2010), in addition to general demographic characteristics like age and gender (Veltrop et al., 2015), are studied. So far, research neglects faultlines originating from the representation of different stakeholder groups as one of the driving characteristics. In what follows, we elaborate on how strong faultlines in the board, to which stakeholder representation contributes, may affect board service performance, and then subsequently elaborate on potential mediator and moderator relationships.

2.2.2. The relationship between faultline strength and board service performance

It is generally accepted that faultlines are particularly detrimental to the organization if they are strong. Faultline strength increases when subgroups are homogeneous as subgroup members are then more similar, while more strongly differing from members of others subgroups with whom they do not share attributes (Lim et al., 2013). Indeed, following faultline theory, strong faultlines will result in reduced information exchange and increased problems in providing constructive advice, which in turn has a negative impact on joint decision-making and the ability to reach a strategic consensus (Li and Hambrick, 2005; Minichilli et al., 2009). Generally, strong competition between the subgroups results in less time and energy spent on essential tasks, thus distracting from the organizational goals (Thatcher and Patel, 2012).

Based on social identity theory and similarity attraction, we introduce stakeholder representation as an additional relevant social category characteristic in faultline research. Indeed, board members will quickly identify which stakeholder groups other board members represent. Based upon faultline theory, we argue that faultlines will emerge following the alignment of stakeholder representation with other important social category characteristics, such as age and gender. We argue that, if strong faultlines exist based on the alignment of these social category characteristics, board members form identity-based subgroups. In the case of stronger faultlines, polarization between board members may occur (Fiol et al., 2009), resulting in communication hindrances and decrease in focus on the organization's goals, consequently resulting in decreased board service performance. This is in line with research that studies other origins of faultline emergence in other contexts, but that has consistently linked faultline strength to negative outcomes (Thatcher and Patel, 2012). Indeed, faultline strength is linked to diminished performance outcomes, such as decision-making and group performance (Bezrukova et al., 2009; Rico et al., 2007). Subsequently, we propose the following hypothesis:

Hypothesis 1: Faultline strength is negatively related to board service performance.

2.2.3. Board task conflict as a mediator between faultline strength and board service performance

While we expect to find a negative relationship between faultline strength and board service performance, in what follows we argue that faultline strength also indirectly affects board service performance through board task conflict.

First, in line with faultline theory, faultline strength can be expected to positively relate to board task conflict. Task conflict refers to differences in viewpoints and opinions about the content of the task (de Wit et al., 2012; Jehn, 1995). Examples of task conflict are conflicts about the distribution of resources, procedures, and policies (De Dreu and Weingart, 2003). We argue that the representation of different stakeholder groups, strengthened by other social category characteristics, on the board will result in different points of view regarding what the tasks of the board are and how these tasks are to be fulfilled. Ashforth and Reingen (2014) discuss battles between subgroups and the continuing conflicts in the governance process when decisions must be made, for instance, on the allocation of resources. Therefore, we argue that faultline strength will be positively related to board task conflict, which is in line with studies in other contexts and studying other types of faultline origin, but which have consistently linked faultlines to task conflict (Lau and Murnighan, 2005; Li and Hambrick, 2005).

Second, building on conflict theory, we argue that higher levels of board task conflict are related to decreased board service performance. While the effect of task conflict on group performance is widely studied, the results are inconclusive. For instance, four meta-analyses on the effects of task conflict reveal different results. De Dreu and Weingart (2003) and O'Neill et al. (2013) find that task conflict has a negative effect on group performance, where de Wit et al. (2012) conclude that task conflict is unrelated to such performance. Finally, DeChurch et al. (2013) find that task conflict is positively related to group performance. We build on the argument of De Dreu (2008), which is particularly relevant for our context, to explain why we expect a negative relationship between board task conflict and board service performance. De Dreu (2008) argues that in groups where members have vested interests, task conflict will negatively influence performance. In the same vein, Loughry and Amason (2014) refer to

incompatible goals as a possible boundary condition, which can result in lower group performance because of ‘political activity’, such as competing for resources. As we argue that task conflict in the boards emerges from faultlines originating from the representation of different stakeholder groups, we expect that board members indeed have vested interests and that they will most likely demonstrate political behavior in order to defend the stakeholders they represent. Political activity, such as competing for resources, is detrimental to group performance (De Clercq et al., 2009) as it distracts group members from focusing on the essential tasks and overall goals of the organization (Loughry and Amason, 2014). As such, vested interests and political behavior hinder constructive debate and joint decision-making (De Dreu, 2008). This is further in line with findings in the corporate governance literature, negatively linking board task conflict to engagement by the board in advice (Minichilli et al., 2012) and strategic activities (van Ees et al., 2008). Consequently, we offer the following hypothesis:

Hypothesis 2: Board task conflict mediates the relationship between faultline strength and board service performance. Specifically, stronger faultlines are related to higher levels of board task conflict (H2a), in turn negatively related to board service performance (H2b).

2.2.4. Shared organizational goals and subgroup imbalance as moderating factors

While initial research on faultlines aimed at understanding the impact of faultlines, newer research focuses on understanding contingencies mitigating the negative effects of faultlines (Thatcher and Patel, 2012). In what follows, we address the two sides of the mediation relationship, hereby building on faultlines literature and conflict theory. Specifically, we argue that the level of shared organizational goals will moderate the first part of the mediation in hypothesis 2, whereas subgroup imbalance will moderate the second part of the mediation .

First, we argue that the identification as one group instead of a categorization in subgroups is a key alleviator of the negative impact of faultlines. Specifically, conflict theory indicates

that, by introducing ‘integrative forces’, such as an overarching vision, the conflicts that may arise through subgroup formation can be weakened (Collewaert and Sapienza, 2014; de Wit et al., 2012; Horton et al., 2014). Similarly, Almandoz (2012) and Pache and Santos (2010) indicate that the identification of common goals in the board of directors will make conflict less fierce. This is in line with the faultline literature, where the existence of clear and shared objectives is found to attenuate the negative effects of strong faultlines (van Knippenberg et al., 2011). As such, while stronger faultlines can be expected to lead to higher levels of board task conflict, this effect is likely to be mitigated by higher levels of shared organizational goals. Therefore, we propose that higher levels of ‘shared organizational goals’ among the board members will weaken the positive relationship between faultlines and board task conflict, resulting in the following hypothesis:

Hypothesis 3: Higher levels of shared organizational goals recognized by board members moderates the relationship between faultline strength and board task conflict. Specifically, the positive relationship between faultline strength and board task conflict is mitigated by higher levels of shared organizational goals, and strengthened by lower levels of shared organizational goals.

Second, we argue that the extent to which task conflict leads to decreased performance will be contingent on the relative size of the subgroups. There is a growing interest into how subgroup characteristics influence group performance (Carton and Cummings, 2012; Thatcher and Patel, 2012). Configurational properties, and particularly the size of the subgroups, are studied as potentially important drivers. So far, however, the theoretical arguments and empirical results are inconclusive. Some scholars argue that an imbalanced configuration, in which subgroups are unequally sized, has a positive effect on group performance. The argument put forward here is that the existence of a majority provides certainty (Menon and Phillips, 2011) and makes conflict less overt, resulting in smoother group dynamics, which in turn positively influences performance (Thatcher and Patel, 2012). Other scholars (O’Leary and

Mortensen, 2010) find support for the opposite argument: a more balanced configuration positively influences group performance. As they argue, when there is no majority, different subgroup perspectives are equally taken into consideration, resulting in better decisions, which in turn positively influences group performance. Carton and Cummings (2013) add to this stream of literature by arguing that, in order to gain a better understanding of the influence of subgroup imbalance (i.e. the extent to which one subgroup is larger than the other) on group performance, the subgroup type also has to be considered. Particularly interesting is that, similar to our study, they study identity-based subgroups, formed by members sharing the same social category characteristics (Carton and Cummings, 2013). Subsequently, when identity-based subgroups arise, subgroup balance negatively influences group performance, which can be attributed to the fact that the overall group gets locked in conflicts related to values and beliefs (Carton and Cummings, 2013). Along the same lines, we can expect increasing levels of subgroup imbalance to weaken the negative effects of task conflict on group performance. Indeed, as the subgroups we study are identity-based, board task conflict will be particularly detrimental to board service performance if subgroups have similar sizes and no dominant subgroup can put its stamp on the discussion. In contrast, increasing subgroup imbalance will mitigate the negative effect of task conflict on board service performance, resulting in the following hypothesis:

Hypothesis 4: The relationship between board task conflict and board service performance is positively moderated by subgroup imbalance. Specifically, higher levels of subgroup imbalance mitigate the negative relationship between board task conflict and board service performance.

2.3. METHODS

2.3.1. Research setting

Shane and Venkataraman (2000, p. 218) defined the field of entrepreneurship as “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.” Generally, entrepreneurship is about “the new” (in terms of goods, services, knowledge) and how it enters the economic system, as well as about change (Langlois, 2007). An entrepreneurial firm is then either a new firm or a firm somehow willing and able to reset its own memory (Langlois, 2007), and as such entrepreneurship includes, but is not limited to, the creation of new organizations (Shane and Venkataraman, 2000). While the term “social entrepreneurship” has since been interpreted in many different ways (Dees, 1998), Mair and Marti (2006, p. 37) bring together the social and entrepreneurial aspects of the concept and define it as a process that involves “the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.” As Mair and Marti (2006) point out, through the social contexts in which social entrepreneurship occur (newly created or established organizations), social enterprises can be distinguished from loosely structured initiatives that also aim at social change, such as activist movements.

It is further clear that the conceptualization of social entrepreneurship is context-dependent (Defourny and Nyssens, 2010). Borzaga and Defourny (2001) and Kerlin (2006) indicate that, in Europe, social entrepreneurship is mainly confined to the realm of work integration and employment creating initiatives. Perrini (2006) indicates that social entrepreneurship in Europe is a non-for-profit response to welfare-related challenges, financial pressure put on social-purpose organizations and decreased donations to such organizations. As such, “Work Integration Social Enterprises” (hereafter: WISEs), which are the objects of our study, correspond to the definition of social entrepreneurship, while forming a general accepted type of social enterprises in a European context. The primary aim of WISEs is the socio-professional reintegration of disadvantaged people, such as disabled people and people with social or psychological problems, experiencing difficulties to integrate on the job market. WISEs hire

these people to produce goods and services for the commercial market. In addition, WISEs invest actively in job training, necessary to make reintegration in the labor market possible, and provide social support to solve personal problems that are often obstacles for employment (Battilana et al., 2015; Pache and Santos, 2013; Van Opstal et al., 2009).

We study WISEs in a specific part of Belgium, namely Flanders. We particularly focus on Flemish organizations for homogeneity reasons as Belgium has a federal structure and social economy policies are organized at the regional level. WISEs in Flanders are a good setting to test our theoretical framework for a number of reasons. First, as WISEs lack a dominant stakeholder, their boards of directors commonly consists of different stakeholder representatives (Kerlin, 2006; Spear et al., 2009). The principal stakeholders, namely the beneficiaries and customers, are typically represented on the board. As WISEs generally receive subsidies from the Flemish and local governments, (regional) government representatives frequently serve on WISEs' boards, just like other funders, academics and volunteers. This is in line with the stakeholder groups identified by earlier social entrepreneurship studies (Ebrahim et al., 2014; Pache and Santos, 2010; Ramus and Vaccaro, 2014). As such, the common practice of representation in the board of different stakeholder groups makes WISEs an interesting study context from a stakeholder representation perspective. Second, WISEs face unusual challenges, thus making the engagement of the board in its service role critical and the study of board service performance relevant. Specifically, WISEs must make important strategic decisions on resource allocation. For instance, while their primary social goals point to the allocation of resources to training and counseling of disadvantaged individuals, their commercial goals favor the allocation of resources improving the quality of products and services at a competitive price (Battilana et al., 2015). Further, WISEs operate in highly competitive industries, such as packaging, assembly, gardening, recycling, and printing. Not only are they faced with competition from other WISEs, but also with competition from companies in low-wage countries, production in jails, and other commercial companies. Such challenges require the management and board to apply a risk taking attitude and to act entrepreneurially in the way they work with the beneficiaries as well as in the services and products they offer on the market (Van Opstal et al., 2009). As such, the board can contribute

through engaging in service activities that enhance the WISEs' reputation, strengthen the link with the external environment and optimally allocate resources within the organization.

2.3.2. Sample and data collection

Data were collected in 2014 from sheltered and social workshops, which are the dominant forms of WISEs in Flanders. In order to construct our sample, we contacted the federation of the sheltered workshops (VLAB) and the federation of the social workshops (SST), having 54 and 94 member organizations, respectively. We asked for the name and email address of the CEO and also, if available, the name and contact details of the board chair.

Our research goals required information from the WISEs, but also from the boards in these organizations. As such, in a first phase, we constructed a short questionnaire, which we distributed over e-mail (subsequently followed up by telephone) to 148 CEOs and 107 board chairs, in which we asked for names and contact information of all board members, as well as some biographical information on these members, and asked them to cooperate in our study. From the initial 148 organizations, 10 WISEs were dropped for technical reasons: mergers, acquisitions or because an enterprise had multiple identification codes despite being only one organization in reality. Ultimately 84 of the remaining 138 enterprises were willing to participate (61% response rate).

In a second stage, a questionnaire was distributed to the board members (including the board chairs) of the 84 WISEs willing to participate. In addition, a new questionnaire was sent to the CEOs of these organizations. In this questionnaire, we specifically asked questions about board characteristics and tasks alongside questions seeking background information on the organization and its board. The questionnaires were developed in English, translated into Dutch and back-translated to identify any possible confusion or errors that may have resulted from the translation. We pretested the questionnaires with four governance researchers and the directors of the two sectorial federations. Based on their feedback, we made some minor changes. A total of 788 surveys were distributed. After two rounds of reminders and a follow-up by telephone, we received 345 completed surveys (79 CEOs and 266 board members) from 80 different social

enterprises. Because the reliance on the perceptions of a single respondent is a concern in studying board behavior and board dynamics (Huse et al., 2011; Minichilli et al., 2012), our goal was to receive at least two completed questionnaires from every organization. For that reason, we had to exclude one organization for which only one board member participated in the survey. As a result, our analyses are based on 344 completed surveys (response rate 44%) from 79 organizations (response rate of 57%).

2.3.3. Measures

Dependent variable

Board service performance. In line with Hillman and Dalziel (2003) and Huse (2005), we consider the service role of the board as a combination of advice giving, strategic participation and networking. Based on the research of Minichilli et al. (2009), board service performance is measured using 10 items. The CEO and the board members were asked to indicate on a seven-point Likert scale (ranging from 1: strongly disagree to 7: strongly agree) to what extent the board fulfills its service role. More specifically, we asked respondents to indicate the degree to which the board (1) provides advice on management issues; (2) provides advice on financial issues; (3) provides advice on technical issues; (4) provides advice on market issues; (5) provides advice on legal issues; (6) provides linkages to important external stakeholders; (7) provides the firm with external legitimacy and reputation; (8) is involved in promoting strategic initiatives; (9) is involved in taking strategic decisions; and (10) is involved in participating in the implementation phase of long-term strategic decision-making. The Cronbach's alpha of the ten items indicate strong scale reliability (0.91). In a next step, we assessed whether aggregating this variable was justified by calculating the eta-squared statistic η^2 . The eta-squared value for this statistic was 0.43 ($p < 0.001$), which exceeded the minimum value of 0.20, demonstrating evidence of interrater consistency (Bezrukova et al., 2009; Li and Hambrick, 2005). The individual answers were subsequently aggregated by calculating the mean of board service performance of the respondents belonging to the same organization. Values of board service performance range between 2.3 and 6.66, with an average value of 5.09.

Independent, mediator and moderator variables

Faultline Strength. To measure faultline strength, we used the faultline algorithm developed by Thatcher et al. (2003), which is one of the most widely used measures of faultline strength (Thatcher and Patel, 2012). Calculating faultline strength (Fau) using this algorithm involves a two-step process. In a first step, the percentage variance explained by attribute alignment of two or more characteristics is measured for all possible splits of the group in two subgroups. The second step is to calculate the maximum value of Fau over all possible splits (Molleman, 2005; Zanutto et al., 2011). Our measure of faultline strength is based on three social category based characteristics: stakeholder group represented, gender and age. These data were collected in the first survey, answered by the CEO or the board chair. As our theoretical rationale is based on stakeholder representation, we first consider which stakeholder group the different board members represent. In doing so, we based our categorization on the identification of represented stakeholder groups in prior social entrepreneurship research (Ebrahim et al., 2014; Pache and Santos, 2010; Ramus and Vaccaro, 2014). As such, the first category we consider are (representatives of) beneficiaries, such as managers of nonprofit organizations in general and institutions taking care of people with disabilities or psychological problems in particular. The second category includes managers of for profit organizations representing market and customer interests. Third, government representatives frequently figure on the board, representing regional and local public policy as well as community interests. Finally, we added a fourth category, the “residual category,” consisting of people not belonging to the first three categories, such as academics, appointed to the board to support decision-making, and as such not representing a specific stakeholder group. In order for faultlines to emerge, the conceptualization of these different categories should align with other characteristics; as such we added two additional characteristics to calculate faultline strength in the board, namely gender and age. These are social category characteristics frequently used in faultline research as they are clearly visible characteristics, contributing to the emergence of faultlines based on similarity attraction and social identity (Bezrukova et al., 2009; Thatcher and Patel, 2012). In measuring age, three categories are considered (≤ 40 , 41-60, >60). As to what gender is concerned, we distinguish between men and women. We subsequently calculated Fau using

the statistical program R and the `asw.cluster` package developed by Meyer and Glenz (2013). In our sample, *Fau* has a value between 0 and 1, with an average value of 0.5. A *Fau* value of 1 points to the existence of very strong faultlines, whereas a value close to 0 points to very weak faultlines between subgroups.

Board Task conflict. Board task conflict is measured using 6 items based on Jehn (1994) and Jehn (1995) that are frequently used (Li and Hambrick, 2005; Minichilli et al., 2009; Zona and Zattoni, 2007). Specifically, the respondents were asked to indicate on a seven-point Likert scale (ranging from 1: strongly disagree to 7: strongly agree), the degree to which they agreed with the following statements: On the board (1) there are frequently conflicts and disagreements on decisions to be taken; (2) there are frequently conflicts and disagreements on how the board should work; (3) there are frequently conflicts and disagreements on how to pursue the firm's goal; (4) there are frequently disagreements on the firm's legitimate stakeholders; (5) there is a great deal of disagreement on the decision process; and (6) there are major differences of opinion about executing the strategy.

The board task conflict measure is then the average of 6 items ($\alpha = 0.91$), aggregated by taking the mean for the respondents belonging to the same organization ($\eta^2 = 0.39$, $p < 0.001$). Values for board task conflict range between 1 and 2.94, with an average value of 1.70.

Shared organizational goals. The level of shared organizational goals was assessed using the scale of Leana and Pil (2006), adapted to a board context by Fredette and Bradshaw (2012). Respondents were asked to indicate the degree to which they agreed with six statements using a seven-point Likert scale (1: strongly disagree; 7: strongly agree). The six items are the following: (1) Board members share the same ambitions and vision for the organization; (2) Board members are enthusiastic about pursuing the collective goals and mission of the organization; (3) There is a commonality of purpose in the board of my organization; (4) Board members are committed to the goals of the organization; (5) Board members view themselves as partners in charting the overall direction of the organization; and (6) On the board, everyone is in total agreement on our organization's vision. Responses to the items were aggregated

among members of the same organization ($\alpha = 0.94$; $\eta^2 = 0.45$, $p < 0.001$). The variable's value ranges between 3 and 6.89, with an average of 5.89.

Subgroup imbalance. As noted earlier, the Fau algorithm calculates for which split into two subgroups the value of faultline strength is maximized. As such, through the calculation of Fau, we also gained insight into the size of subgroups. We subsequently calculated subgroup imbalance by dividing the size of the largest board subgroup by total board size (in terms of board members). Thus, a value of 0.5 indicates that both subgroups have the same size, which can be considered as a perfect subgroup balance. A value closer to 1 indicates that the subgroups are increasingly unequally sized, resulting in increasing subgroup imbalance. The average value for subgroup balance in our sample is 0.66.

Control variables

We further added control variables at board and firm level that may affect board service performance (Minichilli et al., 2012; Zona and Zattoni, 2007). At the board level, we control for the frequency of board meetings, as research finds that the frequency of board meetings impacts board service performance (Knockaert and Ucbasaran, 2013). Because each board member may bring different linkages and resources to the board, the number of board members is also expected to influence board service performance (Knockaert and Ucbasaran, 2013; Minichilli et al., 2009). The organizations in our sample on average hold about 6 board meetings per year, with a minimum of 2 and a maximum of 12 annual board meetings. Board size ranges from 3 to 20 board members, with an average board size of about 9 members. In line with prior faultline research, we further control for diversity effects in the board (Lau and Murnighan, 2005; Li and Hambrick, 2005). We used Blau's (1977) heterogeneity index to measure board diversity in terms of stakeholder representation, age and gender. Following the procedure suggested by Jehn et al. (1999), we averaged the heterogeneity indices for these three indicators to construct the board heterogeneity control variable (Bezrukova et al., 2009; Bezrukova et al., 2012; Veltrop et al., 2015). In our sample, board heterogeneity ranges from 0 to 0.57, with an average value of 0.39.

At the organizational level, we controlled for age and size of the social enterprise as the need for advice and establishing legitimacy by board members may vary between younger and older organizations and between smaller and larger organizations (Knockaert et al., 2015; Minichilli et al., 2012). The size of the organization is operationalized as the number of employees at the end of 2013, obtained from the public annual accounting database, Belfirst. The organizations in our sample are between 11 and 54 years old, with an average age of 25. The number of employees ranges from 12 to 585 with an average of 142 employees.

2.4. RESULTS

Table 2.1 provides the means, standard deviations and correlations for all variables.

To test our model as depicted in Figure 2.1, we employed a regression-based path analysis hereby building on existing computational tools. Variance inflation factors (VIFs) ranged between 1.157 and 2.679, indicating that multicollinearity is not a problem in our analyses (Hair et al., 2006). We used the PROCESS macro for SPSS developed by Hayes (2013), which allows for testing for the total effect of faultline strength on board service performance (hypothesis 1), as well as for the mediation effect through board task conflict (hypothesis 2) (Hayes and Scharkow, 2013). Furthermore, we used this macro to test for the moderating effects of shared organizational goals (hypothesis 3) and subgroup imbalance (hypothesis 4).

The model in path diagram can be found in Figure 2.2 and consists of three distinct submodels. Model 1, in Panel A, is used to test whether faultline strength has an effect on board service performance (hypothesis 1). Models 2 and 3, in Panel B, are used to estimate the indirect effect of faultline strength on board service performance through board task conflict (hypothesis 2). Models 4 and 5 in panel C are used to test hypothesis 3 and 4.

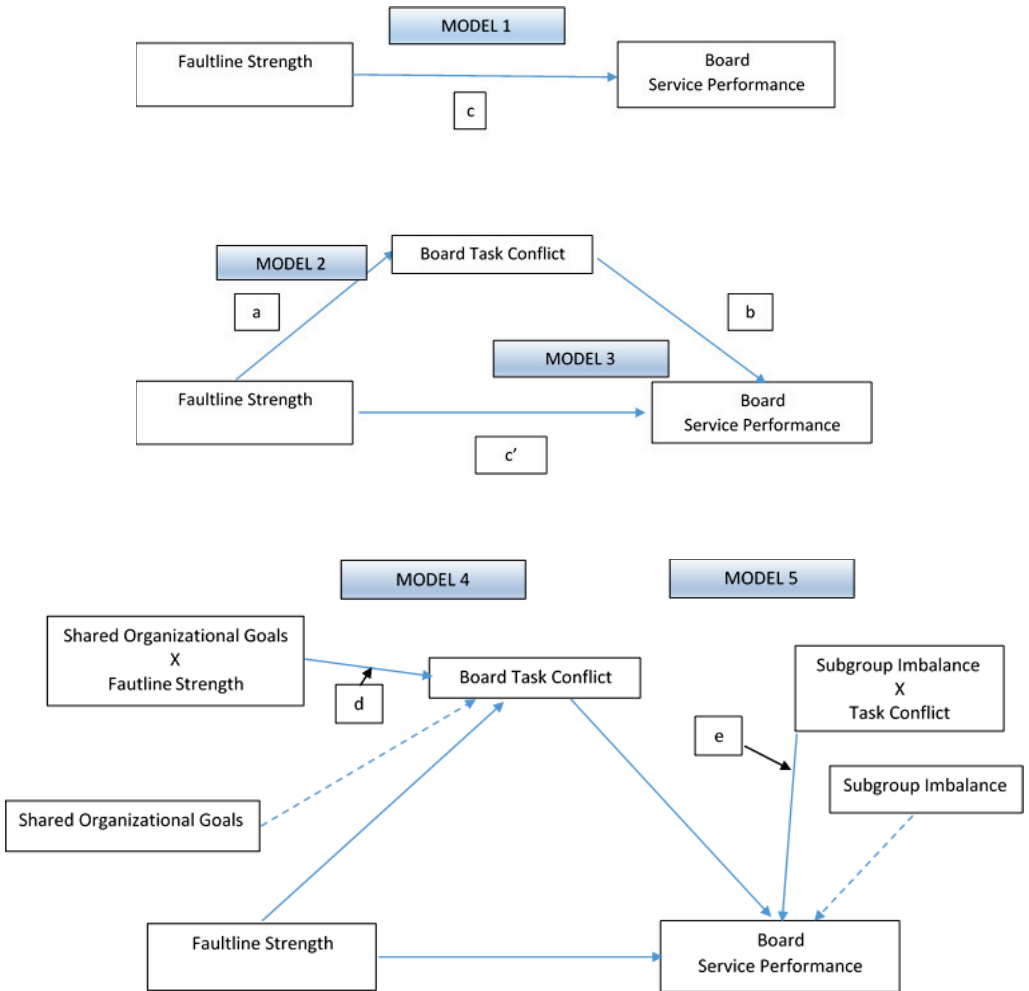
Table 2.1: Mean, Standard Deviations and Correlations

	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1. Frequency of Board Meetings	6.34	2.45	1									
2. Board Size	8.81	3.61	-0.14	1								
3. Firm Age	25.42	12.93	0.19 [†]	0.21 [†]	1							
4. Firm Size	141.78	148.98	0.32 ^{**}	0.16	0.67 ^{***}	1						
5. Board heterogeneity	0.39	0.12	0.06	0.25 [*]	0.07	0.13	1					
6. Faultline Strength	0.50	.17	0.10	-0.21 [†]	-0.09	-0.02	-0.28 [*]	1				
7. Board Task Conflict	1.70	0.50	-0.22 [†]	0.20 [†]	-0.17	-0.18	-0.13	0.21 [†]	1			
8. Board Service Performance	5.09	0.78	0.42 ^{***}	-0.26 [*]	-0.00	0.08	-0.08	-0.16	-0.46 ^{***}	1		
9. Shared Organizational Goals	5.89	0.68	0.48 ^{***}	-0.30 ^{**}	0.10	0.23 [*]	-0.14	0.03	-0.61 ^{***}	0.72 ^{***}	1	
10. Subgroup Imbalance	0.66	0.12	0.10	-0.12	-0.02	-0.02	-0.40 ^{***}	-0.18	0.01	0.27 [*]	0.19 [†]	1

Note.

[†] $p < .10$, ^{*} $p < .05$, ^{**} $p < .01$, ^{***} $p < .001$

Figure 2.2: Conceptual Model (Figure 2.1) represented as a path model, referring to the regression coefficients estimated and reported in Table 2.2



The results of our analysis are presented in Table 2.2. First, the control model only contains the control variables. The results show that the frequency of board meetings has a significantly positive effect on board service performance ($B = 0.860, p < 0.001$). Model 1 then allows us to estimate the total effect (c in Panel A of Figure 2.2) of faultline strength on board service performance. We find a significant, negative effect ($B = -1.360, p < 0.01$), supporting hypothesis 1. In Model 2 and Model 3, this total effect is decomposed in a direct (c' in Panel B of Figure 2.2) and an indirect effect (a en b in Panel B of Figure 2.2). We find a significant, negative direct effect of faultline strength on board service performance ($B = -1.006, p < 0.05$). Furthermore, the results show a significantly positive effect of faultline strength on board task conflict ($B = 0.727, p < 0.05$) and a significant negative effect of board task conflict on board service performance ($B = -0.487, p < 0.01$). A 95% confidence interval for this indirect effect, based on 10,000 bootstrap samples, was found to range between -0.920 and -0.069. As zero is not included in the interval, board task conflict can be construed as a mediator between faultline strength and board service performance, in the expected directions, thus supporting hypotheses 2a and 2b. Next, in model 4, the moderation effect of shared organizational goals is tested (d in Panel C of Figure 2.2). We find a significant, negative effect ($B = -1.577, p < 0.01$), indicating that higher levels of shared organizational goals attenuate the positive effect of faultline strength on board task conflict, resulting in lower levels of board task conflict. As such we find support for hypothesis 3. Finally in model 5, we test whether the effect of board task conflict on board service performance is moderated by subgroup imbalance (e in Panel C of Figure 2.2). Hypothesis 4 is not supported as we find a moderating effect that is not statistically significant.

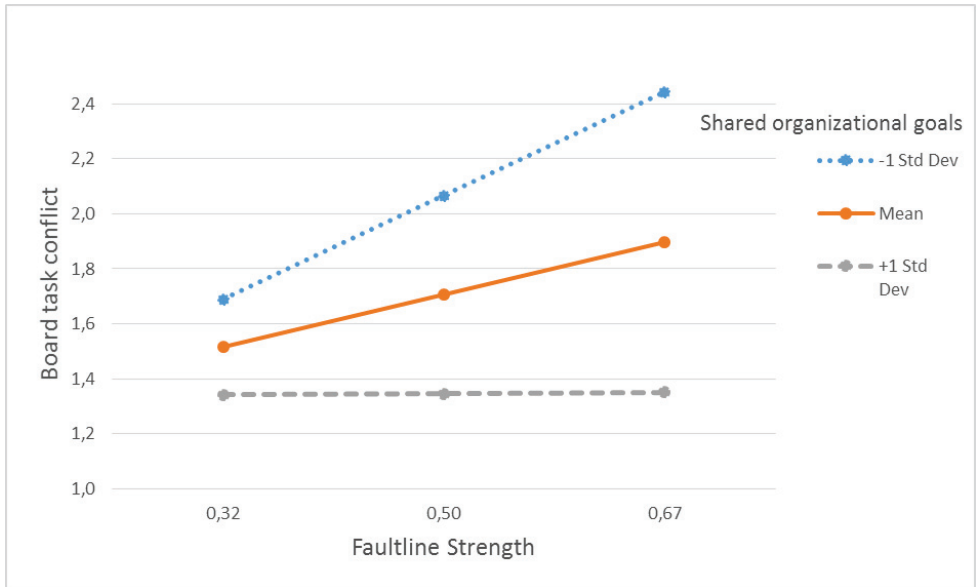
In order to interpret the significant interaction between faultline strength and shared organizational goals in explaining board task conflict, we visualized the interaction in Figure 2.3. The figure demonstrates that the slope of faultline strength is steeper for organizations with lower levels of shared organizational goals. Furthermore, the effect of faultline strength on board task conflict is neutralized for organizations with high levels of shared organizational goals, emphasizing the importance of having a shared vision on what the goals of the organization are within the board.

