

Merie Joseph Kannampuzha

Understanding and Measuring Social Entrepreneurship



JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 175

Merie Joseph Kannampuzha

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Social Entrepreneurship

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Cover: The Malayattoor village in the state of Kerala, South India where the author grew up. The name of the village means a meeting place of mountain, river, and land. The Malayattoor Kurisumudy is a hill with the height of 1269 Ft. above sea level. The St.Thomas church on top of the hill is an international place of pilgrimage for Christians. The Manappattu chira is a dam created for agricultural purposes and fish farming. Photo by Sivan Malayattoor.

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ABSTRACT

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This thesis aims to understand the phenomenon of social entrepreneurship and measure its component dimensions. In particular, the thesis addresses two research gaps in the social entrepreneurship research. The first gap addressed is the resource mobilization during marketing strategy development of a social enterprise in its start-up stage. Social entrepreneurship is a diverse concept constituting various organizational form and activities. Hence, the second research gap that this research study addresses is the issue of measurement of social entrepreneurship construct. The thesis consists of an introductory essay and five research articles.

The first two articles in this compilation address the first research question. The research question of how to address the resource constraints in marketing strategy development of social enterprise is addressed with a case study of a social start up delivering health care in rural India. The data consist of interviews, email discussions, online discussion forums and student reports collected over a period of two years. The results of the first paper advance the teaching methodology of live case for teaching students to solve problems of social businesses. The results of the second study revealed that the network bricolage and entrepreneurship education bricolage were used as two mechanisms to address resource shortage while developing marketing strategy of the health venture. The results from the study advances knowledge of the development of marketing strategies in a social enterprise. The study also contributes to the field of social entrepreneurship education and social enterprise resource acquisition.

The final three articles in the compilation address the second research gap. To address the measurement question, the data was collected from mature social enterprises from six European countries and students developing business plans for nascent social enterprises using three rounds of data collection. The third article in this compilation presents a pilot study of scale development using a sample of 178 Nordic social enterprises. This study identified six constructs associated with social enterprises: creation of market disequilibria, open source sharing of knowledge, earned income generation, limited profit distribution, employee compensation, and autonomy in operation. The fourth article tests six hypotheses based on 245 mature social enterprises and 441 nascent social enterprises. This study identified how the conflicting components of social innovation and earned income in a social entrepreneurial organization affect the outcomes of the perceived social impact and fundability of organizations pursuing social entrepreneurship. The fifth article presents a second study of scale development with a larger sample of 263 mature social enterprises and 184 nascent social enterprises. Based on the study we developed the concept of Organizational social entrepreneurship as a construct that can occur in various types of social organizations. Organizational social entrepreneurship was conceptualized as a formative construct consisting of the dimensions of social innovation, earned income and governance. The study developed scale items to measure each of these components. The study has important implications for policy makers and governments interested in identifying and measuring performance of social enterprises. It also presents a pioneering study which develops a scale for conceptualizing and measuring organizational social entrepreneurship. The scale developed will further future quantitative studies in the field of social entrepreneurship.

Keywords: Organizational social entrepreneurship, social enterprise, Social entrepreneurship education, Entrepreneurial marketing, Network bricolage, Entrepreneurship Education Bricolage, Scale development, Formative construct , Social Innovation, Earned Income, Democratic Governance

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PROLOGUE

The story starts in 1972 when a 28 year old man decided to make a bold step of returning from the USA to a small village in Kerala, India to start his own business. Almost 20 years before the economic liberalization in India, many friends and family members questioned his decision making, considering the high risk he was taking returning from *the land of opportunities*, the USA. Now he is the director of Hill Electronics Pvt Ltd having clients from all over India. My father, Joseph Kurian Kannampuzha showed me the trials and tribulations, the joys and sorrows of the life of an entrepreneur since the early days of my life. In addition to entrepreneurship, my parents Joseph and Agnes were active in charitable activities in our small village supporting various projects for education and healthcare. Agnes worked for women empowerment in our village with her long time work with Women's welfare society and with the establishment of women's group of St. Vincent de Paul Society. I was fortunate to be born to the beloved *Ousepachan chettan* and *Agey chechi* of Malayattoor village. My father showed how profit generation and philanthropy motives can exist in one person simultaneously.

Growing up in Kerala, which is famed for having the highest development index in India, I saw the positive effect of entrepreneurially oriented poverty reduction programs. *Kudumbasree* was one of such initiatives which used the entrepreneurial and community spirit of rural women to help them escape from poverty. Through these experiences, I was fortunate enough to see what *social entrepreneurship* actually is in practice, much before I knew about that term from academia. When I was offered the opportunity to work on a joint project of University of Jyväskylä with Indian Institute of Technology Kharagpur for developing a rural Indian health social enterprise, I happily jumped in. I would not have achieved this milestone without the great support of my parents who encouraged us children to aim for higher education opportunities. This thesis is dedicated to my dream and hope for a day when every parent in the world encourages their girl child to aim higher, study more and achieve more.

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- II Kannampuzha & Suoranta - "Bricolage in the marketing efforts of a social enterprise". Journal of Research in Marketing and Entrepreneurship, Vol. 18 Iss: 2, pp 176-196.
- III Kannampuzha & Hockerts - "Development of a Scale to Measure the Components of the Social Enterprise"- Proceedings at the Academy of Management Annual Meeting, August 7-11, 2015.
- IV Kannampuzha & Hockerts - "Social Innovation and Earned Income - Antecedents and Outcomes of the Institutional Logics in Hybrid Social Enterprises " - Best paper proceedings at the 5th EMES International Research Conference on Social Enterprise, June 29- July 3, 2015.
- V Kannampuzha & Hockerts - "Social Entrepreneurship as a Second-Order Formative Construct: Social Innovation, Earned Income, and Democratic Governance". Under review.

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1 INTRODUCTION

1.1 Background

The increasing gap between the rich and the poor, damage to the environment and the recent financial crisis have all led many people to question the prevalent market economy in our society. Individuals, societies, businesses and governments are searching for sustainable and groundbreaking solutions to the "wicked problems" the world faces (Churchman, 1967, pp.B141). In 2000, the United Nations adopted the eight global objectives called millennium development goals, to be achieved by 2015. The last fifteen years have seen the flourishing of the business sector which aims to improve societal and environmental well-being (Hurst, 2014). The individuals who started these organizations wanted them to be financially self-sustaining while serving an environmental or social purpose. Some of these individuals were called *social entrepreneurs* and the organizations they started were termed *social enterprises*.

I started this doctoral dissertation with the aim of understanding social entrepreneurship, the phenomena which were practiced by individuals claimed to have ambition to change the world. In 2006, Muhammad Yunus, a social entrepreneur from Bangladesh was awarded the Noble peace prize for being the founder of Grameen Bank advancing the concept of microfinance. In 2009 the President of the United States, Barack Obama, created the Office of Social Innovation and Civic Participation to finance programs with a high social impact. In 2010, a country branding committee commissioned by the Finnish government recommended the development of programs to make Finland the Silicon Valley of social innovation (Country Brand Delegation, 2010) . The European Commission's Social Business Initiative was launched in October 2011 with the aim of increasing visibility, ease of fundability and a positive legal environment for social enterprises (Holmen & Mizzi, 2014) . I was fortunate to embark on my doctoral research in the social welfare state of Finland in these exciting times when individuals of all generations, national governments, corporations and public organizations are inspired by the motto "doing good by doing business".

'Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry' -Bill Drayton

This is a quote from Bill Drayton, the founder of Ashoka: Innovators for the public, an organization synonymous with social entrepreneurs. Established in 1980, Ashoka is an organization that aims to find social entrepreneurs globally and invest for scaling their ideas. This quote from Drayton presents the ongoing discussions about the need for social entrepreneurs for scaling local solutions developed by them globally. Many social entrepreneurs aim to provide services to customers who cannot afford to pay for them and operate in areas with severe constraints. In these circumstances, there could be difficulties in getting money for daily operations, support growth and to attract skilled employees. Marketing could be a key activity which could help the social enterprises in obtaining resources in its growth process. Hence, I was interested in understanding how do social entrepreneurs obtain the resources to develop the organization.

Science cannot progress without reliable and accurate measurement of what it is you are trying to study. The key is measurement, simple as that. - Robert Hare

Robert Hare developed the Hare Psychopathy Checklist used to measure psychopathy in individuals. Although research on social entrepreneurship has been going on for almost two decades, researchers have not agreed upon a common definition. I was bothered by the fact that if social entrepreneurship is indeed different from other organizational activities, how it could be differentiated. One possibility to address this issue would be to develop measurement scale items for components of the social entrepreneurial activity in any organization.

Thus, this dissertation has two aims; to increase understanding of marketing strategy development of social enterprises and to develop a scale for measuring the concept of organizational social entrepreneurship. This thesis compilation consists of an introductory essay and five original articles. In this first chapter of the introductory essay, I will be providing an introduction to the history of concept of social entrepreneurship. In the final part of this chapter, I will present the research questions addressed in this thesis.

1.2 Social Entrepreneurship - A history of the concept

The research field of social entrepreneurship can be argued to be in its relative infancy compared to other areas of management (Bacq & Janssen, 2011) . The first to write about this phenomena were practitioners (Bornstein, 1998, 2007, Drayton, 2002, 2006; Elkington & Hartigan, 2008; Leadbeater, 1997). Academic

interest in the field peaked at the turn of the second millennium (Borzaga & Defourny, 2001; Dees & Elias, 1998; Dees, 1998a). Since social enterprises have existed for quite some time, the academic research had quite a lot to catch up with the actual practice. The term *social entrepreneur* was first popularized by founder of Ashoka, Bill Drayton. Ashoka was founded in 1980 to provide funding and logistic support for social innovators (Drayton, 2002, 2006).

Doherty, Haugh and Lyon (2014) attribute the emergence of social enterprises to market failure, the fall in philanthropic donations, new models of public delivery and interest in new economic models. Teasdale (Teasdale, 2012) summarizes that European researchers see market failure as the key factor in the origins of social enterprises (Spear, 2001), whereas state failure is the main factor for American academics. He also proposes three further explanations. The first is resource dependence theory; nonprofit organizations adapt to earn income from commercial activities as an alternative to reduced funding. The second is institutional theory; social enterprises obtain legitimacy from wider social approval for adopting business practices. The third is voluntary failure (Salamon, 1987) where governments and nonprofits are seen as complementary to each other (Teasdale, 2012).

Social entrepreneurship can be understood as a phenomenon dependent on the local context. Based on the existing research, Mair (2010) mentions three contexts to which social entrepreneurship typically belongs: The liberal economy, characterized by social and economic dominance of markets; the cooperative economy, in which state is the dominant actor ensuring societal well-being; and the informal economy, where neither state nor markets can deliver social services effectively. The classification of contexts in which social entrepreneurship could occur proposed by Johanna Mair will be evident when we analyze how social enterprises have evolved across the different part of the world. The countries of United States of America and the United Kingdom could be classified as belonging to the context of liberal economy, while the countries in continental Europe represent the context of the cooperative economy whereas most of the developing countries belong to the classification of informal economy.

In Europe, UK has reported quite an increase in the number of social enterprises due to various reasons (Spear, 2001; Teasdale, Lyon, & Baldock, 2013). In analyzing the history of social enterprise and entrepreneurship, Chell (2007), proposes that the term *enterprise* was first used officially by government in the UK to identify economic zones in depression. In this sense, she asserts that UK governance policy in social enterprises is practical, in addressing social and environmental issues. The most common social enterprises in the UK are focused on a social mission and reinvest their income in the organization for financial sustainability. They are sometimes dependent on grants. Others allow profit accrual by the owners in addition to having a social mission. In Europe, the UK has been the most proactive in defining social enterprises legally. In 2005, Community Interest Companies were identified as a new form of organization under the Companies Act 2004 (Nicholls, 2010a; Teasdale, Lyon, et al., 2013). The UK social enterprise model is closer to the US model than the continental

European one (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Hoogendoorn, Pennings, & Thurik, 2010). In the USA, the term *social enterprise* was used to describe nonprofit organizations which used earned income strategies to become financially self-sustainable (Dees & Anderson, 2006; Lasprogata & Cotton, 2003). The legal bases are emerging for defining the organizational forms of social enterprises. In the USA, depending on the state, social enterprises assume legal form of either low profit limited liability companies (L3Cs), benefit corporations, or social purposes corporations (Reiser & Dean, 2015).

In continental Europe, the inadequacies in the social welfare system necessitated the search for new solutions based on collective organization (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Spear & Bidet, 2005; Spear, 2001). In Europe, the terms *social economy* and *third sector* are widely used for social enterprises and organizations which belong neither to the public nor the private sector (Haugh & Kitson, 2007; Sonnino & Griggs-Trevarthen, 2012; A. Thomas, 2004). In continental Europe, the organizational forms of social enterprises are derived from cooperatives and third sector organizations. The reduction in state social welfare has increased the relevance of social enterprises in Western Europe. The most common form is the work integration social enterprise (WISE), an organization to integrate long-term unemployed people into the job market (Battilana, Sengul, Pache, & Model, 2015; Spear & Bidet, 2005).

In developing countries, the term social enterprise is associated to organizational forms of NGOs and lately to for-profit organizations catering to people with lower incomes (Datta & Gailey, 2012; Mair & Marti, 2009), sometimes referred to as bottom-of-the-pyramid markets (Prahalad, 2006a). In many South Asian countries, the concept of social enterprise was popularized by Muhammad Yunus and his work on microfinance as a poverty alleviation strategy (Yunus, 2007; Yunus, Moingeon, & Lehmann-Ortega, 2010a). Yunus is a pioneering social entrepreneur in Asia who championed collateral-free microloans. He presents social enterprises as a way of generating wealth in low income communities, delivering affordable basic services and providing a platform for addressing previously unsolved issues. Prahalad (2006a) was one of the first to mention the role multinational corporations could play in providing services to low-income markets in developing countries. He proposed that multinationals could view low-income individuals as a new customer segment. Critics of this approach have stressed the need to focus on the development of markets at the bottom segment of the income pyramid (Calton, Werhane, Hartman, & Bevan, 2013; Clyde & Karnani, 2015).

There have been a few academic studies of social enterprises, in the context of developing countries (Elkington & Hartigan, 2008; Mair, Martí, & Ventresca, 2012). In these studies social enterprises are identified as potential mechanisms to address institutional voids (Bornstein, 2007; Geoffrey Desa, 2012; Mair & Marti, 2009; Seelos & Mair, 2005), and as vehicles of emancipation, empowerment and social change (Datta & Gailey, 2012; Haugh & Talwar, 2014). Haugh & Talwar (2014) developed a model of emancipatory social entrepreneurship based on an in-depth case study of a women's cooperative in Gujarat,

India. In the research field of social entrepreneurship, community entrepreneurship and collective entrepreneurship are emerging as field of investigation (Haugh, 2007; Nwankwo, Phillips, & Tracey, 2007; Ratten & Welppe, 2011; Somerville & McElwee, 2011; Paul Tracey, Phillips, & Haugh, 2005; Wallace, 2005). Peredo & Chrisman (2006) proposed community based enterprise as new model for addressing pressing economic and social issues including poverty in rural areas of developing countries (Peredo & Chrisman, 2006). McMullen (2011) suggested *development entrepreneurship* as an alternative to ensure growth in regions suffering from poverty and economic stagnation. While proposing this as a combination of social, institutional, and business entrepreneurship, McMullen asserted that social entrepreneurship was the crucial element. Hence it has been argued that social entrepreneurship activities occur in a diverse set of organizations in several countries of the world.

The academic field of social entrepreneurship is gaining prominence, with special issues of entrepreneurship journals being dedicated to social entrepreneurship and conferences being organized across the world. The *Social Enterprise Journal* was launched in 2008 and *Journal of Social Entrepreneurship* was launched in 2010. Originally started as a research network of European scholars in 1996 funded by the European Union, *the Emergence of Social Enterprise* (EMES) is a pioneer academic consortium on social enterprises in Europe. Since 2013, EMES has opened its membership to researchers across the world. The work of EMES in the past twenty years has been influential in Europe and has been the driving force behind the Social Business Initiative launched by European Commission in 2011. EMES was one of the main organizations responsible for scientific coordination of 'mapping study of social enterprise ecosystems' launched by European Commission. Having presented the history of emergence of the concept of social entrepreneurship, I now present the definitions that I will be utilizing in the context of this study.

As detailed above, social entrepreneurship is a contested concept (Choi & Majumdar, 2014) with contributions from the academic literature on nonprofit management (Young, 1982), public policy (Hjorth, 2013), cooperatives (A. Thomas, 2004), entrepreneurship and business management (Mair, Martí, et al., 2012). This debate is partially due to the history of the concept as outlined in Section 1.2. Hence it is important for researchers to clarify the definitions. As a doctoral candidate in a strategy and entrepreneurship department in a business school, my research study was fundamentally influenced by research on this field by entrepreneurship researchers. As presented in the section above, social entrepreneurship is an activity that could happen in various types of organizations. The following are the definitions which I will explore further in this thesis.

Social enterprise in this thesis is defined as an organization pursuing a social mission while remaining financially self-sustainable.

Organizational social entrepreneurship is defined as a behaviour that can happen in many organizations which involves the pursuit of a social mission.

This thesis aims to explore and address two research gaps in understanding this growing field of research which I will present in detail in the following section.

1.3 Research gaps addressed in the thesis

1.3.1 Marketing in social enterprises

The first research gap addressed in this study is the process of resource mobilization for the market strategy development of a social enterprise. For any organization, resource acquisition is a very important factor during the growth phase (Austin, Stevenson, & Wei-Skillern, 2006), as is marketing (Shaw, 2004), which requires extensive resources. The choice of this research gap was driven by many factors. Despite the existing academic discussions on the role of marketing in the growth of organizations, I was surprised to observe the lack of studies researching marketing in social enterprises as noted by previous researchers (Gogula, 2014; Shaw, 2004). Social enterprises need to market themselves to obtain funding, attract customers and appeal to new members (Kalb, 2015). When multiple organizations are competing for similar resources, marketing can help a social enterprise to differentiate itself (Garton, 2016). This leads to the first research question:

1. How does a social entrepreneur address the resource constraints in the marketing strategy development of a social enterprise?

In this study, this research gap is addressed in the context of the developing world. Social enterprises in developing countries operate in a more resource constrained environment compared to developed countries. They routinely compete with several other organizations for resources including money and skilled work force. In developing countries and in the regional context of Asia, one of the reasons frequently cited as a challenge for growth of social enterprises is the lack of funding. Hence the first research question of this study addressing resource constraints in marketing strategy development is answered in a developing country context.

1.3.2 Measurement of organizational social entrepreneurship

The second research gap this study aims to address is the lack of adequate measurement scales for social entrepreneurship. The legal forms, organizational forms and academic definitions of social enterprises are quite diverse. These have been addressed by theories of entrepreneurship (Lumpkin, Moss, Gras, Kato, & Amezcuca, 2013; Mair & Marti, 2009), public policy (Korosec & Berman, 2006; Teasdale, Kerlin, Young, & In Soh, 2013), sociology (Besharov & Smith,

2012; Pache & Santos, 2011), and nonprofit management (Bagnoli & Megali, 2011; Young & Lecy, 2014). Hence, social entrepreneurship is an organizational behavior that can happen in various types of organizations. Until now, no scales have been developed for measuring the components of the social entrepreneurship behavior occurring in diverse organizational forms. Hence, I was confounded with the question of how to represent such a behavior occurring in diverse organizational forms. This research gap will be addressed by the research question:

2. What are the components of the social entrepreneurship construct?

The second research question can be divided into the following sub-questions:

- a) How can we develop and validate measurement scales for components of the social entrepreneurship construct?
- b) What are the effects of these scale components on the outcome variables?

The second research gap is addressed in the context of developed countries specifically Europe. To understand social entrepreneurial behaviour and its various components, it was necessary to include a diverse set of organizations which call themselves *social enterprises*. The dataset used in this study comprises social enterprises in six different European countries. Europe, with its different laws concerning social entrepreneurship and varied support environments for social enterprises, offers a good setting to learn the broad and diverse concept of social entrepreneurship. In addition, in Europe there are existing list of companies online which are maintained either by national governments, funding agencies or by various support organizations. Most of the European social enterprises have an online presence with contact information of key personnel easily available from the website. Owing to the limitations of the time period for a PhD research, this study has focused on the European context.

The research context and the research gaps addressed here are presented in Figure 1 :

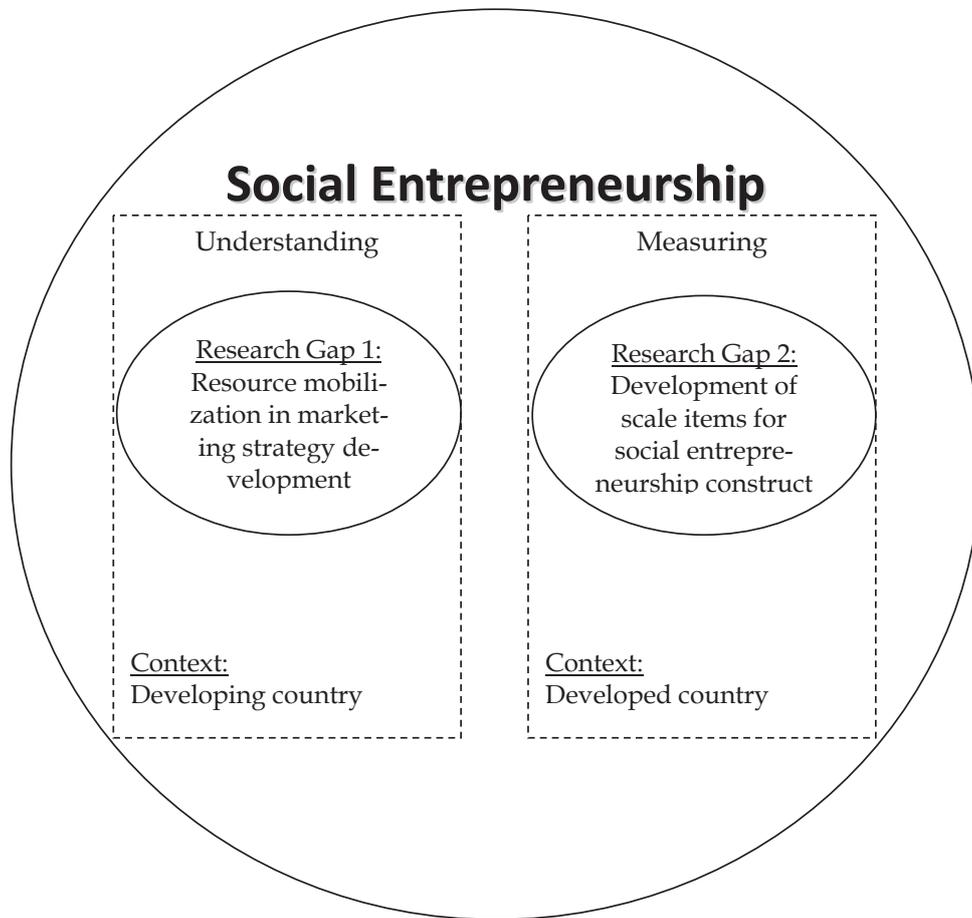


FIGURE 1 Research gaps and the context of this research

As mentioned in section 1.1, this dissertation includes an introductory essay and five articles produced during the research period. In Chapter 2, I present the theoretical background for this study. In Chapter 3, I present the ontology, epistemology and methodology for addressing the research questions of this study. In the final sections of Chapter 3, I present the details of data collected and how the analyses were performed. A summary of the articles in this compilation is presented in Chapter 4. The results and the main contributions of this study are presented in Chapter 5. In this final chapter, I present in detail how the research gaps presented in this chapter were addressed by the study.

2 THEORETICAL BACKGROUND

2.1 Theoretical developments in the field

Social enterprises are defined in the existing literature as organizations which aim to solve societal problems in an innovative and financially self-sustainable way (Seelos & Mair, 2005; Yunus, 2007). Even though such organizations have existed for decades, academics have only been using the term *social enterprise* in the last twenty years (Bacq & Janssen, 2011; Dees, 1998a; Waddock & Post, 1991). Earlier publications in the field have focused on defining the terms social entrepreneurship, social enterprise and social entrepreneur (Austin et al., 2006; Bacq & Janssen, 2011; Mair & Martí, 2006a). Gregory Dees (1998b) produced one of the earliest definitions of a social entrepreneur. *He proposed that ;*

' Social entrepreneurs play the role of change agents in the social sector, by: adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation and learning; acting boldly without being limited by resources currently at hand; and exhibiting heightened accountability to the constituencies served and for the outcomes created. '

The theoretical definitions of social entrepreneurship encompass nonprofit organizations applying business practices and profitable organizations working for social good. One group of researchers emphasize the nonprofit aspect (Weerawardena & Mort, 2006; Young, 1982) while a second group has focused on the self-sustainability and profit generation aspects of social entrepreneurship (Peredo & McLean, 2006; Seelos & Mair, 2005; Yunus, 2007). Meanwhile, a third group has generalized the definition to include both for-profit and nonprofit activities (Austin et al., 2006). Overall the majority of researchers agree that social entrepreneurship is an activity that results in firms which create value to society by applying innovative service delivery models and business delivery platforms (Dacin, Dacin, & Tracey, 2011; Mair & Martí, 2006; Zahra, Gedajlovic,

Neubaum, & Shulman, 2009). The spectrum of organizations described range from charitable organizations to for-profit organizations with a social mission. Legal definitions of social enterprises are in development in various countries, but there is no academic consensus on this as yet (Austin, Stevenson, & Weiskillern, 2006; Dees, 1998; Mair & Martí, 2006; Mair, Robinson, & Hockerts, 2006; Dees & Anderson, 2006; Defourny & Nyssens, 2010; Yunus, Moingeon, & Lehmann-Ortega, 2010). One proposed defining characteristic of social entrepreneurship is hybridity in pursuing financial sustainability and social mission (Doherty et al., 2014).

Nicholls (2010b) asserted that the field is establishing legitimacy by a process of reflexive isomorphism in which certain key players are shaping the institutional logics and narratives. The key players he identified were foundations, fellowship organizations, governments and network organizations. He explained that the first two players aim to legitimize the field by promoting the narratives of heroic entrepreneurs. Examples of active fellowship organizations are Ashoka, Skoll Foundation and UnLtd. The governments focus on business efficiency narratives of social enterprises while the network organizations focus on advocacy and community narratives. Nicholls concluded that currently, the resource abundant players – foundations, fellowship organizations and governments – are succeeding in perpetuating the narratives of heroic entrepreneurs and ideal business models. Nicholls identified the Social Enterprise Initiative by Harvard Business School, Center for Advancement of Social Entrepreneurship, Center for Social Entrepreneurship at the Said Business School and the *Emergence of Social Enterprise* (EMES) research consortium of European universities as the academic pioneers in the efforts to legitimize the field. Other academics analyzed the emerging research field and reviewed the existing literature and presented the future research directions (Defourny & Nyssens, 2006, 2010; Hoogendoorn et al., 2010; Short, Moss, & Lumpkin, 2009a). The following sections present some of the dominant theoretical debates on social entrepreneurship.

2.1.1 Social and financial motives

One of the growing discussions in the field of social entrepreneurship is how to define and differentiate a social enterprise from a profit-seeking enterprise. If even a normal company generates benefits to the society by creating jobs and improving living conditions, what is that which differentiates *social entrepreneurship*? The answer might lie in how entrepreneurship is perceived by the researchers. The theoretical orientations in entrepreneurship discussion can be classified as narrow view and broad view (Bridge, O'Neill, & Cromie, 2009). The narrow view identifies entrepreneurship as an economic phenomenon which involves the process of creating something radically new to address the demands of the market. In this view, entrepreneurship is associated with the prosperity of the individual who provides the risk capital to establish an organization. In the early 19th century, this risk capital was largely comprised of tangible assets. The individual's single objective was personal financial utility, as

described by Adam Smith. Many economic theories are based on the first principle of maximization of utility in the self-interest of an individual. This view can be summarized by famous quote by Milton Friedman (1962, 1970):

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”

In contrast, the broad view identifies entrepreneurship as a societal phenomenon which aims to develop something to meet certain needs (Bjerke & Hultman, 2013). This view addresses the criticism that human beings are more than simply individuals seeking to fulfil utilitarian purposes alone (Sen, 1977). This shift enables the description of a changing society with multidimensional individuals, no longer dominated by the idea of homo economicus. Any individual could have several objectives and interests. The multidimensional nature of human beings requires diverse business models which simultaneously take social and financial motives into account. The broad view of the entrepreneurship presents the multidimensional nature of human beings. Social entrepreneurship falls in the broad-view category since the entrepreneur is not driven by economic gain alone (Yunus, 2007). This broad view could be summarized by the quote from Muhammad Yunus (2010; 2007):

“The truth of the matter is that human beings are actually multi-dimensional beings: All beings have a selfish side. Their happiness comes from many directions, not just from making money. Human beings are selfish beings, but they are selfless beings too. This selfless dimension of human beings has no role in economics.”

“Social business is a complement to traditional profit-maximizing business. Social business takes into account the multidimensional nature of human beings and uses business principles to achieve one or more social goals”

Realizing the importance of the broad view of entrepreneurship in advancing the field, entrepreneurship researchers such as Sheperd (2015) has called for more research into entrepreneurship motivated by other goals besides financial success.

2.1.2 Social mission and social value creation

While talking about differentiating social entrepreneurship from financial entrepreneurship, a concept that is very relevant is *social mission*. Social mission is the term used to represent the motive of the organization towards the improvement of society. Social entrepreneurship has been defined as an action out of compassion (Miller, Grimes, McMullen, & Vogus, 2012). In academic discussions, the centrality of social mission is proposed as the factor differentiating

social enterprises from commercial enterprises (Chell, 2007). Many academics agree that the primary aim of a social enterprise is social value creation (Austin et al., 2006; Chell, 2007; Kroeger & Weber, 2014; Santos, 2012). Battilana and Dorado (2010) argue that social entrepreneurship is a process that combines two institutional logics of mission and profits while simultaneously aiming to creating economic and social value. Azmat, Ferdous and Couchman (2015) argue that social entrepreneurs create value in resource-constrained subsistence markets, resulting in inclusive growth.

One of the most cited paper in this regard is the Austin et al. (2006) paper presenting the concept of social value proposition. Applying the people, context deal and opportunity (PCDO) model (Sahlman, 1999) to social enterprises, Austin et al. (2006) make the case that social value proposition is central to social enterprises. As shown in the FIGURE 2, they identify the components of social enterprises as opportunity, people, capital, social value proposition and context. Opportunity determines the social mission of the organization. It is the need to be addressed due to market failure. The context represents the factors which affect pursuit of social entrepreneurship, but which cannot be controlled by the entrepreneur. These include governmental regulations, tax, demographics, sociocultural and political issues. Since the performance of a social enterprise is measured differently from that of a commercial enterprise, taking into account the social output, this affects their context. The mobilization of human and financial resources is much more difficult in social enterprises owing to the dual mandate of economic and social performance. In the paper they suggest that the compelling issue for a social entrepreneur is whether the resources needed to pursue the opportunity can be mobilized. They argue that the social value proposition is the integrating parameter for all these factors.

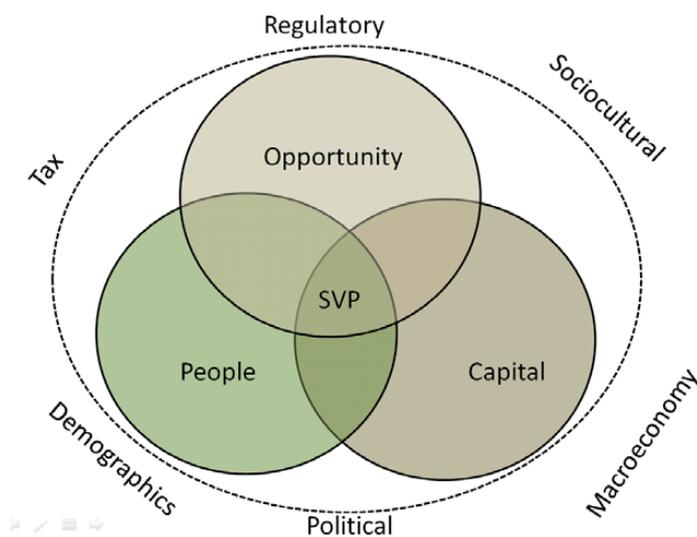


FIGURE 2 The centrality of the social value proposition for a social enterprise (Austin et al., 2006, 17)

2.1.3 Tension between social mission and profit generation logics

Dees (1998a) presented the types of social enterprises based on their organizational goals and key stakeholders. Figure 3 represents the social enterprise spectrum as presented in the paper. In this figure, Dees presents the range of organizations which have been called *social enterprises*. These range from the purely philanthropic to purely commercial. The beneficiaries of a purely philanthropic organization pay nothing while being funded through donations and grants. Their workforce is made up of volunteers and suppliers make in-kind donations. In contrast beneficiaries of the purely commercial organization pay market-rate prices and are funded by market-rate capital. The workforces are given market rate salaries and suppliers are paid market-rate prices. In the middle of the spectrum Dees presents what he calls a mixed motive organization aiming for social and economic value. They are characterized by consumer groups including those who pay nothing and those who pay full market-price. The capital of these organizations might involve mix of donations and market rate capital. They might have volunteers as well as fully paid staff while their suppliers might make in kind donations as well as market rate donations.

Motives, methods and goals		Purely Philanthropic ←————→ Purely commercial		
		Appeal to goodwill Mission driven Social Value	Mixed Motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic Value
Key Stakeholders	Beneficiaries	Pay nothing	Subsidized rates or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Made in-kind donations	Special discounts or mix of in-kind and full-price donations	Market-rate prices

FIGURE 3 The social enterprise spectrum (Dees, 1998a, 54)

As presented in Figure 3, organizations which call themselves as social enterprises represent a spectrum where on the one extreme, there are organizations driven by purely philanthropic goals whereas on the other extreme there are organizations driven by purely commercial goals. The need for social enterprises to address social mission while remaining economically sustainable has been identified in several academic articles (Dees, 2012; Ghosh & Tassel, 2008; Hishigsuren, 2007; Jones, 2007; Mersland & Strøm, 2010). This is a relevant practical concern as well, as social enterprises have to finance themselves in order to differentiate them-selves from charities. Social enterprises have to often balance the demand for efficiency and mission adherence as suggested by previous researchers (Miller

et al., 2012; Miller & Wesley II, 2010). Miller et al. (2012) suggest that there are pragmatic and moral bases for the increased legitimacy of social enterprises. Pragmatic legitimacy focuses on effectiveness in meeting goals. It is driven by resource providers' demands for greater accountability and for-profit organizations competing for similar resources. Moral legitimacy is based on the values prevalent in society. It is driven by the demand for better solutions to social problems and a bandwagon effect caused by excessive exposure and promotion of social entrepreneurs by the media (Miller et al., 2012). Hence in every social enterprise there is an ongoing tension between being more efficient and solving social problems. One of the ongoing debates in social entrepreneurship literature is how do organizations reconcile the motive of social value creation with the motive of economic value creation.

A key contribution to this debate is the work of Gregory Dees (2012), who explained the need to reconcile the conflicting logics of charity and problem solving. He elaborated that charity is a virtue while problem solving is a skill. Social entrepreneurship is an art that involves combining these two conflicting logics. Reflecting on the dual tension between social impact generation and earned income generation, Santos (2012) proposed that, instead of focusing on social and economic value creation, academics should consider the difference between value creation and value appropriation. His argument was that social entrepreneurs are more focused on value creation and commercial entrepreneurs are more focused on value appropriation. *Value creation* is defined on the social level while value appropriation is based on the organizational level. Value creation occurs when the utility of an activity increases in a society after accounting for the resources used for it. Social enterprises aim to create a sustainable solution to a problem, using a combination of the available institutional instruments to produce the best results. In contrast, commercial enterprises attempt to maximize *value appropriation* to generate sustainable advantage for the firm. Value appropriation occurs when the central actor is able to obtain part of the value created after accounting for the cost of resource mobilization (Mizik & Jacobson, 2003).

2.1.4 Social entrepreneurial organizations as hybrids

In order to address the issue of existence of dual goals of social value creation and profit generations in social entrepreneurship, the concept of *hybridity* has been utilized in academia. Doherty et al. (2014, pp.418) define hybrid organizational forms as "structures and practices that allow the coexistence of values and artefacts from two or more categories". According to Battilana and Lee (2014, pp. 400) "hybrids are not de novo objects composed entirely anew, but are rather inter alia, objects composed through the recombination of existing elements". They proposed that hybridity can exist in an organization in three ways; as a combination of multiple organizational identities, forms, or logics. Logics are defined at societal level and, when they are legitimized, provide the material through which organizational forms develop and propagate. After gaining legitimacy, the forms provide the content from which organizational

elements can be developed. The concept of hybridity acknowledges the inherent tensions in social enterprises, which seek to negotiate both social and financial objectives (Battilana & Lee, 2014), combining two conflicting logics in one organization (Battilana & Dorado, 2010; Battilana, Lee, Walker, & Dorsey, 2012; Brandsen & Karré, 2011; Brandsen, van de Donk, & Putters, 2005; Evers, 2005; Haigh & Hoffman, 2012; Hockerts, 2015a; Pache & Santos, 2011, 2010). Battilana and Lee (2014) recognized hybridity in the core organizational activities, workforce composition, organizational design, inter-organizational relationships and organizational culture of a social enterprise.

In their in-depth analysis of four work integration social enterprises (WIS-Es) in France, Pache and Santos (2013) identified the conflicting institutional logics as *social welfare logic* and *commercial logic*. They asserted that organizations that had founding partners from business sector focused on social welfare logic while organizations that had founding partners from the social sector combined social welfare and commercial logics. Furthermore, Pache and Santos (2013) proposed that when faced with conflicting institutional logics, social enterprises perform selective coupling which involves incorporating elements of both logics. Battilana et al. (2015) acknowledge that there is constant tension between social imprinting, which they termed as the founders' commitment to organizational social mission, and economic productivity of the organization. They proposed that one way to address this tension is to organize social and economic activities in separate groups and to provide *spaces of negotiation* between the groups.

There is a continual threat that the focus will shift from social mission to profit when a social entrepreneur develops efficient business models (Bacq, Hartog, & Hoogendoorn, 2014; Cornforth, 2014). The existence of conflicting logics in social enterprises can lead to mission drift. Mission drift happens when a social enterprises sacrifices its social objectives to attain better financial results (Cornforth, 2014; Ebrahim, Battilana, & Mair, 2014; Eikenberry & Kluver, 2004; Mersland & Strøm, 2010; Ramus & Vaccaro, 2014). Hence, previous authors have argued that social enterprises need a hybrid governance to balance competing social and commercial logic and manage the tension between the logics (Bruneel, Moray, Stevens, & Fassin, 2016). Furthermore, looking at the existing literature it is clear that a social enterprise should have mainly three component logics, social, commercial and finally governance to manage the conflict between the conflicting logics. Having presented the current theoretical developments of the field, I will now go on to present the gaps in the existing research which led to my research questions. In the section 2.2 in this chapter, I will focus on the research gap that led to the first research question. Following that in the section 2.3, I will focus on the research gap that led to the second research question.

2.2 Resource constraints in the marketing strategy development of a social enterprise

As mentioned in section 1.3, the first research gap addressed in this study involves resource constraints in the marketing strategy development of a social enterprise. In the following sub-sections, I present why this is an important research gap to be addressed.

2.2.1 Mechanism to address resource constraints in social enterprises

Penrose identified the *firm* as a collection of productive resources which are utilized based on its administrators' decisions. She found that growth of the firm is limited by three aspects; managerial ability or internal factors, markets, which is an external factor, and uncertainty (Penrose, 1956). Previous researchers have tried to understand the role of resources in the growth process of a profit-based enterprise (McKelvie & Wiklund, 2010). Barney (1991) proposed that a firm could maintain competitive advantage by utilizing resources which are valuable, rare, imperfectly imitable and non-substitutable.

In contrast to traditional companies, for whom profit maximization is the main objective, social enterprises aim to have a greater social impact. Since their priority is the solution to the social problem, many social entrepreneurs allow others to copy their socially innovative ideas instead of aiming to maintain competitive advantage (Santos, 2012; Zeyen et al., 2012). Social entrepreneurs are also considered managers of resources which are in short supply (Chell, 2007). Austin, Stevenson & Wei-Skillern (2006) proposed people, context, opportunity and the deal as components that social entrepreneurs must manage, in which they differ from commercial entrepreneurs. They mentioned resource constraints as an important issue that social entrepreneurs have to deal with in terms of context. Since there is less emphasis on profits and value captured for shareholders, social enterprises find it difficult to secure funding and other resources to enable development. Austin et al (2006) elaborated on this to argue that the unique characteristics of social entrepreneurs make it more difficult for them to obtain the best human, financial and other resources.

