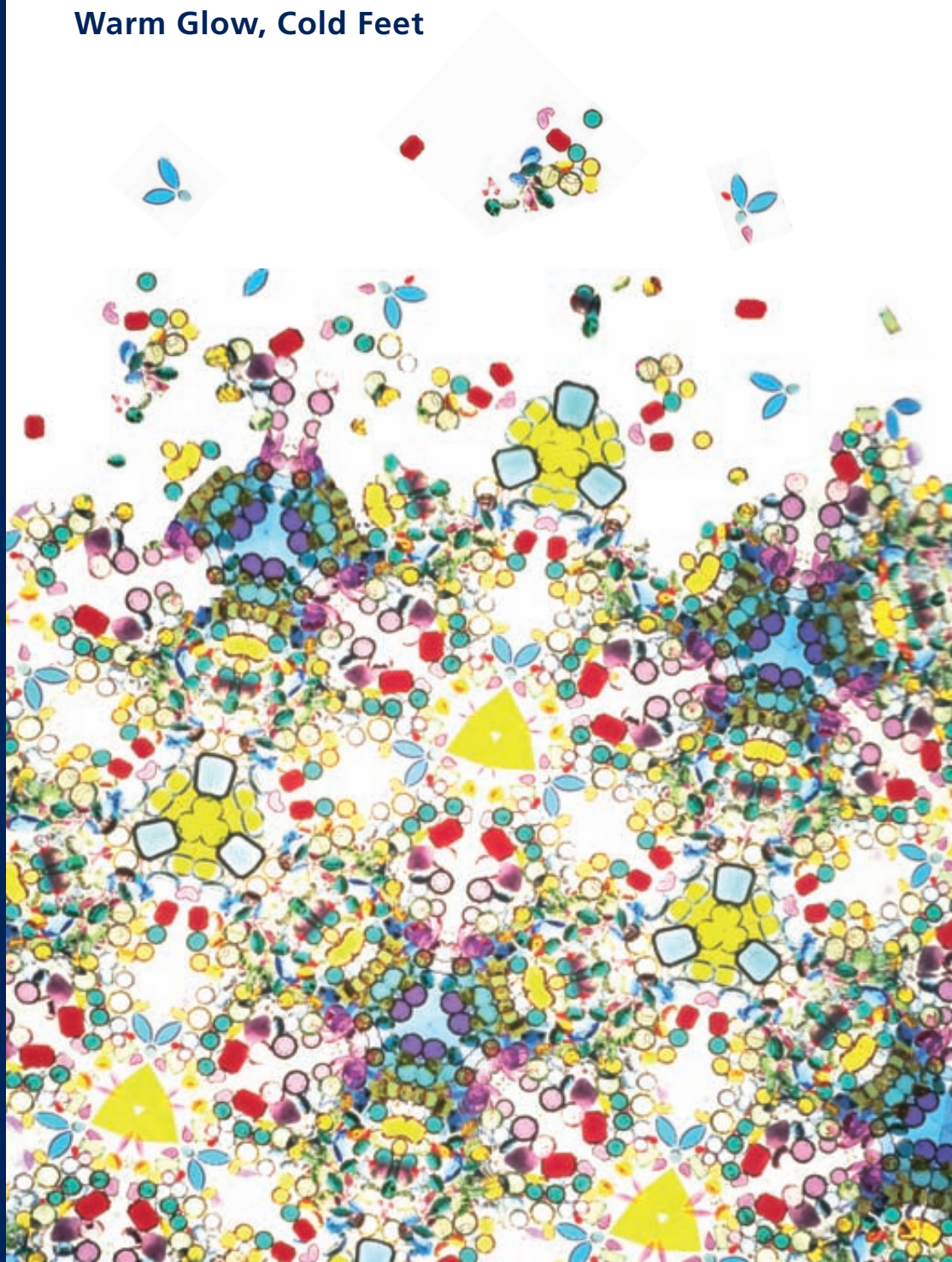


BRIGITTE HOOGENDOORN

Social Entrepreneurship in the Modern Economy

Warm Glow, Cold Feet



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Sociaal Ondernemerschap in de Hedendaagse Economie
Warm Glow, Cold Feet

Thesis

to obtain the degree of Doctor from the
Erasmus University Rotterdam
by command of the
rector magnificus

Prof.dr. H.G. Schmidt

and in accordance with the Doctorate Board.

The public defence shall be held on
Thursday 6 October 2011 at 15.30 hrs.

by

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born in Waddinxveen



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Erasmus Research Institute of Management – ERIM

The joint research institute of the Rotterdam School of Management (RSM)
and the Erasmus School of Economics (ESE) at the Erasmus University Rotterdam
Internet: <http://www.erim.eur.nl>

ERIM Electronic Series Portal: <http://hdl.handle.net/1765/1>

ERIM PhD Series in Research in Management, 246

ERIM reference number: EPS-2011 246 STR

ISBN 978-90-5892-289-2

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Design: B&T Ontwerp en advies www.b-en-t.nl

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Preface (voorwoord)

Het mooie moment waar ik bij voorbaat zo naar uit keek is gekomen. Een moment om terug te blikken en te reflecteren op een proces dat bijna ten einde is: het schrijven van mijn proefschrift. Ik had me voorgesteld dat ik dit op een idyllisch terras in de zon zou doen onder het genot van een goede cappuccino. Het is toch de keukentafel geworden.

In een interview in Manager & Literatuur net voor mijn overstap naar de Erasmus School of Economics gaf ik aan dat ik enigszins bezorgd was om na een paar jaar ploeteren op een kamertje door iemand onder het stof vandaan gehaald te worden met als resultaat een stapeltje papier dat door niemand gelezen zou worden. Er valt veel te vertellen over mijn eerste jaren als medewerker van deze school maar een stoffige boel was het zeker niet. Vooral in het begin moest ik erg wennen maar langzamerhand snapte ik dat je een artikel voor een gerenommeerd Journal niet in drie maanden schrijft, yoga als activiteit voor een uitje met de capaciteitsgroep niet door iedereen gewaardeerd wordt en dat je feedback op je werk zelf moet organiseren. Zelfs de zoektocht naar data heeft uiteindelijk het gewenste resultaat opgeleverd en heb ik het frustrerende gevoel niet productief te zijn geaccepteerd. Het was een zeer intensieve periode waarin ik op meerdere vlakken mijn grenzen heb verkend en verlegd. Daar ben ik trots op en dat smaakt naar meer.

Als ik terugkijk op de afgelopen drie jaar waarin ik mocht werken aan dit proefschrift dan voel ik me bovenal een bevoorrecht persoon. Allereerst voel ik me een bevoorrecht persoon omdat de faculteit, verpersoonlijkt door Philip Hans Franses en Saskia Krijger, het voor mij mogelijk hebben gemaakt om de overstap van het bedrijfsleven naar de universiteit te maken. Met deze stap heb ik gevonden waar ik naar op zoek was: diepgang, intellectuele uitdaging en focus.

Ik voel me een bevoorrecht persoon omdat ik met bijzondere mensen mag samenwerken. Dit geldt in eerste instantie voor Roy Thurik en Enrico Pennings die het hebben aangedurfd om een niet-prototypische promovendus te begeleiden. Hoewel de eerste periode vooral gekenmerkt werd door wederzijds verkennen, heb ik in het laatste jaar een groeiend vertrouwen ervaren. Hiervoor en voor het tot een goed einde brengen van dit proefschrift, ben ik jullie zeer dankbaar. Daarnaast heb ik het genoegen om met collega's te mogen samenwerken die me uitdagen, aan het lachen maken, me ondersteunen, me verbazen, met wie ik ideeën kan uitwisselen en die me verrassen. Geert-Jan de Vries, Gerda de Rave, Haibo Zhou, Ingrid Verheul, Joern Block, Jolanda Hessels, Katrin Burmeister, Niels Rietveld, Nita Ramsaransing, Matthijs van der Loos, Philipp Koellinger, Peter van der Zwan, Ramona Ligthart en Tim Lamballais Tessensohn, bedankt voor de vele etentjes, hilarische gesprekken, serieuze gedachten uitwisselingen en hulp. In het bijzonder wil ik Peter van der Zwan bedanken voor zijn gave om zijn dagelijkse gebeurtenissen en nieuwsfeitjes op te blazen tot ware avonturen gebruikmakend van soms wat ondergewaardeerde Nederlandse vocabulaire. Hopelijk volgen er nog vele gesprekken en gezamenlijke projecten. Naast deze ondernemerschap collega's wil

ik ook alle Mature Talents bedanken voor de open hartige gesprekken aan onze stamtafel in Siena.

Voor wat betreft de inhoud van dit proefschrift heb ik mogen samenwerken met verschillende personen voor wie ik in de loop van onze samenwerking steeds meer waardering heb gekregen. Chantal Hartog, Jan Lepoutre, Sophie Bacq en Peter van der Zwan, bedankt dat jullie als co-auteur met me wilden samenwerken en daarmee dit proefschrift hebben mogelijk gemaakt. Het was inhoudelijk een verrijking en persoonlijk een waar genoegen. Niet alleen deze co-auteurs hebben dit proefschrift mogelijk gemaakt maar ook een groep personen die concepten en ideeën hebben voorzien van rake opmerkingen en suggesties. In het bijzonder doel ik hier op een aantal collega's van EIM in Zoetermeer. Andre van Stel, Sander Wennekers en Jolanda Hessels; jullie inzet en interesse waardeer ik zeer. Ook wil ik Frank Janssen, Harry Commandeur, Isabel Grilo, Justin Jansen, Martin Carree en Philip Hans Franses bedanken voor hun rol als lid van de promotie commissie.

Ik voel me bij voorbaat een bevoorrecht persoon omdat ik dit proefschrift ga verdedigen met twee bijzondere mensen aan mijn zijde die de illustere rol van paranimf op zich zullen nemen. Eline, bij alles van enige omvang wat ik tot nu toe heb geschreven heb je een belangrijke rol vervuld. *Schitterend Organiseren* vormt niet alleen voor ons beide een bron van een radicale carrière switch maar bovendien een bron van een waardevolle vriendschap. De kind-boek balans is voor ons beide definitief doorgeslagen. Dit exemplaar ervaar ik als een zwaargewicht. Anna, when you started your Ph.D. in Rotterdam we knew this would be a turning point in our friendship. Indeed it was. Ever since, you have been able to attend the most important moments in my life. I am proud you can make it to this event and to have you by my side. This is how simple life can be. Thank you.

Bovenal voel ik me bevoorrecht omdat ik in de gelukkige omstandigheid verkeer geliefden om me heen te hebben die me steunen en stimuleren te doen wat ik graag doe. Ma, je tomeloze energie en je bereidheid in te springen als dat nodig is waardeer ik zeer. Thijmen, Siem en Merijn, jullie rol is onmiskenbaar. Aan de ene kant zijn jullie mede de aanleiding voor mijn ambities: ik hoop jullie te stimuleren het beste uit jezelf te halen, je grenzen op te zoeken en het heerlijke gevoel bij te brengen dat je krijgt als je jezelf overtreft. 'Ik kan het niet' is verworpen tot 'ik kan het *nog* niet'. Aan de andere kant hebben jullie me onbewust enorm geholpen in de afgelopen jaren. Thijmen, in jouw leerstijl herken ik mezelf terug, mijn 'wijze raad' aan jou is direct aan mezelf gericht. Siem, je helpt me relativeren wat ik doe, vooral op momenten dat ik me erg druk maak ("Oh, mijn moeder stopt letters in de computer"). Merijn, jouw levensvreugde en gezelligheid creëren elke dag gezonde momenten om afstand te nemen en behoeden mij zodoende van doordraaien. Hoewel ik bijna geen superlatieven meer over heb

ga ik toch proberen het voorgaande nog te overtreffen: Bart-Hein, wat er ook gebeurt, mijn ‘route a suivre’ is waardevol omdat ik het pad met jou mag delen, elke dag.

Ik ben een bevoorrecht persoon omdat ik me realiseer dat alles wat ik hierboven beschreven heb geen vanzelfsprekendheid is.

