A Study on Social Entrepreneurs’ Value Orientation and the effect of it on the Performance of Social Enterprises in India

Ardra J S
Guest Lecturer,
Sri Sathyai Arts & Science College,
Saigramam, Thiruvananthapuram

Abstract: Many studies on social entrepreneurs and social entrepreneurship have been conducted in order to improve the performance of social enterprises. The concept of social entrepreneurship was initially conceptualized based on research on commercial entrepreneurs, however, the analysis of social entrepreneurship also focuses primarily on behavioral aspects. Consequently, research on the nature of value in social entrepreneurship is insufficient, despite the value orientation pursued by social enterprises. Creating social value in a social enterprise must be based on financial sustainability, so blended value has been emphasized in recent years. An analysis of the relationship between blended value orientation, social entrepreneurship, and social enterprise performance was conducted in this study. Based on the results, social entrepreneurs' blended value orientation and performance were mediated by social entrepreneurial activity. In terms of promoting and regulating social enterprises, it is important to focus on social entrepreneurs' blended values.

Index Terms - Social Enterprises; Social Entrepreneurs; Blended Value Orientation Of Social Entrepreneurs; Social Entrepreneurship; Performance Of Social Enterprise.

I. INTRODUCTION

Since the capitalist economy has recently reached its growing limit, interest in social economies has increased (Cooke et al., 2017; Witt, 2017; Yun, 2015). Throughout the past decades, research on social enterprise (SE) has increased. Researchers studying SEs study three areas: social entrepreneurship, SE performance (SEP), and the relationships between the three. It is unclear whether social entrepreneurship or the Social Entrepreneurship Program can be agreed upon (Dacin et al., 2010; Austin et al., 2006; Dees, 2001). There is no commonly accepted definition of social entrepreneurship, because it depends on the context (Shaw, 2007). Despite diverging concepts and definitions regarding social entrepreneurship, it is a major subject in SE studies. Most studies of social entrepreneurship have mainly focused on its conceptualization. Therefore, the empirical measurement of social entrepreneurship and its compositional factors has been dealt with by many researchers and practitioners (Peredo et al., 2006; Weerawardena et al., 2006; Mort et al., 2003; Thompson et al., 2002; Bornstein et al., 2010; Brooks 2009; Börnstein, 2010). The increasing interest in social entrepreneurship is related to the retreat of the welfare state in Western economies (Shaw, 2007, Thompson et al., 2002).

Social entrepreneurship must be understood in terms of values, motivations, and attitudes. Organizing behavior theory states that values motivate members’ attitudes and behaviors (Robbins, 2014). Organizational performance and behavior are affected by the values of its individuals (Rokeach, 1973). Due to their ability to affect the SEP, the discussion of the individual value orientation of social entrepreneurs has important implications. SEPs are not generally agreed upon, but consensus exists that both economic performance and achieving social goals should be promoted simultaneously (Dees, 2001; Shaw, 2007; Peredo et al., 2006; Weerawardena et al., 2006; Mort et al., 2003). Despite the acceptance of the concept and importance of blended value orientation (BVO) (Porter et al., 2011); however, little is known about social entrepreneurship, blended value orientation, and performance (Alter, 2006; Nicholls, 2007; Pirson 2012). Studying how the BVO of social entrepreneurs and social entrepreneurship affects the SEP was our focus in this study. The research questions of this study are as follows. Does the BVO of social entrepreneurs affect social entrepreneurship? Does the BVO of social entrepreneurs affect the SEP? How does social entrepreneurship relate to BVO and the SEP? To analyze these research questions, we used structural equation modeling (SEM).

II. LITERATURE REVIEW

The Performance of Social Enterprises and the Factors Affecting Performance

A SEP pursuing social purposes is more difficult to quantify than a commercial enterprise using quantifiable and tangible measures such as financial performance (Austin, 2006). Further, SEs have a range of financial and non-financial stakeholders, which complicates performance measurement (Peredo et al., 2006; Weerawardena et al., 2006; Mort et al., 2003; Kanter, 2006). It is widely debated as to what the performance indicators of SEs should be, but all of them share similar outcomes for a social impact (creating social value) and a financial sustainability (ensuring financial sustainability). As a hybrid organization (Jay, 2013; Doherty, 2009), SEs are similar to commercial organizations seeking profit maximization and nonprofit organizations seeking social impact organizations driven by a social mission, such as charity and philanthropic values (Miles et al., 2014). It is counterintuitive that the SE would benefit from both, but the SE does so on the basis of these two dualisms.