Listing the eight major research streams emerging in the field of social entrepreneurship, Helen Haugh (Haugh, 2005) proposed resource acquisition as well as training and education as the two key areas to be explored in more detail. Dacin et al. (2010) proposed that a greater understanding of external resource constraints needed to be developed, since social entrepreneurs will employ creative methods to tap into external resources in order to launch a venture. These include relational, cultural and institutional resources. They recommended focusing on how social entrepreneurs acquire, mobilize and bundle resources. In addition, Doherty et al. (2014) proposed investigating how the resource requirements of social enterprises are met. Mair (2010, p. 20) proposed that social entrepreneurial action could be explained by resourcefulness and

bricolage. Bricolage is considered an appropriate mechanism for social entrepreneurs to survive and succeed (Azmat et al., 2015; Di Domenico, Haugh, & Tracey, 2010a; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Bricolage in an organization is proposed to be *driven by the pursuit of existing and often scarce resources that can be recombined to create novel and interesting solutions of value that affect their respective markets* (Gundry, Kickul, Griffiths, & Bacq, 2011; Kickul, Griffiths, & Gundry, 2010, p. 232).

Based on an analysis of 202 ventures, Desa (2012) discovered that when social enterprises are subjected to normative, regulative or cognitive institutional pressures, they tend to resort to bricolage. He proposed bricolage as a mechanism used by social entrepreneurs for bringing about institutional transformation. Comparing the breadth and depth scaling stories of two social enterprises in rural India, Desa and Koch (2014), found that resource mobilization of social enterprises can come either from bricolage or goals-based acquisition. Di Domenico et al. (2010b) identified the distinct concept of *social bricolage* in a case study of eight UK based social enterprises. In addition to the bricolage constructs (Strauss, 1966; Baker & Nelson, 2005) of making do, refusal to be constrained by limitations and persuasion, social bricolage was found to include the additional constructs of social value creation, stakeholder participation and persuasion. As a future research avenue, the authors called for further research into how bricolage functions in national contexts other than the UK (Di Domenico et al., 2010b, p. 700).

Although social enterprises are new forms of organizations worldwide (Kerlin, 2009; Short et al., 2009a), the existing research has mainly been conducted in the USA and the UK. In their literature review of 152 articles on social entrepreneurship, Short et al. (2009a) found that only 35% of articles accounted for cases outside these two contexts. In addition, in their 2014 review of 129 articles focusing on hybridity of social enterprises, Doherty et al. (2014) found that only 16.2% of all studies focused on cases outside USA and UK. This is surprising considering that social enterprises are proposed as a replacement for traditional development aid and charity in several parts of the world, especially in developing countries. Maria Dacanay (2012) analyzed the role of social enterprises in addressing poverty and engaging lower-income individuals in the Philippines. Based on cross-case analysis and in-depth data analysis of six social enterprises she developed three models of stakeholder engagement, namely control, collaboration and empowerment. She also stated that developing countries are under-represented in the existing literature on social entrepreneurship. Through research question 1 in Section 1.3, this thesis takes up the challenge, analyzing the process of addressing resource constraints in the development of a social enterprise in the context of a developing country.

2.2.2 Marketing in social enterprises

Although there has been research which looks into how social entrepreneurs behave in resource constraints as detailed in section 2.1.1, I was curious to ob-

serve that there has not been much research into the marketing management of social enterprises (Gogula, 2014; Shaw, 2004).

According to the definition by the American Marketing Association:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (AMA, 2013).

Barney argued that scholars of marketing could provide valuable insights into the evolution of complex resources in a resource based theory by studying the development of a company brand (Barney, 2014). In their classic article on broadening the concept of marketing, Kotler and Levy (1969) argue that marketing is a pervasive societal activity that goes beyond selling of toothpaste, soap and steel. They argued that non-business organizations will also need marketing to reach out to their customers and inform them about products, services and ideas being offered. In addition, they argued that marketing had a significant role to play in these organizations in product development, pricing, distribution and communication. In the paper they argued the purpose of marketing as *servicing and satisfying human needs*. The central argument of the paper was that marketing could be used as a communication tool which helps the organizations which works for social good to develop products that meet customer needs, contrary to the popular discussion that marketing meant selling goods. Yorker (1984) argued that non-profit organizations need to understand the importance of the role of marketing considering the pressure by local governments to produce results and to generate growth. In a similar line, Katz (2005) argued that non-business organizations need to focus on marketing themselves effectively in order to differentiate themselves in an operating environment characterized by competition. Hence the study of marketing strategy development in social enterprises has a huge practical and research relevance.

Social entrepreneurs have been seen to play a significant role in assembling the resources needed to address market opportunities, even in resource constrained subsistence markets (Azmat et al., 2015; Linna, 2013). One possibility for social entrepreneurial start up could be to use entrepreneurial marketing techniques for developing their marketing strategy. Entrepreneurial marketing (Bjerke & Hultman, 2002; Hills & Hultman, 2006) is defined as *the process of marketing in the start-ups and new ventures*. It can also include innovative mechanisms used by big companies (Phelps, Lewis, Mobilio, Perry, & Raman, 2004). Some studies have been conducted recently in the area of crowdfunding as a way to obtain resources for marketing (Dushnitsky, Guerini, Piva, & Rossi-Lamastra, 2016).

Few of the existing studies which have been analyzing marketing activities of social enterprises are summarized below. Based on an explorative study with interviews of 80 individuals working with social enterprises in the UK, Shaw (2004) concluded that social enterprises engage in entrepreneurial marketing techniques and proposed the differences between marketing of commer-

cial enterprises and social enterprises. Liu et al. (2015a) carried out a quantitative study comparing the effect of marketing capabilities on the economic and social performance of social enterprises in Japan and the UK. They concluded that only some marketing capabilities had positive effect on economic and social performance, and therefore indicated that marketing capabilities should be selected carefully. Newbert (2012) studied the adoption of best marketing practices by social entrepreneurs using Panel Study of Entrepreneurial Dynamics II (PSED II).

In their analysis to understand whether marketing activities in a social enterprise result in an organization that is financially sustainable, Powell & Osborne (2015) argued that social enterprises were unwilling to accept marketing as an essential organizational function. Their analysis found out that this was partly due to belief that marketing contributed to the commercial logic of the organization and will lead to undermining of social value creation. They argued in the paper that viewing marketing as a service dominant logic in social enterprises results in the financial sustainability of the organization. However, until now there has not been any study of the process of developing a marketing strategy in a social enterprise. This is surprising as even as early as 1969, marketing researchers have called for expanding the meaning of marketing (Kotler & Levy, 1969). The lack of existing studies which explore the question of resource constraints in marketing strategy development of a social enterprise has led to my first research question as mentioned in section 1.3.1:

1. How does a social entrepreneur address the resource constraints in the marketing strategy development of a social enterprise?

Thus this research question aims to combine two existing research gaps of resource constraints and marketing strategy development in social enterprises as detailed in previous sections.

2.3 Need for measurable construct development for social entrepreneurship

As detailed in section 1.3.2, the second research gap addressed in this study involves the development of a scale to measure the components of social entrepreneurship.

2.3.1 Expanding beyond the battle of definitions and typologies

In their extensive review of 72 articles published in top journals on social entrepreneurship over two decades, Short and colleagues (Short et al., 2009a) identified many more conceptual than empirical articles. They stressed the need for multivariate quantitative studies to complement the existing conceptual and

case studies in order to advance the field (Short et al., 2009a). Based on an analysis of 31 empirical articles, Hoogendoorn and colleagues defined four schools of thought in social entrepreneurship research namely; the Social Innovation School and the Enterprise School in the USA, the EMES School in Europe and the UK approach. They proposed research opportunities and potential topics across the four schools of thought (Hoogendoorn et al., 2010). Bacq and Janssen (2011) analyzed the existing literature in a similar way, comparing the first three of these schools in terms of individual, process and organization. They identified three promising future research avenues, namely the role of environment, geographical analysis of different approaches to social enterprise in Europe and the tensions between social mission and market (Bacq & Janssen, 2011).

After analyzing the 37 existing definitions of social entrepreneurship and social entrepreneurs and comparing social entrepreneurs with conventional, institutional and cultural entrepreneurs, Dacin and colleagues also suggested possibilities for further investigation (Dacin et al., 2010). They proposed considering social entrepreneurship as a context in which entrepreneurs execute their activities. A further 129 articles on social entrepreneurship which refer to hybridity were also analyzed (Doherty et al., 2014). These authors proposed four research questions on institutional frameworks and contexts, competitive advantage, resources and management of tensions in value systems. Another literature review of 216 articles on social enterprises (Battilana & Lee, 2014) developed the concept of hybrid organizing. The above findings are summarized in Table 1.

TABLE 1 Overview of literature reviews in the field of social entrepreneurship

Authors	Review focus	Results and Suggestions
Short, Moss, & Lumpkin, 2009	Social entrepreneurship in management and entrepreneurship journals.	Stresses the need for more quantitative studies; implications for theory building, testing and multidisciplinary approaches to address future research gaps.
Hoogendoorn, Pennings & Thurik, 2009	Comparison of various schools of thought in the USA and UK.	Conceptual framework with four schools of thought: Social Innovation School, Enterprise School, EMES school and UK approach.
(Dacin et al., 2010)	Analysis of existing definitions.	Examines overlaps between social entrepreneurship and the constructs of institutional, cultural and conventional entrepreneurship. Suggests resources, tensions underlying change and entrepreneurial failure as future research avenues.
Bacq & Janssen, 2011	Analysis of definitions to arrive at an overall definition, combining EMES and American pers-	Definitions for social entrepreneur, social enterprise from the individual, process and organizational perspective; possibility of theoretical framework development using institutional theories

	pectives.	; need to address tensions between markets and social mission requirements and variety of social enterprises in different European countries.
Doherty, Haugh & Lyon, 2014	Social enterprise, community enterprise, social ventures and social entrepreneurship focusing on references to hybridity.	Based on the framework of Austin et al. (2006), analyzing effect of hybridity on social mission, financial and human resources. Four research questions: Institutional frameworks and contexts; competitive advantage; resources; management of tensions in value systems.
Battilana & Lee, 2014	Literature review in terms of hybridity.	Development of the concept of hybrid organizing.

From these literature reviews, we could see that social entrepreneurial activity has been defined differently and the research covers diverse organizational forms. In their analysis of the emergence and decline of the construct of organizational effectiveness, Hirsch and Levin (1999) present the duel between what they call *umbrella advocates* and *validity police*. The *umbrella advocates* argue for broader perspectives on constructs to keep the field relevant to the complexities of the real world. In contrast, the *validity police* want to maintain a narrower perspective to ensure validity, reliability and scientific standards. The two groups are particularly at odds over idea of what they call as *the umbrella construct*. Hirsch and Levin define *umbrella construct* as “a broad concept or idea used loosely to encompass and account for a set of diverse phenomena” (Hirsch & Levin, 1999, pp.200).

Considering the diversity of ways in which social entrepreneurship is conceptualized by academics across disciplines and geographical areas, it can be understood as an umbrella construct. Besides academics, UK public policy officials and regulatory bodies also have a very broad definition of what constitute social enterprises (Teasdale, 2012; Teasdale, Lyon, et al., 2013). In cases where theoretical agreement cannot be reached, researchers tend to link together several elements. Hirsch and Levin propose that all umbrella constructs pass through an emerging excitement phase where the construct is quoted widely until its validity is questioned by the validity police. In the final stage of development, researchers make the construct consistent, reach an agreement that it is a broad construct and decide on typologies to explain it further. If no consensus is reached at this point, the construct will collapse. All that will remain are its component elements (Hirsch & Levin, 1999). Figure 4 represents the stages of development process of umbrella constructs (Hirsch & Levin, 1999)

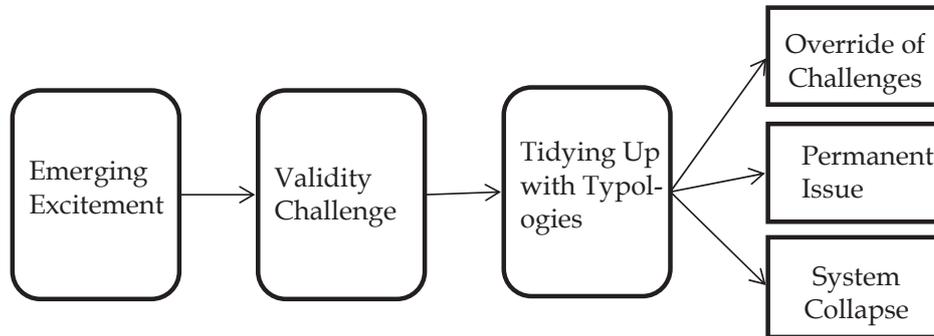


FIGURE 4 Process of umbrella constructs (Hirsch & Levin, 1999, 205)

Earlier research into social entrepreneurship was characterized by case descriptions, case studies and conceptual discussions. After more than two decades of inquiry, it is now time for large-scale empirical studies. Short et al. (2009) stressed that multivariate techniques should be used for these. Only 16 of the 152 studies they reviewed, or just 10.5%, used quantitative methods, and only three articles had testable hypotheses, accounting for less than 2% of the total number of articles in the review. Figure 5 presents their analysis. Short and colleagues suggested that the dearth of predictive studies is due to the lack of a clear definition of the constructs related to social enterprises. They called for research frameworks that could be generalized over the broad spectrum of types of social enterprises and tested with meticulous research methods. Another literature review of 31 empirical research studies (Hoogendoorn et al., 2010) found only 4 which were quantitative. The authors asserted that quantitative research had the potential to advance the field, which has been dominated by conceptual exploration for two decades. Five years after the above study was published the situation had started to change. Based on an extensive review of the existing literature on social entrepreneurship (Doherty et al., 2014) found that only 15% of studies published were quantitative. This is nevertheless an increase compared to the 2009 figure of 10.5%.

Conceptual articles (N = 80)	Count (out of 80)
Purpose	
Descriptive	30 of 80 (38%)
Explanatory	44 of 80 (55%)
Predictive	6 of 80 (7%)
Use of formal propositions	6 of 80 (8%)
Empirical articles (N = 72)	Count (out of 72)
Use of formal propositions or hypotheses	6 of 72 (8%)
Qualitative methods^a total	
Case study	43 of 72 (60%)
Grounded theory	8 of 72 (11%)
Discourse analysis	2 of 72 (3%)
Interpretive	1 of 72 (2%)
Quantitative methods^a total	
Descriptive statistics	14 of 72 (19%)
Correlations	6 of 72 (8%)
Regression	2 of 72 (3%)
SEM	2 of 72 (3%)
T-tests	1 of 72 (2%)
Ranking	1 of 72 (2%)
Cluster analysis	1 of 72 (2%)
Method not specified ^a total	3 of 72 (4%)
Data collection^a	
Interviews	49 of 72 (68%)
Secondary data	21 of 72 (29%)
Surveys	16 of 72 (22%)
Observation	10 of 72 (14%)
Source not specified	11 of 72 (15%)

FIGURE 5 Analysis of published papers on social entrepreneurship (Short et al., 2009, 165)

Some of the studies in social entrepreneurship which used quantitative methodological approaches are presented below. In their exploratory study Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds (2010) analyzed 70 social ventures run by entrepreneurs who were selected as Ashoka fellows. Mair, Batilana & Cardenas (2012) performed a cluster analysis of 202 social entrepreneurial organizations funded by the Ashoka and Schwab foundations. Hockerts (2015b, 2017) developed and validated a scale for the four antecedents of social entrepreneurial behavior and tested the Mair and Noboa (2006) model of social entrepreneurial intentions. One comparison of marketing capabilities of social enterprises in the UK and Japan (Liu et al., 2015a) includes only social enterprises involved in trading activities. Studying the role of governance in hybrid social enterprises, Mair, Mayer and Lutz (2015) used data of 70 entrepreneurs who were selected as fellows by the Schwab Foundation. Stevens, Moray & Bruneel (2015) studied social and economic mission using a sample of 270 WIS-

Es and cooperatives in Belgium. Battilana et al. (2015) analyzed the effect of social imprinting and economic productivity using panel data of WISEs in France.

As mentioned in the section above, the terms *social enterprise* and *social entrepreneurship* encompass a range of organizations and range of activities. It has all the aspects of an umbrella construct where academics from the fields of entrepreneurship, public policy, social sciences, third sector, management and business would like to include more definitions for the construct and make it broader. Based on this, I argue that in order for the construct of social entrepreneurship to survive, academics in the field need to conceptualize its heterogeneity clearly. Despite of this, none of the quantitative studies in the field have used samples which embrace the heterogeneity of this construct. Hence it is crucial to develop a construct embracing this heterogeneity to develop the field further.

2.3.2 Dimensions of social entrepreneurship construct

Looking at the abundance of definitions for social entrepreneurship and diversity of organizations in which the phenomenon exists, I argue hereby that social entrepreneurship is an organizational behaviour that can happen across various types of organizations and there is need to measure the characteristics of this construct. In mathematics, *dimension* is defined as *number of coordinates needed to specify a point on the object* (Weisstein, 2016). Social entrepreneurship is an activity that involves balancing of social ambition with income generation activity to ensure financial sustainability. A social enterprise can have a higher or lower focus on social ambition and earned income. Previous studies have argued that this balancing is performed by including a governance component in the organizations (Battilana et al., 2015; Dorado & Shaffer, 2011; Low, 2006; Mair et al., 2015).

Going about in this direction, I argue that any social entrepreneurial activity consists of three dimensions of social innovation, earned income and governance. I argue that social innovation, earned income and governance are three dimensions representing an organization practicing social entrepreneurship as presented in Figure 6. Although a social entrepreneurial organization can have a higher emphasis on any of the three dimensions, the presence of these three in varying degrees is necessary for the process to thrive. An organization practicing social entrepreneurship can fall anywhere in this three dimensional space.

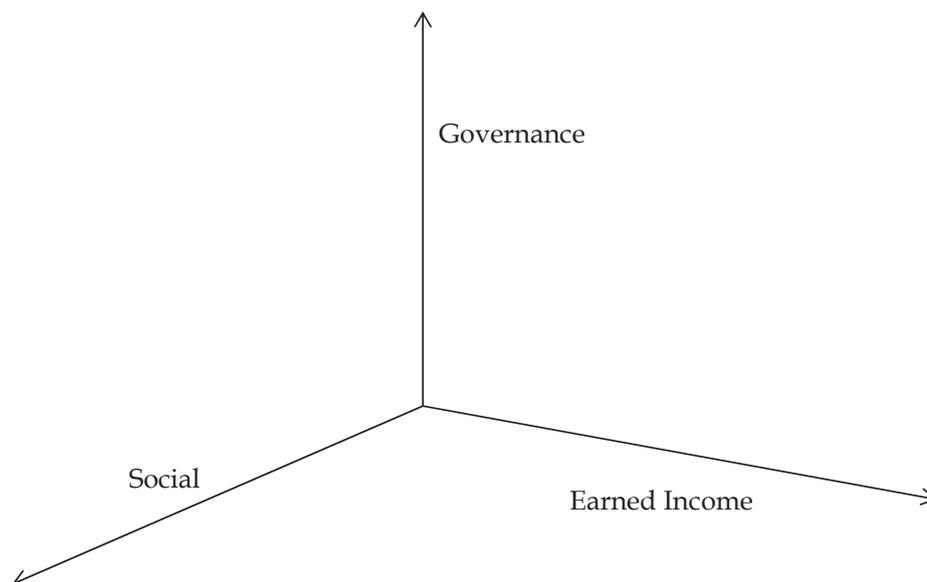


FIGURE 6 The three dimensions of social entrepreneurial activity in organizations

In the following sections, I have presented three dimensions namely social dimension, earned income dimension and governance dimension based on the dominant discussions in the field. While developing a construct to measure the components of social entrepreneurship, these ongoing academic debates were taken into account.

Social dimension

This dimension focuses on the centrality of social value creation in an organization involved in social entrepreneurial activity (Austin et al., 2006; Mair & Martí, 2006b). Dees and Anderson (2006) in their seminal paper presented the two categories of thought in social entrepreneurship. The first school was termed a *social innovation* which aims at transformation of a sector into more socially and environmentally sustainable. The main aim of organizations strong in this component is to create a solution to a widespread problem which has not been addressed before (Bornstein, 2007; Bornstein & Davis, 2010; Drayton, 2006). The primary goal of founders of such organizations is for the innovation to be applied on a global scale. Profit generation is not at all a major criterion for them and they are generally happy for others to copy their ideas. The central actors in these organizations are the entrepreneurs themselves and they tend to belong to the *social innovation school* (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn et al., 2010). These organizations aim to scale up by the replication of their model by other actors (Austin et al., 2006, p. 8; Lyon & Fernandez,

2012). In other words, they want to create a global systemic change in the way the social issue is addressed (Hockerts, 2006, 2010).

Zahra, Gedajlovic, Neubaum, and Shulman (2009) classified social entrepreneurs as social bricoleurs, social constructionists and social engineers. *Social bricoleurs* are entrepreneurs who act on opportunities arising out of specific local knowledge following the approach taken by Hayek (Hayek, 1945; Sarasvathy, Dew, Velamuri, Venkataraman, & Velamuri, 2010) and develop local improvised solutions. *Social constructionists* aim to address broader social problems by creating scalable solutions. They develop organizations to address issues not served by the existing institutions (Kirzner, 1973). *Social engineers* aim to provide disruptive innovations by addressing a problem that needs new systems across countries (Christensen, Baumann, Ruggles, & Sadtler, 2006; Waddock & Post, 1991). They tend to question the existing institutions, and hence might encounter issues with legitimacy (Schumpeter, 1951). All three classifications made by Zahra et al. (2009) are actors who are strong in the social innovation component to varying degrees.

Examples of the organizations strong in the social dimension are those which were started by individuals selected by foundations supporting social entrepreneurial activity. For instance, the Ashoka Foundation, Schwab Foundation and Skoll Foundation select and support individuals with ideas that aim to solve a social problem and create a transformation in the system. Another example are organizations that exist in informal economies where government and market based actors have failed to provide basic solutions. These organizations aim to fill institutional voids (Mair & Marti, 2009; Prahalad, 2006b; Seelos & Mair, 2005., 2007). An example could be the microfinance concept developed by Muhammad Yunus.

Earned income dimension

Social entrepreneurship as a phenomenon tends to differentiate itself from the nonprofit and charity activities with the fact that the organizations practicing social entrepreneurship have financial sustainability. The dimension of *earned income* is strong in organizations which belong to charity and non-profit sector which are reinventing themselves to be financially sustainable. They sell goods and provide services in order to generate an income to support their primary social goal (Dees, Emerson, & Economy, 2001). The organizations which practice organizational social entrepreneurship with a strong earned income dimension are more prevalent in the United States where traditional nonprofits are forced to find new forms of revenue to tackle reduction in donations and number of donors (Emerson, Dees, Letts, & Skloot, 1999; Skloot, 1983). In addition, it is also common in developing countries where non-governmental organizations (NGOs) are looking for new resources to become financially self-sustainable.

One example of organizations strong in earned income dimension are the work integration social enterprises (WISE) in Europe. WISEs were established to combat increasing unemployment in developed countries. Their aim is to provide work for people who are unemployed longer-term and provide them

with training to reintegrate them into the labor market. With their work in the WISEs they provide goods and services which are then sold at market prices. This is the most common social entrepreneurial organizational form in Western European countries (Bode, Evers, & Schulz, 2006; Defourny & Nyssens, 2008; Hulgård, 2004; Janelle A. Kerlin, 2010; Spear & Bidet, 2005).

Governance dimension

This dimension of organizational social entrepreneurship is essential for balancing the social dimension and earned income dimension. Previous researchers have called this dimension *hybrid governance* (Bruneel et al., 2016), *spaces of negotiation* (Battilana et al., 2015) and *governance* (Defourny & Nyssens, 2010; Mair et al., 2015). As detailed in section 2.1.4 in previous research, this has been identified as a crucial component in organizations involved in the social entrepreneurial activity. Defourny and Nyssens (2010) in their paper presenting the EMES school of thought presented the need for the organization to have democracy and autonomy to remain truthful to the social mission.

This category also includes organizations in which a group of individuals or sectors cooperate to address a particular social issue (Montgomery, Dacin, & Dacin, 2012). Collective social enterprises are driven centrally by a social mission and are characterized by high democratic participation of the members and organizational autonomy. In many of these organizations, decision-making power is equally distributed irrespective of ownership (Defourny & Nyssens, 2006, 2010). They differ from some organizations strong in social dimension in that, instead of a single entrepreneur, a group is involved in the decision making process regarding the development of the organization (Spear, 2006). When we analyze the various organizational forms that practice social entrepreneurship, the group that is strong in the democratic governance dimension could be those in the cooperative sector in Europe. The first example of organizations such as cooperatives involve individuals working for their mutual social and economic gain by developing a democratically controlled business (Borzaga & Defourny, 2001; International Co-operative Alliance, 2016; Thomas, 2004). These organizations are very common in Europe and in developing countries. The second example is community-based ventures (Haugh, 2007; Montgomery et al., 2012; Peredo & Chrisman, 2006).

This argument leads to the second research question addressed through this research study which is:

2. What are the components of the social entrepreneurship construct?

The development of a construct requires creation and validation of measurement scales for the components. Naturally this process leads to two sub questions from this main research question:

- a) How can we develop and validate measurement scales for components of the social entrepreneurship construct?
- b) What are the effects of these scale components on the outcome variables?

In this study I argue that since social entrepreneurship is a theoretical concept integrating multiple logics it must be modelled as a multidimensional construct. Furthermore, since the components of social entrepreneurship do not change along with the construct I argue that it should be modelled as an aggregate construct. The details about the modelling of multidimensional constructs are given in the following section.

2.3.3 Modelling multidimensional construct

In management and in social sciences, it is quite common to represent abstract concepts which cannot be measured directly, with measurement scales containing multiple indicators. The measurement items are termed as *indicators* while the abstract concept which the items measure is termed as a *construct* (DeVellis, 2012; Hair, Black, Babin, & Anderson, 2009). A construct representing a theoretical concept could be either unidimensional or multidimensional. Multidimensional constructs are constructs which has more than one dimension (Petter, Straub, & Rai, 2007) Law, Wong and Mobley (1998), in their paper for developing a taxonomy of multidimensional constructs defines that a construct is considered as *multidimensional when it consists of a number of interrelated attributes or dimensions and exists in multidimensional domains*. Depending on relational level and relational form between indicators and the construct, the model can be termed as *latent*, *aggregate* or *profile* (Law et al., 1998). According to Edwards (2001) multidimensional modelling is used to present several dimensions of a single theoretical concept

In a statistical modelling software, measurement models can be either formative or reflective (Edwards & Bagozzi, 2000) . Each dimension of a multidimensional construct could be modelled as formative or reflective. In a reflective model the construct is represented by the indicators reflectively. This means the central assumption is that a change in the latent construct brings about simultaneous changes in the indicators. Hence the indicators are reflective of the latent construct (Bollen, 1989). In contrast, a formative model represents a composite variable composed of independent variables. In this model a change in the indicator results in a corresponding change in the construct. Hence in practice, a latent multidimensional model proposed by Law et. al (1998) is represented as reflective and an aggregate multidimensional model of the taxonomy proposed by Law et. al (1998) is represented as formative.

In the case of a reflective construct, there is a high correlation between the indicators that represents the construct. The left side of Figure 7 represents a construct modelled as reflective while the right side of the Figure 7 represents a construct modelled as formative. As indicated by the figure, the direction of causality is different in a construct modeled as formative and reflective.

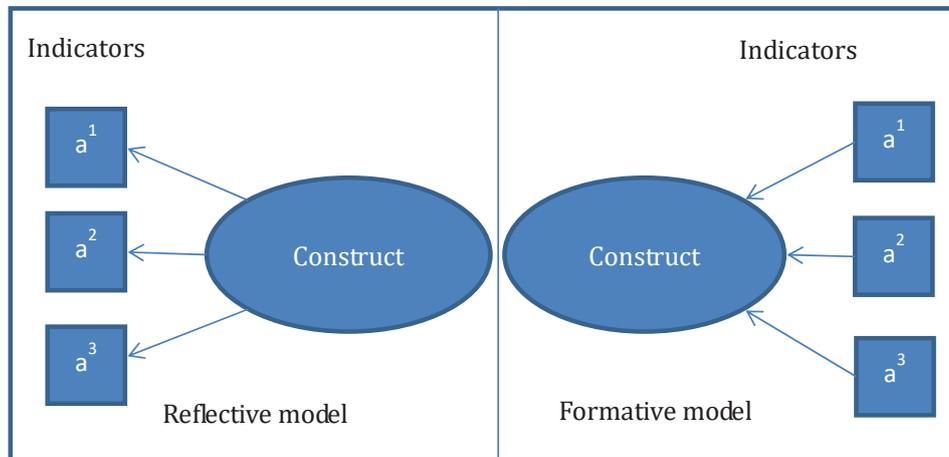


FIGURE 7 Formative and reflective models

Most of the measurement scales for the latent constructs in management field are developed using a reflective model. However, a reflective construct is not useful for explaining some of the concepts in management and organizational behavior. The indicators of many organizational concepts do not reflect but rather form the latent construct. Formative modelling can be used to represent an aggregate multidimensional construct (Bollen & Lennox, 1991; Diamantopoulos & Winklhofer, 2001; MacKenzie, Podsakoff, & Jarvis, 2005; Mackenzie, Podsakoff & Podsakoff, 2011). Scholars involved in developing scale items to measure the constructs of entrepreneurial effectuation (Chandler, DeTienne, McKelvie, & Mumford, 2011) and entrepreneurial passion (Cardon, Gregoire, Stevens, & Patel, 2013) conceptualized these as formative. Having presented the theoretical framework guiding the research study in this chapter, in the next chapter I present the methodology that was used for answering the research questions.

3 METHODOLOGY

In this chapter, I present the ontology, epistemology and methodology that guided this research study. In the final section of the chapter, I present the details of methods used and the data collected for this study.

3.1 Ontology & Epistemology

Many analyses of ontology and epistemology in social science research draw on the classic study of *Sociological Paradigms and Organisational Analysis* by Burrell and Morgan (1982). The authors propose four dimensions of debate in the social science research arena. The primary debate is an ontological one which concerns the nature of the phenomena being researched. A researcher with a nominalist ontological view assumes that the social world external to the individual is made up of names and concepts used to structure reality. In contrast, the realist perspective assumes the social world external to individual cognition as a real world made up of tangible, concrete structures. The secondary debate is about epistemology, which concerns how the individual understands the world and communicates it to fellow individuals. A positivist researcher searches for commonalities and causal relationships to explain and predict social realities. An anti-positivist, however, perceives knowledge as relativist and believes that understanding is generated from the inside. The tertiary debate concerns human nature. The determinist view posits that the environment determines the actions of a human being whereas the voluntarist view deduces that human beings are autonomous. The fourth and final debate is on the level of methodologies. The ideographic perspective focuses on the importance of firsthand knowledge of the subject under investigation and analysis of subjective accounts. In contrast, the nomothetic approach emphasizes the importance of structured methods and techniques for obtaining knowledge (Burrell & Morgan, 1982).

Based on the nature of scientific assumptions of subjectivity versus objectivity and of social assumptions of regulation versus radical change, Burrell and Morgan identify four paradigms for analyzing social theory, as outlined below. The four paradigms provide a way of mapping theorists' intellectual journeys and a means of identifying the similarities and differences between different theorists (Burrell & Morgan, 1982). The paradigms also create a structure for new researchers to position their own preferences and to identify their frame of reference. According to Kuhn (Kuhn, 1970), paradigms represent the shared assumptions of a group of scientists exploring a domain. Paradigm represents a world view which bridges ontology, epistemology, and methodology (Healy & Perry, 2000). Burrell and Morgan's (Burrell & Morgan, 1982) paradigms are presented in Figure 8. The bottom half represents the regulation dimension and upper half represents the radical change dimension. The left side represents the subjective dimension and the right side represents the objective dimension.

Functionalist: A researcher positioned in the quadrant termed *functionalist paradigm* assumes a regulated and stable society and approaches the research question in an objective manner. The aim is to provide rational explanations for various social phenomena, applying models and methods from natural science to social affairs.

Interpretative: The aim of this paradigm is to develop a sociology of regulation from a subjectivist perspective. It regards society as a dynamic process created by the individuals which constitute it. The aim of researchers positioning themselves in this paradigm is to understand the ordered social world as it is in terms of an ongoing process.

Radical humanist: The aim of researchers positioned in this quadrant is to develop sociology of radical change in a subjective way. Researchers positioned in this paradigm see reality as being created by individuals and attempts to radically transform the world by changing human consciousness and cognition.

Radical structuralist: Radical structuralists aim to develop a sociology of radical change from an objective standpoint. They assume that radical change is built into the structure of society and aim to provide explanations for the interrelationships between social structure formations.

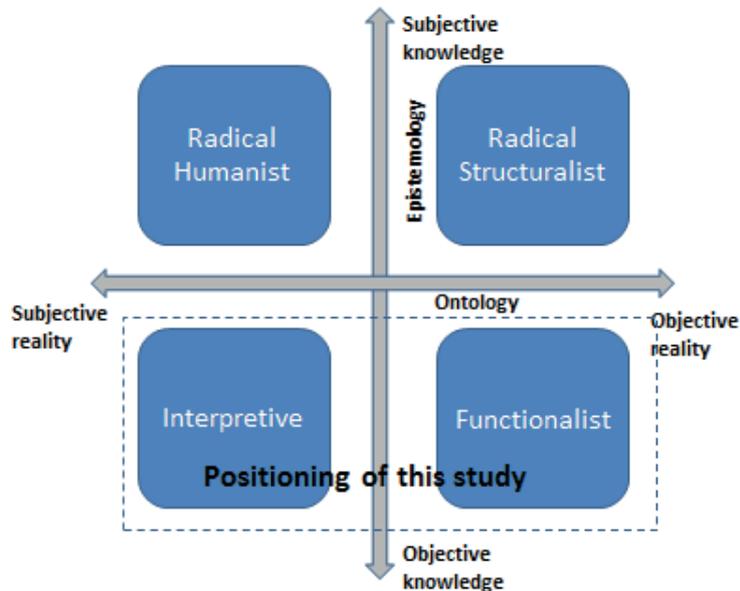


FIGURE 8 Paradigmatic positioning of this dissertation (Burrell & Morgan, 1982)

Recently there has been call for methodological pluralism in business research. The over-dominance of positivist approaches is not always appreciated (Piekkari, Welch, & Paavilainen, 2009).

3.2 Scientific Paradigms in Social Entrepreneurship Research

Traditionally, entrepreneurship is usually studied in functionalist or interpretivist paradigms (Lehner & Kansikas, 2011). Interdisciplinary input from diverse fields has broadened social entrepreneurship to include investigations grounded in all four paradigms, including the radical humanist and radical structuralist quadrants. When I started working on this doctoral thesis, researchers of social entrepreneurship were of the consensus that the field had neither a clear research agenda nor a clear set of definitions (Nicholls, 2006; Short et al., 2009a). Kuhn proposed that a field achieves paradigmatic status once it is regarded as “normal science”, which he defined as follows:

“Normal science, the activity in which most scientists inevitably spend almost all their time, is predicated on the assumption that the scientific community knows what the world is like. Much of the success of the enterprise derives from the community’s willingness to defend that assumption, if necessary at considerable

cost. Normal science, for example, often suppresses fundamental novelties because they are necessarily subversive of its basic commitments.” (Kuhn, 1970, p. 5)
Paradigms draw on the past, since

“‘normal science’ means research firmly based upon one or more past scientific achievements, achievements that some particular scientific community acknowledges for a time as supplying the foundation for its further practice” (Kuhn, 1970, p. 10).

The presence of a dominant paradigm in a field signals the level of maturity of the field.

“There can be a sort of scientific research without paradigms, or at least without any so unequivocal and so binding as the ones named above. Acquisition of a paradigm and of the more esoteric type of research it permits is a sign of maturity in the development of any given scientific field” (Kuhn, 1970, p. 11).

When a field has reached this mature stage, it has similar theoretical structures and uniform methodologies. Once this stage is achieved in a field, it attracts external funding and internal university resources (Pfeffer, 1993). Researchers of entrepreneurship have recently called for the adoption of a widely agreed and clearly defined paradigm (Gregoire, Noël, Dery, & Bechard, 2006). Since entrepreneurship is still a branch of organizational studies and not a natural science, it could be argued that it has not reached the stage of paradigmatic uniformity (Pfeffer, 1993). Hence, the value of a pluralist methodology, integrating interpretivist and positivist approaches, is still being discussed (Jennings, Perren, & Carter, 2005; Leitch, Hill, & Harrison, 2010; Lindgren & Packendorff, 2009). Chell (2007) argued that the majority of literature on entrepreneurship falls within the functionalist paradigm, although entrepreneurship is a phenomenon that deals with change. This is much truer in the case of social entrepreneurship, which by nature aims to generate systemic change (Hockerts, 2010).

In his Kuhnian analysis of the field of social entrepreneurship, Nicholls (2010b) suggested that the change from pre-paradigmatic to post-paradigmatic status is a process by which a field gains legitimacy. He proposed that social entrepreneurship is in the pre-paradigmatic stage as it does not have a clear epistemology. It is imperative to note here that while discussing *paradigms* Kuhn who was a physicist is referring to the field of natural sciences, while Burrell & Morgan are referring to social sciences. In his analysis of the field, Alex Nicholls was utilizing the Kuhnian definition of paradigms. Nicholls identified the role of scholarship in shaping and reconciling the sometimes opposing discourses, arguing that social entrepreneurship can establish legitimacy only by building theories and testing them empirically through rigorous processes. Reviewing 323 articles on social entrepreneurship, however, Lehner and Kansikas (2011) found that this field is dominated by interpretive studies with some func-

tionalist studies. Hence it is worthwhile to mention that social entrepreneurship as a field has been employing multitude of ontological, epistemological and methodological positions.

Since my doctoral research was conducted in a business school, I have been influenced by the sociology of regulation. How I perceive the reality and acquire knowledge has been shaped by my educational background and life experiences. As a trained and practiced engineer, I believe that a reality exists. Having lived in both a developing country and a developed country, however, I also understand that reality, especially in the context of human sciences such as management, is subjective to the individuals who perceive it. Hence, I preferred to adopt a pragmatic approach (James, 2003) to understand social entrepreneurship. In Burrell and Morgan's (1982) paradigm analysis, I place myself in the bottom half as represented in Figure 8. Wicks and Freeman (1998) proposed pragmatism as a more productive approach to studying moral and ethical issues in organizations. I assume that the way of gaining knowledge is a continuum; the world has a structure, however knowledge acquisition is affected by the values of the researcher and their subjects. Hence the methodology I selected was the one which answered my particular research questions (Goles & Hirschheim, 2000). This allowed me to use a mix of qualitative and quantitative methodologies. Watson (2013) argues for the importance of adopting a pragmatist approach to entrepreneurship, which acknowledges the significance of social construction of knowledge and simultaneously the presence of a real world. Taking the qualitative approach for the first part of my research, I deepened my understanding of the process of social entrepreneurship by an in-depth case study based on data collected over a period of two years from an Indian social enterprise. The quantitative approach used in the second part broadened my understanding of social entrepreneurship as an organizational characteristic by defining components to measure it. In addition, it enabled me to test some propositions related to these components.

This thesis replicates the methodological journey that the field of social entrepreneurship has travelled in the last five years. When I started my PhD research, social entrepreneurship was still an emerging field with no adopted consensus regarding methods used as asserted by Nicholls (2010b). Most of the existing literature focused on case studies of social enterprises and descriptive studies of social entrepreneurs in different contexts. In the first year of my PhD, I had in-depth access to the case of a social enterprise delivering healthcare in rural India. This gave me an opportunity to explore the phenomenon of social entrepreneurship in the context of marketing strategy development and to develop an understanding of this field of research. While immersing myself in this rich case, I became aware of the new challenges that the research field is facing. As the field has advanced over the last five years, the need for more quantitative studies has been recognized. Identifying this as an opportunity, I developed a diverse database of social enterprises in Europe in collaboration with Copenhagen Business School. This database helped me to collect quantitative data using a survey. Hence, this thesis brings together qualitative in-depth case

analysis followed in the first two articles and quantitative studies adopted in the final three articles contributing to two different fields in social entrepreneurship.

3.3 Methods used

The first two articles included in this compilation have adopted an interpretivist approach and the final three articles have adopted a functionalist approach.

The first article describes collaboration between a social enterprise and a university department. The second article explores the process behind obtaining resources for marketing strategy development for a social enterprise. This case study helped me to understand the theory in an explorative manner (Eisenhardt & Graebner, 2007). Case study can be used to generate exemplary knowledge (Thomas, 2011). The data for these two articles were collected while working on DIGI project financed by Finnish innovation funding agency to explore the possibility of Finnish digital solutions for bottom of the pyramid markets in India. The data collection took place over a period of two years.

While performing case study research, a researcher can follow an inductive, deductive or abductive approach. While following a deductive approach the researcher starts with a theory and uses empirical data to test the theory (O'Reilly, 2009). During case study research, a researcher following a deductive approach intend to develop real-world testable prepositions from existing theory (Dubois & Gadde, 2002). In an inductive approach, the researcher intends to create theory based on data. The research starts without any preconceived notions and let the data lead to the theory. This has been sometimes referred to as grounded theory approach (Corbin & Strauss, 1990; Glaser & Strauss, 1967; G. Thomas, 2010).

