

## Social Entrepreneurship and Performance: The Role of Perceived Barriers and Risk

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# Social entrepreneurship and performance: The role of perceived barriers and risk

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# 1. Introduction

Social entrepreneurs are increasingly acknowledged for addressing the social, ecological and economic problems of our time (Zahra et al., 2009). Socially conscious individuals fulfill a vital role within society because they offer solutions to complex and persistent social problems that are overlooked, ignored or unsuccessfully addressed by governments, incumbent businesses or civil society organizations (Elkington & Hartigan, 2008; Kerlin, 2009; Nicholls, 2006; Nyssens, 2006; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). However, there is a lack of understanding of this type of entrepreneur. For instance, the way in which she recognizes and exploits opportunities for the creation of social value is not fully understood (Doyle Corner & Ho, 2010; Mair & Martí, 2006). The majority of the research on social entrepreneurship has focused on defining the concept of social entrepreneurship. The few empirical studies that have been published have case study designs or small sample sizes; thus, they are unable to provide generalizable results (Hoogendoorn, Pennings, & Thurik, 2010; Short, Moss, & Lumpkin, 2009).

In comparison to commercial entrepreneurs, social entrepreneurs are thought to face specific challenges while setting up their businesses, especially regarding financial and human resource mobilization (Dees, 1998; DiDomenico, Haugh, & Tracey, 2010; Haugh, 2006; Peredo & McLean, 2006). These challenges are caused by constraints in the exploitation of their entrepreneurial initiatives. Hence, it is predicted that social entrepreneurship is an early-stage phenomenon.<sup>1</sup> In other words, it is expected that social entrepreneurs would not perform as well as commercial entrepreneurs in terms of surviving the early stages of setting up and running a business.<sup>2</sup> In the present paper, the early stages of setting up and running a business refer to pre-start-up activities (nascent entrepreneurship or “taking steps”), efforts that have been given up (“gave up”), and businesses that have existed for less than three years (“young business”). The later stages refer to established businesses (existence for more than three years), failed businesses, and sold businesses. First, this paper analyzes whether social entrepreneurs are mainly represented in the early stages, while commercial entrepreneurs are mainly represented in the later stages of entrepreneurial engagement.<sup>3</sup>

Next, the role of three groups of factors are examined that may be behind the lagging position of social entrepreneurs in the entrepreneurial process. First, this paper analyzes whether social entrepreneurs perceive more environmental start-up barriers than commercial entrepreneurs. In particular, this work focuses on three dimensions of the perceived entrepreneurial environment: the perceived availability of financial resources, the perceived degree of complexity of administrative procedures, and the perceived availability of start-up information. Second, this paper analyzes the willingness to take risks and the different kinds of risk that social and commercial entrepreneurs fear. Social and commercial entrepreneurs are risk-takers, but researchers have argued that these different types of entrepreneurs face different kinds of risks when engaging in entrepreneurship (Harding & Cowling, 2006; Shaw & Carter, 2007; Weerawardena & Sullivan Mort, 2006). For example, research has shown that social entrepreneurs fear personal risks of a non-financial kind, such as the risk of losing local credibility or their network of personal relationships. However, further evidence is lacking on the differences between social and commercial entrepreneurs regarding their willingness to accept risks and the types of risk that they fear. To help to answer these questions, this research distinguishes between the risk of personal failure, the risk of income uncertainty, the risk of job

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<sup>1</sup> There is some evidence of this early-stage predominance at the macro level (Bosma & Levie, 2010; Hoogendoorn & Hartog, 2010). The present paper tests for this early-stage phenomenon at the micro-level.

<sup>2</sup> The rationale for using survival as a measure of performance stems from the observation that to have social impact and create social value, social entrepreneurs first and foremost must manage to survive.

<sup>3</sup> In other words, we expect that social entrepreneurs have more difficulties in “climbing the entrepreneurial ladder” (Grilo & Thurik, 2005; Van der Zwan, Thurik, & Grilo, 2010).

insecurity, and the risk of going bankrupt when pursuing an entrepreneurial career. Finally, several socio-demographic variables, such as age, gender, and educational attainment, are taken into account. By investigating the age distribution of social and commercial entrepreneurs, this study allows for a direct test of the hypothesized distinction between two dominant types of individuals who are engaged in social entrepreneurship (“neoclassical life-cycle theory”): idealistic individuals who operate social enterprises when they are young and wealthy individuals who engage in social entrepreneurship later in life (Parker, 2008). If social entrepreneurs are found in a low age category, this would be additional evidence for the early-stage phenomenon of social entrepreneurship.

In summary, the present study attempts to understand *if* and in *what way* social entrepreneurs are hampered in reaching advanced levels of entrepreneurial engagement. This study contributes to our understanding of the factors that influence the survival of social entrepreneurship in the entrepreneurial process. It also tests and extends our current knowledge of social entrepreneurs and the process of venture creation using unique, large-scale, and internationally comparable data in a research domain that is dominated by case-study designs. The data used for this research were obtained from the Flash Eurobarometer Survey on Entrepreneurship (No. 283), which contains information about entrepreneurial involvement, attitudes, and opinions of approximately 26,000 individuals in 36 countries.

The results of this research support the hypothesis that compared to commercial entrepreneurs, social entrepreneurs underperform in terms of surviving the early levels of entrepreneurial engagement. Several factors have been identified that explain this underperformance. Compared to commercial entrepreneurs, social entrepreneurs perceive more financial and informational start-up barriers, are more afraid of personal failure and bankruptcy, and can be found in the lower and higher age categories, which confirms the neoclassical life-cycle theory of social entrepreneurs (Parker, 2008). These findings have considerable policy implications that will be elaborated in the remainder of this paper.

The paper is structured as follows. The next section focuses on theoretical work that explains some of the specific challenges and risks faced by social entrepreneurs. The following section elaborates on the definition of social entrepreneurship that is used in this paper and places it in the perspective of existing definitions. Next, our hypotheses are formulated, followed by a discussion of the data. Following the hypothesis section, the results are discussed. Finally, the paper ends with a conclusion, a discussion, and avenues for further research.

## **2. Literature background**

It is widely argued that entrepreneurship and small businesses make positive contributions to economies in terms of innovation, employment generation, productivity, and growth (Carree & Thurik, 2010; Praag & Versloot, 2007). Consequently, the creation, growth, and survival of new ventures are seen by policymakers as key elements in economic development (Audretsch, Grilo, & Thurik, 2007). However, approximately 20% of new ventures do not survive their first year (Fritsch, Brixy, & Falck, 2006). As Cowling (2006) comments, business survival can be considered a basic measure of performance because the ability to grow requires the ability to survive. Therefore, investigating the potential determinants of the survival of small businesses is highly relevant. For example, Storey (1994) argues that three key components influence business longevity: the background of the entrepreneur, the firm itself and the strategic decisions taken by that firm. In addition, Westhead and Cowling (1995) consider eleven factors that bear upon the performance of independent start-ups, including the characteristics of the entrepreneur, the start-up process, and the environmental characteristics and firm attributes at the time of start-up. In

general, these factors can be divided into internal and external explanations for survival (Pfeffer & Salancik, 1978).