SEPs are affected by a wide range of factors, which vary substantially from study to study: the management capabilities of social entrepreneurs, leadership of social entrepreneurs, social entrepreneurship, networking with various stakeholders, organizational structure, governance, strategy, social support and cooperation, market competitiveness, balance as a hybrid organization, solidarity, values, and missions. SEP is affected by a number of factors, but there are four major ones: human, institutional, organizational,
and environmental factors (Shin, 2018). Social entrepreneurship, leadership and management capabilities, and employee expertise are all human factors (Berzin et al., 2012; Prabhu, 1999; Zheng et al., 1893; Dees, 2001; Shaw et al., 2007; Brooks, 2009; Bornstein et al., 2010; Perrini et al., 2010; Drucker, 1999; Leadbeater, 2007; Sen, 2007; Covin, 1986).

The Effect of Social Entrepreneurs as Individuals in the Performance of Social Enterprises

Various studies define social entrepreneurs differently. Various perspectives have been used to analyze social entrepreneurs, including qualities, behavior, organizational establishment, and management, social purpose, motivation, and desire. To operate a social enterprise, social entrepreneurs must possess each of these qualities. They act as agents of societal change by providing innovative solutions (Dees, 2001). It seeks solutions to problems caused by existing institutions that cannot be solved by existing institutions (Brooks, 2009; Kanter, 2006; Jay, 2013; Doherty et al., 2009). Social entrepreneurs are generally thought to have the following characteristics (Drayton, 2002) a tendency toward action, a comfort level with uncertainty, and a high degree of autonomy (Bornstein and Davis, 2010).

The Blended Value Orientation of Social Entrepreneurs

Social entrepreneurship is most often studied empirically by using the three factors of Covin and Slevin's model (Covin and Slevin, 1986; Chahine, 2016; Meglinio, 1998). There have been a number of recent studies emphasizing blended value. In his book, Emerson argues that organizations’ economic and social value are linked, called ‘blended value.’ Each value is vital for an organization. Creating social value is central to financial sustainability, so blended value was recently emphasized by the government. SEs that have SVOs implement innovative strategies, products, and processes proactive to take risks. As a concept, SVO omits many aspects of what SEs should be pursuing in terms of value pursuits. Hybrid organizations pursue social goals with a for-profit model (Jay, 2013). It is therefore controversial whether social and economic values are related and what direction SEs should take. In this regard, SEs are hybrid organizations because they have a BVO and they must provide both services. Following this theoretical argument, we propose the following hypothesis.

Hypothesis 1. The BVO of social entrepreneurs has a positive effect on social entrepreneurship.

Using organizational behavior theory in business administration, the value of an individual has to do with organizational performance (O'Reilly, 1989; Schein, 2010). Social entrepreneurs understand that value includes judgments about whether some behaviors or performances are preferred over others, so their value orientation affects their behavior and performance. These hypotheses are derived from this theoretical argument.

Hypothesis 2. The BVO of social entrepreneurs has a positive effect on the SEPs of the SE.

Hypothesis 3. The BVO of social entrepreneurs has a positive effect on the SEPs of the SE.

Hypothesis 4. Social Entrepreneurship has a positive effect on the SEPe of the SE.

Hypothesis 5. Social Entrepreneurship has a positive effect on the SEPs of the SE.

III. METHOD

Research Model

In this study, based on social entrepreneurship theories, we investigated the relationships among SVO, social entrepreneurship, and socioeconomic performance.

Data Collection

The survey questionnaires were sent to the chief executives of 423 companies by email, and a total of 100 questionnaire responses were collected. Self-reporting questionnaires have been used in many studies on social entrepreneurship and social entrepreneur behaviors. The relationship between values, attitudes, and performance in business administration is often analyzed by measuring values, attitudes, and performance with subjective measures Miles, among others studying SEP, analyzed the relationship between market orientation, value orientation, SEPS, and SEPe (Miles, 2014). Accordingly, the survey used a self-reporting questionnaire. We received an email reporting the chief executives’ responses to our questionnaire.