The third possibility while carrying case study research is to follow an abductive approach. Gary Thomas (2010) argues that abduction *generates ideas and tentative theories that serves as hypothetical explanatory concepts*. While explaining how to conduct case study using abductive approach, Dubois & Gadde (2002) explains that there is a constant interaction between theory and data. They argued that the process is affected by: what is going on in reality, available theories, the case that gradually evolves, and the analytical framework. Dubois & Gadde argue that the process of research using an abductive approach is nonlinear as the researcher goes back and forth between theory and empirical data as well as various research activities. They call the research process as *systematic combining*. They define *systematic combining as a nonlinear, path-dependent process of combining efforts with the ultimate objective of matching theory and reality*. In this research, I have followed an abductive approach.

The second research gap addressed in this thesis involved the challenge of developing scale items to measure organizational social entrepreneurship. Since there were no existing measurement scales, this study developed them. Scale development (DeVellis, 2012) is a process which involves multiple steps ensur-

ing reliability and validity of the items measuring the construct. The development of scale items involves developing a pool of items, determining the format of the measurement and reviewing the item pool by a panel of experts. For validating the scale there is need to administer items to an initial sample, initial data analysis which enables further evaluation of scale items . The articles 3, 4 and 5 here represents the pilot test and the further development of the scale. The scale items were developed based on discussions between me and my co-author. We discussed the relevance of each item in detail with five social entrepreneurs. Based on their suggestions some questions were deleted and modified. The updated survey items were discussed in detail with twenty researchers of social entrepreneurship as well as management teams of two organizations supporting social enterprises. The final items were selected based on their comments. The steps in scale development are (DeVellis, 2012) presented in Figure 9.

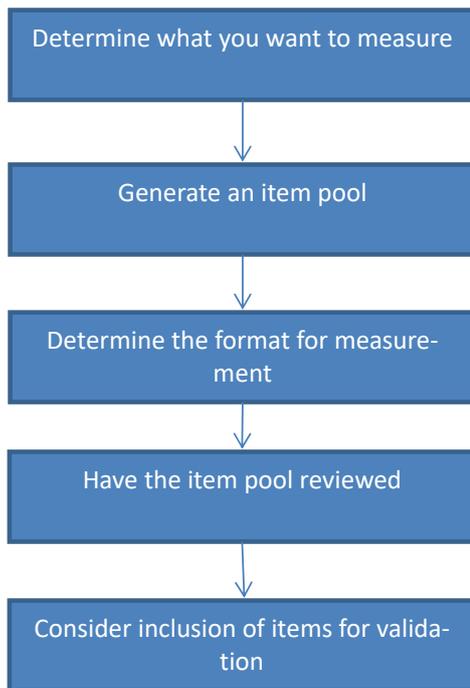


FIGURE 9 Steps in scale items generation

The third article develops scale items for measuring the components of the social enterprise construct, based on a pilot study of Nordic social enterprises. The fourth article analyzes the outcome of two prevalent components of social innovation and earned income in a social enterprise. The fifth article presents a formative conceptualization of social enterprises comprising of three dimen-

sions; social innovation, earned income, and democratic governance. For the third article an online survey (Fowler, 2014) was used to collect responses from social entrepreneurs in Finland, Denmark and Sweden. To develop a scale for social enterprise construct for the third article, exploratory factor analysis was conducted using one sample of social entrepreneurs and confirmatory factor analysis was conducted using another sample (Hair, Black, Babin, & Anderson, 2009). For the fourth and fifth article, structural equation modeling was performed to test the hypothesis (Kline, 2011). Hence to test the scale items, I followed the steps as suggested by DeVellis (2012) as presented in Figure 10. The details of quantitative analysis done are presented in section 3.4.4



FIGURE 10 Measurement scale testing steps (based on DeVellis, 2012)

3.4 Data collection

The overview of data collected for the articles in this dissertation compilation is presented in TABLE 2.

TABLE 2 Data used in articles included in the dissertation

	Data	Time period	Data analysis technique & software used
Article 1	Single case study	April 2010 – December 2012	Description of the case
Article 2	Case study, 20 interviews, secondary data collected over two years	April 2010 – December 2012	Thematic analysis
Article 3	Survey of 178 Nordic social enterprises	June 2014	Exploratory and confirmatory factor analysis, SPSS, Amos
Article 4	Survey of 245 mature social enterprises and 441 nascent social enterprises	April – May 2015	Structural equation modeling, Amos
Article 5	Survey of 263 mature social enterprises and 184 nascent social enterprises	April – May 2015, September 2015	PLS –SEM, Smart PLS

3.4.1 Qualitative Data

For the first two articles, an in-depth case study (Eisenhardt, 1989; Yin, 2009) was conducted and the data was collected over a period of two years, as detailed in Table 2. The first article in this thesis compilation was co-written with Mari Suoranta, Marko Seppä and Dhrubesh Biswas based on the experience of teaching students about social entrepreneurship using a live case methodology. *Live case* is a term used to describe cases, such as a real problem faced by a startup, which students work on as part of their university course. The senior faculty at Jyväskylä University acted as mentors to the students during this process (Porter, Kannampuzha, Seppä, & Biswas, 2010). The live case in this study was a social enterprise delivering healthcare in rural India. Part of the data was collected while students were working on marketing strategy development for this social enterprise. This live case was part of the collaboration activities between Jyväskylä School of Business and Economics and this enterprise. The data was collected from April 2010 until December 2012. The second paper was co-authored with Mari Suoranta and explored how social entrepreneurs and students who collaborated found solutions within resource constraints while working on the same live case. For this research we selected a case which provided rich data and access to the marketing strategy development of a social enterprise in a developing country context. The case selected provided the opportunity to collect longitudinal data over a period of two years.

The primary data involved semi-structured interviews with the social entrepreneur, faculty of Jyväskylä University School of Business & Economics and the students who were involved in the process of marketing strategy development. The secondary data included summary notes from research trips to India in June 2009 and August 2010, as well as student reports and feedback. Mari conducted one interview with the entrepreneur in August 2012 and collected background data during the June 2009 study visit. All the other interviews were conducted by me between June 2010 and March 2011. The length of the interviews varied from forty-five minutes to one and a half hours. The details of the data collected for articles 1 and 2 are presented in TABLE 3. We performed a thematic analysis on the interviews and materials (Auerbach & Silverstein, 2003).

TABLE 3 Data for articles 1 & 2

Informant details	Number of respondents	Data sources
Entrepreneur, Jyväskylä University faculty involved in collaboration with Indian health social enterprise	5	Interviews, informal discussions
Students involved in the brand development project in spring 2010	3	Interviews, online discussion forum

Students involved in the Indian maternity package development project in winter 2011	12	Panel discussion, interviews, student project reports
Entrepreneur, management team, local venture franchise owners of the Indian health social enterprise	20	Field notes, email discussions, conference call discussions, open-ended interviews

3.4.2 Methodological Appropriateness

In his lecture on human values in 1978, Karl Popper presented the world as having three sub-universes: World 1 which is composed of physical objects and biological beings, World 2 which is composed of activities of our consciousness including thoughts and emotions, and World 3 which represents the human mind and its products (Popper, 1978). A case study can be conducted if the research questions belong to either World 2 or World 3. Since I took a realist approach and aimed to identify how a social entrepreneur obtains resources for marketing a social enterprise, a case study was ontologically appropriate.

The open ended in-depth questions in the interviews helped to ensure the contingent validity and credibility of the case study (Healy & Perry, 2000). By conducting interviews with the entrepreneur, the faculty mentors and the students, it was possible to consider multiple perspectives, ensuring confirmability of the research (Lincoln & Guba, 1985). In addition, the two researchers who participated in the study coded the data independently during the thematic data analysis. The methodological trustworthiness and dependability of the study is established by the quotations from primary data used to support the themes identified and use of secondary data sources (Healy & Perry, 2000; Lincoln & Guba, 1985). The study is somewhat limited in analytic generalizability as the findings are very specific to the context of collaboration between one social enterprise and one university.

3.4.3 Quantitative data

The second group of articles in this thesis compilation addresses scale development to measure the construct of organizational social entrepreneurship. This process requires several rounds of data collection to cross-validate the scales developed (DeVellis, 2012; Hinkin, 1998). For developing the organizational social entrepreneurship construct, we had four rounds of data collection. The first round data consisted of a small sample of social enterprises from Finland, Denmark and Sweden in 2014. The second sample consisted of students who signed up for a massive open online course for social enterprises business plan development in Spring 2015. The third sample consisted of students who successfully finished the massive open online course and developed a business plan in September 2015. The fourth sample consisted of key personnel in social enterprises in the UK, the Netherlands, Norway, Finland, Sweden and Denmark. The third paper in this compilation presents the pilot study with the first

sample of Nordic social enterprises. The selected survey items were translated into Finnish, Swedish and Danish by native speakers of those languages. They were back translated into English by a native English speaker fluent in Finnish, Swedish and Danish respectively to verify that the meanings did not change due to the translations (Beaton, Bombardier, Guillemin, & Ferraz, 2000). The pilot survey was conducted online through Survey Monkey in May 2014.

After updating the survey based on our initial factor analysis, we collected three more data samples. The first was a group of nascent social entrepreneurs who signed up for a course on developing a business model for their social enterprise. The survey was administered through Survey Monkey in April 2015. Our second sample consisted of social entrepreneurs from the UK, the Netherlands, Norway, Sweden, Finland and Denmark, surveyed in May 2015. The contacts for the organizations were found from websites and publicly available data. In addition, in autumn 2015, the students of the MOOC who actually went on to finish the course and develop a business plan were surveyed at the end of the course in September 2015. The surveys were conducted in English. This data set was used for the fourth and fifth articles in this thesis compilation. For Article 4, we analyze the effects of two components, social innovation and earned income, on outcome variables based on data from the second survey. Article 5 details the final scale that was developed based on our analysis. The exploratory factor analysis for the data in Article 3 was performed with IBM SPSS Statistics v.22.0.0.1. The confirmatory factor analysis and structural equation modeling for data in the fourth article was done with IBM Amos v 22.0.0.0. The structural equation modeling for data in Article 5 was done with Smart PLS v 3.2.1. The details of data collected for articles 3, 4 and 5 are presented in Table 4.

Table 4 Data for articles 3, 4 and 5

Survey participants	Number of respondents	Article
Founder or senior managers of work integration social enterprises in Finland, Denmark and Sweden in May, 2014	178	Article 3
Students registered in the beginning of Massive Open Online Course for business plan development for social enterprises, April, 2015	441	Article 4
Students who developed a business plan at the end of Massive Open Online Course for business plan development for social enterprises, September, 2015	184	Article 5
Founders or senior managers of social enterprises in UK, Norway, Sweden, Finland, Denmark and Netherlands in May, 2015	263	Article 5 Article 4 (Sample size of 245 after accounting for missing data for dependent variables)

3.4.4 Quality criteria

Various types of organizations have called themselves social enterprises. Previous quantitative studies in social entrepreneurship have used homogenous organizations from a single database (Battilana et al., 2015; Liu et al., 2015a; Mair et al., 2015; Stevens et al., 2015). The study by Mair et al (2015) utilized a sample of social innovators funded by Ashoka foundation, while Battilana et.al (2015) and Stevens et al (2015) used databases of work integration social enterprises in France and Belgium respectively. We had two samples of social enterprises for our data collection. The first sample consisted of social entrepreneurs from around the world enrolled in a massive open online course to develop business plans. We selected only those who successfully completed the course. The second sample consists of social enterprises in Europe. In order to ensure the inclusion of heterogeneous organizations in the study, a database of social enterprises was developed after an extensive search. The Nordic countries Finland, Sweden, Norway and Denmark were selected owing to their strong existing tradition of social welfare and social innovation (Defourny & Nyssens, 2008; Kostilainen & Pättiniemi, 2013; Pestoff, 1998). We included the UK as it is a country with a reported increase in the number and variety of social enterprises (Spear, 2001) and a well-developed legal and support system for them (Teasdale, Kerlin, et al., 2013). The Netherlands was chosen due to its long standing reputation of and support for sustainable and social innovation (Marcel, 2015).

The UK companies were selected from the membership directories of Social Enterprise UK, the UK Social Enterprise Mark and the UK Social Enterprise Network. In Finland, we used the existing publically available information on WISEs, or *sosiaaliset yritykset* and holders of the Finnish Social Enterprise Mark, *yhteiskunnalliset yritykset* (Pöyhönen et al., 2010). The publically available member information of social enterprise support platforms such as the Finnish Social Enterprise Network (Suomen Yhteiskunnallinen Yritys), Impact HUB and Demos were also accessed. In Sweden, we used the publically available list, SOFISAM, and in the Netherlands we used another publically available list, Social Enterprise NL. Due to the absence of publically available databases, in Denmark we developed a database based on a search of the Danish word for social economic business, *socialøkonomisk virksomhed* and in Norway based on the search term *social virksomhet*, or social enterprise. Native Danish and Norwegian student assistants also searched for the terms *social enterprise*, *social business*, *social economy* and *social innovation*. Additional searches for organizations were done with Swedish term *socialt företag* for Sweden, and the Finnish terms *yhteiskunnallinen yritys* and *sosiaalinen yritys* for Finland. Once the organizations were identified, the email address of the founder, senior manager or key personnel was found through searches.

In the UK, the developed database includes organizations which are community interest companies (CIC), companies which brand them as social enterprises (Social Enterprise Mark), socially innovative startups and traditional cooperatives. In Sweden, the database consists of work integration social enter-

prises (WISEs) and startup social enterprises supported by various funding organizations. Among the Finnish organizations in the list, the database consists of work integrating social enterprises (WISEs), organizations using social enterprise branding and socially innovative companies supported by various organizations. Lack of existing legal definitions for social enterprises in Denmark led us to mainly access our data from Ashoka Scandinavia fellows and informal list maintained by organizations providing support for social enterprises. In Netherlands, our data base consists of mainly socially innovative startups. In Norway, our sample consists of only 32 organizations which we found from Ashoka Scandinavia website and from the website of a social venture capital organization. As a result of this extensive database creation process, the organizations included in it represent the heterogeneity of the social entrepreneurship construct in practice. The details of the database development are summarized in Table 5.

TABLE 5 Database development of social enterprises

Country	Existing databases	Search terms
United Kingdom	Social Enterprise UK, the UK Social Enterprise Mark and the UK social Enterprise Network and social enterprise support organizations such as <i>UnLtd</i>	social enterprise, social business
Finland	<i>Sosiaaliset yritykset</i> (List of WISEs maintained by the Ministry of Employment); <i>Yhteiskunnalliset yritykset</i> (Finnish Social Enterprise Mark awarded by the Ministry of Employment); Social enterprise support organizations such as <i>Suomen Yhteiskunnallinen Yritys</i> (Finnish Social Enterprise Network) Impact HUB and Demos	<i>yhteiskunnallinen yritys</i> , <i>sosiaalinen yritys</i>
Sweden	List of member social enterprises in SOFI-SAM, Social enterprise support organizations such as Reach for Change	<i>socialt företag</i>
Denmark	Ashoka Scandinavia fellows	<i>socialøkonomisk virksomhed</i>
Norway	Ashoka Scandinavia fellows	<i>social virksomhet</i>
Netherlands	Social Enterprise NL	

Common method bias is an issue when collecting independent and dependent variables with the same method. In order to test for common method bias we used Harman's single factor test. The variance explained by a single factor was much lower than the cutoff value of 50%. As an additional test, we varied a common factor with all indicator variables. The common factor explained less than 6% variance for both indicators in both samples (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The internal reliability of the scale items were confirmed by a Cronbach's alpha value greater than 0.7 (Cronbach, 1951) and com-

posite reliability values greater than 0.7. The convergent validity was confirmed as the Average Variance Extracted (AVE) values were all above 0.5 (Hair et al., 2009). The discriminant validity was confirmed by the fact that the calculated square root of AVEs was greater than correlations between constructs (Fornell & Larcker, 1981). In order to test for multicollinearity, the variance inflation factors (VIF) were calculated, and were all well below the cutoff value of 5. The nomological validity of the scale items were tested by checking the outcomes of the scale components which were supported by the two samples (Hair et al., 2009). The models developed in Articles 4 & 5 can be considered cross-validated as we have tested it across two different samples of social enterprises (Diamantopoulos & Winklhofer, 2001).

4 ARTICLE SUMMARIES

The first article provides the case study of an Indian social enterprise in their resource acquisition process. This article has been published by the *Nordic Journal of Business*. The second article presents an in-depth case of a social enterprise with resource constraints, utilizing bricolage as a solution. This article has been published by the *Journal of Research in Marketing and Entrepreneurship*. The third article presents a scale to measure and differentiate social enterprises from other firms. This paper was accepted to be presented at the Academy of Management Annual Meeting in August, 2015. In this compilation, the fourth article is a quantitative study based on social enterprises which presents the two prevalent logics in hybrid social enterprises. This article has been accepted for publication in the selected paper series of 5th EMES International Research Conference on Social Enterprise and was awarded the best PhD paper. The fifth article of this compilation presents a second study to develop scales after refining the items in article 3 based on additional data collected and review of experts, and has been submitted to the *Journal of Business Venturing*.

4.1 Article 1: Training Students In “Problems Worth Solving”: Case Global Venture Lab Finland

4.1.1 Background

This article was developed as part of the exploratory process of understanding resource acquisition in social enterprises. It investigated the collaboration between a Finnish university and a social enterprise for delivering healthcare in rural India. This article was published in the *Nordic Journal of Business* (Kannampuzha, Suoranta, Seppä, & Biswas, 2014). I was the lead author. Marko Seppä and Mari Suoranta supervised the work and Dhrubes Biswas was an external contributor to this research project.

4.1.2 Research question addressed

How can social enterprises utilize resources in collaboration with universities?

4.1.3 Results

The article presented a *live case* method of teaching the social entrepreneurship process to students in a developed country. The article is based on four years of collaboration between Global Venture Lab Finland at the University of Jyväskylä and an Indian social health venture from 2007 to 2011. The case provided insights for future collaborations between universities and social enterprises.

4.1.4 Contribution to the research field

This article presents a case of a university-based business creation platform aimed to teach students how to address problems worth solving. The article demonstrates the live case methodology by presenting the story of cooperation between a Jyväskylä School of Business & Economics, Indian Institute of Technology Kharagpur and an Indian rural health social enterprise. It addresses the call for university entrepreneurship centers to research social entrepreneurs (Murphy & Coombes, 2009). It introduces the challenges and requirements involved in teaching in this way while examining the opportunities available for universities to engage in such an international collaboration process. The paper demonstrates how students from a Nordic country such as Finland can be taught about social entrepreneurship by participating in the development of a social enterprise in India. The direct collaboration with a social enterprise gave the students hands-on experience. Furthermore, social enterprises could consider utilizing university students as consultants for the enterprise development process (Phillips & Tracey, 2007).

4.1.5 Future research

The demand for social entrepreneurship courses are increasing worldwide. Several business schools across the world are offering Master programs or courses on social entrepreneurship. More case studies of methodologies for teaching social entrepreneurship are needed as the field grows and there is higher demand for such courses.

4.2 Article 2: Bricolage in the marketing efforts of a social enterprise

4.2.1 Background

This article has been published in the Journal of Research in Marketing and Entrepreneurship. The case study analyzes how the owner of a social enterprise addresses constraints in terms of money, time and human resources in an innovative manner. The previous case study (Article 1: Kannampuzha, Suoranta, Seppä, & Biswas, 2014) was developed further in order to focus on the market strategy development process of a social enterprise in collaboration with a university. The research is based on a series of interviews with the social entrepreneur, faculty and students. I was the lead author and Mari Suoranta assisted by conducting the interview with the social entrepreneur and advising during the revision process.

4.2.2 Research question addressed

How does a social enterprise address resource constraints in marketing strategy development in its start-up phase?

4.2.3 Results

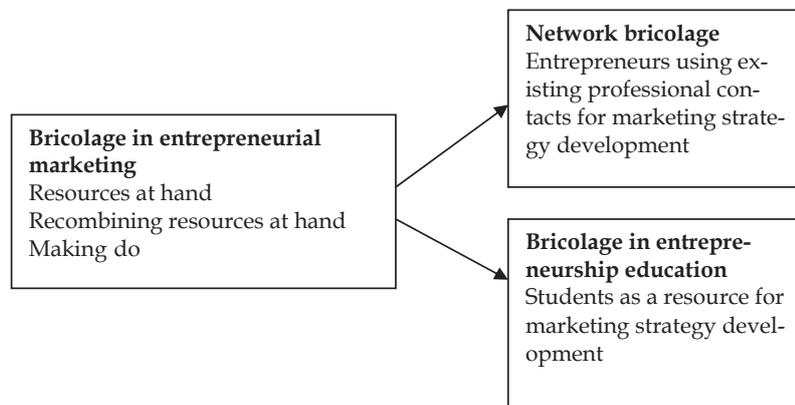


FIGURE 11 Bricolage in marketing of social enterprise

The results from the research study of article 2 are presented in Figure 11. *Bricolage* was a concept proposed by anthropologist Claude Lévi-Strauss in his book *The Savage Mind* on the untamed state of the mind (Lévi-Strauss, 1966). It has

been applied to study how entrepreneurs in resource poor environments overcome institutional limits (Baker & Nelson, 2005). We found network bricolage and entrepreneurship education bricolage to be two mechanisms that the entrepreneur utilized to address resource constraints during the marketing strategy development of a social enterprise.

4.2.4 Contribution to the research field

The paper analyzed how the university could be used as a setting for a social enterprise to obtain the resources it needs in its growth phase. The paper presented network bricolage (Baker, Miner, & Eesley, 2003) as an alternative to resource leveraging (Wilson & Appiah-Kubi, 2002). In addition, the term *entrepreneurship education bricolage* was proposed to refer to the use of students as a resource for social enterprises. As far as we know, this was one of the first articles to analyze an in-depth study of the marketing strategy development process of a social enterprise.

4.2.5 Future research

Further studies need to be conducted to test the applicability of network bricolage to a variety of small and medium sized enterprises and start-ups in their resource acquisition process. Bricolage could be explored in more detail as an alternative to resource leveraging to understand the marketing activities of social businesses in their initial stages. Currently, there is dearth of research into marketing in the social enterprise context and there is need for more future research as marketing is a crucial function for social enterprises.

4.3 Article 3: Development of a Scale to Measure the Components of the Social Enterprise Construct

4.3.1 Background

This article was presented at the Academy of Management Annual Meeting in Vancouver in 2015. It was developed in collaboration with Professor Kai Hockerts at Copenhagen Business School. Kai Hockerts organized the survey of Danish social enterprises while I organized the survey of Finnish and Swedish social enterprises. The tasks related to data analysis and article writing were equally divided.

The aim of this study was to combine the characteristics of social enterprises as defined by the social innovation school (Nicholls & Murdoch, 2011) and the earned income school (Defourny & Nyssens, 2010). Social enterprises come in a wide range of configurations. The article identified and addressed a research gap: Quantitative studies have not been able to differentiate between various configurations. Identifying and defining a construct is essential for pro-

gress of knowledge in the field. The article presented a psychometric measurement for the social enterprise construct. In the article, several components by which organizational types of social enterprises differ were defined and a set of scales to measure each latent variable was proposed. The paper develops and validates measures of six constructs that have often been associated with social enterprises: The creation of market disequilibria, open source sharing of knowledge, earned income generation, limited profit distribution, employee compensation, and autonomy in operation. These belong to the dominant social entrepreneurship literature streams of innovation (Drayton, 2002; Mulgan, Tucker, Ali, & Sanders, 2007; Nicholls & Murdock, 2011), income generation (Borzaga & Defourny, 2001; Dees & Anderson, 2006; Dees, Emerson, & Economy, 2001; Martin & Osberg, 2007; Young, 1982) and stakeholder participation (Defourny & Nyssens, 2010; Low, 2006; Yunus et al., 2010).

4.3.2 Research question addressed

What are the components of social enterprise?

4.3.3 Results

This pilot research study identified six factors from a nineteen-item scale of components of a social enterprise. These are reinvestment, earned income generation, employee compensation, openness, sectorial transformation and autonomy in operation. This paved the way for further data collection and research in the next study.

4.3.4 Contribution to the research field

Two separate samples of social enterprises were used to explore the underlying components of the social enterprise construct. This included an exploratory factor analysis with the Swedish and Finnish data and a confirmatory factor analysis with the Danish data set. The proposed scale could be used across the spectrum of organizations calling themselves social enterprises (Young & Lecy, 2013). This moves the discussion on from the typology of social enterprises currently being debated by researchers. The results from the confirmatory factor analysis indicate that the validity and reliability of the factor model is good. The unique contribution of this scale is that it takes into consideration the heterogeneity of the concept of social enterprise.

4.3.5 Future research

Some future research possibilities include identification of antecedents and effects of the presence of a particular component in a social enterprise and how it affects the operative process of that enterprise. Hence this scale can be a valuable tool for future research on social entrepreneurship.

4.4 Article 4: Social Innovation and Earned Income -Antecedents and Outcomes of the Institutional Logics in Hybrid Social Enterprises

4.4.1 Background

This study was also developed in cooperation with Kai Hockerts at Copenhagen Business School, and he coordinated the creation of the Netherlands database. The development of databases of the UK, Finnish, Norwegian and Swedish social enterprises was coordinated by me. The work related to data analysis and article development was equally divided. The ongoing academic debate on the duality of social mission and financial sustainability in social enterprises is addressed in this paper. It was presented at the 5th EMES Research Conference in July 2015 and was published in the best paper series. Dees and Anderson, in their seminal paper on the theoretical roots of social entrepreneurship (Dees & Anderson, 2006), identified two schools of thought. Drawing also on the work of Defourny and Nyssens (2008), this article also differentiates between two modes of social entrepreneurship.

4.4.2 Research questions addressed

What are the factors predicting the prevalence of a social innovation logic and an earned income logic in a social enterprise, respectively?

What are the outcomes of these logics in the perceived performance of the social enterprises?

4.4.3 Results

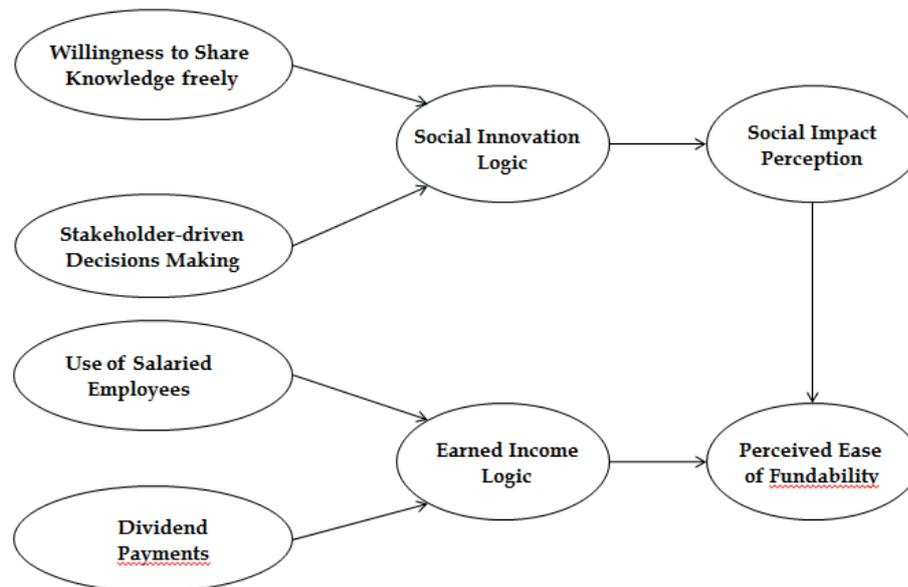


FIGURE 12 Logics in Social enterprises

The results of the study in article 4 are presented in Figure 12. A model was tested in which the four factors that predict the emergence of social innovation logic and earned income logic in social enterprises were identified. These four factors were willingness to share, stakeholder driven decision making, dividend seeking behavior and the use of salaried employees. The hypotheses proposed were tested using a sample of 191 nascent social entrepreneurs and 263 mature social entrepreneurs. In addition we tested how logics affect the perceived social innovation and perceived social impact of social enterprises. This conference paper was later developed based on further data analysis and feedback from leading academics.

4.4.4 Contribution to the research field

This paper contributed to the conflicting logics discussion in social entrepreneurship academic field by providing quantitative items to measure the logics inherent in social enterprises. We developed the social innovation logic and earned income logic based on existing literature (Dees & Anderson, 2006; Defourny & Nyssens, 2010).

4.4.5 Future research

Future research could develop the model to extend beyond the above two logics and analyze how democratic decision making and autonomy in organizations also affect the emergence of logics (Defourny & Nyssens, 2010).

4.5 Article 5: Social Entrepreneurship as a Second-Order Formative Construct: Social Innovation, Earned Income, and Democratic Governance

4.5.1 Background

This was a further collaboration with Kai Hockerts, who contributed to the theoretical development of this article. I did the majority of data analysis in Smart PLS. This paper developed the pilot research study which was carried out in Article 3. Based on the initial analysis and review from survey respondents, the scale items were modified. The modified survey questionnaire was sent to two different samples. The first was a sample of social entrepreneurs who were starting up. The second sample consisted of managers and founders of social enterprises in six different European countries. The fourth and fifth articles in this compilation draw on the same data set. The model of organizational social entrepreneurship construct in Article 5 was developed based on feedback on Article 4 in two different academic conferences on social entrepreneurship and the European third sector and public policy research.

4.5.2 Research questions addressed

What are the components of organizational social entrepreneurship?

How do we validate the scale items for components of social entrepreneurship?

4.5.3 Results

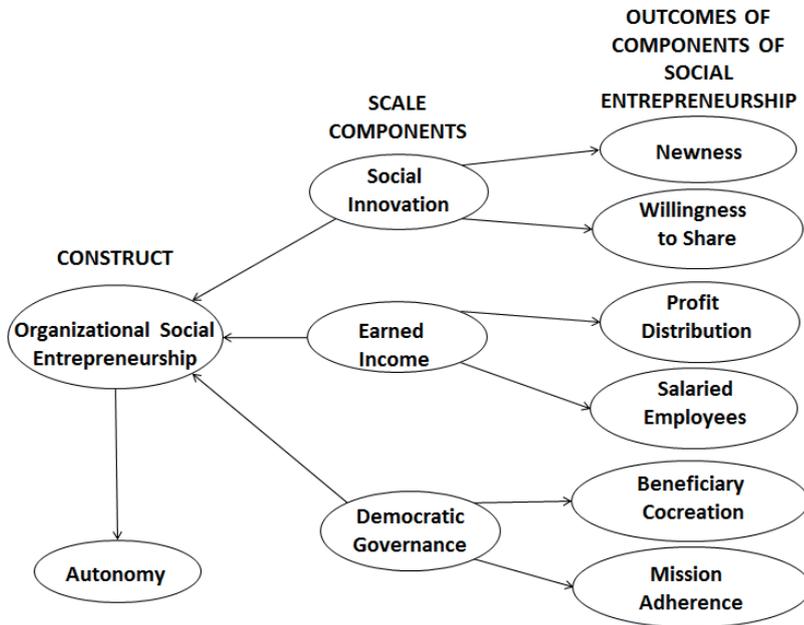


FIGURE 13 Components of Organizational Social Entrepreneurship construct

The results of study in article 5 are represented in Figure 13. The analysis identified the three components of organizational social entrepreneurship as *social innovation*, *earned income* and *democratic governance*. The scale items to measure these components were developed, tested and validated. In addition, social entrepreneurship was conceptualized as a formative construct. The outcome effects of the three components were tested. Social innovation tended to have a positive effect on newness and willingness to share. Increased earned income tended to lead to a higher proportion of salaried employees and greater acceptance of profit distribution. Democratic governance tends to lead to the greater involvement of beneficiaries in new product and service development as well as greater mission adherence.

4.5.4 Contribution to the research field

The central contribution of this paper is the conceptualization of organizational social entrepreneurship as a formative construct. Organizational social entrepreneurship is a behaviour that can exist in different forms and types of organizations. Through this study, we developed scale items which can directly measure the dimensions of organizational social entrepreneurship. The scale items can be used to develop and test various hypotheses regarding social en-

trepreneurship in future. In addition, by conceptualizing the social entrepreneurship construct as a formative one, we conceptualize the simultaneous presence of social mission, financial income generation and governance in social enterprises. This study thus responded to the need which Short et al. (2009a) identified, by developing scales to measure the phenomenon of social entrepreneurship and a model for understanding social enterprises which takes their heterogeneity into account.

4.5.5 Future research

Future researchers could study how the presence and absence of various components affect performance variables such as social impact and financial sustainability in social enterprises. There is need to develop measurement items for performance of a social enterprise. In addition, it will be interesting to develop profile models of social enterprises based on the scale items developed in this study to measure organizational social entrepreneurial activity.

4.6 Summary & the research process

In the first qualitative study, I set out to understand the process of growth in a social enterprise in a developing country context. However the research question evolved as I collected more data and went back to theory in an abductive manner (Dubois & Gadde, 2002). As the case company was in need of attracting donors and customers, they were in the process of developing a marketing strategy. Hence, I became interested in analyzing how the process of marketing strategy development evolves in a social enterprise. Since the social enterprise was in the startup phase, the marketing processes were very different from that of an established organization. Hence my research question evolved to understand the whether the process of marketing strategy development in a social enterprise is entrepreneurial (Shaw, 2004). As we collected more data on the case, it became clear that the entrepreneur was facing money and skill shortage for developing the marketing strategy of the social enterprise. Hence the research question was modified to understand how the entrepreneur addressed resource constraints in the marketing strategy development process. Hence the research question evolved as the project proceeded. Figure 14 shows the process of evolution of the research question in the case study which formed the basis on article 2 in this study.

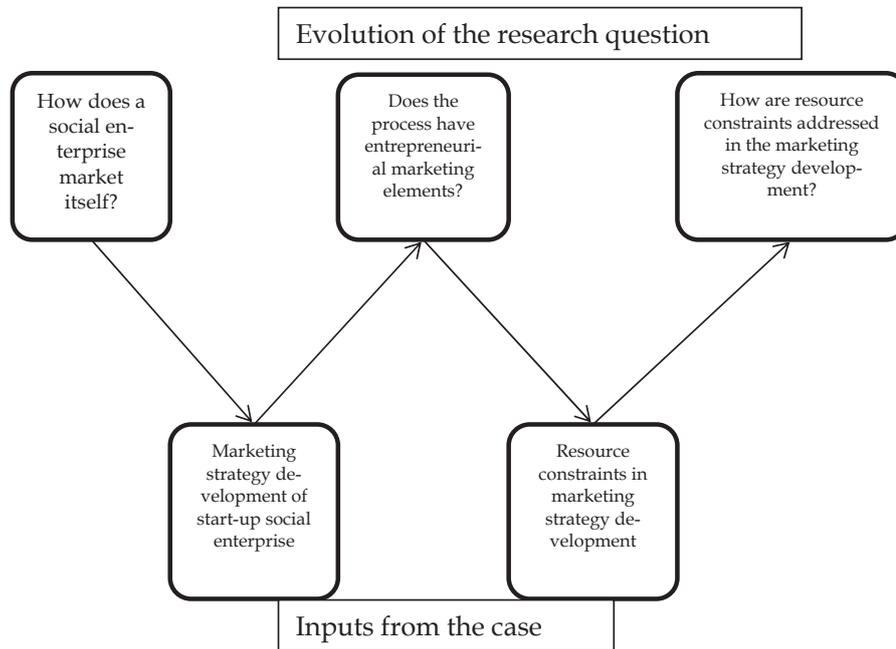


FIGURE 14 Abductive process in the research on marketing of the Indian health venture

In Article 1, I present the description of the exemplary case of collaboration between a Nordic university and an Indian social enterprise. In Article 2, I analyze the question of resource constraints in marketing strategy development in the context of a developing country. The results from the study can be analytically generalized to understand resource constraints in marketing of a developing country social enterprise.

While developing the scale items, initially I was interested in identifying the central components of organizations which call themselves '*social enterprise*'. After the first round of data collection, the need for a construct to identify the heterogeneous concept of social enterprises was identified. After discussion with experts, academics in conferences, we conducted a second round of data analysis which focused on developing a construct to represent organizational behaviour called by the name *social entrepreneurship*.

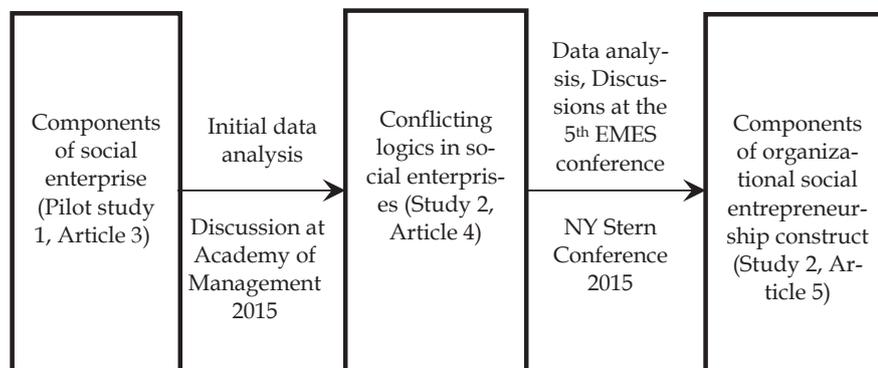


FIGURE 15 Scale development for the organizational social entrepreneurship construct

The development of the scale happened in several stages and the articles reflect the work as explained in Figure 15. The scale items were developed based on existing literature and updated based on discussions with social enterprises and entrepreneurship scholars. The updated scale items were used in the initial data collection which was carried out in summer of 2014. This first stage was a pilot study with data from social enterprises in Nordic countries. The results are presented in Article 3 as the components of social enterprise. In Article 4, the analysis focused on the two conflicting logics in a social enterprise, social innovation and earned income. Article 5 was developed based on this and additional data analysis and feedback from leading academics in the field. The fifth article proposed a formative conceptualization of the organizational social entrepreneurship construct with components of social innovation, earned income and democratic governance

The key results from the articles in this compilation are provided in Table 6.

TABLE 6 Summary of articles in this compilation

Article	Publication outlet	Key Results
Training Students In “Problems Worth Solving”: Case Global Venture Lab Finland	Nordic Journal of Business	<i>Live case</i> as a pedagogical methodology for teaching social entrepreneurship to students.
Bricolage in the marketing of a social enterprise	Journal of Research in Marketing and Entrepreneurship	Network bricolage and entrepreneurship education bricolage as mechanisms to address resource constraints in marketing strategy development of a social enterprise.
Development of a scale to measure the components of the Social Enterprise Construct	Academy of Management Annual Proceedings, 2015	Pilot study for development of components of social enterprise construct.
Social Innovation and Earned Income - Antecedents and Outcomes of the Institutional Logics in Hybrid Social Enterprises	Best paper proceedings at the 5 th EMES research conference on social entrepreneurship	Identification of organizational factors leading to adoption of social innovation and earned income logics in social enterprises Effect of the adoption of these logics on perceived social impact and perceived fundability.
Social Entrepreneurship as a Second-Order Formative Construct: Social Innovation, Earned Income, and Democratic Governance	In review	Organizational social entrepreneurship conceptualized as a formative construct consisting of social innovation, earned income and democratic governance.

5 DISCUSSION AND CONCLUSION

The chapter presents the main results of this research along with the practical, managerial and research contributions. In the final part, the limitations of the study and proposals for further investigation are presented.

5.1 Results

The questions which I intended to answer as presented in Section 1.3 were:

1. How does a social entrepreneur address the resource constraints in the marketing strategy development of a social enterprise?
2. What are the components of the social entrepreneurship construct?

The sub-questions from the second research question were:

- a) How can we develop and validate measurement scales for components of social entrepreneurship?
- b) What are the effects of these scale components on outcome variables?

The first part of the dissertation addresses the first research gap of resource constraints in the marketing strategy development of a social enterprise. The research question was addressed based on an explorative in-depth case study involving collaboration between an Indian social enterprise and a Finnish university. *Network bricolage* (Baker et al., 2003) and *entrepreneurship education bricolage* were identified as the two mechanisms used by the social entrepreneur in addressing resource constraints in the marketing strategy development of this Indian health venture. *Network bricolage* is the process of using preexisting networks of the entrepreneur to access resources (Baker et al., 2003). This contrasts with the *resource leveraging* perspective, in which an entrepreneur searches for professional networks which did not exist before (Wilson & Appiah-Kubi, 2002).

The entrepreneur in this case is utilizing networks he already had before starting the organization. We define *entrepreneurship education bricolage* as the process of using students as a resource by an entrepreneur. The solutions developed by students could help the entrepreneur to solve business problems quickly.

The second part of the thesis developed tools to measure the construct of organizational social entrepreneurship. This was based on a quantitative study of social enterprises from data collected through an online survey in six European countries. Thus, I responded to the call for development of social entrepreneurship construct through more quantitative research in the field (Short et al., 2009a). The *organizational social entrepreneurship construct* is proposed to be composed of social innovation, earned income and democratic governance. Three articles in this compilation present the results of a pioneering study for measuring the construct of social entrepreneurship better. The results of the scale development provide a valuable tool for future researchers. The scale items for the three components were developed using multiple data sets of heterogeneous social enterprises. The main results from the research study conducted for this dissertation are presented in Figure 16 .