Dan ben ik toegekomen aan de laatste woorden van mijn proefschrift. In meerdere opzichten vind ik het toepasselijk om af te sluiten met een kenmerkende uitspraak van mijn vader als hij opstond uit zijn stoel en zich klaar ging maken om uit te gaan of mensen te ontvangen: “Ja, het is tijd dat ik me ga afstoffen”.

Brigitte Hoogendoorn
Zevenhuizen, juli 2011

1.1. Introduction

Many inspiring cases of entrepreneurs who are successfully addressing the most pressing ills of our time make social entrepreneurship a promising field with a ‘*warm glow*’¹. Examples of social and environmental objectives that social entrepreneurs pursue include the following: reducing social, financial, and economic exclusion; providing access to health care, water, and sanitation in slum areas; reintegrating the long-term unemployed; revitalizing deprived communities; and generating solutions to environmental degradation.

Entrepreneurship is widely acknowledged for bringing growth and economic wealth to 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 research field that attracts considerable attention from media, support organizations, policy-makers, and targeted university research centers and teaching programs. Despite a growing recognition for social entrepreneurship, there is a lack of knowledge regarding this type of entrepreneur, the occurrence of this phenomenon, and the factors that influence successful social enterprise initiatives. This study tests and extends the available knowledge of social entrepreneurship using large-scale and internationally comparable data in a research domain that is in an early stage of discovery and that is, by definition, growing from case study designs to more varied scholarly work.

At the individual level, insights are developed that seem to be in conflict with the heroic social entrepreneur, as portrayed in the media and by support organizations. In fact, the contrasts found in social entrepreneurship resemble the contrast between unique private-wealth-seeking hero entrepreneurs, such as Steve Jobs of Apple and Richard Branson of Virgin, and the numerous entrepreneurs throughout the globe who may be viewed as less successful or appealing but who are entrepreneurs all the same. This study shows that social entrepreneurship seems to be an appealing option for individuals. At the same time, it is found that social entrepreneurs are constrained in turning start-up attempts into viable activities. This finding is certainly related to the inherent complexity of this type of entrepreneurship, where survival and growth are frustrated by the combination of economic and social wealth creation and constrained by the ability to mobilize financial and human resources. One finding of this study that is consistent throughout the chapters is that social entrepreneurs are less likely than other entrepreneurs to survive the early stages of setting up and running their business. Whether this finding indicates that social entrepreneurs have ‘*cold feet*’ (in the sense that

¹ The expression ‘warm glow’ was probably given its first formal economic expression in Becker (1974) and refers to the act of giving which brings a donor benefit (Andreoni, 1990).

either they are uncertain about their undertaking to the point of withdrawing² or they lack means and resources³) is explored in this book.

This introduction is structured as follows. First, the research context of social entrepreneurship will be addressed from a broad perspective by pointing out several deep-rooted societal changes that took place in recent decades. This section situates the subject matter of this paper in the modern economy. The subsequent section takes a narrower perspective and describes three fields that are directly related to social entrepreneurship (i.e., entrepreneurship, social issues in management, and non-profit management). Section 1.3 defines the key concepts used throughout this book. Next, the overall research objective is provided, together with an introduction of the individual chapters and a framework that contextualizes the separate chapters. Section 1.6 presents the main data sources used. The conclusions and discussion are presented in sections 1.7 and 1.8, respectively.

1.2. Research context

The growing attention to social entrepreneurship on a worldwide scale did not appear in a vacuum but can be interpreted against the background of several mutually reinforcing economic, social, and political changes in recent decades. In this section, some of these developments are sketched out. Together, these developments give rise to deep-rooted changes in the role, cooperation, and expectations of the different orders in modern society: market, state, and civil society. It is against this background that the rise of social entrepreneurship may be contextualized. This section introduces several developments. The next section takes a narrower perspective and makes a direct link with social entrepreneurship.

1.2.1. Systematic changes in values and motivations

Gradual but fundamental changes in the values and motivations of individuals in advanced industrial societies have taken place in the era after World War II⁴ (Inglehart, 1981; 1997; 2000). Fuelled by economic and technological changes, an intergenerational shift takes place, moving from a situation characterized by economic *scarcity* to one of economic *security* (Inglehart, 1981; Inglehart, 2000). By far, the largest share of the world population still lives around the subsistence level, with a real possibility of dying prematurely from starvation or

² This is, in modern idiom, the meaning of the expression “to get cold feet” according to the Cambridge Advanced Learner’s Dictionary, Third Edition.

³ According to an old proverb known in England in the 17th century through Ben Johnson’s play *Volpone* (1605), to have cold feet signifies ‘to be without means or resources’, a reference perhaps to the fact that the destitute cannot afford shoes and thus have cold feet (<http://users.tinyonline.co.uk>).

⁴ Strong evidence for these changes comes from the World Value Survey (WVS), which measures the values and beliefs of individuals in over sixty societies since 1981. This section mainly draws on the results of the WVS and the extensive list of publications that resulted from this survey.

disease. Hence, human behavior is largely dominated by efforts to survive (Inglehart, 2000).⁵ Maximizing economic gains (at the individual level) and economic growth (at a societal level) are considered highly effective survival strategies under these circumstances (Inglehart, Foa, Peterson, and Welzel, 2008). Conversely, a growing share of the population in advanced industrial societies, characterized by high levels of income in combination with strong welfare states, takes survival for granted (Inglehart *et al.*, 2008). When economic development eventually reaches a point of diminishing returns, with respect to happiness, subjective well-being, and life expectancy, non-economic aspects of life become increasingly important. Values such as quality of life, environmental protection, belonging, and self-expression are gradually gaining priority over economic aims and a high material standard of living (Inglehart, 2000; Inglehart, 2003; Inglehart *et al.*, 2008). These changing values have a profound influence on almost every aspect of one's worldview, including social, political, and economic views. From an economic perspective, this change implies that a shift from emphasizing economic growth and economic achievement toward an increasing prioritization of environmental protection and cultural and social issues is taking place, even when these goals conflict with growth maximization (Inglehart, 2000).

1.2.2. The role of entrepreneurship and small businesses

The World Value Survey (WVS), on which the above-mentioned fundamental changes are based, provides evidence that the causal connection between the level of economic development and changes in values is directed from the former to the latter, implying that changing values follow economic prosperity (Inglehart, 2000; Inglehart, 2003)⁶. Our understanding of what drives economic growth has also changed considerably. In particular, a changing and growing role of entrepreneurship and small businesses has been associated with economic growth since the late 1980s. In addition, mounting empirical evidence points to entrepreneurship, as embodied in small and new businesses, as a vital determinant of economic growth (Carree *et al.*, 2002; Carree *et al.*, 2007; Thurik *et al.*, 2008; Van Stel *et al.*, 2005). According to Audretsch and Thurik, the changing role of entrepreneurship and small businesses is the result of a shift from the *Managed Economy* to the *Entrepreneurial Economy*: two contrasting models that explain how economic growth occurs, represent different underlying forces, and reflect different external environments (Audretsch and Thurik, 2000; Audretsch and Thurik, 2001; Audretsch and Thurik, 2007; Thurik, 2008; Thurik, 2011). Briefly, the *Managed Economy* that dominated most developed countries until the late 1980s is the “[p]olitical,

⁵ Four billion people, representing two out of three people in the world, live on less than \$8 PPP a day (Hammond *et al.*, 2007).

⁶ It should be stressed here that postmaterialist values reflect one's perception of subjective well-being, which will be influenced by, but is not the same as one's level of income. One's sense of subjective well-being is also influenced by the cultural setting and social welfare institutions (Inglehart, 2000).

social, and economic response to an economy dictated by the forces of large-scale production, reflecting the predominance of the production factors of capital and (mostly unskilled) labor as the sources of competitive advantage.” (Thurik, 2011, p.7). This model of the economy brought unprecedented growth that enabled, among other things, the above-mentioned change from modern values to postmodern values to occur.

The combined effect of globalization and a revolution in information technology in the last two decades of the previous century has shifted the comparative advantage of high-cost locations to knowledge-based activities. This latter type of activity which is characterized by high levels of uncertainty, asymmetry of knowledge creation and knowledge exploitation across individuals, and high transaction costs, prospers in groups of small firms rather than in one large corporation (Audretsch and Thurik, 2000; Audretsch and Thurik, 2004). The shift towards knowledge-based activities resulted in the model of the *Entrepreneurial Economy* that focuses on flexibility, turbulence, diversity, novelty, and innovation instead of stability, specialization, homogeneity, scale, and certainty (Audretsch and Thurik, 2000; Audretsch and Thurik, 2004; Thurik, 2008). What is of most interest here is that we are moving from an economy dominated by large firms with a marginalized role for small businesses to an economy where entrepreneurship and small firms are acknowledged for their role as agents of change, generators of new jobs, and engines of prosperity. This movement is accompanied by corresponding new public policies.

1.2.3. Changing role of government

Along with increasing levels of income and periods of unprecedented growth, the growing awareness of the escalating disparity in the way wealth is distributed (World Bank, 2007), unequal access to opportunities, and a mounting concern for the environment have led to increased pressure to solve these seemingly intractable problems. While initiatives for social and environmental change are traditionally undertaken by the public sector and to a lesser extent by the non-profit sector, both have undergone dramatic changes in the past few decades^{7,8}. With respect to the role of the government, two developments are worth mentioning here. First, governments have been decreasing their revenue in response to free market ideologies ever since the 1980s (Nicholls, 2006b; Ostrander, 2007). A more neoliberal approach by governments worldwide, with an emphasis on market forces as the primary mechanism for the distribution and redistribution of resources, has led to shrinking funds, resulting in fewer and different interventions by the public sector. Second, it is increasingly

⁷ Four stages can be distinguished in terms of who is responsible for taking care of people and providing social services: (1) families and charities, (2) the government by means of the welfare state, (3) public-private partnerships through competitive outsourcing, and (4) public-private partnerships through tapping the ability of civil society (Goldsmith, Georges and Burke (2010) in *The Economist* (2010)).

⁸ The changes within the non-profit sector are described in the next section.

recognized that progress in alleviating the ills of our times requires more than government intervention alone (The Economist, 2010). A delegation of leadership and innovation from the bureaucracy to the grassroots is taking place. For example, the United Nations acknowledges that progress in achieving the Millennium Development Goals requires the ingenuity and initiative of the institutions of civil society (United Nations Volunteers, 2011). This delegation is also illustrated by the Social Innovation Fund USA, initiated by President Obama. Through an innovative public-private partnership, the Social Innovation Fund selects promising non-profit programs that have evidence of real impact in the areas of youth development, economic opportunity, or health and expands their reach throughout the country. President Obama stresses the importance of “[p]artnering with citizens, nonprofits, social entrepreneurs, foundations, and corporations to make progress on the nation’s great challenges”⁹. A similar line of reasoning lies behind the initiative launched by British Prime Minister Cameron under the title Big Society¹⁰. Although these initiatives are not received without criticism and are referred to by some opponents as ordinary budgets cuts, they do illustrate a changing attitude toward how a society addresses its problems (The Economist, 2010).

In this section, broad overview is sketched out of some of the developments that have taken and are still taking place in our society that give rise to fundamental changes in the roles, cooperation, and expectations of the different social orders in modern society. These developments not only affect the perception of *what* is considered important and desirable (i.e., the shift from materialistic to postmaterialist values) but also affect our perception of *who* ought to take the lead in social and environmental improvement (i.e., a shift from bureaucracies to the grassroots) and *how* this can be achieved (i.e., the shift from a managed to an entrepreneurial economy). This broad perspective contextualizes the growth in the attention paid to social entrepreneurship. The next section takes a more direct approach and introduces three fields that are closely related to social entrepreneurship.