Table 2.2: Regression models with the process macro (Hayes, 2013)

	Control model		Model 1	Model 2	Model 3	Model 4	Model 5
	Board Service Performance	Board Service Performance	Board Service Performance	Board Task Conflict	Board Service Performance	Board Task Conflict	Board Service Performance
Intercept	4.488*** (0.727)	5.542*** (0.779)	1.824** (0.537)	-0.464 (1.946)	6.430*** (0.796)	-0.464 (1.946)	2.659 (2.185)
Frequency of Board Meetings	0.860*** (0.214)	0.911*** (0.204)	-0.247† (0.141)	0.073 (0.127)	0.791*** (0.198)	0.073 (0.127)	0.799*** (0.200)
Board Size	-0.398† (0.228)	-0.497* (0.219)	0.387* (0.151)	0.227† (0.126)	-0.308 (0.217)	0.227† (0.126)	-0.240 (0.217)
Firm Age	0.026 (0.249)	-0.071 (0.240)	-0.118 (0.165)	-0.092 (0.132)	-0.128 (0.228)	-0.092 (0.132)	-0.145 (0.228)
Firm Size	-0.029 (0.128)	0.020 (0.123)	-0.057 (0.085)	-0.000 (0.068)	-0.008 (0.117)	-0.000 (0.068)	0.002 (0.118)
Board heterogeneity	-0.093 (0.697)	-0.551 (0.682)	-0.606 (0.470)	-0.441 (0.414)	-0.846 (0.654)	-0.441 (0.414)	-0.113 (0.735)
Faultline Strength		-1.360*** (0.462)	0.727* (0.319)	10.381** (3.688)	-1.006* (0.454)	10.381** (3.688)	-0.399 (0.532)
Board Task Conflict			a		c'		0.871 (0.995)
Shared Organizational goals					b		0.252 (0.281)
Faultline Strength x Shared Organizational goals						d	-1.577** (0.586)
Subgroup Imbalance							4.675† (2.606)
Board Task Conflict x Subgroup Imbalance						e	-2.098 (1.499)
F-value	5.011**	6.056***	3.288**	9.815***	7.057***	9.815***	6.207***
Adjusted R ²	0.205	0.280	0.150	0.475	0.352	0.475	0.375
R ²	0.256	0.335	0.215	0.529	0.410	0.529	0.447

S.E. values are reported in parentheses.
†p < .10, *p < .05, **p < .01, ***p < .001.

Figure 2.3: Interaction effect of faultline strength and shared organizational goals in relation with board task conflict



2.5. DISCUSSION AND IMPLICATIONS

Stakeholder democracy in general, and stakeholder representation in the board of directors specifically, can help organizations to deal with the growing attention to sustainability and corporate citizenship. Through the involvement of stakeholders in the board, it is expected that organizations will be better able to balance diverging stakeholder expectations and, consequently, gain legitimacy from different stakeholder groups, which might be important for resource acquisition. Despite these advantages of stakeholder representation, several authors also warn for the potentially negative effects of such representation. In this study, we argue that stakeholder representation may give rise to the origination of subgroups and related faultlines. Particularly, we find that faultline strength is positively associated with lower levels of board service performance and that this relationship is mediated by board task conflict. As such, our results show the importance of considering, alongside the presumed positive implications of the

representation of stakeholder groups in the board, the potentially dark side of such stakeholder representation. However, our research also points to the existence of important contingencies that may mitigate such reverse effects. In particular, we find that, as board members' visions on firm's organizational goals increasingly converge, the negative impact of faultline strength on conflict within the board is mitigated. While not explicitly the focus of this study, we contend that the board chair, often considered a mediating hierarch in resolving decision-making ambiguities (Knockaert et al., 2015), may have an important role to play in enhancing convergence of board members' visions on the organizational goals. Further, while we expected subgroup imbalance to alleviate the negative relationship between task conflict within the board and board service performance, we did not find support for such relationship. While our expectations were warranted following conflict theory, developments in the organizational behavior and entrepreneurship literatures may provide indications to explanations for the lack of support. Specifically, researchers point to the fact that individual and group behavior may not only be driven by objective states, but may also be related to the perception of such states. For instance, in studies on diversity, scholars argue that it is not only the actual degree of diversity that affects behavior, but that the perceived dissimilarity between group members may also matter (Cunningham, 2007; Knockaert et al., 2015). Similarly, subgroup imbalance may only impact behavior if such imbalance is also perceived by the other group members (Cronin et al., 2011; O'Leary and Mortensen, 2010). Alternatively, subgroup imbalance may only alleviate the negative consequences of board task conflict in cases where such imbalance also leads to differences in the power distribution between subgroups.

Our study contributes to the literature in a number of ways. First, it contributes to the literature on stakeholder democracy and stakeholder participation, which has largely considered stakeholder representation in the board a good practice (Harrison and Freeman, 2004; Moriarty, 2014), but neglects to study the phenomenon in general. Specifically, it points to the potentially nefarious implications of such representation, alongside the identification of contingency factors that may alleviate such implications. Second, our study adds to the corporate governance literature, which calls for an increased interest in the board service role, alongside (behavioral) theoretical perspectives that help to understand the board's engagement in this role. Indeed, our

approach is a clear shift away from the agency perspective that has dominated governance research for decades (Daily et al., 2003; McDonald and Westphal, 2010). Our results point to the importance of faultlines and conflict, and their underpinning theories, in studying board functioning. As such, it also responds to calls to leave the beaten paths of board structure and composition in order to provide deeper insights into board dynamics (Finkelstein and Mooney, 2003; Huse, 2007). Finally, our study contributes to faultlines literature, elaborating on the concept in a board context, in which it has been understudied. Specifically, it supports Lim et al. (2013)'s call to push the boundaries of the faultlines concept by not only considering multiple demographic attributes. Specifically, it introduces stakeholder representation as an important identity-based attribute. As such, it also responds to calls in the entrepreneurship literature to integrate the promising concept of faultlines in entrepreneurial settings (Lim et al., 2013).

Our study also has implications for practitioners as our results reveal the potentially negative effects of stakeholder representation. Managers of organizations, just like their stakeholders and board members, should be aware of the potential drawbacks of representation of stakeholder groups in the board. While this should not be misinterpreted as a call to compose uniform boards in terms of stakeholder representation and other demographic characteristics, this research indicates that it is important to be aware of the potentially negative effects of faultlines and subgroup formation. At the same time, our study points to the importance of contingency factors, such as alignment between board members as to what the organizational goals are, in alleviating the negative consequences of strong faultline emergence. Practitioners who follow good ethical practices by incorporating a range of stakeholders in the board of directors may want to take such contingencies into consideration.

Our paper also has some limitations, which have implications for future research. First, in line with the majority of governance research, our study is based on a cross-sectional design, and is as such unable to identify causal relationships. Longitudinal studies may provide additional insights into causal relationships between subgroup and faultline emergence, the efforts made to attenuate the negative effects of faultlines, and board performance (Machold

and Farquhar, 2013). Additionally, qualitative research designs could be employed in order to study “how” and “why” questions, thus further opening up the black box of board dynamics in order to shed light on the processes through which different types of conflicts and actions for mitigating the drawbacks from strong faultlines work (McNulty et al., 2013). Such alternative research designs could include, among others, observation of board meetings and focus groups (Beck, 2014; Bezemer et al., 2014; Hough et al., 2014; Van der Bremept et al., 2015).

Second, as articulated above, future research could study the impact of subgroup imbalance in alleviating the negative consequences of board task conflict on board performance. For instance, future research could simultaneously examine actual and perceived subgroup imbalance. It has to be noted that, in order to do so, ideally, two-staged research designs will have to be developed, in which the researcher first collects data in order to calculate faultline existence and strength. In a second phase, the researcher will then have to confront group members with the identified subgroups, and ask group members to indicate the extent to which imbalance between such subgroups is also perceived. Or, future research may revert to experimental designs to shed further light on the relationship between actual and perceived subgroup imbalance. Alternatively, future research could study the relationship between subgroup imbalance and different dimensions of power (Triana et al., 2014) and how these dimensions could alleviate or strengthen the nefarious implications of strong faultlines. Finally, as our results show that it is important to build a shared vision of what the goals of the organization are, future research could provide insight into the antecedents of convergence in shared organizational goals. Specifically, board development practices, such as team building and board evaluations, may contribute to such a shared vision (Gill et al., 2005; Kiel and Nicholson, 2005) and may be fruitful research areas. Further, in line with board leadership research, board chairs may also facilitate a consensus on what the organizational goals are (Harrison et al., 2013) and future research could purposefully investigate under which circumstances (such as communication style, types and intensity of interactions, leadership style...) board chairs are successful in building such consensus.

2.6. CONCLUSIONS

In summary, this study is the first to study how faultlines originating from the representation of different stakeholder groups are related to board functioning. We conducted this study in the especially relevant context of social enterprises. Specifically, it points to the existence of a negative relationship between faultline strength and board service performance, which is mediated by board task conflict. Furthermore, the association between faultline strength and board task conflict was attenuated by a convergence between board members over organizational goals. Our study points to important implications for both academia and practice.

2.7. REFERENCES

- Aguinis, H. and Glavas, A. (2012). 'What We Know and Don't Know About Corporate Social Responsibility: A Review and Research Agenda'. *Journal of Management*, 38, 932-968.
- Almandoz, J. (2012). 'Arriving at the starting line: the impact of community and financial logics on new banking ventures'. *Academy of Management Journal*, 55, 1381-1406.
- Almandoz, J. (2014). 'Founding Teams as Carriers of Competing Logics: When Institutional Forces Predict Banks' Risk Exposure'. *Administrative Science Quarterly*, 59, 442-473.
- Ashforth, B. E. and Reingen, P. H. (2014). 'Functions of Dysfunction: Managing the Dynamics of an Organizational Duality in a Natural Food Cooperative'. *Administrative Science Quarterly*, 59, 474-516.
- Battilana, J. and Lee, M. (2014). 'Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises'. *Academy of Management Annals*, 8, 397-441.
- Battilana, J., Sngul, M., Pache, A.-C. and Model, J. (2015). 'Harnessing productive tensions in hybrid organizations: the case of work integration social enterprises.'. *Academy of Management Journal*, 58, 1658-1858.

Beck, D. B. (2014). 'Learning to be, learning about. A socio-cultural learning approach to board practice'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit governance, innovative perspectives and approaches*. Abingdon: Routledge, 103-122.

Bezemer, P.-J., Nicholson, G. and Pugliese, A. (2014). 'Inside the boardroom: exploring board member interactions'. *Qualitative Research in Accounting and Management*, 11, 238-259.

Bezrukova, K., Jehn, K. A., Zanutto, E. L. and Thatcher, S. M. B. (2009). 'Do Workgroup Faultlines Help or Hurt? A Moderated Model of Faultlines, Team Identification, and Group Performance'. *Organization Science*, 20, 35-50.

Bezrukova, K., Thatcher, S. M. B., Jehn, K. A. and Spell, C. S. (2012). 'The Effects of Alignments: Examining Group Faultlines, Organizational Cultures, and Performance'. *Journal of Applied Psychology*, 97, 77-92.

Blau, P. (1977). *Inequality and Composition: a Primitive Theory of Social Structure*. New York: Free Press.

Borzaga, C. and Defourny, J. (2001). 'Conclusions: Social enterprises in Europe: A diversity of initiatives and prospects'. In: Borzaga, C. and Defourny, J. (Eds), *The emergence of social enterprise*. London, New York: Routledge, 350-370.

Carroll, A. B. (2015). 'Corporate social responsibility: The centerpiece of competing and complementary frameworks'. *Organizational Dynamics*, 44, 87-96.

Carton, A. M. and Cummings, J. N. (2012). 'A Theory of Subgroups in Work Teams'. *Academy of Management Review*, 37, 441-470.

Carton, A. M. and Cummings, J. N. (2013). 'The Impact of Subgroup Type and Subgroup Configurational Properties on Work Team Performance'. *Journal of Applied Psychology*, 98, 732-758.

Collewaert, V. and Sapienza, H. J. (2014). 'How Does Angel Investor–Entrepreneur Conflict Affect Venture Innovation? It Depends'. *Entrepreneurship Theory and Practice*, doi: 10.1111/etap.12131.

Cornforth, C. (2012). 'Nonprofit Governance Research: Limitations of the Focus on Boards and Suggestions for New Directions'. *Nonprofit and Voluntary Sector Quarterly*, 41, 1116-1135.

Cronin, M. A., Bezrukova, K., Weingart, L. R. and Tinsley, C. H. (2011). 'Subgroups within a team: The role of cognitive and affective integration'. *Journal of Organizational Behavior*, 32, 831-849.

Cunningham, G. (2007). 'Perceptions As Reality: The Influence of Actual and Perceived Demographic Dissimilarity'. *Journal of Business & Psychology*, 22, 79-89.

Daily, C. M., Dalton, D. R. and Cannella, A. A. (2003). 'Corporate Governance: Decades of Dialogue and Data'. *The Academy of Management Review*, 28, 371-382.

De Clercq, D., Menguc, B. and Auh, S. (2009). 'Unpacking the relationship between an innovation strategy and firm performance: The role of task conflict and political activity'. *Journal of Business Research*, 62, 1046-1053.

De Dreu, C. K. W. (2008). 'The virtue and vice of workplace conflict: food for (pessimistic) thought'. *Journal of Organizational Behavior*, 29, 5-18.

De Dreu, C. K. W. and Weingart, L. R. (2003). 'Task versus relationship conflict, team performance, and team member satisfaction: A meta-analysis'. *Journal of Applied Psychology*, 88, 741-749.

de Wit, F. R. C., Greer, L. L. and Jehn, K. A. (2012). 'The Paradox of Intragroup Conflict: A Meta-Analysis'. *Journal of Applied Psychology*, 97, 360-390.

DeChurch, L. A., Mesmer-Magnus, J. R. and Doty, D. (2013). 'Moving Beyond Relationship and Task Conflict: Toward a Process-State Perspective'. *Journal of Applied Psychology*, 98, 559-578.

Dees, J. G. (1998). 'The meaning of social entrepreneurship'. doi. Available at <https://csistg.gsb.stanford.edu/sites/csi.gsb.stanford.edu/files/TheMeaningofsocialEntrepreneurship.pdf>

Defourny, J. and Nyssens, M. (2010). 'Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences'. *Journal of Social Entrepreneurship*, 1, 32-53.

Diochon, M. C. (2010). 'Governance, entrepreneurship and effectiveness: exploring the link'. *Social Enterprise Journal*, 6, 93-109.

Doherty, B., Haugh, H. and Lyon, F. (2014). 'Social Enterprises as Hybrid Organizations: A Review and Research Agenda'. *International Journal of Management Reviews*, 16, 417-436.

Ebrahim, A., Battilana, J. and Mair, J. (2014). 'The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations'. *Research in Organizational Behavior*, 34, 81-100.

Ebrahim, A. and Rangan, V. K. (2014). 'What Impact? A framework for measuring the scale and scope of social performance.'. *California Management Review*, 56, 118-141.

Evan, W. M. and Freeman, R. E. (1993). 'A stakeholder theory of the modern corporation: Kantian capitalism'. In: Hoffman, W. M. and Frederick, R. E. (Eds), *Business Ethics: Readings and Cases in Corporate Morality*. 3rd ed. New York: McGraw-Hill, 145-154.

Fiegener, M. K. (2005). 'Determinants of board participation in the strategic decisions of small corporations'. *Entrepreneurship Theory and Practice*, 29, 627-650.

Finkelstein, S. and Mooney, A. C. (2003). 'Not the usual suspects: How to use board process to make boards better'. *Academy of Management Executive*, 17, 101-113.

Fiol, C. M., Pratt, M. G. and O'Connor, E. J. (2009). 'Managing intractable identity conflicts'. *Academy of Management Review*, 34, 32-55.

Forbes, D. P. and Milliken, F. J. (1999). 'Cognition and Corporate Governance: Understanding boards of directors as strategic decision-making groups'. *Academy of Management Review*, 24, 489-505.

Fredette, C. and Bradshaw, P. (2012). 'Social capital and nonprofit governance effectiveness'. *Nonprofit Management & Leadership*, 22, 391-409.

Gill, M., Flynn, R. J. and Reissing, E. (2005). 'The governance self-assessment checklist: An instrument for assessing board effectiveness'. *Nonprofit Management and Leadership*, 15, 271-294.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2006). *Multivariate Data Analysis*. Upper Saddle River NJ: Pearson.

Hambrick, D. C., Werder, A. v. and Zajac, E. J. (2008). 'New Directions in Corporate Governance Research'. *Organization Science*, 19, 381-385.

Harrison, D. A. and Klein, K. J. (2007). 'What's the difference? Diversity constructs as separation, variety, or disparity in organizations'. *Academy of Management Review*, 32, 1199-1228.

Harrison, J. S. and Freeman, R. E. (2004). 'Special topic: Democracy in and around organizations'. *Academy of Management Executive*, 18, 49-53.

Harrison, Y., Murray, V. and Cornforth, C. (2013). 'Perceptions of Board Chair Leadership Effectiveness in Nonprofit and Voluntary Sector Organizations'. *Voluntas*, 24, 688-712.

Hayes, A. F. (2013). *An introduction to mediation, moderation, and conditional process analysis: a regression-based approach*. New York: Guilford Press.

Hayes, A. F. and Scharkow, M. (2013). 'The Relative Trustworthiness of Inferential Tests of the Indirect Effect in Statistical Mediation Analysis: Does Method Really Matter?'. *Psychological Science*, 24, 1918-1927.

Hendry, J. (2001). 'Missing the target: normative stakeholder theory and the corporate governance debate'. *Business Ethics Quarterly*, 11, 159-176.

Hielscher, S., Beckmann, M. and Pies, I. (2014). 'Participation versus Consent: Should Corporations Be Run according to Democratic Principles?'. *Business Ethics Quarterly*, 24, 533-563.

Hillman, A., J. and Dalziel, T. (2003). 'Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives'. *The Academy of Management Review*, 28, 383-396.

Horton, K. E., Bayerl, P. S. and Jacobs, G. (2014). 'Identity conflicts at work: An integrative framework'. *Journal of Organizational Behavior*, 35, S6-22.

Hough, A., McGregor-Lowndes, M. and Ryan, C. (2014). 'Board monitoring and judgement as processes of sensemaking'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit governance, innovative perspectives and approaches*. Abingdon: Routledge,

Huse, M. (2005). 'Accountability and Creating Accountability: a Framework for Exploring Behavioural Perspectives of Corporate Governance'. *British Journal of Management*, 16, 65-79.

Huse, M. (2007). *Boards, governance and value creation*. Cambridge: University Press.

Huse, M., Hoskisson, R., Zattoni, A. and Vigano, R. (2011). 'New Perspectives on Board Research: Changing the Research Agenda'. *Journal of Management and Governance*, 15, 5-28.

Huybrechts, B. (2010). 'The governance of fair trade social enterprises in Belgium'. *Social Enterprise Journal*, 6, 110-124.

Jehn, K. A. (1994). 'Enhancing effectiveness - an investigation of advantages and disadvantages of value-based intragroup conflict'. *International Journal of Conflict Management*, 5, 223-238.

Jehn, K. A. (1995). 'A Multimethod Examination of the Benefits and Detriments of Intragroup Conflict'. *Administrative Science Quarterly*, 40, 256-282.

Jehn, K. A., Northcraft, G. B. and Neale, M. A. (1999). 'Why differences make a difference: A field study of diversity, conflict, and performance in workgroups'. *Administrative Science Quarterly*, 44, 741-763.

Kaczmarek, S., Kimino, S. and Pye, A. (2012). 'Board Task-related Faultlines and Firm Performance: A Decade of Evidence'. *Corporate Governance: An International Review*, 20, 337-351.

Kerlin, J. A. (2006). 'Social Enterprise in the United States and Europe: Understanding and Learning from the Differences'. *Voluntas*, 17, 246-262.

Kiel, G. C. and Nicholson, G. J. (2005). 'Evaluating Boards and Directors'. *Corporate Governance: An International Review*, 13, 613-631.

Knockaert, M., Bjornali, E. S. and Erikson, T. (2015). 'Joining forces: Top management team and board chair characteristics as antecedents of board service involvement'. *Journal of Business Venturing*, 30, 420-435.

Knockaert, M. and Ucbasaran, D. (2013). 'The Service Role of Outside Boards in High Tech Start-ups: A Resource Dependency Perspective'. *British Journal of Management*, 24, 69-84.

Langlois, R. N. (2007). 'The entrepreneurial theory of the firm and the theory of the entrepreneurial firm'. *Journal of Management Studies*, 44, 1107-1124.

Lau, D. C. and Murnighan, J. K. (1998). 'Demographic diversity and faultlines: the compositional dynamics of organizational groups'. *Academy of Management Review*, 23, 325-340.

Lau, D. C. and Murnighan, J. K. (2005). 'Interactions within groups and subgroups: the effects of demographic faultlines'. *Academy of Management Journal*, 48, 645-659.

Leana, C. R. and Pil, F. K. (2006). 'Social Capital and Organizational Performance: Evidence from Urban Public Schools'. *Organization Science*, 17, 353-366.

Li, J. and Hambrick, D. C. (2005). 'Factional groups: a new vantage on demographic faultlines, conflict, and disintegration in work teams'. *Academy of Management Journal*, 48, 794-813.

Lim, J. Y. K., Busenitz, L. W. and Chidambaram, L. (2013). 'New Venture Teams and the Quality of Business Opportunities Identified: Faultlines Between Subgroups of Founders and Investors'. *Entrepreneurship Theory and Practice*, 37, 47-67.

Loughry, M. L. and Amason, A. (2014). 'Why won't task conflict cooperate? Deciphering stubborn results'. *International Journal of Conflict Management*, 25, 333-358.

Machold, S. and Farquhar, S. (2013). 'Board Task Evolution: A Longitudinal Field Study in the UK'. *Corporate Governance: An International Review*, 21, 147-164.

Mair, J. and Marti, I. (2006). 'Social entrepreneurship research: A source of explanation, prediction, and delight'. *Journal of World Business*, 41, 36-44.

Mair, J., Mayer, J. and Lutz, E. (2015). 'Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations'. *Organization Studies*, 36, 713-739.

Matten, D. and Crane, A. (2005). 'What is stakeholder democracy? Perspectives and issues'. *Business Ethics: A European Review*, 14, 6-13.

McDonald, M. L. and Westphal, J. D. (2010). 'A little help here? Board control, CEO identification with the corporate elite, and strategic help provided to CEO's at other firms'. *Academy of Management Journal*, 53, 343-370.

McNulty, T., Zattoni, A. and Douglas, T. (2013). 'Developing Corporate Governance Research through Qualitative Methods: A Review of Previous Studies'. *Corporate Governance: An International Review*, 21, 183-198.

Menon, T. and Phillips, K. W. (2011). 'Getting Even or Being at Odds? Cohesion in Even- and Odd-Sized Small Groups'. *Organization Science*, 22, 738-753.

Meyer, B. and Glenz, A. (2013). 'Team Faultline Measures: A Computational Comparison and a New Approach to Multiple Subgroups'. *Organizational Research Methods*, 16, 393-424.

Miller, T. L., Grimes, M. G., McMullen, J. S. and Vogus, T. J. (2012). 'Venturing for others with heart and head: how compassion encourages social entrepreneurship'. *Academy of Management Review*, 37, 616-640.

Minichilli, A., Zattoni, A., Nielsen, S. and Huse, M. (2012). 'Board task performance: An exploration of micro-and macro-level determinants of board effectiveness'. *Journal of Organizational Behavior*, 33, 193-215.

Minichilli, A., Zattoni, A. and Zona, F. (2009). 'Making Boards Effective: An Empirical Examination of Board Task Performance'. *British Journal of Management*, 20, 55-74.

Molleman, E. (2005). 'Diversity in Demographic Characteristics, Abilities and Personality Traits: Do Faultlines Affect Team Functioning?'. *Group Decision and Negotiation*, 14, 173-193.

Moriarty, J. (2010). 'Participation in the Workplace: Are Employees Special?'. *Journal of Business Ethics*, 92, 373-384.

Moriarty, J. (2014). 'The Connection Between Stakeholder Theory and Stakeholder Democracy: An Excavation and Defense'. *Business & Society*, 53, 820-852.

O'Dwyer, B. (2005). 'Stakeholder democracy: challenges and contributions from social accounting'. *Business Ethics: A European Review*, 14, 28-41.

O'Leary, M. B. and Mortensen, M. (2010). 'Go (Con)figure: Subgroups, Imbalance, and Isolates in Geographically Dispersed Teams'. *Organization Science*, 21, 115-131.

O'Neill, T. A., Allen, N. J. and Hastings, S. E. (2013). 'Examining the “Pros” and “Cons” of Team Conflict: A Team-Level Meta-Analysis of Task, Relationship, and Process Conflict'. *Human Performance*, 26, 236-260.

Okhmatovskiy, I. and David, R. J. (2012). 'Setting Your Own Standards: Internal Corporate Governance Codes as a Response to Institutional Pressure'. *Organization Science*, 23, 155-176.

Ostrower, F. and Stone, M. M. (2006). 'Governance: Research trends, gaps, and future prospects.'. In: Powell, W. W. and Steinberg, R. (Eds), *The nonprofit sector: A research handbook*. 2nd ed. New Haven, CT: Yale University Press, 612-628.

Ostrower, F. and Stone, M. M. (2010). 'Moving Governance Research Forward: A Contingency-Based Framework and Data Application'. *Nonprofit and Voluntary Sector Quarterly*, 39, 901-924.

Pache, A.-C. and Santos, F. (2010). 'When worlds collide: the internal dynamics of organizational responses to conflicting institutional demands'. *Academy of Management Review*, 35, 455-476.

Pache, A.-C. and Santos, F. (2013). 'Inside the hybrid organization: selective coupling as response to conflicting institutional logics'. *Academy of Management Journal*, 56, 972-1001.

Perrini, F. (2006). *The new social entrepreneurship: what awaits social entrepreneurial ventures?* Cheltenham, UK: Edward Elgar Publishing.

Ramus, T. and Vaccaro, A. (2014). 'Stakeholders Matter: How Social Enterprises Address Mission Drift'. *Journal of Business Ethics*, doi: 10.1007/s10551-014-2353-y.

Rico, R., Molleman, E., Sanchez-Manzanares, M. and Vegt, G. S. V. d. (2007). 'The Effects of Diversity Faultlines and Team Task Autonomy on Decision Quality and Social Integration'. *Journal of Management*, 33, 111-132.

Shane, S. and Venkataraman, S. (2000). 'The promise of entrepreneurship as a field of research'. *Academy of Management Review*, 25, 217-226.

Smith, S. R. (2010). 'Hybridization and nonprofit organizations: The governance challenge'. *Policy and Society*, 29, 219-229.

Smith, W. K., Gonin, M. and Besharov, M. L. (2013). 'Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise'. *Business Ethics Quarterly*, 23, 407-442.

Spear, R., Cornforth, C. and Aiken, M. (2009). 'The governance challenges of social enterprises: evidence from a UK empirical study.'. *Annals of Public & Cooperative Economics*, 80, 247-273.

Thatcher, S. M. B., Jehn, K. A. and Zanutto, E. (2003). 'Cracks in Diversity Research: The Effects of Diversity Faultlines on Conflict and Performance'. *Group Decision and Negotiation*, 12, 217-241.

Thatcher, S. M. B. and Patel, P. C. (2012). 'Group Faultlines: A Review, Integration, and Guide to Future Research'. *Journal of Management*, 38, 969-1009.

Timming, A. R. (2015). 'The "reach" of employee participation in decision-making: exploring the Aristotelian roots of workplace democracy'. *Human Resource Management Journal*, 25, 382-396.

Triana, M. d. C., Miller, T. L. and Trzebiatowski, T. M. (2014). 'The Double-Edged Nature of Board Gender Diversity: Diversity, Firm Performance, and the Power of Women Directors as Predictors of Strategic Change'. *Organization Science*, 25, 609-632.

Tuggle, C. S., Schnatterly, K. and Johnson, R. A. (2010). 'Attention patterns in the boardroom: how board composition and processes affect discussion of entrepreneurial issues'. *Academy of Management Journal*, 53, 550-571.

Van Buren III, H. J. (2010). 'Taking (and Sharing Power): How Boards of Directors Can Bring About Greater Fairness for Dependent Stakeholders'. *Business & Society Review* 115, 205-230.

Van der Brempt, O., Boone, C., van Witteloostuijn, A. and van den Berg, A. (2015). 'Toward a behavioural theory of cooperation between managers and employee representatives in works councils'. *Economic and Industrial Democracy*, doi: 10.1177/0143831x155578721.

Van Ees, H., Gabrielsson, J. and Huse, M. (2009). 'Toward a Behavioral Theory of Boards and Corporate Governance'. *Corporate Governance: An International Review*, 17, 307-319.

van Ees, H., van der Laan, G. and Postma, T. J. B. M. (2008). 'Effective board behavior in The Netherlands'. *European Management Journal*, 26, 84-93.

van Knippenberg, D., Dawson, J. F., West, M. A. and Homan, A. C. (2011). 'Diversity faultlines, shared objectives, and top management team performance'. *Human Relations*, 64, 307-336.

Van Opstal, W., Deraedt, E. and Gijssels, C. (2009). 'Monitoring profile shifts and differences among WISEs in Flanders'. *Social Enterprise Journal*, 5, 229-258.