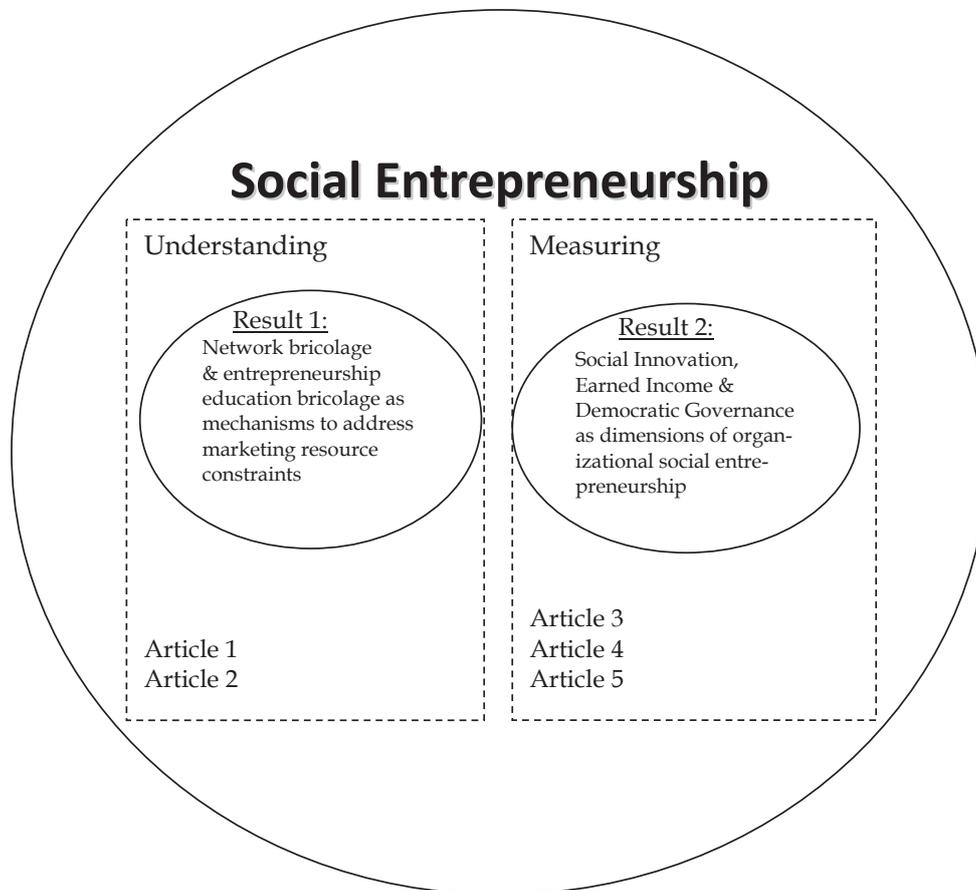


FIGURE 16 Results of the study

5.2 Theoretical contributions

This study makes two key contributions to research into social entrepreneurship. The first contribution is the observation of network bricolage and entrepreneurship education bricolage as two techniques in the marketing strategy development of a social enterprise. The second contribution is the development of scales for the organizational social entrepreneurship construct thus closing the measurement gap in the field of social entrepreneurship. A more detailed explanation of these contributions is presented in the following sections.

5.2.1 Bricolage as a marketing mechanism for social enterprises

The first part of the thesis answered the call for a greater understanding of the resource mobilization process used by social entrepreneurs (Austin et al., 2006). In their widely quoted paper, Austin and his colleagues (Austin et al., 2006) stressed the need to develop a professional network in order to search for ingenious and innovative alternatives to acquire resources. In this context, the relevant research question was: *How does a social entrepreneur address the resource constraints in the marketing strategy development of a social enterprise?*

In the in-depth case study, I identified bricolage as a creative way of addressing resource constraints in the marketing strategy development of a social enterprise in a developing country context. With Article 2, we observed network bricolage and entrepreneurship education bricolage in the marketing strategy development of an Indian health venture when faced with resource constraints. In addition, university students were identified as potential resources for social enterprises. Other researchers have explained bricolage in social enterprises in the context of developing countries by focusing on the role of tangible resource acquisition (Azmat et al., 2015).

In fact many social enterprises in developing countries are established by entrepreneurs educated in universities in Western Europe, the USA and other developed parts of the world. Examples include Muhammad Yunus starting Grameen Bank in Bangladesh after returning from his PhD studies in the USA. These individuals already have a highly valuable professional network which could be utilized to overcome resource constraints in setting up a social enterprise. The role and importance of preexisting networks for social entrepreneurs has been acknowledged in previous conceptual articles on social entrepreneurship (Dacin et al., 2010; Robinson, 2006). The process of utilizing preexisting networks for addressing resource constraints is termed *network bricolage* (Baker et al., 2003). In the case researched in articles 1 & 2, as a result of engaging in network bricolage, the entrepreneur had access to experienced faculty in a business school. To the best of my knowledge this was the first study which empirically identified the role that network bricolage played in the marketing strategy development of a social enterprise.

In addition, in the case we analyzed, the entrepreneur had access to students as volunteers to develop the market strategy of the social enterprise. We have termed this process *entrepreneurship education bricolage*. Hence the first contribution of the research is the application of network bricolage and entrepreneurship education bricolage in the process of the marketing strategy development of a social enterprise. This can provide a basis for future analyses of network bricolage in the establishment and development of social enterprises. By answering this questions through article 1 & 2, I am contributing directly to the research streams of social entrepreneur resource acquisition as well as training and education for social entrepreneurship which were listed as important future research avenues by Helen Haugh (2005).

5.2.2 Scale development of the organizational social entrepreneurship construct

There have been several conceptual papers on types of social enterprises (Alter, 2007; Young & Lecy, 2013; Zahra et al., 2009) schools of thought in social entrepreneurship research (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn, Pennings, & Thurik, 2009) and social enterprises across countries (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Kerlin, 2006, 2009, and 2012). As the field advances we are now facing new research questions. So far quantitative studies have not been able to differentiate between various configurations of social enterprises (Battilana et al., 2015; Liu, Eng, & Takeda, 2015b; Mair et al., 2015) Hence the second contribution of this dissertation is the development of scale items to conceptualize the construct of *organizational social entrepreneurship*. The connected research question was: What are the components of the social entrepreneurship construct?

To answer this question, I identified several components that could be part of the construct of organizational social entrepreneurship, as outlined in articles 3-5. This was an iterative process with constant feedback from social entrepreneurship academics and practitioners. Article 5 identified social innovation, earned income and democratic governance as the three latent variables comprising organizational social entrepreneurship. A set of scale items to measure each of these latent variables was then proposed. The fundamental observation from the third, fourth and fifth papers are that organizational social entrepreneurship is a behaviour that can happen in many types of organizations. A combination of the dimensions of social innovation, earned income and democratic governance can exist in any organization. Some organizations such as organizations started by Ashoka fellows may exhibit a higher degree of social innovation component while performing low on earned income and democratic governance components. On the other hand, an organization which labels itself as *social enterprise* may be absent of these components.

This extensive study answered the calls for more quantitative research in the field (Hoogendoorn et al., 2010; Short et al., 2009a). Articles 3, 4 and 5 make an attempt to tidy up the typology as a stage in developing a scientific paradigm of social entrepreneurship (Hirsch & Levin, 1999). The scale items that were developed and validated during the study are presented in Table 7. By including *democratic governance* as one of the dimensions of organizational social entrepreneurship, the debate is expanded beyond social mission and earned income. The scale items that were developed represent a construct which is applicable to all the three typologies of social innovators, earned income social enterprises and collective social enterprises.

Social Innovation
It is an explicit part of our strategy to create change among our peers. We actively promote change in organizations operating in our sector. Through our work, we intend to change the practice in other organizations. Our approach will change the way our sector works.
Earned Income
Our organization produces and sells goods or services. We engage in commercial activities to support our social mission. We are generating income from selling products and services. Our revenue relies on earned income from market activities.
Democratic Governance
Our management involves all internal and external stakeholders in a democratic decision making process. Stakeholders are represented in committees and work groups of our organization. The stakeholders affected by our organization are part of its decision-making process.

TABLE 7 Scale items for the dimensions of organizational social entrepreneurship

Furthermore, in articles 4 and 5, the consequences of the components of social entrepreneurship are briefly analyzed. The organizational outcomes resulting from the presence of the three components of organizational social entrepreneurship were explored in Article 5. Firstly, social innovation tends to lead to a higher willingness to share and newness in the products and services being offered in an organization. Secondly, earned income tends to lead to salaried employees and distribution of profits in the organization. Thirdly, democratic governance tends to lead to more co-creation with beneficiaries and social mission adherence in the organization.

5.2.3 Organizational social entrepreneurship as a formative construct

While developing the scale items for organizational social entrepreneurship, we were faced with the conundrum of how to represent a construct with the dissimilar components of social innovation, earned income and democratic governance. Since the components are quite unique, a change in the organizational social entrepreneurship will have different effects on the three components. This issue was solved by conceptualizing organizational social entrepreneurship as a formative construct.

Organizational social entrepreneurship in the final paper in this compilation is conceptualized as a multidimensional formative construct, as shown in Figure 12: its components contribute formatively to social entrepreneurship. These seemingly unique components are social innovation, earned income generation and democratic governance. Formative conceptualization provides an alternative way of presenting the contested concept of social entrepreneurship

which tends to combine the social mission, financial sustainability and democratic governance. By conceptualizing organizational social entrepreneurship as a formative construct, the argument is that the components add together to form the construct. A change in the construct does not reflect in a similar change in the components.

Social entrepreneurship was conceptualized as a multidimensional construct by previous researchers (Mort, Weerawardena, & Carnegie, 2003; Weerawardena & Mort, 2006). However, to the best of my knowledge article 5 in this compilation presents the first empirical study modelling social entrepreneurship as a multidimensional formative construct.

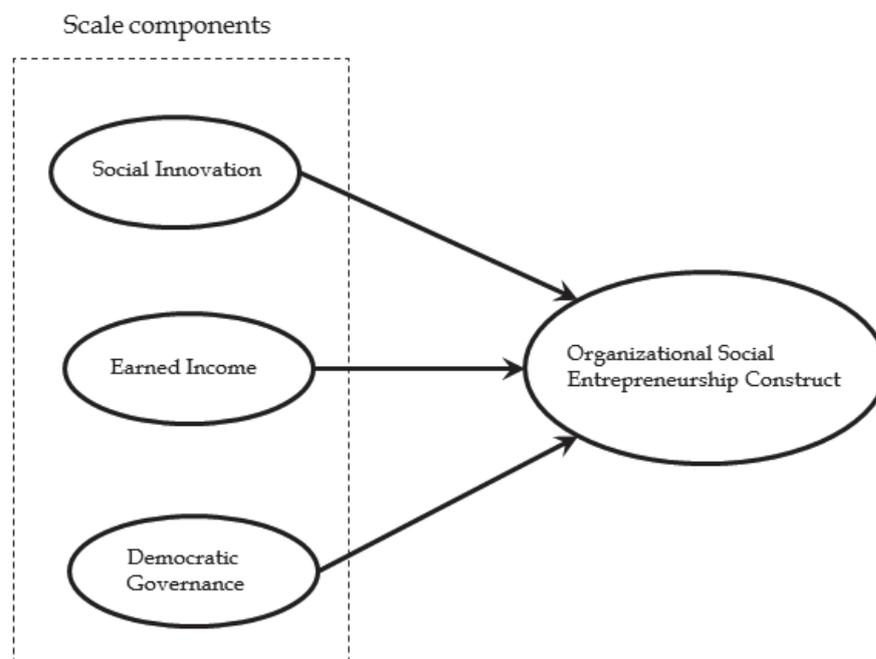


FIGURE 17 Organizational Social Entrepreneurship as a formative construct

In addition, to the best of my knowledge this was the first study to use Smart PLS to conceptualize the formative construct of social entrepreneurship. Smart PLS (Ringle, Wende, & Becker, 2015a) is a software using the Partial Least Square structural equation modelling (PLS - SEM) (Tenenhaus, Vinzi, Chatelin, & Lauro, 2005). PLS-SEM is proposed as a better alternative for developing explorative formative conceptualization (Hair, Ringle, & Sarstedt, 2011; Ringle, Wende, & Becker, 2015b).

5.3 Practical contributions

This research makes practical contributions to social entrepreneurship education and to the development of conceptual tools and database resources to support further work in this field.

5.3.1 Live case as a social entrepreneurship education methodology

As social entrepreneurship has gained prominence in debates on public policy, in academia and the media, there has been greater demand for university programs offering courses on this. Several new educational programs teaching social entrepreneurship to university students have been set up across the world in the past decade (Elmes, Jiusto, Whiteman, Hersh, & Guthey, 2012; P. Tracey & Phillips, 2007). The first article in this compilation is a demonstrative case study of a social enterprise in India collaborating with a university in Finland to teach social entrepreneurship to students using the live case method. In the *live case* methodology, the company collaborates with the faculty in identifying a business problem that the students can address during the period of a semester. During the semester, the students develop a solution for the problem while being mentored by the senior faculty of the business school. The mentoring faculty included individuals with previous experience in the corporate and business worlds. Hence, the students acted as a pro bono resource for the social enterprise. Social enterprises often fail to attract talented resources for their management activities, which raises the question: "What are the most effective ways for a social entrepreneur to mobilize and manage volunteers?" (Austin et al., 2006, p. 19). Article 1 proposed a practice-oriented solution to this problem: Using business school students as volunteers to support a social enterprise.

The three main tasks of universities are proposed to be teaching, research, and interaction with society (Hynes, 1996; Thorp & Goldstein, 2010). In addition to the traditional roles of research and teaching, universities are encouraged to do social outreach and develop programs which impact on society. Article 1 provided the practical suggestion of university collaboration with social enterprises as one way for fulfilling this function in a fruitful manner. The paper presents a unique case of collaboration between a Nordic business school and an Indian social enterprise. In the current times when companies are searching for globally minded and culturally aware workforce, *live cases* are an efficient way to provide training for multicultural work environment for students at a business school.

5.3.2 Organizational social entrepreneurship scale components as a tool for governments, public policy experts and managers

Social entrepreneurship is a phenomenon that is attracting increasing attention from governments, public policy experts and corporations. Social support institutions across the world would like to analyze the influence and emergence of

organizations creating social impact. This is a challenging task, for the following reasons. First of all, there is no unified definition of what constitutes a social enterprise in either academic or public discourse. Secondly, there are no existing scales to measure the organizational phenomenon of social entrepreneurship. Thirdly, the standards for measuring social impact of an organization, such as SROI (Social Return on Investment) (Millar & Hall, 2012) are not widely used by organizations.

By conceptualizing organizational social entrepreneurship as a behavior that can exist across a wide variety of organizational forms, we are addressing the first issue. The second issue mentioned here is addressed by developing validated scales to measure the three components of the organizational social entrepreneurship construct. In practice, a social enterprise can focus strongly on one of the three measures of social innovation, earned income or democratic governance. These scales could be used in national surveys to identify and classify organizations that engage in social entrepreneurial behaviour. They could also be used by managers of private companies to measure the social orientation of their organization. This can provide the basis in developing scales to measure performance of social enterprises in the future thus addressing the third issue.

5.3.3 Database development of social enterprises

In order to be able to develop scale items for the organizational social entrepreneurship construct it was imperative for us to develop a database. The existing databases are maintained by organizations providing funding, branding and institutional support for social enterprises and have various limitations, as explained in detail in Section 3.4.4. In order to ensure inclusivity, the aim in this research was to develop a database which represented the heterogeneity of the organizations engaged in social entrepreneurship.

During the pilot study for Article 3 in 2013, a database of social enterprises in Finland, Sweden and Denmark were developed. In addition, database consisting of social enterprises in the Netherlands and the UK were also created for doing data collection in articles 4 & 5. In total, the database consisted of 1866 social enterprises, of which 645 are based in the UK, 223 in the Netherlands, 400 in Denmark, 308 in Sweden, 258 in Finland, and 32 in Norway. The scope of the database was limited by time and financial constraints during this research. Currently, the database is being updated with social enterprises from Germany, Belgium, the USA, Africa and India for model retesting, replication studies and future research. It is important to keep updating this database. It will be an extremely useful resource for future research on social entrepreneurship. The theoretical and practical contributions from the study are summarized in Table 8.

TABLE 8 Contributions of the study

Theoretical contributions	Practical contributions
Network bricolage and entrepreneurship education bricolage as mechanisms to address resource shortage in marketing management of social enterprise	Live case as a methodology to teach social entrepreneurship to students
Organizational social entrepreneurship conceptualized as a formative construct consisting of social innovation, earned income and democratic governance	Database development of European social enterprises Development of a practical tool to measure organizational social entrepreneurial behaviour

5.4 Limitations and future research

This research is limited by the context of the present doctoral thesis to Europe and one developing country. These challenges present opportunities for further research specifically in expanding the limited existing literature on marketing in social enterprises and developing quantitative tools for measuring outcomes of social entrepreneurship.

5.4.1 Limitation of the context

The first two articles included in this thesis compilation focused mainly on the marketing strategy development of a single Indian social enterprise based on a single case study involving collaboration with a Finnish university. This very specific context made rich data collection possible to understand marketing strategy development in a social enterprise operating in a developing country. In this process, the intention has been to provide analytical generalization for theory building to understand marketing in social enterprises (Yin, 2009). A social entrepreneur will act differently when exposed to resource constraints in different environments. Hence, there is need for future research on the marketing strategy development of social enterprises in other contexts.

5.4.2 Marketing for social enterprises

Marketing is a crucial organizational element for social enterprises. It enables them to reach out to customers, beneficiaries, possible funders, investors and donors. This is not a thoroughly researched area, however: More studies at the interface between marketing and social entrepreneurship are needed. In Paper 2 of this thesis, an in-depth study of the marketing strategy development of one social enterprise in a developing country context was carried out. In this study the primary focus was the access to resources for marketing strategy develop-

ment. The roles of social media in marketing and online platforms for fundraising such as crowdfunding have increased in number in the last few years. Corresponding to that, there needs to be more studies on evolving topics in this area such as crowdfunding and role of social media and internet in the marketing of social enterprises.

In the current study, the role played by preexisting networks for resource mobilization was analyzed. The role of social capital in social entrepreneurship development, survival and growth is a rich stream to be mined in future research. Marketing researchers have begun to focus on entrepreneurship in bottom-of-the-pyramid markets. Research contributions in this area can be improved by more collaboration with social entrepreneurship researchers working on developing country contexts.

5.4.3 Quantitative tools for advancing future research in social entrepreneurship

The social entrepreneurship construct was conceptualized in the third, fourth and fifth articles in this compilation, taking into account the variations in existing social enterprises. This pioneering study in scale development created tools to conceptualize the dimensions of organizational social entrepreneurship. This makes it possible to analyze heterogeneous samples of social enterprises in the future. The scope of the scale development in the present research was limited to nascent social entrepreneurs participating in a massive open online course and mature social entrepreneurs in Europe. Scale development is a long term project which needs several replications for establishing the validity of the measurement items. Hence, it is crucial to conduct replication and validation studies in American, African and Asian contexts.

We have identified social innovation, earned income and democratic governance as components of the formative construct of organizational social entrepreneurship. This list of components of the construct might not be exhaustive, so it is necessary to identify any potential additional components. Panel discussions with social entrepreneurship researchers and practitioners in different countries may help to develop the scale further and add any other components. In addition, another future avenue of research is the development of profile models (Law et. al, 1998) of social enterprises using the scale items developed during this study as a pointer. This will help in developing profiles of socially entrepreneurial organizations. National governments, public policy institutions and international economic organizations need new models to profile social entrepreneurial activities in various forms of organizations. Another possibility to represent different organizational forms that carry out organizational social entrepreneurship is to perform cluster analysis (Hair et al., 2009) on various samples of social enterprises using these scale items.

Another avenue worthy of future investigation is to conduct research that performs analysis of the outcomes of the dimensions of organizational social entrepreneurship. In another words, it is crucial to determine how the presence or absence as well as increase or decrease of the three dimensions affect the per-

formance of social enterprises. Performance measures of social enterprises need to integrate both the social impact generated and the financial performance of the organization. In Article 4, the initial measures for self-perceived social impact and financial sustainability were proposed, but better ways of measuring these outcome variables need to be developed. The field of social entrepreneurship is growing and more tools are required to conduct future empirical research. The thesis takes some initial steps on the road to creating such resources. This will help meet the need for more quantitative studies in future.

EPILOGUE

This research study gave me an opportunity to study the phenomenon of social entrepreneurship. However, as I finalized my study of last five years, I was confronted with two questions that evolved from the research process.

While analyzing the first case, I observed that when faced with resource constraints, the entrepreneur used existing available resources in an innovative manner. This innovative combination resulted in creation of solutions to issues that the entrepreneurs faced. I was puzzled by the question: *'If resource constraints lead to innovativeness, should it be considered as an advantage?'*

While developing scale items for social entrepreneurship, I found out that organizational social entrepreneurship is an activity that can occur in various forms of organizations. *'If this is indeed the case, will the field of research of social entrepreneurship be merged with the research field of organizational studies in future?'*

YHTEENVETO (FINNISH SUMMARY)

Tässä väitöskirjassa tutkitaan yhteiskunnallista yrittäjyyttä. Väitöskirjassa käsitellään erityisesti kahta tämän alueen tutkimusaukkoa. Ensimmäinen on resurssien mobilisaatio, eli käyttöönotto, yhteiskunnallisen yrittäjyyden markkinointistrategian kehittämisessä. Yhteiskunnallinen yrittäjyys on monipuolinen käsite, joka koostuu erilaisista organisaatiomuodoista ja toiminnasta. Tämän väitöskirjan toinen tutkimusalue keskittyy siihen, miten yhteiskunnallista yrittäjyyttä voi mitata. Väitöskirja koostuu johdantoesseestä sekä viidestä tutkimusartikkelista.

Ensimmäiset kaksi tutkimusartikkelia keskittyvät ensimmäiseen tutkimusaukkoon. Kysymystä siitä, miten yhteiskunnallisen yrittäjyyden markkinointistrategian kehittämisessä voidaan käsitellä resursseja rajaavia tekijöitä, käsitellään intialaisen maaseudulla terveystalvijoita tuottavan sosiaalisen startup-yhtiön tapaustutkimuksen kautta. Tutkimusaineistoihin kuuluu haastatteluja, s-postikeskusteluita, netin keskustelupalstoilla julkaistuja tietoja, sekä opiskelijaraportteja kahden vuoden ajalta. Ensimmäisessä artikkelissa esitellään *live – case* opetusmetodologiaa yhteiskunnallisen yrittäjyyden ongelmien ratkaisemiseksi. Toisen tutkimusartikkelin tulokset näyttävät, miten yrittäjä kehittää sosiaalisen terveystalvijoituksen markkinointistrategiaa käytti hyväkseen ratkaisuja, joissa yhdistyivät verkostot ja yrittäjyyskoulutus jotka korvasivat resurssien puutteen.

Mittauskysymyksen selvittämiseksi tietoa kerättiin yhteiskunnallisesta yrittäjyydestä kuudesta Euroopan maasta sekä opiskelijoilta, jotka loivat sosiaalisten yritysten alustavia liiketoimintasuunnitelmia. Tietoja kerättiin kolmessa kierroksessa, joiden lopuksi tiedot tallennettiin yhteensä 263 eurooppalaisesta yhteiskunnallisen yrittäjyyden yrityksestä sekä 184 perustettavasta sosiaalisesta yrityksestä. Tutkimuksen perusteella kehitimme *Organizational social entrepreneurship* -konseptin, eli ajatuksen sosiaalisen yrittäjyyden rakenteesta, jonka sisällä voi esiintyä erilaisia sosiaalisia organisaatioita tai yrityksiä. Sosiaalisen yrittäjyyden rakenne esiteltiin järjestelmänä, johon sisältyy sosiaalinen innovaatio, ansiotulo ja hallinta (social dimension, Earned income dimension and governance dimension). Tutkimuksessa kehitettiin mittarit näille eri osatekijöille. Yhdessä tutkimusartikkelissa selvitettiin, miten sosiaalisen innovaation ja ansiotulon vastakkaiset tekijät vaikuttavat sosiaalisen yrittäjyyden rakenteen organisaatiotulokseen. Tutkimustuloksilla on kauaskantoiset seuraukset, jos päättäjät ja hallitukset haluavat tunnistaa ja mitata sosiaalisten yritysten suorituskykyä.

Avainsanat: yhteiskunnallinen yrittäjyys, yhteiskunnallinen yritys, sosiaalinen yritys, sosiaalinen yrittäjyys, markkinointi, markkinoinnin strateginen kehitys, sosiaalinen innovaatio, ansiotulo, hallinto, bricolage

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ORIGINAL PAPERS

I

TRAINING STUDENTS IN 'PROBLEMS WORTH SOLVING': CASE GLOBAL VENTURE LAB FINLAND

by

Merie Joseph Kannampuzha, Mari Suoranta, Marko Seppä
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MERIE JOSEPH KANNAMPUZHA, MARI SUORANTA,
MARKO SEPPÄ AND DHRUBES BISWAS

Training students in ‘problems worth solving’: Case Global Venture Lab Finland

This article aims to present a case of a university based business creation platform aimed to teach students how to address problems worth solving (GVL, 2011). The article demonstrates the live case methodology by presenting the story of cooperation between a Finnish university, an Indian university and an Indian rural health social enterprise. It introduces the challenges and requirements involved in carrying out such a teaching process while examining the opportunities available for universities to engage in such an international collaboration process.

Approach

The paper is based on four years of collaboration at the Global Venture Lab Finland faculty of University of Jyväskylä from 2007 to 2011. Formally founded in 2009, the Global Venture Lab Network is an international alliance of 26 founding universities from around the world, interested in promoting entrepreneurship education and developing venture creation platforms in their respective universities (Seppä, 2012; GVL, 2013).

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DISCUSSION

Findings

The paper argues how students from a Nordic country such as Finland could be taught social entrepreneurship by the participation in the development process of a social enterprise in India. The authors propose their insights from their experience of the involvement in the collaboration process which involved strategy development, live cases and organization of publicity events. Finally, the four important points required for a collaboration process between universities, a social enterprise and companies are proposed.

Originality

The experience of a university based business creation platform for problems worth solving is presented while portraying the partnership between a Nordic welfare state and a developing country.

Keywords: *Teaching Social Entrepreneurship, Social Enterprise, International Collaboration, Business Creation Platform, India, Finland*

Introduction

The question of how universities could collaborate with enterprises solving 'wicked problems' is a widely debated one. Recently, in the wake of financial crisis, the role of universities, especially business schools, in training students to be socially responsible individuals has been discussed (Thorp & Goldstein, 2010). The important role of universities in training students to be entrepreneurial is widely discussed in European Union and in Finnish society (Kyrö & Ristimäki, 2008; Heinonen & Hytti, 2008). Social entrepreneurship is the activity of developing organizations focusing on social value creation (Mair & Marti, 2006; Austin, Stephenson & Wei-Skillen, 2006). Social entrepreneurship courses are being offered in universities around the world and are gaining popularity among students (Brock & Steiner, 2009). Training, education and learning about social entrepreneurship is identified as one of the future research themes in the field of social entrepreneurship (Haugh, 2005). The process of teaching social

entrepreneurship in universities present a unique challenge as social enterprises face issues in managing accountability, managing double-bottom line of profits and social mission as well as managing identity (Tracey & Phillips, 2007).

In this paper, we present the effort by a Finnish faculty to train the students in social entrepreneurship. We will detail 'live cases' through which the Global Venture Lab (GVL) students in Finland dealt with a 'problem worth solving' in India. In 2009 and 2010, GVL faculty members from University of Jyväskylä in Finland visited the Indian Institute of Technology, Kharagpur (IIT Kgp), West Bengal, to identify project cases that Finnish students could work on as a live case. They determined the Indian health care scenario as one area where collaborations would be possible. The authors describe how a faculty of a business school in Central Finland collaborated with the Indian social enterprise in their marketing processes while teaching students about social entrepre-

neurship. The case enterprise is delivering health care services in the non-metro regions of India, with ambitions to provide services in energy, education and environmental sectors in the future. This paper evolves from an Indo-European collaborative case study conducted within the experimental university-based Global Venture Lab faculty in Finland. The first section presents the concept behind the Global Venture Lab. The second section explains the case of the Indian health care social enterprise. The third section elaborates how the students and GVL faculty of University of Jyväskylä in Finland collaborated in the development of the social enterprise. The fourth section describes the lessons learned from the Indo-Finnish collaboration. The paper is finalized with a section on conclusions from the case.

GLOBAL VENTURE LAB CONCEPT

In 2007, three professors from University of Jyväskylä in Finland, University of California Berkeley in the USA and Indian Institute of Technology Kharagpur in India founded the Global Venture Lab (GVL). The aim was to create a global program for a *Distributed Business Creation School*. GVL aimed to create a sustainable business creation unit inside the participating universities by focusing on the integration of humanities with business. GVL used collaboration between students, experienced mentors, researchers in entrepreneurship and companies to develop a platform for supporting growth ventures for sustainability. It aimed to enhance interaction of university research professionals with practitioners of new and established businesses. Moreover, GVL intended to employ students as a resource to deal with 'problems

worth solving' by engaging them in current problems of existing businesses and organizations. This concept would give them a hands-on experience in resolving issues that any real organization faces. Global Venture Lab aspired to bring together three areas of research, teaching and business (GVL, 2011). It aimed to embed entrepreneurship studies into other disciplines in the university to create entrepreneurial university (Heinonen & Hytti, 2008).

Research

The faculty of GVL were involved in research where the data came from cases of growth companies in which students worked to develop the solutions. In this sense, they were conducting action research (Baskerville & Myers, 2004; Dubois & Gudde, 2002) by actively participating in the development of the companies. The direct interaction of researchers with businesses helps them to enhance their academic knowledge about new venture creation and management. GVL had research projects in collaboration with growth ventures in Finland including developing business models for entry to developing countries and business growth strategies for start-ups. Research seminars were held periodically to help advance PhD theses and research article development. In addition, EBRF conference was held once a year to enhance communication of research results in the academic areas of entrepreneurship and new venture creation.

Teaching

Experiential learning is crucial in entrepreneurship education. Tracey & Phillips (2007) argued that the experiential learning factor could be added by providing projects for students to act

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as consultants. In the Jyväskylä University School of Business and Economics, the students had the possibility to enrol in a minor program or individual courses from GVL Finland faculty. GVL Finland faculty provided courses in two minor subjects of Technology Business and Service business for students who did not have a major from the business school. In addition to the theory lectures in the courses, the students were offered the possibility to work with cases of real companies through 'live cases'. Each 'live case' was assigned a mentor from GVL, usually a 'Director to Doctor' PhD student (similar to Entrepreneur-in-Residence Program) who had returned to academia to conduct research after gaining considerable experience in new business creation. The students would work in groups, directly interact with the representative of the company and get advice from their GVL mentor. The whole process could be termed 'live case', as the students dealt with an existing problem of a growing company. Entrepreneurial team learning is considered as one way to enhance entrepreneurship skills among students and teachers (Peltonen, 2008). The live cases offered through the minors provided the first opportunity for many students to apply theoretical knowledge gained in their studies in a practical and concrete manner while working in teams.

1.3 Business

The business angle in the GVL concept came from companies wanting to improve their current businesses. They collaborated with GVL to obtain insights in areas such as marketing and firm growth strategies. One of the ways in which they collaborated was the live case where they presented a problem of the company to GVL

students to develop a solution as part of their studies. A group consisting of students from various academic disciplines, worked together to find a solution to the problem of the company. During the live case, the researchers in GVL offer an outsider perspective on the business to the entrepreneurs. A second way was by participating in 'Runway to Growth' (R2G) events organized by GVL faculty in Finland (GVL, 2011). R2G are events where growth ventures in the initial phase could present their problems to and receive advice – from experts in finance, governance, marketing, accounting and legal domains in a day – under a co-entrepreneurial spirit rather than consulting towards for a fee. In addition, GVL offered several seminars on conducting business to SMEs free of charge as part of the research projects. The research results directly benefited the SME companies who were partners in the projects (R2G, 2013).

GVL live case was the mechanism through which the three aims of research, teaching and business were combined. Live case provided an opportunity for a company to seek solutions for an existing problem using students as a resource. While solving the problems through their projects, the students learn about the operations of a company. The data evolved from the live case teaching method is used to conduct research on new venture creation by the researchers in the GVL Finland faculty. Thus GVL live case combined action research, action learning and action business. By action business we refer to active participation that companies had with students in solving the problems of their growth ventures (Porter, Joseph, Seppä & Biswas, 2010).

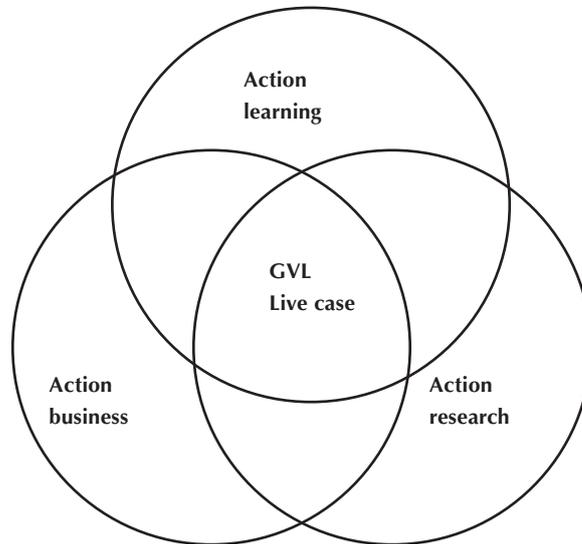


Figure 1 GVL live case description (Porter et.al, 2010)

INDIAN HEALTH KIOSK ADDRESSING A “PROBLEM WORTH SOLVING”

In India, inefficient public health care infrastructure, mismanaged international aid based health programs and unaffordable private health sector result in the inaccessibility of basic health services to the majority of the population. A Professor at IIT Kgp, decided to tackle the issues in health care delivery in the region surrounding Kharagpur with a unique technology-based solution. His idea was to develop health kiosks that would act as diagnostic points, where trained local entrepreneurs would deliver diagnostic services for people in West Bengal. The Society of Social Entrepreneurs (SSE) was also set up to train local villagers who have a drive for entrepreneurship to start new health access points where diagnostic services and basic medical insurances would be provided. The entrepreneurs operating the kiosks

were chosen through a highly selective process by SSE after which ten applicants were selected to run the kiosks. The first health kiosk was inaugurated in July 2009. With the training provided to the ten entrepreneurs, the team at IIT Kgp helped establish 10 new health kiosks in West Bengal by November 2009.

The kiosks located in the non-metro regions of West Bengal are connected to a partner hospital in the nearest city, resulting in a networked model. The management of entrepreneurs, as well as accounting and financing activities, are performed through the SSE. The kiosk owner normally charges Rs.40–50 (.8 dollar cents to 1 dollar) per patient with an average of 20 patients per day, resulting in a monthly earning of Rs.30,000 (600 dollars). The involvement of higher education faculty in the planning and business model development makes this social enterprise unique. In order to enlarge the network of health kiosks, the IIT Kgp research team

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and SSE are collaborating with rural medical practitioners (RMPs). The aim of the health kiosk venture is to have health care access points in non-urban regions all over India, equipped with diagnostic devices and technology provided by higher education institutes. In 2009, the Indian health kiosk venture had fifteen kiosks in West Bengal which are self-sustainable.

AN INDO-FINNISH COLLABORATION AT WORK

In December 2009, the professor from IIT Kgp came to University of Jyväskylä and presented the Indian health kiosk as a live case to the students of the course Business in Asia, in which he was a visiting lecturer. He intended to develop a partnership where the University of Jyväskylä faculty and students could assist with the marketing process of the health kiosks. The students at GVL Finland faculty worked on two different live cases for health kiosk. The first was related to developing marketing skills and second was related to product and service design.

Live case 1 – Branding and marketing strategy development

The students at the University of Jyväskylä started working on the health kiosk in an independent project course in the spring semester of 2010. They were from Finland as well as other European countries. The students were divided into three groups which worked on projects for developing a brand, creating a story and constructing a marketing strategy for the Indian health kiosks. The first group worked on helping in the development process of the brand by exploring the existing known brands in India and developed the concept of Indian health kiosk

from that. They worked on suggesting few possible logos for the health kiosk. The second group worked on developing a story by working on future scenarios of the impact of health kiosk. They also worked on suggesting stories of people from rural parts of West Bengal already impacted by the presence of health kiosk. The personal stories were developed in order to future collaborators and donors of the Indian health kiosk to feel emotionally connected to the kiosk. The third group worked on how to develop a community and presence of the Indian health kiosk in social media. They also developed suggestions on how to improve the website of the health kiosk. The three groups were mentored by an experienced person from the 'Director to Doctor' program. In addition, the group of students presented the concept of health kiosk to experts in the R2G event in May 2010 and received advices in improving their marketing plans for health kiosk.

There were some challenges in the spring 2010 during this process of collaborations between students in India and Finland. One issue was in the communication aspect. There were technical difficulties while setting up video calls through Skype, which interrupted the calls. In addition, European students were sometimes not able to understand the ground realities in rural India as explained by the Indian student research group. This gave rise to some misunderstandings between the Indian and Finnish student teams. The students from Finland were participating in a business minor course whereas the students from India were engineering students. This also led to difference in perspectives. Moreover, the Indian research group had rather high expectations about the results to be achieved by the GVL Finland stu-

dents working on the health kiosk case. All these resulted in difficult conversations between the teams towards the end of the project. As a result of the learning from this project work, the process of communication between the student team in Finland and the researcher team in India was modified. It was identified that the process could be more efficient if the feedback from the Indian team was provided on the final student reports. This resulted in better collaborations between the Indian and Finnish student teams in the following live case. The final student reports of the three groups were sent to the team of students in IIT Kgp working with Indian health kiosk for feedbacks. A Facebook group for Indian health kiosk was created based on the suggestion from the Finnish student groups. In order to manage the donations for starting further kiosks, a new foundation named Aegle Angels Foundation was registered and a website was created for it. The personal stories suggested by the students were added to the website to add a human touch to the website.

3.2 Live case 2 – Motherhood package development

In August 2010, a group of GVL Finland faculty went for a research visit at the IIT Kgp and visited the health kiosks. One result of this trip was the realisation that for attracting more customers and for scaling purposes, the Indian health kiosk venture has to develop trust among the local community. GVL faculty determined two ways to build trust: to set up a foundation to manage the donor money and to select the key customers for the health kiosks. The GVL faculty identified pregnant mothers as the key customers of Indian health kiosk as a good rapport

with them could result in better ‘word of mouth’ publicity for health kiosks. In addition, they could develop trust towards the health kiosk in the local community.

Maternity information clinics were developed in Finland in the 1920s, owing to the high infant mortality rate and low level of maternity health. Today, as part of the maternity health program, mothers with infants in Finland are provided with a maternity package with baby clothing, toiletries and basic items required to take care of the infant. Since the situation of maternity health in West Bengal currently is similar to Finland in the 1920s, such a program could be adopted for non-metro regions in West Bengal. The GVL faculty structured a project for developing a motherhood program for pregnant mothers coming to visit the health kiosks.

In the spring 2011, students working on the project were given the task of designing a motherhood program that would suit pregnant mothers in rural India. Since the students were familiar with the concept of motherhood package given to all mothers who give birth in Finland, they could develop a similar package for rural Indian mothers. Three groups of students were competing against each other for the design of the best motherhood package. In addition to developing actual motherhood packages, the students were encouraged to develop a community of support for pregnant women through the health kiosks. Furthermore, the project required the students to find a list of probable partners for health kiosk in developing the maternity package and services related to it. The students were given feedback at three different meetings during a period from December 2010 to March 2011. The reports from all three groups were sent to the Indian research team for

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feedback. The students' ideas were accepted as good by the Indian team. One of the teams was selected as a winner from the three teams based on the feedback from the Indian team and the GVL mentor. A cost analysis was done by the Indian research team and it was calculated that a donation of 50 euros would contribute to a motherhood program in India.

3.3 More events and collaborations

In September 2010, the health kiosk venture won the Global Academic cup, a competition for academic initiatives resulting in a growth venture, at the EBRF 2010 Conference in Nokia, Finland. This was a major achievement for finding new partners in Finland for future collaboration. After interaction with the GVL faculty researchers, Aegle Angels Foundation calculated that a donation of 4000 euros was enough to start a new self-sustainable health kiosk. In November 2010, GVL faculty members presented the concept of health kiosk to an audience of 100 SME entrepreneurs and journalists at the headquarters of a Finnish media house, *Sano-maTalo* in Helsinki. The notion of Finnish collaboration in an Indian social enterprise was well received. In December 2010, the health kiosk was presented again at the R2G event organized in the Aalto University premises in Helsinki. Several members of Aalto University and the public sector organizations funding innovations in Finland came to know about the Indian health kiosk through their participation. In addition, Dazzle Ltd, a company with ambitions to enter the Indian market, became extremely interested in the Indian health kiosk and provided the donation for the 16th kiosk as a Christmas gift.