Regarding social entrepreneurship, survival and growth is complicated by the combination of economic and social value creation that is widely considered to be a fundamental distinguishing factor between social entrepreneurship and commercial entrepreneurship (Dorado, 2006; Mair & Martí, 2006; Moizer & Tracey, 2010; Zahra et al., 2009). Although commercial entrepreneurs also contribute to social value, it is the intention and relative importance of social value creation as opposed to economic value creation that defines social entrepreneurship. However, there is little research into the factors that influence the survival and growth of social ventures. Moizer and Tracey (2010) consider the sustainability of social enterprises as a balance between resource utilization (to build and maintain competitive advantage) and engagement with local stakeholders (to build and maintain organizational legitimacy). Organizational sustainability is threatened if cash reserves are depleted, if the community need disappears or if engagement with local stakeholders is lacking. Yitshaki, Lerner and Sharir (2008) contribute to this recent stream of inquiry with a qualitative field study of 33 social ventures in Israel. Their findings show that the ability to obtain financial resources, gain legitimacy, generate followers, and build the entrepreneurs' personal social network are positively associated with the survival of social ventures. Whereas Yitshaki et al. (2008) applied a combination of five different theoretical approaches in their study, other authors have applied single theoretical lenses. The following theoretical perspectives may explain the (lack of) success of the exploitation of social entrepreneurial initiatives: resource dependency theory (Haugh, 2009; Yitshaki et al., 2008); institutional theory (Dart, 2004; Yitshaki et al., 2008); social capital theory (Mair & Martí, 2006; Yitshaki et al., 2008); resource-based theory (Haugh, 2009; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Sharir, Lerner, & Yitshaki, 2009; Yitshaki et al., 2008); and human capital theory (Yitshaki et al., 2008). Both resource-based theory and human capital theory are concerned with the internal explanations for survival and are used as the perspectives of this study.

The next two subsections provide a review of our current understanding of the main challenges and risks faced by social entrepreneurs that are expected to influence the engagement of social entrepreneurs in the entrepreneurial process.

## **2.1. Challenges to social entrepreneurs**

The combination of mixed value creation complicates the process of starting and operating a social business and threatens organization sustainability (Moizer & Tracey, 2010). This complication poses specific challenges to social entrepreneurs, particularly with respect to financial and human resource mobilization (Dorado, 2006; Purdue, 2001; Sharir & Lerner, 2006). According to the resource-based view, competitive advantage and sustainability are created when firms acquire, develop, and manage their resources in such a way that competing firms are not able to copy them (Barney, 1991; Wernerfelt, 1984). These resources include assets, knowledge, and skills that entrepreneurs possess and are able to acquire. First, the specific challenges are described that social entrepreneurs face regarding financial and human resource mobilization.

Several studies have stressed the difficulties for social entrepreneurs in attracting financial capital (Dorado, 2006; Purdue, 2001; Sharir & Lerner, 2006; Zahra et al., 2009). Sharir and Lerner (2006) confirm the belief that social ventures are hindered during their start-up stages by a lack of access to capital. In addition, the UK survey by the Social Enterprise Coalition reveals that access to financing is perceived as a strong barrier to growth (Leahy & Villeneuve-Smith, 2009). Several reasons have been proposed that explain the relative difficulty of obtaining financing. First, social enterprises purposely locate their activities in areas where markets function poorly and where there is limited potential to capture the value created (DiDomenico et al., 2010; Mair & Martí, 2006). Social entrepreneurs who provide, for example, basic social needs

such as shelter or food are serving customers who are often unable to pay for the products or services. This condition clearly raises issues about resource acquisition and poses additional challenges on the financial sustainability of the venture. Second, standardized measures for the evaluation of social businesses' performance in terms of social value creation are missing (Austin, Stevenson, & Wei-Skillern, 2006; Nicholls, 2009; Zahra et al., 2009). As a consequence, returns to investment are difficult to determine, which hinders the acquisition of private capital. Finally, there are restrictions on profit distribution because of the many legal forms under which social businesses operate, such as non-profit, co-operative and hybrid forms; these restrictions limit social entrepreneurs' access to capital markets.<sup>4</sup> Hence, social entrepreneurs are constrained in fund generation, making the management of risk to sustain the organization a crucial operational activity (Weerawardena & Sullivan Mort, 2006).

With respect to human capital, one may distinguish between the specific abilities of the social entrepreneur and the mobilization of talented and capable staff members. Starting with the skills and abilities of the social entrepreneur, it is widely believed that social entrepreneurs require even more excellent networking skills than their commercial counterparts (Alvord, Brown, & Letts, 2004; Haugh, 2007; Purdue, 2001; Sharir & Lerner, 2006). This need stems from the fact that social entrepreneurs must cope with more complex and varied stakeholder relations when working with private, public, and civil society sectors (Nicholls, 2006; Yitshaki et al., 2008). This difference stresses the importance of strong networking abilities for social entrepreneurs, which holds in the case of the mobilization of resources from (local) governments, donors, partners, and volunteers (Austin et al., 2006). Sharir and Lerner (2006) state that networking skills are a necessary condition to the success of a social venture. This condition holds for internal networking skills or managerial skills because social entrepreneurs work with a wide variety of employees with regard to the formality of the relationship and the type of contract (Nyssens, 2006; Turner & Martin, 2005; Vidal, 2005). Because social entrepreneurs cannot solely rely upon external investors, they are typically characterized by their "ability to inspire, marshal and mobilize the efforts of commercial and non-commercial partners, donors, volunteers, and employees" (Zahra et al., 2009, p. 523).

Regarding the mobilization of human resources, Austin et al. (2006) stress the difficulty for social ventures to compensate staff as competitively as in commercial markets. This difficulty is expected to hinder the mobilization of talented employees. However, it has also been suggested that (non-profit) social enterprises are able to draw on resources that are unavailable to for-profit enterprises, such as volunteers and assets received by donation (Haugh, 2007; Parker, 2009).

## **2.2. Risk and social entrepreneurs**

The role of the entrepreneur is to bring demand and supply for goods and services together while bearing all of the risk involved in this process (Knight, 1921). Hence, the ability to bear uncertainty and risk is required for entrepreneurship, and it is acknowledged that it plays a significant role in the occupational choice to become an entrepreneur (Parker, 2009). This requirement is no different for social entrepreneurs, for which risk-bearing is widely acknowledged to be a key characteristic. This consideration is reflected in early definitions by Leadbetter (1997) and Dees (1998) and in more recent definitions by Tan, Williams & Tan (2005), Peredo (2006), and Zahra (2009). At the social enterprise level, dealing with risk has a strong focus on organizational survival, which stems from the challenges of mobilizing resources, as mentioned above. At the individual level, the tolerance for risk in the (occupational) decision-making process is also considered to be one of the characteristics that social entrepreneurs share

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<sup>4</sup> In contrast to the limited access to capital markets due to restrictions on profit distribution, it has also been suggested that a non-distribution constraint protects investments made by donors, volunteers, consumers and employees from ex post appropriation by the entrepreneur; hence, it is to be considered as a competitive advantage compared to those enterprises that are not subject to profit distribution constraints (Glaeser & Shleifer, 2001; Parker, 2009).

with their for-profit counterparts (Zahra, 2008; Shaw & Carter, 2007; Sullivan Mort, Weerawardena & Carnegie, 2003; Tan et al., 2005; Peredo, 2006; Zahra, 2009).

However, this commonality does not imply that both types of entrepreneurs face identical types of risk. In social entrepreneurship, reputation, and probity are important (Leadbeater, 1997), and personal and family resources are rarely used for funding (Shaw and Carter, 2007). In this regard, social entrepreneurs experience less personal financial risk. Instead, they face personal risk of a non-financial kind (i.e., the risk of losing local credibility and their network of personal relationships). Despite this distinction, little is known about the perception or willingness of social entrepreneurs to accept risk compared to commercial entrepreneurs.

Before discussing the hypothesis formulation and empirical sections, social entrepreneurship is defined as it is used throughout this study.

