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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 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 asocial 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

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

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:

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) .

Drawing on user-driven innovation (Baldwin, Hienerth, & 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

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

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

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 peformance in the absense 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

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.

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

(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'

(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 deleted10 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

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.

- 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.

- 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

(Bugg-Levine & Emerson, 2011; Emerson & Cabaj, 2000; Ruttmann, 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 (χ^2 = 525.121, p <0.000 , χ^2/df = 1.404, CFI =0.923 , RMSEA = 0.041, SRMR = 0.064) indicating goof 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).

The goodness of fit values of the model were acceptable. (χ^2 = 649.361, p <0.000 , χ^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.

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. (χ^2 = 636,732; p <0.000 ;χ^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

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

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

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

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

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

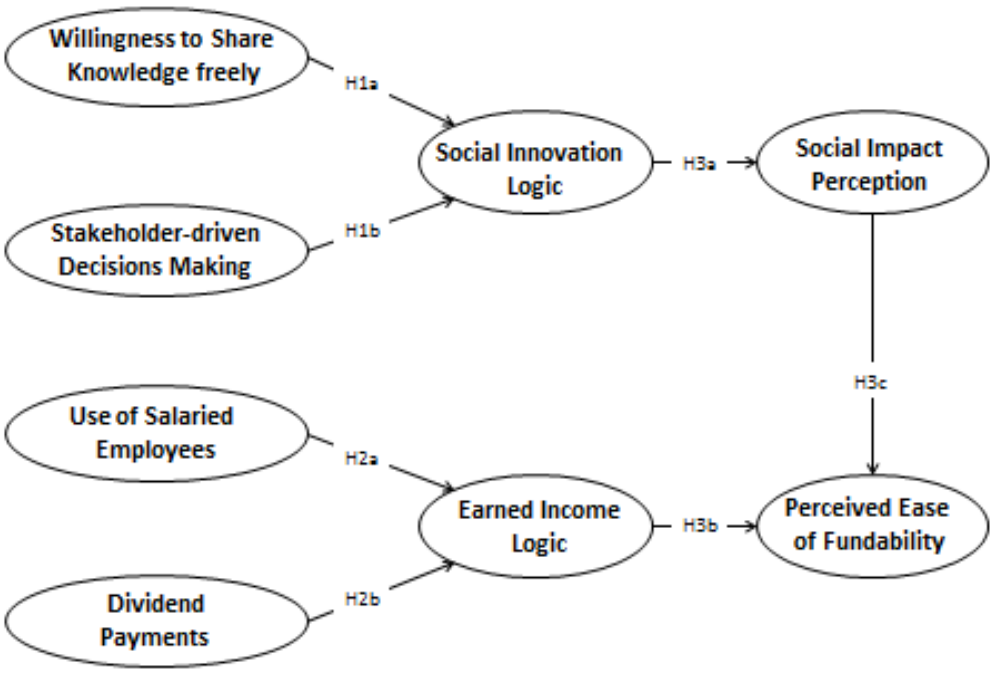
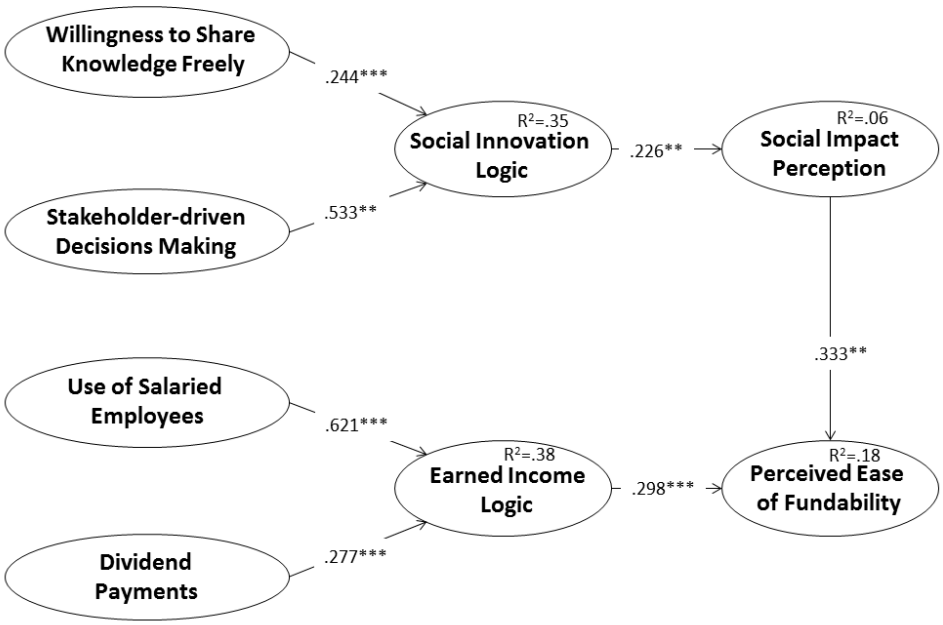
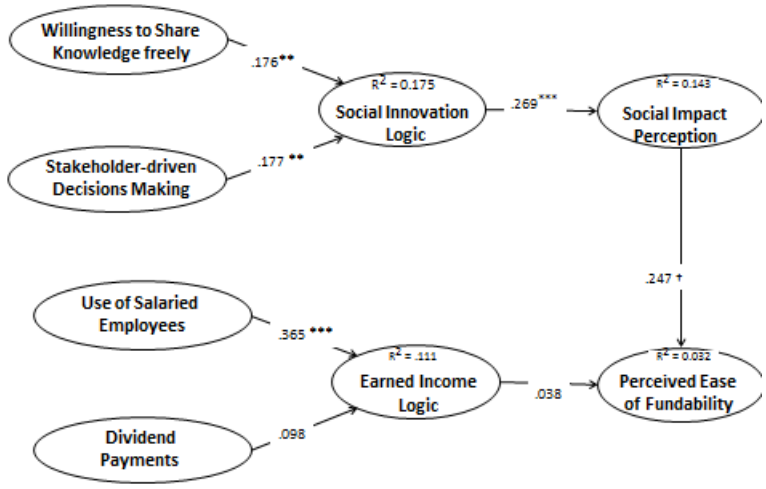


FIGURE 2*: Model with sample with nascent social entrepreneurs (N=441)



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)

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

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