In January 2011, the GVL Finland faculty members attended a workshop on the Bottom of the Pyramid (BoP) markets organized by Aalto University in Helsinki and got in touch with companies interested in the BoP markets in India. In the spring of 2011, Finpro, a Finnish organization for promoting international market entry of Finnish firms, started information sessions about BoP market opportunities in India. The idea of these sessions was to connect Finnish SMEs and researchers interested in BoP business and research opportunities with relevant projects from India. In one of the sessions, the Indian health kiosk was presented as a prospective venue for collaboration. The Finnish Funding Agency for Technology and Innovation, TEKES, and Finpro started to look at the Indian health kiosk as a solid project. At this time, GVL Finland faculty planned an event for June 2011 where the professor from IIT Kgp would talk about the health kiosk at the Hanken School of Economics in Helsinki. The event invitations were sent to university departments interested in BoP business research, to several public sector departments dealing with health and education, as well as to companies with interest in developing countries and BoP markets. The event was able to attract several companies interested in the Indian health kiosk venture. Capitalizing on the interest of companies to enter the Indian rural market, a company called OPPO Ltd was established by GVL Finland faculty members in November 2011. The objective of the company was to support Finnish SMEs that would like to venture into the markets in India and other developing countries. In December 2011, OPPO organized an event 'Doing good by doing business' to attract companies and individuals interested in the growing BoP

Public events: Events to publicize the Indian health kiosk venture and opportunities in Indian BoP market to donors and interested companies. These events generated interest and informed companies about business possibilities in the BoP segments in India.

Live cases: The cases in which students worked to develop solutions for the Indian health kiosk using resource leveraging. With the help of mentors and feedback from Indian counterparts they were able to develop a first version of solutions.

Strategy development: Co-creation of development of strategy for the social enterprise, including marketing strategy and donor management strategy. The group involved in the health kiosk venture that was developed by a premier engineering institute gained complementing advice from Jyväskylä University School of Business and Economics.

Table 1 Collaboration activities for the Indian health kiosk venture in Finland

markets in India. The collaboration activities between University of Jyväskylä and the Indian health kiosk venture are summarised in the table above:

REFLECTION

The authors have been involved as action researchers, collaborating with students in live cases, participating in the health kiosk business model expansion strategy development, and presenting the health kiosk in various events in Finland from January 2010 until December 2011. The live cases gave the students experiential learning about social entrepreneurship in a developing country. The students applied the theoretical concepts of branding and product design that they learned for the development of a social enterprise. Furthermore, they learned the basics of growing a social enterprise in a developing country context. With a small guidance from mentors, the students acted as consultants for the Indian health kiosk.

The collaboration with the Indian social enterprise and the Finnish faculty contributed mostly to how the services provided in the

health kiosk venture should be broadened. Finland has emerged as a country that is able to provide good quality health care even in its remote areas. However, with the recent budget cuts in healthcare, the number of public sector hospitals in the remote areas of Finland is being reduced. This has led to a higher use of technology to assess the medical conditions of patients in remote villages and in healthcare for the elderly. Although there are differences in the economic conditions between India and Finland, some knowledge from this experience was utilized in the Indian context where there are people located far from hospitals in remote areas.

Figure 2 explains the collaborative process between university faculties, students and the social enterprise involved. The involvement of GVL Finland faculty in the Indian health kiosk case demonstrates that universities could play an active role in bringing together the companies and social enterprises that would like to collaborate. The GVL Finland faculty acted as a synergizing partner of the Indian health kiosk venture and Finnish companies while utilizing students as a resource.

DISCUSSION

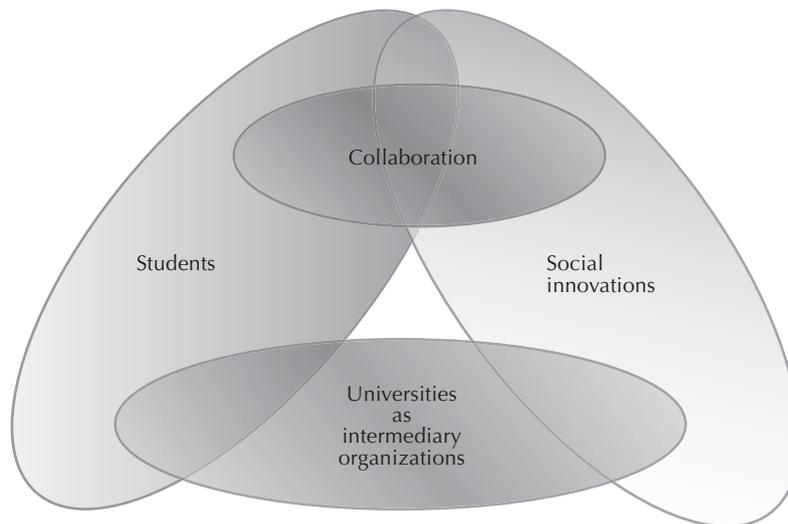


Figure 2 Universities as intermediary organizations. Adapted from Hautamäki, 2010

The three main tasks of universities are proposed to be teaching, research, and interaction with society (Hautamäki, 2010). In addition to the traditional roles of research and teaching, universities are encouraged to do social outreach and create an impact in the society. GVL Finland faculty aimed to achieve the interaction with the society by means of creation of new businesses for problems worth solving. Collaboration with social enterprises offers universities the possibility for this interaction in a fruitful manner. In addition, collaboration with universities could help social enterprises to gain trust and acceptance from the community in which they operate, which would help them to grow and scale faster. Hautamäki (2010, 2011) has proposed that universities could act as an intermediary organization between companies and innovations. The same could be said about social innovations as well.

This study presents that kind of a development; the collaboration performed in the context of a social enterprise in a developing country. Following are the lessons learnt from this experience that could be utilized for future collaborations.

4.1 LESSONS OF COLLABORATION BETWEEN UNIVERSITIES AND SOCIAL ENTERPRISES

The process of teaching students through live case needs to be flexible enough to be modified several times during the duration of the project. Furthermore the case selected should be less complex to produce results within a term. In our experience, we found the need to change the teaching model envisaged in the beginning. The process of student collaboration in the live case model had to be changed; the projects that they worked had to be modified as the social

enterprise providing health advanced in its scaling process. We noticed that the Finnish students were able to contribute more in the project that they could identify with. The live case for maternity package design for Indian scenarios worked quite well as they were familiar with the maternity packages given to mothers with new-borns by social security service in Finland. For the students, this live case felt more concrete than marketing strategy design project in Spring 2010.

The process of collaboration between universities and social enterprises requires academics with previous experience in entrepreneurship, growth venturing and knowledge of the field of social entrepreneurship. It can be challenging and expensive for universities to find and maintain them. The health kiosk venture was started by a professor in Indian Institute of Technology, who possessed previous experience in the development of start-ups and an inherent understanding of the needs of non-urban regions of India, gained while growing up in West Bengal. The team in India managing the venture had individuals with vast previous experience. The mentor for the health kiosk student project in Finland had developed several ventures before joining University of Jyväskylä. Their experiences and insights were crucial in each step of the collaboration process. However, the process of finding mentors could be quite difficult and unaffordable for many universities. In the case of GVL Finland faculty, the mentors came from the Director to Doctor program of Jyväskylä School of Business and Economics which made the process easier.

The process of developing collaborations with social enterprises and universities is a slow one. The various actors involved need to be patient to continue in the collaboration process to drive it towards success. The collaboration pro-

cess (Ref. Fig.1) requires the involvement of several actors including the social entrepreneur, academics, researchers, students and company representatives. In our experience with the Indian health kiosk, the partnership started to deliver concrete results for the social enterprise, for example in terms of a donation for a new kiosk, after efforts of one whole year. Furthermore, the health kiosk venture as well as the GVL Finland faculty team did not always possess the resources to develop and implement the changes suggested by each other, which made the process of feedback and changes slower than expected.

CONCLUSION

This paper attempts to offer a perspective on how students in a Nordic university could be taught social entrepreneurship and how the University faculty could collaborate in social enterprise development. We have elaborated the collaboration process that we were involved in, presenting some observations and lessons that could be learned from it. The direct collaborations with a social enterprise give hands-on experience for the students on social enterprises. Furthermore, social enterprises could utilize the students as consultants for the enterprise development process (Tracy & Philipps, 2007). Thus, one way of universities to achieve its society interaction goal is to have collaborations with social enterprises. Although rewarding, we found that it is a complex process requiring involvement of experts, commitment of a large amount of time, and patience.

Finland has been consistently among the top fifteen countries in the Global Innovation Index rankings from 2007 to 2011. It is considered a service-based economy with a speciali-

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zation in mobile-based innovations. This know-how of the Finnish companies in innovations could be utilized for future collaborations with the Indian health kiosk venture. Innovative companies are always in the pursuit of new strategic models of business and path-breaking products. Collaborating with social enterprises in the potential market of BoP gives them an edge. The health kiosk venture had to continuously innovate in products and process delivery to provide accessible medical services to Indians in non-metro regions. These innovations could be directly utilized by the companies which get involved in the social enterprise in return for their investments.

Importantly, the vast differences in the incentive systems, behavioural norms, and scopes of responsibility between academia and business must be acknowledged and duly respected. Within business, there are also notable differences between the contexts of established business and entrepreneurial new business settings. In addition, a social enterprise in start-up phase collaborating with a university has the additional challenge of communicating its social

mission clearly. Hence establishing a live case methodology for teaching entrepreneurship and social entrepreneurship to students in a university requires changes in the processes, structures and resource allocation methods resulting in creation of an enterprising culture (Heinonen & Hytti, 2008; Hynes, 1996).

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II

BRICOLAGE IN THE MARKETING EFFORTS OF A SOCIAL ENTERPRISE

by

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Bricolage in the marketing efforts of a social enterprise

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Structured Abstract

Purpose - The article aims to understand how resource constraints are addressed in the development of a marketing strategy by a social enterprise.

Methodology - The authors have used an in-depth case study of collaboration between a Finnish university and an Indian social enterprise as the methodology for our research in which the data were collected over a period of two years. The data involve semi-structured interviews, field notes and student reports.

Findings - The authors propose bricolage as a method of marketing ingenuity in resource-constrained social enterprises. Network bricolage and entrepreneurship education bricolage were identified as two mechanisms adopted to address resource constraints in the early stage of the development of a social enterprise.

Research limitations/ implications - Network bricolage is a type of bricolage in which an entrepreneur utilizes existing personal and professional networks as a resource at hand. Whereas networking and resource leveraging imply that the founders of an organization pursue resources from previously unknown people, network bricolage involves already known contacts of the entrepreneur. Further studies need to be conducted to test the applicability of network bricolage among a variety of small and medium-sized enterprises and start-ups. Bricolage could be explored in more detail as an alternative to resource leveraging to understand the marketing activities of social businesses in their initial stages.

Practical implications - Another type of bricolage that the authors observed was entrepreneurship education bricolage. A combination of students, business mentors and university resources such as faculty members was utilized as an ingenuity mechanism to develop creative solutions for a shortage of marketing resources.

Originality/value - The theoretical framework of entrepreneurial bricolage is applied in the context of the marketing of a social enterprise.

Keywords Entrepreneurial marketing, Bricolage, Social enterprise, Resources, Network bricolage

Paper Type Research Paper

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Introduction

This paper contributes to the literature on entrepreneurial marketing in the context of social enterprises. Social enterprises are considered a possible future strategy to address a previously untapped and unrecognized market in developing economies (Bruton, 2010; Mair & Martí, 2006; Seelos & Mair, 2005, 2007). However, social enterprises might face resource shortages because of their primary focus on a social mission (Wei-Skillern, Austin, Leonard, & Stevenson, 2007). Furthermore, in a market characterized by financial crises, a social enterprise often has to compete for capital with traditional profit-oriented enterprises. In an enterprise's growing phase, this resource shortage can also affect the marketing function, which is one of the crucial processes for growth (Webster, 1992). Entrepreneurial marketing has been proposed as an innovative and less resource-intensive marketing method for small enterprises in their growing stages (Bjerke & Hultman, 2002; Chaston, 2000; Gilmore, 2011).

Extensive discussions in the media and academia are taking place concerning the development of business solutions in resource-constrained environments (Lampel, Honig, & Drori, 2011; Radjou, Prabhu, & Ahuja, 2012; Rowlett, 2013). Through a case study (Kannampuzha et al., 2014) of a collaboration between a Finnish university and an Indian social enterprise, the authors demonstrate how a social entrepreneur from a developing country addressed the resource constraints his venture faced during the development of its marketing strategy. The article describes the utilization of university faculty, students and entrepreneur mentors as resources in the social enterprise's branding and product

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development process. We used semi-structured interviews, student reports and field notes for our data collection. We present the concepts of network bricolage (Baker et al., 2003) and entrepreneurship education bricolage as two mechanisms for overcoming the resource shortages of a social entrepreneur. Shaw (2004) conducted a study on the marketing efforts of UK-based social enterprises with the objective of understanding whether an entrepreneurial element prevails in their marketing activities. The paper identified the role of networks in opportunity identification and resource acquisition (Shaw, 2004). In this paper, we explore this concept through an in-depth case study of the marketing strategy development process of a social enterprise in its initial growth stages.

In this context, the research question that we address is as follows:

RQ1. How does a social enterprise address resource constraints in its marketing strategy development during the start-up phase?

The paper begins with a literature review that examines the methods used to address resource constraints in social enterprises. Next, details on the methodology and the data collection are presented. The case description of collaboration between a social enterprise and an entrepreneurship education faculty follows this section. Following the data analysis of the interviews, we present the discussion of our model for *bricolage entrepreneurial marketing*. The study's implications and the limitations of the research are presented in the last section.

Literature review

Resources and social enterprises

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Penrose (1956) proposed that firms are defined by the resources that they use to develop products and services. The growth and competitive advantage of a firm is determined by the resources that it possesses. Two firms that possess the same set of resources may develop different products and services using different combinations of the resources. In a new firm, entrepreneurs combine the existing resources to generate heterogeneous resources for new uses (Alvarez & Busenitz, 2001). The resource advantage theory proposes that firms strive to achieve better performance through a comparative advantage in the resources that they possess (Hunt, 1997). Resources that are valuable, rare, inimitable and non-substitutable are crucial for an organization, especially in addressing its marketing needs (Barney, 1991; Srivastava, Fahey, & Christensen, 2001). The resource base of a new venture may consist of human, social, financial, physical, technological and organizational skills. For an enterprise in its nascent stages, it is always challenging to acquire the right resources. Resource constraints (Brush et al., 2001; Eggers, 2010) can hinder an organization's growth ambitions in the initial phase, and entrepreneurs engage in several different strategies to address this issue.

Social enterprises are ventures that focus on social value creation in a community in a self-sustainable manner (Austin, Stevenson, & Wei-Skillern, 2006; Hockerts, 2010; Mair & Martí, 2006; Santos, 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). They propose to solve problems that private companies or the government are unable to solve (Defourny, 2001). Earnings generation has been identified as one of the key factors for the success of a social enterprise (Bloom & Smith, 2010). However, a social enterprise's results are evaluated based on the

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organization's social impact in addition to its economic gain (Dees, 2012, 1998), which can lead to decreased remuneration and compensation for personnel and therefore cause talented individuals to hesitate when considering working for a social enterprise. This scenario adds to the pressure on social entrepreneurs to use their resources wisely (Wei-Skillern et al., 2007). Weerawardena, Sullivan & Mort (2006) proposed a multidimensional model for social entrepreneurship that is characterized by the dimensions of proactiveness, innovativeness and risk management within the constraints of the environment, sustainability and the social mission. Marketing has been identified as having the potential to contribute to the performance of enterprises in both the for-profit and the not-for-profit sectors (Ewing & Napoli, 2005; Miles, Crispin, & Kasouf, 2013). Marketing for social enterprises is a two-fold activity that comprises attracting both beneficiaries and funders. Social enterprises compete for donations and other types of support to sustain themselves (Dees, 1998). During the growth phase of a social enterprise, the entrepreneur might be required to approach different funding sources. As mentioned previously, because an inherent problem of resource shortage exists in social enterprises (Wei-Skillern et al., 2007), they need to apply unique methods to help them with their marketing strategies and tactics.

The resource constraints in a firm's growth phase force the firm to consider innovative ways to reach out to customers (Eggers, 2010; Stokes, 2000) and investors. Entrepreneurial marketing (Morris, Schindehutte, & LaForge, 2002) is an innovative marketing method that has been described as the interface of marketing and entrepreneurship (Carson & Gilmore, 2000; Gilmore, 2011; Jones, Suoranta, & Rowley, 2013a) or as a marketing method for small- and medium-sized companies

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(Bjerke & Hultman, 2002). Some entrepreneurial marketing tactics include word of mouth marketing (Keller, 2007), viral marketing (Hinz, Skiera, Barrot, & Becker, 2011) and buzz marketing (Hausmann, 2012; Thomas, 2004). While analysing the marketing practices of successful entrepreneurs, Stokes (2000) found that they tend to serve a small base of customers and expand based on resource availability. Furthermore, they emphasized personal contact and word of mouth marketing for the transmission of information to customers, and they obtained market information informally through personal networks.

Mechanisms to address resource constraints

Resource leveraging is one way to approach the scarcity of resources in an organization (Hamel & Prahalad, 1993). Any organization can attain a competitive advantage by transforming the resources that it possesses into a unique resource mix. However, a new venture may not possess the resources needed to follow several growth strategies. In this case, entrepreneurs will have to first gather the resources they need and then develop unique competencies for the organization. To obtain or attract the resources, entrepreneurs need to leverage their networks (Jones, Suoranta, & Rowley, 2013b). Thus, entrepreneurs need to specify the resources that the venture needs and discover possible suppliers of these resources (Brush et al., 2001). Resource leveraging is the usage of external resources when an entrepreneur in a firm does not possess the required resources for the firm's growth. When employing resource leveraging, an entrepreneur actively seeks resources that are not readily available (Brush et al., 2001; Wilson & Appiah-Kubi, 2002) .

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Lampel, Honig & Drori (2011, 2014) defined ingenuity as one mechanism that can be used to address constraints. They defined it as *the ability to create innovative solutions within structural constraints using limited resources and imaginative problem solving*. The constraints in this context could be imposed by existing structures, a shortage of time or the inadequacy of resources. Resource constraints force the actors involved to be creative by performing constraint-shattering activities. Constraint shattering involves challenging the existing situation and performing creative operations to address the constraint.

Bricolage as an entrepreneurial mechanism

Bricolage is one form of constraint-shattering activity that entrepreneurs and the employees in an organization implement (Lombardo & Kvalshaugen, 2014). In the start-up phase, many entrepreneurs who have insufficient resources manage to utilize the existing resources at hand in new combinations. This approach has been called entrepreneurial bricolage (Baker & Nelson, 2005). In contrast to resource leveraging, where the entrepreneur searches for external resources, in bricolage the entrepreneur relies on the resources that he already possesses. Levi Strauss (1966) identified the concept of bricolage based on his study on how individuals interact with the environments in which they live. Baker & Nelson (2005) used the concept of bricolage to explain the process that entrepreneurs follow in the event of a resource shortage. While suffering from resource shortages, the entrepreneurs examined in the study were able to provide unique services by recombining what they could procure around them. Thus, bricolage is defined as the process of creating something out of nothing in resource-constrained environments. The authors

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proposed that bricolage consists of three main characteristics: resources at hand, a recombination of the resources at hand for new purposes and making do. Effectuation (Sarasvathy, 2001) is another approach where an entrepreneur builds a company based on the resources that he possesses. Both effectuation and bricolage start with the resources at hand. However, bricolage can be applied to achieve both an unspecified goal with the existing means (effectuation) and a predefined goal using the existing resources (causation) (Baker et al., 2003).

A bricoleur gathers resources with the aim of there being possible uses for said resources in the future. An entrepreneur could, for example, use already existing professional contacts to obtain skills to develop the company by gathering resources that are non-expensive or deemed worthless by others. Such resources could be physical materials, skills or ideas that are collected for an unforeseen project in the future. A bricoleur experiments with different amalgamations of existing resources to see whether they provide a solution to the issue at hand. Although Schumpeter (1934) and Penrose (1956) proposed that firms recombine existing resources in new combinations, they do not describe how firms perform such recombinations. In bricolage, individuals continuously question their constraints by experimenting with different solutions and managing the results. The making do aspect emphasizes dynamic involvement over exhaustive thinking and planning. *Making do* does not imply that a solution is highly imperfect; rather it is a construct that forces an individual to act instead of contemplating whether the existing resources will lead to an optimal result (Baker & Nelson, 2005; Bjerke & Hultman, 2013). The bricolage concept has been used to explain processes in technology entrepreneurship (Garud

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& Karnøe, 2003) and organizational strategy (Phillips & Tracey, 2007), social bricolage in social enterprises (Di Domenico, Haugh, & Tracey, 2010), and intrapreneurship in multinational corporations (Halme, Lindeman, & Linna, 2012). Social entrepreneurs are considered experts in mobilizing resources in a manner similar to enterprising bricoleurs (Desa, 2012).

Bjerke & Hultman (2013) differentiated between a broad view and a narrow view of entrepreneurship. They proposed that the broad view of entrepreneurship considers it as a social phenomenon that is focused on satisfying the demands and needs of society. In contrast, the narrow view of entrepreneurship perceives it as an economic phenomenon. Entrepreneurs in this category develop new firms and processes rationally. In the broad view of entrepreneurship, many new start-ups begin their operations naturally and utilize bricolage as a development method. Bjerke & Hultman (2013) defined bricolage as *a way of starting something new by involving actors in a process where genuinely new combinations come up, and existing resources are transformed for old or new purposes*. While engineers look at the problem rationally and create rational start-ups, a bricoleur will look at a problem naturally and construct a natural start-up. Bricolage attempts to understand how businesses start by looking at entrepreneurs as agents of social construction. In that context, marketing could be defined as the intermittent and flexible utilization of the means at hand following effectuation or bricolage. In this broad view, the solutions to a customer's problems are co-created with them. Bricoleurs tend to apply networks as a genuine method of co-creation. In a natural start-up, the entrepreneur who acts as a bricoleur will generally follow a broad view and use entrepreneurial marketing

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techniques (Bjerke & Hultman, 2013; Hills & Hultman, 2006). In this paper, we develop this concept using a demonstrative case study of an Indian social enterprise using the resources that it already possesses. We address the question of resource usage in an early-stage social enterprise using a case of marketing strategy development in collaboration with a university. The summary of the literature review is presented in the Table I.

Mechanism	Literature	Explanation
Ingenuity	(Lampel et al., 2011, 2014)	Entrepreneur uses creative and imaginative problem solving in resource constrained environments.
Resource leveraging	(Brush et al., 2001; Hamel & Prahalad, 1993; Wilson & Appiah-Kubi, 2002)	Seeking resources not owned externally through a previously unknown contact.
Effectuation	(Sarasvathy, 2001)	Entrepreneur in an uncertain environment uses existing resources to develop a new venture.
Entrepreneurial bricolage	(Baker & Nelson, 2005; Lévi-Strauss, 1966)	Recombining existing resources at hand to develop “good enough” solutions to problems.

Table I. Mechanisms to address resource constraints by entrepreneurs

Methodology

When a researcher is exploring the ‘how’ of an evolving phenomenon in which he or she has little control, a case study can be extremely useful (Eisenhardt & Graebner, 2007; Eisenhardt, 1989; Yin, 2009). The authors used an in-depth case study as the methodology in this study through a revelatory case that provides insightful knowledge of the experience. The data used were collected over a period of two

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years. The background information about the case was collected during a field trip to India through open-ended interviews with the founder, management team and employees of a social enterprise. Updated information about the social enterprise was continuously collected via emails from researchers based in India and constant interaction with the founder of the enterprise throughout the period of the study. The primary data for this article include semi-structured interviews with students involved in the development of the social enterprise, focus group interviews with the students and interviews with the students' mentors regarding the design of the marketing strategy. In addition, a few interviews and discussions were conducted with the entrepreneur. For the interviews, open-ended questions were used that focused on the social enterprise's marketing efforts. The interviews varied in length from 30 min to 1.5 h. The secondary data for the paper include email discussions with the social enterprise's team members, an online discussion forum with the students who worked on the marketing project and marketing strategy reports developed by the students. In total, we had 40 informants. The details of the data sources for the paper are provided in Table II. A thematic analysis was performed on the data, and coding was used for the analysis of the transcripts (Auerbach & Silverstein, 2003). In the interview transcripts, we looked for themes related to the process of how resources were utilized in the development of the marketing strategy.

Project involved	Role	No. of informants	Data sources
Indian health venture – GVL collaboration	Entrepreneur, GVL mentors	5	Interviews, informal discussions

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Market strategy development (January – June 2010)	Students	3	Interviews, online discussion forum
Motherhood package development (November 2010 – March 2011)	Students	12	Panel discussion, interviews, student project reports

Table II. Data sources for this paper

Description of the case

The Indian rural health venture was started by a professor at the Indian Institute of Technology Kharagpur (IIT, Kgp) to address the issue of the inaccessibility of health care facilities in non-urban parts of India. He personally funded the venture to select and train rural entrepreneurs at the entrepreneurship centre of IIT Kgp. The trained entrepreneurs aimed to provide affordable medical diagnostic services to local people in health centres with remote connections to a hospital with high-end facilities. Services such as blood sugar measurement and blood pressure measurement are provided at a kiosk where the patient is charged a small amount, less than one dollar. A high number of individuals visiting the kiosk would generate good income for the local entrepreneur while providing affordable health services in the non-urban area. Although the founder hoped to expand the venture to non-urban areas in all regions of India, it experienced resource shortages. To develop strategies for marketing and the growth of the business, the Indian professor approached Global Venture Lab (GVL) Finland. The GVL is a network of universities in different countries that are interested in developing a global university-based business creation platform. The Indian professor was one of the founding members of the network together with a

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professor at the business school at the University of Jyvaskyla, Finland. The Indian professor also taught courses as a visiting faculty member. These existing professional relationships with the faculty at the University of Jyvaskyla allowed the Indian professor to reach out to the faculty to address the issue of resource constraints.

Health venture branding strategy development

GVL Finland faculty offered students the opportunity to learn the concepts of entrepreneurship, business and management within the context of practical cases and real companies. The students had to solve a business problem for a company by applying the theories they learned in their classes. The Indian professor presented his venture to the students in December 2009 at the University of Jyvaskyla. In the spring semester of 2010, students enrolled in the Project Management course were assigned to the case of the Indian rural health venture. The students were expected to manage the project as a group and make progress in solving the issues facing the company. The students are constantly reviewed in meetings with mentors from the GVL who are individuals with previous entrepreneurship and business experience. When the semester ends, the students produce a report that details their proposed solution for the company.

From January to June 2010, three student groups worked on projects for the Indian rural health venture. The students had Finnish, German and Italian nationalities and were majoring in subjects varying from linguistics to physics. A brainstorming workshop event conducted by GVL mentors and the students identified three projects for development: a logo, the creation of a support community in

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Finland and story development for potential donors to the Indian health venture. The students involved in the projects formed an online discussion group and communicated with researchers involved in the Indian rural health venture through conference calls. They were mentored by three GVL Finland faculty members who called feedback meetings during the course of the project. To develop the logo, the students researched Indian culture, the Indian health care system and successful Indian brands. They analysed Indian advertising campaigns that appealed to rural Indians as well as an international audience. Based on their research and the names and pictures currently utilized for the venture, the students developed three suggestions for a name and logo that were professionalized by a local advertising agency. Additionally, the students developed a future scenario story describing how donor involvement could positively impact the Indian rural health venture. The third assignment was to develop a community to support the venture. To reach out to the younger student population, the students developed a Facebook page for the venture that could be updated frequently with the venture's new developments. Other proposals developed by the students included an online student volunteer database, a pitch to reach out to Finnish public figures, micro-financing to help kick start new kiosks and an online shop for rural Indian art products that could be sold at premium prices to help finance the kiosk venture. The students also developed an action plan on how to proceed with the brand strategy execution to attract global interest for the venture. The marketing efforts of the students and the GVL mentors produced its first result when a Finnish firm provided the first donation for a health kiosk in December

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2010. The various events during the branding strategy development are presented in Table III.

Time Period	Description
December 2009	Introduction to the Indian health venture case by entrepreneur.
January 2010	Logo development, creation of a support community in Finland, and the creation of a story for donors about the Indian rural health venture are identified as the problems for students to work on.
February 2010	Basic study of the Indian rural health venture and brainstorming by student groups.
March 2010	Discussion with Indian team and feedback on the students' first ideas; presentation of Indian rural health venture to local organizations in central Finland.
April 2010	Presentation of improved logo ideas to marketing company in Finland; pro bono work on improving the logos by the company.
May 2010	Development of Facebook community.
June 2010	Final report with suggestions from students.
August 2010	Feedback on the final report of the students.
December 2010	First donation from a Finnish organization to the Indian rural health venture.

Table III. Key events in the Indian social enterprise marketing strategy development, spring 2010

Motherhood package development

During a research trip by GVL Finland faculty to India in August 2010, the student reports on the marketing strategy with logo suggestions and future scenario stories for the Indian rural health venture were presented to the venture's management team at IIT Kgp, and feedback was collected. During the trip, it was determined that to scale and expand, the health venture needed to increase trust among the local communities. Because mothers are often responsible for the health care of their families, mothers and children were identified as value customers. It was agreed that an idea similar to the motherhood package provided by the Finnish social

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security system (Lee, 2013) would be appropriate for integration into the Indian rural health venture. In the late Autumn of 2010, students enrolled in the next project management course offered by GVL Finland faculty were introduced to the project to develop the Indian Motherhood Package, which was to be sold through the Indian rural health venture. The GVL mentors collaborated with three student groups and helped them design and develop their ideas for the motherhood package. The students presented their work in three phases with constant feedback from the GVL mentors and the managers of the Indian venture. In the first phase of the project delivery, the students were expected to present the project idea proposal and a timeline for the next two phases. Based on feedback on their ideas from the presentation of the first phase and individual discussions with the mentors, the students were expected to improve their ideas. After improving their ideas based on the feedback, the students submitted a mid-level report and a list of milestones that they achieved in the second phase. In the third phase, the students presented their main ideas and achievements and a 5-min elevator pitch of their idea. The first group of students focused on developing a motherhood programme with services in addition to the products in the package. The second group of students established contacts with Finnish organizations who have worked in the field of healthcare in the rural regions of developing countries. The third group of students focused on the idea of developing sample packages with the help of the Finnish social security system to test the market in India. The various events during the motherhood package development are presented in Table IV.

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Time Period	Description
August 2010	Motherhood package identified as next project.
December 2010	Theoretical classes in project management course.
January 2011	Three student groups signed up to develop the Indian motherhood package.
January 2011	First phase report for the project; feedback provided.
February 2011	Second phase report of the project; feedback provided by mentors.
March 2011	Final presentation.

Table IV. Key events in the mother package design project, spring 2011

Findings

Based on the thematic analysis, we find the following themes in the process.

Resource constraints

The project had resource constraints from the perspectives of both the social entrepreneur and the students who were involved in the social enterprise's marketing process. Below, we present the resource constraints that we observed in the process.

Lack of money and business experience. From the perspective of the entrepreneur, the venture lacked money and business experience. The entrepreneur lacked money to hire an actual marketing firm for the branding of the social enterprise. The entrepreneur mentioned the following in the interview:

'We had resources, but not money' [...] So we [...] don't have [...] people with real money and real resources and own private capital (Entrepreneur).

The rural health venture had students from IIT Kgp who enrolled for the program at the entrepreneurship faculty. The students had strong educational backgrounds in engineering but limited knowledge of business and marketing theories. In the entrepreneur's own words,

'I wanted to have engineers in IIT to find out how to use their knowledge for business.' (Entrepreneur).

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Lack of information, time and practical experience. From the perspective of the students and the GVL Finland faculty who worked on the projects for the Indian rural health venture, the main resource constraints were information and time. The first problem was posed by the fact that European students were involved in the marketing strategy development of an Indian health-care venture. The venture was still in its initial stages, and it was difficult to obtain up-to-date information. The students had a great deal of difficulty understanding the local Indian culture, which was foreign to them, while developing the marketing strategy. The students felt that the development of a marketing strategy would have been easier if the organization operated in a country that was familiar to them.

As a student mentioned regarding the difficulties encountered in the project:

Being so distant from India. Kind of a difficulty. You don't have the first-hand knowledge of the culture. And maybe, if it was in Russia or Finland or Sweden, you could go there. And it would be easier to share the idea with others. So, the first-hand experience would be important in my opinion. (Student J).

We would have wanted to have a connection to the health venture in India so that they could have verified our idea. We could have had more feedback from them at this point so that we could develop our idea further (Student T).

The solutions for the marketing problems had to be developed within the semester, which was limited time. In addition, the students were troubled by the fact that the entrepreneur himself was not present to provide direct feedback on the students' ideas and proposals:

I was a bit sceptical because the founders are not here, and we don't have communication with them [...]. Of course, I would have wanted to see the founders and actually talk to them, ask their opinion and maybe do some surveys among the customers. I already talked about how we don't have direct access to the founding team [...] That's a real problem for me at least (Student P).

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I knew that it might be a little difficult within this time, and what can you do for the tech side in 4 months? (Student J).

But, really it was a huge challenge to design the maternity package for India. None of us have been to India, and we don't know about the conditions there, and we worked a lot to get to know how things are there, and we did our best (Student A).

Finally, the students faced several obstacles in their project because of their lack of experience. In the Spring of 2011, the students felt that they could not develop the ideal motherhood package because they did not know about motherhood and health-care conditions in India.

We are students [...] We are not professionals. We don't know health care. We feel that we cannot advise them because we are not mothers. I don't have babies (Student A).

Resources at hand

Existing networks as a resource. The entrepreneur in this case used his personal networks for the development of the marketing strategy. Because the social enterprise was based in an Indian university, it lacked money to hire a marketing agency. At first, he utilized his own funds to start the venture:

And I was at that time using my own personal resources, some amount of money like 10,000 euros (Entrepreneur).

In addition, the professor utilized the students and staff at the entrepreneurship centre, of which he was a part, to develop the Indian rural health venture.

Me and my staff at IIT started an education venture where we were trying to educate rural kids (Entrepreneur).

To develop the marketing strategy, he approached his existing network with the GVL Finland faculty. In reaching out to his university network in Finland, the founding entrepreneur followed an approach of utilizing the skills he could access among his personal networks.

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The GVL Finland faculty and IIT Kgp could actually contribute to the prosperity of the business [...] as far as possible.

I met the Finnish professor through a common friend of ours in Berkeley [...] I was visiting UC Berkeley in 2006, and when discussing [...] new ways to come up with opportunities for growth, a friend introduced me to the UC Berkeley professor, and then he said, you know what? [...] There is a very interesting bunch of guys in Finland trying to do a venture exploration, and we are going to call it Global Venture Lab. Would you like to join us? You can go and talk about your vision there. And he gave me the phone number of the Finnish professor, and I called him, and [...] It was great (Entrepreneur).

University students as a resource. The entire process was conducted by utilizing the students at the university as a resource. For the development of the venture, the entrepreneur reached out to the network of universities that collaborated with his own university. The technical solutions for the Indian health centres were developed at IIT Kgp. Students at the GVL Finland and UC Berkeley were involved in the venture's business development. The venture used the easily available resources of the students in the GVL network to help it develop a marketing strategy, and while developing the strategy, the students were aided by mentors who were experienced in marketing. As stated by the entrepreneur;

So IIT students on the technology and deployment, Finland folks on the blending and Berkeley folks on the costs and revenue plan (Entrepreneur).

The students in Finland looked at the social enterprise from a European point of view. They viewed it as a resource that had potential for the Indian rural health venture. One student noted that their freedom could be a beneficial resource:

It's a kind of a benefit anyways because it's such a free environment. Easy to access the project group. Easy to get people in (Student J).

Faculty mentors as a resource. GVL Finland had members with business and entrepreneurship experience who acted as mentors for the student groups. They had previously founded firms and developed growth strategies for start-ups. They helped

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the students during the market strategy development process, and their experience was a resource that all of the students appreciated.

I guess he [the faculty mentor] gave us straight contacts with companies [...] names, which might not have been easy to get from a person who doesn't know the business world (Student M).

Recombining resources at hand for new purposes

The collaboration processes involved the usage of university resources in a unique manner. The lack of business acumen among the engineering students at IIT was addressed by utilizing students at a business school in Finland. The abilities that the students from different universities possessed were combined to produce a package that could be used by the Indian rural health venture. Students, the experienced mentors and the entrepreneurs together created a new method of pedagogy. Through this process, the university resources were recombined in novel ways to aid in the development of a new social enterprise.

Students driving enterprises, I have always discussed that with my other colleagues in Finland. Students are very potent force, but they are unorganized. And then they are not formal. And I am a formal social firm that needs your help (Entrepreneur).

GVL can be a good, healthy foundation, professors and practitioners and venture capitalists and evangelists trying to come together using the university as a platform for bringing IPRs together, the university as a platform to bring people together, the university as a platform to combine research and academics and practitioners into monetizable solutions for problems worth solving. That's the concept in my mind (Entrepreneur).

The group of students that worked on the branding and marketing strategy development consisted of Finnish students as well as international exchange students. The students' majors included languages, natural sciences and business. The groups consisted of students from varied academic backgrounds such as physics, music, sociology and economics and students from three different

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nationalities, which led to varied perspectives and produced good results. As stated by the students who worked on the project in the spring of 2010:

International team, that was great. And everyone has their own idea and background, and of course, an international team from different majors, technical, ICT (Information and Communication Technology) and biz econ, and we had only 3 or 4 Finns (3) and almost the same amount of international people and for this kind of international project [...] (Student J).

We had different points of view. I didn't think it was a problem. People lacking business know-how for instance, the physics majors, I never got the impression that they wouldn't get our points of view. I think it was a good thing because we had more assets which were multifaceted (Student P).

I like to work with multiple nationalities as I have done so before, and it gives some perspective to the whole process and some new ideas (Student P).

During the marketing strategy development process, one resource that was utilized in solving problems was existing knowledge from Finnish society. One of the ideas that recurred concerned the Finnish maternity clinics and hospitals offering free treatment for pregnant mothers and infants. Another idea was that of the Martha organization which is a Finnish home economics organization established in 1899 to provide education to women and to promote their well-being and quality of life at home. Students identified that this model could be utilized in the rural Indian context.

We could perhaps benefit from the knowledge and the Finnish history in terms of building the pre-natal training in India which would be something like maternity clinic in Finland [...] There could be some connections like that (Student K).

We can give advice which the Indians might not even think about. For example, we have this Martha organization which have had a huge impact on the Finnish history, and we could do something similar in India (Student A).

Making Do

The entrepreneur was trying to make things work, but he sometimes had to make adjustments using non-ideal solutions. He mentioned how he used the money that

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the social enterprise obtained from a business plan competition to promote the maternity package. Because he lacked money, he sustained the venture using the resources that he could obtain.

I pumped that money into the kiosk as well, and then I started going to the next level trying to make the interior better and the exterior better , trying to bring in more pictures of a mother and child(Entrepreneur).

The students had to believe that the practical issues were going to be taken care of later. Furthermore, some of the organizations they contacted did not respond because they considered the venture to only be a student project, but the students tried to produce a result that could be usable. They tried to develop solutions in the limited time available to them of one semester.

Get out of the building and do something concrete for the customers and check whether it works or not and stuff like that [...] But I think in this case, it was like creating the initial idea that we could [...] and actually to test out the business model and get out of the building [...]]but it was as good as it can get for this state that we are in (Student P).

I am used to the idea that you have to have the perfect idea and the perfect image about something before you go and talk about it ... But now what was done was that you had to be willing to be more creative and just like hands-on the issue and keep contacting the companies (Student E).

Discussion

Based on our data analysis, the bricolage process in the development of a marketing strategy for the Indian rural health venture is summarized in Table V. The constraints of lack of money, business experience and cultural knowledge forced the individuals to recombine the resources they possessed to produce applicable solutions.

Resource constraints	Resources at hand	Recombination of resources	Making do
Entrepreneur's lack of money	University students and staff	Reusability of solutions between Finland/India	Solutions developed without spending money

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Students' lack of information	Collaboration between Indian entrepreneur & researchers	New perspectives and solutions to the problem using own experience and knowledge	Ability to develop a practical & optimal solution with limited information
Lack of business experience for technical students in India	Student mentors with business experience	Reusing university resources and networks to create a new method of pedagogy	Solutions produced in short time and with limited information
Lack of Indian experience for students in Finland	Diverse educational background and nationalities of students in project groups	Utilizing experiences from students' native country in a novel way	Making up for the lack of knowledge of local culture using own experiences

Table V. Bricolage in the marketing of a social enterprise

The case of collaboration discussed above demonstrates the process of bricolage in the marketing of a social enterprise. Figure 1 represents the concept of 'bricolage in entrepreneurial marketing' as comprising network bricolage and entrepreneurship education bricolage. In our study we observed the strategies used for marketing by the entrepreneur. We identified two separate processes of bricolage in the marketing strategy development. One was network bricolage through which the entrepreneur accessed resources. The second process of bricolage was the entrepreneurship education bricolage which occurred by using students as a resource to develop the marketing strategy. Both of the bricolage processes are explained in detail below.