Veltrop, D. B., Hermes, N., Postma, T. and de Haan, J. (2015). 'A Tale of Two Factions: Why and When Factional Demographic Faultlines Hurt Board Performance'. *Corporate Governance: An International Review*, 23, 145-160.

Westphal, J. D. and Zajac, E. J. (2013). 'A Behavioral Theory of Corporate Governance: Explicating the Mechanisms of Socially Situated and Socially Constituted Agency'. *Academy of Management Annals*, 7, 607-661.

Zahra, S. A. and Pearce, J. A. (1989). 'Boards of directors and corporate financial performance - a review and integrative model'. *Journal of Management*, 15, 291-334.

Zanutto, E., Bezrukova, K. and Jehn, K. (2011). 'Revisiting faultline conceptualization: measuring faultline strength and distance'. *Quality & Quantity*, 45, 701-714.

Zona, F. and Zattoni, A. (2007). 'Beyond the Black Box of Demography: board processes and task effectiveness within Italian firms'. *Corporate Governance: An International Review*, 15, 852-864.

3. The development of a measurement instrument for the organizational performance of social enterprises

ABSTRACT

There is a growing consensus that the adoption of performance measurement tools are of particular interest for social enterprises in order to support internal decision-making and to answer the demands of accountability toward their stakeholders. As a result, different methodologies to assess the non-financial performance of social enterprises are developed by academics and practitioners. Many of these methodologies are on the one hand discussions of general guidelines or, on the other hand, very case specific. As such, these methodologies do not offer a functional tool for a broad range of social enterprises. The goal of this article is to fill this gap by developing an instrument suitable for the internal assessment and the external reporting of the non-financial performance of a diverse group of social enterprises. To reach this goal, we used qualitative (focus groups and a Delphi panel) and quantitative research methods (exploratory and confirmatory factor analysis), involving multiple actors in the field of social entrepreneurship. Focusing on five dimensions of organizational performance (economic, environmental, community, human and governance performance), we offer a set of indicators and an assessment tool for social enterprises.

3.1. INTRODUCTION

Due to the growing interest in sustainability and the organizational responsibilities to society, organizations face the challenge of assessing and reporting their non-financial performance. This is especially the case for social enterprises (Arvidson and Lyon, 2014; Grieco et al., 2014; Manetti, 2014). Social enterprises are social mission-driven organizations that develop an entrepreneurial activity (make products and/or deliver goods and services) in order to fulfill unsolved social needs in society (Mair and Marti, 2006; Moss et al., 2011). They are considered as a distinct category of organizations, positioned between profit and nonprofit organizations (Santos, 2012; Wilson and Post, 2013). Social enterprises differ from profit organizations as profit is not a goal as such, but a mean to create social value (Arena et al., 2015). Compared to nonprofit organizations, social enterprises establish entrepreneurial activities to ensure their financial sustainability and rely not (exclusively) on subsidies and donations (Doherty et al., 2014).

Because of the dual mission of creating social value and being financially sustainable, financial as well as non-financial performance are core to the social enterprise functioning (Smith et al., 2013). Social enterprises are described as typical hybrid organizations (Battilana et al., 2014; Miller et al., 2012; Pache and Santos, 2013) and face some specific internal and external tensions and challenges (Smith et al., 2013). The challenging environment has made the assessment and the reporting of the organizational performance within social enterprises of particularly importance. Firstly, different authors warn for internal tensions because of the difficulty of balancing the financial and social goals in decision-making and refer to mission drift, which is the erosion of the social goals in favor of financial goals, as a threat (Doherty et al., 2014; Ebrahim et al., 2014; Ramus and Vaccaro, 2014). In addition to the annual account - which is useful to evaluate the financial performance- a tool that supports social enterprises to assess and discuss internally their non-financial performance might be helpful in balancing the social and the financial goals in decision-making and in avoiding mission drift (Arena et al., 2015; Grieco et al., 2014). Secondly, social enterprises face external tensions, related to the need to establish legitimacy and to obtain support from different stakeholder groups (Battilana

and Lee, 2014; Mair et al., 2015). As social enterprises lack a dominant external stakeholder, they are exposed to multiple and conflicting expectations and demands of different principal stakeholder groups (Ebrahim et al., 2014). The legitimacy perceived by stakeholders is crucial for resource acquisition, such as financial resources and human resources (Doherty et al., 2014; Miller et al., 2012). Important stakeholder groups of social enterprises are the beneficiaries of the social mission and the customers, paying for the products and services delivered by the social enterprise (Ebrahim et al., 2014). Further, also policy makers, funders and volunteers can have a legitimate stake in the organization. These stakeholders expect assessments and reporting to be transparent and comparable (Pache and Santos, 2010; Spear et al., 2009). This has brought social enterprises under significant pressure to seek ways to more actively manage and report their non-financial performance to answer the demands of accountability to multiple stakeholders (Mair et al., 2015). As boards of directors typically engage in controlling the organizational performance (Daily et al., 2003), they may play a significant role in monitoring the non-financial performance of social enterprises. More specifically, they may urge the CEO to develop, implement and use a systematic approach to assess and report their non-financial organizational performance (Arena et al., 2015).

Although there is a consensus that the development and adoption of performance measurement instruments is of particular interest for social enterprises, there is a lack of methodologies with a practical usefulness for a broad range of social enterprises (Arvidson and Lyon, 2014; Mair et al., 2015). This paper aims at describing the development of a set of indicators and an assessment tool, useful for evaluating and reporting the non-financial organizational performance of social enterprises. While the financial performance of social enterprises can be evaluated based on the information available in the annual account of the organization, the aim of this paper is to develop a tool to assess the non-financial performance of social enterprises. If we refer, in the following sections, to the organizational performance of social enterprises, we actually focus on the non-financial organizational performance.

The structure of the paper is as follows. In the following section, we briefly review relevant literature on performance measurement in social enterprises. Next, we describe the different

steps carried out to identify relevant indicators and to develop an assessment tool to assess organizational performance in social enterprises. The article concludes with a discussion of the development of this assessment tool, challenges involved in its use and suggestions for future research.

3.2. PERFORMANCE MEASUREMENT IN SOCIAL ENTERPRISES

The idea that organizations should measure and manage their performance is a key-issue in management literature and is strongly encouraged by international bodies such as the OECD and the World Bank (Boyne, 2010). There is a growing consensus that social enterprises should assess their performance to support internal decision-making and to respond to the increasing demands of accountability towards different stakeholders (Arvidson and Lyon, 2014; Meadows and Pike, 2010). As a result, researchers and practitioners have developed different methodologies and tools to measure the performance of social enterprises (Ebrahim and Rangan, 2014). These methodologies and tools are however diverse and make a comparison of the organizational performance of social enterprises very difficult (Arena et al., 2015). Grieco et al. (2014) (p.1) state that ‘the overall picture remains fragmentary if not confusing’. The reason why methodologies and tools are falling short of expectations is twofold. On the one hand, some studies are ‘general’ in their design and do not offer specific indicators or measurement tools. The developed methodologies and tools often discuss frameworks providing general guidelines for social enterprises considering designing and implementing a performance measurement system, e.g. Manetti (2014). These papers discuss for instance how diverging stakeholder expectations can be taken into consideration or they present different steps that social enterprise can follow to implement a performance measurement system (Arena et al., 2015). They offer as such no insight in the dimensions or indicators that can or should be evaluated (Grieco et al., 2014). Other papers discuss relevant dimensions of organizational performance (e.g. environmental performance, social performance...), but do not propose relevant performance indicators (Nicholls, 2009). On the other hand, other studies are too specific and are examining performance measurement in specific cases and make it difficult to

replicate and generalize to other social enterprises. Bellucci et al. (2012), for instance, study the performance of fair trade shops in Italy. The performance indicators studied are specifically related to the fair trade value chain and cannot be replicated without adaptations to other organizational contexts.

Differences in approach and methods related to performance measurement in social enterprises can be attributed to two antecedents. Firstly, social enterprises differ in size, activities, objectives and accordingly relevant stakeholders. By consequence, it is not easy to develop a model that is suitable for all kind of social enterprises (Arena et al., 2015). Secondly, performance measurement can serve different purposes. Generally spoken, performance measurement can have an internal or an external purpose. A performance measurement tool can be used as an internal management instrument, enabling organizations to assess their performance and support internal decision-making. On the other hand, performance management tools with an external purpose are used for external reporting and have the main purpose of accountability to stakeholders. A different purpose implies a different design of the performance measurement system (Grieco et al., 2014). Notwithstanding this diversity in organizations and performance measurement systems, we also notice a consensus on some aspects. First, there is a consensus that organizational performance is multi-dimensional. Not only there is, as mentioned earlier, the difference between financial and non-financial performance. Also non-financial performance is multi-dimensional taking into consideration performance having an impact on the local community, the environment, society in general, people working in the organization (Arena et al., 2015; Grieco et al., 2014). Secondly, there is a consensus that performance is not only related to immediate results. Many frameworks use a ‘results chain’ or ‘logic model’ (Ebrahim and Rangan, 2014) also taking in consideration inputs (i.e. resources used) and activities within the organization (Arena et al., 2015; Bagnoli and Megali, 2011). These models, stressing the alignment of an organization’s input, throughput and output components, can be used to assure program alignment and to evaluate the results of an organization (van Loon et al., 2013). Concerning the achieved results, a difference is made between immediate results (outputs) and medium and long-term results, often referred to as outcomes or impacts (Grieco et al., 2014). Although there is a growing attention for ‘impact

measurement', the terms 'outcomes' and 'impact' are not consistently used (Ebrahim and Rangan, 2014). Ebrahim and Rangan (2014) make a difference between outputs (immediate results), outcome (medium- and long-term impact on individuals) and impact (medium- and long-term impact on communities or populations). There is a consensus that organizations should at least measure and report on inputs, activities and outputs (Boyne, 2010). However Ebrahim and Rangan (2014) doubt whether social enterprises should go further and also measure outcomes and impact. Their main argument is that the causal link between outputs and outcomes is not clear and that outcomes and impact often go beyond the control of the social enterprise. Some scholars argue that organizations, or the management of these organizations, could be demotivated, withdraw discretionary effort and sit back and see if they win or lose a performance indicator game that resembles a lottery (Boyne, 2010). For instance, a work integration social enterprise offering a job to disadvantaged people, can measure the number of people hired by the organization (output). However, whether this will result in an improved quality of life at the individual level (outcome) or a decrease in poverty at society level (impact) is not straightforward as also other external factors beyond the control of the social enterprise will have an influence on this outcome and impact. Furthermore, Ebrahim and Rangan (2014) argue, mainly based on practitioner oriented literature, that focusing on the measurement of impacts and outcomes might be counterproductive, because it asks a lot of efforts of the (often small) organizations without necessarily resulting in better results. Instead they suggest that outcomes and impacts can be measured at an aggregated level, for instance by governments, foundations or impact investors.

Relying on these former insights, the aim of this paper is to develop a performance measurement tool for social enterprises. More specific, we want to develop a tool suitable for a broad range of social enterprises. Taking in consideration the internal (assessing organizational performance and supporting decision-making) and external (reporting) purpose of performance measurement, we aim at providing social enterprises with a performance measurement instrument which is based on the reliable, valid, and standardized assessment of organizational performance. In developing this tool we build on the insights that performance is multi-dimensional and that, when evaluating performance, inputs, activities and outputs should be

considered. Based on the arguments of Ebrahim and Rangan (2014), we will not focus on outcomes and impacts. Moreover, we are convinced that taking in consideration outcomes and impacts will refrain us from developing a tool suitable for social enterprises with diverse activities.

In what follows, we discuss into detail how we developed the performance measurement tools, using qualitative and quantitative research methods and building on the expertise and points of view of a broad range of practitioners in the field of social entrepreneurship.

3.3. METHODOLOGY

The aim of the paper is twofold. On the one hand, we want to identify relevant indicators for assessing the non-financial performance of social enterprises. This set of indicators can serve the external purpose of performance measurement: in the external reporting to stakeholders, social enterprises can elaborate on their non-financial performance related to these indicators. This is in line with existing standards developed to assess non-financial performance (e.g. Global Reporting Initiative, GRI) (GRI, 2015). These standards offer a broad range of possible performance indicators and organizations choose, given their activity, performance indicators they consider as relevant. While different efforts have been made to develop specific sets of relevant performance indicators for different kind of organizations, such as NGOs and public sector organizations, this is not the case for social enterprises (Dumay et al., 2010; GRI, 2014).

On the other hand, based on the selected indicators, we want to develop a measurement instrument that social enterprises can use as a self-assessment tool to evaluate internally their non-financial organizational performance. In line with existing quality assessment frameworks, such as in the EFQM Excellence model of the European Foundation on Quality Management, different members of the organization can complete the measurement instrument, enabling the assessment of the non-financial performance and supporting decision-making (Heras-Saizarbitoria et al., 2011).

In order to be able to realize these two aims, we followed generally accepted guidelines and phases outlined in scale development literature (DeVellis, 2003; Hinkin, 1995). Table 3.1 gives an overview of the five phases of the research process, combining deductive and inductive methodologies to generate relevant indicators and items (Hinkin, 1998).

Table 3.1: Overview of the different phases of the research process

Research Process	Objectives	Results
Phase 1: Literature review	<ul style="list-style-type: none"> Identify performance domains Identify performance indicators 	<ul style="list-style-type: none"> 5 performance domains 41 indicators
Phase 2: Focus groups	<ul style="list-style-type: none"> Check relevance and completeness of selected performance domains and indicators 	<ul style="list-style-type: none"> 41 indicators (phase 1) approved 12 additional indicators ⇒ 53 indicators
Phase 3: Delphi panel	<ul style="list-style-type: none"> Find consensus regarding relevant indicators 	<ul style="list-style-type: none"> 13 indicators removed 40 indicators accepted
Phase 4: Survey instrument development and administration	<ul style="list-style-type: none"> Develop a survey instrument to assess performance on the retained indicators 	<ul style="list-style-type: none"> Survey distributed to 1018 social enterprises Response rate 24% (244 social enterprises)
Phase 5: Validation of relevant indicators and the assessment tool	<ul style="list-style-type: none"> Item reduction Indicator reduction Validation of measurement instrument 	<ul style="list-style-type: none"> Validated measurement instrument 21 indicators

We performed our research in a Belgian region, namely Flanders. As it is the case in Europe in general, Flemish social enterprises mainly emerged because of the persistence of structural unemployment and the need for more active policies to tackle the increasing exclusion of specific groups. These ‘work integration social enterprises’ offer a job to disadvantaged people, but in addition they focus actively on job training, necessary to make reintegration in the labor market possible, and provide social support to solve personal problems which are often obstacles for employment (Battilana et al., 2014; Pache and Santos, 2013; Van Opstal et al., 2009). While some of these organizations are specifically set up to hire disadvantaged people, others are organizations or local authorities who hire some disadvantaged workers, next to a

majority of regular employees (Van Opstal et al., 2009). Next to the work integration social economy, there is a growing interest in the entrepreneurial, innovative approach of social enterprises. In Flanders, these social enterprises often are member-based democratic organizations, mainly adopting the organizational form of ‘cooperatives’ (Defourny and Nyssens, 2008; Defourny and Nyssens, 2010). In the phases of the research process, we took in consideration and involved (representatives of) the different groups of social enterprises. This will be discussed more into detail when commenting phase 2, 3 and 4 of the research process.

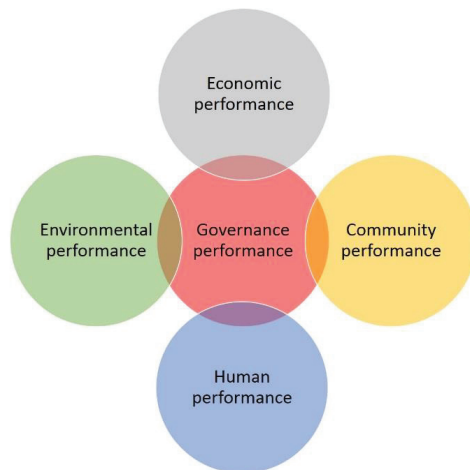
3.3.1. Phase 1: Literature review

To obtain an overview of relevant performance indicators, we started with an extensive literature review. This deductive approach is appropriate as measuring the non-financial performance of organizations has gained an increasing attention in literature (Hinkin, 1998). While screening scientific journals, we noticed that relying on internationally accepted standards is a common practice when studying non-financial performance of organizations (Wood, 2010). Digging deeper into this standards, we selected four standards often referred to in the literature and proven their worth in practice as well as in scientific research: (1) Kinder, Lydenberg, Domini (KLD) social responsibility rating (Laplume et al., 2008; Wood, 2010), (2) Dow Jones Sustainability Index (DJSI) (Consolandi et al., 2009; Robinson et al., 2011), (3) Global Reporting Initiative (GRI) (Hahn and Lulfs, 2014; Levy et al., 2010) and (4) ISO 26000 (Balzarova and Castka, 2012; Helms et al., 2012). Appendix 1 provides an overview of the performance domains considered by each of the four selected standards. Based on this overview we selected five performance domains that (1) are taken into account by several of these standards and (2) are relevant in the context of social enterprises: economic, human, environmental, community and governance performance. Figure 3.1 gives an overview of the five selected performance domains.

Economic performance is related to the economic conditions supporting a strong financial position, important for the viability of organizations. As such the focus is not on financial indicators reported in the annual financial accounts of organizations, but on economic indicators

influencing these financial indicators (GRI, 2015; Wiklund and Shepherd, 2005). Human performance refers to the relationship of the organization with its workforce (Chang and Chi, 2007). Environmental performance focuses on the efforts organizations make to protect nature (Andersson et al., 2013). Community performance refers to how organizations deal with their responsibilities in society (Niehm et al., 2008), including the relationships with dominant stakeholders: beneficiaries of the social mission and customers, paying for the delivered products and services. Governance performance refers to ‘systems and processes concerned with ensuring the overall direction, control and accountability of an organization’ (Cornforth, 2014). Important issues related to organizational governance are board composition and board behavior (Daily et al., 2003; Hambrick et al., 2008), as well as dealing with stakeholder expectations (Chan et al., 2014). Governance performance is a particular performance domain as it is expected that good governance practices have a positive impact on organizational decision-making, in turn positively influencing the other performance domains of the organization (Arora and Dharwadkar, 2011; Huang, 2010).

Figure 3.1: Overview of the five selected performance domains



In a next step, we detected relevant indicators for measuring the five performance domains. As the attention for the performance of social enterprises is rather recent, the literature and research on the performance of social enterprises is still limited. We therefore decided to screen the literature on research regarding the non-financial performance of organizations in general, which is more extensively studied in the context of Corporate Social Responsibility (CSR), where it is referred to as ‘social performance’ (Wood, 2010). We started with the examination of 10 high impact management journals (included in the ISI Web of Science), looking for articles with ‘social’ and ‘performance’ in the title in the period 1990-2013. Appendix 2 gives an overview of the screened management journals. As a result, we found 68 articles. 33 articles were not relevant because they did not focus on the non-financial performance of organizations. Analyzing the remaining 35 articles, we concluded that these articles only provide a limited number of possible indicators. The main reason is that many articles do not refer to relevant indicators because they are conceptual or because they use existing ratings provided by, for instance, financial institutions to assess the non-financial performance of organizations.

In a next step, we screened two additional journals: Journal of Business Ethics and Social Enterprise Journal. We selected these journals because they have a focus on CSR and social enterprises. Once again, we screened the journals for relevant articles with ‘social’ and ‘performance’ in the title in the period 1990-2013. As a result of this additional screening we found 60 additional articles, which provided us with more relevant indicators.

Based on the literature review, we retained 41 indicators.

3.3.2. Phase 2: Focus groups

We noticed that, based on the examined management literature, it is difficult to conclude that the retained indicators are most relevant for the context of social enterprises. Firstly, because the screened literature is not exclusively related to the performance of social enterprises. Secondly, because it is possible that some relevant indicators are not detected in the literature. Therefore we decided to combine the deductive approach of the literature review with additional inductive approaches (Hinkin, 1998). To check the relevance and completeness

of the selected indicators, we organized two focus group sessions. The use of focus groups is a common qualitative research method in social sciences, often as a part of the development of measurement instruments (Cowton and Downs, 2015). We decided to organize focus groups because it enables in-depth discussions with experts on emerging and unexplored topics (Bruggen and Willems, 2009).

The reason why we selected key informants with a different background to participate in the focus groups, is twofold. Firstly, we wanted insights in the performance of different kinds of social enterprises (the dominant form of work integration, as well as other social enterprises such as cooperatives). Secondly, we considered it useful to ask the opinion of employees involved in the management of a social enterprise and informants with a broader focus. The latter group are mainly researchers and civil servants supporting social enterprises. We therefore decided to organize two focus groups. In the first focus group session, 8 managers of social enterprises were involved. Because of the prevalence of work integration social enterprises in Flanders (Van Opstal et al., 2009), we invited managers of different types of work integration social enterprises. In the second focus group, we aim at a broader perspective: 3 representatives of sectorial federations of work integration social enterprises, 2 researchers with a broad perspective on social entrepreneurship and 2 civil servants of the Flemish government were involved.

Organizing two focus groups involving 15 key informants with a different background, gave us the opportunity to gain insight in different perspectives regarding measuring the performance of social enterprises. Specifically, we asked the participants whether the 5 performance domains and the 41 indicators selected in phase 1 are suitable for assessing the performance of social enterprises and whether there were indicators missing. As a result of the focus groups, the 41 indicators selected in phase 1 were approved and 12 indicators were added, resulting in 53 indicators. The indicators in each performance domain are presented in Table 3.2. A distinction is made between indicators selected based on the literature review (phase 1) and approved by the focus groups (phase 2), on the one hand, and indicators that are provided by the focus groups (phase 2), on the other hand.

Table 3.2: Overview of the indicators selected through literature review, focus groups and Delphi panel

Indicators identified through literature review and focus groups (53)	Consensus in Delphi panel (40)
Economic performance	
Literature and approved by focus groups	
Market share in comparison to important competitors	
Growth in market share	
Additional indicators focus groups	
Received subsidies and donations	
Innovativeness	X
Proactiveness	X
Risk Taking	X
Environmental performance	
Literature and approved by focus groups	
Use of renewable energy	X
Transportation of materials and goods	X
Transportation of the members of the organization's workforce	X
Waste reduction	X
Use of sustainable materials	X
Environmental policy	X
Environmental performance measurement	X
Community performance	
Literature and approved by focus groups	
Offering job opportunities	
Hiring disadvantaged people	X
Local suppliers	X
Local customers	
Philanthropy	
Partnerships	X
Being responsive to complaints of customers	
Adaptation of products and services to satisfy complaints of customers	
Additional indicators focus groups	
Informing the local community	X
Offering traineeships to students	X
Offering products/services to vulnerable people	X
Addressing unsolved problems in society	X

Table 3.2: Overview of the indicators selected through literature review, focus groups and Delphi panel (continued)

Indicators identified through literature review and focus groups (53) (continued)	Consensus in Delphi panel (40)
Human performance	
Literature and approved by focus groups	
Supporting learning initiative	X
Policy on education and training	X
Providing education and training	X
Diversity management	X
Equal opportunities for minorities	X
Involvement of personnel in education and training	X
Age sensitive personnel policy	
Work-life balance	X
Interaction between employees	X
Goal oriented HRM	X
Additional indicators focus groups	
Development/personal growth of personnel	X
Absenteeism through illness	
Support on the work floor	X
Job satisfaction	X
Governance performance	
Literature and approved by focus groups	
Board diversity	
No CEO duality	
Independent board members	X
Adaptation of the composition of the board	X
Clear organizational mission and goals	X
Engagement of board members toward the mission and goals of the organization	X
Involvement of the board in strategic initiatives	X
Clarity of roles (of board members and management team)	X
Participative decision-making	X
Goals meeting the needs of the stakeholders	X
Adaptation to changes in the environment	X
Efficient, well prepared board meetings	
Preparedness to learn from mistakes	X
External communication to stakeholders	X

3.3.3. Phase 3: Delphi Panel

In focus groups, group dynamics and more particularly the dominance of some participants may substantially influence the results. Moreover focus groups are not anonymous, potentially making people less outspoken (Bruggen and Willems, 2009; Cowton and Downs, 2015). To overcome these potential disadvantages of focus groups, we used the Delphi technique to reach a consensus on the indicators. The Delphi technique encompasses a structured, iterative process in which subject matter experts share their anonymous opinion during subsequent rounds (Caffey et al., 2001; Landeta, 2006; Okoli and Pawlowski, 2004; Rowe et al., 2005; Schmidt, 1997; Von Der Gracht, 2012; Worrell et al., 2013). Specifically, this Delphi panel includes 17 panelists with different backgrounds: (1) managers of social enterprises, (2) experts on social entrepreneurship (academics, government officials, representatives of sectorial federations) and (3) members of two networks of organizations focusing on sustainability and corporate social responsibility (Kauri and Positive Entrepreneurs) and as such having a keen interest in non-financial performance. By synthesizing these opinions after each round, the researcher pursues consensus within the panel of experts (Schmidt, 1997; Von Der Gracht, 2012; Worrell et al., 2013). After two rounds, the required consensus was achieved which resulted in the removal of 13 indicators and the selection of 40 indicators. Table 3.2 gives an overview of the removed and accepted indicators.

3.3.4. Phase 4: Survey instrument development and administration

As explained earlier, next to the selection of relevant performance indicators which can serve the external purpose of reporting to external stakeholders, we aim at developing a measurement instrument that social enterprises can use as an internal, self-assessment tool. Therefore, the 40 selected indicators were concretized in a survey instrument. Questionnaires are the most commonly used method of data collection in field research (Hinkin, 1998) and over the past several decades, scales have been developed suitable for assessing input, throughput and output of the performance of organizations. In the next section (phase 5), the items and scales used to measure the indicators are discussed for each performance domain separately. To achieve high

levels of content validity, most of the constructs and measures used in the instrument were already verified in earlier research. Next, we created measures by adapting existing scales.

Given the purpose of developing a measurement instrument suitable for a broad range of social enterprises, the survey was contributed to different groups of organizations, encompassing the sector of social enterprises in Flanders, Belgium. The work was carried out with the active help of the Flemish government who provided the sample for the study.

The following organizations were selected: (1) sheltered workshops and social workshops: established with the main purpose of reintegrating job seekers who face difficulties to find a job in the regular job market because of physical, social or psychological problems, mainly operating in packaging, assembly, gardening, recycling, and printing (Battilana et al., 2014), (2) local service economy initiatives: social enterprises closely connected to local authorities, offering jobs to long-term unemployed people in combination with offering quality services to the local community and households (e.g. cleaning services, shopping assistance for the elderly) (Van Opstal et al., 2009), (3) work experience enterprises and work care initiatives, offer a job to long-term unemployed people and are mainly active in health and social care or the cultural sector (Van Opstal et al., 2009), (4) work integration enterprises receive subsidies in return for employing long-term unemployed jobseekers and integrate them into their regular staff (Van Opstal et al., 2009) and (5) cooperatives: member-based democratic organizations (Spear, 2004).

The survey was distributed to the CEOs of 1018 social enterprises. These CEOs have an overview over the overall performance of the organization, including the different performance domains which are part of our measurement instrument. The survey was distributed using a web-based tool (Qualtrics). After a period of intensive follow-up (mail and telephone) of the responses, a total of 244 CEOs completed the survey, yielding a response rate of 24%. After removing incomplete surveys, our results are based on the responses from the CEOs of 241 organizations. The age of the organization in our sample varies between 2 and 93 years old, with an average age of 26. The number of employees ranges from 1 to 2023 with an average of 147 employees. 84% of the organizations are SME's with less than 250 employees. Table 3.3

gives an overview of the population of 1018 social enterprises and of the 241 social enterprises that participated.

Table 3.3: Overview of the population and sample of the survey

	Population	Sample
Sheltered an Social Workshops	80 (8%)	44 (18%)
Local service economy initiatives	206 (20%)	60 (25%)
Work experience enterprises/Work care initiatives	278 (27%)	81 (34%)
Work integration enterprises	293 (29%)	35 (15%)
Cooperatives	161 (16%)	21 (9%)
Total	1018 (100%)	241 (100%)

3.3.5. Phase 5: Validation of relevant indicators and the assessment tool

The aim of this phase in the research process is twofold: (1) reduction of the number of indicators by identifying overarching performance indicators, encompassing different of the retained indicators and (2) validation of the developed survey instrument. Building on scale development and construct validation literature (DeVellis, 2003; Hinkin, 1995), we use exploratory and confirmatory factor analysis to reach these goals and we assess the internal consistency of the remaining scales using Cronbach’s alpha (Hair et al., 2006; Janssens et al., 2008).

We will discuss the analyses and results for each performance domain separately (economic, environmental, community, human and governance). First we will give an overview of the items and scales used to measure the selected indicators. When analyzing the data, we first used exploratory factor analysis (EFA). Because some indicators are measured using adapted scales, not been validated in prior work and because some indicators are measured using a single item, running a factor analysis for the items of each indicator separately would be inappropriate.

Therefore we conducted, for each performance domain, EFA of all items. If, within a performance domain, items used to measure different performance indicators load on a latent factor, we can reduce the number of indicators by detecting an overarching indicator. Items that load insufficiently onto one factor will be removed if different items are used to measure the indicator (Janssens et al., 2008).

We build on the results of the EFA to specify the factor models used in the confirmatory factor analysis (CFA). We conducted confirmatory factor analysis using the Lavaan package, developed for Structural Equation Modeling (SEM) in the statistical program R (Rosseel, 2012). Because we use categorical data (ordinal variables using likert scales and dichotomous variables), we use the robust weighted least squares (WLSMV) estimator (Brown, 2006). The Chi Square statistic is commonly reported in CFA research, more specific we report the Chi-Square test statistic, divided by the degrees of freedom (χ^2/df) (Janssens et al., 2008). Next to the Chi-Square statistic, it is suggested to take into consideration different other fit indices to evaluate the model fit (Brown, 2006; Hair et al., 2006). Brown (2006) (p.82) distinguishes three categories of fit indices and advises to report at least one index from each category. Following the advice of Brown (2006), we report the Standardized Root Mean Square Residual (SRMR), the Root Mean Square Error of Approximation (RMSEA), the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI).