Measures

Organizational performance is usually measured in three ways: continuously, rated, and binary. In most research, rating scales have been used (very negative-very positive). The comparison criteria of organizational performance self-responses are constructed in three ways: Developmental (the extent to which an organization’s milestones were reached in the time proposed), Benchmark (the extent to which they developed as leaders in their field), and Historic (the extent to which they maintained achievement levels from the past) (Brooks, 2009). This study constructed the scales with rating items and historic comparison criteria.

Social Entrepreneurship

According to Weerawardena and Mort, 2006, previous studies have emphasized innovativeness and proactiveness as well as risk-taking in social entrepreneurship. Our survey items ranged from 1 (very negative) to 7 (very positive) on a 7-point Likert scale. Innovation is measured in four ways: find innovative and creative business methods, accept innovative ideas or business methods, support innovative new ideas and technologies, and improve the company's performance by accepting and embracing change. Four elements were considered when evaluating a company's proactiveness: understanding customer needs and developing new products and services that address them, introducing new business processes and technologies faster than the competition, and taking a proactive leadership role in its market. Risk-taking was measured by four items: preference for challenges when taking risks rather than stable work, the willingness to take risks and pursue new methods for the company, establishing and promoting strategies in response to environmental changes, and seeing and promoting the possibility of a market (rather than seeking stability) if there is marketization. Cronbach’s α was 0.89 for innovativeness, 0.86 for proactiveness, and 0.93 for risk-taking; thus, the reliability of the three variables was secured.

Blended Value Orientation of Social Entrepreneurs

The value orientation of social entrepreneurs has not been extensively studied, so this study provided an exploratory definition of BVO. In particular, the BVO measured two key values: economic and social. Two items concerning the extent to which enterprise management is guided by social and economic values were answered by the chief executives. The scales ranged from 1 (very negative) to 7 (very positive) for two items. Our survey of professors and SE officials confirmed the validity of the scales before implementing the survey. Cronbach's * scores of economic and social values were respectively 0.89 and 0.92. This resulted in the variables being reliable.
Performance of Social Enterprises

Additionally, the SEP was a self-rated score using a Likert scale of 7. Measures of the SEP included five items: the degree of community favorability of an employee evaluation; investments in employee salary increases or product R&D; contribution to the community; employee pride; and a desire to make positive changes in society. Our SEP measures consisted of three items: the degree to which the company's sales increased constantly, its operating profits increased constantly, and its net profits increased constantly. Cronbach's * was 0.92 for SEPs and 0.93 for SEPe; therefore, both variables were found to be reliable.

IV. RESULTS AND DISUSSION

Table 1 presents the means, standard deviations, and correlations of all study variables. Table 1 illustrates a weak correlation between the study variables. The multiple linear regression values (that predicted SEPs and SEPe by other variables) were however within acceptable limits, with the highest VIF value being 3.99. Thus, multicollinearity did not pose a major problem in this study.

Table 1. Means, standard deviations, correlations, and reliability estimates for all study variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>1. Innovativeness</td>
<td>14.73</td>
<td>20.19</td>
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<tr>
<td>2. Proactivity</td>
<td>7.56</td>
<td>15.21</td>
<td>0.85**</td>
<td></td>
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<td></td>
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<tr>
<td>3. Risk-taking</td>
<td>12.15</td>
<td>17.44</td>
<td>0.75**</td>
<td>0.77**</td>
<td></td>
<td></td>
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<tr>
<td>4. BVO</td>
<td>10.94</td>
<td>2.82</td>
<td>0.55**</td>
<td>0.63**</td>
<td>0.67**</td>
<td></td>
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</tr>
<tr>
<td>5. SEPe</td>
<td>19.06</td>
<td>12.82</td>
<td>0.63**</td>
<td>0.70**</td>
<td>0.56**</td>
<td>0.51**</td>
<td></td>
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<tr>
<td>6. SEPs</td>
<td>20.47</td>
<td>10.50</td>
<td>0.67**</td>
<td>0.67**</td>
<td>0.61**</td>
<td>0.52**</td>
<td>0.69**</td>
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</table>