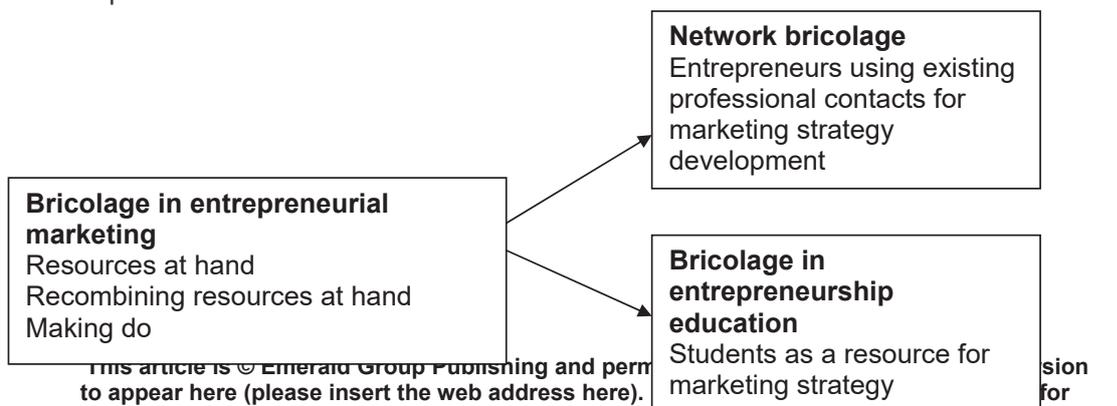


Figure 1. Bricolage entrepreneurial marketing

Network bricolage

When faced with the constraints of a lack of money and a lack of business experience in his team, the entrepreneur of the Indian health venture adopted the constraint-shattering mechanism of utilizing his available resources through his existing professional and personal networks. The role of networks is considered crucial for marketing in social enterprises (Shaw, 2004). We identified network bricolage in the process of the collaboration between the Indian social venture and the GVL Finland. Network bricolage is a type of bricolage in which entrepreneurs utilize their existing personal and professional networks as a resource at hand. Networking has always been crucial for firms in their initial period to help fuel their growth. Researchers have demonstrated that entrepreneurs utilize network resources heavily (Aldrich & Zimmer, 1986; Birley, 1985; Jones et al., 2013b; Mattson, 1997; Ostgaard & Birley, 1996; Vasilchenko & Morrish, 2011). Whereas networking and resource leveraging implies that the founders of an organization pursue resources from previously unknown people, network bricolage involves already known contacts of the entrepreneur (Baker et al., 2003).

This finding has a practical implication for entrepreneurs in their initial stage of developing their firm. An entrepreneur needs to combine the existing resources that he possesses in a unique way to creatively solve problems. The entrepreneur can

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look at his existing network contacts and reuse them in an innovative way when there are resource constraints.

Entrepreneurship education bricolage

Another type of bricolage that we observed was what we call entrepreneurship education bricolage, which refers to the process that the students underwent while trying to develop solutions for the problems faced by the Indian health venture. When faced with obstacles, they proceeded with the knowledge that they had. Co-creation in marketing is a term that is normally used to refer to activities that an entrepreneur undertakes to develop new products in collaboration with customers and end users (Prahalad & Ramaswamy, 2004). In this case study, we observed co-creation with students as a mechanism to address a resource shortage. Teaching is proposed to be a process that involves bricolage (Hatton, 1988). We identified a bricolage process in entrepreneurship education where previously unrecognized resources were recombined to aid the development process of a social enterprise. The combination of students, faculty researchers, business mentors and university resources of IIT Kgp and GVL Finland were utilized as an ingenuity mechanism to develop creative solutions to address the marketing resource shortage.

Students are an underused resource that entrepreneurs could utilize in novel ways. There is general interest among students in volunteering to work for social enterprises. Entrepreneurship educators should develop their pedagogical process to address these two synergies. Students could design value-adding products and services for an enterprise using social media and modern technologies. From the research case that we presented, it is evident that social enterprises and

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entrepreneurs can utilize the enthusiasm of students to their advantage during their marketing efforts. However, students are inexperienced compared with business consultants, and they require some level of guidance from experienced personnel. Furthermore, innovative ways to develop marketing strategies and collect feedback from the entrepreneur need to be adopted, as students do not always have direct access to the end customer.

Limitations and conclusions

This paper explored the marketing strategy development process of a social enterprise. The process of entrepreneurial bricolage was identified in the context of analysing the efforts of a social enterprise that was developed through a university's venture creation platform. The case presented a possible example of utilizing students as resources who can help a social enterprise develop its marketing strategy during its growth phase. Social entrepreneurship is proposed to advance macro-marketing (Miles et al., 2013). In this paper, we responded to the call by Bjerck & Hultman (2013) to examine the broad view of entrepreneurship and its implications on marketing. We identified bricolage in the marketing strategy development process of an early-stage social enterprise. In addition, we observed the role of networks in marketing a social entrepreneurship enterprise (Shaw, 2004), and we observed the process of network bricolage. However, the research has some limitations.

First, the research was conducted on a single social enterprise based in India, which limits the generalizability of the research to all social enterprises. Future research could examine how ingenuity and specifically bricolage is used in marketing and other processes in multiple social enterprises. Second, the authors focused on

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exploring the marketing strategy development of a social enterprise in collaboration with universities. The field of marketing for a social enterprise has been explored on a small scale in the existing academic literature (Shaw, 2004), which provides a great opportunity to researchers in this field to analyse the marketing strategy development of various social enterprises. One interesting area to examine would be the usage of social media in funding a social enterprise's search and marketing efforts.

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III

DEVELOPMENT OF A SCALE TO MEASURE THE COMPONENTS OF THE SOCIAL ENTERPRISE CONSTRUCT

by

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Development of a Scale to Measure the Components of the Social Enterprise Construct

ABSTRACT

This paper develops a scale to identify the components underlying the construct of social entrepreneurship. The scale was tested and validated using a population of actual social enterprises. The social entrepreneurship components that we identified belong to the groupings of social innovation, income generation & distribution and participative governance. The six factors in the nineteen item scale are reinvestment, earned income generation, employee compensation, openness, sectorial transformation and autonomy in operation. By developing this scale, we are going beyond the discussion among researchers on the types of social enterprises, by proposing a scale that could be used across the spectrum of organizations who call themselves 'social enterprises'. The unique contribution of this scale is that it takes into consideration the heterogeneity of the concept of social enterprise. The future research possibilities include identification of antecedents and effects of the presence of a particular component in a social enterprise and how it affects the operative process of the social enterprise. Hence this scale will be a valuable tool which could be utilized in advancing the field of research in social entrepreneurship.

Key words: Social enterprises, Social Innovation, Scale development

INTRODUCTION

Social enterprise is a term to denote a variety of organizations ranging from philanthropic organizations, cooperatives, organizations operating in the social economy, innovative startups with a social mission, social entrepreneurial ventures to profit oriented social businesses (Dees, 1996 ; Austin, Stevenson & Wei-Skillern , 2006; Borzaga & Defourny,2001; Young & Lecy, 2014 ; Yunus, Moingeon & Lehmann-Ortega, 2010). Scholars in this field have come up with a variety of definitions for the phenomenon (Nicholls, 2006; Mair, Robinson & Hockerts, 2006; Dacin, Dacin & Matear, 2010; Mair & Martti, 2006) .For the purpose of this article, social enterprises are defined as organizations pursuing an explicit social mission through business-inspired earned-income strategies. They could be from non-profit, private, public or third sector.

The research field of social entrepreneurship is dominated by conceptual discussions (Mort, Weerawardena, & Carnegie, 2003; Peredo &McLean, 2006; Nicholls & Cho, 2006), practitioner based accounts (Bornstein 2004; Leadbeater, 1997 ; Scofield, 2011), case studies and research studies adopting qualitative approaches. There have been several conceptual papers on types of social enterprises, schools of thought in social entrepreneurship research(Young & Lecy, 2014 ; Zahra , Gedajlovic , Neubaum & Shulman, 2009; Defourny & Nyssens, 2010 ; Dees & Anderson, 2006 ; Hoogendoorn & Pennings, 2010; Alter, 2010) and social enterprises across countries (Borzaga & Defourny, 2001 ; Kerlin, 2006; Defourny & Nyssens, 2008; Kerlin, 2009; Kerlin, 2013). However, a quantitative scale for measuring the components of the construct of social enterprise has not been developed. We argue that in order to advance the field of research of social entrepreneurship we should develop measures to identify and differentiate a social enterprise. Through this paper, we present the possibility of extending the typology discussion by

exploring the various components of social enterprise concept. Hence our research question deals with how to develop a measurement scale for social enterprises?

The initial items for the scale of social enterprise construct were developed based on existing literature in social enterprises. The survey instrument included components dealing with reinvestment of profits, earned income generation, employee compensation, openness, sectorial transformation and autonomy in operation. The scale addresses the heterogeneity of the concept of social enterprise and provides a valuable tool for future research.

SOCIAL ENTERPRISE COMPONENTS

In the following section we present the components of social enterprise construct as derived from existing literature. We posit that in practice the social enterprises may display a mix of these components. However, we do feel that most social entrepreneurs will be having more of one of the three components as the predominant component in their activities. We concur to the view of social enterprises as belonging to a variety of types of organization combining social and market goals (Young & Lecy, 2014) adopting a mix and match of these components.

Social Innovation component

Schumpeter (1934) described entrepreneur as individuals creating disequilibria. Schultz (1975) proposed economic growth as a process involving several instances of disequilibria. This approach was reinforced by Shane & Venkataraman (2000) in defining entrepreneurship. Drucker (1985) entrepreneur as one who explores and responds to change and utilizes it as an opportunity. Mulgan, Tucker, Ali, & Sanders (2007) while proposing social innovation as novel combinations of existing components which are cross sector and resulting in new social relationships follows through this approach. Dees and Anderson

(2006) in their seminal paper on the theoretical roots of social entrepreneurship, identify two schools of thought of social innovation and earned income social enterprises. One of the social enterprise components considered by Dees and Anderson (2006) as well as Defourny and Nyssens (2010) refer to social innovation. This component deals with the innovation aspect of social enterprises. These organizations take a Schumpeterian view (1934) of social innovation results in the generation of disequilibria in market and non-market environments through the discovery of opportunities to create social benefits (Hockerts 2007; 2010).

While the social innovation component may imply the creation of a social enterprise or the use of earned-income strategies they do not have to do so. As shown by many Ashoka fellows the focus of social innovators lies in changing the playing field for everybody (Bornstein 1998; Drayton 2002). They are primarily change makers and catalytic innovators (Christensen, Baumann, Ruggles and Sadtler, 2006) and only in the second place (if at all) empire builders. A social enterprise with a predominant social innovation component in it belonging to this group is proposed to aim to transform methods of social value creation shifting resources to domains leading to higher yield for society (Leadbeater, 1997; Schumpeter, 1934, 1951; Say, 1803; Dees and Anderson, 2006). They aim to create lasting *systemic change through introduction of new ideas, methodologies and changes in attitude* (Kramer, 2005). The emphasis is more on outcomes produced by the organization and the social impact generated. To social innovators the success of their own venture is secondary to the overall success of their idea. Being copied (and improved upon) by competitors is actually their reason d'être.

Income Generation & Distribution Component

Another component of social enterprises, as described in existing literature refers to the income generation and distribution in such organizations. One part of this

component addresses the process of creating and operating organizations which use for-profit methods in order to address social problems. Social enterprises having this component aims to develop market based solutions for social problems. The origins of this component comes from adoption of business practices to earn income in non-profits and motivation in for-profit companies to provide social services (Young, 2013; Dees and Anderson 2006; Defourny & Nyssens, 2010). This component focuses on the revenue generation aspect in social enterprises. Traditionally, non-profit and charity organizations had raised fund from donors and government grants. However, when the flow of such external income reduced, the organizations needed to find another sources of revenue to fund its operations. The earned income component is developed in organizations also due to time consuming process for application and reporting of usage of grants (Frumkin, 2002; Skloot, 1983). Defourny and Nyssens refer to this mode as an “earned-income” (Defourny and Nyssens 2010: 40) approach, such stressing that the generation of income (in order to achieve social outcomes) through commercial activities is often a central purpose of social enterprises. For some organization, earned income process is a method used to make them less dependent on charities and donations and become financially self-sustainable. Earned income processes could involve accepting government contracts for delivering social services, charging corporations for doing work or charging the end customers of the organization for services which used to be free earlier (Dees, 1998) or sale of products and services to supporters for revenue generation (Kerlin, 2006). The non-profits started utilizing business practices to earn additional revenue and to keep their budget in control (Skloot, 1983). The additional revenue could come from fees for services and products as well as commercial activities. The commercial activities could be closely related or unrelated to the social mission of the organization. The aim of social enterprises with a strong earned income component is to provide a solution to imperfect match between private resources and public needs (Frumkin,

2002). We assert that the earned income component is one of the factors which differentiate between a charity organization and a social enterprise.

In addition to revenue generation, another aspect being addressed by this component is how the income is distributed. This concerns the salaries given to employees and distribution of profits to investors and owners. Yunus, et. al (2010) as well as Yunus & Weber (2009) proposed that social businesses are characterized by non-distribution of profits to owners. He presented social enterprise as a no-loss, no-dividend company. Defourny & Nyssens (2010) proposed limited profit distribution as a characteristic of social enterprises. Social enterprises reinvest a major portion of their profit, back to their organization. This helps the members of such organizations to act in accordance to the social mission of the organization, averting 'mission drift' (McBrearty, 2007; Christen and Cook 2001). The limit on profit redistribution is one differentiating factor between social enterprises and for profit enterprises. In short, the income component helps the social enterprise to remain market oriented, financially sustainable and generate better impact.

Participative Governance component

This component focuses on the governance structure of social enterprises. Yunus et. al (2010) proposed the importance of stakeholders in addition to shareholders during the development process of a social enterprise. The involvement of stakeholders is one of the differentiating factors of social enterprises from profit oriented firms. This component is strong among cooperative societies, non-profit private organizations funded by government, and organizations comprising social economy in Europe (Defourny & Nyssens, 2008; Evers & Laville, 2004). In addition to the social innovation school and earned income school mentioned above, this component is derived mainly from the work of Defourny and Nyssens(2010) who emphasized on the governance aspect of the organization.

This component is characterized by participatory nature of daily operation and decision making. This component comprises of the democratic nature by which various stakeholders are given a voice in the decision making process and the autonomous nature by which decisions are made independent of involvement of external private or public bodies. This component has been emphasized in the EMES social entrepreneurship approach (Defourny & Nyssens, 2010; Hoogendoorn & Pennings, 2010, Borzaga & Defourny, 2001). Although it is generated from the EMES European research network, the component is still relevant to several social enterprises across the world.

In the previous paragraphs, we have presented the three main components of social enterprise construct. Now we will present the method followed in carrying out the research. The components of social enterprise construct derived before are summarized in Table 1.

Insert Table 1 about here

METHODS

Development of items

The initial survey instrument was developed based on a review of literature regarding social enterprises. The statements on the survey were discussed in detail with management team of two for-profit social entrepreneurial ventures, two non-profit companies with earned income strategies, one cooperative. In addition, three social entrepreneurship support organizations in three different countries were also consulted. Based on the feedback, some questions were deleted and modified. The updated survey was then sent to nineteen researchers from social entrepreneurship and entrepreneurship field. Based on their feedback, the survey questions were modified. The survey then had twenty one items comprising of eight items for social innovation component, ten items for income generation

and distribution component and three items for participative governance component. An online survey instrument was created using the website SurveyMonkey.

Details of questionnaire

Likert type scale was used in the questionnaire with five options of ‘*Strongly disagree, Disagree, Don’t know, Agree, Strongly agree*’ (Hinkin, 1998). Reverse coded items were included to counter response set bias (DeVellis, 2003 ;Price & Mueller, 1986). The following section details how the items were developed.

Social innovation component

For this component, we used the definition of social entrepreneurship as a phenomenon generating market and non-market disequilibria leading to a sectorial transformation and increasing the social impact (Hockerts, 2010). Although a scale on social innovation aspect was previously developed, it was based on data from students (Bulut, Eren & Halac, 2013) and focused on individual’s social innovativeness and was developed based on responses from university students. In this paper, we are focusing on social innovativeness component of a social enterprise. After discussion with social entrepreneurs and social entrepreneurship researchers and review of existing literature, we realized this to be consisting of two elements namely ‘transformation of the sector’ and ‘openness’. Due to the restrictions imposed by our sample, we could not include the factor of ‘radical change’ as it needs consultation from members outside the social enterprise to gauge accurately.

Transformation of the sector

Schultz (1975) presented entrepreneurs as individuals involved in activities to restore economic equilibrium. Hockerts (2010) proposed that this restoration of equilibrium is attained through a sectorial transformation. He suggested that market and non-market

players will imitate the activities of social ventures in turn propagating the innovation. This is agreeing with the views of Alvord, Brown & Letts (2004) who argued that the challenge of social enterprises is to accomplish shift in the systems that sustain a social problems. We developed the following scale items based on this. In the beginning of the survey, we defined ‘social sector’ as those organizations who are serving the same beneficiaries as the social enterprise. It could also include government agencies, charities, and for-profit companies who provide services and products to the beneficiaries.

- It is an explicit part of our strategy to create change among our peers.
- In addition to the direct effect of helping our beneficiaries, we also promote change in the behavior of organizations operating in our social sector.
- Our work has changed the practice of other organizations.
- We do not aim to make other organizations in our social sector change.

Openness

Social entrepreneur focused on spreading the social innovation and increasing the social impact is not concerned about others copying the ideas to solve social problems. They are content when the innovation scales and spreads (Drayton, 2002; Hockerts, 2006). We developed the following four scale items for openness out of which two items were reverse coded.

- We share our knowledge openly with all our peers in the social sector.
- We welcome others copying the ideas and activities of our social enterprise.
- We are worried about others stealing our ideas.
- We keep certain information confidential that we feel gives us a competitive edge in our social sector

Income generation and distribution component

This component deals with how the organization generates revenue, distributes profits and remunerate employees. These scale items deal with financial aspects of the organizations.

Earned Income generation

Defourny & Nyssens (2010) suggest that social enterprises have an economic activity which helps them in supporting their social mission. In Nordic countries, work integration social enterprises are financially supported by government for employing individuals who find it difficult to obtain work. The two statements in this scale were developed based on the description by Defourny & Nyssens (2010), Dees & Anderson (2006) and Skloot (1983).

- Our organization produces and sells goods or services.
- We engage in commercial activities to support our social mission.

Reinvestment of Profits

In Europe, organizations in the social economy sector are prevalent. Many of them are cooperatives with strict rules on distribution of profits. Furthermore, there are legal requirements by organizations which prevents distribution of profits among owners similar to Community Interest Companies (CIC) in United Kingdom (Defourny & Nyssens, 2008; Kerlin, 2006). The forth item is reverse coded. The following items were developed based on these insights.

- Our organization reinvests all profits back into the organization.
- We don't distribute profits to owners of our organization.

- We are legally not allowed to disburse profits to shareholders.
- We distribute most of our profits among our owners.

Employee Compensation

Many of the social enterprises are characterized by presence of volunteers. The social entrepreneurs that we discussed with mentioned not being able to pay market rate of salaries to their employees (Frumkin, 2002) . Furthermore, Defourny & Nyssens, (2010) have argued that volunteers play an important role in the startup and operations of social enterprises. Many of the social enterprises are not able to pay higher salaries to employees due to a restrictions and diminishing revenue sources. However, in order to attract talented workers in the organization, it needs to offer market rate salaries for the employees (Defourny & Nyssens, 2010, Frumkin, 2002, pp.137, pp.156). The following items were developed based on these discussions.

- All people working in our organization are remunerated by ordinary employment.
- All people working in our organization receive market rate salaries.
- We would not be able to do what we do if we had to pay all our employees a normal salary.
- The majority of people in our organization are volunteers.

Participative Governance component

The scale items for these components were developed based on EMES definition of social entrepreneurship (Defourny & Nyssens, 2010; Nyssens, 2006). In this study we could not include the component of democratic participation of stake holders as we conducted the survey only among founders or senior management of the organization.

Autonomy in operation

In order to avoid mission drift by focusing on profit generation, a social enterprise must be autonomous in its operations (Defourny & Nyssens, 2010). The stakeholders including the beneficiaries, employees should be autonomous to operate without pressure from external entities. Based on this discussion, the following items were developed.

- Our organization has a high degree of autonomy in decision making.
- The decision about future projects in our organization is made independently without any external organization.
- We need to get permission from other organizations (eg. public bodies, owners) before we can make important decisions

Data

A data base of social enterprises in Scandinavia was created. Scandinavia is a good setting for such research due to its long tradition in the area of social enterprise and social innovation (Hulgård & Bisballe, 2004); Defourny & Nyssens, 2008; Kostilainen, & Pättiniemi, 2013) In order to generate as complete a database as possible, the authors have included any enterprises that either self-identified as social enterprises or that have been described by others as such. In addition to the term social enterprise the search terms for this database included organizations that used terms such as social business, social economy, social innovation, or hybrid organization in their descriptions, as well as the Danish term “socialøkonomisk virksomhed” (Thuesen et al(2013) (which literally translates as social economic business), the Swedish term “socialt företag” (translates as social business /enterprise), and the Finnish terms “Yhteiskunnallinen yritys” (translates as ‘societal company/enterprise’). This yielded a list of 471 Danish, 350 Swedish, and 261 Finnish organizations. Given the very open and inclusive search strategy some of these organizations

did not meet the definition of a social enterprise as used in this article: Organizations pursuing an explicit social mission through business-inspired earned-income strategies. The websites of all organizations were reviewed in detail and coded. Excluded from further analysis were organizations that did not actually have:-

- an explicit social mission
- an earned income strategy to support the social mission

As a result the following types of organizations were eliminated: membership organizations such as sport clubs which received income exclusively from membership fees, NGOs and charities which received income exclusively from donations. Also excluded from the list were organizations that provide support services for social enterprises (such as social investment funds or incubator programs for social entrepreneurs).

The survey link was then sent to the email addresses of management teams of social enterprises in Denmark, Sweden and Finland in Danish, Swedish and Finnish respectively . They included 348 Danish social enterprises, 337 Swedish social enterprises and 241 Finnish social enterprises, altogether 926 social enterprises in Spring 2014. Translators with native language as Danish, Swedish and Finnish were utilized for the forward translation. A bilingual translator with English as mother tongue performed the back translation to ensure consistency of the translation (Beaton, Bombardier, Guillemin, and Ferraz, 2000) The survey was sent to the email addresses of the founder of the social enterprise or a member of the senior management. The email addresses were obtained from the websites of the respective social enterprises. The social enterprises included in the study included for profit social ventures, work integration social enterprises , non-profit social organizations with a revenue model as well as social business ventures. After the data filtering, we got 70 valid responses from Danish social entrepreneurs and 63 valid responses

from Swedish social entrepreneurs and 45 valid responses from Finnish social entrepreneurs. This corresponds to a response rate of 18.6 % for the combined Finnish and Swedish samples and a response rate of 20.11% for the Danish sample. The exploratory data analysis was conducted using the sample of Finnish and Swedish social enterprises to reveal the latent variables of the social enterprise construct and the confirmatory factor analysis was conducted for validation of the model using the sample of Danish social enterprises.

DATA ANALYSIS

Exploratory factor analysis

Exploratory factor analysis was conducted on the Finnish & Swedish data to check the underlying structure of the social enterprise construct. IBM SPSS was the software used for carrying out the factor analysis. A sample size of 108 was utilized for the analysis. Our initial principal component analysis resulted in a KMO value (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) of 0,591 and Bartlett's test of sphericity resulted in Chi-Square value of 455,090, Sig value, $p < 0.000$. These values are sufficient enough indicating that it is appropriate to proceed with the factor analysis (Hair, Black, Babin, & Anderson, 2010). Based on the Scree plot (Catell, 1966), six factors were having eigen values greater than one. The statement 'All people working in our organization receive market rate salaries' and 'The majority of people in our organization are volunteers' corresponding to the latent variable of 'employee compensation' did not load heavily on any of the factors. In addition, the reverse coded statement related to latent variable 'reinvestment of profits' 'We distribute most of our profits among our owners.' did not load highly on any factors. Hence, these three statements were deleted from the confirmatory factor analysis phase.

The results of the Varimax rotated component analysis the factor loadings on each item are presented in the Table 2. The factor loadings of more than 0, 50 for each variable indicated

the convergent validity which indicates the variables measuring the same concept are correlated (Hair, et.al, 2010). The Cronbach's alpha for each element is presented below each column. The value indicates internal consistency for the items (Hair et.al, 2010; DeVellis, 2003; Cronbach, 1951).

Insert Table 2 about here

Confirmatory Factor Analysis

A confirmatory factor analysis was conducted on the sample of social enterprises from Denmark. The sample size consisted of 70 social entrepreneurs. The factor analysis of this sample resulted in statements loading with values higher than 0, 50 corresponding to the factors from the first study with no cross loadings greater than 0,290. The Cronbach's alpha values are higher than 0, 70 or closer to 0, 7 indicating convergent validity (Cronbach, 1951).

Insert Table 3 about here

Goodness of Fit Statistics of the models is presented in Table 4. We obtained a ratio of χ^2 and degrees of freedom value of 1.1, RMSEA (Root Mean Square Error Approximation) value of 0,039 and Comparative Fit Index (CFI) value of 0,973 while doing the confirmatory factor analysis. These values indicate a goodness of fit for our model. (Hu & Bentler, 1999)

Insert Table 4 about here

Discriminant validity was measured to ensure that the six latent variables of the social enterprise construct are distinct (Hair et al, 2010). The off diagonal values in Table 5 present

the correlations between the six factors. The low values ranging from 0, 03 to 0, 47 ensure the individuality of the latent variables. Table 5 also shows the Composite Reliability (CR) values which indicates convergent validity of the scale.

Insert Table 5 about here

DISCUSSION

In this paper, we have used a two separate samples of social enterprises to reveal the underlying components of social enterprise construct. This included an exploratory factor analysis with the Swedish & Finnish data and confirmatory factor analysis with the Danish data set. We identified the 19 items scale with latent variables of Reinvestment of profits, Earned Income, sectorial transformation, Openness, , employee compensation and autonomy in operation. The results from the confirmatory factor analysis indicates that the validity and reliability of the factor model is good. The scale identified presents the heterogeneity of the concept of social enterprise. Hence, this scale is a tool that could be used in future research in the field of social entrepreneurship for a wide variety of social enterprises.

One limitation of the study is that it was conducted using a relatively small sample of social enterprises. This is an opportunity for future researchers to try to replicate the construct structure with a bigger sample size. Due to the small sample size, we could not include the components of radical change and grants from our study. A large sample could yield an improved scale by including these latent variables in the analysis. In addition, the construct of democratic participation of stakeholders had to be excluded from the study as we

were surveying only senior management in the social enterprises. Future studies could include responses from various members of the social enterprises to test this latent variable.

CONCLUSIONS AND FUTURE RESEARCH

Identifying and defining a construct is very important in advancing the understanding in the field. Through this paper, we presented a psychometric measurement for the social enterprise construct. We identified six factors which comprises the construct which are reinvestment of profits, earned income generation, employee compensation, openness, sectorial transformation and autonomy in operation. As we discussed before, social enterprises consists of a mix and match of these components. The presence of a particular component in a social enterprise could depend on the economic environment, legal structure in the country as well as strength of civil society (Borzaga & Defourny, 2001). Future research could identify the causes and antecedents for the presence of a particular component in a given social enterprise. Another possible research avenue involves investigating how the presence of a particular component in a social enterprise affects the operational processes.

It would be worthwhile replicate and test the study on social enterprise construct using sample of social entrepreneurs from other countries. The social enterprises in this study were from countries which have a strong existing social welfare model (Erikson, 1987). Future research could repeat the study in countries where the social welfare system is not strong enough.

Social enterprises are always on the lookout of funding and their results are measured by the social impact that it generates. One another possible future research avenue

would be to test how the presence or absence of components of social enterprise construct obtained here affect the social impact as well as fundability of social enterprises.

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TABLE 1*
Components of the social enterprise construct

Component	Social innovation	Earned income	Governance
Literature	Drucker (1985) , Dees (1998 a) , Schumpeter (1934)	Skloot (1983); Dees (1998 b); Frumkin(2002, pp. 129 - 161)	Defourny & Nyssens (2010); Yunus et al (2010)
Predominant component among :	Social startups, Social business ventures	Non profits	Third sector & cooperatives
Characterized by	Radical change, Transformation of the sector, Openness & Sharing	Commercial activities resulting in earned income, Profit reinvestment, Volunteers	Autonomy of operation, Democratic Participation of all stakeholders
Literature derived from:	Entrepreneurship/ Innovation	Nonprofit management	Third sector/ Social business modelling
Context	Society/Social mission	Financial aspects	Operational culture

TABLE 2*

Items and factor loadings for the social enterprise scale, eigenvalues and variance explained (sample 1, N=108)

	Component					
	1	2	3	4	5	6
It is an explicit part of our strategy to create change among our peers.	,696	-,003	,140	-,083	-,100	,090
In addition to the direct effect of helping our beneficiaries, we also promote change in behavior of organizations operating in our sector.	,704	,126	,222	-,101	-,208	-,163
Our work has changed the practice of other organizations.	,691	-,078	,036	,196	,021	-,060
We do not aim to make other organizations in our social sector change. ^a	,715	-,094	-,224	-,034	,106	,089
We share our knowledge openly with all our peers in the social sector.	,184	,683	-,107	,272	,183	,159
We welcome others copying the ideas and activities of our social enterprise.	,011	,809	,013	,170	,071	,071
We are worried about others stealing our ideas. ^a	-,082	,831	,071	-,011	,005	-,035
We keep certain information confidential that we feel gives us a competitive edge in our social sector. ^a	-,129	,725	-,138	-,120	-,032	,096
Our organization produces and sells goods or services.	,045	,021	,685	-,001	-,008	,082
We engage in commercial activities to support our social mission.	,044	-,121	,764	,069	,103	-,047
Our organization reinvests all profits back into the organization.	-,009	,136	,238	,752	-,162	,074
We don't distribute profits to owners of our organization.	,075	,007	,020	,760	,008	,241
We are legally not allowed to disburse profits to shareholders.	-,151	,103	-,440	,666	,139	-,149
All people working in our organization are remunerated by ordinary employment.	-,067	,119	-,037	-,243	,807	-,104
We would not be able to do what we do if we had to pay all our employees a normal salary. ^a	-,062	,046	,129	,179	,822	-,147
Our organization has a high degree of autonomy in decision making.	,133	,073	,133	,171	-,217	,678
The decision about future projects in our organization is made independently without any external organization.	-,108	,019	,026	,169	-,267	,710
We need to get permission from other organizations (eg. public bodies, owners) before we can make important decisions. ^a	-,026	,131	-,054	-,067	,124	,748
Eigenvalue	2.83	2.42	1.94	1.61	1.40	1.10
% of Variance	15.7	13.4	10.7	8.9	7.8	6.1
% of Cumulative Variance	15.7	29.2	40.0	48.9	56.8	62.9
Cronbach Alpha (of the bold items retained for each factor)	,657	,774	,402	,563	,622	,596

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 6 iterations.

^a items are reverse coded

TABLE 3*

Items and factor loadings, eigenvalues and variance explained (sample 2, N=70)

	Component					
	1	2	3	4	5	6
It is an explicit part of our strategy to create change among our peers.	,776	,071	-,097	-,180	,262	,046
In addition to the direct effect of helping our beneficiaries, we also promote change in behavior of organizations operating in our sector.	,845	,067	,006	-,025	,241	,063
Our work has changed the practice of other organizations.	,696	,005	,146	-,009	-,171	-,175
We do not aim to make other organizations in our social sector change.	,694	,059	-,086	,220	,067	,247
We share our knowledge openly with all our peers in the social sector.	,194	,793	,029	,226	,196	,102
We welcome others copying the ideas and activities of our social enterprise.	,295	,756	,001	,101	,216	,126
We are worried about others stealing our ideas. ^a	,032	,891	-,093	,156	-,042	,037
We keep certain information confidential that we feel gives us a competitive edge in our social sector. ^a	-,225	,832	-,158	,040	,038	-,060
Our organization produces and sells goods or services.	-,052	-,081	,934	-,048	,025	-,079
We engage in commercial activities to support our social mission.	,039	-,073	,899	-,035	-,031	-,079
Our organization reinvests all profits back into the organization.	,103	,093	,069	,790	,236	-,010
We don't distribute profits to owners of our organization.	-,116	,168	-,136	,799	,040	-,120
We are legally not allowed to disburse profits to shareholders.	,002	,165	-,016	,838	-,123	-,164
All people working in our organization are remunerated by ordinary employment.	,056	,168	-,041	-,059	,858	-,043
We would not be able to do what we do if we had to pay all our employees a normal salary. ^a	,237	,083	,044	,233	,727	,124
Our organization has a high degree of autonomy in decision making.	,042	-,051	-,046	-,118	,083	,868
The decision about future projects in our organization is made independently without any external organization.	,061	,044	,049	-,043	-,005	,872
We need to get permission from other organizations (eg. public bodies, owners) before we can make important decisions. ^a	,003	,203	-,298	-,134	-,006	,589
Eigenvalue	3.95	2.76	2.31	1.57	1.39	1.17
% of Variance	21.9	15.3	12.8	8.7	7.7	6.5
% of Cumulative Variance	21.9	37.3	50.1	58.9	66.6	73.1
Cronbach Alpha (of the bold items retained for each factor)	.765	.849	.859	.784	.621	.733

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 6 iterations.

^a items are reverse coded

TABLE 4*
Goodness of Fit Statistics

	N	χ^2/df	RMSEA	SRMR	CFI	IFI	GFI
Model 1 (6 factor model)	70	1.103	.039	.079	.973	.975	.835

TABLE 5*
Correlations between latent variables

	CR	AVE	SecTran	Openness	EI	Reinv	Compen	Auton
Sectorial Transformation	.787	.495	.718					
Openness	.840	.579	.311	.761				
Earned Income	.865	.763	-.045	-.120	.873			
Reinvestment of profits	.796	.567	-.031	.352	-.105	.753		
Compensation	.641	.478	.474	.401	-.024	.223	.691	
Autonomy	.755	.516	.167	.117	-.145	-.252	.162	.718

Notes: Bold diagonal elements represent the square root of the variance shared between the constructs and their measures (i.e. the average variance extracted (AVE)). Off diagonal elements represent bivariate correlations between the constructs.

IV

SOCIAL INNOVATION AND EARNED INCOME - ANTECEDENTS AND OUTCOMES OF THE INSTITUTIONAL LOGICS IN HYBRID SOCIAL ENTERPRISES

by

Merie Joseph Kannampuzha & Kai Hockerts, 2015

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Social Innovation and Earned Income – Antecedents and Outcomes of the Institutional
Logics in Hybrid Social Enterprises

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**Social Innovation and Earned Income – Antecedents and
Outcomes of the Institutional Logics in Hybrid Social Enterprises**

Abstract: This paper discusses two organizational logics which have been proposed as being symptomatic for hybrid social enterprises by Dees and Anderson (2006): a social innovation logic which aims to transform sectors by propagating more effective solutions, and an earned income logic which prioritizes income from sold products and service over grants and donations. Based on existing literature, we advance a model in which we identify four factors (a willingness to share knowledge, stakeholder driven decision making, a use of salaried employees, and dividend payments) that predict the emergence of these logics in social enterprises. Moreover, we propose that whereas social enterprises adopting a social innovation logic tend to go along with increased social impact ambitions, social enterprises with earned income logic tend to favor the likely fundability of social enterprises. These hypotheses are tested through a sample of 441 emerging social entrepreneurs who are in the process of starting a social venture and a second sample of 245 managers at mature social enterprises. Results from the nascent social enterprise sample confirm all hypotheses. Correlations are less strong for the mature social enterprise sample and for three hypotheses we could no longer deliver significant results.

Keywords: social enterprise, social innovation, earned income

INTRODUCTION

Over the past decades new types of organizational forms have established themselves between conventional for-profit companies and traditional non-profits organizations. They are often referred to as social enterprises or hybrid organizations. There has been an increased focus in entrepreneurship research on these new organizational phenomena (Dees, 2012; Defourny & Nyssens, 2010; Drayton, 2002; Mair & Martí, 2006).

In its early phase, the field of social entrepreneurship research has been dominated by conceptual discussions (Mort, Weerawardena, & Carnegie, 2003; Peredo & McLean, 2006), practitioner based accounts (Bornstein, 2007; Leadbeater, 1997; Scofield, 2011), case studies and research studies adopting qualitative approaches (Hockerts, 2010; Yunus, Moingeon, & Lehmann-Ortega, 2010). There have been several conceptual papers on types of social enterprises (Alter, 2007; Young & Lecy, 2013; Zahra, Gedajlovic, Neubaum, & Shulman, 2009) schools of thought in social entrepreneurship research (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn, Pennings, & Thurik, 2009) and social enterprises across countries (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Kerlin, 2006, 2009, 2012).

Far from being homogeneous, social enterprises come in a bewildering array of configurations. This paper aims to study these variations and develop instruments that allow a better understanding of these configurations. At the heart of this paper lies the realization

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that social enterprises follow, to a larger or smaller extent, differing institutional logics. The concept of institutional logics is based on the realization that institutionalized belief systems can influence both the cognition and behavior of organizations and its actors (Dunn & Jones, 2010; Lok, 2010; Purdy & Gray, 2009).

Several authors have pointed at the role that institutional logics play in the formation and management of hybrid social enterprises (Nicholls, 2010; Vurro, Dacin, & Perrini, 2010).

This paper aspires to provide empirical evidence on two differing institutional logics that are particularly present in social enterprises. The first is a social innovation logic that aims at creating large scale societal change and the second is an earned income logic that aims to support social missions by creating revenue from products and services which are sold on the open market.

Our intention is not only to allow scholars to study variations in social enterprise logics. We also want to encourage more quantitative work regarding the antecedents and outcomes of these logics. Hence our guiding research questions deal with the following two issues: What are the factors predicting the prevalence of a social innovation logic and an earned income logic respectively? What are the outcomes of these logics on the performance of social enterprises?

STRUCTURAL MODEL UNDERLYING HYPOTHESIS

Social entrepreneurship has emerged as a significant field of research (Mair and Marti 2006) describing hybrid organizations that aim for social impact while borrowing tools and strategies from traditional for-profit firms. As research on these hybrid forms has accumulated (Battilana & Dorado, 2010; A Evers, 2005; Haigh & Hoffman, 2012; Hockerts, 2015) it has also become obvious that far from being homogeneous social enterprises differ in many ways. Adopting a very restrictive definition therefore implies that one would miss out on a considerable number of potentially relevant organizations. Attempts at more encompassing definitions will result in a group of organizations having high variations along a number of organizational variables. Realizing that in practice the term social enterprise is used very widely this paper adopts the second approach. Through this we attempt to shed light on the variations among the kind of organizations that are referred to as social enterprises by different actors.

In line with our research objective, we define social enterprises as social mission driven organizations in which the attainment of the social objective is the primary motive for existence and operation. Moreover, we postulate that in order to be counted as a social enterprise, such organizations have to follow either a social innovation logic, an earned income logic, or both logics.

The differentiation between these two logics has first been proposed by Dees and Anderson (2006) in their seminal paper on the theoretical roots of social entrepreneurship where they

identify two schools of thought. We follow their approach by differentiating two logics employed by social enterprises. While some hybrid organizations may in effect employ both logics we also realize that there are social enterprises in which only one of the two logics is present. This heterogeneity of logics employed in social enterprises raises the question which factors predict the emergence of social innovation logic, an earned income logic, or both logics. Drawing on the work of Defourny and Nyssens (2008) this paper identifies four factors predicting the emergence of social innovation and earned income logics. The next two sections will develop testable hypotheses. The third section will then study how social innovation and earned income logic impact two outcome variables, namely social impact perception and perceived ease of funding. Figure 1 gives an overview of the hypotheses presented along the structural model that we are presenting.

INSERT FIGURE 1 ABOUT HERE

Social Innovation Logic

Often the social innovation logic is referred to as “change making” (Bornstein, 2007; Drayton, 2002) rationale. In defining social innovation many authors refer to novel combinations of existing components in order to create social impact (Mulgan, Tucker, Ali, & Sanders, 2007; Nicholls & Murdoch, 2011). However, mere newness is in itself not a

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sufficient condition for defining the social innovation logic. At its heart lies a Schumpeterian view of entrepreneurship (Schumpeter, 1934; Shane & Venkataraman, 2000). We therefore follow Hockerts' (Hockerts, 2007, 2010) definition of social innovation as the creation of market and non-market disequilibria through the discovery of opportunities to generate social impact.