1.3. Related fields

Despite a growing focus on social entrepreneurship (and much like the entrepreneurship field in its early days), the field of social entrepreneurship lacks a unifying paradigm, and its boundaries are fuzzy with respect to other fields of research (Mair *et al.*, 2006). This situation is not surprising because a variety of conceptual perspectives have been applied to social entrepreneurship derived from a number of different domains, such as entrepreneurship, philanthropy, public management, non-profits, and social issues in management. For example, notions of social entrepreneurship include the following: non-profit organizations that apply

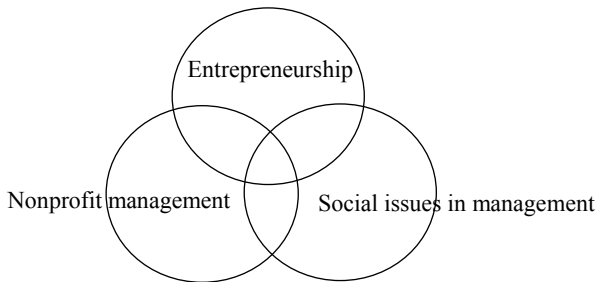
⁹ See White House Blogs at <http://www.whitehouse.gov/blog> (posted May 6, 2009 and retrieved April 1, 2011).

¹⁰ See for more information <http://www.conservatives.com>.

business expertise to become more efficient in providing and delivering their social services (Boschee and McClurg, 2003; Reis and Clohesy, 2001; Thompson, 2002); for-profit businesses run by non-profits to help offset costs and become independent from grants and subsidies (Wallace, 1999); high donor control philanthropy, where donors pursue their own personal social vision (Ostrander, 2007); socially responsible businesses that offer innovative solutions to persistent social, economic, and ecological problems using market-based models (Dees and Battle Anderson, 2006; Dorado, 2006); and hybrid organizations aiming to achieve social impact while maintaining a sustainable business model (Alter, 2007; Nicholls and Cho, 2006; Thompson *et al.*, 2000).

Although all of these different conceptual domains offer valuable insights on the subject matter of this study, we mainly draw on three research domains: entrepreneurship, social issues in management, and non-profit management. These related fields and their conceptual overlap are illustrated by Figure 1.1. Whereas Short *et al.* (2009) emphasize the position of social entrepreneurship in the heart of this figure, we argue that it illustrates the different notions of social entrepreneurship in all of the areas where the related fields overlap. Thus, Figure 1.1 visualizes the conceptual ambiguity of social entrepreneurship. Each of these three research domains and its relation to social entrepreneurship are introduced below.

Figure 1.1. Social entrepreneurship and its related fields.



Source: Short *et al.* (2009)

1.3.1. Entrepreneurship

In general, entrepreneurship is portrayed as an ill-defined and inherently complex concept. Its interdisciplinary nature, which draws on a variety of fields including management, finance, psychology, sociology, economics, political science, and geography, reflects a multidimensional phenomenon covering various units of observation and analysis (Audretsch *et al.*, 2007; Wennekers and Thurik, 1999). In light of this conceptual complexity, no single universally accepted definition exists (Lumpkin and Dess, 1996; Van Praag, 1999; Wennekers *et al.*, 2002). However, two basic definitions prevail that both relate to the question, 'what do

entrepreneurs do?' (Wennekers, 2006). The first definition refers to a type of *behavior* associated with the perception, exploitation and creation of new economic opportunities. The second views entrepreneurship as an *occupation* and refers to individuals owning and managing a business on their own account and at their own risk. These two definitions are also referred to as the *behavioral* and *occupational* notions of entrepreneurship, a distinction introduced by Sternberg and Wennekers (2005).

In addition to what entrepreneurs do, an additional concept pertains to the *functions* of entrepreneurship. The economic functions include the following: (1) equilibrating or disequilibrating markets through arbitrage¹¹; (2) bearing the risk associated with true uncertainty¹²; and (3) enabling long-run growth through introducing innovations in the economy¹³.

In mainstream entrepreneurship literature, the dominant assumption is that entrepreneurs are mainly driven by self-interest (Van de Ven *et al.*, 2007); however, they are also praised for making a positive contribution to society¹⁴. Entrepreneurs are held responsible for increasing consumer choice by introducing new products and services, generating jobs, stimulating innovative ideas, increasing real productivity, and enabling economic growth. This positive stance toward entrepreneurship is also reflected in government support for small businesses and entrepreneurship across the globe (Audretsch *et al.*, 2007). The idea of a connection between seizing profitable opportunities for private wealth while simultaneously creating social wealth is not new and was addressed by Smith (1776, edition 1981) and later by Schumpeter (1976) (Venkataraman, 1997). According to Venkataraman (1997), it is this connection between private wealth-seeking and social wealth creation that is the distinctive and legitimate domain of the field of entrepreneurship. Mair and Marti (2006) argue that all entrepreneurial forms are social because all enterprises create social value, whether intentionally and directly, by addressing social and ecological problems in the case of social entrepreneurship or indirectly as a positive externality by providing jobs, introducing new products and services, and generating tax revenue.

While it is a long-held belief that entrepreneurs contribute positively to society, it is motivation and the relative importance of social value creation (as opposed to economic value

¹¹ Cantillon (1755) was one of the first to stress the function of the entrepreneurial class in pure arbitrage: bringing demand and supply together, bearing all the risk involved in this process, and allowing production and exchange to occur and market equilibrium to be attained (Cantillon, 1931; Hébert and Link, 1989).

¹² This risk-bearing function was first addressed by Knight (1921) and concerns the observation that the entrepreneur conducts exchanges and bears risk as a result of buying at certain prices and selling at uncertain ones. See also Van Praag (1999).

¹³ In his pursuit of opportunities to generate profits, the entrepreneur introduces innovations to reach this goal. These innovations can either be obtained by disturbing an existing equilibrium by creating new opportunities, also referred to as Schumpeterian entrepreneurship (Schumpeter, 1934) or by moving toward an existing equilibrium by discovering unexploited opportunities, referred to as Kirznerian entrepreneurship (Kirzner, 1973). Also see Henrekson (2006).

¹⁴ For a review of empirical evidence of the value of entrepreneurship, see Van Praag and Versloot (2007).

creation) that distinguishes social entrepreneurs from commercial entrepreneurs¹⁵. Although the distinctiveness of social entrepreneurship may lay in its motives and mission (Dacin *et al.*, 2010; Zahra *et al.*, 2009), the activities and processes through which individuals and organizations achieve these specific outcomes bear on the field of conventional entrepreneurship. In the words of Dacin *et al.* “Many notions of entrepreneurship transcend purely economic transactions, and at the most fundamental level manifest themselves in the ability to identify opportunities, apply innovative thinking to marketize them, and create value in the process.” (2010, p.42)

1.3.2. Social issues in management

At the heart of the field of social issues in management is the interplay between organizations and society (Walsh *et al.*, 2003). Issues studied within this field include corporate governance, human rights, organizational safety, and employee relations (Short *et al.*, 2009). The perception of the relationship between organizations and society differs over time and is subject to changing circumstances. A sequence of three approaches described by Van Marrewijk (2003) illustrates this issue. First, the *shareholder approach* assumes that society is best served if organizations solely focus on increasing their profits. This approach resonates with Friedman’s view (Friedman, 2007), which states that the only responsibility of firms is to make profits while accepting the rules of the free market, laws and customs in a particular context (Garriga and Melé, 2004). As this approach has been frequently questioned, in particular in the presence of negative externalities, a second approach has emerged: the *stakeholder approach*. In addition to shareholders, a multiplicity of additional stakeholders, such as governments, activists, suppliers, media, and consumers, hold organizations accountable for the social and ecological consequences of their activities. The *societal approach* is the third approach, and it argues that companies are responsible to society as a whole and depend upon society for their existence, continuity, and growth. The societal approach entails a strategic response to social demands beyond public relations, media campaigns, and other responsive actions to satisfy stakeholders (Van Marrewijk, 2003).

Incentives for adopting responsible corporate practices vary and can be involuntary (i.e., regulatory action by governments via laws and regulations or stakeholder action via activism and lobbying) or voluntary (i.e., ethical reasons rooted in the notion that businesses are responsible for the consequences of their activities or economic motives such as cost reductions and exploiting opportunities to engage in social issues) (York and Venkataraman, 2010). Regardless of whether the incentives to address social issues are voluntary or involuntary and regardless of the success of efforts in alleviating the social and environmental challenges of our times, it seems appropriate to assume that the interaction between business

¹⁵ In the remainder of this book the term *commercial entrepreneur* is used to distinguish social entrepreneurs from other entrepreneurs who not explicitly aim to address social or ecological needs.

and society is growing in importance. On one hand, this increase is due to increased public pressure from activists, global online NGOs, shareholders, and insider whistleblowers to act transparently and responsibly and the recognition that the financial risks are considerable for those companies with conduct that is deemed unacceptable (Ellis, 2010). On the other hand, taking account of social and ecological issues can be a source of opportunity, innovation, and competitive advantage (Porter and Kramer, 2011). Either way, many ventures may be classified just as easily under the heading of corporate social responsibility as the heading of social entrepreneurship, including classic cases such as Ben and Jerry's and The Body Shop but also more recent examples such as the outdoor clothing manufacturer Patagonia¹⁶ and the organic chain grocery store Whole Foods Market¹⁷. Indeed, with the growing importance of the interaction between business and society, the overlap between social issues in management and social entrepreneurship is increasing accordingly. This increase may find its expression in corporate social entrepreneurship (Hemingway, 2005) or community-based enterprises (Peredo and McLean, 2006), business strategies directed at the bottom of the pyramid (Hart and Prahalad, 2002; Prahalad and Hammond, 2002), and shared value concepts (Porter and Kramer, 2011).

1.3.3. Non-profit management

Researchers from the Johns Hopkins Comparative Non-Profit Sector Project¹⁸ use five criteria to describe non-profit organizations and distinguish them from government institutions and private, for-profit companies (Salamon *et al.*, 2003). Their definition includes organizations that are private, aim to achieve a social purpose, are prohibited from distributing profits from their operations to their owners or directors, are self-governing, and are open for people to join or support voluntarily (Haugh, 2006; Salamon *et al.*, 2003; United Nations, 2003). Of these criteria, the non-distribution constraint is probably the most distinctive and clearly separates non-profit organizations from for-profit companies. This legal constraint prevents the distribution of generated profits to directors, managers or trustees in the form of stocks, dividends or above-market salaries. The non-distribution constraint is assumed to benefit society by protecting the investments made by donors, volunteers, consumers, and employees from *ex post* appropriation by the entrepreneur (Glaeser and Shleifer, 2001; Parker, 2009). The elimination of rent-seeking behavior creates a competitive advantage for non-profits compared to for-profit companies (Glaeser and Shleifer, 2001)¹⁹. In addition, it is the combination of the

¹⁶ See www.patagonia.com.

¹⁷ See www.wholefoodsmarket.com.

¹⁸ For more information, see <http://ccss.jhu.edu>.

¹⁹ These competitive advantages include consumer, donor and worker preferences (Parker, 2009): (1) non-profits appeal to consumers who care for quality that is hard to verify because the non-profit constraint prevents entrepreneurs from compromising on quality in order to increase profits and personal income; (2) these advantages help non-profits to attract donations (Glaeser and Shleifer, 2001); and (3) it stimulates greater work effort, as it is unlikely that this will be turned into profit (Francois, 2003).

mission focus with restrictions on profit distribution that attracts voluntary workers, who provide their efforts *pro bono*, and paid employees for a smaller wage premium than that found in for-profits (Francois, 2003).

The non-profit sector represents a broad range of organizations (e.g., community groups, non-governmental organizations (NGOs), faith-based organizations, registered charities, and professional associations) performing a series of different functions²⁰. These functions resemble the role usually assigned to social entrepreneurial activities; therefore, they are briefly introduced. First, non-profit organizations deliver services. In particular, and similar to social enterprises, they address unmet needs that are often neglected by private businesses and governments, such as the delivery of services in healthcare provision, housing, and employment for marginalized groups. Second, non-profit organizations perform an advocacy role, i.e., they mobilize needed support for unaddressed concerns to foster change (such as Amnesty International and Greenpeace). Third, non-profit organizations perform an expressive function for the expression of cultural, religious, artistic, recreational, or ethnic values, interests, and beliefs, including opera companies, sport clubs, and churches (Salamon *et al.*, 2003).

The social needs non-profit organizations address or the missions they pursue are perceived as being unattractive to businesses because of a presumed lack of profitability and are ignored by governments because of a lack of public support (Hansmann, 1980). Hence, non-profits are characterized by an inherent exceptional relationship between operations and revenues (Weerawardena *et al.*, 2010).