There is no consensus on the cutoff values that should be used to evaluate model fit. It is even argued that the use of absolute cutoff values is inadvisable because fit indices are influenced by different aspects of the research setting, e.g. sample size and type of data (Brown, 2006; Hair et al., 2006). However there are some guidelines for the fit indices we use in our study. For the χ^2/df ratio, Janssens et al. (2008) mention as criterion < 2 , while Hair et al. (2006) mention < 3 . For the SRMR, Hu and Bentler (1999) use a cutoff value of 0.08, while Hair et al. (2006) mention that an SRMR over 0.1 suggests a problem with fit. Concerning the RMSEA, the cutoff value of 0.06 proposed by Hu and Bentler (1999) is often referred to. However Brown (2006) mentions that RMSEA's in the range of 0.8-0.1 suggest mediocre fit and that models with RMSEA over 0.1 should be rejected. For CFI and TLI, Hu and Bentler (1999) suggest

values ≥ 0.95 , but different authors indicate that values in the range 0.9 – 0.95 indicate acceptable fit (Brown, 2006; Hair et al., 2006; Janssens et al., 2008).

Finally, we assess the internal consistency or reliability of the scales used for measuring the different indicators, by reporting the Cronbach's alpha (Janssens et al., 2008). Based on Hair et al. (2006), a value above 0.7 is considered indicating a strong reliability, while a value above 0.6 indicates a satisfactory reliability, allowing the use of summated scales.

Economic Performance

Economic performance is related to conditions supporting the financial sustainability of organizations. As mentioned earlier, the focus is not on traditional financial indicators such as profit, cash flow, Return on Assets (ROA) and Return on Investment (ROI) (Wiklund and Shepherd, 2005), but on indicators positively influencing these indicators. Based on the focus group sessions and the Delphi panel, three indicators are selected to assess the economic performance of social enterprises. Table 3.4 gives an overview of the indicators, items and scales used to evaluate economic performance.

These indicators (innovation, proactiveness and risk taking) are related to the entrepreneurial orientation of organizations⁴. Therefore, we used the measure introduced by Helm and Andersson (2010), specifically developed to evaluate the entrepreneurial orientation of social enterprises and comprising three subscales to measure innovation, proactiveness and risk taking. The scale measures along a continuum: two opposite statements are formulated and respondents are asked to indicate on a 8 point likert scale which statement best characterize their organization.

We conducted a principal component exploratory factor analysis using varimax rotation of the 10 items of the scale. The results are reported in Table 3.5. The results show three factors

⁴ As the 3 selected indicators all are related to the entrepreneurial performance of the social enterprises, economic performance actually measures entrepreneurial performance. We prefer however to keep on using the broader concept economic performance as the focus of this performance domain is broader than only entrepreneurial performance indicators.

with eigenvalues greater than one, explaining 72% of the variance, corresponding to the subscales identified by Helm and Andersson (2010). Item ‘ECON1’ has a high factor loading (> 0,5) on ‘Innovation’ as well as on ‘Proactiveness’. For that reason we decided to exclude ‘ECON1’ in the confirmatory factor analysis. The other items loaded sufficiently onto one single (expected) factor.

Table 3.4: Economic performance: overview of indicators, items and scales

	Innovation
	<i>Presently and during the last five years my organization has:</i>
ECON1*	Placed a strong emphasis on the maintenance of tried-and-true products or services – Placed a strong emphasis on the development of new products or services
ECON2	Placed a strong emphasis on the maintenance of established organizational processes – Placed a strong emphasis on the development of new organizational processes
ECON3	Introduced no new processes, policies, products or services – Introduced many new processes, policies, products and services
ECON4	Made only minor changes in processes, policies, products or services – Made major changes in processes, policies, products or services
	Proactiveness
	<i>Presently and during the last five years my organization:</i>
ECON5	Is very seldom the first organization to introduce new products/services, administrative techniques, operating technologies, etc. – Is very often the first organization to introduce new products/services, administrative techniques, operating technologies, etc.
ECON6	Been reticent to exploit changes in the field - Exploited changes in the field
ECON7	Followed the lead of similar service providers - Provided the lead for similar service providers
	Risk taking
	<i>Presently and during the last five years my organization:</i>
ECON8	Conducted itself consistently with the behavioral norms of the operating environment, industry or sector – Conducted itself in conflict with the behavioral norms of the operating environment, industry or sector
ECON9	Selected projects that support the organization's public image – Selected projects that may alter the organization's public image
ECON10	Made decisions that maintain staff stability – Made decisions that created changes in staff stability
Measured on a 8-point likert scale. Based on Helm and Andersson (2010)	
* Item removed after EFA	

Table 3.5: Economic Performance: items and item loadings EFA.

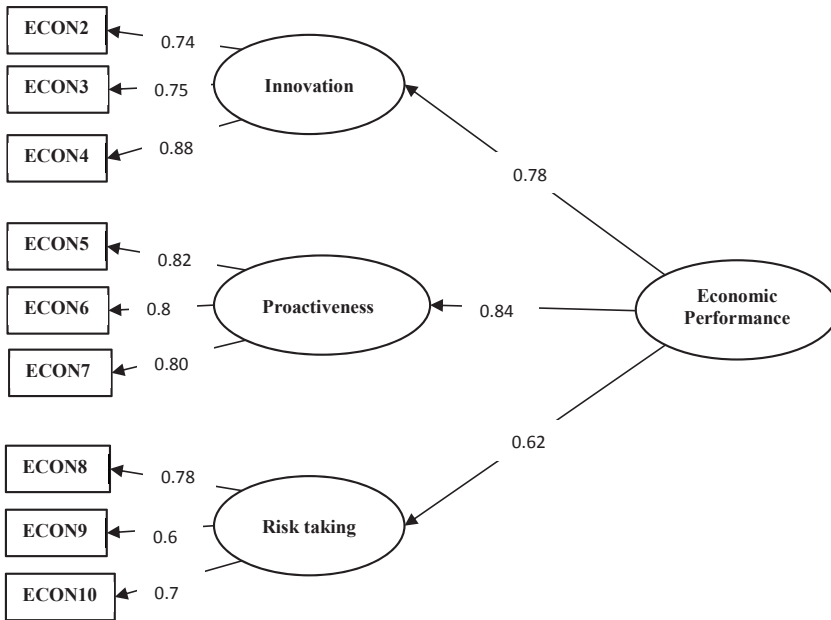
	ECO1	ECO2	ECO3
	INNOVATION	PROACTIVENESS	RISK TAKING
ECON1	0.561	0.505	0.304
ECON2	0.812	0.122	0.265
ECON3	0.803	0.249	0.045
ECON4	0.806	0.350	0.094
ECON5	0.226	0.832	0.195
ECON6	0.333	0.805	0.044
ECON7	0.179	0.822	0.225
ECON8	0.092	0.320	0.745
ECON9	0.036	0.129	0.824
ECON10	0.327	0.029	0.757

Principal component factor analysis, varimax rotation

In a next step we used CFA to test a second order model. Specifically we checked whether the results of EFA are confirmed by CFA and whether the three detected factors (innovation, proactiveness and risk taking) load onto the second order factor ‘Economic Performance’. The results are reported in Figure 3.2.

The results show acceptable fit indices, with $\chi^2/df= 1.99$; CFI=0.936; TLI=0.905; RMSEA=0.064 and SRMR=0.043. All factor loadings are significant ($p<0.001$) and indicate strong factor loadings. The results indicate that the indicators (1) innovation, (2) proactiveness and (3) risk taking are relevant to measure the economic performance of social enterprises. Finally, we checked the internal consistency of the scales used to measure these indicators by calculating Cronbach’s alpha. The results reported in Figure 3.2, indicate strong scale reliability (> 0.70): innovation ($\alpha = 0.829$), proactiveness ($\alpha = 0.848$), risk taking ($\alpha = 0.739$).

Figure 3.2: Economic Performance: items and item loadings CFA.



Standardized item loadings using the WLSMV estimator

$p < 0.001$ for all loadings

$\chi^2/df = 1.99$; CFI=0.936; TLI=0.905; RMSEA=0.064; SRMR=0.043

Environmental Performance

Environmental performance refers to the efforts organizations make to protect nature (Andersson et al., 2013). Based on the focus group sessions and the Delphi panel, seven indicators are selected to assess the environmental performance of social enterprises. Table 3.6 gives an overview of the indicators, items and scales used to evaluate the environmental performance.

Table 3.6: Environmental performance: overview of indicators, items and scales

	Transportation of materials and goods
ENV1	Our organization deliberately selects cleaner transportation methods for materials and goods (Mishra and Suar, 2010)
	Transportation of the members of the organization's workforce
ENV2	Our organization encourages employees to use ecological transportation modes Adaptation based on GRI (2015)
	Use of sustainable materials
ENV3	Our organization uses recycled input materials Adaptation based on GRI (2015)
ENV4	Our organization takes the initiative to use environmental-friendly natural resources (Chen et al., 2008)
ENV5	Our organization has a preference for green products in purchasing (Mishra and Suar, 2010)
ENV6*	Our organization has implemented sustainability criteria for the procurement of goods and services Adaptation based on GRI (2015)
	Environmental policy
ENV7	Our organization has incorporated environmental performance objectives in organizational plans (Rettab et al., 2009)
ENV8*	Our organization is concerned about the protection of the natural environment Adaptation based on GRI (2015)
ENV9	Our organization has a clear environmental policy (Mishra and Suar, 2010)
	Waste reduction
ENV10	Our organization has reduced the amount of waste in recent years Adaptation based on GRI (2015)
	Environmental performance measurement
ENV11	Does your organization measure the organization's environmental performance? (Rettab et al., 2009)
	Use of renewable energy
ENV12	Does your organization use energy produced from renewable sources? (O'Connor and Spangenberg, 2008)
* Item removed after EFA All items measured on a 7-point likert scale except ENV11 (yes/no) and ENV12 (yes/no)	

We conducted a principal component exploratory factor analysis using varimax rotation of the 10 items measured using a 7-point likert scale. The results are reported in Table 3.7. Based on the results of the EFA, we can distinguish three factors, explaining 74% of the variance. These three factors are related to (1) Transportation, (2) Use of ecological materials and (3) Environmental performance management. Item 'ENV6' has a high factor loading ($> 0,5$) on 'Ecological Materials' as well as on 'Environmental performance management'. For that reason, we decided to exclude 'ENV6' in the confirmatory factor analysis. Item 'ENV8' seems

to be scattered across the three factors and does not load sufficiently onto one single factor. For that reason also ‘ENV8’ is eliminated in the confirmatory factor analysis. The other items load sufficiently onto one single factor.

Table 3.7: Environmental Performance: items and item loadings EFA

	EN1 TRANSPORTATION	EN2 ECOLOGICAL MATERIALS	EN3 ENVIRONMENTAL PERFORMANCE MGT
ENV1	0.757	0.186	0.344
ENV2	0.832	0.286	0.120
ENV3	0.264	0.747	0.301
ENV4	0.215	0.843	0.292
ENV5	0.278	0.790	0.257
ENV6	0.004	0.568	0.626
ENV7	0.274	0.400	0.717
ENV8	0.408	0.548	0.347
ENV9	0.231	0.366	0.812
ENV10	0.283	0.168	0.766

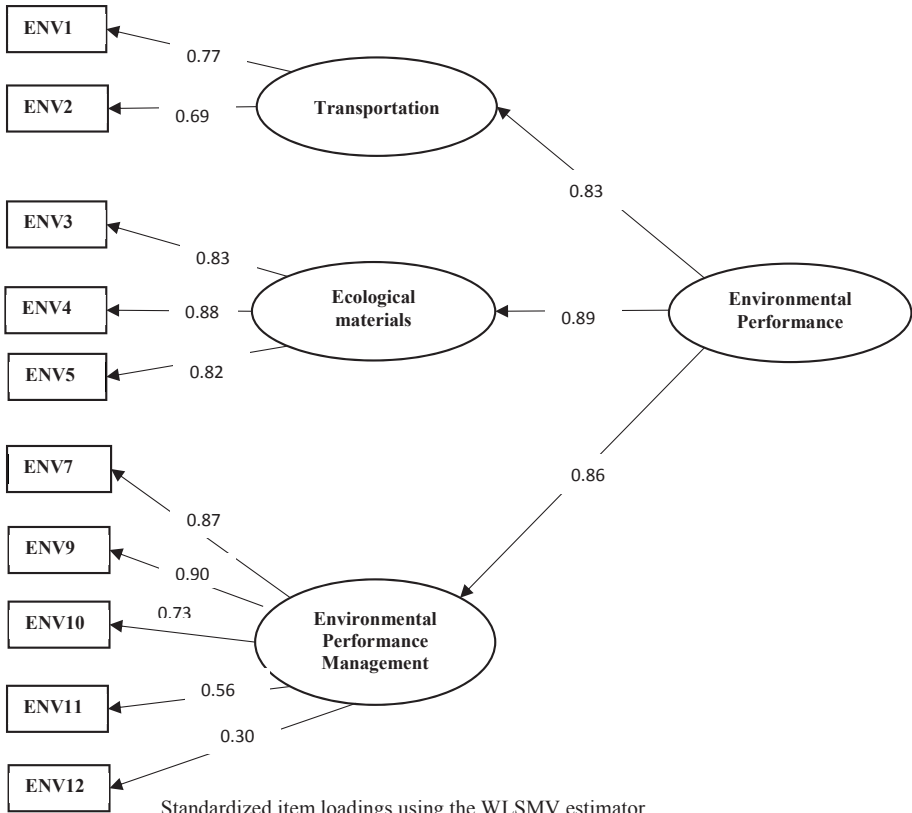
Principal component factor analysis, varimax rotation

We checked whether the results of EFA are confirmed by CFA and whether the three detected factors (transportation, ecological materials and environmental performance management) load onto the second order factor ‘Environmental Performance’. We also added the two items measured as dummy variables. Based on content, we added ENV11 to the factor ‘environmental performance management’ and ENV12 to the factor ‘ecological materials’.

The fit indices reveal an acceptable fit, except for TLI: $\chi^2/df= 2.79$; CFI=0.922; TLI=0.890; RMSEA=0.086 and SRMR=0.047. All factor loadings are significant ($p<0.001$), but the factor loading of ENV12 is low (0.283). Further investigation of the model in Lavaan shows that the fit of the model will be better if ENV12 is moved to the factor ‘environmental performance management’. This is acceptable as the use of renewable energy can be considered as an environmental result. This is comparable to the fact that ENV10 (waste reduction), based on the results of EFA, also loads on this factor.

The fit of this model is better. Figure 3.3 gives an overview of the results. All fit indices show an acceptable fit: $\chi^2/df= 1.73$; CFI=0.968; TLI=0.955; RMSEA=0.055 and SRMR=0.036. All factor loadings are significant ($p < 0.001$). Finally, we checked the reliability of the scales used to measure the three remaining indicators by calculating Cronbach's alpha. The results indicate a satisfactory scale reliability (> 0.60): Transportation ($\alpha = 0.696$), Ecological materials ($\alpha = 0.877$), Environmental Performance Management ($\alpha = 0.829$). The results indicate that the originally selected seven indicators can be reduced to three indicators, relevant for measuring the environmental performance of social enterprises.

Figure 3.3: Environmental Performance: items and item loadings CFA



Community Performance

Community performance refers to how organizations deal with their responsibilities in society (Niehm et al., 2008). Following the results of the focus groups and the Delphi panel, 7 indicators are selected. Table 3.8 gives an overview of the indicators, items and scales used to evaluate the community performance.

Table 3.8. Community performance: overview of indicators, items and scales

	Hiring disadvantaged people
COM1	Our organization actively hires immigrants Adaptation based on Graafland et al. (2004)
COM2	Our organization actively hires low skilled people Adaptation based on Graafland et al. (2004)
COM3	Our organization actively hires elderly people Adaptation based on Graafland et al. (2004)
	Informing the local community
COM4	Our organization informs the local community by organizing presentations, company visits,... Adaptation based on CAF (2013)
	Offering traineeships to students
COM5	Our organization offers traineeships to students Adaptation based on CAF (2013)
	Offering products/services to vulnerable people
COM6	Our organization offers products and/or services to vulnerable people Adaptation based on CAF (2013)
	Addressing unsolved problems in society
COM7	Our organization addresses unsolved societal problems Adaptation based on CAF (2013)
	Partnerships
COM8	Our organization pursues partnerships with: <ul style="list-style-type: none"> • Governments • For profit organizations • Social economy organizations • Labor agencies • Other community organizations Adaptation based on Mishra and Suar (2010)
	Local suppliers
COM9*	Our organization mainly has local (Flemish) or regional (Belgian) suppliers Adaptation based on GRI (2015)
* Item removed after CFA All items measured on a 7-point likert scale except COM8 (sum of different kind of partnerships) and COM9 (yes/no)	

We conducted a principal component exploratory factor analysis using varimax rotation of 8 items. As we did in the analyses of environmental performance, we didn't take in consideration COM9 because it is a dummy variable. The results are reported in Table 3.9. Based on the results of the EFA, we can distinguish two factors, explaining 56% of the variance. The first factor is related to the indicator 'Hiring disadvantaged people'. All the other indicators load on a second factor, that we call 'Community responsibilities'.

Table 3.9: Community Performance: item and item loadings EFA.

	C1	C2
	HIRING DISADVANTAGED PEOPLE	COMMUNITY RESPONSIBILITIES
COM1	0.887	0.059
COM2	0.727	0.092
COM3	0.845	0.041
COM4	-0.040	0.695
COM5	0.200	0.459
COM6	0.126	0.766
COM7	0.057	0.848
COM8	-0.013	0.639

Principal component factor analysis, varimax rotation

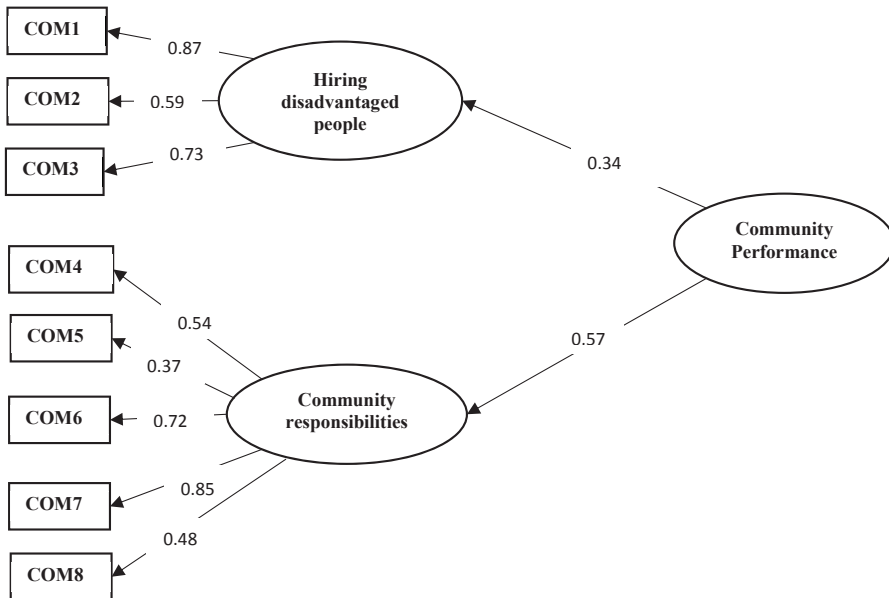
The results of the EFA reveal that all indicators of community performance load on one factor, except for the items related to the indicator 'hiring disadvantaged people'. This indicates that hiring disadvantaged people is considered as a distinctive performance indicator of community performance in relationship to the other indicators. We use CFA to check if this distinction is confirmed. Furthermore, using CFA, we want to investigate whether the two detected factors load on the second order construct 'community performance'. In this stage we also add COM9, measured as a dummy variable. In our model we add COM9 to the factor 'Community responsibilities' as choosing local suppliers is not related to the hiring of disadvantaged people.

Testing this second order model in Lavaan, the fit indices show an acceptable fit ($\chi^2/df=1.69$; CFI=0.932; TLI=0.905; RMSEA=0.054 and SRMR=0.055), however the factor loading

of COM9 (local suppliers) is low (0.173) and not significant ($p < 0.1$). A possible explanation is that the organizations in our sample are mainly small, locally embedded organizations. 89% of the social enterprises in our sample mainly have local or regional suppliers. As such having local suppliers is not a distinguishing factor in our sample. Because of the low, insignificant factor loading, we decided to exclude COM9.

Figure 3.4 gives an overview of the CFA results of the adapted model. The fit indices show a good fit: $\chi^2/df= 1.78$; CFI=0.943; TLI=0.916; RMSEA=0.057 and SRMR=0.053. All factor loadings are significant ($p < 0.001$). The Cronbach’s alpha of the scales used to measure ‘hiring disadvantaged people’ ($\alpha = 0.767$) and ‘community responsibilities’ ($\alpha = 0.718$) reveal a strong reliability. The results indicate that the seven indicators selected for assessing the community performance of social enterprises, can be reduced to two indicators.

Figure 3.4: Community Performance: item and item loadings CFA.



Standardized item loadings using the WLSMV estimator

$p < 0.001$ for all loadings

$\chi^2/df = 1.78$; CFI=0.943; TLI=0.916; RMSEA=0.057; SRMR=0.053

Human Performance

Human performance refers to the relationship of the organization with its workforce (Chang and Chi, 2007). Based on the results of the focus groups and the Delphi panel, 12 indicators are selected. Table 3.10 gives an overview of the indicators, items and scales used to evaluate the human performance.

The results of the EFA are shown in Table 3.11. Based on the results of EFA we can distinguish 4 factors, which we identify as (1) performance support, (2) training & development, (3) HR- policy and (4) diversity management. The results are not straightforward: different items have high factor loadings on different factors. A second problem is that in some cases the loading on a specific factor cannot be explained based on the content of the item. This is not exceptional in EFA. Janssens et al. (2008) suggest that content should be taken in consideration and that content takes precedence over factor loadings.

In analyzing and evaluating the factor loadings we took different steps. In a first step, we look for items with significant factor loadings on different factors. Based on our sample size, we consider values above 0.375 as significant factor loadings (Janssens et al., 2008). If there are different items used to measure the indicator, we remove the item. This is the case for HUM15. If the indicator is measured using a single item, we decide not to remove the item because this would imply removing the indicator. Instead, we evaluate based on content to which factor we will add the item in the CFA-model. This is the case for HUM5, HUM6, HUM14. For Item 'HUM5' (significant loading on H2 and H3), we decide to assign it to H2 as HUM5 is more related to education and training. Item 'HUM6' has a significant factor loading on H1 and H2. Based on the content, we decide to add it to H2. Item 'HUM14' has a significant loading on H1 and H3. As it is more related to HR-policy (H3) than to Performance Support (H1), we assign it to H3. For some items with significant factor loadings on different factors, we notice that it is difficult to assign them to one of the factors. This is the case for HUM9 and HUM20. Therefore we decide to assess this items separately and not assigning them to a first order factor. Instead we will add this items in the model, directly loading on the second order factor 'Human Performance'.

Table 3.10: Human performance: overview of indicators, items and scales

	Providing education and training <i>(Calantone et al., 2002)</i>
HUM1	Our organization has a strong ability to learn and this offers us a competitive advantage
HUM2	The basic values of this organization include learning as key to improvement
HUM3	The sense around here is that employee learning is an investment, not an expense
HUM4	Learning in my organization is seen as a key commodity necessary to guarantee organizational survival
	Development/ personal growth of employees
HUM5	We develop our employees aiming at job rotation within our organization <i>Adaptation based on GRI (2015)</i>
	Supporting learning initiative
HUM6	Our organization supports all employees who want to pursue further education <i>(Rettab et al., 2009)</i>
	Equal opportunities for minorities
HUM7	Our organizations has a policy concerning equal rights and non-discrimination <i>(O'Connor and Spangenberg, 2008)</i>
	Involvement of personnel in education and training
HUM8	Our organization involves the employees in the planning of education and training <i>Adaptation based on CAF (2013)</i>
	Interaction between employees
HUM9	We pay attention to good relationships between our employees <i>Adaptation based on ISO26000 (2010)</i>
	Goal oriented HRM
HUM10	Our HR-policy is carefully planned <i>Adaptation based on GRI (2015)</i>
HUM11	Our HR-policy is carefully evaluated <i>Adaptation based on GRI (2015)</i>
	Job satisfaction
HUM12	Our organization pays attention to individual job satisfaction <i>Adaptation based on GRI (2015)</i>
	Diversity management
HUM13	Our organization has a policy on diversity management <i>(de la Cuesta-González et al., 2006)</i>
	Policy on education and training
HUM14	Our organization has a policy for the training and development of employees <i>(Mishra and Suar, 2010)</i>
	Support on the work floor <i>Adaptation based on Heslin et al. (2006)</i>
HUM15*	We support our employees in taking on new challenges
HUM16	We offer useful suggestions regarding how employees can improve their performance
HUM17	We provide constructive feedback to employees regarding areas for improvement
HUM18	We help employees to analyze their performance
HUM19	We provide guidance regarding performance expectations
	Work-life balance
HUM20	Our organization is successful in balancing paid work and family life <i>Adaptation based on Milkie and Peltola (1999)</i>
* Item removed after CFA	
All items measured on a 7-point likert scale	

Table 3.11: Human Performance: items and item loadings EFA.

	H1 PERFORMANCE SUPPORT	H2 TRAINING & DEVELOPMENT	H3 HR-POLICY	H4 DIVERSITY MANAGEMENT
HUM1	0.263	0.650	0.301	0.142
HUM2	0.318	0.835	0.207	0.111
HUM3	0.287	0.718	0.151	0.352
HUM4	0.235	0.770	0.303	0.116
HUM8	0.318	0.729	0.204	0.122
HUM16	0.805	0.362	0.199	0.096
HUM17	0.805	0.338	0.191	0.157
HUM18	0.786	0.278	0.247	0.140
HUM19	0.814	0.244	0.186	0.137
HUM10	0.239	0.319	0.758	0.256
HUM11	0.274	0.340	0.746	0.239
HUM7	0.144	0.317	0.309	0.772
HUM13	0.160	0.266	0.367	0.743
<u>HUM15</u>	<u>0.686</u>	0.299	<u>0.400</u>	0.036
<u>HUM5</u>	0.255	<u>0.413</u>	<u>0.418</u>	0.226
<u>HUM6</u>	<u>0.604</u>	<u>0.377</u>	0.112	0.324
<u>HUM14</u>	<u>0.582</u>	0.243	<u>0.472</u>	0.128
<u>HUM9</u>	0.291	<u>0.663</u>	0.092	<u>0.390</u>
<u>HUM20</u>	<u>0.593</u>	0.093	-0.109	<u>0.514</u>
<u>HUM12</u>	0.261	<u>0.545</u>	0.312	0.243

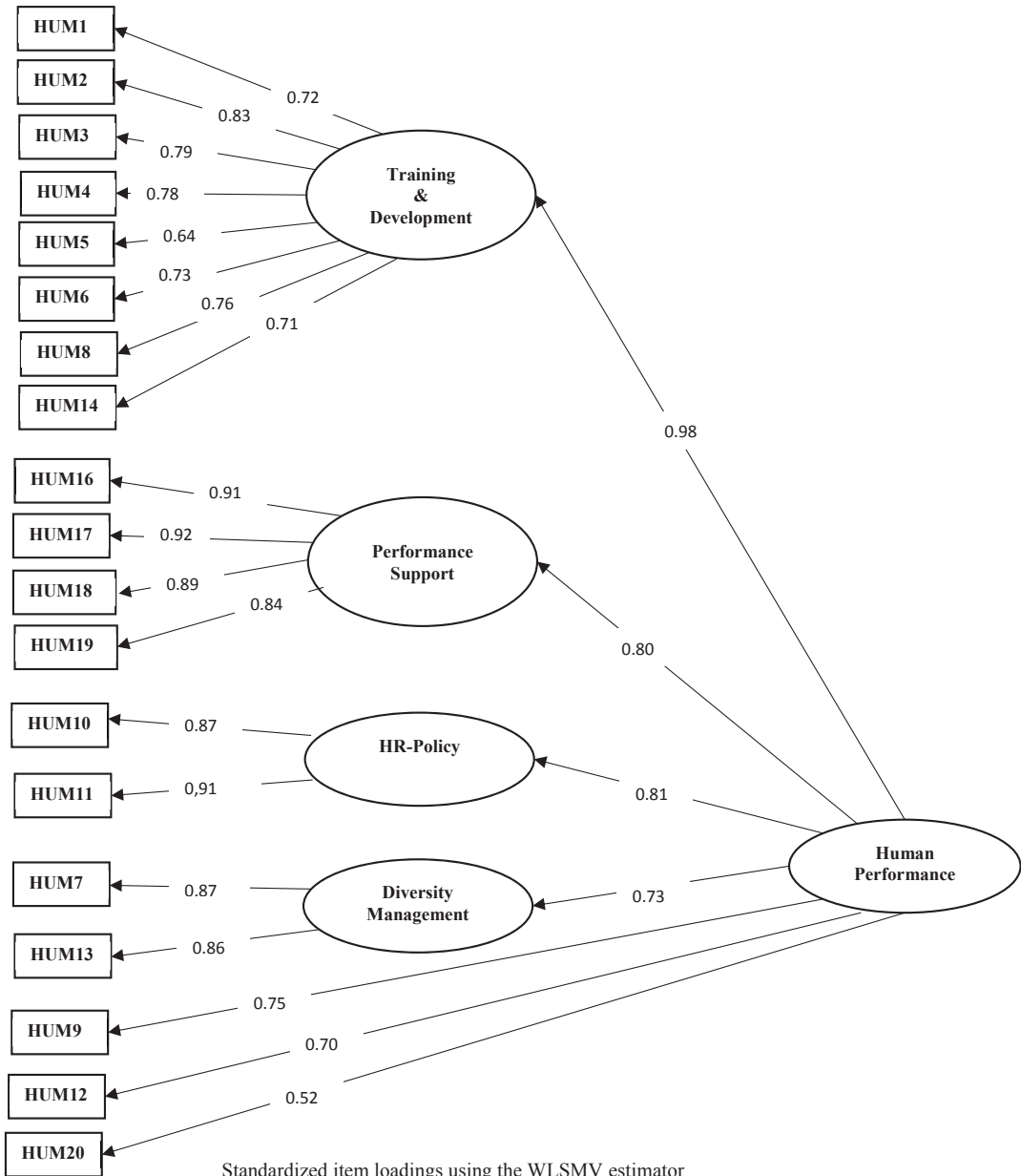
Principal component factor analysis, varimax rotation

In a second step we check if, the items with only one significant factor loading, can be assigned to that factor based on content. HUM12 has a significant factor loading on H3 but is not related to training and development. Neither it is related to one of the other factors. Therefore we decide, similar to HUM9 and HUM20 to load it directly on the second order factor Human Performance.