As Schumpeter (1934) points out the entrepreneurial profits generated by innovation tend to be transient. Competitors are likely to emulate the innovation strategy of a successful entrepreneurial venture, thereby competing away the entrepreneurial profit. At that point most entrepreneurial enterprises become merely “optimizing firms” (Schumpeter, 1934:133) unless they can identify a new entrepreneurial opportunity and exploit it. The same process happens in social enterprises driven primarily by a social innovation logic. However, rather than trying to avoid this outcome social innovators actually want others to copy them.

The archetypical example of entrepreneurs adopting a social innovation logic are Ashoka fellows (Bornstein, 1998; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010). They are primarily change makers and catalytic innovators (Christensen, Baumann, Ruggles, & Sadtler, 2006). Just as with traditional for-profit innovators, the disequilibria created by social innovators (such as the Ashoka fellows) are not permanent. As their activities are observed by market and non-market players the successful ideas of social enterprises will be emulated. This can have two transformative consequences (Hockerts, 2010). On the one hand non-market players (i.e. charities, NGOs, governments) are likely to mimic behavior of the social venture aiming to improve their social impact. On the other hand, for-profit firms will attempt

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to capture part of the economic rent created by the social venture. In adopting certain practices of the social venture both market and non-market players propagate the innovation and increase the social impact generated.

Based on a careful reading of the extant social entrepreneurship literature, two variables emerge that can be expected to predict the extent to which social enterprises follow a social innovation logic. In the following these two variables (a willingness to share knowledge freely and stakeholder-driven decision making) will be discussed in more detail.

Willingness to Share Knowledge Freely

A first factor predicting the degree to which a social enterprise adopts a social innovation logic is the extent to which it purposefully embraces and supports the imitation of its approach by peers in the sector (Chesbrough, 2006; Christensen et al., 2006; Drayton, 2006; Meyskens et al., 2010). In other words, to what degree do social enterprises want market and non-market competitors to adopt their innovative ideas? Social enterprises following a social innovation logic will often profess to a desire of putting themselves out of business by transforming the market and non-market environments they operate in until their innovation has become the quasi standard. It can thus be expected that social enterprises subscribing to a social innovation logic are more likely to make their knowledge free available to its peers and even competitors. They are less likely to worry if their ideas are being copied and replicated by others. This leads to the following hypothesis:

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Hypothesis 1a: There is a positive link between a social enterprise's willingness to share knowledge freely and its likelihood to adopt a social innovation logic.

Stakeholder-driven Decision Making

Drawing on the work by Defourny and Nyssens (Defourny & Nyssens, 2008, 2010), a second important factor emerges that can be expected to be associated with social enterprises. They posit that “democratic control and a participatory involvement of stakeholders in decision making” (Defourny & Nyssens, 2010) reflect social enterprise practice.

Yunus et. al (2010) stress the importance of stakeholder involvement during the early development process of a social enterprise. These can include individuals who benefit from the social mission of the organization, employees of the organization and investors in the organization (Low, 2006). Stakeholder involvement is particularly strong among cooperative societies and organizations comprising social economy in Europe (Defourny & Nyssens, 2008; Adalbert Evers & Laville, 2004). This component is characterized by a participatory nature in daily operation and decision making of the organization. It comprises the democratic nature by which various stakeholders are given a voice in the decision making process and the autonomous nature by which decisions are made independent of involvement of external private or public bodies. Democratic decision making has been emphasized in the social entrepreneurship approach of European research group EMES (Borzaga & Defourny, 2001; Defourny & Nyssens, 2010; Hoogendoorn et al., 2009) .

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Drawing on user-driven innovation (Baldwin, Hienert, & von Hippel, 2006; Urban & von Hippel, 1988; von Hippel, 2001) and open innovation (Chesbrough, 2006) literature it can be deduced that a participatory decision making approach is likely to favor unexpected outcomes and more radical innovation. Based on these reflections it can thus be expected that a stakeholder-driven decision model is likely to be associated with a social innovation logic.

Hypothesis 1b: There is a positive link between the degree to which a social enterprise involves stakeholders in its decision making and its likelihood to adopt a social innovation logic.

Earned Income Logic

The earned income logic discussed in this paper refers to income generation and distribution aspects in the social enterprise. Rather than relying on charity or government grants to solve social challenges, social enterprises have been described as using earned income strategies to create revenue to run their operations (Robinson & Klein, 2002). The earned income logic can be described as a social enterprise's processes of creating products and services which are traded on free markets (Young, 2013; Dees and Anderson 2006; Defourny and Nyssens, 2010). The aim of the earned income logic is to provide a solution to imperfect matches between private resources and public needs (Froelich, 1999; Frumkin, 2009). Traditionally, non-profit and charity organizations have raised funds from donors and government grants. However, when the flow of such external income has begun to dwindle, these organizations have begun to look for other sources of revenue to fund their operations. Earned income strategies may

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also be preferable to time consuming processes of application and reporting required to attract and retain grants and donations (Frumkin, 2009; Skloot, 1983).

An earned income logic allows social enterprises to be less dependent on donations and more financially self-sustainable. Earned income generation processes can be mission related as in when social enterprises accept government contracts for delivering social services or directly charge beneficiaries or firms for services which used to be free (Dees, 1998). Earned income generation process can also be unrelated as in when products and services are sold that have no link to the social mission but purely to generate revenue (Kerlin, 2006).

In summing up the earned income logic helps the social enterprise to remain independent from the vagaries of both donations and volunteers while also ensuring that any profit generated is used exclusively to achieve the social mission. While social enterprises can follow both a social innovation logic and an earned income logic this is not a requirement. Indeed there may social enterprises that are based on only one of these logics.

By reviewing extant literature we have identified two factors as predicting the likelihood that social enterprises adopt an earned income perspective. The first variable is the presence of salaried employees and the second variable has to do with how any surplus generated by the organizations is used.

Use of Salaried Employees

Further drawing on the work by Defourny and Nyssens (2008, 2010) , another relevant factor for social enterprises is the use of paid salaries rather than a purely volunteer-based organization. When moving from volunteer structure to salaried employees, social enterprises tend to adopt more professional management tools (Adams & Perlmutter, 1991; Peterson, 1986; Young, 1982) . Ultimately such a professionalization is also likely to support innovation processes. We propose that social enterprises that remunerate their staff at salaries approaching market rates rather than relying on volunteers as staff (Defourny & Nyssens, 2010) are more likely to adopt an earned income logic. Many traditional non-profits rely largely on volunteer work (Defourny & Nyssens, 2010). However, as social enterprises are increasingly moving towards remunerated employment contracts they are also more likely to embrace earned income logic.

Hypothesis 2a: There is a positive link between the degree to which a social enterprise uses salaried employees and its likelihood to adopt an earned income logic.

Dividend Payments

Another variable on which social enterprises tend to differ is the degree to which surplus can be used to pay dividends to investors. In traditional charities this option is excluded explicitly by law. However, as part of his definition of social businesses Muhammad Yunus includes

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the possibility that dividends could be paid to investors who are also beneficiaries at the same time (Yunus et al., 2010). For investors who are not beneficiaries, Yunus allows the repayment of all capital paid in by investors, however, without the option of dividends being disbursed beyond that. He calls this a “no loss/no dividend model” (Yunus et al., 2010). Going further, there are even social enterprise constructions that allow investors to receive a portion of profits generated as dividends.

Dividend payments are difficult to be argued for organizations which rely largely on donations and grants. Therefore, as social enterprises are contemplating to pay dividends to investors they are more likely to adopt earned income strategies. Thus we propose that as social enterprises espouse dividend paying, they are also more likely to adopt earned income logic.

Hypothesis 2b: There is a positive link between the degree to which a social enterprise allows dividend payments to investors and its likelihood to adopt earned income logic.

Impact of Logics Employed

The third and last part of the model proposed in this paper refers to the impact that a social innovation logic or an earned income logic has on certain outcome variables. In particular we will look at the link between a social innovation logic and a social enterprise’s self-perception

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about social impact as well as the link between an earned income logic and general perception about ease of attracting funding.

Self-Perceived Social Impact

Social innovation driven enterprises want to radically change the sector they work in. Accordingly it can be expected that they are more likely to reach a higher social impact. A key problem with this measure is that to date the social enterprise sector does not have reliable data on social impact. One of the holy grails of social entrepreneurship research is the measurement of social impact. Ideally researchers want to be able to quantify the outputs, outcomes, and the actual impact of a social enterprise's activities (Emerson & Cabaj, 2000). Moreover, attempts have been made to make impacts comparable across organizations by monetizing them through tools such as the Social Return on Investment (SROI) (Nicholls, Lawlor, Neitzert, & Goodspeed, 2009). However, only very few social enterprises have engaged in substantive measurement efforts so far. Practically speaking it is therefore unfortunately not possible to measure social impact across organizations with any amount of accuracy. In addition, the majority of social enterprises are still relatively young which makes the accurate measurement of their long term social impact even more difficult.

The need to appraise organizational performance in the absence of objective measures is not new to management scholars. In their study of privately-held firms and conglomerate business units, Dess & Robinson (1984) explored the question whether subjective perceptions of senior management about a company's performance can be valid proxies for

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its objective performance. They came to the conclusion that “Although the objective measure(s) would be preferred, [our] finding suggests that a researcher might consider using a subjective perceptual measure of at least two aspects of organizational performance (return on assets and growth in sales) under two specific conditions: (1) accurate objective measures are unavailable, and (2) the alternative is to remove the consideration of performance from the research design.” (Dess & Robinson, 1984).

Following this guidance we include the self-perception managers have about the social impact of their organizations as a variable in our study. Drawing on this measure we propose that social enterprises following a social innovation logic are more likely to self-report that they have a higher social impact than their peers.

Hypothesis 3a: There is a positive link between a social enterprise’s degree of adopting a social innovation logic and its likelihood to self-report above average social impact.

Perceived Ease of Access to Funding

Next to social impact there is a second outcome variable that is of interest to managers of social enterprises. It concerns the ease or difficulty of accessing funding from potential investors. Increased ease of funding is likely to promote growth and scaling up of social ventures. Following the work of Emerson (Bugg-Levine & Emerson, 2011; Emerson, Dees, Letts, & Skloot, 1999), we identify two drivers of ease of fundability.

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Firstly, we propose that social enterprises adopting an earned income model will find it easier to access funding since increased resource flexibility means that they are more likely to achieve financial self-sufficiency (Adams & Perlmutter, 1991; Froelich, 1999).

Accordingly, we propose the following hypothesis:

Hypothesis 3b: There is a positive link between a social enterprise's degree of adopting an earned income logic and its perceived ease of accessing funding.

A second factor driving the decision of investors to engage with a social enterprise is the expected social return they can expect on their investment (Emerson & Cabaj, 2000). In other words, so called “impact investors” (Bugg-Levine & Emerson, 2011) are more likely to engage social enterprises that they expect to provide above average social impact.

Hypothesis 3c: There is a positive link between a social enterprise's self-reported social impact and its perceived ease of accessing funding.

METHODS

Sample

Given the ambition of this paper to take a broad definition of social enterprises, we have decided to include two different samples of respondents. A first sample is made up of nascent social entrepreneurs from 83 countries participating in a massive open online course

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(MOOC). This initial study was then replicated with data from 245 mature social enterprises from six European countries.

In our first study we used a sample of 3145 nascent social entrepreneurs enrolled in a massive open online course (MOOC) to develop a business plan for their emerging social enterprise. After the enrollment, the participants were sent an online survey questionnaire. For this study out of the student sample of 3145, we have used responses from 441 participants wanting to start a social enterprise for our analysis.

In the second study, our sample included survey responses from managers working at mature social enterprises. In order to achieve a reasonably large dataset we have carried out a search for social enterprises in three regions: the UK, the Netherlands, and Scandinavia. To identify potential respondents we have drawn on publically available lists of social enterprises such as the public membership directories of organizations such as Social Enterprise UK, the UK Social Enterprise Mark, the UK Social Enterprise Network, Social Enterprise NL, SOFISAM in Sweden, and the Social Enterprise Mark in Finland and legally identified work integration social enterprises (WISE) in Finland (termed as ‘sosiaalinen yritys’). Moreover we have carried out online searches to identify organizations which either self-identify as social enterprises or which have been identified as such by others. In addition to the term ‘social enterprise’, the search terms used included social business, social economy, social innovation, as well as the Danish term “socialøkonomisk virksomhed” (which literally translates as social economic business), the Swedish term “socialt företag” (translates as social enterprise), and the Finnish terms “yhteiskunnallinen yritys” and ‘sosiaalinen yritys’

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(translates as ‘societal company/enterprise’), and the Norwegian term ‘social virksomhet’ (social enterprise).

This process has resulted in a database of 1866 social enterprises (645 in the UK, 223 in the Netherlands, 400 in Denmark, 308 in Sweden, 258 in Finland, and 32 in Norway). We sent the online survey to the email address of a key personnel in these social enterprises through survey monkey. In total we have obtained 277 responses translating into a 17.8% response rate. From this group, we deleted 10 respondents which have responded “unsure” or “disagree” to the question whether they consider themselves to be a social enterprise. Moreover, 22 responses were discarded due to missing data. Eventually we have obtained 245 usable responses. The survey respondents included 61 directors, 61 CEOs, 32 Founders, 17 senior managers, 12 owners, 7 board members and 55 other personnel of the social enterprises concerned.

Measures

Since the research of developing logics for social enterprises is very much in the exploratory stage, we have developed our measurement items using existing social entrepreneurship literature. We have been particularly inspired by social entrepreneurship parameters suggested by scholars belonging to European social entrepreneurship research group EMES (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008, 2010) as well as by Dees & Anderson (2006). The initial survey items developed were discussed in detail with managers of five social enterprises, management team of three social entrepreneurship funding and

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consulting organizations and nineteen researchers in social entrepreneurship field. Based on their feedback some questions were deleted and some were rephrased.

Social Innovation Logic: For evaluating whether a social enterprise is using social innovation logic we used four items which are inspired by Schumpeter (Joseph Alois Schumpeter, 1934) which focus on sector transformation. Specifically we have used extant social entrepreneurship literature on social innovation (Hockerts, 2010; Nicholls & Murdoch, 2011) as a basis for our formulations. This process has resulted in the following four items:

- It is an explicit part of our strategy to create change among our peers.
- We actively promote change in organizations operating in our sector.
- Through our work, we intend to change the practice in other organizations.
- Our approach will change the way our sector works.

Willingness to share knowledge openly: We derived these items based on the concepts of open innovation (Chesbrough, 2006, 2007) as well as extant social entrepreneurship literature (Hockerts, 2010).

- We share our knowledge openly with all our peers in the social sector.
- We are not worried about peers replicating our approach.
- We make our intellectual property available to others for free.

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- We welcome others copying the ideas and activities of our social enterprise.

Stakeholder-driven decision making : These items were derived based on the European social entrepreneurship EMES research group's concept of democratic decision making (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008, 2010). Our items reflected how an organization could include its stakeholders in decision making.

- Our management involves all internal and external stakeholders in a democratic decision making process.
- Stakeholders are represented in committees and work groups of our organization.
- The stakeholders affected by our organization are part of its decision making process

Earned Income Logic: The survey items for this construct were developed based on the definition of earned income social enterprises in existing social entrepreneurship literature (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn et al., 2009)

- Our organization produces and sells goods or services.
- We engage in commercial activities to support our social mission.
- We are generating income from selling products and services.
- Our revenue relies on earned income from market activities.

Use of salaried employees: Defourny & Nyssens (2010) stress that the usage of paid workers differentiates social enterprises from charities. Our items were derived from this suggestion.

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- All people working in our organization are remunerated by ordinary employment.
- All people working in our organization receive market rate salaries.
- We would not be able to do what we do if we had to pay all our employees a normal salary. (reverse coded)
- The majority of people in our organization are volunteers. (reverse coded)

Dividend payment: The three items for this construct aim to evaluate the current practices and future intentions of the social enterprises for dividend payment. They have been inspired from formulations used by several social entrepreneurship scholars (Dees, 2012; Yunus et al., 2010)

- In the long run we plan to pay out dividends to investors who are not our beneficiaries.
- It is one of our goals to create shareholder value for our owners.
- When we generate a profit , we distribute dividends to investors.

Perceived social impact: We used three scale items to measure perceived social impact after discussions with practicing social entrepreneurs and academics in social entrepreneurship field. Similar items have been previously used by Liu, Eng, and Takeda (2015).

- Our organization has a larger than average social impact.
- Our organization has more social impact than other social enterprises in our country.
- Our organization has more social impact than other social enterprises globally.

Perceived Ease of Fundability: We used five items to measure the perceived ease of fundability of social enterprises. Following the works by several impact investing researchers

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(Bugg-Levine & Emerson, 2011; Emerson & Cabaj, 2000; Ruttman, 2012) items 4 & 5 differentiate between the groups of public funding sources, foundations and banks, impact investors.

- We are able to find money to fund our organization.
- It is easy to raise capital for our organization.
- For new projects, we find it easy to obtain funding.
- It is easy for our organization to attract funding from charitable foundations and government sources .
- It is easy for our organization to attract funding from impact investors and banks.

Data Analysis

The descriptive statistics of the respondents for both samples are presented in Table I & Table II .

The nascent sample had 441 respondents out of which 54% were female. The average age of the respondents was 25.96 years. The respondents were from 83 countries.

Insert Table I about here

The survey sent to mature social entrepreneurs had 245 respondents in total. 44% of respondents were from the UK, 37% from Scandinavia and 19% from the Netherlands. The average age of the social enterprises was 13.77 years.

Insert Table II about here

Exploratory factor analysis was conducted on both samples using SPSS. For the sample of nascent social entrepreneur students in the massive online course the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.668 . Bartlett's test of sphericity resulted in Chi-square value (χ^2) of 1269.757, significance value, $p < 0.000$. For the sample of social entrepreneurs in Europe, KMO value of 0.697. Bartlett's test of sphericity resulted in a χ^2 of 2288. 8 and significance value, $p < 0.000$. The exploratory factor analysis results of the first and second samples are presented in Table III.

Insert Table III about here

We conducted a confirmatory factor analysis with the second sample of mature social enterprises by structural equation modelling in Amos. For the eight factor model, we got the following results ($\chi^2 = 525.121$, $p < 0.000$, $\chi^2/df = 1.404$, $CFI = 0.923$, $RMSEA = 0.041$, $SRMR = 0.064$) indicating good fit for the eight factor model.

RESULTS

We tested the hypotheses using structural equation modelling in Amos.

Study 1: Nascent Social Enterprise Sample

In the nascent enterprise sample, we found significant correlations for all the hypotheses.

Figure 2 the output from the model for the nascent social enterprise. Both willingness to share knowledge and stakeholder driven decision making is found to have positive correlation with a social innovation logic thus supporting hypotheses 1a & 1b. An R^2 value of 0.350 suggests a large effect. Social innovation logic on the other hand was found to have a positive correlation with social impact perception in this sample thus supporting hypothesis 3a.

Both use of salaried employees and dividend payments had positive correlations with earned income logic with an R^2 value of 0.381 again indicating a large effect, thus supporting hypotheses 2a and 2b. Finally both earned income logic and social impact perception had positive correlations with perceived ease of fundability in this sample ($R^2=0.181$), thus supporting hypotheses 3b and 3c.

In an attempt to provide some guidance on interpreting the magnitude of different R^2 effect sizes Cohen (1988, p. 413) suggests that $R^2=.02$ can be considered small, $R^2=.13$ medium, and $R^2=.26$ large. Cohen (Cohen, 1988) provides a similar guideline for standardized regression weights suggesting that $r=.10$ can be considered small, $r=.30$ medium, and $r=.50$ large. The use of language indicating small or large effects remains, however, controversial and one needs to consider Cohen's warning that the "meaning of any effect size is [...] a function of the context in which it is embedded" (Cohen, 1988).

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The goodness of fit values of the model were acceptable. ($\chi^2 = 649.361$, $p < 0.000$, $\chi^2/DF = 1.669$, $CFI = 0.875$, $RMSEA = 0.057$).

Insert Figure 2 about here

Study 2: Mature Social Enterprise Sample

The correlations between latent variables in the mature social enterprise sample are presented in table IV.

Insert Table IV about here

Figure 3 represent the output of the model from the mature social enterprise sample. For the sample of mature social enterprises, ‘a willingness to share knowledge openly’ and ‘stakeholder driven decision making’ had positive correlations with a social innovation logic ($R^2 = 0.175$), supporting hypotheses 1a and 1b. A social innovation logic also predicted social impact perception ($R^2 = 0.143$ indicating a medium effect) thus supporting hypothesis 3a. Use of salaried employees was positively correlating with earned income logic adoption ($R^2 = 0.111$) supporting hypothesis 2a.

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A positive correlation existed between dividend payment and Earned income logic ($p=0.15$) as well as earned income logic and perceived ease of funding ($p=0.4$). However effect size were small (regression weight = 0.098; 0.038) and it had low significance. Social impact perception had a positive correlation (regression weight =0.247) with perceived ease of funding ($p=0.056$). Due to the low significance values, we could not find support for hypotheses 3a, 3b and 3c in our mature social enterprise sample. This could be explained by the fact that fundability is not as crucial for the mature social entrepreneurs compared to nascent social entrepreneurs who are in search of finances to start their operations.

Insert Figure 3 about here

The model had good values for goodness of fit parameters. ($\chi^2 = 636,732$; $p < 0.000$; $\chi^2/DF = 1,402$; CFI =0,913 ; RMSEA = 0,041). The goodness of fit statistics for the both samples are presented in table V

Insert Table V about here

Common method variance test: Since we are collecting our dependent and independent variables using the same survey method, there is a probability for common method bias to

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occur (Podsakoff, 1986). We performed the common method variance test using Harman's single factor test. In the first sample of nascent social entrepreneurs, the single factor explained only 21.75% of the variance. In the second sample of mature social enterprises, the single factor explains only 11.97% of the variance. Since the single factor accounts for only a variance much lesser than 50%, we can assume that our sample does not suffer from common method variance.

Control variables: As control variables, we used age of the firm and two dummy variables to compare UK and non UK social enterprises in the sample of mature social enterprises. In our model there were no significant correlations between the control variables and dependent variables.

DISCUSSION

This paper develops and tests a structural model explaining the causes for and effects of heterogeneity among social enterprises. Ever since Dees and Anderson (2006), it is known that the term social enterprise is used by practitioners and policy makers to describe a wide variety of heterogeneous organizations. Empirical researchers have usually addressed this problem by defining a specific subset of social enterprises in order to ascertain homogeneity of the response group.

For example, in their exploratory study of 70 social ventures, Meyskens et al (2010) limit themselves to studying only Ashoka fellows. As a result of the rigorous selection process

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employed by Ashoka, it can thus be expected that they score homogenously high on employing the social innovation logic. Liu et al (2015) on the other hand exclude all social enterprises from their sample that did not have revenue streams income from multiple business and trading activities thus effectively keeping creating a sample that was homogenously high on the earned income logic while missing out on Ashoka type social innovators who did not rely on significant amounts of earned income to generate change.

Our study is a first attempt at purposefully creating a heterogeneous sample of social enterprises and to test how this heterogeneity impacts certain outcome variables. Our study has several implications for research and practitioners.

Research Implications

The results of both samples provide strong evidence for a medium-sized effect of a willingness to share knowledge and stakeholder-driven decision making on the presence of social innovation logic. Moreover, we find that such a logic also predicts the self-perception of respondents about their organization's social performance. Both samples also indicate that an increased reliance on salaried employees rather than volunteers predicts earned income strategies.

Data from the nascent respondents also supports the hypothesis that dividend seeking predicts earned income logic. It also indicates that perceived ease of accessing funding is predicted by earned income logic as well as by an increased social impact perception. Results from the

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mature data sample also find positive links between these variables. However, the effect sizes are much smaller and are no longer significant. The fact that the mature data sample does not support these hypotheses suggests that further research might be needed to establish whether the difference is due to the maturity of the ventures or whether other factors might explain these results. For example, it might be that in mature social enterprises other factors (such as liquidity, income concentration, or sector) might be more important than they are in nascent ventures.

The major research contribution of this work lies in the fact that it provides instruments for future researchers who want to study the heterogeneity of social enterprises driven by either a social innovation logic, an earned income logic or both logics. In particular, it would be interesting to study the differences between social enterprises that espouse both logics and those that subscribe to only one logic.

Another interesting path for future research would be to study the degree to which the logics might be in conflict. Social enterprises aiming to maximize earned income may find themselves lead to keep knowledge confidential. On the other hand, social enterprises adopting too liberal an open innovation approach may find their income bases erode as competitors imitate their approaches. This dilemma might be a particularly fruitful area for longitudinal research designs.

Our research also suggests implications for researchers interested in institutional logics in general. In particular, it would be interesting to identify antecedents of other institutional

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logics and their outcomes. Moreover, our work might also suggest that the presence of multiple logics does not necessarily have to result in conflicting outcomes.

Practical Implications

The research also suggests several interesting implications for practitioners. Firstly, it draws attention to the fact that an open innovation approach can indeed be a driver for social performance and ultimately for fundability. On the other hand, impact investors aiming to support high impact social ventures face the challenge that they often have to select nascent investees before the social impact is actually documented. Carrying out rigorous impact assessment is both time and resource consuming. The findings from this study suggest that impact investors may want to look at the willingness to share knowledge and the use of stakeholder-driven decision making as proxies when selecting investees.

The study also has implications for policy makers who are trying to define policies supporting social enterprises. Overly restrictive definitions of what does and does not constitute a social enterprise risk excluding several organizations that might be relevant for the underlying policy objectives.

Limitations

We realize that our study suffers from several limitations that follow from our research design. However, we feel that these also offer opportunities which will have to be probed in future research. Firstly, by relying on self-perception when measuring social impact and ease

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of fundability we have selected measures that will have to be reviewed very carefully and possibly replaced in future studies. Unfortunately, given the current state of social impact measurements practice it will, however, be quite a while before more objective measures will become available for large scale studies.

A second limitation lies in the fact that the difference between nascent and mature social enterprises remains unexplained. Three relationships that were statistically significant in the nascent venture sample are no longer so in the mature sample. Future research might fruitfully follow up on this question by establishing whether this difference is indeed due to the maturity of the venture or whether other variables explain it.

Conclusions

Given the still emerging nature of the research field of social entrepreneurship, it is only to be expected that research designs and methods are still a moving target themselves. Having graduated from theoretical and qualitative studies, we are now in a phase in which quantitative studies can be increasingly useful in furthering our understanding of social entrepreneurship.

We hope that this study will prove valuable for future research into the heterogeneity of social enterprises and the factors that explain it. More importantly, we hope that it will help motivate more research that allows us to understand the factors that drive performance outcomes such as social impact and perceived ease of funding.

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FIGURE 1*: Structural Model Summary of the Proposed Hypotheses

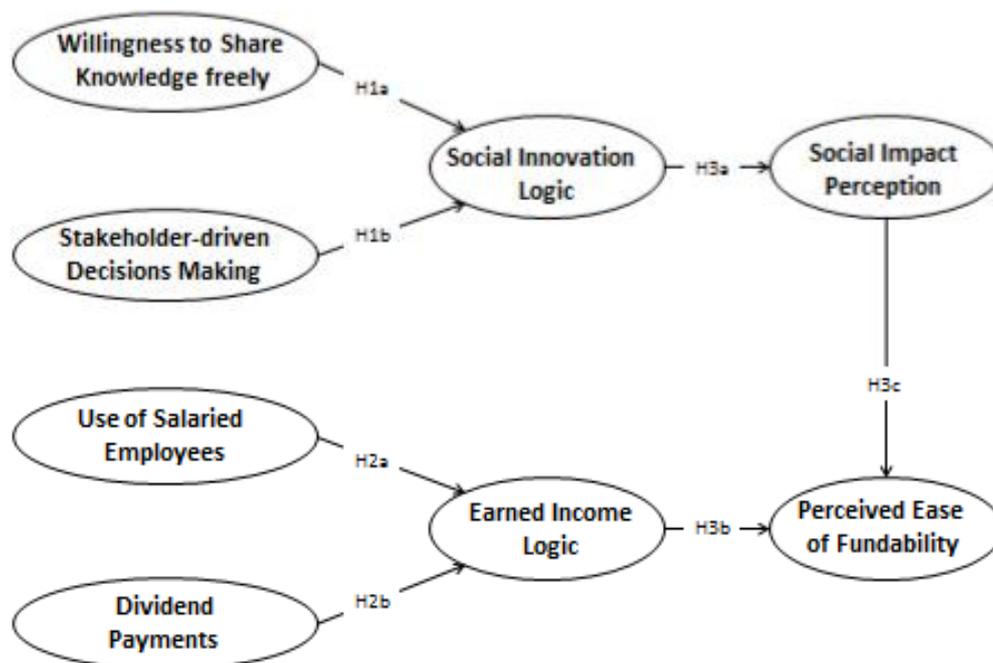
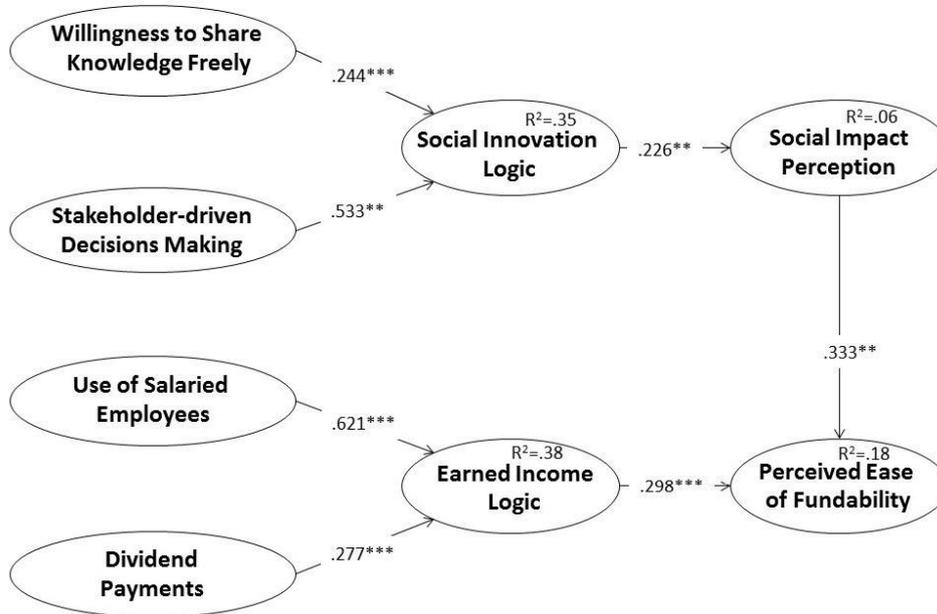


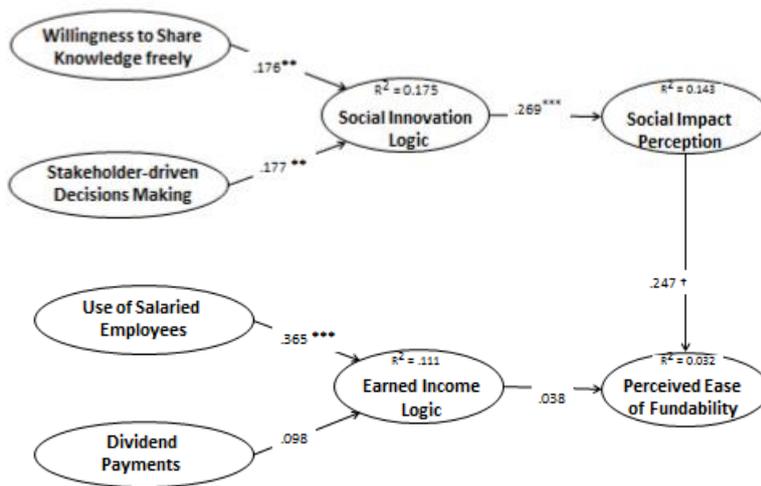
FIGURE 2*: Model with sample with nascent social entrepreneurs (N=441)



The values in the arrows signify standardized regression weights (n.s.- $p > 0.1$, † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$); Values in ellipses represent the squared multiple correlation values (R^2)

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FIGURE 3*: Model with sample of mature social enterprises (N=245)



The values in the arrows signify standardized regression weights (n.s.- $p > 0.1$, † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$); Values in ellipses represent the squared multiple correlation values (R^2)

TABLE I* Descriptive statistics of Sample 1 (Nascent social entrepreneurs)

	Sample 1 (Nascent social entrepreneurs)
Completed survey responses	441
% Female	54 %
Age of respondent, Mean	25,96
Age of respondent, SD	10,65

TABLE II *Descriptive statistics of Sample2 (Mature social entrepreneurs)

	Sample 2(Mature social entrepreneurs)
Completed survey responses	245
% respondents from UK	44 %
% respondents from Scandinavia	37 %
% respondents from the Netherlands	19 %
Age of the company Mean	13,77
Age of the company , SD	24,89

TABLE III* Factor loadings and Cronbach alphas for the latent variables

		Study 1 (N=441)	Study 2 (N=245)
Social Innovation Logic	Cronbach α =	,760	,746
It is an explicit part of our strategy to create change among our peers.		,625	,740
We actively promote change in organizations operating in our sector.		,850	,798
Through our work, we intend to change the practice in other organizations.		,723	,694
Our approach will change the way our sector works.		,562	,675
Willingness to share knowledge openly	Cronbach α =	,763	,686
We welcome others copying the ideas and activities of our social enterprise.		,801	,792
We share our knowledge openly with all our peers in the social sector.		,646	,573
We are not worried about peers replicating our approach.		,663	,669
We make our intellectual property available to others for free.		,786	,762
Earned Income Logic	Cronbach α =	,803	,724
Our organization produces and sells goods or services.		,785	,767
We engage in commercial activities to support our social mission.		,679	,595
We are generating income from selling products and services.		,683	,868
Our revenue relies on earned income from market activities.		,675	,632
Dividend Payments	Cronbach α =	,750	,814
In the long run we plan to pay out dividends to investors who are not our beneficiaries.		,602	,854
It is one of our goals to create shareholder value for our owners.		,796	,800
When we generate a profit, we distribute dividends to investors.		,770	,867
Salaried Employees	Cronbach α =	,633	,726
All people working in our organization are remunerated by ordinary employment.		,412	,690
All people working in our organization receive market rate salaries.		,732	,720
We would not be able to do what we do if we had to pay all our employees a normal salary. ^a		,682	,815
The majority of people in our organization are volunteers. ^a		,721	,673
Stakeholder driven decision making	Cronbach α =	,649	,727
Our management involves all internal and external stakeholders in a democratic decision making process.		,788	,781
The stakeholders affected by our organization are part of its decision making process.		,751	,772
Stakeholders are represented in committees and work groups of our organization.		,749	,805

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Social impact perception	Cronbach α =	,846	,703
Our organization has a larger than average social impact.		,778	,665
Our organization has more social impact than other social enterprises in our country.		,852	,826
Our organization has more social impact than other social enterprises globally.		,888	,809
Perceived ease of funding	Cronbach α =	,886	,807
We are able to find money to fund our organization		,732	,641
It is easy to raise capital for our organization		,886	,808
For new projects, we find it easy to obtain funding.		,854	,813
It is easy for our organization to attract funding from charitable foundations and government sources		,758	,755
It is easy for our organization to attract funding from Impact investors and banks.		,833	,725

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. ^a items are reverse coded

TABLE IV* Correlations between variables for Sample 2 (N=245)

	Mean	SD	Age	NL	Scand	Willingness	Stakeholder Driven	Salaried Workers	Dividend	Social Innovation	Earned Income	Social Impact
Age	13,77	24,90										
NetherlandsDummy	0,19	0,39	-,132 [*]									
ScandinaviaDummy	0,37	0,48	,024	-,375 ^{**}								
WillingnessToShare	3,61	0,70	,048	,015	,205 ^{**}							
StakeholderDrivenDecision	3,37	0,86	,023	-,127 [*]	-,065	-,003						
SalariedWorkers	3,45	0,94	,067	-,109	-,127 [*]	-,118	,032					
DividendPayments	2,15	1,03	-,208 ^{**}	,394 ^{**}	-,107	-,132 [*]	-,057	-,054				
SocialInnovationLogic	3,88	0,67	-,120	-,026	-,041	,150 [*]	,221 ^{**}	,072	,110			
EarnedIncomeLogic	4,16	0,71	-,070	,054	-,191 ^{**}	-,080	,057	,286 ^{**}	,125	,189 ^{**}		
SocialImpactPerception	3,38	0,63	,031	,027	-,013	,094	,110	,033	,037	,276 ^{**}	,132 [*]	
PerceivedEaseOfFunding	2,59	0,75	,015	,049	-,071	,084	-,036	,062	,070	-,018	,041	,127 [*]

Mean (M); Standard deviation (SD) ; Off diagonal elements represent bivariate correlations between the constructs with the following

statistical significance.; *<0.05, **<0.01, ***<0.001. The covariate control variables were coded as follows: Age of the firm (years), ScandinaviaDummy (1=Scandinavian, 0=Non-

Scandinavian), NetherlandsDummy (1= Dutch social enterprise, 0=Non-Dutch)

TABLE V* Goodness of Fit Statistics

	N	χ^2/df	RMSEA	CFI
Nascent Social Enterprises	441	1.669	.057	.875
Mature Social Enterprises	245	1.402	.041	.913

V

**SOCIAL ENTREPRENEURSHIP AS A SECOND-ORDER
FORMATIVE CONSTRUCT: SOCIAL INNOVATION, EARNED
INCOME AND DEMOCRATIC GOVERNANCE**

by

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**SOCIAL ENTREPRENEURSHIP AS A SECOND-ORDER
FORMATIVE CONSTRUCT: SOCIAL INNOVATION, EARNED
INCOME, AND DEMOCRATIC GOVERNANCE**

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**SOCIAL ENTREPRENEURSHIP AS A SECOND-ORDER
FORMATIVE CONSTRUCT: SOCIAL INNOVATION, EARNED
INCOME, AND DEMOCRATIC GOVERNANCE**

Abstract: Despite intensive discussions about the exact nature of social entrepreneurship, we still lack survey instruments that allow researchers to measure organizational social entrepreneurship. This study reports on two empirical studies leading to the development and validation of a second-order formative organizational social entrepreneurship scale. The scale includes three components that capture the heterogeneity of this concept: social innovation, earned income, and democratic governance. It is developed and tested through a sample of 184 nascent social enterprises and then revalidated using a second sample of 263 mature social enterprises. Results suggest that the scale items exhibit internal consistency, reliability, construct validity, and nomological validity.

Keywords: Social Entrepreneurship, Scale, Social Innovation, Earned Income, Democratic Governance

1. INTRODUCTION

Although the exact nature of social entrepreneurship has been widely discussed over the past decade, we still lack quantitative instruments that allow researchers to measure it. This is partially due to the fact that the term is used quite loosely to describe phenomena at three different levels of analysis. Firstly, at the personal level, the term is sometimes used to describe individuals who change institutional settings. For example, Bill Drayton, the founder of Ashoka, highlights Florence Nightingale, an English social reformer and the founder of modern nursing, and William Lloyd Garrison, an American abolitionist and proponent of women's suffrage, when he talks about historical examples of social entrepreneurs (Drayton, 2002). Secondly, at the societal level, the term is used to describe social change such as that caused by social movements (Alvord, 2004; Rao, 2004) in order to fill institutional voids (Mair, Martí, & Ventresca, 2012; Mair & Marti, 2009; Tobias, Mair, & Barbosa-Leiker, 2013). Thirdly, at the organizational level, the term is used to describe the activities of charitable social purpose organizations that use innovative market-based approaches to create social impact (Dees, 2012). This paper will focus on the organizational level only. We will thus use the term *organizational social entrepreneurship*, which we define as the actions of organizations aimed primarily at creating social impact for beneficiaries by engaging in commercial activity.

In the past years, there has been an increased academic interest in social entrepreneurship and the organizations that engage in this practice (Dorado & Ventresca, 2013; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Miller, Grimes, McMullen, & Vogus,

2012; Miller & Wesley II, 2010; Nicholls, 2010; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). The ambition of this study is to develop measures for the components of organizational social entrepreneurship thus allowing researchers to establish the degree to which the actions of an organization can be considered social entrepreneurship.

We purposefully avoid the term *social enterprise* for two reasons. Firstly, the term social enterprise tends to refer to organizational form rather than actions. What is considered a social enterprise thus varies widely between countries depending on the legal frameworks. In Finland, for example, since 2004 any firm that has at least 30% of disabled or long-term unemployed people among its employees can be registered as a social enterprise with the Ministry of Labour (Pättiniemi, 2006). In addition, since 2011 it is possible to apply for a Finnish social enterprise mark from the association of Finnish work if the organizations meet certain criteria (Kostilainen & Tykkyläinen, 2013). In the UK, on the other hand, such a mark requires organizations to have an asset lock in place and to guarantee to reinvest at least 50% of its profits in line with its social mission (Ridley-Duff & Southcombe, 2012). In the U.S., the legal definition of a social enterprise even differs from state to state (Rawhouser, Cummings, & Crane, 2015; Reiser & Dean, 2015). Secondly, by trying to define which organization counts as a social enterprise, one ignores the fact that organizational social entrepreneurship can actually take place in any type of organization. We would argue that organizational social entrepreneurship describes a set of activities that although particularly prevalent in certain organizational forms might in fact be found in traditional charities as well as in for-profit firms. This viewpoint even

allows the question of whether some organizations that are labeled as social enterprises actually do not engage in any of the activities discussed in this paper.