### **3. Defining social entrepreneurship**

A great deal of work on social entrepreneurship has focused on defining it as a concept. An ongoing debate stems from the observation that social entrepreneurship covers a wide variety of activities and can be approached from many perspectives. Dacin, Dacin and Matear (2010) and Zahra et al. (2009) have recently given comprehensive overviews of the definitions of social entrepreneurship. In this research, the definition of social entrepreneurship is based on the definition proposed by Zahra et al. (2009), which reads as follows: “Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures” (p. 520). This definition reflects some basic assumptions about social entrepreneurship on which this study is based: (1) social entrepreneurship is viewed as a process of value creation; (2) the exploitation of opportunities is primarily aimed at the creation of social value by addressing social needs, which does not preclude that social entrepreneurs also create economic value; and (3) the process involves the creation of new ventures that offer products and services for the account and risk of the entrepreneur. This assumption of venture creation distinguishes social entrepreneurship from social movements that aim to create social change by influencing others (Martin & Osberg, 2007). Our definition also refrains from social service provision by public institutions that do not operate on their own account and risk (Martin & Osberg, 2007). The definition covers an extensive range of activities associated with social entrepreneurship and encompasses non-profit, for-profit, and not-for-profit organizations that originate from the private, public, and third sector, irrespective of their legal form, income strategies, scope of activities, and the sector in which they operate.

At the individual level, we define a social entrepreneur as someone who is involved in the aforementioned social wealth-enhancing process of new business creation. Specifically, individuals who state that addressing an unmet social or ecological<sup>5</sup> need is important while setting up a business are considered social entrepreneurs. Examples of these unmet needs include reducing social and economic exclusion, reintegrating people with long-term unemployment, generating solutions to revitalize deprived areas, and protecting the environment. The rationale for using social motivation as a defining criterion for social entrepreneurs is that the motives and mission to create social value are what distinguishes social entrepreneurs from commercial entrepreneurs, not, for example, the activities and processes through which individuals achieve these social outcomes (Zahra et al., 2009; Dacin et al., 2010). For this reason, we define social entrepreneurs in terms of the importance of social motives while setting up a business.

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<sup>5</sup> From this point onward, when social goals and needs are discussed, ecological goals and needs are also included.



## 4. Formulation of hypotheses

The combination of social and economic value creation complicates the social entrepreneurs' start-up process. Therefore, social entrepreneurs are mainly expected to be represented in the early stages of the entrepreneurial process. Hoogendoorn and Hartog (2010) and Bosma and Levi (2010) support this assumption at the macro level. Young social entrepreneurial ventures tend to outnumber established social ventures. The Social Enterprise Survey in the UK reveals a similar finding, given the large proportion of young social enterprises in their sample (Leahy & Villeneuve-Smith, 2009). At the micro-level, social entrepreneurship is expected to be an early-stage phenomenon. In other words, social entrepreneurs are mainly expected to be engaged in the pre-start-up or infancy phases of a business. In this paper, these phases are referred to as "taking steps," "gave up," and "young business." On the other hand, commercial entrepreneurs are expected to outnumber social entrepreneurs in more developed stages of running a business. These developed stages are referred to as "established business," "failed," and "sell-off." Exact descriptions of these six engagement levels will be given in the next section. In summary, the following hypothesis is specified:

*H1: Social entrepreneurs are more likely to be involved at the lowest levels of entrepreneurial engagement (i.e., "taking steps," "gave up," "young business"), whereas commercial entrepreneurs are more likely to be involved at the highest levels of entrepreneurial engagement ("established business," "failed," and "sell-off").*

### **Perceived environmental barriers**

The argument in the previous section emphasized that social entrepreneurs face different challenges than commercial entrepreneurs. It is hypothesized that this difference is especially visible in terms of financial resource mobilization:

*H2a: Individuals who perceive financial start-up difficulties are more likely to be social entrepreneurs than commercial entrepreneurs.*

Additionally, Sharir and Lerner (2006) and Leeming (2002) observe that social entrepreneurs suffer from a lack of a support infrastructure in Israel and the UK, respectively. Specifically, social entrepreneurs lack the support of skilled advisors who disseminate information about best practice models and are able to tailor such models for local conditions. This lack of support infrastructure hinders social entrepreneurs in their development and forces them to "reinvent the wheel" (Leeming, 2002). There are two specific perceptions of infrastructure support regarding setting up a business that are used in this study: an individual's perception of insufficient start-up information and his/her perception of administrative start-up complexities. Negative perceptions regarding these two factors imply that individuals feel that they lack environmental support while they are in the process of starting a business. This information indicates two hypotheses:

*H2b: Individuals who perceive a lack of start-up information are more likely to be social entrepreneurs than commercial entrepreneurs.*

*H2c: Individuals who perceive administrative start-up complexities are more likely to be social entrepreneurs than commercial entrepreneurs.*

### **Risk factors**

Social entrepreneurs are, like their commercial counterparts, willing to take risks. Harding and Cowling (2006) reveal that social entrepreneurs are significantly more likely to fear failure. More precisely, 25% and 14% of social and commercial entrepreneurs, respectively, claim that fear of failure would prevent them from starting a business. Although this is a striking difference, the fear of failure is not necessarily equal to risk tolerance because the stigma of failure may also

reflect an anticipated social stigma (Parker, 2009). Our previous elaboration on the challenges and perceived obstacles when starting a social business makes it plausible to assume that social entrepreneurs are even more prone to accept risk than are commercial entrepreneurs. Therefore, the following is hypothesized:

*H3a: Risk-tolerant individuals are more likely to be social entrepreneurs than commercial entrepreneurs.*

Moreover, social and commercial entrepreneurs are likely to face and fear different kinds of risk when deciding to start a business. Shaw and Carter (2007) conducted 80 interviews with social entrepreneurs in the UK and found that social entrepreneurs are less likely to use personal and family financial sources to develop their social enterprises than their commercial counterparts. This finding implies that social entrepreneurs experience significantly less personal financial risk. Instead, they face personal risks of a non-financial kind. For instance, they face the risks of losing their local credibility or their network of personal relationships. Hence, the following hypothesis is tested:

*H3b: Individuals who fear the risk of personal failure are more likely to be social entrepreneurs than commercial entrepreneurs.*

In addition, two other types of risk correspond to income uncertainty and job insecurity. In terms of financial consequences, Shaw and Carter (2007) find that “most participants reported that their personal financial remuneration and security in both the short and long term had been negatively affected” by becoming a social business owner (Shaw and Carter, 2007, p.428). Therefore, this research argues that social entrepreneurs are more afraid of income uncertainty and job insecurity when starting a business than are commercial entrepreneurs. Thus, the following hypotheses will be empirically tested:

*H3c: Individuals who fear income uncertainty are more likely to be social entrepreneurs than commercial entrepreneurs.*

*H3d: Individuals who fear job insecurity are more likely to be social entrepreneurs than commercial entrepreneurs.*

Finally, sustainability and viability are recurrent topics in the social entrepreneurship literature, particularly because social entrepreneurs rely on governments and single stakeholders, such as wealthy individuals, private corporations, and foundations (Boschee & McClurg, 2003; Haugh, 2009; Sharir & Lerner, 2006; Weerawardena & Sullivan Mort, 2006). Being dependent on these funding arrangements implies a risk of failure or bankruptcy once funding stops. In addition, if these particular sources of income (e.g., gifts, grants, bequests, and donations) are only to be used for predefined purposes, they will restrict autonomous strategic decision making and will affect a social venture’s long-term success and viability (Haugh, 2009). Given these two arguments on resource dependency, the following hypothesis is formulated:

*H3e: Individuals who fear the risk of going bankrupt are more likely to be social entrepreneurs than commercial entrepreneurs.*