We use CFA to test this second order model. The results of the second order CFA model show acceptable fit indices: $\chi^2/df= 2.94$; CFI=0.916; TLI=0.903; RMSEA=0.09 and SRMR=0.066. All factor loadings are significant. The fit of the model will however be better when HUM14 is removed to H2. Based on content, HUM14 is as well related to H2 (Training

and Development) as to H3 (HR-policy). However because the overall fit is better when HUM14 is assigned to H2, we decide to assign HUM14 to H2. Figure 3.5 gives an overview of the results of the adapted model.

Figure 3.5: Human Performance: items and item loadings CFA



$P < 0.001$ for all loadings; $\chi^2/df = 2,9$; CFI=0.918; TLI=0.905; RMSEA=0.089; SRMR=0.058

The fit indices show a good fit: $\chi^2/df = 2.9$; CFI=0.918; TLI=0.905; RMSEA=0.089 and SRMR=0.058. All factor loadings are significant ($p < 0.001$). Finally, we checked the reliability of the scales used to measure the four remaining indicators by calculating Cronbach's alpha. The results indicate a strong scale reliability (> 0.70): Performance support ($\alpha = 0.938$), Training & Development ($\alpha = 0.907$), HR-policy ($\alpha = 0.883$) and Diversity Management ($\alpha = 0.843$). The results indicate that the originally selected 12 indicators can be reduced to seven indicators (the four indicators H1, H2, H3 and H4 and the single-item indicators HUM9, HUM12 and HUM20), relevant for measuring the human performance of social enterprises.

Governance Performance

Governance performance focuses on good governance practices. On the one hand, it is related to best practices regarding board composition and board practices. On the other hand, it refers to having clear organizational goals taking in consideration stakeholder expectations (Cornforth, 2014; Hambrick et al., 2008).

Based on the results of the focus groups and the Delphi panel, 11 indicators are selected. Table 3.12 gives an overview of the indicators, items and scales used to assess governance performance.

We conducted a principal component exploratory factor analysis using varimax rotation of the 25 items measured on a 7-point likert scale. The results are reported in Table 3.13 and reveal 5 factors, explaining 70% of the variance. However the results are not straightforward: several items have significant factor loadings on different items and sometimes the loading on a factor is not in line with the content of the item, making a thorough evaluation necessary.

Table 3.12: Governance performance: overview of indicators, items and scales

	Adaptation of the composition of the board
GOV1	New board member are selected to meet the organization's changing needs Adaptation based on Herman and Renz (2004)
	Adaptation to changes in the environment Adaptation based on Jackson and Holland (1998)
GOV2	The board of directors is able to cope with changes in the legal environment.
GOV3	The board of directors is able to cope with changes in the economic environment.
GOV4	The board of directors is able to cope with changes in the political environment.
GOV5	The board of directors is able to cope with changes in the needs of stakeholders.
	Engagement of board members toward the mission and vision of the organization (Fredette and Bradshaw, 2012)
GOV6	Board members share the same ambitions and vision for the organization.
GOV7	Board members enthusiastically pursue collective goals and mission.
GOV8	Board members are committed to the goals of the organization.
GOV9	Board members view themselves as partners in charting the organization direction.
GOV10	There is a commonality of purpose among board members of this organization.
GOV11	Everyone in the board of directors is in total agreement on our organization's vision.
	Participative decision-making (Li and Hambrick, 2005)
GOV12	All the board members have a voice in major decisions.
GOV13	Communications among board members can best be described as open and fluid.
GOV14	When major decisions are made, board members collectively exchange their points of view.
GOV15	Board members frequently share their experience and expertise.
	Clarity of roles (Gill et al., 2005)
GOV16	Board members demonstrate clear understanding of the respective roles of the board and CEO
	Preparedness to learn from mistakes (Jackson and Holland, 1998)
GOV17	In the board of directors we discuss about what we can learn from a mistake we have made
	External communication to stakeholders (Jackson and Holland, 1998)
GOV18	This board communicates its decisions to everyone who is affected by them

First, we look for items with significant factor loadings on different factors. If different items are used to measure the indicator, we consider excluding the item. This is the case for GOV12, GOV13 and GOV15, items used to measure the indicator ‘participative decision-making’, but apparently closely related to the indicator ‘Shared vision’. Eliminating this three items implies that ‘participative decision-making’ would be measured using only one item. We do not consider this as a suitable solution. An alternative solution is to combine ‘Shared vision’ and ‘Participative decision-making’ and exclude GOV14. However, we do not consider this as a good solution either as having a shared vision on the mission and goals of the organization is clearly distinct from how issues are discussed within the board and from how decisions are

taken in the board. Therefore we decide to keep both the factors G1 and G4 and to keep the items GOV12, GOV13 and GOV15.

Table 3.13: Governance Performance: items and item loadings EFA.

	G1 SHARED VISION	G2 ADAPTABILITY	G3 STRATEGIC BOARD ROLE	G4 PARTICIPATIVE DECISION- MAKING	G5 CLEAR ORGANIZATIONAL GOALS
GOV1	0.127	0.553	0.140	0.071	0.003
GOV2	0.184	0.834	0.210	0.184	0.077
GOV3	0.210	0.764	0.315	0.082	0.158
GOV4	0.174	0.789	0.044	0.099	0.156
GOV5	0.237	0.771	0.236	0.161	0.166
GOV6	0.781	0.259	0.171	0.191	0.095
GOV7	0.799	0.232	0.108	0.121	0.162
GOV8	0.761	0.154	0.176	0.293	0.228
GOV9	0.784	0.309	0.200	0.231	0.045
GOV10	0.876	0.167	0.060	0.105	0.123
GOV11	0.874	0.215	0.083	0.177	0.111
GOV12	0.402	0.143	0.154	0.567	0.076
GOV13	0.656	0.320	0.072	0.454	0.018
GOV14	0.369	0.265	0.070	0.658	0.042
GOV15	0.421	0.279	0.210	0.569	-0.002
GOV16	0.280	0.722	0.103	0.130	0.098
GOV17	0.286	0.554	0.212	0.454	0.042
GOV18	0.247	0.501	0.007	0.482	0.099
GOV19	0.277	0.302	0.693	0.328	0.141
GOV20	0.150	0.264	0.866	0.064	0.078
GOV21	0.140	0.253	0.889	0.093	0.103
GOV22	0.005	-0.041	0.134	0.508	0.540
GOV23	0.014	0.083	0.066	0.036	0.690
GOV24	0.288	0.145	0.048	-0.025	0.810
GOV25	0.169	0.188	0.065	0.066	0.769

Principal component factor analysis, varimax rotation

Also GOV17, GOV18 and GOV22 have high factor loadings on different factors. However because these items are used to measure indicators with a single item, we decide not to remove the items. Instead we evaluate, based on content to which factor the items can be added. GOV17 has a high factor loading on G2 and G4. Because on content we decide to add GOV17 to G2

because this factor is related to the extent that boards are able to adapt to changes in the external environment. We consider ‘preparedness to learn from mistakes’ (GOV17) as related to the adaptability of the board of the organization.

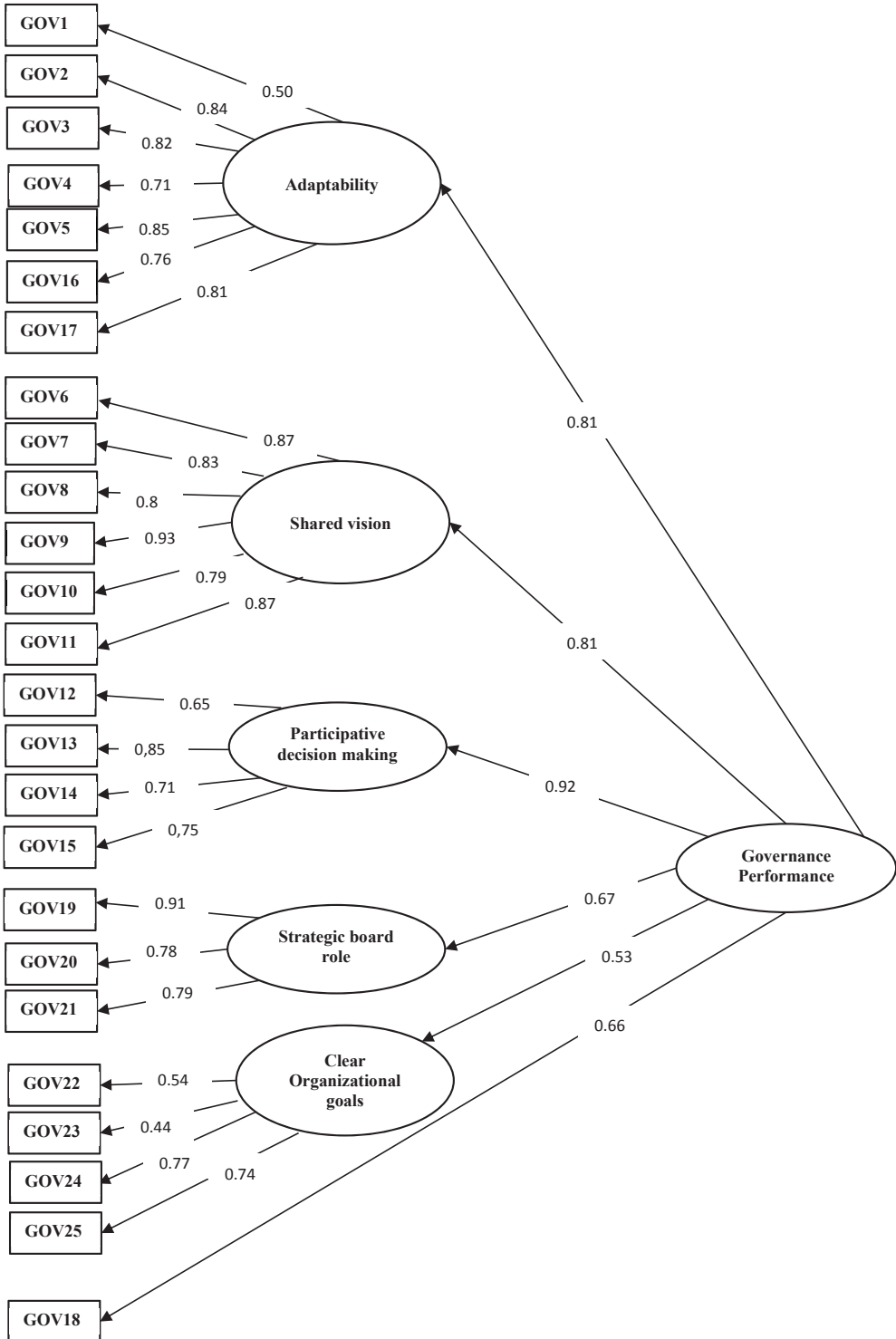
GOV18 has a high factor loading on G2 and G4. The indicator is related to communication to the stakeholders, which is not related to having a shared vision in the board nor to participative decision-making in the board. Therefore we keep it as a separate indicator in the CFA model directly loading on the second order construct ‘Governance performance’.

GOV22 has a high factor loading on G4 and G5. As the indicator ‘Goals meeting the needs of the stakeholders’ is measured using this single item, we decide not to exclude GOV22. Based on content, we decide to add it to the factor G5 ‘Clear organizational goals’ in the CFA model.

In a next step we use CFA to test a second order model. The results are reported in Figure 3.6. Specifically, we test whether the model reflecting the results of EFA and reflecting our interpretation based on content, are confirmed by CFA. We also added GOV26, measuring the independent directors as a dummy variable. The results reveal an acceptable fit, but GOV26 has a very low factor loading -0.190 ($p < 0.01$). A possible explanation is that 91% of the organizations in our sample have external directors and as such this indicator is not a distinguishing factor in our sample. Therefore we decided to remove GOV26 in our analyses.

The results of the adapted model (Figure 3.6) show acceptable fit, with $\chi^2/df = 1.24$; CFI=0.942; TLI=0.935; RMSEA=0.036; SRMR=0.057. All factor loadings are significant ($p < 0.001$) and indicate strong factor loadings. Finally, we checked the reliability of the scales by calculating Cronbach’s alpha. The results reported in Figure 3.6, indicate a strong scale reliability (> 0.70): Adaptability ($\alpha = 0.897$), Shared vision ($\alpha = 0.944$), Strategic board role ($\alpha = 0.886$), Participative decision-making ($\alpha = 0.828$) and Clear organizational goals ($\alpha = 0.748$). The results indicate that the 11 originally selected indicators can be reduced to 6 indicators (G1, G2, G3, G4, G5 and GOV18), relevant for measuring the governance performance of social enterprises.

Figure 3.6: Governance Performance: item and item loadings CFA.



Overview of selected indicators based on the results of the exploratory and confirmatory factor analyses

As result of the exploratory and confirmatory factor analyses, we retain 21 indicators. Table 3.14 gives an overview of these indicators, for each performance domain.

Table 3.14: Retained indicators after EFA and CFA.

Economic performance	
Innovation	Proactiveness
Risk taking	
Environmental performance	
Transportation	Environmental performance management
Ecological materials	
Community performance	
Hiring disadvantaged people	Community responsibilities
Human performance	
Performance support	Interaction between employees
Training & Development	Job satisfaction
HR-policy	Work-life balance
Diversity management	
Governance performance	
Shared vision	Participative decision-making
Adaptability of the board	Clear organizational goals
Strategic board role	External communication to stakeholders

3.4. DISCUSSION AND CONCLUSION

This paper aimed at describing an assessment tool for the organizational performance of social enterprises, as well as reporting on its development and reliability. By developing a set of relevant indicators suitable for external reporting and an internal assessment tool, we answer the calls for a scale development of performance measurement tools that can be implemented in social enterprises. More specifically, the internal assessment tool consists of the withdrawn items for the five performance domains (as shown in Table 3.4, Table 3.6, Table 3.8, Table 3.10, Table 3.12). In line with other internal assessment tools such as EFQM and CAF, the items are preferably answered by a diverse group of employees of the organization. Their (diverse) opinions about the performance of the organization regarding the different

performance indicators may give rise to an internal discussion about the non-financial performance of the organization. This may help social enterprises in preventing mission drift and safeguarding the balancing of social and financial goals in internal decision-making. Furthermore, this internal assessment may provide insights and information, useful for the external reporting of the non-financial performance. For the reporting of the non-financial performance, social enterprises can use the set of selected performance indicators as a guideline. Existing standards developed to report the non-financial performance, of which the GRI is the most widely accepted (GRI, 2015), offer a broad range of possible performance indicators. Based on their specific situation and activity, organizations, reporting according the GRI-principles, have to choose relevant indicators, motivate why these indicators are relevant and report the organizational performance with respect to these indicators. As the set of GRI-indicators is very broad, efforts are made by GRI as well as by researchers, to provide a specific set of relevant performance indicators for a specific kind of organizations, such as NGO's and public sector organizations (Dumay et al., 2010; GRI, 2014). In the same vein, we developed a set of relevant performance indicators for social enterprises. Social enterprises will have to demonstrate their performance with respect to the different performance indicators. As it is not the focus of this paper, we do not elaborate on guidelines regarding the reporting of non-financial performance. However, there is no doubt that social enterprises should preferably follow the general accepted guidelines. Examples are providing quantitative as well as qualitative information, reporting positive as well as negative results and reporting consistently over time such that evolutions in time may be assessed (GRI, 2015).

The results of our study will be discussed in relation to four key notions - robustness, utility, understanding, and relevance - with regard to scale development (Claes et al., 2010). Robustness refers to the psychometric qualities of the instrument. With regard to this quality aspect, we conducted exploratory and confirmatory analysis to identify relevant indicators and we controlled for the internal consistency (or reliability) of the scales used to measure the indicators. Utility relates to the application of an instrument and the implications of the results: the evaluation tool can be regarded as an adequate tool to integrate multiple values of social enterprises. Thirdly, understanding refers to how we should correctly assess and interpret the

construct. Since the evaluation tool is carried out in close cooperation and dialogue with stakeholders (managers of social enterprises and experts in the field of social entrepreneurship), we integrated best practices and knowledge in the field based on different perspectives. With regard to relevance, the application of the assessment tool for measuring social performance broadens our view and stimulates us to think beyond financial performance in social enterprises by placing emphasis on different performance dimensions. We emphasize the rigorous process which we have undertaken in the development of this assessment tool. A profound literature study guarantees content validity of the items. Recommendations of experts and stakeholders - in order to adapt the measures to the context of social enterprises - were taken into account during the development of the assessment tool. A major contribution is the sample size and representativeness of the respondents of the scale used in the final validation of the research. We can also stress the innovation in the methodology in this specific context.

We contribute to the literature surrounding performance measurement in social enterprises as it adds to our understanding of the use of performance measurement systems in social enterprises. Existing literature has shown that no large-scale empirical research has been systematically conducted dealing with performance measurement in social enterprises and that the developed tools are, or too general or too specific in their design, having an impact on the practical usefulness of these tools. In order to bridge this gap, we used qualitative and quantitative research methods, incorporating the expertise and knowledge of multiple actors in the field of social entrepreneurship, to develop a performance measurement tool, suitable for a wide range of social enterprises.

Moreover, we add to the literature surrounding performance measurement in social enterprises by contributing to the use of performance indicators and performance measurement in the particular context of social enterprises. We acknowledge the role of diverse performance dimensions in this instrument and we analyze a more comprehensive view of performance than mere financial organizational performance, proposing a much broader concept that encompasses a variety of performance indicators. Although this holistic approach seems promising, scholars have only recently engaged in conceptual and empirical studies (Grieco et

al., 2014). We do not quantify non-financial performance by assigning a specific score or rating on the performance indicators. By consequence, we neither calculate a score for the overall organizational performance by adding or multiplying ratings on individual indicators. We are aware that this approach is not unusual when measuring non-financial performance (for instance, the KLD-measure is based on additive measurement) and that it has the advantage that organizations may easily be benchmarked (Mattingly and Berman, 2006; Demas and Blass, 2010). However, there are some caveats when using additive or multiplicative scores. First, it is extremely difficult to assign a valid rating or score to individual performance indicators as even organizational members may disagree about the degree of performance (Chatterji et al., 2009). In addition, there is debate about the appropriateness of adding or multiplying individual scores and when doing so, whether weights should be used to express the impact of performance indicators (Willems et al., 2014). Given these concerns, we do not calculate a single rating as relying on a not valid rating may harm social enterprises as well as investors or governments by, for instance, misallocating resources (Chatterji et al., 2009).

In addition, our study has implications for practitioners. As explained earlier in this section, the performance measurement tool can be used for several reasons. Social enterprises can use the developed performance measurement tool to deal with the tensions they are exposed to because of their hybrid character. Firstly, we provide social enterprises with an internal self-assessment tool. Secondly, the set of selected performance indicators may support social enterprises to report the non-financial performance to external stakeholders. As such they respond to the increasing demand of accountability, necessary to establish legitimacy. Furthermore, the selected set of performance indicators might also be useful for external stakeholders, such as providers of financial resources or governments, providing subsidies to social enterprises as they may require that performance with respect to these (or some of these) indicators is reported as a prerequisite for financial support. If they do so, they have to be cautious however when interpreting the reported performance as they have to rely on the self-evaluation of the organizations. Furthermore it will be difficult to compare organizations (Delmas and Blass, 2010). Following the previous described reporting guidelines may however improve the accuracy and the comparability of the reported information (GRI, 2015).

Our paper also has some limitations, which have implications for future research. First, we conducted this study within Flemish social enterprises. It would be useful to replicate and generalize it to examine the validity of the developed tool on a larger international scale. Furthermore, after conducting exploratory and confirmatory factor analysis, there are still indicators that are measured by a single item (e.g. interaction between employees). These single items will probably not sufficiently capture the complexity of the performance indicators. Therefore we suggest to adapt the scales used for these indicators by using scales with multiple items when re-testing the assessment tool (DeVellis, 2003).

Furthermore, a promising trajectory for future research is to study the moderating effect of cultural differences in social enterprises between countries. As such, it would be interesting to examine the validity of this evaluation tool on a larger international scale. Finally, performance management involves setting expectations for future achievements on the indicators which have been selected. The benefits of setting targets are that organizations have a focus and a clarity of organizational goals (Boyne, 2010). Future empirical studies could focus on setting targets, and could examine the impact of setting targets on organizational performance.

3.5. REFERENCES

Andersson, L., Jackson, S. E. and Russell, S. V. (2013). 'Greening organizational behavior: An introduction to the special issue'. *Journal of Organizational Behavior*, 34, 151-155.

Arena, M., Azzone, G. and Bengo, I. (2015). 'Performance Measurement for Social Enterprises'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26, 649-672.

Arora, P. and Dharwadkar, R. (2011). 'Corporate Governance and Corporate Social Responsibility (CSR): The Moderating Roles of Attainment Discrepancy and Organization Slack'. *Corporate Governance-an International Review*, 19, 136-152.

Arvidson, M. and Lyon, F. (2014). 'Social Impact Measurement and Non-profit Organisations: Compliance, Resistance, and Promotion'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 25, 869-886.

Bagnoli, L. and Megali, C. (2011). 'Measuring Performance in Social Enterprises'. *Nonprofit and Voluntary Sector Quarterly*, 40, 149-165.

Balzarova, M. A. and Castka, P. (2012). 'Stakeholders' Influence and Contribution to Social Standards Development: The Case of Multiple Stakeholder Approach to ISO 26000 Development'. *Journal of Business Ethics*, 111, 265-279.

Battilana, J. and Lee, M. (2014). 'Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises'. *Academy of Management Annals*, 8, 397-441.

Battilana, J., Metin, S., Pache, A.-C. and Jacob, M. (2014). 'Harnessing productive tensions in hybrid organizations: the case of Work Integration Social Enterprises'. *Academy of Management Journal*, doi.

Bellucci, M., Bagnoli, L., Biggeri, M. and Rinaldi, V. (2012). 'Performance measurement in solidarity economy organizations: the case of fair trade shops in Italy'. *Annals of Public and Cooperative Economics*, 83, 25-59.

Boyne, G. A. (2010). 'Performance management: does it work?'. In: Walker, R. M., Boyne, G. A. and Brewer, G. A. (Eds), *Public Management and Performance*. Cambridge University Press, 207-226.

Brown, T. (2006). *Confirmatory Factor Analysis for applied research*. London: The Guilford Press.

Bruggen, E. and Willems, P. (2009). 'A critical comparison of offline focus groups, online focus groups and e-Delphi'. *International Journal of Market Research*, 51, 363-381.

CAF (2013). *Common Assessment Framework*.

Caffey, R. H., Kazmierczak, R. F. and Avault, J. W. (2001). Developing consensus indicators of sustainability for Southeastern United States aquaculture. Louisiana Agricultural Experiment Station, LSU Agricultural Center.

Calantone, R. J., Cavusgil, S. T. and Zhao, Y. (2002). 'Learning orientation, firm innovation capability, and firm performance'. *Industrial Marketing Management*, 31, 515-524.

Chan, M. C., Watson, J. and Woodliff, D. (2014). 'Corporate Governance Quality and CSR Disclosures'. *Journal of Business Ethics*, 125, 59-73.

Chang, H.-T. and Chi, N.-W. (2007). 'Human resource managers' role consistency and HR performance indicators: the moderating effect of interpersonal trust in Taiwan'. *The International Journal of Human Resource Management*, 18, 665-683.

Chatterji, A. K., Levine, D. I. and Toffel, M. W. (2009). 'How Well Do Social Ratings Actually Measure Corporate Social Responsibility?'. *Journal of Economics & Management Strategy*, 18, 125-169.

Chen, J., Patten, D. M. and Roberts, R. (2008). 'Corporate Charitable Contributions: A Corporate Social Performance or Legitimacy Strategy?'. *Journal of Business Ethics*, 82, 131-144.

Claes, C., Van Hove, G., van Loon, J., Vandeveld, S. and Schalock, R. L. (2010). 'Quality of Life Measurement in the Field of Intellectual Disabilities: Eight Principles for Assessing Quality of Life-Related Personal Outcomes'. *Social Indicators Research*, 98, 61-72.

Consolandi, C., Jaiswal-Dale, A., Poggiani, E. and Vercelli, A. (2009). 'Global Standards and Ethical Stock Indexes: The Case of the Dow Jones Sustainability Stoxx Index'. *Journal of Business Ethics*, 87, 185-197.

Cornforth, C. (2014). 'Nonprofit governance research: the need for innovative perspectives and approaches'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit Governance, innovative perspectives and approaches*. Abingdon: Routledge, 1-14.

Cowton, C. J. and Downs, Y. (2015). 'Use of focus groups in business ethics research: potential, problems and paths to progress'. *Business Ethics-a European Review*, 24, S54-S66.

Daily, C. M., Dalton, D. R. and Cannella, A. A. (2003). 'Corporate Governance: Decades of Dialogue and Data'. *The Academy of Management Review*, 28, 371-382.

de la Cuesta-González, M., Muñoz-Torres, M. and Fernández-Izquierdo, M. Á. (2006). 'Analysis of Social Performance in the Spanish Financial Industry Through Public Data. A Proposal'. *Journal of Business Ethics*, 69, 289-304.

Defourny, J. and Nyssens, M. (2008). 'Social enterprise in Europe: recent trends and developments'. *Social Enterprise Journal*, 4, 202-228.

Defourny, J. and Nyssens, M. (2010). 'Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences'. *Journal of Social Entrepreneurship*, 1, 32-53.

Delmas, M. and Blass, V. D. (2010). 'Measuring corporate environmental performance: the trade-offs of sustainability ratings'. *Business Strategy and the Environment*, 19, 245-260.

DeVellis, R. F. (2003). *Scale development: theory and applications*. Thousand Oaks, CA: Sage.

Doherty, B., Haugh, H. and Lyon, F. (2014). 'Social Enterprises as Hybrid Organizations: A Review and Research Agenda'. *International Journal of Management Reviews*, 16, 417-436.

Dumay, J., Guthrie, J. and Farneti, F. (2010). 'Gri Sustainability Reporting Guidelines For Public And Third Sector Organizations'. *Public Management Review*, 12, 531-548.

Ebrahim, A., Battilana, J. and Mair, J. (2014). 'The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations'. *Research in Organizational Behavior*, 34, 81-100.

Ebrahim, A. and Rangan, V. K. (2014). 'What Impact? A framework for measuring the scale and scop of social performance.'. *California Management Review*, 56, 118-141.

Fredette, C. and Bradshaw, P. (2012). 'Social capital and nonprofit governance effectiveness'. *Nonprofit Management & Leadership*, 22, 391-409.

Gill, M., Flynn, R. J. and Reissing, E. (2005). 'The governance self-assessment checklist: An instrument for assessing board effectiveness'. *Nonprofit Management and Leadership*, 15, 271-294.

Graafland, J., Eijffinger, S. C. W. and SmidJohan, H. (2004). 'Benchmarking of Corporate Social Responsibility: Methodological Problems and Robustness'. *Journal of Business Ethics*, 53, 137-152.

GRI (2014). NGO sector disclosures. Amsterdam: Global Reporting Initiative.

GRI (2015). Global Reporting Initiative.

Grieco, C., Michelini, L. and Iasevoli, G. (2014). 'Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models'. *Nonprofit and Voluntary Sector Quarterly*, doi: 10.1177/0899764014555986.

Hahn, R. and Lulfs, R. (2014). 'Legitimizing Negative Aspects in GRI-Oriented Sustainability Reporting: A Qualitative Analysis of Corporate Disclosure Strategies'. *Journal of Business Ethics*, 123, 401-420.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2006). *Multivariate Data Analysis*. Upper Saddle River NJ: Pearson.

Hambrick, D. C., Werder, A. v. and Zajac, E. J. (2008). 'New Directions in Corporate Governance Research'. *Organization Science*, 19, 381-385.

Haynes, K. T. and Hillman, A. (2010). 'The effect of board capital and CEO power on strategic change'. *Strategic management journal*, 31, 1145-1163.

Helm, S. T. and Andersson, F. O. (2010). 'Beyond taxonomy. An empirical validation of social entrepreneurship in the nonprofit sector. '. *Nonprofit Management & Leadership*, 20, 259-276.

Helms, W. S., Oliver, C. and Webb, K. (2012). 'Antecedents of settlement on a new institutional practice: negotiation of the ISO 26000 standard on social responsibility'. *Academy of Management Journal*, 55, 1120-1145.

Heras-Saizarbitoria, I., Casadesús, M. and Marimón, F. (2011). 'The impact of ISO 9001 standard and the EFQM model: The view of the assessors'. *Total Quality Management & Business Excellence*, 22, 197-218.

Herman, R. D. and Renz, D., O (2004). 'Doing Things Right: Effectiveness in Local Nonprofit Organizations, A Panel Study'. *Public Administration Review*, 64, 694-704.

Heslin, P. A., Vandewalle, D. O. N. and Latham, G. P. (2006). 'Keen to help? Managers' implicit person theories and their subsequent employee coaching'. *Personnel Psychology*, 59, 871-902.

Hillman, A. J., Cannella, A. A. and Paetzold, R. L. (2000). 'The resource dependence role of corporate directors: strategic adaptation of board composition in response to environmental change'. *Journal of Management Studies*, 37, 235-255.

Hinkin, T. R. (1995). 'A Review of Scale Development Practices in the Study of Organizations'. *Journal of Management*, 21, 967-988.

Hinkin, T. R. (1998). 'A Brief Tutorial on the Development of Measures for Use in Survey Questionnaires'. *Organizational Research Methods*, 1, 104-121.

Hu, L. t. and Bentler, P. M. (1999). 'Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives'. *Structural Equation Modeling: A Multidisciplinary Journal*, 6, 1-55.

Huang, C. J. (2010). 'Corporate governance, corporate social responsibility and corporate performance'. *Journal of Management & Organization*, 16, 641-655.

ISO26000 (2010).

Jackson, D. K. and Holland, T. P. (1998). 'Measuring the Effectiveness of Nonprofit Boards'. *Nonprofit and Voluntary Sector Quarterly*, 27, 159-182.

Janssens, W., Wijnen, K., De Pelsmacker, P. and Van Kenhove, P. (2008). *Marketing Research with SPSS*. London UK: Prentice Hall.

Landeta, J. (2006). 'Current validity of the Delphi method in social sciences'. *Technological forecasting and social change*, 73, 467-482.

Laplume, A. O., Sonpar, K. and Litz, R. A. (2008). 'Stakeholder Theory: Reviewing a Theory That Moves Us'. *Journal of Management*, 34, 1152-1189.