A combination of decreased funding²¹ and increased demands to improve their effectiveness and efficiency, stemming from public pressure (Jacobs, 2006; Maas, 2009; Zahra *et al.*, 2009) and philanthropists that desire more control over how their gifts are used (Ostrander, 2007), are pushing non-profit managers and board members to behave entrepreneurially. These developments may explain why non-profit organizations are closely related to social entrepreneurship and are considered to be synonymous by some: a narrow definition of social entrepreneurship indeed refers to bringing business expertise and market-based skills to the non-profit sector (Boschec and McClurg, 2003; Fowler, 2000; Sharir and Lerner, 2006; Weerawardena and Sullivan Mort, 2006).

The above discussion clarifies the relationship between entrepreneurship, social issues in management, non-profit management, and social entrepreneurship. The overlaps between these fields, as illustrated by Figure 1.1, reveal different accents or notions of social entrepreneurship and may explain the conceptual ambiguity that is associated with this subject. Throughout this book, we draw on the theories and insights of these three related fields.

²⁰ Salamon *et al.* (2003) assign these functions to civil society organizations. As non-profit organizations are a part of civil society, we assign them accordingly.

²¹ This lack of funding is caused by shrinking government funds and an increase in the number of non-profits, which has led to stiff competition for funding (Johnson, 2000; Salamon *et al.*, 2003).

1.4. Defining concepts

1.4.1. Key concepts

In light of the previous discussion, it may not be surprising that much scholarly work and effort on social entrepreneurship has been devoted to defining this concept. As a result, the number of definitions has proliferated. Comprehensive overviews of the definitions of social entrepreneurship have recently been given by Dacin *et al.* (2010) and Zahra *et al.* (2009). In addition, a conceptual overview of different schools of thought and their defining characteristics is presented in chapter 2 of this book.

What clearly adds to the conceptual ambiguity is the polysemic nature of ‘social’ and ‘entrepreneurship’. In the previous section, the concept of entrepreneurship was introduced. Briefly, in this study, we view entrepreneurship as the process of value creation, which includes discovering, evaluating, and pursuing opportunities (Shane and Venkataraman, 2000), and as the process of new business creation (Gartner, 1990). In the case of social entrepreneurship, the exploitation of opportunities is *primarily* and *intentionally* aimed at the creation of social value by addressing social needs. It is the social component in particular that is responsible for the concept’s inherent complexity (Cho, 2006). In general, social value creation is the contribution of the individual’s entrepreneurial effort to the broader society, such as the provision of clean water and education to deprived communities, the empowerment of women, and providing jobs for disabled people. What contributes to the complexity of the social component is that there is no consensus on which social objectives benefit society. According to Cho (2006), this discussion inevitably requires political choices and hence involves a ‘value’ dimension, with regard to which concerns can claim to be in society’s ‘true’ interest (Cho, 2006). Illustrative in this respect is an article from Abdukadirov that argues that terrorists may be considered social entrepreneurs under certain circumstances (Abdukadirov, 2010). Cho (2006) illustrates his point with an example of an organization that raises money for poor girls to have abortions. What is and what is not considered socially desirable in the large-scale surveys used as our data sources depends on a respondent’s perception. Therefore, the ‘value’ discussion as raised by Cho (2006), although highly relevant, is not taken into account throughout this book. In this study, ‘social’ is considered to be a desire to benefit society in some way, without any normative restrictions.

In this study, two definitions of social entrepreneurship are applied. In chapters 3 and 4, a definition of social entrepreneurship is used that has a rather high level of abstraction, with few properties and characteristics. This definition reads as follows: “*Social entrepreneurship concerns individuals or organizations engaged in entrepreneurial activities with a social goal.*” (Bosma and Levie, 2010, p.44). In chapter 3, which takes an international comparative perspective and includes 49 countries, this broad definition is applied because it improves the

universal applicability of the concept. In chapter 4, as the same data source is used and social entrepreneurship is operationalized in the same way as in chapter 3, we apply the same definition. In chapter 5, we use a definition with a slightly higher level of specificity. This definition reads as follows: “*Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures.*” (Zahra *et al.*, 2009, p. 520).

Both definitions include an extensive range of activities and encompass non-profit, for-profit, and not-for-profit organizations that originate from the private, public, or the third sector, irrespective of their legal form, income strategies and the scope of the activities and of the sector in which they operate. Although both definitions view social entrepreneurship as a process within an organizational context, the definition by Zahra *et al.* stresses new venture creation. In addition, the definition by Zahra *et al.* is more specific regarding what entrepreneurial activities entail. Both definitions reflect the basic assumptions 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 takes place within the context of new or existing organizations.

This section described how social entrepreneurship is understood in this study. Next, several concepts are briefly introduced that are often associated or used interchangeably with social entrepreneurship, with the aim of clearly defining the subject matter of this study.

1.4.2. Related concepts of social entrepreneurship

Social entrepreneurs and social enterprises. Two closely related terms to social entrepreneurship are ‘social entrepreneur’ and ‘social enterprise’. Simply put, one could say that social entrepreneurship is perceived as the process through which social entrepreneurs create social enterprises (Defourny, 2009). Still, some remarks are worthwhile here. As explained above, social entrepreneurship is viewed as a process of value creation primarily and intentionally aimed at the creation of social value. At the individual level, the social entrepreneur is perceived as someone starting or owning and managing any kind of organization or activity in this social value creation process. The notion of social enterprise is interpreted in a variety of ways with different European and American connotations (Defourny, 2009; Young, 2008). In the US, the tendency is to define social enterprises as non-profit organizations that are primarily oriented toward the market by taking on business expertise and developing strategies to earn income independent from grants and subsidies (Defourny, 2009). In Europe, by contrast, social enterprise has come to describe a broader range of non-governmental forms of enterprise, including both non-profit organizations and co-operatives and mutual societies. In particular, the notion of social enterprise in Europe is associated with the concept of ‘social economy,’ which brings together mutual interest organizations that aim to benefit their

members (e.g., co-operatives and mutual societies) and general interest organizations that aim to serve the broader community (e.g., non-profit organizations involved in activities such as environmental protection and alleviating poverty) (Nyssens, 2006). The European notion of social enterprise includes a broader range of organizations compared to the American notion, while the former is mainly associated for historical reasons (Defourny and Nyssens, 2006; Defourny, 2009) with public service activities directed to employment issues and other needs of marginalized groups (Kerlin, 2009; Young, 2008). Because social enterprise is primarily related to the non-profit sector in both notions, we prefer to use the terms ‘social organization’ or ‘social venture’ instead of social enterprise.

Non-market entrepreneurship. Non-market entrepreneurship is defined as activities that involve entrepreneurial activities but that are not undertaken solely for the purpose of profit maximization or commercialization (Shockley *et al.*, 2008). This particular field of entrepreneurship includes, in addition to social entrepreneurship, public sector entrepreneurship, policy entrepreneurship, and non-profit entrepreneurship. As such, non-market entrepreneurship is broader than social entrepreneurship.

Sustainable entrepreneurship and environmental entrepreneurship. Social entrepreneurship could also be approached from an environmental perspective. As such, environmental or sustainable entrepreneurship narrows the focus to one particular type of public or social need, namely, the protection of the environment (Hockert, 2006). Although we acknowledge that this designation oversimplifies matters, we understand sustainable entrepreneurship as being a part of social entrepreneurship throughout this study. In addition, whenever the term ‘social needs’ or ‘social value’ is used, they also include environmental needs and values. One interesting difference to illustrate this oversimplification is that social entrepreneurship is more often associated with non-profit organizations, whereas environmental entrepreneurship is often related to for-profit organizations (Hockert, 2006). The difference between social entrepreneurship and sustainable entrepreneurship is eloquently put by Hall *et al.*: “Social entrepreneurs may, but do not necessarily have to, engage in sustainable development initiatives, whereas entrepreneurship for sustainable development may be driven by a need for social improvement or simply by opportunity recognition.” (Hall *et al.*, 2010, p. 442).

1.5. Research objective, framing, and individual chapters

1.5.1. Overall research objective

Most publications in the field of social entrepreneurship consist of a conceptual setup with an intuitive touch and aim to define key constructs and explore why and how these constructs are related. The few empirical studies apply little variety in research design and are characterized by case-study designs or small sample sizes. Therefore, these studies have not yet provided generalizable results (Short *et al.*, 2009, Chapter 2).

Although they are few in number, empirical studies are of considerable significance for social entrepreneurship as a field of scientific inquiry. Research connected to empirical reality allows for the development of a testable and valid theory (Eisenhardt, 1989) and is indispensable for the evolution of any field of research. Given the importance of empirical research for social entrepreneurship to move forward and the under-exposure of predictions from established theories (Short *et al.*, 2009), current research challenges are abundant. Therefore, the overall objective of this study can be formulated as follows:

Test and extend current knowledge on the causes of social entrepreneurship, social entrepreneurs, and the organizations and activities they are involved in by applying a quantitative approach.

It is not our intention to be pretentious in this respect, but we are convinced that moving beyond the intuitive touch or ‘*warm glow*’ that surrounds this field is required, as it increasingly attracts attention and (public) resources from policy-makers and support organizations. Governments are increasingly focusing on social entrepreneurship as a vehicle to address a range of social, ecological, and economic problems, such as generating employment for those with a distance to the labor market, providing social cohesion, regenerating deprived inner city areas, and recycling. Therefore, a ‘*warm glow*’ or social desirability is not a sufficient justification for using taxpayers’ money. This point brings us back to our previous argument on the importance of knowledge and insights derived from empirical reality that contribute to generalizable results. Hence, the separate chapters in this study aim to contribute to the overall objective mentioned above, and general design characteristics are chosen accordingly. Briefly, this work entails the application of a multidisciplinary approach using large-scale, cross-sectional survey data. Furthermore, given the current state of development of this field of research, this study is exploratory in nature and employs a variety of established theoretical lenses²².

²² For an overview and details on the specific research design of each chapter, see Table 1.1 in this introduction.

1.5.2. Framing

As a starting point to address the overall objective of this study, an extensive literature review was conducted to gauge the current state of empirical research on social entrepreneurship and identify research omissions (Chapter 2). Subsequently, various research themes were acknowledged and explored, such as national-level prevalence and its antecedents (Chapter 3); individual and organizational characteristics of the entrepreneurs and activities they are involved in (Chapter 4); and factors of influence on the performance of social entrepreneurs in terms of surviving the early stages of setting up and running a business (Chapter 5).

Although the individual chapters address different research themes and can be read independently of each other, they are also closely related. To address the cohesion and relatedness between the chapters, we draw on a preliminary framework that aims to describe the relationship between entrepreneurship and economic growth (Wennekers and Thurik, 1999; Wennekers *et al.*, 2002)²³. Slightly adapted, this structure serves our purpose of framing the individual chapters of this book²⁴. Using this framework (see Figure 1.2) we underline the superiority of the entrepreneurial perspective from which we approach the subject matter of the present study.

Briefly, Figure 1.2 is divided into two parts. The lower part describes how the different dimensions of social entrepreneurship result in outcomes, such as economic and social wealth creation at the individual, firm and macro levels, taking intermediary variables into account. This part is concerned with the *consequences* of social entrepreneurship. The upper part of the framework explores how aggregate conditions influence individual choices to devote time, effort, and resources to social entrepreneurial activities, resulting at the aggregate level in an actual rate of social entrepreneurship. The framework points to the intermediate role of opportunities, capabilities, preferences, and risks in the choice process. The upper part aims to address the *causes* of the level of social entrepreneurship.

From Figure 1.2, it is clear that, first and foremost, the present study focuses on the *causes* of social entrepreneurship. In other words, this study is directed toward understanding what factors are associated with the occurrence of social entrepreneurship at different levels (individual, firm, and macro). This aim also implies that we do not focus on the direct *consequences* or intermediary linkages to explain how social entrepreneurship influences outcomes such as economic and social wealth creation.