### **Socio-demographic characteristics**

Two UK surveys on social entrepreneurship (Harding & Cowling, 2006; Leahy & Villeneuve-Smith, 2009) and descriptive analyses of aggregate participation rates in social entrepreneurship (Bosma & Levie, 2010; Hoogendoorn & Hartog, 2010) suggest that young people are more likely than older people to be social entrepreneurs. However, Parker’s neoclassical life-cycle theory of social entrepreneurs (2008) holds a slightly different view. This theory predicts two dominant types of individuals that engage in social entrepreneurship: idealistic individuals who operate social enterprises when they are young and wealthy individuals

who engage in social entrepreneurship later in life, after a career in paid employment or as a commercial entrepreneur. Therefore, the following hypothesis is also tested:

*H4a: There exists a U-shaped relationship between age and the likelihood of being a social entrepreneur: relatively young and old individuals are more likely to be social entrepreneurs than individuals in the middle-age category.*

Furthermore, according to Bosma and Levie (2010), men are more likely to start social enterprises than women, but this gender gap is not as large as in the case of commercial entrepreneurship (see also Harding and Cowling, 2006). A different picture, however, emerges in the Social Enterprise Survey (Leahy & Villeneuve-Smith, 2009). Based on 962 telephone interviews with senior figures within UK social enterprises, it was found that 41.1% of all board members are women, which is a much larger proportion than the percentage in non-social small businesses. In addition, in the UK, women own 26% of social enterprises, in contrast to 14% ownership of commercial small businesses. In line with these empirical findings (but without theoretical underpinnings), the following hypothesis is formulated:

*H4b: Women are more likely than men to be social entrepreneurs.*

Finally, the impact of education has been under-researched, and we can only draw on descriptive statistics of two empirical studies, which both suggest that the level of education increases the probability of being engaged in social entrepreneurship (Bosma & Levie, 2010; Harding & Cowling, 2006). Therefore, it is hypothesized that:

*H4c: Highly educated individuals are more likely than individuals with low levels of education to be social entrepreneurs.*

## 5. Data

Our analysis is based on the Flash Eurobarometer Survey on Entrepreneurship (No. 283), conducted on behalf of the European Commission. In December 2009 and January 2010, telephone and door-to-door interviews were conducted with 26,168 individuals in 36 countries. These interviews contain questions on the motivations, choices, experiences and obstacles linked to self-employment. The survey includes the 27 EU Member States,<sup>6</sup> 5 other European countries (Croatia, Iceland, Norway, Switzerland and Turkey), the US, and 3 Asian countries (China, Japan and South Korea). Each national sample is representative of the total population of at least 15 years of age and consists of approximately 500 or 1,000 observations.<sup>7</sup> However, the Chinese sample was only representative of urban populations because the interviews for this country were conducted in 50 cities but no rural areas.

The advantage of this individual-level dataset is that it is possible to specify every individual's position in the entrepreneurial process. In particular, individuals who confirmed the statement "Have you ever started a business or are you taking steps to start one?" chose one of the following "engagement levels":

- I am currently taking steps to start a new business ("taking steps");
- I have started or taken over a business in the last three years that is active today ("young business");

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<sup>6</sup> The Member States include 15 "old" Member States (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom) and 12 "new" Member States (Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia).

<sup>7</sup> The target sample size is 500, with the exception of the following countries: Belgium, the Czech Republic, France, Germany, Greece, Hungary, Italy, Japan, the Netherlands, Poland, Portugal, South Korea, Spain, the UK, and the US.

- I started or took over a business more than three years ago, and it is still active (“established business”);
- I once started a business, but currently I am no longer an entrepreneur because the business has failed (“failed”);
- I once started a business, but currently I am no longer an entrepreneur because the business was sold, transferred or closed (“sell-off”).

In addition, the survey also contains individuals who have never considered an entrepreneurial career, who are merely thinking about setting up a personal business, or who once had thought of or had taken steps to set up a business but ultimately gave up these intentions or efforts.<sup>8</sup> Furthermore, the importance of social motives while setting up a business is known for individuals who are at this latter category (“gave up”) or who are at the five engagement levels listed above (“taking steps,” “young business,” “established business,” “failed,” and “sell-off”).

### **5.1. Operationalizing social entrepreneurship**

Although the Flash Eurobarometer Survey on Entrepreneurship has been conducted regularly since 2000, the 2009/2010 edition is the first to include information on the importance of social and ecological motives in entrepreneurial decision making. Hence, these unique international data allow for the operationalization of social entrepreneurship in terms of entrepreneurial motivation.

Individuals revealed to what extent “addressing an unmet social or ecological need” played a role when deciding to engage in entrepreneurship. This question was posed to individuals who had ever taken steps to start a business. These individuals assessed whether social or ecological needs were “very important,” “rather important,” “not very important,” or “not important” while taking steps to start a business. The number of individuals in each of these categories is as follows: 2,441 (very important), 3,494 (rather important), 1,958 (not very important), and 1,135 (not important at all). Lastly, a value of 1 was assigned to social entrepreneurs (5,935 individuals), and a value of 0 was assigned to commercial entrepreneurs (3,093).

### **5.2. Perceived environmental barriers**

There are three dimensions of the perceived entrepreneurial environment that are taken into account. These perceptions measure the degree to which individuals feel supported or hampered by the infrastructure when starting their businesses. To measure perceived financial constraints, individuals declared whether they agreed or disagreed with the statement “It is difficult to start one’s own business due to a lack of available financial support.” The variable takes a value of 1, 2, 3 or 4 in cases of strong disagreement, disagreement, agreement or strong agreement, respectively. Moreover, statements that reflect the two other dimensions of the start-up climate are “It is difficult to obtain sufficient information on how to start a business” and “It is difficult to start one’s own business due to the complex administrative procedures.” The coding of the corresponding variables is exactly how it is described for the question on perceived financial barriers.

### **5.3. Risk factors**

To examine whether social and commercial entrepreneurs fear different kinds of risk, the following question was asked: “If you were to set up a business today, which are the two risks that you would be most afraid of?” The answers used for this study are “the possibility of suffering a personal failure,” “the uncertainty of your income,” “job insecurity” and “the possibility of going bankrupt.”<sup>9</sup> Each respondent was required to select two answers. If a risk

<sup>8</sup> The exact wording of this last category is “I thought of it or I had already taken steps to start a business but gave up.”

<sup>9</sup> Two other answer categories are “the risk of losing your property” and “the need to devote too much energy or time to it” but will be discarded here because we do not formulate hypotheses on these risk factors.

factor was deemed important by the respondent (i.e., the risk factor belongs to the two most relevant risks), then a value of 1 is assigned for this particular risk factor and a value of 0 otherwise.

A general measure of risk-taking behavior is measured with the statement “In general, I am willing to take risks” and corresponding values of 1, 2, 3 or 4 in cases of strong disagreement, disagreement, agreement or strong agreement, respectively.

#### **5.4. Socio-demographic variables**

Whereas age can be any value of 15 or higher, education is measured as a value between 15 and 25. Individuals without full-time education received the minimum value of 15, and those with values above 25 receive the maximum value of 25. Individuals who are still full-time students are excluded from the analysis. Males are assigned a value of 1 for the sex variable, whereas females are assigned a value of 0.

#### **5.5. Control variables**

First, we incorporate occupational status. It is known whether an individual is professionally (in)active at the moment of the survey (1=active, 0=inactive). Inactive individuals include homemakers, the retired, and those searching for a job.

Second, we included whether the father or mother is or was self-employed. Whereas it has been shown that a parent’s occupation is important for entrepreneurial engagement in general (Hout & Rosen, 2000; Dunn & Holtz-Eakin, 2000; Caliendo et al., 2009), we include the father’s and mother’s self-employment status to assess its importance in relation to social entrepreneurship.