Levy, D. L., Szejnwald Brown, H. and de Jong, M. (2010). 'The Contested Politics of Corporate Governance: The Case of the Global Reporting Initiative'. *Business & Society*, 49, 88-115.

Li, J. and Hambrick, D. C. (2005). 'Factional groups: a new vantage on demographic faultlines, conflict, and disintegration in work teams'. *Academy of Management Journal*, 48, 794-813.

Mair, J. and Marti, I. (2006). 'Social entrepreneurship research: A source of explanation, prediction, and delight'. *Journal of World Business*, 41, 36-44.

Mair, J., Mayer, J. and Lutz, E. (2015). 'Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations'. *Organization Studies*, 36, 713-739.

Manetti, G. (2014). 'The Role of Blended Value Accounting in the Evaluation of Socio-Economic Impact of Social Enterprises'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 25, 443-464.

Mattingly, J. E. and Berman, S. L. (2006). 'Measurement of Corporate Social Action: Discovering Taxonomy in the Kinder Lydenburg Domini Ratings Data'. *Business and Society*, 45, 20-46.

Meadows, M. and Pike, M. (2010). 'Performance Management for Social Enterprises'. *Systemic Practice and Action Research*, 23, 127-141.

Milkie, M. A. and Peltola, P. (1999). 'Playing all the roles: Gender and the work-family balancing act'. *Journal of Marriage and the Family*, 61, 476-490.

Miller, T. L., Grimes, M. G., McMullen, J. S. and Vogus, T. J. (2012). 'Venturing for others with heart and head: how compassion encourages social entrepreneurship'. *Academy of Management Review*, 37, 616-640.

Minichilli, A., Zattoni, A. and Zona, F. (2009). 'Making Boards Effective: An Empirical Examination of Board Task Performance'. *British Journal of Management*, 20, 55-74.

Mishra, S. and Suar, D. (2010). 'Does Corporate Social Responsibility Influence Firm Performance of Indian Companies?'. *Journal of Business Ethics*, 95, 571-601.

Moss, T. W., Short, J. C., Payne, G. T. and Lumpkin, G. T. (2011). 'Dual Identities in Social Ventures: An Exploratory Study'. *Entrepreneurship Theory and Practice*, 35, 805-830.

Nicholls, A. (2009). "'We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship". *Accounting, Organizations and Society*, 34, 755-769.

Niehm, L. S., Swinney, J. and Miller, N. J. (2008). 'Community social responsibility and its consequences for family business performance'. *Journal of Small Business Management*, 46, 331-350.

O'Connor, M. and Spangenberg, J. H. (2008). 'A methodology for CSR reporting: assuring a representative diversity of indicators across stakeholders, scales, sites and performance issues'. *Journal of Cleaner Production*, 16, 1399-1415.

Okoli, C. and Pawlowski, S. D. (2004). 'The Delphi method as a research tool: an example, design considerations and applications'. *Information & Management*, 42, 15-29.

Pache, A.-C. and Santos, F. (2010). 'When worlds collide: the internal dynamics of organizational responses to conflicting institutional demands'. *Academy of Management Review*, 35, 455-476.

Pache, A.-C. and Santos, F. (2013). 'Inside the hybrid organization: selective coupling as response to conflicting institutional logics'. *Academy of Management Journal*, 56, 972-1001.

Ramus, T. and Vaccaro, A. (2014). 'Stakeholders Matter: How Social Enterprises Address Mission Drift'. *Journal of Business Ethics*, doi: 10.1007/s10551-014-2353-y, 1-16.

Rettab, B., Brik, A. and Mellahi, K. (2009). 'A Study of Management Perceptions of the Impact of Corporate Social Responsibility on Organisational Performance in Emerging Economies: The Case of Dubai'. *Journal of Business Ethics*, 89, 371-390.

Robinson, M., Kleffner, A. and Bertels, S. (2011). 'Signaling Sustainability Leadership: Empirical Evidence of the Value of DJSI Membership'. *Journal of Business Ethics*, 101, 493-505.

Rosseel, Y. (2012). 'lavaan: An R package for Structural Equation Modeling'. *Journal of Statistical Software*, 48, 1-36.

Rowe, G., Wright, G. and McColl, A. (2005). 'Judgment change during Delphi-like procedures: The role of majority influence, expertise, and confidence'. *Technological forecasting and social change*, 72, 377-399.

Santos, F. M. (2012). 'A Positive Theory of Social Entrepreneurship'. *Journal of Business Ethics*, 111, 335-351.

Schmidt, R. C. (1997). 'Managing Delphi surveys using nonparametric statistical techniques*'. *Decision Sciences*, 28, 763-774.

Smith, W. K., Gonin, M. and Besharov, M. L. (2013). 'Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise'. *Business Ethics Quarterly*, 23, 407-442.

Spear, R. (2004). 'Governance in Democratic Member-Based Organisations'. *Annals of Public & Cooperative Economics*, 75, 33-59.

Spear, R., Cornforth, C. and Aiken, M. (2009). 'The governance challenges of social enterprises: evidence from a UK empirical study.'. *Annals of Public & Cooperative Economics*, 80, 247-273.

van Loon, J. H. M., Bonham, G. S., Peterson, D. D., Schalock, R. L., Claes, C. and Decramer, A. E. M. (2013). 'The use of evidence-based outcomes in systems and organizations providing services and supports to persons with intellectual disability'. *Evaluation and Program Planning*, 36, 80-87.

Van Opstal, W., Deraedt, E. and Gijssels, C. (2009). 'Monitoring profile shifts and differences among WISEs in Flanders'. *Social Enterprise Journal*, 5, 229-258.

Von Der Gracht, H. A. (2012). 'Consensus measurement in Delphi studies: review and implications for future quality assurance'. *Technological forecasting and social change*, 79, 1525-1536.

Wiklund, J. and Shepherd, D. (2005). 'Entrepreneurial orientation and small business performance: a configurational approach'. *Journal of Business Venturing*, 20, 71-91.

Willems, J., Boenigk, S. and Jegers, M. (2014). 'Seven trade-offs in measuring nonprofit performance and effectiveness'. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 25, 1648-1670.

Wilson, F. and Post, J. E. (2013). 'Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation'. *Small Business Economics*, 40, 715-737.

Wood, D. J. (2010). 'Measuring Corporate Social Performance: A Review'. *International Journal of Management Reviews*, 12, 50-84.

Worrell, J. L., Di Gangi, P. M. and Bush, A. A. (2013). 'Exploring the use of the Delphi method in accounting information systems research'. *International Journal Of Accounting Information Systems*, 14, 193-208.

Wright, B. E. (2007). 'Public Service and Motivation: Does Mission Matter?'. *Public Administration Review*, 67, 54-64.

Appendix 1. Overview of the performance domains of GRI, KLD, ISO26000 and DJSI (DJSI, 2012; GRI, 2015; ISO26000, 2010; KLD, 2003)

	Global Reporting Initiative (GRI)	Kinder, Lydenberg, Domini (KLD)	ISO 26000	Dow Jones Sustainability Index (DJSI)
Economic	X	X Part of 'Product'		X
Environmental	X	X	X	X
Community	X <u>Part of 'Category social'</u> : Human rights Product Responsibility Society	X <u>Encompassing</u> : Human Rights Product Community	X <u>Encompassing</u> : Human Rights Fair Operation Practices Consumer issues Community Involvement and Development	X Part of 'Social dimension'
Human	X <u>Part of 'Category social'</u> : Labour practices and decent work	X <u>Encompassing</u> : Employee relations Diversity	X Labour Practices	X Part of 'Social dimension'
Governance	X Part of 'General standard disclosures'	X	X	X Part of 'Economic dimension'

Appendix 2. Journals screened in phase 1 (literature review)

Journals screened on articles with 'Social' and 'Performance' in the title.

Period: 1990-2013

Part 1:

- Academy of Management Journal
- Academy of Management Review
- Administrative Science Quarterly
- Business Ethics Quarterly
- Entrepreneurship: Theory & Practice
- Journal of Management
- Journal of Management Studies
- Organizational Science
- Organizational Studies
- Strategic Management Journal

Part 2:

- Journal of Business Ethics
- Social Enterprise Journal

4. BOARD SOCIAL CAPITAL AND ORGANIZATIONAL PERFORMANCE IN SOCIAL ENTERPRISES

ABSTRACT

In the social entrepreneurship literature, a consensus is emerging that the board of directors is of major importance to deal with the specific tensions social enterprises, as hybrid organizations, face. Using a resource dependence and social capital perspective, we study board social capital, encompassing external ties from board members with external stakeholders and internal ties between board members. Particularly, we analyze the relationship between board social capital, board service performance and subsequent organizational performance. Our study in Flemish social enterprises reveals that board external social capital as well as board internal social capital are positively related to board service performance. Furthermore, we find that board service performance is positively related to social performance, while it is not significantly related to financial performance.

4.1. INTRODUCTION

Social enterprises are described as hybrid organizations as they pursue a dual mission of creating social value as well as being financially sustainable (Doherty et al., 2014; Pache and Santos, 2013). As such, they combine the creation of social value, associated with the non-profit sector, with traditional business approaches, associated with for-profit organizations (Wilson and Post, 2013). Specifically, social enterprises aim at fulfilling unsolved social needs, such as social exclusion, poverty or ecological damage (Dacin et al., 2010; Mair et al., 2012; Santos, 2012). Despite this dual mission, activities supporting social performance are not always compatible with activities supporting financial performance (Dees, 2012; Smith et al., 2013). By consequence, the balancing of social and financial goals in decision-making is described as a major internal challenge in social enterprises (Battilana and Lee, 2014). More specifically, several authors warn for the emergence of mission drift, causing an organization to deviate from its original mission or goals (Ebrahim et al., 2014; Ramus and Vaccaro, 2014). In the context of social enterprises, mission drift is often discussed as the erosion of the social goals in favor of commercial and financial performance (Doherty et al., 2014). However, also the reverse situation may occur in which the overemphasizing of social goals and the neglect of financial goals, leads to business failure (Cornforth, 2014; Tracey et al., 2011). While a number of causes for the origination of mission drift have been articulated in the literature (Cornforth, 2014; Jones, 2007), a high level of dependence on a single or a limited number of stakeholders in the external environment is frequently mentioned as one of the core reasons for mission drift (Bennett and Savani, 2011). Indeed, as hybrid organizations situated between the for-profit and the nonprofit sector, social enterprises lack a dominant stakeholder and face the challenge of aligning the interests of a wide range of stakeholders such as the beneficiaries of their social mission, their customers, funders and governments (Ebrahim et al., 2014; Pache and Santos, 2010). Collaborating with these stakeholders is important in order to gain legitimacy and to acquire (amongst others financial and human) resources from the environment (Battilana and Lee, 2014; Doherty et al., 2014; Miller et al., 2012), but may also give rise to mission drift when the demands of stakeholders conflict and social enterprises have to decide which demands they prioritize on (Ebrahim et al., 2014).

Corporate governance mechanisms in general and the boards of directors in particular are considered vital in dealing with these specific challenges of social enterprises (Battilana and Lee, 2014; Ebrahim et al., 2014; Mair et al., 2015; Pache and Santos, 2013; Spear et al., 2009). As the ultimate decision-making body, the board of directors has the responsibility to balance potential tensions between the social and financial goals in decision-making (Cornforth, 2014; Pestoff and Hulgård, 2015). Moreover, boards serve as a connection between the social enterprise and its external environment (Ebrahim et al., 2014). Through their linkages with external stakeholders, board members may play a major role in securing stakeholder support as well as in identifying risks and opportunities in the external environment (Doherty et al., 2014; Ebrahim et al., 2014). Put differently: boards may, next to their control function, engage in their service role, through which they engage in networking, advice giving and strategic decision making (Hillman and Dalziel, 2003; Hillman et al., 2000; Minichilli et al., 2009). As Knockaert and Ucbasaran (2013) argue, important information and resources are exchanged between the organization and its external environment through the personal networks and linkages of board members. Accordingly, it is through its service role that boards contribute to the safeguarding of the social and financial mission and performance of social enterprises. From a resource dependence theory perspective (Pfeffer and Salancik, 1978), board capital, encompassing the human and social capital of the board, is considered as an antecedent of board service performance, i.e. the engagement of the board in its service role (Hillman and Dalziel, 2003). In this paper, using a social capital perspective, we specifically focus on the relationship between board social capital and board service performance, which is particularly relevant in our context. Indeed, as multi-stakeholder organizations, the linkages of board members with different external stakeholder groups enable the board to fulfill its service role to the interest of a wide variety of stakeholders, subsequently balancing social value creation and financial sustainability (Doherty et al., 2014; Ebrahim et al., 2014).

In considering the relationship between board social capital and board service performance, we distinguish between external and internal social capital, in line with Kim and Cannella (2008). Particularly, board external social capital refers to the linkages between the board members and the environment of the organization (Tian et al., 2011). Board external social

capital is of primary importance as it connects the organization to its environment, reducing the level of dependence on the environment. As such, external social capital fulfills a bridging function with the environment (Kim and Cannella, 2008). Board internal social capital then refers to internal linkages within the organization (Stevenson and Radin, 2009) and is supposed to play a bonding function, fostering familiarity and trust between board members (Kim and Cannella, 2008). This subsequently enhances information sharing and counseling within the board, which ultimately enables board members to collaborate and make decisions as a team (Kor and Sundaramurthy, 2009).

This paper aims at gaining insight into the extent to which board external and internal social capital contribute to the organizational performance of social enterprises, hereby considering the engagement by board members in their service role as an antecedent of such performance. More specifically, we stepwise approach our research objectives. First, we disentangle the relationship between board external and internal social capital and board service performance. Subsequently, we analyze how this board service performance is related to firm performance. In doing so, we consider the dual mission of social enterprises and simultaneously study social and financial performance. We aim at contributing to the social entrepreneurship and corporate governance literatures in a number of ways.

First, we contribute to the social entrepreneurship literature by responding to calls to study how social enterprises deal internally with the specific tensions related to their hybrid nature (Pache and Santos, 2010). Importantly, while the board of directors is expected to be of major importance in dealing with such tensions, the governance mechanism has so far received surprisingly little attention in academic research (Ebrahim et al., 2014). By studying the relationship between the board's social capital and organizational performance of social enterprises, this paper responds to calls to study the governance function in social enterprises (Doherty et al., 2014; Mair et al., 2015). We further add to the social enterprise literature by studying financial and social performance in conjunction. While there is a consensus that social enterprises should be evaluated looking at financial and non-financial performance

simultaneously (Austin et al., 2006; Smith et al., 2013), there is a dearth of research that does so (Battilana et al., 2015; Coombes et al., 2011; Liu et al., 2014).

Second, we contribute to the corporate governance literature in a number of ways. While board service performance has received an increasing interest in academic research, studies have so far mainly focused on antecedents of board service performance (Knockaert et al., 2015; Minichilli et al., 2009). Only few studies have examined the relationship between board service performance and organizational performance (Minichilli et al., 2012; Westphal, 1999; Zattoni et al., 2015). Further, studies on the relationship between board social capital and performance have typically focused on financial performance, hereby producing mixed findings on the relationship between the two constructs. Our study contributes to the corporate governance literature by studying both antecedents and outcomes of board service performance. Importantly, in doing so, we do not consider organizational performance to be unidimensional, but consider both social and financial performance indicators.

The structure of the paper is as follows. In the next section, we present our theoretical framework in which we link board external and internal social capital, board service performance and the organizational performance in social enterprises. Subsequently, we describe the research method, including the research setting, data collection and the measures used, followed by the presentation of our results. The article concludes with the discussion of main conclusions and contributions, as well as the limitations and directions for future research.

4.2. THEORETICAL BACKGROUND AND HYPOTHESES

4.2.1. A Resource Dependence and Social Capital perspective

Our theoretical framework unites resource dependence and social capital theory. First, while agency theory focuses on the monitoring or control function of boards (Daily et al., 2003; Dalton and Dalton, 2011), resource dependence theory emphasizes the service role of the board (Hillman et al., 2000; Hillman et al., 2009). Specifically, through their engagement in the service role, board members contribute to building organizational legitimacy by linking the

organization to important external stakeholders, as such facilitating the attraction of resources. Furthermore, external networks of board members provide valuable information, enabling board members to give advice and counsel to executives and participate in strategy formulation and decision-making (Minichilli et al., 2009).

Second, board capital, encompassing board human capital and board social capital, has typically been considered as an antecedent of board service performance (Haynes and Hillman, 2010; Hillman and Dalziel, 2003). In line with our research focus and context, we particularly focus on board social capital, hereby building on social capital theory. Based on Nahapiet and Ghoshal (1998), we define social capital as ‘the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or a social unit’ (p243). Social capital has been studied in a variety of fields, such as community studies, development economics, schools and education and family studies (Kwon and Adler, 2014; Leana and Van Buren III, 1999). Further, in management and organizational research, social capital has gained interest and is increasingly considered as an antecedent of group and organizational performance (Adler and Kwon, 2002; Leana and Pil, 2006). At the organizational level, social capital refers to the relationships between an organization and its external stakeholders as well as the linkages between organizational members, also referred to as external and internal social capital (Adler and Kwon, 2002; Leana and Pil, 2006). This is also the case in the corporate governance literature, in which a growing body of research pays attention to board social capital (Johnson et al., 2013).

Board social capital, also called board relational capital (Dalziel et al., 2011), refers to the external and internal social relations and networks of board members (Kim and Cannella, 2008) and has been studied in relationship to different organizational outcomes. First, one stream of research on board external social capital has particularly focused on board interlocks, or the extent to which board members also serve on the boards of other organizations (Shropshire, 2010), however not coming to a consensus on the relationship between such interlocks and organizational performance (Johnson et al., 2013). Indeed, while some authors find support for a positive relationship following the increased access to information, resources and

opportunities to cooperate with other organizations (Haynes and Hillman, 2010; Tian et al., 2011; Wincent et al., 2010), others warn for the risk of ‘overboarding’ or ‘overextended directors’ (Barroso-Castro et al., 2016; Sundaramurthy et al., 2014). Serving on many boards can hinder board members in fulfilling their board task effectively as it decreases time available for giving advice and engaging in decision making, for regularly attending board meetings, or preparing for such meetings (Carpenter and Westphal, 2001; Finkelstein and Mooney, 2003). Furthermore, Ruigrok et al. (2006) argue that interlocks can result in conflict of interests and lack of independence of interlocked board members. For these reasons, some authors have argued for a curvilinear (inverted U-form) relationship between board interlocks and firm performance, however without finding empirical support for such relationship (Barroso-Castro et al., 2016; Kor and Sundaramurthy, 2009).

Second, next to board interlocks, external social capital also comprises the contacts board members have in the external environment (Kim, 2005; Wincent et al., 2010). While few studies have looked into the relationship between this dimension of board external social capital and performance, the results have so far been mixed. While Kim (2007) found a positive association between the linkages of board members with the external environment, Wincent et al. (2010) did not find a significant relationship between board members’ ties to other organizations and innovative performance.

Next to the attention to board external social capital, and in line with the growing attention to board internal processes and the importance of boards working together as teams (Crucke and Knockaert, 2016; Finkelstein and Mooney, 2003; Hambrick et al., 2008; Huse et al., 2011), board internal social capital has increasingly gained interest. Interpersonal relationships between board members are expected to enhance trust, in turn fostering the exchange of knowledge and information, which is ultimately beneficial for decision-making within the board (Kim and Cannella, 2008). Empirical research supports the positive relationship between internal social capital and organizational performance (Barroso-Castro et al., 2016; Kim, 2005; Tian et al., 2011), however, considering organizational performance as a unidimensional financial construct.

Subsequently, as we argue, the literature has so far provided a fragmented picture on the relationship between board social capital and organizational performance, with some authors studying the relationship between board social capital and board service performance, and others studying the relationship between board service performance and organizational performance. Furthermore, studies have typically focused on understanding financial performance, hereby neglecting that performance is a multi-dimensional construct (Chandler and Hanks, 1993; Hamann et al., 2013). In what follows we aim at uniting board social capital, service performance and different dimensions of organizational performance in one theoretical framework, hereby building upon resource dependence and social capital theory.

4.2.2. Board external social capital and board service performance

As articulated above, studies on the relationship between board external social capital and board service performance have produced contradictory results. Social enterprises are however particularly exposed to diverging expectations of different stakeholder groups (Battilana and Dorado, 2010; Pache and Santos, 2010). In order to deal with diverging stakeholder expectations, social enterprises develop external social capital through the networks of individual board members with different stakeholder groups (Cornforth and Spear, 2010; Spear et al., 2009). Following social capital theory, we expect that the linkages of board members with external stakeholders will enhance trust and mutual understanding between the social enterprise and its stakeholders. Particularly, through such board external social capital, social enterprises can meet the accountability demands of different stakeholder groups and gain legitimacy in the external environment (Ebrahim et al., 2014; Huybrechts et al., 2014). The availability of board external social capital will thus foster the exchange of resources and information with different stakeholder groups. Such exchange by consequence helps board members in identifying risks and opportunities in the external environment, which is important for adequate advice giving and decision-making taking in consideration of the needs and expectations of different stakeholder groups (Doherty et al., 2014). Based on these arguments, we argue that boards which have higher levels of board external social capital will be better

able to fulfill their task of networking, advice giving and strategic decision making, and therefore to a larger extent engage in board service activities. Subsequently, we propose the following hypothesis:

Hypothesis 1: Board external social capital is positively related to board service performance.

4.2.3. Board internal social capital and board service performance

Board internal social capital then refers to ties and relations of board members within the organization and is expected to fulfill a ‘bonding function’ (Kim and Cannella, 2008). Governance literature emphasizes the importance of behavioral aspects and internal processes within the board (Filatotchev and Boyd, 2009; Hambrick et al., 2008; Huse et al., 2011). Board internal capital is expected to affect board service performance for different reasons. First, when board members have good relationships with the CEO and other members of the organization, they are more committed to the organization and, as a consequence, more likely to engage in acquiring firm-specific knowledge (Forbes and Milliken, 1999; Westphal and Zajac, 2013). This will in turn enhance the quality of the advice provided by board members, subsequently positively influencing decision-making quality. Next, when board members share strong ties, they will be aware of each other’s external networks and related expertise. This enables board members to effectively share and coordinate their expertise, consequently enhancing board service performance (Tian et al., 2011). This is particularly important in a social entrepreneurship context, where the hybrid nature of the organizational goals complicates decision making (Mair et al., 2015; Smith et al., 2013). Finally, connections between board members foster familiarity and trust between board members (Forbes and Milliken, 1999), in turn enhancing information sharing and counseling within the board (Kim and Cannella, 2008), which ultimately enables board members to collaborate and make decisions as a team (Finkelstein and Mooney, 2003; Stevenson and Radin, 2009; Westphal, 1999). Consequently, we expect a positive relationship between board internal social capital and board service performance and offer the following hypothesis:

Hypothesis 2: Board internal social capital is positively related to board service performance.

4.2.4. Board service performance and organizational performance

Resource dependence theory suggests that, if boards engage in their service role through which they help firms in overcoming their dependence on the environment for resources, they will positively affect organizational performance (Hillman and Dalziel, 2003; Hillman et al., 2009). Indeed, as board members provide qualified advice and participate in decision-making, it is expected that they contribute to the maximization of value creation (Finkelstein and Mooney, 2003; Forbes and Milliken, 1999; Minichilli et al., 2012). Only a limited number of studies have examined the relationship between board service performance and organizational performance, hereby focusing on the financial performance of organizations (Minichilli et al., 2012; Westphal, 1999; Zattoni et al., 2015). These results however support our assertion of a positive relationship between board service performance and financial performance. Further, as performance is a multi-dimensional construct, and diverse dimensions deserve attention, particularly in a social entrepreneurship context, we also consider social performance (Austin et al., 2006; Battilana et al., 2015). Different scholars emphasize the major role boards may play in overseeing the creation of social value as well the achievement of financial sustainability (Doherty et al., 2014; Ebrahim et al., 2014). Through their engagement in the service role, boards are able to balance the social and financial goals in giving advice and engaging in strategic decision-making. By consequence, we formulate the following hypotheses:

Hypothesis 3: Board service performance is positively related to organizational social performance.

Hypothesis 4: Board service performance is positively related to organizational financial performance.

4.3. METHODOLOGY

4.3.1. Research setting and sample

Although entrepreneurs and organizations aiming for social value creation have always existed, studies on social entrepreneurship have only recently emerged (Bacq and Janssen, 2011). Furthermore, the conceptualization of social entrepreneurship and its development has widely differed between the US and Europe, with very few connections until the years 2004-2005 (Defourny and Nyssens, 2010). In Europe, social enterprises mainly emerged because of the persistence of high rates of unemployment during the 1980s and the increasing exclusion of vulnerable groups from the labor market and society. Instead of relying only on passive labor market policies, authorities started encouraging and developing active labor policies (Defourny and Nyssens, 2010). By consequence, social enterprises were set up to reintegrate people in society by offering them a job, while simultaneously providing job training and social support (Battilana et al., 2015; Pache and Santos, 2010). As a consequence ‘Work integration social enterprises’ (WISEs) are the dominant type of social enterprises in Europe (Defourny and Nyssens, 2008). This is also the case in Belgium, the country in which this study is conducted. However, there is a growing awareness, also among policy makers, that entrepreneurship with social aims goes beyond work integration. Indeed, more organizations offering entrepreneurial, innovative responses to unsolved social needs have recently been created. These organizations often adopt the cooperative legal form (De Cuyper et al., 2015).

Our sample reflects the social entrepreneurship field in Belgium. In this paper, we study social enterprises in Flanders, one of the regions of Belgium. The data are collected as part of a research project with support of the Flemish government, which provided the names and contact information of Flemish social enterprises. The following organizations were selected in their definition of social enterprises: (1) sheltered workshops and social workshops, established with the main purpose of reintegrating job seekers who face difficulties to find a job in the regular job market because of physical, social or psychological problems, mainly operating in packaging, assembly, gardening, recycling, and printing (Battilana et al., 2015), (2) work experience enterprises and work care initiatives, offering a job to long-term unemployed people

and mainly active in health and social care or the cultural sector (Van Opstal et al., 2009), (3) work integration enterprises employing long-term unemployed jobseekers and integrating them into their regular staff (Van Opstal et al., 2009) and (4) cooperatives: member-based democratic organizations (Spear, 2004).

In terms of the legal form, which may affect the governance characteristics, these organizations are mainly associations and co-operations. Next to the board, there is a CEO or management team, depending on the size of the organization. While the board is expected to be involved in advice giving and strategic decision making, the CEO and the management team will operationalize these strategic decisions in the day-to-day management. Furthermore, the board will control the organizational results and will evaluate the CEO and the managers.

4.3.2. Data collection

In order to target our research objectives, we combine primary data obtained from an online questionnaire as well as secondary data available in the public database Belfirst, which contains information on annual accounting information of all Belgian enterprises. Specifically, the questionnaire comprised questions on general company information, board dynamics and board tasks, as well as on the functioning and (non-financial) performance of the social enterprises. The questionnaire was distributed to the CEOs of 812 Flemish social enterprises, using a web-based tool (Qualtrics). After a period of intensive follow-up (through e-mail and telephone), a total of 199 CEOs completed the survey, yielding a response rate of 25%. We removed 3 responses which were incomplete. Subsequently, the survey data were matched with the secondary data obtained from Belfirst. Because of missing financial data in Belfirst, our sample size was further reduced to 174 social enterprises.

4.3.3. Measures

Dependent variables

Board service performance. Board service performance is measured using the 10 item-scale developed by Minichilli et al. (2009) and is incorporating the advice giving, strategic participation and networking of the board service role (Hillman and Dalziel, 2003; Huse, 2005). Respondents were asked to indicate on a seven-point Likert scale (ranging from 1: strongly disagree to 7: strongly agree) to what extent the board fulfills its service role. Specifically, we asked respondents to indicate the degree to which the board (1) provides advice on management issues; (2) provides advice on financial issues; (3) provides advice on technical issues; (4) provides advice on market issues; (5) provides advice on legal issues; (6) provides linkages to important external stakeholders; (7) provides the firm with external legitimacy and reputation; (8) is involved in promoting strategic initiatives; (9) is involved in taking strategic decisions; and (10) is involved in participating in the implementation phase of long-term strategic decision-making.

Social performance. To measure the social performance of social enterprises, we used the scale developed by Crucke and Decramer (2016). The scale unites the two primary social goals of social enterprises, namely hiring disadvantaged people and engaging in community responsibilities. Subsequently, social performance was assessed using a seven-point Likert scales through which respondents indicated their agreement with the following statements (1: strongly disagree; 7: strongly agree): (1) Our organization actively hires immigrants, (2) Our organization actively hires low skilled people, (3) Our organization actively hires elderly people (4) Our organization informs the local community by organizing presentations, company visits,..., (5) Our organization offers traineeships to students, (6) Our organization offers products and/or services to vulnerable people, (7) Our organization addresses unsolved societal problems, (8) Our organization pursues partnerships with governments, for profit organizations, social economy organizations, labor agencies and other community organizations.

Financial performance. In line with previous research studying social enterprises (Battilana and Lee, 2014), we used a productivity measure to measure the financial performance of social

enterprises. Specifically, we calculated the added value per employee, which is considered a good measure for the overall financial performance of organizations (Ooghe et al., 2006; Sharma, 2014). Information for the calculation of this variable was obtained from the public database Belfirst.

Social and financial performance are both measured in 2014.

Independent variables

Board external social capital. In order to measure this independent variable, we used the measure developed by Kim and Cannella (2008), focusing on the bridging function of the board through relationships with different stakeholder groups and different industries. As we study external social capital in a social context, we added one item (item 5 below) to their measure, in order to also capture the connectivity of the board with important social organizations, which is relevant in the context of social enterprises. Specifically, the respondents were asked to indicate on an seven-point Likert scale (ranging from 1: strongly disagree to 7: strongly agree), the degree to which they agreed with the following statements: (1) The board appoints lead outside directors, (2) The board has members who know important suppliers of the organization, (3) The board has members who know important customers of the organization, (4) The board has members who know important financing institutions, (5) The board has members who know important social (nonprofit) organizations (6) The board consists of members with diverse industry/ sector backgrounds.

Board internal social capital. Board internal social capital is measured using four items developed by Kim and Cannella (2008). The respondents were asked to indicate on an seven-point Likert scale (ranging from 1: strongly disagree to 7: strongly agree), the degree to which they agreed with the following statements: (1) Directors have good relationships with the CEO, (2) Directors possess firm specific knowledge, (3) Directors share beliefs regarding the level of effort each individual is expected to put forward a task, (4) Each director is aware of other directors' areas of expertise.