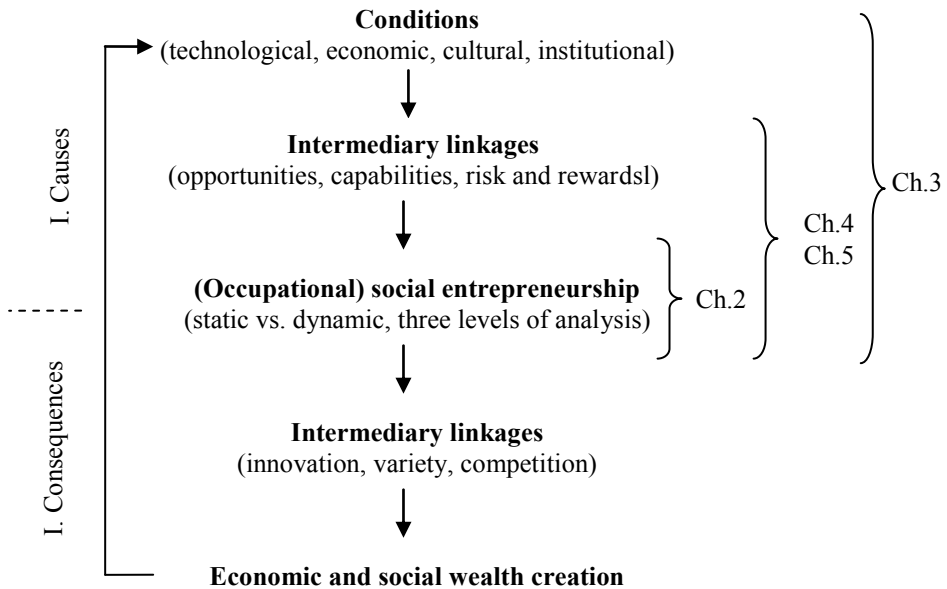
The individual chapters are organized as follows. Chapter 2 is directed at defining the concept of social entrepreneurship and grasping the current state of research in this field. Among others things, it provides a conceptual overview of four schools of thought on social

²³ This preliminary framework serves as input for more sophisticated models such as Verheul *et al.* (2002), Wennekers *et al.* (2002) and Audretsch *et al.* (2007).

²⁴ The framework is identical to the original except for replacing “entrepreneurship” with “social entrepreneurship” and for replacing economic growth with economic and social wealth creation.

entrepreneurship. As such, this chapter is positioned in the heart of the framework and is not empirical. Chapter 3 explores the occurrence of social entrepreneurship across countries and the aggregate-level conditions that may explain the variation in the level of social entrepreneurship. This chapter considers a direct link between aggregate level conditions and the rate of social entrepreneurship. The intermediary linkages between conditions and the rate of social entrepreneurship are not taken into account. Finally, chapters 4 and 5 take a micro-level perspective and aim to understand who in society is likely to be (or become) a social entrepreneur. The role of explanatory variables, such as age, gender, psychological traits, and perceptions of entrepreneurial requirements bearing on the choice or motivation to become a social entrepreneur, is explored. In addition, chapter 5 also accounts for organizational characteristics.

Figure 1.2. Framework for positioning the chapters of this book.



Source: Adapted from Wennekers and Thurik (1999) and Wennekers et al. (2002)

In the next subsection, a more detailed overview of the individual chapters is provided.

1.5.3. Overview of the individual chapters

In this subsection, a brief overview of each chapter is provided by introducing the research objective, theoretical perspective, methodology applied, and some of the main conclusions. Table 1.1 provides an overview of the key features of the three empirical chapters (i.e., chapters 3, 4, and 5).

Chapter 2. This chapter provides an extensive literature review with the primary objective of gauging the current state of *empirical* research on social entrepreneurship and highlighting potential areas for future research. Serving this purpose requires discriminating between different perspectives on social entrepreneurship. Hence, a conceptual overview including four different schools of thought is presented. Subsequently, 31 empirical articles on social entrepreneurship are reviewed and classified along two lines: dimension (i.e., individual, process, organization, and environment) and school of thought (i.e., the Social Innovation School of thought, the Social Enterprise School of thought, the EMES approach, and the UK approach). Within each dimension, the empirical insights from the articles are clustered according to emerging themes.

Our analysis confirms the youth of social entrepreneurship research as a field of scientific inquiry. The findings at the *methodological* level can be summarized as follows: empirical studies are limited in number and dominated by a case-study design; rigorous hypothesis testing is lacking; the use of primary data prevails; and research is based on relatively small sample sizes. At a *content* level, the present body of empirical knowledge on social entrepreneurship covers a broad spectrum of subjects, addressed by only a few studies, using very different samples. This finding implies that the current state of empirical research offers a modest basis for further theory building and testing purposes. Hence, the overall objective of this book was crafted in response to a lack of quantitative research in this field.

Chapter 3. The first empirical chapter of this book concerns a macro-level study. The central purpose is to increase our understanding of the prevalence and drivers of social entrepreneurship across countries. Large-scale and internationally comparable data from the Global Entrepreneurship Monitor (GEM) 2009, covering 49 countries at different stages of development, are used as our main data source. Hypotheses are generated from a multitude of theoretical perspectives; including the failure thesis, interdependence theory, welfare state theory, and supply-side theory. Hypotheses are tested by taking a multivariate approach by means of multiple regression analyses.

Regarding the occurrence of social entrepreneurial activity, the data reveal that, globally, 1.8% of the adult population is involved in the early stages of social entrepreneurial activities, as opposed to 10.7% in the case of commercial entrepreneurship. Concerning the antecedents of the variation in the rate of social entrepreneurship across countries, it is above all concluded that social entrepreneurship is a phenomenon driven by wealth. In addition, we find a positive

association between government expenditures on welfare and the prevalence of social entrepreneurship, which implies a relation of partnership and interdependence between the government and social organizations. Furthermore, we find no support for the assertion that the prevalence of social entrepreneurship is related to a society's entrepreneurial spirit or to a society's degree of postmaterialism. Instead, a society's level of individualism can be considered a driver of social entrepreneurship. This latter finding suggests that, in societies where ties between individuals are loose, social entrepreneurship is more widespread, while in more collectivist societies, social services are provided by informal sources such as extended families.

Chapter 4. In contrast to the previous chapter, this chapter is concerned with a micro-level study, with the individual entrepreneur and his/her activities as the unit of observation. This chapter adopts a quantitative, exploratory, and hypothesis-generating approach to elementary questions about the social entrepreneur and his/her activities and contrasts them to our understanding of commercial entrepreneurs. To generate empirically driven hypotheses, insights from current empirical investigations are brought together and complemented with insights from the GEM 2009 survey on social entrepreneurship covering Belgium and the Netherlands. Findings are complemented with insights from interviews with key experts in both countries. Hypotheses are generated in cases where common patterns between the literature and our results are identified or when a combination of the data and the insights from the key experts give us reason to do so.

In all, thirteen propositions are generated: seven concerning individual characteristics and the remaining six related to organizational characteristics. Although these propositions still need to be thoroughly tested, they seem to point to a fragile entrepreneurial profile in terms of the following: effort put into the organization or activity, self-confidence regarding the capabilities to start a business, ambition with regard to employment growth, funding from the sale of products and services, and reaching more mature stages of the entrepreneurial process. In addition, the young age of those who are active as social entrepreneurs compared to their commercial counterparts may also be associated with entrepreneurs that are not (yet) optimally prepared for the complex task of owning and managing a social organization in terms of experience and access to capital, personal funding, and social capital.

Chapter 5. Social entrepreneurs face specific challenges when setting up their business compared to commercial entrepreneurs, especially regarding financial and human resource mobilization. Consequently, social entrepreneurs are expected to have greater difficulty surviving the early stages of setting up and running a business than commercial entrepreneurs. Hence, the final chapter of this book investigates *if* and in *what way* social entrepreneurs are hampered in turning their efforts into sustainable organizations. A multivariate approach is taken, and binary logit regressions are performed to compare social entrepreneurs and

commercial entrepreneurs. First, the hypothesis is tested that social entrepreneurs are constrained in turning start-up considerations or attempts into a viable businesses. Subsequently, we aim to find out whether social and commercial entrepreneurs are different in terms of their perceptions of environmental barriers, risk factors, and socio-demographic characteristics.

Our findings confirm that the performance of socially motivated entrepreneurs is worse in terms of surviving the earliest stages of entrepreneurial engagement, and several factors are identified that explain this underperformance. Compared to commercial entrepreneurs, we find that social entrepreneurs (1) perceive more financial and informational barriers to starting a business, (2) are more afraid of personal failure and bankruptcy, and (3) can be found in both the lower and higher age categories.

Table 1.1. Key features of the *empirical* chapters 3-5.

Ch.	Title	Level of analysis	Theoretical perspective	Data source (time span) Sample	Principle measure	Methodology
3	Prevalence and determinants of social entrepreneurship at the macro-level					
	Increase our understanding of the prevalence and drivers of social entrepreneurship at a country level.	Macro	Multiple theoretical lenses: failure thesis, interdependence theory, welfare state theory, supply-side theory	GEM (2009) 49 countries	Share of total entrepreneurship devoted to social entrepreneurship	OLS regression
4	Social and commercial entrepreneurship: exploring individual and organizational characteristics					
	Generate empirically driven proposition regarding who social entrepreneurs are and what businesses or activities they are involved in.	Micro	Occupational choice theory	GEM (2009) 6,122 individuals Belgium and The Netherlands	Individuals who are actively involved in starting or owning and managing any kind of activity, organization or initiative with a particularly social, environmental or community objective	Bivariate Analysis commented with in-depth interviews
5	Social entrepreneurship and performance: The role of perceived barriers and risk					
	Investigating <i>if</i> and in <i>what way</i> social entrepreneurs are hampered in turning their efforts into sustainable organizations.	Micro	Resource-based theory and human capital theory	Flash Eurobarometer (2009/2010) 26,168 individuals in 36 countries	Individuals who have ever been involved in setting up a business motivated to address an unmet social or ecological need.	Binary logit regression

1.6. Data

It follows from our overall objective, as described in the previous section, that our focus is on increasing our understanding of social entrepreneurship using quantitative empirics. Applying a quantitative research approach has several requirements, including data availability.

The availability of social entrepreneurship data is very limited. *Secondary data* sources provided by international institutions, such as the OECD, Eurostat, and the World Bank, do not include criteria that may allow us to distinguish social entrepreneurs or social businesses from other individuals and economic activities. These criteria could include information on motivations to start a business, objectives, mission, legal structure, sources of income, governance, or profit distribution. The same holds, as far as we know, for national institutions, such as national bureaus of statistics and chambers of commerce. Therefore, these data do not provide insights into social entrepreneurial activities. Moreover, large-scale *primary data* collection requires considerable resources, both in terms of time and money.

Despite the general lack of data on this subject, we use two unique and very timely survey datasets. First, we draw on the Adult Population Survey (APS) of the Global Entrepreneurship Monitor (GEM) 2009, which includes the world's first harmonized survey on social entrepreneurship. Second, we use data from the Flash Eurobarometer Survey on Entrepreneurship (No. 283), 2009/2010, which includes information on the importance of social and ecological motives in entrepreneurial decision making. Whereas the GEM collected data specifically to study social entrepreneurship, the Flash Eurobarometer was originally collected for other purposes.

The GEM is an international research program providing harmonized annual data on entrepreneurial activity at the national level. In each participating country, the GEM research teams collect data using a standardized telephone survey of at least 2,000 randomly selected individuals from the adult population (i.e., between 18 and 64 years old). The main objectives of the GEM research program are as follows: enabling a cross-country analysis of the level of entrepreneurial activity, uncovering the determinants of entrepreneurial activity, measuring the economic impact of entrepreneurship, identifying policies that may stimulate the level of entrepreneurial activity, and examining special topics of common concern and/or those that are specific to an individual country. In 2009, 49 countries participated in the APS, and the special topic was social entrepreneurship. Both macro-level (Chapter 3) and micro-level GEM data for Belgium and The Netherlands (Chapter 4) were used.