Third, the financial situation of the household is taken into account with the following question: “Which of the following phrases best describes your feelings about your household’s income these days?” The corresponding variable has values of 1, 2, 3 or 4 in cases of “Find it very hard to manage on the present income,” “Find it difficult to manage on the present income,” “Get by on the present income” and “Live comfortably on the present income,” respectively.

Fourth, whether an individual lives in a metropolitan or urban (value of 1) or rural area (value of 0) was taken into account.

Finally, country dummy variables are included to control for country-specific influences.

## **6. Methodology and Results**

First, descriptive analyses are conducted to gain an understanding of the validity of our hypotheses. Second, using a multivariate approach, binary logit regressions are performed to compare social entrepreneurs and commercial entrepreneurs. Both analyses start by focusing on the hypothesized over-representation of social entrepreneurs in the lower levels of entrepreneurial engagement (Hypothesis 1). Through this analysis, it is possible to determine whether social and commercial entrepreneurs are different in terms of their perceptions of environmental barriers (Hypotheses 2a-c), risk factors (Hypotheses 3a-e), and socio-demographic characteristics, including age, sex, and education (Hypotheses 4a-c).

### **6.1. Bivariate analysis**

Hypothesis 1 states that social and commercial entrepreneurs are different regarding their distribution across levels of entrepreneurial engagement. More specifically, the hypothesis states that social entrepreneurs are mainly represented in the lowest levels of entrepreneurial engagement (i.e., “taking steps,” “gave up,” “young business”), whereas commercial entrepreneurs are more strongly represented in higher levels of entrepreneurial engagement (i.e., “established business,” “failed,” “sold”). Table 1 shows the distribution of commercial and social

entrepreneurs across engagement levels. Table 1 reveals that approximately half of all social entrepreneurs are represented in the two earliest stages of entrepreneurial involvement (“taking steps” and “gave up”). In the case of commercial entrepreneurs, this rate is approximately 40%. In addition, social and commercial entrepreneurs differ considerably regarding established business ownership (17% and 23% of social and commercial entrepreneurs, respectively, are established business owners). Hence, Table 1 shows that social and commercial entrepreneurs differ regarding the distribution across engagement levels. This finding is confirmed by the Pearson  $\chi^2$  statistic, which is derived from Table 1: the value is 62.13, with a p-value of 0.00. In summary, this descriptive analysis nuances the formulation of Hypothesis 1. Specifically, social entrepreneurs are mainly represented in the two earliest levels of entrepreneurial engagement, whereas commercial entrepreneurs are more likely than social entrepreneurs to have established businesses.

Table 1 also presents the distribution of commercial and social entrepreneurs across the various categories of perceived environmental barriers. For example, approximately 22% of all commercial entrepreneurs do not perceive financial start-up difficulties. This percentage is considerably lower among social entrepreneurs (approximately 15%). Independence between social entrepreneurship and the various variables is again verified using the Pearson  $\chi^2$  statistic. In the particular case of perceived financial constraints, social entrepreneurs differ significantly from commercial entrepreneurs regarding their distributions over the categories (given a  $\chi^2$  value of 57.42, which is significant at the 1% level). Although this type of analysis does not describe the strength of a relationship, it provides us with valuable information on whether the paired observations on a variable and the groups are independent of each other. It is important to note that, due to the relatively large sample size, even small differences may result in statistical significance.

Furthermore, Table 1 reveals that social entrepreneurs seem to be more negative toward sufficient start-up information than commercial entrepreneurs. However, in terms of perceived administrative complexities, the evidence is less convincing (but remains significant at the 1% level).

When viewing the risk factors, only for the risks of personal failure and of bankruptcy does it hold that social entrepreneurs are more afraid of these risks than are commercial entrepreneurs. Significant differences (at the 5% significance level) for other risk factors cannot be identified.

For convenience, the age variable is divided into four categories. The cross tabulations show that social entrepreneurs are mainly represented in the younger age classes (15-39 years old). However, this bivariate analysis does not (yet) provide evidence of a U-shaped relationship between age and the probability of being a social entrepreneur. In addition, women and men are equally represented in the pool of social entrepreneurs. Therefore, our findings regarding age and gender confirm the results based on UK data (Harding & Cowling, 2006; Leahy & Villeneuve-Smith, 2009). Regarding educational attainment, social entrepreneurs tend to have finished full-time education earlier than their commercial counterparts, although the differences in percentages between social and commercial entrepreneurs are marginal. This information can also be demonstrated by the non-significant  $\chi^2$  value.

## **6.2. Multivariate analysis**

Binary logit models are performed to verify our descriptive results in a multivariate setting. The dependent variable takes a value of 1 for social entrepreneurs, i.e., individuals who argue that “addressing an unmet social or ecological need” was very important or rather important in their start-up decisions. The dependent variable takes a value of 0 for commercial entrepreneurs. In total, the dataset consists of 5,935 social entrepreneurs and 3,093 commercial entrepreneurs.

Table 2 shows five model specifications (Models A to E). Model A includes five levels of entrepreneurial engagement: “taking steps,” “gave up,” “established business,” “failed,” and “sell-off.” The marginal effects corresponding to these engagement levels should be interpreted relative to “young business,” which serves as the reference category. Model A tests Hypothesis 1. Model B consists of the three perceived environmental barriers (Hypothesis 2a, 2b and 2c). Model C includes a measure of risk taking (Hypothesis 3a) and the four risk factors (Hypothesis 3b, 3c, 3d and 3e). The socio-demographic variables of age (Hypothesis 4a), gender (4b) and education (4c) are taken into account in Model D. Model E is a combination of Models A to D. Each model includes 35 country dummy variables to control for unobserved country-specific effects. The US is used as a reference country. Moreover, the following control variables are also taken into account in Models A to E: an individual’s occupational status (whether he or she is professionally active), whether his or her father or mother is self-employed, his or her perceived household income, and whether he or she lives in an urban or rural area.

For ease of interpretation, the average marginal effects are calculated. The average marginal effects measure the average increase or decrease in the probability of being a social entrepreneur as a result of a one-unit increase in a particular variable. For each model specification, the average predicted probability of being a social entrepreneur is displayed in the first row of Table 2; thus, the marginal effects can be assessed relative to this number. Furthermore, the marginal effects are based on heteroskedastic-robust standard errors of the original coefficients by clustering them on countries. Hence, correlations across individuals within the same country are taken into account.

Although the term “average marginal effects” suggests causality between variables, the analysis is mainly targeted at finding relationships between variables and the probability of being a social entrepreneur. A positive marginal effect of the education variable, for example, would tell us that people with more years of education are expected to have a higher likelihood of being a social entrepreneur. Hence, care should be taken with causal interpretations due to a potential endogeneity problem (see Block, Hoogerheide & Thurik et al., 2011). One possible reason for endogeneity is reverse causality, which could play a role in the perceived environmental barriers and household income variables. These variables have an effect on the decision to become a social entrepreneur; however, the status of being a social entrepreneurial also affects these variables. In summary, our multivariate analyses increase our understanding of the ways in which variables discriminate between social and commercial entrepreneurs; however, they do not always imply causality between variables.

In Model A, the predicted probability of being a social entrepreneur (averaged across all individuals in the estimation sample) is 0.655. The marginal effects of the engagement levels reveal that individuals who are taking steps to set up a business have the highest probability of being a social entrepreneur. That is, relative to individuals who have a young business (the reference category), the probability of being a social entrepreneur is 5.7 percentage points higher for those who are taking steps to set up a business. Whereas the marginal effect of “gave up” is higher but not significantly different from the marginal effect of “young business,” Table 2 reveals that the marginal effects of the three higher engagement levels are negative. More precisely, having an established business or a failed business significantly decreases the probability of being a social entrepreneur by 6.5 and 4.8 percentage points, respectively.