Control variables

We further added control variables at board and firm level that may affect board service performance (Minichilli et al., 2012; Zona and Zattoni, 2007). At board level, we control for the frequency of board meetings and board size, as the frequency of board meetings is likely to affect board service performance (Knockaert and Ucbasaran, 2013). Further, as each board member may bring different linkages and resources to the board, also board size is expected to influence board service performance (Knockaert and Ucbasaran, 2013; Minichilli et al., 2009). At the organizational level, we controlled for age and size of the organization as the need for advice and establishing legitimacy by board members may vary between young and old and small and large organizations (Knockaert et al., 2015; Minichilli et al., 2012). Furthermore, the performance of organizations is generally considered to be influenced by the age and size of organizations (Wiklund and Shepherd, 2005), which also holds for social enterprises, (Liu et al., 2014; Weerawardena and Mort, 2012). The size of the organization is operationalized as the number of employees at the end of 2013, obtained from the public database Belfirst. The organization's age is obtained by using the date of incorporation obtained from Belfirst.

4.4. RESULTS

4.4.1. Analytical approach

To test our theoretical model, we applied structural equation modeling (SEM), using the Lavaan package developed in the statistical program R (Rosseel, 2012). Because we mainly use ordinal variables, we use the robust weighted least squares (WLSMV) estimator (Brown, 2006). Furthermore, the sample size requirements of WLSMV are less restrictive than those of other estimators. Brown (2006) refers to studies indicating that, using the WLSMV estimator, sample sizes of 150 to 200 are sufficient for medium-sized models with 10 to 15 indicators. These conditions are similar to the sample size and number of indicators in our study.

We followed the commonly used two-stage procedure of Anderson and Gerbing (1988). In a first step, we used confirmatory factor analysis (CFA) to assess the validity of individual constructs and of the measurement model. In a second step, we added a structural model to test the hypothesized relationships between the variables.

Following Brown (2006), we report different well-established fit indices to assess both the measurement model and the structural model. Although there is no consensus regarding the cut-off values to evaluate model fit, we rely on some guidelines for the fit indices we use in our study. Specifically, we report an acceptable fit between the hypothesized model and the data when χ^2/df is lower than 3, when the Root Mean Square Error of Approximation (RMSEA) and the Standardized Root Mean Square Residual (SRMR) are below 0.1 and when the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI) are above 0.9 (Brown, 2006; Hair et al., 2006; Janssens et al., 2008).

Although there are no strict guidelines about the desirable amount of data when conducting CFA, there is a general agreement that parameter estimates and fit indices are favorably influenced by larger sample sizes. Therefore it is argued that sample sizes < 100 should be avoided and that sample sizes > 200 are desirable (Bandalos, 1997; Marsh et al., 1998). Moreover, several rules of thumb recommend that the number of indicators should be limited in the case of small sample sizes. This is particularly challenging in research using lengthy ordinal scales (Yang et al., 2010). To deal with these challenges, we used the technique of parceling, which has become quite common in SEM (Bandalos, 2002; Little et al., 2002) and which is considered acceptable when the goal is to assess the relationships between different constructs rather than to examine the structure of the constructs used (Little et al., 2013). A parcel can be defined as ‘an aggregate-level indicator comprised of the sum (or average) of two or more items, responses or behaviors’ (Little et al., 2002:152). We split all odd and even items for the construct used and used their means to calculate two parcels that represent each latent variable. Splitting odd and even items into two parcels is a general accepted method for parceling (Yang et al., 2010).

Common – method variance (CMV) is often reported as a potential problem in research using self-reported data, certainly when the measurement for the dependent and independent variables are provided by the same respondent (Podsakoff and Organ, 1986). As such, the risk of CMV is limited when we deal with financial performance, which we obtained from the public database Belfirst. However, for the measurement of social performance, we had to rely on self-reported measures. To account for this issue, we included both ex-ante and ex-post approaches in this study (Chang et al., 2010). First, we tried to avoid CMV by assuring respondents about the confidentiality and anonymity of their responses, by emphasizing that there are no right or wrong answers and by asking to answer the questions as honestly as possible (Podsakoff et al., 2003). Second, the items about board capital, board service performance and organizational social performance were put in separate sections of the survey to create psychological separation to avoid common method bias (Podsakoff et al., 2012). Third, we applied an ex-post statistical procedure as suggested by Podsakoff et al. (2003), which is discussed when reporting the results of the measurement model.

4.4.2. Descriptive statistics

Table 4.1 provides the means, standard deviations and correlations for all variables. None of the correlations exceeds 0.8, indicating that multicollinearity is not likely to affect our results (Gujarati and Porter, 2008).

4.4.3. Measurement model

In a first step, CFA is used to assess the validity of the individual constructs and of the measurement model. The validity of the different constructs (board external social capital, board internal social capital, board service performance, social performance) is assessed simultaneously in one CFA. The results reveal a good model fit: $\chi^2/df= 1.27$; CFI = 0.96; TLI = 0.94; RMSEA = 0.04; SRMR = 0.06). The internal reliability of each construct is evaluated by calculating the Cronbach's alpha. Alpha's of 0.72 for board external social capital, 0.72 for board internal social capital, 0.91 for board service performance, and 0.67 for social performance indicate that the scales are internally consistent (Hair et al., 2006).

Table 4.1: Mean, Standard Deviations and Correlations

	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Frequency of Board Meetings	6.05	3.06	1								
2. Board Size	8.47	4.55	0.12 [†]	1							
3. Firm Age	25.99	17.23	0.08	0.24**	1						
4. Firm Size	180.91	520.86	0.04	0.12	0.24**	1					
5. Board External Social Capital	4.22	1.18	-0.09	-0.21**	-0.10	-0.07	1				
6. Board Internal Social Capital	5.21	1.09	0.14 [†]	-0.27***	-0.04	0.01	0.32***	1			
7. Board Service Performance	4.64	1.19	0.18**	-0.17*	0.01	0.01	0.40***	0.64***	1		
8. Social Performance	4.92	1.00	0.17*	0.12 [†]	-0.02	-0.08	0.13 [†]	0.12 [†]	0.09	1	
10. Added value per employee	48.536	59.635	0.10	0.02	0.17*	-0.04	0.07	0.07	0.09	0.01	1

Note.

[†] $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Furthermore, we tested if common method variance was not affecting our results by conducting the unmeasured latent method construct (ULMC) technique as outlined by Richardson et al. (2009) and Fecteau et al. (1995). This technique involves the analyses of four alternative measurement models. The results are reported in Table 4.2.

Model 1 is a null measurement model. In this model no factors underlie the data. In model 2, one factor explains the data. Model 3 is the measurement model used in this study. Finally, model 4 adds a single uncorrelated method factor to model 3. If a method factor exists, model 2 should fit the data significantly better than model 1, and model 4 should fit the data significantly better than model 3.

First, the results of model 1 and model 2 are compared. The results in Table 4.2 reveal that model 2 provides a significantly better fit for the data than model 1, but fits the data very poorly. The second comparison involves model 3 and 4. The results of model 3 reveal a good fit. Model 4 does not provide a significantly better fit to the data. These results indicate that CMV is not a concern in this study.

Table 4.2: Results of the ULMC procedure for assessing common method variance

Model	Chi-Square	df	CFI	TLI	RMSEA
1	507.547***	91			
2	344.268***	77	0.358	0.242	0.133
3	87.902***	69	0.955	0.940	0.037
4	92,253***	51	0.960	0.929	0.064

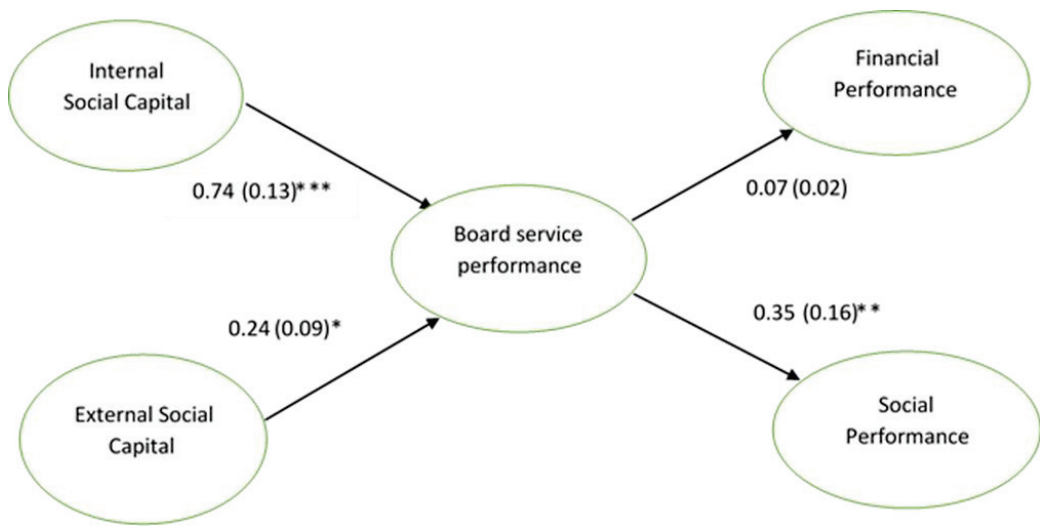
4.4.4. Structural Model

The structural model is used to test the hypothesized relationships between the latent variables and is presented in Figure 4.1.

All goodness of fit indices indicate a good fit of the model with the data: $\chi^2/df= 1.23$; CFI = 0.95; TLI = 0.93; RMSEA = 0.04; SRMR = 0.07. The standardized path coefficients show that board external social (0.24, $p < 0.05$) as well as board internal social capital (0.74, $p < 0.001$) have a significant positive effect on board service performance, supporting Hypothesis 1 and Hypothesis 2. The results indicate that the effect of board internal capital on board service

performance is bigger than the effect of board external capital. The size of the effect is such that an increase of internal social capital from mean to mean plus 1 standard deviation results in a 17% increase of board service performance, while an increase of external social capital from mean to mean plus 1 standard deviation results in a 6% increase of board service performance. In addition, board service performance (0.35, $p < 0.01$) is significantly positively related to social performance, supporting hypothesis 3. An increase of board service performance from mean to mean plus 1 standard deviation results in a 26% increase of social performance. Hypothesis 4 is not supported as we find a coefficient which is not statistically significant.

Figure 4.1: The Structural model



Note. * $p < .05$; ** $p < .01$; *** $p < .001$. Goodness of fit indices are $\chi^2/df = 1.23$; CFI = 0.95; TLI = 0.93; RMSEA = 0.04; SRMR = 0.07.

Standardized path coefficients are reported. S.E. values in parentheses.

The impact of control variables is not depicted. The number of board meetings showed a positive effect on board service performance (0.236*), while board size has a negative effect on board service performance (-0.298**). The age of the organization has a positive effect on financial performance (0.290**), while the size of the organization has a negative effect on financial performance (-0.312***).

Some of the control variables also point to significant additional relationships. The number of board meetings has a positive effect on board service performance (0.236, $p < 0.05$), while board size has a negative effect on board service performance (-0.298, $p < 0.01$). The age of the organization has a positive effect on financial performance (0.290, $p < 0.01$), while the size of the organization has a negative effect on financial performance (-0.312, $p < 0.001$).

4.4.5. Alternative models

As we did not find a statistically significant relationship between board service performance and financial performance and as financial performance could be assessed using alternative indicators, we wanted to exclude that our results are influenced by our choice of financial performance indicator. We therefore estimated three alternative models using return-on-assets, cash flow and solvency as measures for financial performance. The results are in line with the results of our structural model, revealing similar fit indices and path coefficients, and again finding support for hypotheses 1, 2 and 3 and not for hypothesis 4.

4.5. DISCUSSION AND CONCLUSION

In the social entrepreneurship literature, a consensus is emerging that the board of directors is of major importance to deal with the specific tensions social enterprises, as hybrid organizations, face (Doherty et al., 2014). Boards have the ultimate responsibility to balance the social and financial goals in decision-making to ensure financial viability as well as the achievement of the social mission (Cornforth, 2014). Multi-stakeholder dialog and stakeholder involvement are often discussed as typical governance characteristics of social enterprises (Huybrechts et al., 2014). Social enterprises lack a dominant stakeholder, instead they are accountable to multiple principal stakeholders with diverging interest, such as the beneficiaries of the social mission, clients and governments (Ebrahim et al., 2014). Through stakeholder involvement in social enterprise governance, social enterprises are expected to be better able to deal with the diverging expectations of stakeholders. Furthermore, such involvement is in line

with the democratic and participatory values that typify social enterprises (Pestoff and Hulgård, 2015).

In this paper, we take a resource dependence (Pfeffer and Salancik, 1978) and social capital perspective (Nahapiet and Ghoshal, 1998) to study the linkages between the board and the external environment. More specifically, we study linkages between the social enterprise and different stakeholder groups in the external environment, through linkages of individual board members with stakeholders (Tian et al., 2011). As such, we study how board external social capital is instrumental in helping boards to fulfill their service role. Furthermore, as it is commonly accepted that boards have a stronger role to play in the service role if they function as teams (Finkelstein and Mooney, 2003), we also study board internal social capital, referring to internal linkages within the organization, mainly between board members (Stevenson and Radin, 2009).

The results of our study of boards in Flemish social enterprises indicate that board external social capital as well as board internal social capital are positively related to board service performance. Although it is important for boards in social enterprises to be connected with multiple stakeholder groups in the external environment, our study reveals that also the internal connections and good relationships between board members are of major importance. These findings are in line with corporate governance literature emphasizing the importance of internal board dynamics in general (Hambrick et al., 2008; Huse et al., 2011) and the cohesiveness within the board in particular (Finkelstein and Mooney, 2003; Westphal, 1999). The importance of internal social capital is also in line with the warnings for potential negative aspects of multi-stakeholder involvement in governance mechanisms. Taking in consideration that the diverging expectations of multiple stakeholders may result in conflict, slower decision making within the board (Pache and Santos, 2010) and even give rise to faultline emergence (Crucke and Knockaert, 2016), our results point to board internal social capital as a potential alleviator of such concerns.

Our study further analyzes how the engagement of the board in its service role is related to organizational outcomes. There is a consensus that, when assessing the performance of social

enterprises, financial as well as social performance should be taken in consideration (Austin et al., 2006). The results of our study indicate that board service performance is positively related to the social performance of social enterprises. However, we did not find support for a positive relationship between board service performance and financial performance. This is line with the results of the study by Coombes et al. (2011), who studied the impact of behavioral aspects of social enterprise boards on entrepreneurial orientation and subsequently on financial and social performance. A possible explanation can be found in the paper of Pache and Santos (2013), studying how social enterprises deal internally with the conflicting demands they are exposed to. The authors discuss one particular pattern of managing internal tensions, that they refer to as 'Trojan horse'. It means that actors related to commercial goals, choose to enact practices sustaining the social goals to compensate for the lack of legitimacy in the social enterprise context because of the affiliation with commercially oriented organizations. Although the context in the study of Pache and Santos (2013) is different as they study the affiliations and connections of founders of social enterprises, we believe that this mechanism may possibly also explain the extent to which board member behavior in the service role relates to organizational performance.

Our study contributes to the literature in a number of ways. First, it contributes to the social entrepreneurship literature, which has focused on the importance of the board in directors in dealing with the particular challenges social enterprises face (Mair et al., 2015). Furthermore, social enterprise scholars have emphasized the involvement of stakeholders in social enterprise governance in line with the democratic and participatory values social enterprise subscribe (Huybrechts et al., 2014; Pestoff and Hulgård, 2015). Our study indicates the importance of boards being connected with multiple external stakeholders, resulting in better advice giving and strategic decision making. Our results however also emphasize the importance of the relations and linkages between board members. As such, our study also contributes to the corporate governance literature where calls are made to gain deeper insights into board dynamics and board cohesiveness (Finkelstein and Mooney, 2003; Huse et al., 2011). Our study further contributes by analyzing how board characteristics impact board service performance and subsequent organizational performance. While most studies either focus on the link

between board characteristics and board task performance, or on the relationship between board service performance and organizational performance, to our knowledge, only few studies have provided a more holistic picture by uniting these elements (Zattoni et al., 2015). In doing so, our study also acknowledges that performance is a multi-dimensional construct, and unites social and financial performance in one research design.

Our study also has implications for practitioners as our results reveal the major importance of the linkages between board members. This may be challenging as board members who are connected to specific stakeholder groups, may have different visions about the decisions the board should take, which may result in conflict and slower decision-making.

Our study also has some limitations, which have implications for the interpretations of our findings and for future research. First, our study uses a cross-sectional design. While we built our arguments and the directions of these arguments in line with social capital theory and the corporate governance literature, we are thus unable to make strong claims on the direction of the relationships. Longitudinal studies may provide additional insights in how board capital contributes to board performance and subsequent organizational performance (Machold and Farquhar, 2013). Additionally, qualitative studies may contribute in gaining additional insights in how social capital shapes board dynamics and board decisions (Sundaramurthy et al., 2014). Second, our study only focuses on the service role on the board. Although we are convinced that the service role is relevant to study in this context, studying the control function as well may offer additional insights. In particular, when analyzing the relationship between board performance and organizational performance, it might be interesting to study the relationship between the engagement of the board in its control function and financial as well as social performance. It could be that board performance is related to financial performance through the engagement in its control function, which we were not able to test with the applied structural model in this paper. In the same vein, additional relationships could be studied, such as the ones between social and financial performance and between social capital and performance directly. Third, our study was executed in a particular context, namely that of Flemish social enterprises. While we do not have reasons to believe that our choice of context is likely to affect our results,

future research could fruitfully study the relationship between board capital, board service performance and organizational performance in other contexts, where other definitions of social entrepreneurship apply (e.g. the US), or where corporate governance laws differ. Finally, while our study specifically points to the importance of board internal social capital for board service performance, it does not study the antecedents of such internal social capital. Future research could as such purposefully study the relationship between board member characteristics (e.g. human capital), board characteristics (e.g. board cohesion), board evaluation and development practices (Gill et al., 2005; Kiel and Nicholson, 2005), board chair characteristics (e.g. leadership and communication style) (Harrison and Murray, 2012), and interaction patterns in building such social capital.

4.6. REFERENCES

Adler, P. S. and Kwon, S.-W. (2002). 'Social capital: prospects for a new concept'. *Academy of Management Review*, 27, 17-40.

Anderson, J. C. and Gerbing, D. W. (1988). 'Structural equation modeling in practice: A review and recommended two-step approach'. *Psychological Bulletin*, 103, 411-423.

Austin, J., Stevenson, H. and Wei-Skillern, J. (2006). 'Social and Commercial Entrepreneurship: Same, Different, or Both?'. *Entrepreneurship: Theory & Practice*, 30, 1-22.

Bacq, S. and Janssen, F. (2011). 'The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria'. *Entrepreneurship & Regional Development*, 23, 373-403.

Bandalos, D. L. (1997). 'Assessing sources of error in structural equation models: The effects of sample size, reliability, and model misspecification'. *Structural Equation Modeling: A Multidisciplinary Journal*, 4, 177-192.

Bandalos, D. L. (2002). 'The Effects of Item Parceling on Goodness-of-Fit and Parameter Estimate Bias in Structural Equation Modeling'. *Structural Equation Modeling: A Multidisciplinary Journal*, 9, 78-102.

Barroso-Castro, C., Villegas-Periñan, M. d. M. and Casillas-Bueno, J. C. (2016). 'How boards' internal and external social capital interact to affect firm performance'. *Strategic Organization*, 14, 6-31.

Battilana, J. and Dorado, S. (2010). 'Building sustainable hybrid organizations: the case of commercial microfinance organizations'. *Academy of Management Journal*, 53, 1419-1440.

Battilana, J. and Lee, M. (2014). 'Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises'. *Academy of Management Annals*, 8, 397-441.

Battilana, J., Sengul, M., Pache, A.-C. and Model, J. (2015). 'Harnessing Productive Tensions in Hybrid Organizations: The Case of Work Integration Social Enterprises'. *Academy of Management Journal*, 58, 1658-1685.

Bennett, R. and Savani, S. (2011). 'Surviving mission drift: How charities can turn dependence on government contract funding to their own advantage'. *Nonprofit Management and Leadership*, 22, 217-231.

Brown, T. (2006). *Confirmatory Factor Analysis for applied research*. Londen: The Guilford Press.

Carpenter, M. A. and Westphal, J. D. (2001). 'The strategic context of external network ties: examining the impact of director appointments on board involvement in strategic decision making'. *Academy of Management Journal*, 44, 639-660.

Chandler, G. N. and Hanks, S. H. (1993). 'Measuring the performance of emerging businesses: A validation study'. *Journal of Business Venturing*, 8, 391-408.

Chang, S.-J., van Witteloostuijn, A. and Eden, L. (2010). 'From the Editors: Common method variance in international business research'. *J Int Bus Stud*, 41, 178-184.

Coombes, S. M. T., Morris, M. H., Allen, J. A. and Webb, J. W. (2011). 'Behavioural Orientations of Non-Profit Boards as a Factor in Entrepreneurial Performance: Does Governance Matter?'. *Journal of Management Studies*, 48, 829-856.

Cornforth, C. (2014). 'Understanding and combating mission drift in social enterprises'. *Social Enterprise Journal*, 10, p. 3.

Cornforth, C. and Spear, R. (2010). 'The governance of hybrid organizations'. In: Billis, D. (ed.) *Hybrid organizations and the third sector: challenges for practice, theory and policy*. Basingstoke, UK: Palgrave, 70-89.

Crucke, S. and Decramer, A. (2016). 'The Development of a Measurement Instrument for the Organizational Performance of Social Enterprises'. *Sustainability*, 8.

Crucke, S. and Knockaert, M. (2016). 'When stakeholder representation leads to faultlines. A study of board service performance in social enterprises'. *Journal of Management Studies*, doi: 10.1111/joms.12197.

Dacin, P. A., Dacin, M. T. and Matear, M. (2010). 'Social Entrepreneurship: Why We Don't Need a New Theory and How We Move Forward From Here'. *Academy of Management Perspectives*, 24, 37-57.

Daily, C. M., Dalton, D. R. and Cannella, A. A. (2003). 'Corporate Governance: Decades of Dialogue and Data'. *The Academy of Management Review*, 28, 371-382.

Dalton, D. R. and Dalton, C. M. (2011). 'Integration of Micro and Macro Studies in Governance Research: CEO Duality, Board Composition, and Financial Performance'. *Journal of Management*, 37, 404-411.

Dalziel, T., Gentry, R. J. and Bowerman, M. (2011). 'An Integrated Agency-Resource Dependence View of the Influence of Directors' Human and Relational Capital on Firms' R&D Spending'. *Journal of Management Studies*, 48, 1217-1242.

De Cuyper, P., Jacobs, L. and Gijssels, C. (2015). 'More than work integration strategy for the delimitation of a population of social economy actors for a monitor of the social economy in Flanders'. *Annals of Public and Cooperative Economics*, 86, 267-290.

Dees, J. G. (2012). 'A Tale of Two Cultures: Charity, Problem Solving, and the Future of Social Entrepreneurship'. *Journal of Business Ethics*, 111, 321-334.

Defourny, J. and Nyssens, M. (2008). 'Social enterprise in Europe: recent trends and developments'. *Social Enterprise Journal*, 4, 202-228.

Defourny, J. and Nyssens, M. (2010). 'Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences'. *Journal of Social Entrepreneurship*, 1, 32-53.

Doherty, B., Haugh, H. and Lyon, F. (2014). 'Social Enterprises as Hybrid Organizations: A Review and Research Agenda'. *International Journal of Management Reviews*, 16, 417-436.

Ebrahim, A., Battilana, J. and Mair, J. (2014). 'The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations'. *Research in Organizational Behavior*, 34, 81-100.

Facteau, J. D., Dobbins, G. H., Russell, J. E. A., Ladd, R. T. and Kudisch, J. D. (1995). 'The influence of General Perceptions of the Training Environment on Pretraining Motivation and Perceived Training Transfer'. *Journal of Management*, 21, 1-25.

Filatotchev, I. and Boyd, B. K. (2009). 'Taking Stock of Corporate Governance Research While Looking to the Future'. *Corporate Governance-an International Review*, 17, 257-265.

Finkelstein, S. and Mooney, A. C. (2003). 'Not the usual suspects: How to use board process to make boards better'. *Academy of Management Executive*, 17, 101-113.

Forbes, D. P. and Milliken, F. J. (1999). 'Cognition and Corporate Governance: Understanding boards of directors as strategic decision-making groups'. *Academy of Management Review*, 24, 489-505.

Gill, M., Flynn, R. J. and Reissing, E. (2005). 'The governance self-assessment checklist: An instrument for assessing board effectiveness'. *Nonprofit Management and Leadership*, 15, 271-294.

Gujarati, D. and Porter, D. (2008). *Basic Econometrics*. Europe: McGraw-Hill.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2006). *Multivariate Data Analysis*. Upper Saddle River NJ: Pearson.

Hamann, P. M., Schiemann, F., Bellora, L. and Guenther, T. W. (2013). 'Exploring the Dimensions of Organizational Performance: A Construct Validity Study'. *Organizational Research Methods*, 16, 67-87.

Hambrick, D. C., Werder, A. v. and Zajac, E. J. (2008). 'New Directions in Corporate Governance Research'. *Organization Science*, 19, 381-385.

Harrison, Y. D. and Murray, V. (2012). 'Perspectives on the leadership of chairs of nonprofit organization boards of directors: A grounded theory mixed-method study'. *Nonprofit Management & Leadership*, 22, 411-437.

Haynes, K. T. and Hillman, A. (2010). 'The effect of board capital and CEO power on strategic change'. *Strategic management journal*, 31, 1145-1163.

Hillman, A., J. and Dalziel, T. (2003). 'Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives'. *The Academy of Management Review*, 28, 383-396.

Hillman, A. J., Cannella, A. A. and Paetzold, R. L. (2000). 'The resource dependence role of corporate directors: strategic adaptation of board composition in response to environmental change'. *Journal of Management Studies*, 37, 235-255.

Hillman, A. J., Withers, M. C. and Collins, B. J. (2009). 'Resource Dependence Theory: A Review'. *Journal of Management*, 35, 1404-1427.

Huse, M. (2005). 'Accountability and Creating Accountability: a Framework for Exploring Behavioural Perspectives of Corporate Governance'. *British Journal of Management*, 16, 65-79.

Huse, M., Hoskisson, R., Zattoni, A. and Vigano, R. (2011). 'New Perspectives on Board Research: Changing the Research Agenda'. *Journal of Management and Governance*, 15, 5-28.

Huybrechts, B., Mertens, S. and Rijpens, J. (2014). 'Explaining stakeholder involvement in social enterprise governance through resources and legitimacy'. In: Defourny, J., Hulgard, L. and Pestoff, V. (Eds), *Social Enterprise and the Third Sector: Changing European Landscapes in a Comparative Perspective*. London & New York: Routledge,

Janssens, W., Wijnen, K., De Pelsmacker, P. and Van Kenhove, P. (2008). *Marketing Research with SPSS*. London UK: Prentice Hall.

Johnson, S. G., Schnatterly, K. and Hill, A. D. (2013). 'Board Composition Beyond Independence: Social Capital, Human Capital, and Demographics'. *Journal of Management*, 39, 232-262.

Jones, M. B. (2007). 'The Multiple Sources of Mission Drift'. *Nonprofit and Voluntary Sector Quarterly*, 36, 299-307.

Kiel, G. C. and Nicholson, G. J. (2005). 'Evaluating Boards and Directors'. *Corporate Governance: An International Review*, 13, 613-631.

Kim, Y. (2005). 'Board Network Characteristics and Firm Performance in Korea'. *Corporate Governance: An International Review*, 13, 800-808.

Kim, Y. and Cannella, A. A. (2008). 'Toward a Social Capital Theory of Director Selection'. *Corporate Governance: An International Review*, 16, 282-293.

Knockaert, M., Bjornali, E. S. and Erikson, T. (2015). 'Joining forces: Top management team and board chair characteristics as antecedents of board service involvement'. *Journal of Business Venturing*, 30, 420-435.

Knockaert, M. and Ucbasaran, D. (2013). 'The Service Role of Outside Boards in High Tech Start-ups: A Resource Dependency Perspective'. *British Journal of Management*, 24, 69-84.

Kor, Y. Y. and Sundaramurthy, C. (2009). 'Experience-Based Human Capital and Social Capital of Outside Directors'. *Journal of Management*, 35, 981-1006.

Kwon, S.-W. and Adler, P. S. (2014). 'Social Capital: Maturation of a Field of Research'. *Academy of Management Review*, 39, 412-422.

Leana, C. R. and Pil, F. K. (2006). 'Social Capital and Organizational Performance: Evidence from Urban Public Schools'. *Organization Science*, 17, 353-366.

Leana, C. R. and Van Buren III, H. J. (1999). 'Organizational social capital and employment practices'. *Academy of Management Review*, 24, 538-555.

Little, T. D., Cunningham, W. A., Shahar, G. and Widaman, K. F. (2002). 'To Parcel or Not to Parcel: Exploring the Question, Weighing the Merits'. *Structural Equation Modeling: A Multidisciplinary Journal*, 9, 151-173.

Little, T. D., Rhemtulla, M., Gibson, K. and Schoemann, A. M. (2013). 'Why the items versus parcels controversy needn't be one'. *Psychological Methods*, 18, 285-300.

Liu, G., Takeda, S. and Ko, W.-W. (2014). 'Strategic Orientation and Social Enterprise Performance'. *Nonprofit and Voluntary Sector Quarterly*, 43, 480-501.

Machold, S. and Farquhar, S. (2013). 'Board Task Evolution: A Longitudinal Field Study in the UK'. *Corporate Governance: An International Review*, 21, 147-164.

Mair, J., Battilana, J. and Cardenas, J. (2012). 'Organizing for Society: A Typology of Social Entrepreneurial Models'. *Journal of Business Ethics*, 111, 353-373.

Mair, J., Mayer, J. and Lutz, E. (2015). 'Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations'. *Organization Studies*, 36, 713-739.

Marsh, H. W., Hau, K.-T., Balla, J. R. and Grayson, D. (1998). 'Is More Ever Too Much? The Number of Indicators per Factor in Confirmatory Factor Analysis'. *Multivariate Behavioral Research*, 33, 181-220.

Miller, T. L., Grimes, M. G., McMullen, J. S. and Vogus, T. J. (2012). 'Venturing for others with heart and head: how compassion encourages social entrepreneurship'. *Academy of Management Review*, 37, 616-640.