The Flash Eurobarometer Survey on Entrepreneurship was conducted on behalf of the European Commission and contains information about entrepreneurial motivations, attitudes,

experiences, obstacles, and opinions linked to self-employment. The survey was conducted by telephone and door-to-door interviews. Each national sample is representative of the total population aged at least 15 years old and consists of approximately 500 or 1,000 observations. We draw on the Flash Eurobarometer No. 283, carried out in December 2009 and January 2010, including 26,168 individuals in 36 countries (Chapter 5).

In addition to these two secondary data sources, we collected, albeit on a modest scale, primary data using face-to-face in-depth interviews with 15 national experts in social entrepreneurship, representatives of the non-profit/NGO sector, and the corporate social responsibility (CSR) movement in Belgium and The Netherlands. With regard to data collection, a semi-open interview guide is used (Chapter 4).

We mainly draw on secondary survey data (Chapter 3, 4, and 5). Hypotheses are empirically tested in Chapters 3 and 5 using regression techniques. Chapter 4 generates proposition by applying bivariate analysis.

1.7. Conclusion and implications

This study began with the observation that social entrepreneurship is increasingly in the spotlight because of its potential role in the creation of social wealth in times when pressing social and environmental needs are abundant. Fuelled by an increasing number of inspiring examples of entrepreneurs who have been successful in realizing ‘pattern breaking change’ in terms of new solutions or approaches to social problems, the field of social entrepreneurship is clearly one with a ‘*warm glow*.’ The study of social entrepreneurship is still a research field in its infancy, characterized by conceptual ambiguity, blurry boundaries with other fields, a limited number of empirical studies, and a modest base for theory building and testing purposes. As far as the empirical research is concerned, case-study design predominates, and insights tend to be based on successful social entrepreneurs and their organizations. This focus leads to biased observations (Hoogendoorn *et al.*, 2010; Dacin *et al.*, 2010).

In contrast to what is common in this field, this study applies a research design based on unique, large-scale survey data, and its contribution is therefore at least twofold. First, it addresses a research gap that has been hardly addressed: the occurrence and drivers of social entrepreneurship at a macro-level. Second, at a micro-level, the results are based on data that are representative of the total adult population²⁵, and hence, the potential for biased observations is less severe. While the first point provides new insights, the second provides insights

²⁵ In the case of the GEM data, the adult population is defined as individuals aged between 18 and 64. In the case of the Flash Eurobarometer data, individuals of at least 15 years of age are taken into account.

that deviate from the hero image of the social entrepreneur that is sometimes portrayed in the media and is reflected in scholarly work that is based on successful cases.

The remainder of this section summarizes what we have learned from this study by presenting the overall conclusions and implications.

1.7.1. Macro-level

A dominant role for the level of income. Social entrepreneurship clearly is a global phenomenon, with social entrepreneurship as a share of all entrepreneurship, ranging from, for example, 0.2% in Guatemala to 32.9% in Finland. With respect to the drivers of this occurrence, a prevailing role for the level of income in a country is unmistakable. Although one might expect the calls for social entrepreneurship to be louder in low-income countries, where humanity's most pressing needs, such as poverty, malnutrition, and lack of sanitation, are widespread; this type of entrepreneurship is most prevalent in high-income countries.

More specifically, the relationship between per capita income and social entrepreneurship suggests an inverted U-shape. This result stands in contrast to the accumulating evidence for a U-shaped relationship between the level of economic development and commercial entrepreneurship.

Role of the government. We find a partner relationship between the government and social organizations, whereby the latter delivers social services on behalf of and financed by the government. Despite the widespread belief that weak or failing states or markets influence the prevalence of social entrepreneurship, this assumption is not supported. An explanation may be that the malfunctioning of the market and state is both an opportunity and a hindrance for potential social entrepreneurs while a certain level of institutional support is needed to enable social activities and organizations to start up and successfully pursue social aims.

Role of culture and socio-economic context. After taking per capita income and government expenditure into account, approximately sixty percent of the variation in the rate of social entrepreneurship across countries remains unexplained. Of the different cultural factors explored, a society's level of individualism can be considered an additional driver for social entrepreneurship. This finding suggests that, in societies where ties between individuals are loose, social entrepreneurship is more widespread, and in more collectivist societies, social services are provided by informal sources, such as extended families. One should bear in mind here that this study covers a wide variety of socio-economic contexts and a broad range of activities that may fit the label 'social entrepreneurship'. Hence, it remains a challenge to find those factors that may be relevant in explaining the prevalence of social entrepreneurship. Differentiating between different socio-economic contexts would certainly contribute to our understanding of this particular type of entrepreneurship; the level of economic development and institutional support may be good starting points.

Overall, our preliminary conclusion at a country level would be that social entrepreneurship is a wealth-driven phenomenon.

1.7.2. Individual level

Self-perceptions. Commercial and social entrepreneurs are not different with respect to perceptions that are usually attributed to entrepreneurs and that have been found to have a positive effect on entrepreneurial activity. These perceptions include whether the entrepreneur personally knows someone who recently started a business and whether there are good opportunities for starting a business. However, social entrepreneurs are less confident with respect to the assessment of one's own skills, knowledge, and abilities to start a business.

Perception of entrepreneurial environment. When it comes to the perception of the entrepreneurial environment, we observe that commercial and social entrepreneurs not only perceive the legitimization of entrepreneurship in society differently but also perceive different start-up barriers. Regarding the perceived barriers to setting up a business, social entrepreneurs are more likely to perceive a lack of available financial support and start-up information than commercial entrepreneurs. This behavior is in contrast with commercial entrepreneurs, who perceive administrative complexities to be an obstacle to becoming an entrepreneur (Grilo and Thurik, 2005; Van der Zwan *et al.*, 2010). Therefore, this issue has implications for those who aim to foster social entrepreneurship.

Risk perception. The perception of risk has been found to have a negative effect on entrepreneurial activity (Arenius and Minniti, 2005). Two different measures of risk perception are used throughout this book with different results. Whereas social entrepreneurs are not different from their commercial counterparts with respect to their perception of fear of failure (Chapter 4), social entrepreneurs are, on the contrary, more willing to accept risk (Chapter 5). In addition, support is found for the suggestion that social entrepreneurs perceive different kinds of risk: fear of personal failure and bankruptcy is more common among social than among commercial entrepreneurs.

Employment status. It is common for entrepreneurs to mix work time between multiple occupations (Parker, 2009), and we find that this trend is not different for social entrepreneurs. Remarkably, however, social entrepreneurs are more likely to retain wage employment and hold multiple jobs than commercial entrepreneurs. In addition, more than half of the established social entrepreneurs indicate that they consider their social activity as an activity outside their daily job. This finding suggests that part-time involvement in social entrepreneurship does not serve as a (successful) route into full-time involvement. Explanations may include a lack of prospects or that the activity may be considered a hobby, a volunteering

activity, or an activity on the side. In any event, these results suggest that social entrepreneurs put less effort into their social organizations or activities than commercial entrepreneurs. This issue is of particular concern given the positive relationship between entrepreneurs' efforts and outputs (Carter *et al.*, 1996; Parker, 2009; Rampini, 2004).

Socio-demographics. Three socio-demographic factors reveal interesting differences between social and commercial entrepreneurs: age, gender, and education. First, support is found for the hypothesized U-shaped age distribution of social entrepreneurs: younger and older individuals are more likely to be socially motivated when starting or taking over a business. This particular age distribution is in contrast with that found in conventional entrepreneurship, where individuals who are middle-aged are more likely to set up a business than others (Cowling, 2000; Reynolds *et al.*, 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 starting or owning/managing a business, this age effect should be taken into account by policy-makers and support organizations. *Second*, whereas entrepreneurship is a male-dominated career choice, our research reveals that women are more likely to be social entrepreneurs than men. In light of the importance women entrepreneurs have in stimulating growth²⁶, 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. Third, social entrepreneurs are more likely to be highly educated than their commercial counterparts.

1.7.3. Organizational level

Objectives. With respect to the objectives pursued by social and commercial organizations, the predominant focus of social entrepreneurs on social value creation is confirmed. Intentions and the dominance of perceived social value creation over economic value creation are the distinguishing features of social organizations and initiatives. Simultaneously, the findings undermine the belief that commercial businesses simply pursue economic goals. Additionally, the weight assigned by commercial entrepreneurs to environmental objectives is significantly higher than that assigned by social entrepreneurs.

Sources of funding. Whereas the importance and desirability of earned income activities and self-financing schemes are still a subject of an ongoing debate, this study concludes that

²⁶ Illustrative for their importance is the following citation of European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship: "Europe must build on its small businesses. Supporting women entrepreneurs is essential to stimulating growth since the entrepreneurial potential of women has not yet been fully exploited," (EU press release, December 8, 2010, <http://europa.eu/rapid/pressReleasesAction.do>).

the combination of funding sources for social organizations and initiatives is dominated by sources other than income from the sales of products and services, at least in Belgium and The Netherlands. Whether this situation is different for other countries remains to be seen, particularly for countries such as the US, which has had a long tradition of market reliance and decreasing public and private funding since the 1980s. In such countries, this combination may indeed be different.

Early-stage phenomenon. One finding of this study that is consistent throughout the individual chapters is that social entrepreneurship is an early-stage phenomenon: social entrepreneurs are mainly represented in the pre-start-up or infancy stages of creating a social business. Support is found for the hypothesis that social ventures are less likely to survive the early stages of setting up and running a business. Factors identified in chapter 5 that explain this underperformance include socially motivated entrepreneurs perceiving more financial and informational barriers to starting a business. In addition, it is found that fear of bankruptcy and personal failure is more common among social entrepreneurs than commercial entrepreneurs. It seems that social entrepreneurs have ‘*cold feet*’ in the sense of a lack of means and resources. Although they are not directly tested, chapter 4 also offers several suggestions as to why social entrepreneurship can be perceived an early-stage phenomenon. These suggestions concern the ability of social entrepreneurs (i.e., showing a rather fragile entrepreneurial profile compared to commercial entrepreneurs) and their intentions (i.e., putting less effort into the activity or organization and the suggestion that, due to a short lead-time of public funding, activities are organized as projects).

In the whole, our conclusion at the micro-level suggests that motivation or idealism is certainly a necessary condition to address the social ills of our time, but it may not be a sufficient condition to successfully get involved in social entrepreneurship.

1.8. Discussion

In this final section, several limitations are discussed, as are the implications of our findings for policies by governments and support organizations. In addition, suggestions for future research are described.

1.8.1. Limitations

As has been repeatedly put forward in this book, social entrepreneurship is not a well defined concept, and scholarly attention is relatively recent. Not surprisingly, the availability of large-scale data is limited. Nonetheless, two unique datasets are used in the various chapters. However, several limitations should be borne in mind.

First, cross-sectional data are only available for one point in time. Therefore, time-series analyses are not possible, which hampers the interpretation of the results. For example, the finding that social entrepreneurship is mainly represented in the pre-start-up or infancy stages of the entrepreneurial process is interpreted in light of the inherent complexity of this type of entrepreneurship and the abilities and intentions of the individuals involved. Time-series data may also reveal that this early-stage phenomenon may be (partly) explained by the relative newness of this kind of activity, suggesting that it is a matter of time before social entrepreneurs are increasingly present in the more established stages of the entrepreneurial process.

Second, we acknowledge that social entrepreneurship covers a wide range of different activities. Without further differentiation by, for example, sector, legal status, ambition for growth, type of objectives, or occupational status of the entrepreneur, we risk comparing apples to oranges. On one hand, the available data do not allow for further differentiation either because of a limited number of observations (Chapters 3 and 4) or because of a lack of specific differentiating variables that may be useful in the context of social entrepreneurship (Chapter 5). On the other hand, and particularly on a country level, little is known about how to meaningfully differentiate between different contexts. Suggestions for future research include distinguishing between high- and low-income countries and countries that are characterized by ‘institutional support’ or ‘institutional void’.

Third, our analyses are mainly targeted at finding relationships between variables and the occurrence of social entrepreneurship at a country level and the probability of being a social entrepreneur at the individual level. Although our analyses (Chapters 3 and 5) increase our understanding of how the independent variables are related to the dependent variables, they do not always imply causality between variables. A negative marginal effect of the perception of household income, for example, would tell us that people who find it more difficult to get by on their income are expected to have a higher likelihood of being a social entrepreneur. However, one should be careful with causal interpretations due to a potential problem of endogeneity. In this example, perception of income may not only have an effect on the decision to become a social entrepreneur, but the status of being a social entrepreneur may also affect the perception of income. Further research is needed.