The probability of being a social entrepreneur is significantly lower for individuals who have an established business or a failed business than for individuals who are at the stages of “gave up,” “taking steps” or “young business.” An initial inspection of the data partly supports Hypotheses 1, and an analysis including control variables strengthens this support. This finding confirms our idea that entrepreneurs who are strongly motivated to address social or ecological

needs are hindered in their start-up intentions. This finding confirms earlier suggestions that social entrepreneurship is an early-stage phenomenon.

Model B shows the marginal effects of the perceived environmental barriers and reveals that individuals who perceive financial start-up difficulties or a lack of start-up information are more likely to be social entrepreneurs. Whereas the average predicted probability of being a social entrepreneur is 0.663, these variables significantly increase this probability by another 2.6 and 2.5 percentage points. However, social and commercial entrepreneurs cannot be distinguished on the basis of perceived administrative complexities. In summary, there is evidence for Hypotheses 2a and 2b but not for Hypothesis 2c. This conclusion is not changed when the perception variables are included separately in Model B.<sup>10</sup>

When analyzing Model C, it appears that the willingness to take risks has a significant positive marginal effect on the probability of being a social entrepreneur. Hence, risk-tolerant people are more likely to be social entrepreneurs. This finding supports Hypothesis 3a. In addition, social entrepreneurs and commercial entrepreneurs fear different kinds of risk when starting their businesses. Individuals who are afraid of personal failure, losing their income, losing their job or going bankrupt are more likely to be social entrepreneurs. These risk factors significantly increase the probability of being a social entrepreneur by 4.2, 3.3, 2.5, and 5.0 percentage points, respectively. However, the results on the income and job insecurity variables are not robust. In other words, when including each risk factor separately in Model C (together with the general measure of risk attitudes and the control variables), the marginal effects reduce to 0.014 (p-value=0.173) and 0.006 (p-value=0.631) for the income and job insecurity variables, respectively. Hence, our results support Hypotheses 3b and 3e, but Hypotheses 3c and 3d cannot be supported.

Model D includes the socio-demographic variables. Age and education are divided by 10 and to test Hypothesis 4a, a linear term of age and squared term of age are included. Model D reveals that, on average, the probability of being a social entrepreneur decreases by 1.2 percentage points as age increases by 10 years.<sup>11</sup> Additional calculations show that the probability of being a social entrepreneur decreases with age but increases again after the age of 64.<sup>12</sup> However, based on our results on engagement levels, it seems justified to assess the relationship between age and the probability of being a social entrepreneur when engagement levels are also included in the model specification. This happens in Model E, the results of which are discussed below.

Furthermore, a clear observation from Model D is that females are more likely to be social entrepreneurs. Relative to an average probability of being a social entrepreneur of 0.652, being a woman significantly increases this probability by 4.9 percentage points, thereby supporting Hypothesis 4b. Furthermore, Model D reveals that education has a significant positive marginal effect: each additional year of education increases the probability of being a social entrepreneur by 0.31 percentage points. In other words, highly educated individuals are more likely to be social entrepreneurs than those who have received fewer years of full-time education, which supports Hypothesis 4c.

Lastly, Model E includes all variables. In general, each marginal effect slightly decreases in absolute value but remains significantly different from zero (or the reference category) when compared to Models A to D. The marginal effect of education is the only effect that is increased,

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<sup>10</sup> The average marginal effects of perceived financial difficulties, perceived insufficient information, and perceived administrative complexities now result in 0.033 (p-value=0.000), 0.030 (p-value=0.000), and 0.020 (p-value=0.015). Hence, in this case, support is also found for Hypothesis H2c.

<sup>11</sup> Table 2 only shows the *average* marginal effect of age; it does not show marginal effects for different values of age. This is also the reason why the original coefficient of the squared age term is not shown in Table 2.

<sup>12</sup> The original coefficients of the linear and squared age term equal -0.267 (significant at the 1% level) and 0.021 (significant at the 5% level), respectively.



i.e., from 0.031 (significant at the 10% level) in Model D to 0.038 (significant at the 5% level) in Model E. The largest changes can be found when looking at the risk variables. We found that the risk of job insecurity becomes insignificant at the 10% level in Model E. An additional analysis shows that when the income uncertainty variable is included in this model as the only risk factor, it loses its significance at the 10% level. These findings lead to the same conclusions regarding Hypotheses 3b to 3e, as were previously found in Model C. Another noteworthy difference is that the marginal effect of “taking steps” reduces from 0.057 (significant at the 1% level) to 0.033 (significant only at the 10% level). However, this change does not influence our conclusion regarding Hypothesis 1.

In summary, Model E confirms our earlier conclusions based on Models A to D. One exception is the age variable. The turning point at which the effect of age becomes positive is at age 55.<sup>13</sup> Even though additional calculations show that the positive marginal effects beyond age 55 are not significantly different from zero, it seems fair to state that both younger and older individuals are more likely to be social entrepreneurs than individuals in the middle-age category. Hence, this is what Hypothesis 4a states and is in line with the predictions of Parker’s neoclassical life-cycle theory (2008).

A summary of these results is provided in Table 3. First, social entrepreneurs are mainly represented in the lowest levels of entrepreneurial engagement (supporting Hypothesis 1). Second, individuals who perceive financial difficulties or insufficient start-up information are more likely to be social entrepreneurs (support for Hypotheses 2a and 2b). Third, social entrepreneurs are more risk taking and fear personal risk of a non-financial kind more than commercial entrepreneurs (support for Hypotheses 3a and 3b). Fourth, social entrepreneurs are more afraid of bankruptcy than are commercial entrepreneurs (supporting Hypothesis 3e). Finally, social entrepreneurs are relatively young or old, female, and highly educated (support for Hypotheses 4a, 4b, and 4c).

When analyzing the control variables, Models B, C, and D reveal that individuals who are currently lacking a professional activity have a significantly higher probability of being engaged in social entrepreneurship. This result is somewhat unexpected. On the one hand, the prevailing wisdom that push factors such as unemployment can drive individuals into self-employment is likely to be associated with a motivation for private wealth creation instead of social wealth creation. On the other hand, it may be the case that those who are no longer owning and managing or those who gave up on their attempt to start a venture out of social motives are overrepresented in this group. In agreement with this idea, when engagement levels (and all other variables) are included in Model E, this significant outcome disappears.

Whereas parents’ occupations have been shown to be important predictors of entrepreneurial engagement, irrespective of the social and ecological goals, this factor has no effect on the probability of being a social entrepreneur. More precisely, the marginal effects of a father’s and mother’s self-employment status are consistently insignificant at the 10% level in Models A to E.

A consistent finding across Models A to E is that individuals who perceive their household income as less comfortable are more likely to be social entrepreneurs. That is, the marginal effects range from -0.019 to -0.026 and are consistently significant at the 5% or 1% level. Intuitively, one expects to find that individuals who live comfortably with their household incomes can afford to switch to social entrepreneurship. For example, one may then resort to personal funds when external investors are less willing to assist. Bosma and Levie (2010) suggest a positive association between income and the prevalence of social entrepreneurship at the

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<sup>13</sup> In Model E, the original coefficients of the linear and squared age terms equal -0.230 (significant at 5%) and 0.021 (significant at the 10% level), respectively. Note that the average marginal effect of age (-0.004) has become insignificant at the 10% level.

country level. On the other hand, social entrepreneurs are less likely to invest their own money in their company than are commercial entrepreneurs.

Models A, D and E show that individuals in metropolitan and urban areas are less likely to be social entrepreneurs than individuals in rural areas.