Minichilli, A., Zattoni, A., Nielsen, S. and Huse, M. (2012). 'Board task performance: An exploration of micro-and macro-level determinants of board effectiveness'. *Journal of Organizational Behavior*, 33, 193-215.

Minichilli, A., Zattoni, A. and Zona, F. (2009). 'Making Boards Effective: An Empirical Examination of Board Task Performance'. *British Journal of Management*, 20, 55-74.

Nahapiet, J. and Ghoshal, S. (1998). 'Social Capital, Intellectual Capital, and the Organizational Advantage'. *Academy of Management Review*, 23, 242-266.

Ooghe, H., Van Laere, E. and De Langhe, T. (2006). 'Are acquisitions worthwhile? An empirical study of the post-acquisition performance of privately held Belgian companies'. *Small Business Economics*, 27, 223-243.

Pache, A.-C. and Santos, F. (2010). 'When worlds collide: the internal dynamics of organizational responses to conflicting institutional demands'. *Academy of Management Review*, 35, 455-476.

Pache, A.-C. and Santos, F. (2013). 'Inside the hybrid organization: selective coupling as response to conflicting institutional logics'. *Academy of Management Journal*, 56, 972-1001.

Pestoff, V. and Hulgård, L. (2015). 'Participatory Governance in Social Enterprise'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, doi: 10.1007/s11266-015-9662-3, 1-18.

Pfeffer, J. and Salancik, G. R. (1978). *The external control of organizations: a resource dependence perspective*. New York: Harper & Row.

Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y. and Podsakoff, N. P. (2003). 'Common method biases in behavioral research: A critical review of the literature and recommended remedies'. *Journal of Applied Psychology*, 88, 879-903.

Podsakoff, P. M., MacKenzie, S. B. and Podsakoff, N. P. (2012). 'Sources of method bias in social science research and recommendations on how to control it'. *Annual review of psychology*, 63, 539-569.

Podsakoff, P. M. and Organ, D. W. (1986). 'Self-Reports in Organizational Research: Problems and Prospects'. *Journal of Management*, 12, 531-544.

Ramus, T. and Vaccaro, A. (2014). 'Stakeholders Matter: How Social Enterprises Address Mission Drift'. *Journal of Business Ethics*, doi: 10.1007/s10551-014-2353-y.

Richardson, H. A., Simmering, M. J. and Sturman, M. C. (2009). 'A Tale of Three Perspectives: Examining Post Hoc Statistical Techniques for Detection and Correction of Common Method Variance'. *Organizational Research Methods*, 12, 762-800.

Rosseel, Y. (2012). 'lavaan: An R package for Structural Equation Modeling'. *Journal of Statistical Software*, 48, 1-36.

Ruigrok, W., Peck, S. I. and Keller, H. (2006). 'Board Characteristics and Involvement in Strategic Decision Making: Evidence from Swiss Companies*'. *Journal of Management Studies*, 43, 1201-1226.

Santos, F. M. (2012). 'A Positive Theory of Social Entrepreneurship'. *Journal of Business Ethics*, 111, 335-351.

Sharma, S. (2014). 'Benefits of a registration policy for microenterprise performance in India'. *Small Business Economics*, 42, 153-164.

Shropshire, C. (2010). 'The role of the interlocking director and board receptivity in the diffusion of practices'. *Academy of Management Review*, 35, 246-264.

Smith, W. K., Gonin, M. and Besharov, M. L. (2013). 'Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise'. *Business Ethics Quarterly*, 23, 407-442.

Spear, R. (2004). 'Governance in Democratic Member-Based Organisations'. *Annals of Public & Cooperative Economics*, 75, 33-59.

Spear, R., Cornforth, C. and Aiken, M. (2009). 'The governance challenges of social enterprises: evidence from a UK empirical study.'. *Annals of Public & Cooperative Economics*, 80, 247-273.

Stevenson, W. B. and Radin, R. F. (2009). 'Social Capital and Social Influence on the Board of Directors'. *Journal of Management Studies*, 46, 16-44.

Sundaramurthy, C., Pukthuanthong, K. and Kor, Y. (2014). 'Positive and negative synergies between the CEO's and the corporate board's human and social capital: A study of biotechnology firms'. *Strategic Management Journal*, 35, 845-868.

Tian, J., Halebian, J. and Rajagopalan, N. (2011). 'The effects of board human and social capital on investor reactions to new CEO selection'. *Strategic management journal*, 32, 731-747.

Tracey, P., Phillips, N. and Jarvis, O. (2011). 'Bridging Institutional Entrepreneurship and the Creation of New Organizational Forms: A Multilevel Model'. *Organization Science*, 22, 60-80.

Van Opstal, W., Deraedt, E. and Gijssels, C. (2009). 'Monitoring profile shifts and differences among WISEs in Flanders'. *Social Enterprise Journal*, 5, 229-258.

Weerawardena, J. and Mort, G. S. (2012). 'Competitive Strategy in Socially Entrepreneurial Nonprofit Organizations: Innovation and Differentiation'. *Journal of Public Policy & Marketing*, 31, 91-101.

Westphal, J. D. (1999). 'Collaboration in the boardroom: behavioral and performance consequences of CEO-board social ties'. *Academy of Management Journal*, 42, 7-24.

Westphal, J. D. and Zajac, E. J. (2013). 'A Behavioral Theory of Corporate Governance: Explicating the Mechanisms of Socially Situated and Socially Constituted Agency'. *Academy of Management Annals*, 7, 607-661.

Wiklund, J. and Shepherd, D. (2005). 'Entrepreneurial orientation and small business performance: a configurational approach'. *Journal of Business Venturing*, 20, 71-91.

Wilson, F. and Post, J. E. (2013). 'Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation'. *Small Business Economics*, 40, 715-737.

Wincent, J., Anokhin, S. and Örtqvist, D. (2010). 'Does network board capital matter? A study of innovative performance in strategic SME networks'. *Journal of Business Research*, 63, 265-275.

Yang, C., Nay, S. and Hoyle, R. H. (2010). 'Three Approaches to Using Lengthy Ordinal Scales in Structural Equation Models: Parceling, Latent Scoring, and Shortening Scales'. *Applied Psychological Measurement*, 34, 122-142.

Zattoni, A., Gnan, L. and Huse, M. (2015). 'Does Family Involvement Influence Firm Performance? Exploring the Mediating Effects of Board Processes and Tasks'. *Journal of Management*, 41, 1214-1243.

Zona, F. and Zattoni, A. (2007). 'Beyond the Black Box of Demography: board processes and task effectiveness within Italian firms'. *Corporate Governance: An International Review*, 15, 852-864.

5. GENERAL CONCLUSIONS AND DISCUSSION

The main objective of this dissertation was to gain insight in how social enterprises, as multiple goal and multiple stakeholder organizations, deal with the governance challenges they face. To reach this objective, we relied on qualitative and quantitative research methods, involving CEOs and board members of social enterprises as well as experts in the field of social entrepreneurship. Furthermore, a mixture of statistical analyses was used, including regression based path analysis, exploratory and confirmatory factor analysis and structural equation modeling. This final chapter summarizes the main findings of the three studies, outlines the key academic contributions, highlights the implications for practitioners and suggests avenues for further research.

5.1. MAIN FINDINGS

The first study focused on the effects of stakeholder representation in the board of directors of social enterprises. In the literature, positive as well as negative effects of stakeholder representation are referred to. We build on faultline theory to gain insight in the conditions under which subgroups emerge, subsequently having an negative impact on board performance. Our results, obtained by using regression based path analysis, are based on the responses of 265 board members and 79 CEOs of 79 Flemish work integration social enterprises. We found that, if faultlines are strong because of the alignment of stakeholder representation with age and gender, this is associated with lower levels of board service performance. Furthermore, our results reveal that this relationship is mediated by board task conflict. Finally, we also found that the negative impact of faultline strength on task conflict is mitigated, if the board members' visions on the organization's goals converge. As such, the results of our research reveal the importance of taking into account possible negative implications of stakeholder representation, as well as contingencies which may mitigate the impact of subgroup emergence.

In the second study, we developed an assessment tool for the non-financial performance of social enterprises. Evaluating the non-financial performance may support social enterprises in

balancing the dual objectives of creating social and financial value. Furthermore, by externally reporting the non-financial performance, social enterprises respond to the increasing demands of accountability towards multiple stakeholder groups. Using focus groups, a Delphi panel and exploratory and confirmatory factor analyses, we identified 5 performance domains and 21 performance indicators. In addition, we developed a questionnaire that social enterprises can use as a self-assessment tool.

In the third study, we analyzed how board external and internal social capital support boards of social enterprises in fulfilling their service role. The results, based on a sample of 196 Flemish social enterprises, indicate that board external social capital as well as board internal social capital are positively related to board service performance. These results reveal that, while being connected with multiple stakeholder groups in the external environment is important, good relationships between board members matter more as they enable the board to function as a team. In this study, we further examined how the engagement of the board in its service role is related to organizational performance, taking into consideration financial as well as social performance. While our results reveal a positive relationship between board service performance and social performance, we did not find a significant relationship between board service performance and financial performance.

5.2. ACADEMIC CONTRIBUTIONS

This dissertation primarily makes a number of contributions to the (social) entrepreneurship and corporate governance literature.

Our research contributes to the (social) entrepreneurship literature by studying how social enterprises can deal with the governance challenges they face. First, as multi-stakeholder organizations and in line with their democratic and participatory values, the involvement of stakeholders in social enterprise governance is claimed to be an important characteristic of social enterprises (Huybrechts et al., 2014; Spear, 2004). More specifically, the board of directors is considered to play a major role in balancing the social and financial goals of the organization and in establishing legitimacy in the external environment by providing

accountability to multiple external stakeholder groups (Battilana and Lee, 2014; Doherty et al., 2014). However, this is mainly discussed in theoretical terms (Campi et al., 2006). Empirical research focusing on the role of governance and the board of directors in social enterprises is still limited (Ebrahim et al., 2014; Mair et al., 2015), which is the first research gap we address.

Specifically, the first study provides insight in how stakeholder representation in the board may negatively affect the involvement of the board in its service role through the emergence of subgroups. As such, the first study points to the potentially nefarious implications of stakeholder representation. Furthermore, the results of the first and third study indicate the importance of board cohesiveness. In the first study, we found that, having a shared vision on the organizational goals, mitigate the positive relationship between faultline strength and task conflict. In the same vein, the third study emphasizes the importance of the relations and linkages between board members. These findings are important as they demonstrate that, in order to capture the positive effects of stakeholder involvement, the organization has to pay attention to the cohesiveness between board members and if necessary, take efforts to strengthen the relationships between board members.

Second, our research contributes to the social entrepreneurship literature by developing an assessment tool for the non-financial performance of social enterprises. While there is a consensus that, by virtue of the dual mission of social enterprises, social and financial performance should be measured and reported, the assessment of the social performance still lacks standardization and comparability (Arena et al., 2015; Ebrahim and Rangan, 2014). Our assessment tool takes in consideration that performance measurement can serve different purposes (Grieco et al., 2014). Specifically, we distinguish between a set of indicators, that can be used for external reporting and an internal assessment instrument, supporting organizations in decision-making. Additionally, the assessment tool is developed in close cooperation with social enterprises and should be suitable for a broad range of social enterprises.

Finally, given its largely quantitative approach, our study responds to calls for studies in the domain to move beyond case studies, and to use larger datasets (Certo and Miller, 2008; Dacin et al., 2011; Short et al., 2009)

Our study also contributes to the corporate governance literature. First, much of the corporate governance literature takes an agency theory perspective when studying the role of boards (Daily et al., 2003). In this dissertation, we answer to the calls made to use other theoretical perspectives (Hambrick et al., 2008; Huse et al., 2011). Given the specific internal and external challenges social enterprises face, we elaborate on the importance of boards engaging in their service role (Knockaert and Ucbasaran, 2013; Westphal and Zajac, 2013). Furthermore, we take an overarching view by analyzing, in the same study, the relationship between board characteristics and board service performance and subsequently between board service performance and organizational outcomes (Zattoni et al., 2015). Simultaneously, we acknowledge that organizational performance is multi-dimensional and consider social and financial performance in one research design.

Second, we also contribute to the corporate governance literature by answering the calls to gain deeper insights into board dynamics and board cohesiveness (Westphal and Zajac, 2013). By studying interpersonal relationships between board members, we go beyond merely studying board demographics or ‘the usual suspects’ in explaining board service performance (Finkelstein and Mooney, 2003; Ostrower and Stone, 2010). We use several theoretical frameworks to gain insight in the board dynamics between board members. In the first study, we build on faultline theory, which is considered a promising theoretical framework to study subgroup formation in teams, but which has received only limited attention in governance research (Kaczmarek et al., 2012; Tuggle et al., 2010; Veltrop et al., 2015). Additionally, we rely on conflict theory to gain insight in how the emergence of faultlines impact board service performance (De Dreu and Weingart, 2003). In the third study, we use a social capital perspective to study the internal linkages between board members (Kim and Cannella, 2008).

In parallel, the papers of this dissertation integrate other theoretical lenses and concepts while studying governance in social enterprises. By consequence, this study has contributed to a number of adjacent fields, as we elaborate on in what follows.

The first study contributes to faultline theory by introducing the representation of stakeholder groups as an additional relevant social category characteristic. While faultline

research has mainly focused on age, gender and ethnicity, we demonstrate that, as board members quickly identify which stakeholder groups other board members represent, stakeholder representation may be a characteristic giving rise to subgroup formation and faultline emergence. Next to our implications for faultline research, our first study also enriches conflict theory. The effects of task conflict on group performance are widely studied, revealing inconclusive results (De Dreu and Weingart, 2003; de Wit et al., 2012; DeChurch et al., 2013; O'Neill et al., 2013). We contribute to the conflict literature, by studying the impact of task conflict in a context where team members have vested interests because of the different stakeholder groups they represent. Our results support the arguments made by De Dreu (2008) and Loughry and Amason (2014), warning for the risk of 'political activity' by team members in the case of vested interests and incompatible goals, negatively influencing team performance.

Finally, we also add to the literature on stakeholder democracy and stakeholder participation, that until now has mainly focused on workplace democracy (Timming, 2015). While it is generally accepted that appointing stakeholder representatives to the board is one of the best ways to involve stakeholders in decision-making, this has only received limited attention in empirical research.

5.3. PRACTICAL CONTRIBUTIONS

In this section, we discuss the implications of the dissertation for those practitioners which are likely to benefit the most from our study, namely social enterprises and policy makers. We make a distinction between, on the one hand, implications related to board composition and board functioning and on the other hand, implications related to performance measurement in social enterprises

5.3.1. Practical contributions concerning board composition and board functioning

First, this doctoral research calls for increased attention into the formation of the board in social enterprises. Stakeholder involvement in social enterprise governance is, given the

democratic and participatory values of social enterprises, considered as a good practice that yields several advantages. However, our research points to the potential nefarious effects of stakeholder representation in the board. By consequence, it is important that CEOs and board chairs take these potential drawbacks into consideration when appointing board members. Specifically, our study reveals the importance of good relationships between board members as well as the importance of having a shared vision on what the goals of the organization are, in mitigating the potentially negative effects of stakeholder involvement. Although this was not the focus of our research, we expect, in line with board leadership research (Harrison et al., 2013), that board chairs may play an important role in establishing cohesiveness and good interpersonal relationships within the board. Also board development practices, such as team building and board evaluations, may contribute to boards functioning as a team (Gill et al., 2005; Kiel and Nicholson, 2005). Based on these practical implications, we may formulate some guidelines for social enterprises regarding board functioning and composition. These guidelines may help the board in fulfilling its tasks and, as such, in contributing to the organizational performance. Furthermore, professionalization of the board may enhance the reputation of the social enterprise, for instance because this will favor the quality of the external communication, as well as the partnerships with external stakeholders.

Guideline 1: Goals and strategy of the social enterprise

Given the risk of mission drift within social enterprises and the importance for board functioning of having a shared vision within the board, clarifying the goals of the social enterprise is crucial. Board can play an important role in setting the goals of the organization and the strategies to realize these goals, in cooperation with the CEO (or management team) while taking into consideration diverse stakeholder demands (guideline 2). However, this implies that boards are engaged and able to discuss without conflict paralyzing decision making (guideline 4). Furthermore, it is important that the goals and strategies agreed upon are evaluated on a regular base and that it is checked whether decisions taken are in line with these goals and strategies.

Guideline 2: Stakeholder engagement

Stakeholder involvement is one of the fundamental principles of many social enterprises. Moreover, our results emphasize the importance of stakeholder involvement in decision making, in turn favoring organizational performance. Boards can help to engage effectively with stakeholders by identifying key stakeholders and evaluating stakeholder relations. Ways to optimize stakeholder involvement can be discussed and implemented. A suggestion here is to evaluate the role of the general assembly. As discussed in the introduction, in many associations, the general assembly is very similar to the board, minimizing its potential function as an important sounding board, representing diverse stakeholder expectations. In the same vein, it is a challenge for co-operatives to enhance the participation of its members in the general assembly.

Guideline 3: Board composition

There is no doubt that board composition is an important issue in relationship to the ability and the willingness of the board to fulfill its tasks properly. Therefore, board composition should be discussed and evaluated on a regular base.

Concerning the ability of the board, a suggestion is to identify the necessary skills, expertise and stakeholder relations that should be available within the board. Our results reveal the risk of subgroup formation and conflict between stakeholder representatives. A possible way to deal with this, is appointing board members with necessary expertise (for instance financial or legal expertise), who are not related to a specific stakeholder group and can act as a 'neutral' board member, possibly mitigating or even preventing harmful types of conflict within the board.

Concerning the willingness of the board to fulfill its tasks, it is important to appoint engaged board members, willing to participate actively within the board. We have to admit that this might be challenging as board members in social enterprises are generally not compensated.

Another concern is the size of the board within social enterprises as board size may influence its effectiveness. A larger board does not necessarily imply a more effective board as it may hinder the ability to come to a consensus and result in slower decision making. In our dataset, there are boards with up to 26 board members. In such large boards, the effectiveness should

be evaluated and possible solutions (such as working with subcommittees) should be taken in consideration.

Guideline 4: Board functioning

Our results indicate the importance of good relationships between board members, as well as the risk and negative consequences of conflict within the board. We expect that the chair of the board, or more generally, board leadership is important in order to have a constructive debate within the board, dealing effectively within dissent. As already mentioned earlier, board evaluations and board development also may improve board functioning, but we expect that, in order to reach this, board leadership also is a necessary condition.

5.3.2. Practical contributions concerning performance measurement in social enterprises

Second, the assessment tool developed in the second study, may support social enterprises in assessing their non-financial performance. We provide social enterprises with an internal self-assessment tool. Ideally, the assessment tool is completed by diverse employees to gather a broad range of opinions about the non-financial performance of the organization. These diverse opinions may give rise to internal discussion related to the safeguarding of the dual mission of the organization. The set of the selected indicators can be used as a guideline to report the non-financial performance. This is important as there is an increasing demand for accountability towards different stakeholders.

Our research also has implications for policy makers. The assessment tool for the non-financial performance of social enterprises was developed at the request of the Flemish government as part of the Policy Research Centre Work and Social Economy. The aim of Flemish policy makers is that social enterprises, as they receive subsidies from the Flemish government for hiring disadvantaged people, have to report their non-financial performance. As such, the set of indicators can be used by the Flemish government supporting its subsidy regime for social enterprises.

It is important to notice that we do not opt for a strict standardization of non-financial performance evaluation as our assessment tool does not imply the calculation of a single score to assess the non-financial performance of social enterprises. Given the diversity of social enterprises, we are convinced it is extremely difficult to develop a valid scale. The standardization is limited to identifying a relevant set of performance indicators, encouraging social enterprises to demonstrate their performance with regard to these indicators. In order to enhance reporting quality and the comparability between social enterprises, it is suggested to report using generally accepted reporting guidelines. The guidelines developed by the GRI are a good example of such reporting guidelines.

5.4. IMPLICATIONS FOR FUTURE RESEARCH

This dissertation has explored a topic that has only received limited attention within the field of social entrepreneurship. While the results of this dissertation provide new insights into the governance of social enterprises, our research also has limitations, which result into implications for future research.

First, the studies in this dissertation use a cross-sectional design. By consequence, we are unable to identify causal relationships. Longitudinal studies may provide additional insights into causal relationships between stakeholder involvement and board performance. More specifically, it would be interesting to study how stakeholder representation gives rise to subgroup formation and faultline emergence and how efforts to enhance the cohesiveness of the board mitigate these negative effects of stakeholder representation. An interesting approach for future research is looking into how the presence of board members who share characteristics with different subgroup may influence subgroup formation and board performance. Mäs et al. (2013) demonstrate how the so-called ‘crisscrossing actors’, sharing demographic attributes with several subgroups, will prevent polarization in the long run. Although not explored in their paper, they aspect that the presence of ‘crisscrossing opinions’ could have a similar integrative effect. In the case of stakeholder representation, this implies that it might be interesting to investigate the impact of ‘neutral’ board members who may share opinions with several

stakeholder groups and are able to communicate arguments towards different subgroups of stakeholder representatives. The use of qualitative or observational research could be interesting to further uncover the underlying board mechanisms (Beck, 2014; Hough et al., 2014). However, we also have to point to the difficulty of gathering qualitative data. In particular, performing observational research is challenging as it is difficult to receive the permission to attend board meetings (Bezemer et al., 2014).

A second limitation is situated in the generalizability of the results to other populations. Our research was performed in a particular context, namely that of Flemish social enterprises. Future studies could analyze the extent to which our findings hold in other institutional contexts, which alter the nature of social enterprises, or the legislation (for instance related to corporate governance) which affect these enterprises. This may be particularly relevant for the relationships between board characteristics, board performance and subsequent organizational performance, as examined in study 1 and 3. At the same time, it would also be interesting to test the validity of the developed assessment tool in other contexts.

Third, while our research reveals the importance of good interpersonal relationships within the board, it does not study the antecedents of board cohesion. Future research could study board leadership, board development practices and board evaluations in relationship to board cohesion and board dynamics.

Fourth, in this dissertation we did not study new established entrepreneurial social ventures. As governance research reveals that governance and board characteristics are a reflection of the organization's life cycle (Lynall et al., 2003), it might be interesting to study how these young organizations deal with the governance challenges social enterprise face and how the governance of these social enterprises evolves over time. Additionally, it might also be interesting to study whether these new established social enterprises rely on the board to gather the necessary advice and counsel, or whether other advisors are in place to support these social entrepreneurs.

5.5. REFERENCES

- Arena, M., Azzone, G. and Bengo, I. (2015). 'Performance Measurement for Social Enterprises'. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26, 649-672.
- Battilana, J. and Lee, M. (2014). 'Advancing Research on Hybrid Organizing - Insights from the Study of Social Enterprises'. *Academy of Management Annals*, 8, 397-441.
- Beck, D. B. (2014). 'Learning to be, learning about. A socio-cultural learning approach to board practice'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit governance, innovative perspectives and approaches*. Abingdon: Routledge, 103-122.
- Bezemer, P.-J., Nicholson, G. and Pugliese, A. (2014). 'Inside the boardroom: exploring board member interactions'. *Qualitative Research in Accounting and Management*, 11, 238-259.
- Campi, S., Defourny, J. and Grégoire, O. (2006). 'Work integration social enterprises: are they multiple-goal and multi-stakeholder organizations?'. In: Nyssens, M. (ed.) *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*. New York: Routledge, 29-49.
- Certo, S. T. and Miller, T. (2008). 'Social entrepreneurship: Key issues and concepts'. *Business Horizons*, 51, 267-271.
- Dacin, M. T., Dacin, P. A. and Tracey, P. (2011). 'Social Entrepreneurship: A Critique and Future Directions'. *Organization Science*, 22, 1203-1213.
- Daily, C. M., Dalton, D. R. and Cannella, A. A. (2003). 'Corporate Governance: Decades of Dialogue and Data'. *The Academy of Management Review*, 28, 371-382.
- De Dreu, C. K. W. (2008). 'The virtue and vice of workplace conflict: food for (pessimistic) thought'. *Journal of Organizational Behavior*, 29, 5-18.

De Dreu, C. K. W. and Weingart, L. R. (2003). 'Task versus relationship conflict, team performance, and team member satisfaction: A meta-analysis'. *Journal of Applied Psychology*, 88, 741-749.

de Wit, F. R. C., Greer, L. L. and Jehn, K. A. (2012). 'The Paradox of Intragroup Conflict: A Meta-Analysis'. *Journal of Applied Psychology*, 97, 360-390.

DeChurch, L. A., Mesmer-Magnus, J. R. and Doty, D. (2013). 'Moving Beyond Relationship and Task Conflict: Toward a Process-State Perspective'. *Journal of Applied Psychology*, 98, 559-578.

Doherty, B., Haugh, H. and Lyon, F. (2014). 'Social Enterprises as Hybrid Organizations: A Review and Research Agenda'. *International Journal of Management Reviews*, 16, 417-436.

Ebrahim, A., Battilana, J. and Mair, J. (2014). 'The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations'. *Research in Organizational Behavior*, 34, 81-100.

Ebrahim, A. and Rangan, V. K. (2014). 'What Impact? A framework for measuring the scale and scop of social performance.'. *California Management Review*, 56, 118-141.

Finkelstein, S. and Mooney, A. C. (2003). 'Not the usual suspects: How to use board process to make boards better'. *Academy of Management Executive*, 17, 101-113.

Gill, M., Flynn, R. J. and Reissing, E. (2005). 'The governance self-assessment checklist: An instrument for assessing board effectiveness'. *Nonprofit Management and Leadership*, 15, 271-294.

Grieco, C., Michelini, L. and Iasevoli, G. (2014). 'Measuring Value Creation in Social Enterprises: A Cluster Analysis of Social Impact Assessment Models'. *Nonprofit and Voluntary Sector Quarterly*, doi: 10.1177/0899764014555986.

Hambrick, D. C., Werder, A. v. and Zajac, E. J. (2008). 'New Directions in Corporate Governance Research'. *Organization Science*, 19, 381-385.

Harrison, Y., Murray, V. and Cornforth, C. (2013). 'Perceptions of Board Chair Leadership Effectiveness in Nonprofit and Voluntary Sector Organizations'. *Voluntas*, 24, 688-712.

Hough, A., McGregor-Lowndes, M. and Ryan, C. (2014). 'Board monitoring and judgement as processes of sensemaking'. In: Cornforth, C. and Brown, W. A. (Eds), *Nonprofit governance, innovative perspectives and approaches*. Abingdon: Routledge,

Huse, M., Hoskisson, R., Zattoni, A. and Vigano, R. (2011). 'New Perspectives on Board Research: Changing the Research Agenda'. *Journal of Management and Governance*, 15, 5-28.

Huybrechts, B., Mertens, S. and Rijpens, J. (2014). 'Explaining stakeholder involvement in social enterprise governance through resources and legitimacy'. In: Defourny, J., Hulgard, L. and Pestoff, V. (Eds), *Social Enterprise and the Third Sector: Changing European Landscapes in a Comparative Perspective*. London & New York: Routledge,

Kaczmarek, S., Kimino, S. and Pye, A. (2012). 'Board Task-related Faultlines and Firm Performance: A Decade of Evidence'. *Corporate Governance: An International Review*, 20, 337-351.

Kiel, G. C. and Nicholson, G. J. (2005). 'Evaluating Boards and Directors'. *Corporate Governance: An International Review*, 13, 613-631.

Kim, Y. and Cannella, A. A. (2008). 'Toward a Social Capital Theory of Director Selection'. *Corporate Governance: An International Review*, 16, 282-293.

Knockaert, M. and Ucbasaran, D. (2013). 'The Service Role of Outside Boards in High Tech Start-ups: A Resource Dependency Perspective'. *British Journal of Management*, 24, 69-84.

Loughry, M. L. and Amason, A. (2014). 'Why won't task conflict cooperate? Deciphering stubborn results'. *International Journal of Conflict Management*, 25, 333-358.

Lynall, M., D., Golden, B., R. and Hillman, A., J. (2003). 'Board Composition from Adolescence to Maturity: A Multitheoretic View'. *The Academy of Management Review*, 28, 416-431.

Mair, J., Mayer, J. and Lutz, E. (2015). 'Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations'. *Organization Studies*, 36, 713-739.

Mäs, M., Flache, A., Takács, K. and Jehn, K. A. (2013). 'In the Short Term We Divide, in the Long Term We Unite: Demographic Crisscrossing and the Effects of Faultlines on Subgroup Polarization'. *Organization Science*, 24, 716-736.

O'Neill, T. A., Allen, N. J. and Hastings, S. E. (2013). 'Examining the “Pros” and “Cons” of Team Conflict: A Team-Level Meta-Analysis of Task, Relationship, and Process Conflict'. *Human Performance*, 26, 236-260.

Ostrower, F. and Stone, M. M. (2010). 'Moving Governance Research Forward: A Contingency-Based Framework and Data Application'. *Nonprofit and Voluntary Sector Quarterly*, 39, 901-924.

Short, J. C., Moss, T. W. and Lumpkin, G. T. (2009). 'Research in social entrepreneurship: past contributions and future opportunities'. *Strategic Entrepreneurship Journal*, 3, 161-194.

Spear, R. (2004). 'Governance in Democratic Member-Based Organisations'. *Annals of Public & Cooperative Economics*, 75, 33-59.

Timming, A. R. (2015). 'The "reach" of employee participation in decision-making: exploring the Aristotelian roots of workplace democracy'. *Human Resource Management Journal*, 25, 382-396.

Tuggle, C. S., Schnatterly, K. and Johnson, R. A. (2010). 'Attention patterns in the boardroom: how board composition and processes affect discussion of entrepreneurial issues'. *Academy of Management Journal*, 53, 550-571.

Veltrop, D. B., Hermes, N., Postma, T. and de Haan, J. (2015). 'A Tale of Two Factions: Why and When Factional Demographic Faultlines Hurt Board Performance'. *Corporate Governance: An International Review*, 23, 145-160.

Westphal, J. D. and Zajac, E. J. (2013). 'A Behavioral Theory of Corporate Governance: Explicating the Mechanisms of Socially Situated and Socially Constituted Agency'. *Academy of Management Annals*, 7, 607-661.

Zattoni, A., Gnan, L. and Huse, M. (2015). 'Does Family Involvement Influence Firm Performance? Exploring the Mediating Effects of Board Processes and Tasks'. *Journal of Management*, 41, 1214-1243.