1.8.2. Policy and support implications

Throughout the separate chapters, we have repeatedly found that social and commercial entrepreneurs are indeed distinct groups, each with their own characteristics and dynamics. This finding is of crucial importance for those who want to promote social entrepreneurship as a desirable career choice that has a greater impact on society or to create and improve the sector infrastructure, be they public policy-makers, private foundations or support organizations. This study suggests taking account for a deviating entrepreneurial profile that tends to be, in some respects, less favorable than commercial entrepreneurs. This finding is particularly relevant in light of the combination of economic and social value creation, which is likely to

make the conduct of business more complex and, hence, poses additional challenges for those individuals who choose to engage in social entrepreneurship. In sum, the peculiarities in the entrepreneurial profile of social entrepreneurs, compared to commercial entrepreneurs, that should be borne in mind are self-perceived capabilities to start a business, financial support and start-up information as perceived barriers, entrepreneurship as a career choice as opposed to an activity outside one's daily job, perception of the kinds of risk, the age of the entrepreneur and ambitions in terms of employment growth.

It was suggested, as do Harding and Cowling (2006), that both females and individuals who are inactive at the labor market are more likely to choose social entrepreneurship than commercial entrepreneurship. Although elaborating on this finding is beyond the scope of this study and these hypotheses still need to be thoroughly tested, it is indeed an interesting path for future research because social entrepreneurship may serve as a way to engage or re-engage females and labor market inactive individuals in the labor market.

Finally, interesting results are found, albeit at different levels of observation, with respect to the role of the government. At the country level, it is asserted that a certain level of support from the government is needed to foster the prevalence of (early-stage) social entrepreneurship. At the individual level, however, it is suggested that the involvement of government funding by way of subsidies may enable social organizations to get started, but it remains uncertain whether, without public resources, social entrepreneurs are willing and able to turn their efforts into established activities. Hence, a fruitful and highly relevant opportunity for research may lie in the effects of different types of government funding and support, or the absence thereof, and the sustainability and impact of social organizations.

What do we know about social entrepreneurship? An analysis of empirical research

2

Abstract: Despite the growing attention to social entrepreneurship as a scholarly field of research, it is still in a stage of infancy. Research in the past two decades has been primarily dedicated to establishing a conceptual foundation, which has resulted in a considerable stream of conceptual papers. Empirical articles have gradually appeared since the turn of the century. Although they are still outnumbered by conceptual articles, empirical articles are of considerable significance for the evolution of social entrepreneurship as a field of scientific inquiry. The purpose of this paper is to gauge the current state of empirical research by reviewing 31 empirical research studies on social entrepreneurship, classifying them along four dimensions and summarizing research findings for each of these dimensions. To serve this purpose in a meaningful fashion requires discriminating between different perspectives on social entrepreneurship. Hence, a conceptual overview with four different schools of thought is presented, and the articles in our sample are analyzed accordingly.

This chapter is based on:

Hoogendoorn, B., Pennings, E., and Thurik, A. R. (2010). What do we know about social entrepreneurship; An analysis of empirical research. *International Review of Entrepreneurship*, 8(2), 71-112. (Reproduced by kind permission of International Review of Entrepreneurship - www.senatehall.com.)

2.1. Introduction

“The idea of ‘social entrepreneurship’ has struck a responsive chord”, wrote Dees in 1998 (Dees, 1998b, p. 1). One may conclude that in the ten years since Dees’ statement, the “responsive chord” has only become more responsive, given the growing attention from business, government and the educational and research fields. In the recent decade, new social ventures have appeared and disappeared; support organizations (such as the Skoll Foundation and the Schwab Foundation) for social entrepreneurs have been founded; targeted university research centers and teaching programs for future social entrepreneurs have been established at universities including Harvard (the Social Enterprise Initiative at the Harvard Business School) and Oxford (the Skoll Centre for Social Entrepreneurship at the Said Business School); articles and special issues on social entrepreneurship have appeared in scholarly journals such as the *International Journal of Entrepreneurship Education* (2003), the *Journal of World Business* (2006), and the *International Journal of Entrepreneurial Behavior and Research* (2008); and policies with a regulatory or supportive aim in regards to social enterprise have been developed.

Despite the growing attention to social entrepreneurship and similarities between various theories, no agreement exists on what it is or is not. It is a multi-interpretable concept, and although the use of the label is widespread, its meaning often varies. Moreover, the positive societal connotation of the term social entrepreneurship also seems not to have been helpful as a starting point for scholarly endeavors (Cho, 2006; Nicholls and Cho, 2006; Zahra *et al.*, 2009). Not surprisingly, a considerable amount of scholarly effort is devoted to defining the key constructs of social entrepreneurship (Dees, 1998b; Mair and Martí, 2006; Sullivan Mort *et al.*, 2003; Peredo and McLean, 2006; Perrini and Vurro, 2006). An additional number of studies is dedicated to describing the commonalities and distinctions with closely related fields such as commercial or conventional entrepreneurship (Austin *et al.*, 2006; Dorado, 2006; Mair and Martí, 2006; Roberts and Woods, 2005), non-profit enterprises (Boschec and McClurg, 2003), social activism, and social service provision (Martin and Osberg, 2007). At first glance, social entrepreneurship is a mixture of related but different phenomena. Several authors approach social entrepreneurship from a non-profit perspective and define the term as bringing business expertise and market-based skills to the non-profit sector (Boschec and McClurg, 2003; Fowler, 2000; Sharir and Lerner, 2006; Weerawardena and Sullivan Mort, 2006). This approach includes an emphasis on earning income independent from subsidies and grants and sometimes includes non-profits running small for-profit businesses like gift shops or service centers to help offset organizations’ costs. In addition, these non-profits adopt private sector management techniques in order to become more efficient in providing and delivering their social services. Others focus on bringing about social change and view social entrepreneurship

as an intersectoral domain where legal structure and sectoral belonging are less important and social change prevails (Mair and Martí, 2006; Nicholls, 2006a; Peredo and McLean, 2006). Within this view, “[s]ocial entrepreneurship represents an umbrella term for a considerable range of innovative and dynamic international praxis and discourse in the social and environmental sector” (Nicholls, 2006b, p. 5).

In spite of numerous contributions, the scholarly field of social entrepreneurship is still in a stage of infancy (Dees and Battle Anderson, 2006; Dorado, 2006; Light, 2008; Short, Moss, and Lumpkin, 2009). Like the entrepreneurship field in its early days, it is mainly phenomenon-driven, its boundaries with respect to other fields of research are fuzzy, and it lacks a unifying paradigm (Mair *et al.*, 2006). As a result, most publications consist of a conceptual setup with an intuitive touch and aim to define key constructs and explore why and how these constructs are related. At the same time, articles on social entrepreneurship based on empirical research are slowly appearing, but they are still outnumbered by conceptual articles. Although small in number, empirical research is obviously of considerable significance for social entrepreneurship as a field of scientific inquiry. Research connected to empirical reality allows for the development of a testable and valid theory (Eisenhardt, 1989) and is indispensable for the evolution of any field of research. Our overview addresses the emergence and importance of empirical research by exclusively considering empirical studies and analyzing the actual insights that they reveal. Hence, the purpose of our paper is to gauge the current state of empirical research on social entrepreneurship and to highlight potential areas for future theory building and theory testing. After all, these are the insights that allow for theory building and testing and enable research in this particular field to evolve beyond descriptive purposes towards more predictive purposes (Snow and Thomas, 1994). We can only gauge the current state in a meaningful fashion by discriminating between different perspectives of the research. Therefore, based on an extensive literature review, the aim of our paper is fourfold. First, to identify different perspectives on the phenomenon of social entrepreneurship and to classify the articles in our sample as belonging to four distinct schools of thought—namely, (1) the Social Innovation School, (2) the Enterprise School, (3) the Emergence of Social Enterprise (EMES) school, and (4) the UK approach. Second, to identify the different methodological approaches followed by the papers in our sample. Third, to classify the insights that these articles reveal along two lines: four components of Gartner's (1985) framework for new venture creation (i.e. individual, process, organization, and environment) and four schools of thought (i.e.: Social Innovation School of thought, Social Enterprise School of thought, EMES approach, and the UK approach). Finally, the classification of the articles and their empirical insights allow for an inventory of research gaps. Hence, the fourth purpose is to identify research omissions and to generate suggestions for future research.

Our emphasis on empirical publications together with the different classifications makes this review paper different from existing overviews. Our overview is an extension of existing literature reviews that focus on conceptualization and dominant domains in which social entrepreneurship occurs (Weerawardena and Sullivan Mort, 2006) by discriminating between different perspectives, and it goes beyond existing reviews that emphasize methodological approaches like Short, Moss, and Lumpkin (2009) by examining and summarizing the content of the articles.

The first section of this paper discusses the various schools of thought on social entrepreneurship and can be considered a conceptual overview. The second section explains our sample selection process and describes the characteristics of the selected empirical studies from a general and methodological perspective. The third section consists of the analysis of the content of the articles. The articles are classified along the four dimensions; the findings are analyzed; and the insights are summarized along emerging themes. The paper continues in section four with a discussion of the analysis and an inventory of future research opportunities. The final section provides our conclusions.

2.2. Social entrepreneurship explained

While the label “social entrepreneur” has only a short history, the practice of social entrepreneurship is far from new. Florence Nightingale, who revolutionized the theory of hospital conditions in the late 1900s (Bornstein, 2007), and John Durand, who started working with mentally retarded people in the early 1960s (Alter, 2007), are just two examples of exceptional persons bringing about social change whom we may label today as social entrepreneurs. According to Nicholls (2006a), the term “social entrepreneur” was first introduced in 1972 by Banks, who noted that social problems could also be deployed by managerial practices. Even though social entrepreneurship, albeit under different headings, gained practical relevance during the 1970s and 1980s, it was not until the 1990s that the subject attracted attention from both governments and academia. The Italian government created the first social firm model by adopting a specific legal form for social co-operatives in 1991. The UK government followed in 2004 by introducing the Community Interest Company, a second juridical form for social enterprise within Europe (Nyssens, 2006). In that same period, a stream of research on the subject slowly appeared in academic work (Boschee, 1995; Dees, 1998a and 1998b; Leadbeater, 1997). From the turn of the century onwards, the stream of publications became more substantial. At the same time, some highly successful social entrepreneurs attracted considerable media attention, amongst them: Muhammad Yunus, founder of the Grameen Bank for microfinance and recipient of the Nobel Peace Prize in 2006, and Jeffrey Skoll of eBay, who founded the Skoll Foundation supporting social entrepreneurship and was included among Time Magazine's 100 People of the Year in 2006.

The growing attention paid to social entrepreneurship from both a practitioner's and an academic point of view can be explained by several general developments in recent decades. These developments, to which we now turn, gave rise to dissimilar approaches to social entrepreneurship in the different contexts of the United States and Western Europe and resulted in various schools of thoughts.

2.2.1. Interest in social entrepreneurship

The growing attention paid to social entrepreneurship on a global scale can be explained by several mutually reinforcing economic, social, and political changes in recent decennia. Two types of developments can be distinguished: first, persisting problems that call for innovative approaches (i.e., demand side), and second, developments that increase the chances for those problems to be solved (i.e., supply side) (Nicholls, 2006b). These general developments contextualize the rise of social entrepreneurship.

On the demand side, the awareness of the ever-growing inequality in wealth distribution (World Bank, 2007) and concern for the environment are two important drivers. At the same time, governments have been decreasing their funding in face of free market ideology. A more neoliberal approach by governments worldwide, with an emphasis on market forces as a primary mechanism for the distribution and redistribution of resources, has led to shrinking funds, resulting in fewer interventions by the public sector. In addition, the number of non-profit organizations has grown exponentially, which has resulted in competition between non-profits for funding (Johnson, 2000; Salamon *et al.*, 2003). Finally, there is an increasing demand for improved effectiveness and efficiency for both the social sector and non-profit institutions (Zahra *et al.*, 2009). In this light, non-profit organizations are severely challenged to demonstrate organizational effectiveness. In more popular terms, Boschee summarizes the demand side as follows: "Operating costs have soared, resources available from traditional sources have flattened, the number of non-profits competing for grants and subsidies has more than tripled, and the number of people in need has escalated beyond our most troubling nightmares." (Boschee and McClurg, 2003, p. 3).