To gauge construct validity, we conducted a confirmatory factor analysis (CFA) of the 14 individual items for the four key measures (i.e., BVO, innovativeness, risk-taking, and proactivity). The results showed that the hypothesized four-factor measurement model provided an acceptable fit to data ($\chi^2 (71) = 172.68, p < 0.01, CFI = 0.92, TLI = 0.89, RMSEA = 0.12, SRMR = 0.05$). Furthermore, all measures were significantly associated with the corresponding constructs, ranging from 0.71 to 0.96, with constructs not significantly correlated with each other, ranging from 0.57 to 0.72. Table 2 presents the parameter estimates and their 95% confidence intervals in the hypothesized model (i.e., Model 1); depicted in Figure 2. The model presented a very good fit to the data ($\chi^2 (6) = 14.14, p < 0.01, CFI = 0.98, TLI = 0.95, RMSEA = 0.12, SRMR = 0.02$). The first hypothesis suggests that social entrepreneurship is positively correlated with the BVO of entrepreneurs. The path coefficient for BVO on social entrepreneurship was significant ($\beta = 0.68, p < 0.01$), suggesting that a higher BVO leads to higher levels of social entrepreneurship. The results support Hypothesis 1. As a result of Hypotheses 2 and 3, BVO should lead to higher SEP and SEPe. As shown in Table 2, the path coefficients for both SEPs and SEPe were not significant ($\beta = 0.14, ns, \beta = 0.09, ns$), indicating that there was no direct relation between socioeconomic performance and the BVO level. The hypotheses 4 and 5 suggest a positive relationship between social entrepreneurship and social enterprise. As a result, there were significant coefficients for both types of social entrepreneurship ($\beta = 0.68, p < 0.01; \beta = 0.70, p < 0.01$), providing support for both of the hypotheses. Additionally, we ran an analysis to confirm the relationships between social entrepreneurship, BVO, and socioeconomic performance, and build a new model (i.e., Model 2), which dropped the non-significant direct paths from BVO to SEPs and SEPe, as shown in Figure 3. Compared to the alternative model, it was very well fitted to the observed data ($\chi^2 (8) = 14.49, p < 0.01, CFI = 0.98, TLI = 0.97, RMSEA = 0.01, SRMR = 0.03$), and removing the direct paths from BVO to SEPs and SEPe did not worsen the model fit substantially ($\Delta \chi^2 (2) = 0.35, ns$); thus, we chose the alternative model as the final model.
Table 2. Standardized coefficients of model for testing mediation effects

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<tr>
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<th>Model 1</th>
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<th>Model 2</th>
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<tr>
<td></td>
<td>Coef.</td>
<td>s.e</td>
<td>95% CI</td>
<td>Coef.</td>
<td>S.e.</td>
<td>95% CI</td>
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<tr>
<td>Factor loadings</td>
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<tr>
<td>Proactive</td>
<td>0.94 **</td>
<td>-</td>
<td></td>
<td>0.94 **</td>
<td>-</td>
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<tr>
<td>Innovation</td>
<td>0.90 **</td>
<td>0.05</td>
<td>0.90 **</td>
<td>0.05</td>
<td>0.90 **</td>
<td>0.05</td>
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<tr>
<td>Risk-taking</td>
<td>0.84 **</td>
<td>0.09</td>
<td>0.84 **</td>
<td>0.09</td>
<td></td>
<td></td>
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<tr>
<td>Path coefficients</td>
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<tr>
<td>BVO→SEPs</td>
<td>0.06</td>
<td>0.35</td>
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<tr>
<td>BVO→SEPe</td>
<td>0.04</td>
<td>0.30</td>
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<tr>
<td>BVO→SEship</td>
<td>0.68 **</td>
<td>0.17</td>
<td>0.68 **</td>
<td>0.26</td>
<td>0.68 **</td>
<td>0.26</td>
</tr>
<tr>
<td>SEship→SEPs</td>
<td>0.68 **</td>
<td>0.21</td>
<td>0.72 **</td>
<td>0.26</td>
<td>0.72 **</td>
<td>0.26</td>
</tr>
<tr>
<td>SEship→SEPe</td>
<td>0.70 **</td>
<td>0.18</td>
<td>0.72 **</td>
<td>0.26</td>
<td>0.72 **</td>
<td>0.26</td>
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<tr>
<td>Indirect effects</td>
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<tr>
<td>BVO→SEship→SEPs</td>
<td>0.46 **</td>
<td>0.30</td>
<td>[0.29,0.63]</td>
<td>0.49 **</td>
<td>0.09</td>
<td>[0.35,0.64]</td>
</tr>
<tr>
<td>BVO→SEship→SEPe</td>
<td>0.47 **</td>
<td>0.26</td>
<td>[0.33,0.61]</td>
<td>0.49 **</td>
<td>-0.08</td>
<td>[0.36,0.62]</td>
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</tbody>
</table>