Table 4 shows the marginal effects of the 35 country dummy variables on Model E. The US is used as reference country, such that the marginal effects of the 35 countries should be interpreted relative to the US. First, country variation is very large. The marginal effects range from -0.167 to a striking 0.301. Whereas individuals from the Czech Republic are 16.7 percentage points less likely to be social entrepreneurs than individuals in the US, individuals from Japan are 30.1 percentage points more likely to be social entrepreneurs than individuals in the US. Furthermore, large negative marginal effects are found for Denmark (-15.5 percentage points), Germany (-15.2), Finland (-14.9) and Hungary (-7.4). On the other side, large positive marginal effects are found for Croatia (24.4), Turkey (23.5), South Korea (21.1) and Malta (18.7). In addition, Scandinavian countries are characterized by low probabilities of social entrepreneurship, whereas Asian countries are associated with relatively high probabilities. A detailed discussion of these country differences is beyond the scope of this paper, but Table 4 provides interesting material for future research.

The current estimations provide interesting insights into the differences between social and commercial entrepreneurs. All regressions in Table 2 regard social entrepreneurs as individuals who argue that social or ecological needs were “very important” or “rather important” in their decision to start a business (relative to “rather not important” or “not important”). This is a broad definition, so as a robustness check, we performed the regression of Model E with a different dependent variable. Our alternative dependent variable takes a value of 1 in the case of “very important” and a value of 0 in the cases of “rather important,” “rather not important” or “not important.” The results (available upon request) show that the support for H1 becomes slightly less convincing, but we do not change our conclusions regarding H2a, H2b, and H2c. In addition, support is again found for H4a, H4b, and H4c. However, the most striking differences occur for the risk factors. Although H3a is again supported, no support is found for the four kinds of risk (H3b, H3c, H3d, and H3e). In summary, most conclusions that are summarized in Table 3 are valid for both definitions of the dependent variable. Conversely, the way in which social entrepreneurs are defined is important for the risk of personal failure and of bankruptcy.

## **7. Conclusion and discussion**

Many inspiring cases of entrepreneurs who successfully address the most pressing problems of our time make social entrepreneurship a promising field with a ‘warm glow.’ Whereas entrepreneurship is widely acknowledged for bringing about growth and economic wealth to large parts of society, social entrepreneurship is assumed to play the same role in creating social wealth in times where pressing social and ecological needs are abundant. Not surprisingly, it is a field that attracts considerable attention from media, support organizations, policymakers, business schools, and researchers. Despite its growing popularity, there is a lack of knowledge regarding this type of entrepreneur and the factors that influence the success of the exploitation of social entrepreneurial initiatives. This study makes a contribution toward a better understanding of the factors that influence performance in surviving the earliest stages of the entrepreneurial process. The rationale for this study stems from the observation that social entrepreneurs intentionally combine social and economic value creation, which may hamper the performance of social ventures.

This study starts by testing the hypothesis that social entrepreneurs are constrained in turning start-up considerations or attempts into a viable business. We find evidence that social

entrepreneurs are mainly engaged in the pre-start-up or infancy stages of creating a social business. The probability of being a social entrepreneur is lowest for individuals who have (had) an established business and highest for individuals who are taking steps to set up a business or give up these attempts. Even though this observation may be partially explained by a value shift in industrialized economies toward an increasing priority of environmental protection and social issues (Inglehart, 2000; 2003), which may find its expression in social entrepreneurship, this trend is not new. Hence, we conclude that social entrepreneurs do not perform as well as commercial entrepreneurs in terms of their ability to survive the early levels of entrepreneurial engagement.

It is argued that there are at least three groups of factors that may explain the over-representation of social entrepreneurs in the earliest entrepreneurial engagement levels. First, it is investigated whether social entrepreneurs feel that they lack environmental support more than commercial entrepreneurs. Second, it is analyzed whether social entrepreneurs and commercial entrepreneurs fear different kinds of risk. Finally, it is tested whether social and commercial entrepreneurs are different in terms of socio-demographic variables such as age, gender, and education.

First, when analyzing the perceived barriers to setting up a business, the research finds that social entrepreneurs are more likely to perceive a lack of available financial support and start-up information than are commercial entrepreneurs. Interestingly, earlier research revealed that entrepreneurs generally cannot be distinguished by their perceptions of financial difficulties and insufficient information. Instead, perceived administrative complexities have been shown to be an obstacle in becoming an entrepreneur (Grilo & Thurik, 2005; Van der Zwan et al., 2010). Hence, the relationships in the present case are exactly reversed. As a consequence, this difference has implications for those who aim to foster social entrepreneurship.

Second, the research further finds that risk-tolerant people are more likely to be social entrepreneurs. If we focus on what social entrepreneurs fear and which risks make them reluctant to fully engage in the entrepreneurial process, our research reveals that fear of personal failure and bankruptcy is more common among social entrepreneurs than commercial entrepreneurs. Hence, this finding confirms earlier suggestions that social entrepreneurs perceive different kinds of risk.

Lastly, socio-demographic factors provide additional interesting findings that offer opportunities for future research. In brief, the research reveals that social entrepreneurs are less likely to be middle-aged and more likely to be female and highly educated than are commercial entrepreneurs. Moreover, there is support for the hypothesized U-shaped age distribution of social entrepreneurs: young and old individuals are more likely to be socially motivated when starting or taking over a business (Parker, 2008). This particular age distribution contrasts with the one determined in conventional entrepreneurship: individuals who are middle-aged (30-50 years) are more likely to set up a business than those who are less than 30 years old or over 50 years old (Cowling, 2000; Reynolds, Bygrave, Autio, Cox, & Hay, 2002; Williams, 2004). Given the arguments that middle-aged individuals have considerable advantages over younger individuals (i.e., business experience, access to capital, personal funding, social capital) and older individuals (i.e., commitment, drive, energy and lower opportunity costs) when it comes to engagement in entrepreneurship, this raises additional questions with respect to the age distribution of social entrepreneurs. Do young and idealistic individuals who are motivated 'to do something social' lack the necessary entrepreneurial skills 'to do well?' Do older and wealthy individuals who are motivated 'to give something back to society' have the drive and commitment to turn their businesses into sustainable initiatives with social impact? These questions notwithstanding, this finding suggests that additional educational and support requirements may be needed for young

social entrepreneurs to make them successful and avoid disillusionment. Stimulating team start-ups or cooperation that combine the advantages of both age groups is an obvious suggestion.

With respect to gender, the earlier empirical findings are clear: entrepreneurship is a male-dominated career choice. However, the research in this paper reveals that women are more likely than men to be social entrepreneurs. Common explanations of why women are underrepresented as self-employed (e.g., lack of necessary skills, discrimination, family responsibilities) fail to explain why women are more likely to choose social entrepreneurship over commercial entrepreneurship. Further investigation of this finding may offer new insights into why women are reluctant to choose entrepreneurship as a career choice in the first place. Delmar and Davidson (2000) interestingly suggest that women cannot or will not identify with the group of self-employed people, and this group is possibly not interested in women joining them. They refer to the theories of identity construction by DiMaggio (1997) to explain this concept. Similarly, the idea of social identity theory (Hogg & Terry, 2000; Tajfel & Turner, 1986) may offer an interesting theoretical perspective.

Furthermore, future research should take into account the diversity of social ventures: the distinction between social and commercial businesses is not merely a binary distinction but is a continuum with different dimensions. For example, social enterprises may differ in the degree of social and environmental goals, their level of innovation and their reliance on an earned income strategy.