The dearth of quantitative measures for organizational social entrepreneurship is not surprising given the young age of the field. In its early phase, social entrepreneurship research has been dominated by conceptual discussions (Dean & McMullen, 2007; Gundry, Kickul, Griffiths, & Bacq, 2011; Haigh, Walker, Bacq, & Kickul, 2015; Kroeger & Weber, 2014; McMullen, 2011; Miller et al., 2012; Mort, Weerawardena, & Carnegie, 2003; Peredo & McLean, 2006), practitioner-based accounts (Bornstein, 2007; Leadbeater, 1997), case studies, and research studies adopting qualitative approaches (Hockerts, 2010; Ruebottom, 2013; Yunus, Moingeon, & Lehmann-Ortega, 2010). There have been several conceptual papers on types of social enterprises (Alter, 2007; Young & Lecy, 2014; Zahra et al., 2009), schools of thought in social entrepreneurship research (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn, Pennings, & Thurik, 2010), and differences in social enterprises across countries (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Kerlin, 2006, 2009).

One approach to measuring organizational social entrepreneurship could be to develop a unidimensional construct such as organizational hybridity. Thus, the more an organization mixes activities of both charities and for-profit organizations, the more it could be considered to engage in social entrepreneurship. On the other hand, the more their behaviour aligns with only one of these two types, the less this would be the case. However, such an approach would ignore the conceptual richness of the construct (Brinckerhoff, 2000; Choi & Majumdar, 2014; Mair &

Marti, 2006; Mort et al., 2003; Peredo & McLean, 2006; Young & Lecy, 2014), which is too complex to be operationalized as unidimensional. Far from being homogeneous, social enterprises come in a bewildering array of configurations. So far, quantitative studies in the field of social entrepreneurship (Battilana, Sengul, Pache, & Model, 2015; Liu, Eng, & Takeda, 2015; Mair, Mayer, & Lutz, 2015; Meyskens et al., 2010; Stevens, Moray, & Bruneel, 2015) have utilized mainly homogenous samples of social enterprises and have not been able to differentiate between various configurations of social enterprises. Therefore, this paper identifies three components in which these organizational types differ and proposes social entrepreneurship to be a second-order formative construct.

The extent to which each of these components is useful for identifying organizational social entrepreneurship may be contingent on the context, such as the sector, or internal factors, such as the organizational structure. Thus, we assume that the components of organizational social entrepreneurship may vary independently, depending on the context. This is consistent with Gartner's view that traditional entrepreneurship is also a multidimensional phenomenon forming "complex and unique combinations" (Gartner, 1985: 697).

However, our intention is not only to allow scholars to study variations in the components of organizational social entrepreneurship, but we also want to encourage more quantitative work regarding the antecedents of the different organizational types and the question of how they differ in terms of economic, social, and environmental outcomes. By this, we are responding to the call by Short, Moss and Lumpkin (2009) for more quantitative research in

the field of social entrepreneurship. Hence, our research questions deal with the following two issues: What are the major components that define organizational social entrepreneurship? How can these components be operationalized and measured? As a first step towards answering these questions, this paper develops and validates measures of three components of social entrepreneurship, namely the social innovation component, the earned income component, and the democratic governance component.

2. A SECOND-ORDER FORMATIVE CONCEPTUALIZATION OF SOCIAL ENTREPRENEURSHIP

It is a central contention of this paper that organizational social entrepreneurship should be modeled as a second-order formative construct. Higher-order constructs have several dimensions, each embodying a significant element of the construct. This is different from the traditionally more often used reflective approach. A reflectively modeled construct assumes that any increase in the construct will result in increases in all contributing variables. As a result, one can drop or interchange variables without reducing content validity (Bollen & Lennox, 1991).

Using formative rather than reflective measures implies that the causal relationship goes from the lower-order latent variables to the formative construct. Thus, not every increase in the higher-order formative construct implies a commensurate increase in all its components. In other words, the indicators form the latent construct, and the changes to the indicators cause changes in the latent construct. Practically, the components sum algebraically to give the higher-order

construct (Diamantopoulos & Winklhofer, 2001; Diamantopoulos, 2008; Jarvis, MacKenzie, & Podsakoff, 2003).

Given the heterogeneous nature of organizational social entrepreneurship, a formative approach is called for. A quick study of the empirical reality shows wide variations in how social entrepreneurship is practiced. On the one hand, there are organizations engaging in social entrepreneurship, such as Childline India Foundation, that tend to prioritize social innovation and change, making earned income and democratic governance as afterthoughts. Social economy organizations, on the other hand, tend to favour earned income and community-driven governance (Haugh, 2007). These differences notwithstanding, we consider the different manifestations as belonging to the universe of organizational social entrepreneurship.

Although it is probable that many variables contribute somewhat to social entrepreneurship, three have the strongest theoretical support. The following discussion of these three variables suggests why they should be contemplated as the most salient components of social entrepreneurship. We draw primarily on the work of Dees and Anderson (2006) who in their seminal paper on the theoretical roots of social entrepreneurship identify two schools of thought: namely the social enterprise school and the social innovation school. The first school focuses mainly on what we will call the *earned income component*. The second school focusses on what we have termed the *social innovation component*. Both schools are also part of the Emergence of Social Enterprise in Europe (EMES) definition of social enterprise advanced by

Defourny and Nyssens (2010). However, they have added a third element, which we term the *democratic governance component*.

2.1 Social Innovation Component

In this paper, the first element of organizational social entrepreneurship is the transformation of a sector towards an environmentally and socially more sustainable state (Hockerts & Wüstenhagen, 2010:482). Often, this process is also referred to as social innovation or change making (Bornstein, 2007; Drayton, 2002). This component draws strongly on the Schumpeterian view of entrepreneurship as the discovery and profitable exploitation of business opportunities by generating market disequilibria (Drucker, 1985; Shane & Venkataraman, 2000), which in turn allow the generation of so called entrepreneurial rents (Alvarez & Barney, 2007).

However, as Schumpeter (1934) points out entrepreneurial profits are only transient. Competitors are likely to emulate the innovation strategy of a successful entrepreneurial venture, thereby competing away the entrepreneurial profit. At this point, most entrepreneurial enterprises become merely “optimizing firms” (Schumpeter, 1934:133) unless they can identify a new entrepreneurial opportunity and exploit it.

Following (Hockerts, 2007, 2010), this paper accordingly posits that the social innovation component of organizational social entrepreneurship entails the creation of market and non-market disequilibria through the discovery of opportunities for generating social impact and the identification of a mechanism to do so in a financially sustainable way. However, just as

with traditional for-profit innovators, the disequilibria created are not permanent. As their activities are observed by market and non-market players, the successful ideas of social enterprises will be emulated. This can have two transformative consequences. On the one hand, non-market players (i.e. charities, NGOs, governments) are likely to mimic the behaviour of the social venture aiming to improve their social impact. On the other hand, for-profit firms will attempt to capture part of the economic rent created by the social venture. In adopting certain practices of the social venture, both market and non-market players propagate the innovation and increase the social impact generated (Hockerts, 2010).

Organizational social entrepreneurship with a predominant social innovation component aims to transform methods of social value creation by shifting resources to previously neglected areas, ultimately leading to higher yield for society (Dees & Anderson, 2006; Leadbeater, 1997). They aim to create lasting systemic change through the introduction of new ideas, methodologies, and changes in attitude (Kramer, 2005). The emphasis is more on outcomes produced at the societal level than on the performance of a single organization. Based on this discussion, we advance the first component of social entrepreneurship to be social innovation, defined as the creation of market and non-market disequilibria through the discovery of opportunities to generate social impact and the promotion of these practices among an organization's peers and the sector in general.

2.2 Earned Income Component

Rather than relying on charity or government grants to solve social challenges, organizational social entrepreneurship has been described as using strategies to create revenue from market operations to achieve a social mission to create impact for a defined group of beneficiaries (Robinson & Klein, 2002). This is referred to as *earned income* by Dees & Anderson (2006) as well as Defourny & Nyssens (2010). As traditional routes of funding from donors and public social welfare projects have dried up, many non-profits are adopting a new strategy of developing a revenue stream to sustain the organization (Frumkin, 2009; Skloot, 1983). Earned income generation may also be preferable to the time-consuming processes of application and reporting required to attract and retain grants and donations (Frumkin, 2009; Skloot, 1983).

The aim of the earned income component is to provide a solution to imperfect matches between private resources and public needs (Frumkin, 2009). This component can include accepting government contracts for delivering social services, charging corporations for doing work, charging the end customers of the organization for services that used to be free previously (Dees, 1998), or sale of products and services to supporters for revenue generation (Kerlin, 2006). The commercial activities could be closely related or unrelated to the social mission of the organization.

Drawing on the literature discussed above, we thus propose earned income generation as the second component of organizational social entrepreneurship. We define the variable as the degree to which an organization engages in commercial activities to meet its social mission by generating revenues through the selling of goods and services on private and public markets.

2.3 Democratic Governance Component

The degree to which stakeholders (Freeman, 1994) and in particular beneficiaries are part of an organization's decision making processes is the third component of an organizational social entrepreneurship. Rather than basing decision power exclusively on capital ownership or an all-powerful charity board, organizational social entrepreneurship strives for democratic decision making (Low, 2006)

“[A] democratic control and/or a participatory involvement of stakeholders reflects the quest for more economic democracy in the tradition of cooperatives” (Defourny & Nyssens, 2010).

Democratic governance has been identified as an important element of social entrepreneurship helping organizations deal with conflicting social and financial objectives (Ebrahim, Battilana, & Mair, 2014; Reay & Hinings, 2005). Research in Europe (Borzaga & Defourny, 2001; Mair et al., 2015; Pestoff & Hulgård, 2015) as well as in the U.S. (Young & Lecy, 2014) has found democratic governance to be a key component of organizational social entrepreneurship. The component is particularly strong among cooperative societies and

organizations comprising the social economy in Europe (Defourny & Nyssens, 2008; Evers & Laville, 2004). Organizational social entrepreneurship thus extends traditional stakeholder theory (Freeman, 1984, 1994) into the realm of collective social purpose organizations (Huybrechts, Mertens, & Rijpens, 2014) by advocating the involvement of multiple stakeholders and in particular the local community (Low, 2006) as well as the intended beneficiaries (Yunus et al., 2010).

Democratic governance in organizational social entrepreneurship can include beneficiaries utilizing the services of the social enterprise, employees, shareholders, foundations, customers, donors, and governments (Low, 2006). In particular, stakeholder participation in social entrepreneurship has been suggested to help avoid mission drift (Cornforth, 2014; Ebrahim et al., 2014; Ramus & Vaccaro, 2014). Democratic governance is characterized by an independent and participatory nature in the daily operations and decision making of the organization (Low, 2006). Enhancing the representation of beneficiaries and all stakeholders in the decision making of the social entrepreneurship is also important for maintaining accountability (Ebrahim et al., 2014).

Consequently, we posit that the third component of organizational social entrepreneurship is democratic governance, which we define as the degree to which stakeholders and specifically beneficiaries are included in decision making, particularly pertaining to decisions about the social mission and use of profits generated.

3. CAUSAL MODEL

In order to test the construct validity of the scale items developed in this paper, we advance a set of hypotheses that should be met in order to establish the nomological validity of the items that we develop for measuring organizational social entrepreneurship. In other words, for each component we suggest theoretically grounded assumptions about how the components should interact with certain other variables. If the empirical data support these hypotheses, we can conclude that the proposed scales do indeed behave as stipulated by prior theory.

3.1 Newness and Willingness to Share as Outcomes of Social Innovation

Given the goal of changing practices among peers and in the sector, social innovation is more likely to be associated with organizational behaviour that is significantly different from the status quo (Gundry et al., 2011). In particular, it requires that social entrepreneurship leads to the identification of previously unidentified opportunities (Corner & Ho, 2010) to help beneficiaries and create social impact. Therefore, we can assume that social innovation behaviour will be positively correlated with newness.

Hypothesis 1a: The social innovation component of organizational social entrepreneurship tends to increase the likelihood that organizations identify

opportunities to create social impact through radically different approaches, products, and services.

The second outcome of social innovation appraises the degree to which this process of imitation is purposeful. In other words, to what degree do social enterprises want market and non-market competitors to adopt their innovative ideas? Prior literature suggests that organizations engaging in social innovation will tend to aim at putting themselves out of business (Tafel, 2011; Thorpe, 2015) by transforming the market and non-market environments they operate in until their innovation has become the quasi-standard (Hockerts, 2010).

Hypothesis 1b: The social innovation component of organizational social entrepreneurship tends to increase the likelihood that an organization is willing to share its knowledge openly encouraging its peers to copy ideas and learn from it.

3.2 Salaried Employees and Dividend Seeking as Outcomes of Earned Income Strategies

Extant literature suggests that the presence of earned income practices is linked with an increased use of salaried employees (Defourny & Nyssens, 2010). Whereas, many traditional non-profits rely largely on volunteer work (Defourny & Nyssens, 2010), the presence of earned income strategies both enables and requires the presence of a professional workforce. In an organization with a social mission, a minimum number of talented managers are required in

order to be able to perform multiple tasks and guide other employees (Skloot, 1983). In order to attract the right talent, the organizations employing an earned income strategy need to offer competitive salaries to their employees (Frumkin, 2009).

Hypothesis 2a: The earned income component of organizational social entrepreneurship tends to increase the likelihood that an organization employs salaried employees rather than volunteers.

The second outcome of earned income strategies has to do with how generated surplus is used. Traditional charitable organizations rely on donations and grants, which by law limits their ability to use profits for anything else but the social purpose. However, the more organizations embrace earned income practices, the higher the likelihood that dividend seeking becomes at least a partial goal. Worried about this risk, Yunus, therefore, calls for social businesses to voluntarily forgo dividends by embracing a “no loss/no dividend” (Yunus et al., 2010) model. Rules on whether social enterprises have to reinvest all or a part of their profits and lock their assets for the social goal vary from country to country.

Generally speaking, however, we expect a tendency towards dividend seeking behaviour among organizations that engage more in earned income generation. This might at first be seen as a counterintuitive proposition given that many authors propagate asset locks and limited profit distribution clauses. However, the very need for such clauses underlines the

plausibility of the hypothesis that *ceteris paribus* increased earned income increases the risk that an organization might use some of its surplus for purposes other than its mission attainment.

Hypothesis 2b: The earned income component of organizational social entrepreneurship tends to increase the likelihood that an organization engages in dividend seeking behaviour.

3.3 Beneficiary Co-creation and the Primacy of the Social Mission as Outcomes of Democratic Governance

For democratic governance, the following two possible outcomes can be hypothesized. Firstly, drawing on user-driven innovation (Baldwin, Hienerth, & von Hippel, 2006; Urban & von Hippel, 1988; von Hippel, 2001) and open innovation (Chesbrough & Chesbrough, 2006) literature, we can expect that a participatory decision making approach is likely to favour unexpected outcomes and more radical innovation. Based on these reflections, we can thus expect that a stakeholder-driven decision making model is also likely to be associated with more involvement of beneficiaries in new product development.

Yunus et al. (Yunus et al., 2010), for example, stress the importance of beneficiary involvement during the early development process of social entrepreneurship. Beneficiaries can include individuals who benefit from the social mission of the organization, employees of the organization, and investors in the organization (Low, 2006).

Hypothesis 3a: The democratic governance component of organizational social entrepreneurship tends to increase the likelihood that an organization adopts beneficiary co-creation.

The second hypothesized outcome of the democratic governance component is the expectation that it will help safeguard the organization's social mission. As social organizations adopt earned income strategies (and possibly even engage in dividend seeking), they are at risk of losing sight of their social mission. This kind of "mission drift" (Christen & Cook, 2001) should be avoided.

Prior research, for example, highlights the risk that a "focus on profits [could be] to the detriment of the social good" (Battiliana, Lee, Walker, & Dorsey, 2012: 51), exemplified by the case of mission drift in microfinance institutions when they move attention from their social mission to more conventional business priorities while they are growing. By including beneficiaries and other stakeholders in the decision making process, organizations can ensure the primacy of the social mission (Yunus et al., 2010).

Hypothesis 3b: The democratic governance component of organizational social entrepreneurship tends to increase the likelihood that an organization prioritizes and upholds its social mission.

3.4 Organizational Autonomy as an Outcome of Social Entrepreneurship

Testing the nomological validity of the second order formative construct requires one to formulate a hypothesis that links social entrepreneurship in general with a dependent variable. Drawing on Defourny & Nyssens (2010), we advance the hypothesis that social entrepreneurship predicts organizational autonomy. Typically, social organizations tend to find themselves dependent on organizational oversight from public bodies who draw their authority from legal frameworks legislating the use of charitable funds (Brody & Tyler, 2010; Mayer, 2012).

Even if not legally dependent, many social charities are implicitly reliant on the support of donors and grant givers, which reduce their actual autonomy. For example, to meet the requirements of foundations, many charities have to adapt their organizational activities to the whims of grant givers. We propose that organizations engaging in organizational social entrepreneurship are more likely to be able to gain autonomy. Firstly, by generating income from market sources, they are less or not at all subject to charity legislation and the constraints of grant-givers. Secondly, due to their innovative nature, social enterprises can also be expected to find it easier to identify alternative options should the government partners decide to withdraw funding or other support. Finally, due to their democratic nature, we expect them to have a broad support network of beneficiaries and other stakeholders on whom they can draw for support should their autonomy be encroached upon.

Hypothesis 4: There is a positive link between organizational social entrepreneurship and an organization's autonomy.

4. RESEARCH METHOD

4.1 Development of Scale Items

We initially generated a pool of 90 potential items to represent each dimension of social entrepreneurship as well as the outcome variables we planned to measure as part of the nomological validity test. Items were initially based on a review of the previous literature and then refined to identify ambiguous and unclear wording. In particular, items were discussed in detail with five organizations engaging in social entrepreneurship and feedback was used to delete and modify items. Moreover, to assess face validity, this list of scale items was sent to 19 social entrepreneurship researchers who were asked to assess whether items represented correctly the definition of each dimension of social entrepreneurship. This process eliminated 56 items, leaving 34 items.

4.2 Scale Purification

In order to determine the factor structure of social entrepreneurship and its outcome variables as well as to purify the measurement instrument, the psychometric properties of the scale were evaluated through a pilot survey based on data collected from 143 Scandinavian social enterprises. The initial scale items were modified based on the results of the exploratory factor analysis. An iterative process eliminated and revised items that had factor loadings below .50 and/or cross-loadings above .40 (Hair, Black, Babin, & Anderson, 2009). Each of the survey items has a five-point Likert scale (Hinkin, 1998), ranging from strongly disagree to strongly agree.

4.3 Sample 1

Following the pilot study, the revised questionnaire was sent to a sample of 3145 nascent social entrepreneurs enrolled in a massive open online course (MOOC) that helps them to develop a business plan for their emerging social enterprise. The survey was sent at the end of the 12-week MOOC course and resulted in 184 usable responses. The low response of 5.8% is not surprising since the majority of MOOC participants tend to drop out during the course, and only a minority actually finishes the 12-week program. A total of 54.9% of the respondents were female, the mean age of the respondents was 31.75, and the standard deviation was 11.65. Comparing these descriptive statistics with those of the 3145 participants enrolled at the beginning of the course, we do not find any statistically significant difference.

4.4 Sample 2

For our second sample of data, we sent the survey questionnaire to the email address of a key person of 1866 social enterprises (645 in the UK, 223 in the Netherlands, 400 in Denmark, 308 in Sweden, 258 in Finland, and 32 in Norway). In total, we have obtained 295 responses, translating into a 15.8% response rate. Thirty-two of these responses were discarded due to missing data, resulting in 263 usable responses. The survey respondents included 61 CEOs, 46 founders/owners, 61 directors, 30 senior managers, 7 board members, and 50 other personnel of the social enterprises. Out of the 263 respondents, 112 were from the United Kingdom, 100 were from Scandinavia, and the remaining 51 were from the Netherlands. The average number of years in operation for the social enterprises was 14 years. We tested for non-response bias by comparing latent variable scores for the first quartile of respondents and the fourth quartile. No statistically significant differences were observed (Armstrong & Overton, 1977).

In order to test for common method bias, we adopted two approaches. Firstly, we performed Harman's one factor test for both samples. A single factor explained only 32% of variance for sample 1 and 15% of the variance for sample 2, which is well below the recommended cut-off of 50%. Secondly, in an additional test, we co-varied a common factor with all indicator variables. For the first sample, the common factor explained only 1.43% to 2.89% of the variance for all indicators. For the second sample, the common factor explained

only 2.95% to 6.57% of the variance for all indicators. Hence, we can assume that our data do not suffer from common method bias.

5. RESULTS

5.1 Measurement Model Estimation

For carrying out the structural equation model analysis, we have opted for partial least square analysis (Tenenhaus, Vinzi, Chatelin, & Lauro, 2005); in particular, we used the SmartPLS 3.2 software (Hair, Ringle, & Sarstedt, 2013; Ringle, Wende, & Becker, 2015) to perform the analysis. This choice is in line with recommendations that exploratory research (and in particular the development of formative measures) lends itself to PLS-SEM modelling rather than covariance-based methodologies (Barroso, Cepeda, & Roldan, 2010; Hair, Ringle, & Sarstedt, 2011; Reinartz, Haenlein, & Henseler, 2009).

To verify the factor solution of the exploratory factor analysis in the pilot sample, confirmatory factor analyses were conducted on both sample 1 and sample 2. The results presented in Table 1 show that most factor loadings are above 0.7, suggesting that all items fit well with the identified factors.

Table 1 Factor loadings on the two samples

Factor analysis loadings	Study 1 N = 184	Study 2 N = 263
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Social Innovation		
It is an explicit part of our strategy to create change among our peers.	.862	.739
We actively promote change in organizations operating in our sector.	.892	.764
Through our work, we intend to change the practice in other organizations.	.873	.766
Our approach will change the way our sector works.	.779	.740
Earned Income		
Our organization produces and sells goods or services.	.786	.663
We engage in commercial activities to support our social mission.	.931	.700
We are generating income from selling products and services.	.888	.845
Our revenue relies on earned income from market activities.	.875	.747
Democratic Governance		
Our management involves all internal and external stakeholders in a democratic decision making process.	.751	.764
Stakeholders are represented in committees and work groups of our organization.	.901	.799
The stakeholders affected by our organization are part of its decision-making process.	.866	.845
Willingness to Share		
We welcome others copying the ideas and activities of our social enterprise.	.852	.692
We share our knowledge openly with all our peers in the social sector.	.875	.888
We make our intellectual property available to others for free.	.833	.717
Newness		
We are helping our beneficiaries in a way that nobody else has done before.	.843	.765
Our approach is radically different from what our peers are doing.	.839	.784
We have identified an opportunity to address a social problem in a new way.	.879	.726
Our organization offers new services or products.	.797	.671
Profit Sharing		
In the long run, we plan to pay out dividends to investors who are not our beneficiaries.	.885	.816
It is one of our goals to create shareholder value for our owners.	.895	.915
When we generate a profit, we distribute dividends to investors.	.873	.773
Salaried Employees		
All people working in our organization are remunerated by ordinary employment.	.807	.820
All people working in our organization receive market rate salaries.	.898	.737
We would not be able to do what we do if we had to pay all our employees a normal salary.	.400	.767

The majority of people in our organization are volunteers.	.591	.612
Beneficiary Cocreation		
Before we develop new ideas, activities, and services, we interact with many stakeholders in our social sector.	.843	.750
Many of our new activities have been developed in teamwork with our beneficiaries.	.906	.778
We use co-creation techniques in our product and service development.	.934	.717
We develop projects of our social enterprise in collaboration with our beneficiaries.	.922	.795
Autonomy		
The decision about future projects in our organization is made independently without any external organization.	.590	.557
Our organization has a high degree of autonomy in decision making.	.925	.737
Our organization is managed independently.	.902	.923

Table 2 and Table 3 present the composite reliability (CR), average variance extracted (AVE), and the correlation matrix. Composite reliability (CR) values of well above 0.7 reconfirm the reliability of the latent constructs (Hair et al., 2009). Moreover, AVE values above the cutoff value of 0.5 indicate convergent validity.

The square root of the AVEs reported in bold in the table diagonal is always greater than the bivariate correlations among constructs, indicating discriminant validity (Fornell & Larcker, 1981). Given recent concerns about the ability of the Fornell & Larcker criteria to reliably detect a lack of discriminant validity (Henseler, Ringle, & Sarstedt, 2015), we also checked the heterotrait-monotrait ratio of correlations (HTMT). HTMT values for the latent constructs varied from .09 to .69, which all fall well below the recommended threshold value of .85 (Henseler et al., 2015; Kline, 2011), thus further confirming the discriminant validity of the latent constructs.

Finally, we have also tested for multicollinearity. The values of the Variance Inflation Factor (VIF) vary from 1.000 to 2.077, which are all well below the recommended cutoff value of 5 (Hair et al., 2009). This indicates that the components of the social entrepreneurship construct do not correlate perfectly.

Taken together, the results of the CFA and the further tests suggest that the scale items are good indicators for the first order reflective components. In particular, the components of the organizational social entrepreneurship construct have good reliability and validity.

Table 2 Correlation matrix for Sample 1 (N = 184)

	CR	AVE	1	2	3	4	5	6	7	8	9	10
1. Social Innovation	0.914	0.727	0.853									
2. Democratic Governance	0.879	0.709	0.450	0.842								
3. Earned Income	0.927	0.760	0.417	0.368	0.872							
4. Mission Adherence	n.a.	n.a.	0.326	0.394	0.442	n.a.						
5. Newness	0.906	0.706	0.672	0.400	0.466	0.295	0.840					
6. Profit Distribution	0.915	0.781	0.299	0.174	0.306	0.196	0.282	0.884				
7. Salaried Employees	0.782	0.492	0.294	0.255	0.252	0.229	0.273	0.262	0.701			
8. Stakeholder Decision	0.946	0.814	0.465	0.608	0.392	0.575	0.481	0.263	0.311	0.902		
9. Willingness to Share	0.890	0.729	0.523	0.376	0.220	0.295	0.367	0.025	0.083	0.423	0.854	
10. Autonomy	0.856	0.672	0.302	0.341	0.316	0.311	0.371	0.098	0.158	0.378	0.322	0.820

Notes: CR = composite reliability; AVE = average variance extracted; n.a. = not applicable. The bold numbers on the diagonal presents the square root of the AVE. The non-diagonal elements are correlations among the constructs.

Table 3 Correlation matrix for sample 2 (N = 263)

	CR	AVE	1	2	3	4	5	6	7	8	9	10
1. Social Innovation	0.839	0.566	0.752									
2. Democratic Governance	0.845	0.646	0.222	0.804								
3. Earned Income	0.829	0.550	0.197	0.061	0.742							
4. Mission Adherence	n.a	n.a	0.226	0.196	0.055	n.a.						
5. Newness	0.827	0.544	0.517	0.190	0.199	0.230	0.738					
6. Profit Distribution	0.874	0.700	0.137	-0.046	0.173	-0.181	0.037	0.837				
7. Salaried Employees	0.826	0.545	0.103	0.063	0.306	-0.051	-0.029	-0.058	0.738			
8. Stakeholder Decision	0.846	0.578	0.347	0.490	0.091	0.329	0.302	0.111	-0.047	0.761		
9. Willingness to Share	0.813	0.594	0.222	0.078	-0.03	0.087	0.068	-0.146	-0.105	0.059	0.771	
10. Autonomy	0.791	0.568	0.198	0.127	0.200	0.165	0.213	-0.060	0.025	0.183	0.172	0.754

Notes: CR = composite reliability; AVE = average variance extracted; n.a. = not applicable. The bold numbers on the diagonal presents the square root of the AVE. The non-diagonal elements are correlations among the constructs.

5.2 Formative Construct Validation

For specifying the second order formative construct of organizational social entrepreneurship comprising of social innovation, earned income, and democratic governance components, we used the repeated indicator approach mode B (Becker, Klein, & Wetzels, 2012; Lohmöller, 1989). Table 4 and Table 5 represent the loading and weights of the indicator variables on the organizational social entrepreneurship construct.

Bootstrapping was conducted on the model to assess the significance, and all the loadings and weights had a significance value of $< .000$. The collinearity statistic variance inflation factor (VIF) values for the first sample (1.331, 1.275, 1.388) and for the second sample (1.058, 1.039 and 1.096) were all well below the cutoff value of 5, indicating an absence of multicollinearity. This is crucial as multicollinearity undermines the assessment of a multidimensional construct (Diamantopoulos & Winklhofer, 2001; Hair et al., 2011).

The significance and relevance of formative indicators are represented by the outer loading values and outer weight values. The outer loading represents the absolute contribution of the indicator to its formative construct while the outer weights represent the relative contributions of the component when compared to other components (Hair, Hult, Ringle, & Sarstedt, 2014). The coefficients of social innovation, earned income, and democratic governance on the organizational social entrepreneurship are .443, .413, and .426 for the first sample and .580, .420, and .486 for the second sample, respectively. This indicates that each

component is important in forming the organizational social entrepreneurship construct. Since our model tested well with two quite different samples of social enterprises, we can consider it to be cross-validated (Diamantopoulos & Winklhofer, 2001).

Finally, to establish the model fit for the formative measure, the three component variables of social entrepreneurship were also examined using Amos 22.0. The analysis yielded good values for sample 1 ($\chi^2 = 100.340$; $\chi^2/df = 1.356$; CFI = 0.980; TLI = 0.976; RMSEA = 0.044) and sample 2 ($\chi^2 = 106.217$; $\chi^2/df = 1.435$; CFI = 0.959, TLI = 0.950; RMSEA = 0.041), indicating good fit for the model.

Table 4 Outer loadings and outer weights of indicators on the organizational social entrepreneurship construct for Sample 1

Indicator	Loading	Weights
It is an explicit part of our strategy to create change among our peers	0.700	0.131
We actively promote change in organizations operating in our sector	0.742	0.139
Through our work, we intend to change the practice in other organizations	0.693	0.130
Our approach will change the way our sector works	0.612	0.115
Our organization produces and sells goods or services.	0.571	0.103
We engage in commercial activities to support our social mission.	0.765	0.138
We are generating income from selling products and services.	0.642	0.116
Our revenue relies on earned income from market activities.	0.636	0.114
Our management involves all internal and external stakeholders in a democratic decision making process.	0.493	0.128
Stakeholders are represented in committees and work groups of our organization.	0.761	0.197
The stakeholders affected by our organization are part of its decision making process	0.682	0.177

Table 5 Outer loadings and outer weights of indicators on the organizational social entrepreneurship construct Sample 2

Indicator	Loading	Weights
It is an explicit part of our strategy to create change among our peers.	0.595	0.197
We actively promote change in organizations operating in our sector.	0.618	0.204
Through our work, we intend to change the practice in other organizations.	0.625	0.207
Our approach will change the way our sector works.	0.494	0.163
Our organization produces and sells goods or services.	0.365	0.125
We engage in commercial activities to support our social mission.	0.432	0.147
We are generating income from selling products and services.	0.440	0.150
Our revenue relies on earned income from market activities.	0.427	0.146
Our management involves all internal and external stakeholders in a democratic decision making process.	0.497	0.191
Stakeholders are represented in committees and work groups of our organization.	0.539	0.207
The stakeholders affected by our organization are part of its decision making process	0.517	0.199

5.3 Nomological Validity Testing

We tested the nomological validity of the three elements of the formative construct as well as of the overall construct by testing hypotheses 1a, 1b, 2a, 2b, 3a, 3b, and 4. Figures 1 and 2 represent the results of the hypothesis testing in Sample 1 and Sample 2, respectively. All of our hypotheses were supported by the two samples. Based on the suggestion of Cohen (Cohen, 1988); a value of $R^2 = .02$ can be considered small, $R^2 = .13$ medium sized, and $R^2 = .26$ large sized. In sample 1, hypotheses 1a, 1b, and 3a had large effects, 3b had a medium effect, and hypotheses 2a and 2b had small effects. In sample 2, hypothesis 1b had a large effect, hypothesis 3a had medium effect, and hypotheses 1a, 2a, 2b, and 3b had a small effect. In sample 2,

hypothesis 1b had a large effect, hypothesis 3a had a medium effect, and hypotheses 1a, 2a, 2b, and 3b had small effects.

Figure 1: Results of Nomological Hypotheses Testing for Sample 1 (Nascent Social Enterprises, N = 183)

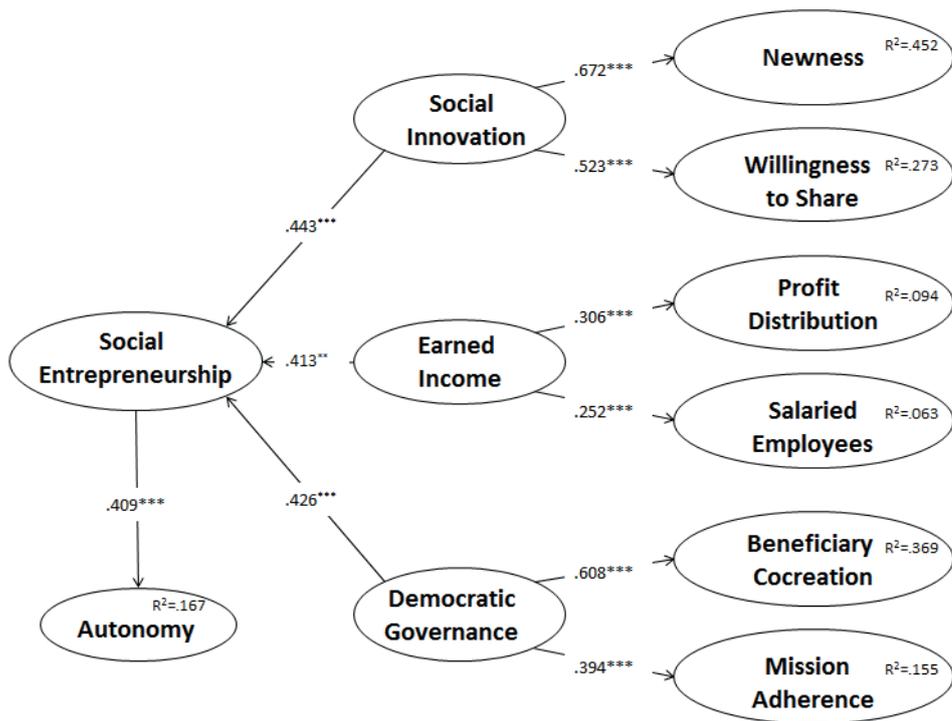
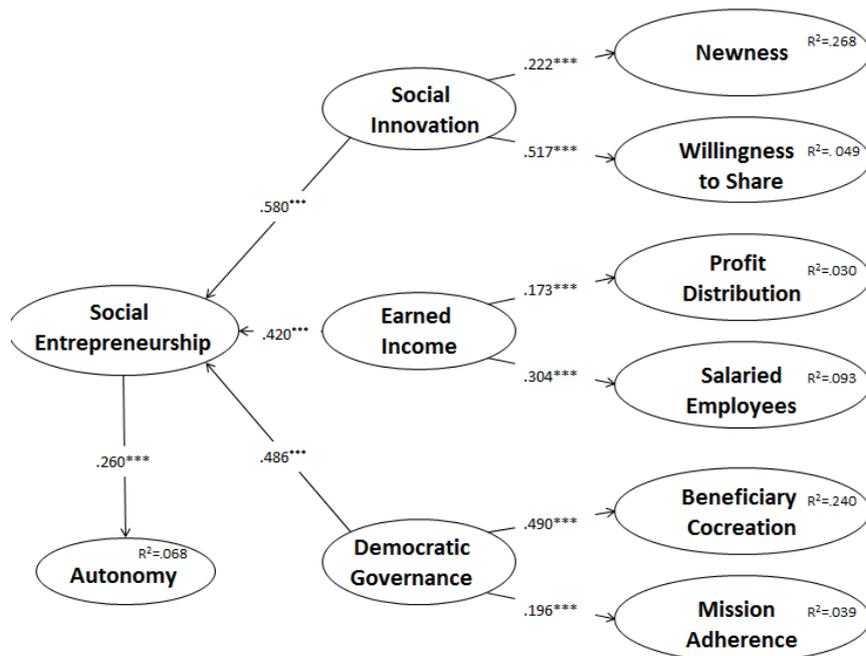


Figure 2: Results of Nomological Hypotheses Testing for Sample 2 (Mature Social Enterprises, N = 263)



6. DISCUSSION

It is only in recent years that social entrepreneurship research has been moved from qualitative theory building towards quantitative research. Clearly stated constructs formulated in a style that is comprehensible to social entrepreneurs is a key step in such a process. Extant literature suggests that organizational social entrepreneurship is a complex concept with potentially conflicting components (Choi & Majumdar, 2014; Young & Lecy, 2014). Therefore, authors such as Short et al. (2009) and Hoogendoorn et. al (2010) have called for more

multivariate analysis and hypotheses testing allowing a more in depth analysis of the complexity of the social entrepreneurship field. To do so requires a realization that there are multiple subtypes of social entrepreneurship (Hockerts, 2017). However, to date there are no validated scales to measure the components of this complex construct.

We address this shortcoming by developing a multidimensional construct for organizational social entrepreneurship. In particular we propose scale items for three central components of social entrepreneurship, namely social innovation, earned income, and democratic governance. Our scales thus measure the three formative dimensions identified by Dees and Anderson (2006) as well as Defourny and Nyssens (2010). All items in our instrument have been derived from theory and take previous literature as their point of reference.

The scale items were modified and purified after detailed discussions with social entrepreneurs and social entrepreneurship researchers, as well as an initial test on a pilot sample. We performed our current study with two separate samples of data, the first one with 184 nascent social enterprises and the second one with 263 mature social enterprises.

We demonstrate that organizational social entrepreneurship can indeed be modelled as a formative construct composed of social innovation, earned income, and democratic governance. Results show that the three components significantly contribute to the formative construct. To the best of our knowledge, ours is one of the first attempts to capture the components of organizational social entrepreneurship in a formative manner. Moreover, both samples support the validity of the instruments developed. Scales are reliable and valid when tested on two

separate samples. By using two quite dissimilar samples we also demonstrate the applicability of the scale in varied contexts.

In particular to prove nomological validity we formulated and then tested several hypotheses to confirm that the individual components as well as the formative construct behave in ways consistent with prior literature. We proved nomological validity by showing that the social innovation component is associated with a higher willingness to share knowledge with peers as well as newness in products and services. The earned income component is shown to be associated with a higher profit distribution and a larger amount of salaried employees in the organization. Finally, democratic governance is confirmed to lead to higher mission adherence and beneficiary co-creation.

7. LIMITATIONS AND FUTURE RESEARCH

In this study, we propose the concept of organizational social entrepreneurship as multidimensional. This contribution is in line with extant studies that conceptualized other entrepreneurship constructs as formative, such as, for example, effectuation (Chandler, DeTienne, McKelvie, & Mumford, 2011) and entrepreneurial passion (Cardon, Gregoire, Stevens, & Patel, 2013).

The advantage of formative constructs lies in their inherent heterogeneous nature that allows one to represent the multidimensionality and complexity of constructs such as social entrepreneurship. The formative construct of organizational social entrepreneurship in our study

consists of social innovation, earned income and democratic governance components. By presenting scale items for these three components, we are offering a tool for measuring various subtypes of social entrepreneurship. In addition by including the democratic governance component (Defourny & Nyssens, 2010), we are extending the discussion in social entrepreneurship beyond social mission and financial revenues.

We are looking forward to the measures developed here being used in cross-sectional as well as longitudinal studies on the processes and outcomes of social entrepreneurship. This will eventually allow us to compare different manifestations of social entrepreneurs, such as for example the ‘Ashoka’ social innovator, the ‘Yunus’ social business founder, or the ‘EMES’ social enterprise leader (Hockerts, 2017).

The strength of our study lies in the model validation with two different samples allowing replication of our initial results. There are, however, also certain limitations to this study, which point to future research opportunities. First of all, although we have proposed what we feel are the most important components of organizational social entrepreneurship, one may argue that this is not an exhaustive list. There is the theoretical possibility of finding other components that contribute to the construct of organizational social entrepreneurship. Future researchers could explore whether there are additional components that contribute to the organizational social entrepreneurship construct.

Secondly, the sample of mature social enterprises in this study is based in Europe. Future researchers could replicate the study in other countries and sociopolitical contexts and

analyze how the components contribute to the organizational social entrepreneurship construct. For example, in the context of a developing country, the components of organizational social entrepreneurship might have different weights. Although the value of coefficients of the components to the organizational social entrepreneurship construct in both the mature and the nascent sample are somewhat similar, the differences that exist could be a future topic of research.

Thirdly, future research could focus on how the presence of the three components in an organization can affect different outcome variables of social entrepreneurship. In this study, we analyzed how the components affect six outcome variables as part of the nomological validity test. Future research could focus on how these three components affect performance outcomes such as social impact, ease of fundability, financial performance, survival, and growth of the organization. This study acknowledged the diversity of the organizational forms which are termed as social enterprises. By identifying the salient components of these organizations we point to the organizational outcomes of these components.

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