Table 2 displays the results of the final model, which tested the indirect effect of BVO on SEPs and SEPe via social entrepreneurship. The paths (a) from BVO to social entrepreneurship (β = 0.68, p < 0.01), (b) social entrepreneurship to SEPs (β = 0.73, p < 0.01), (c) social entrepreneurship to SEPe (β = 0.72, p < 0.01) and (d) the factor loading of proactivity (λ = 0.94, p < 0.01), innovativeness (λ = 0.90, p < 0.01), and risk-taking (λ = 0.84, p < 0.01) on behavior were statistically significant. Social entrepreneurship has been fully validated by the results mediating the relationship between BVO and both SEPs and SEPe. By bootstrapping 20,000 resamples, the net indirect effect of BVO on business expansion was 0.49, with a 95% confidence interval [0.35, 0.64]. Additionally, the relationship between BVO and SEPe was fully mediated by social entrepreneurship (estimate = 0.49, 95% CI [0.36, 0.62]) with the same number of bootstrapping resamples.

Discussion

Studying social entrepreneurs as a human factor, this study examined their effects on SEP. In particular, social entrepreneurship and BVO were examined for effect on SEP. Following are the implications of this analysis. SEP and BVO, specifically social entrepreneurship, were examined empirically in this study. Social entrepreneurship affected BVO and thus affected SEP. Therefore, even when social and economic values are emphasized, improving the SEP with social entrepreneurship is difficult. India’s policy on SEs has mainly focused on the provision of work and social services, i.e., social value creation. Policy makers have neglected to consider the role of social entrepreneurs as agents of change. Government policies should be changed to foster social entrepreneurship with entrepreneurship in order to create a healthy ecosystem for SEs. The focus of Indian programs that foster social entrepreneurship should be on marketing, public relations, securing sales channels, and financial funding. Indian social enterprises often promote themselves on the market after the government’s financial and administrative support ends. Therefore, it is necessary to support social entrepreneurs by strengthening their attitudes and qualities. SEP and BVO benefited from the mediation effect of social entrepreneurship.

A research model that has previously been used to study SEP assumes that social entrepreneurship influences performance independently. SEP and value orientation are mediated by social entrepreneurship, however, in this study. A deeper analysis of the relationships among BVO, SEP, and social entrepreneurship is needed. It is expected that a more detailed study based on this research will further explore social entrepreneurship, value orientation, and social enterprise principles. The results of this study have some limitations despite the theoretical and practical implications described above. First, as noted in the literature review, influencing SEP are diverse, including human, organizational, institutional, and environmental factors. As a result, this study focused mainly on the management of SEs, specifically on the chief executive officers of these SEs who manage their operation. As for the survey method in this study, it has limitations. In order to obtain the qualitative characteristics, the chief executives self-evaluated. Developing tools that help measure SEP and value orientation objectively will be necessary in future research. Three, the method of collecting the data was limited; the survey was only open to SEs in India, but the response rate was low since SEs were difficult to contact. Due to the non-random nature of the survey, the social entrepreneurs who responded were not properly representative as samples.
SEP is affected by BVO, while social entrepreneurship impacts SEP. Nevertheless, in the model in which social entrepreneurship was a mediator, the direct effect of BVO on SEP (SEPe and SEPs) disappeared, and only indirect effects persisted. The results indicate that social entrepreneurship was a full mediator between BVO and SEP. Either the values of social entrepreneurs influence SEP or their behaviors affect it. SEPe and SEPs are influenced both by BVO and social entrepreneurship, as shown in this study. Taking social entrepreneurs' value and behavior into account is essential to cultivating India's social economy. Both economic and social goals are pursued by social enterprises.

As a company develops, the role of the chief executive officer becomes increasingly important. Quality and role of the SE's chief executives determine the success of an SE. It is not innate to be a social entrepreneur, but a skill that can be learned. As a result, social entrepreneurs can be cultivated by society as opposed to being born with their own attitudes, intentions, and behaviors. There are, however, few programs aimed at enhancing real social entrepreneurship. By examining social entrepreneurship and social enterprises, we hope to improve attitudes among them."

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