**Table 1. Bivariate analysis: percentages of social entrepreneurs and commercial entrepreneurs across the values of the independent variables.**

		Commercial entrepreneurs	Social entrepreneurs	$\chi^2$	p-value
<i>Engagement level</i>					
	Taking steps	9.14	12.17	62.13	0.00
	Gave up	31.02	36.08		
	Young business	8.59	8.52		
	Established business	23.10	16.85		
	Failed	9.07	8.50		
	Sell-off	19.08	17.89		
<i>Perceived environmental barriers</i>					
Perceived financial difficulties	Very unimportant	3.71	2.69	57.42	0.00
	Rather unimportant	17.86	12.17		
	Rather important	44.66	45.93		
	Very important	33.78	39.21		
Perceived insufficient information	Very unimportant	13.84	9.53	103.38	0.00
	Rather unimportant	38.43	30.76		
	Rather important	31.85	38.01		
	Very important	15.88	21.70		
Perceived administrative complexities	Very unimportant	7.77	6.42	20.20	0.00
	Rather unimportant	25.19	21.51		
	Rather important	38.04	41.16		
	Very important	29.01	30.90		
<i>Risk factors</i>					
Willingness to take risk	Strongly disagree	4.97	5.55	6.96	0.07
	Disagree	25.70	23.05		
	Agree	48.76	50.22		
	Strongly agree	20.58	21.18		
Risk of personal failure	Not mentioned	81.79	78.94	8.40	0.00
	Mentioned	18.21	21.06		
Risk of loss of personal income	Not mentioned	57.23	55.77	1.44	0.23
	Mentioned	42.77	44.23		
Risk of job insecurity	Not mentioned	80.09	79.09	1.03	0.31
	Mentioned	19.91	20.91		
Risk of bankruptcy	Not mentioned	60.66	56.70	10.70	0.00
	Mentioned	39.34	43.30		
<i>Socio-demographic variables</i>					
Age	15-24	2.64	3.98	29.67	0.00
	25-39	19.67	23.94		
	40-54	38.00	34.45		
	55+	39.69	37.64		
Sex	Male	56.44	50.09	26.89	0.00
	Female	43.56	49.91		
Education	<15	13.01	14.32	3.34	0.19
	16-20	46.75	47.13		
	20+	40.24	38.55		

The findings in this table are based on 7,362 observations.

**Table 2. Binary logit regression of social entrepreneurship (1=social entrepreneur; 0=commercial entrepreneur). Average marginal effects are displayed with their standard errors.**

	Model A		Model B		Model C		Model D		Model E	
Predicted probability	0.655		0.663		0.658		0.652		0.655	
<i>Engagement levels (H1)</i>										
Taking steps	0.057*** 0.016								0.033* 0.019	
Gave up	0.027 0.017								0.019 0.017	
<i>Young business (reference)</i>										
Established business	-0.065*** 0.022								-0.051** 0.023	
Failed	-0.048** 0.019								-0.048** 0.020	
Sell-off	-0.025 0.019								-0.010 0.021	
<i>Perceived environmental barriers</i>										
Perc. financial difficulties (H2a)			0.026*** 0.007						0.023*** 0.008	
Perc. insufficient info (H2b)			0.025*** 0.006						0.025*** 0.006	
Perc. administrative compl. (H2c)			0.004 0.010						0.002 0.008	
<i>Risk factors</i>										
Willingness to take risk (H3a)					0.017** 0.007				0.014** 0.007	
Risk of personal failure (H3b)					0.042*** 0.010				0.038*** 0.012	
Risk of loss personal income (H3c)					0.033*** 0.011				0.025** 0.013	
Risk of job insecurity (H3d)					0.025** 0.013				0.015 0.013	
Risk of bankruptcy (H3e)					0.050*** 0.010				0.043*** 0.012	
<i>Socio-demographic variables</i>										
Age/10 (H4a)							-0.012*** 0.004		-0.004 0.005	
Male (H4b)							-0.049*** 0.010		-0.042*** 0.011	
Education/10 (H4c)							0.031* 0.018		0.038** 0.020	
<i>Control variables</i>										
Professionally active	-0.020* 0.011		-0.033*** 0.010		-0.035*** 0.010		-0.034*** 0.011		-0.021 0.013	
Father self-employed	-0.001 0.012		-0.007 0.012		-0.006 0.010		-0.005 0.011		0.006 0.013	
Mother self-employed	-0.003 0.014		-0.011 0.015		-0.009 0.015		-0.008 0.014		-0.007 0.014	
Income	-0.026*** 0.008		-0.019** 0.008		-0.025*** 0.008		-0.026*** 0.008		-0.019** 0.007	
Urban versus rural	-0.021* 0.011		-0.014 0.011		-0.018 0.011		-0.026*** 0.010		-0.027** 0.012	
Number of observations	8,385		7,986		8,627		8,251		7,166	
Pseudo $R^2$	0.063		0.060		0.060		0.062		0.071	
Log-likelihood	-5,062		-4,800		-5,210		-4,998		-4,289	

Dependent variable: “addressing an unmet social or ecological need” played a role when deciding to engage in entrepreneurship. The dependent takes the value of 1 if very/rather important is answered; it takes the value of 0 if very/rather not important is answered.

Linear and squared terms of the age variable are included in Models D and E.

Pseudo  $R^2$  refers to McFadden’s  $R^2$ : let  $LL_m$  denote the log-likelihood of Model A-E and  $LL_0$  the log-likelihood of Model A to E with intercept only, then McFadden’s  $R^2$  equals  $1-(LL_m/LL_0)$ ;

\*\*\* denotes significance at 1%, \*\* at 5%, \* at 10%.

**Table 3. Summary of the results.**

<i>Dependent variable: social entrepreneur (value 1) versus commercial entrepreneur (value 0)</i>	Empirical result	Hypothesis (not) supported
<i>Engagement levels (relative to “young business”)</i>		
Taking steps	+	H1 supported
Gave up	0	
Established business owner	-	
Failed	-	
Sell-off	0	
<i>Perceived environmental barriers</i>		
Perceived financial difficulties	+	H2a supported
Perceived insufficient information	+	H2b supported
Perceived administrative complexities	0	H2c not supported
<i>Risk factors</i>		
Willingness to take risk	+	H3a supported
Risk of personal failure	+	H3b supported
Risk of loss of personal income	0	H3c not supported
Risk of job insecurity	0	H3d not supported
Risk of bankruptcy	+	H3e supported
<i>Socio-demographic variables</i>		
Age	U-shaped	H4a supported
Male	-	H4b supported
Education	+	H4c supported

+ means the probability of being a social entrepreneur increases as the corresponding variable increases in value.

- means the probability of being a social entrepreneur decreases as the corresponding variable increases in value.

0 means the probability of being a social entrepreneur is not significantly influenced by an increase or decrease of the corresponding variable.

**Table 4. Marginal effects of country dummy variables in Model E (relative to the US).**

Czech Republic	-0.168	Bulgaria	0.030	Cyprus	0.099
Denmark	-0.155	United Kingdom	0.034	Italy	0.126
Germany	-0.152	Lithuania	0.048	Ireland	0.129
Finland	-0.149	Poland	0.049	Belgium	0.134
Hungary	-0.074	Iceland	0.049	China	0.144
Netherlands	-0.050	France	0.051	Greece	0.165
Sweden	-0.033	Spain	0.061	Malta	0.187
Switzerland	-0.024	Portugal	0.064	South Korea	0.211
Norway	-0.001	Slovakia	0.064	Turkey	0.235
Austria	0.005	Estonia	0.065	Croatia	0.244
Slovenia	0.011	Luxembourg	0.078	Japan	0.301
Romania	0.012	Latvia	0.094		

The marginal effects of Norway, Austria, Slovenia, and Romania are not significantly different from the marginal effect of the US at a significance level of 10%.

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