On the supply side, there are chances and circumstances in favor of alternative approaches in dealing with societal, economical, and environmental problems. First, the increasing concentration of wealth in the private sector is promoting calls for increased corporate social responsibility and more proactive responses to complex social problems (Zahra *et al.*, 2008). Second, people are earning fortunes at younger ages than the previous generation. Many of them are devoting their time and resources to philanthropy earlier in life (Reis and Clohesy, 2001). Third, a growing sense of uneasiness with an increasingly powerful market sector and ineffective and inefficient sector institutions and non-profit-organizations makes some people

more proactive. “Smart nonprofit managers and board members realize they must increasingly depend on themselves to insure their survival . . . and that has led them naturally to the world of entrepreneurship.” (Boschee and McClurg, 2003:3). Fourth, a new group of philanthropists is emerging, a group of young innovators from diverse backgrounds who are challenging old assumptions about charitable giving. Bill Gates, founder of Microsoft, serves as a salient example of this group. He began devoting his life and capital to enhancing healthcare and reducing extreme poverty before he turned forty by creating The Gates Foundation, today the largest private foundation in the world. In particular, this new group of philanthropists argues that traditional philanthropy has focused too much on donor satisfaction and not enough on producing measurable results (Reis and Clohesy, 2001). Finally, organizations are influenced by a strong Corporate Social Responsibility movement, rethinking the assumption that doing social good and making a profit are mutually exclusive (Zahra *et al.*, 2008). Being socially responsible is no longer an exception embodied by a few classical cases like Ben and Jerry’s and The Body Shop but has become a mainstream opinion; having a social conscience is also good for business.

2.2.2. American and European traditions

The general developments described in the previous paragraph help to explain an increasing consideration of social entrepreneurship, mainly from a practitioner’s point of view in the last three decades. These developments gave rise to dissimilar approaches to social entrepreneurship in the different regions throughout the world. Although social entrepreneurship is clearly a global phenomenon (Bosma *et al.*, 2010; Nicholls, 2006b; Zahra *et al.*, 2008), two regions dominate the academic discourse: the United States and Western Europe. Within the particular context of these regions, two specific geographical traditions evolved and resulted in several approaches or schools of thought. Before describing the schools of thought, we introduce the two geographical traditions that gave rise to these schools²⁷.

American tradition. The economic downturn in the late 1970s and 1980s brought large cutbacks in federal funding and confronted non-profits operating in poverty programs, education, health care, the environment, and community services with a severe financing problem. Expanding or introducing commercial activity was a popular way to deal with these cutbacks in an attempt to guarantee the continuity of services already provided. The term social enterprise was used to describe these activities. This background explains why, in the American context, revenue-generating activities are emphasized (Kerlin, 2006a and 2006b). Hence, within the American approach, social entrepreneurship refers above all to market-oriented economic activities that serve a social goal irrespective of the legal structure and

²⁷ The description of the American and European approaches draws on Kerlin (2006) and Nyssens (2006).

sector (Nyssens, 2006). Social entrepreneurship is considered a sub-field of entrepreneurship that results in scholarly attention from both business schools and social sciences. Strategic development such as the promotion of social entrepreneurship and the creation and improvement of sector infrastructure is orchestrated by private foundations, of which Ashoka and the Skoll Foundation are probably the most well known. The American approach resulted in two separate schools of thought: the Social Enterprise School and the Social Innovation School.

European tradition. Like the American social enterprises, European social enterprises arose against the background of the crises of the 1980s. In contrast to the American approach, the European approach is rooted in the third sector (or the social economy) and addresses services from which the welfare state had retreated or where no adequate public services were provided at the time. This resulted in new social enterprises founded by civil society actors, whereas in the American tradition, organizations that were already in place launched social enterprises. The European social enterprises address services such as housing for increasingly marginalized groups, childcare, urban regeneration, and employment programs for the long-term unemployed (Kerlin, 2006b). Within the European approach, social enterprises are generally of the non-profit or co-operative type, are dedicated to the creation of social impact for the community, and combine revenue generation with the work or participatory activity of program beneficiaries (Defourny, J. 2009; Nyssens, 2006). Strategic development is initiated on a regional, national, and European Union-wide level by governments rather than by private foundations. In contrast with the American tradition, social entrepreneurship mainly attracts scholarly attention from the social sciences. Although considerable national differences exist within Europe in terms of services provided by social enterprises, welfare states, and legal structures, two main and distinct approaches emerged within the European tradition: the EMES approach and the UK approach.

2.2.3. Four distinct approaches to social entrepreneurship²⁸

In the next subsection we will explore two American schools of thought and two European approaches. Although the approaches are often mixed in popular discourse, they reveal different perspectives and research preferences. In order to compare the schools of thought, the main distinctions and commonalities are summarized in the final part of this section.

The Innovation School of thought. The Innovation School of thought focuses on the social entrepreneurs as individuals who tackle social problems and meet social needs in an innovative manner. According to one recent examination, “[t]he school is focused on

²⁸ This paragraph draws on work of Dees and Battle Anderson who can be credited with the distinction between the Social Innovation School of thought and the Social Enterprise School of thought (Dees and Battle Anderson, 2006) and Bacq and Janssen (forthcoming), Degroote, (2008), and Kerlin, (2006).

establishing new and better ways to address social problems or meet social needs” (Dees and Battle Anderson, 2006:41). Social entrepreneurs do so by either establishing a non-profit enterprise or a for-profit enterprise. For both schools of thought within the American tradition, the private foundations that promote the strategic development of the sector and their founders have contributed significantly to the fundamentals of the schools. For the Social Innovation School of thought, Bill Drayton, founder of Ashoka, is considered the leading figure. This school of thought on social entrepreneurship is rooted in the body of knowledge of commercial entrepreneurship on the discovery, evaluation, and exploitation of opportunities. In the case of social entrepreneurship, these opportunities are found in social needs exploited by innovative means to satisfy those needs.

The Social Enterprise School of thought. Within the Social Enterprise School of thought, the main subject of study is the enterprise, described as an entrepreneurial, non-profit venture that generates “earned-income” while serving a social mission. In order to guarantee continuity of service provision, this school focuses on generating income streams independent from subsidies and grants. In addition to the theme of funding, this school also promotes the idea that adopting business methods is a successful way to improve the effectiveness of non-profit organizations and make them more entrepreneurial. Skloot is one of the pioneers of this school of thought. He founded New Business Ventures for Non-profit Organizations in 1980, the first consultancy firm working exclusively for non-market companies, thus acknowledging a new niche and a relevant topic of interest for the third sector. The National Gathering of Social Entrepreneurs²⁹, led by Boschee and Emerson, amongst others, became an influential private initiative promoting the development of a more effective and independent non-profit sector. Like the Social Innovation School, the Social Enterprise School of thought also has a commercial knowledgebase equivalent. The Social Enterprise School is embedded in the commercial entrepreneurship tradition that defines entrepreneurship as the process of creating and managing (new) organizations.

The EMES approach. The Emergence of Social Enterprise in Europe (EMES) Research Network began in 1996 and consists of scholars cooperating in order to investigate the social enterprise phenomenon and establish a broad definition that allows for the national differences within the European Union. The main objective of the research of the EMES network is the emergence and growth of social enterprises within the European Union. The ‘ideal typical’ definition used by the EMES Network defines the characteristics of the social enterprise within this approach. As in the Social Enterprise School, the unit of observation is the enterprise. In the case of the EMES approach, the social enterprise has an explicit aim to

²⁹ In 2002, The National Gathering of Social Entrepreneurs was renamed Social Enterprise Alliance after merger with SeaChange, a foundation with comparable aims.

benefit the community, is launched by a group of citizens, enjoys a high degree of autonomy, is participatory in nature, and does not base decision-making power on capital ownership. In general, the organizations within this approach consist of the following types: associations, co-operatives, mutual organizations, and foundations. In contrast to the Social Enterprise School, which applies a non-distribution constraint to profits, the EMES approach allows for some profit distribution due to the inclusion of co-operatives. Although such co-operatives exist within the United States, they are not subject to the social enterprise discourse.

UK approach. Despite the broadness of the definition applied by the EMES Research Network, the UK approach to social entrepreneurship is distinct from the EMES approach and the American tradition and therefore allows for a separate approach. When the Labour Party came to power in the UK in the late 1990s, it proactively tried to stimulate partnerships between civil society, the public sector, and the private sector. In order to promote the establishment of social enterprises throughout the country, the Blair government launched the Social Enterprise Coalition and created the Social Enterprise Unit within the Department of Trade and Industry (DTI). The DTI defined social enterprise as being comprised of “businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximize profits for shareholders and owners”.³⁰ In 2004, a new legal form was introduced, the Community Interest Company. Since 2006, all social enterprise affairs have been the responsibility of a newly established ministry of the Third Sector dedicated to improving the professionalism of the sector, ameliorating access to financial sources, and refining the legal framework in favor of sector growth. UK social enterprises are subject to a limited distribution of profits and can be initiated by individuals, groups of citizens, or by legal entities. In contrast to the EMES approach, the goods and services provided can be related, unrelated, or central to the venture’s mission. In addition, the social enterprises in the UK are trading within the market.

Although the different schools of thought and approaches are distinct from each other, there are no strict boundaries between them, and any attempt to classify articles along the different approaches is partly arbitrary. In fact, the different approaches are still evolving, a point well illustrated by a recent argument proposing to converge the two American schools of thought into a single concept called “Enterprising Social Innovation” (Dees and Battle Anderson, 2006). Despite this blurring of boundaries, exploring the distinctions and commonalities contributes to an understanding of conceptual differences, to an interpretation of the emphasis on or the absence of certain research topics, and to the translation of research findings into recommendations. The approaches, as described above, share one main commonality: their emphasis on the creation of social value. Their distinctions are described along seven lines and are summarized in Table 2.1. Taken together, the ideas behind these

³⁰ See www.socialenterprise.org.

distinctions and the creation of social value reveal a broad overview of the main research subjects within the field.

Table 2.1. Distinctions between schools of thought on social entrepreneurship.

Distinctions	American Tradition		European Tradition	
	Social Innovation School	Social Enterprise School	EMES approach	UK Approach
Unit of observation	Individual	Enterprise	Enterprise	Enterprise
Link mission – services	Direct	Direct / indirect	Direct	Direct / indirect
Legal structure	No constraints	Non-profit	Some constraints	No constraints
Innovation	Prerequisite	Not emphasized	Not emphasized	Not emphasized
Profit distribution	No constraint	Constraint	Limited constraint	Limited constraint
Earned income	Not emphasized	Prerequisite	Not emphasized	Important
Governance	Not emphasized	Not emphasized	Multiple stakeholder involvement emphasized	Multiple stakeholder involvement recommended

Unit of observation. The Social Innovation School assigns the social entrepreneur an important role. Illustrative is the following quotation from Bill Drayton: “People understand this field by anecdote rather than theory, so a fellow we decide to elect becomes a walking anecdote of what we mean by a social entrepreneur.” (Bornstein, 2007:120). For the other approaches, the enterprise is the central unit of observation, and attention shifts from the individual to teams of entrepreneurs. In addition, the initiator of the social enterprise differs between the various approaches. Within the Innovation School, the initiation of a social venture is mainly associated with a single individual, whereas within the EMES approach the initiator is by definition a group of citizens. The remaining two approaches are less explicit in this respect, and individuals, groups of citizens, or legal entities can initiate the establishment of a social enterprise.

Relationship between mission and services. A second dissimilarity is the connection between the mission and the products and services provided. Within the Social Enterprise School and the UK approach, a direct link between mission and activities is not a necessity. Goods and services provided can be related, unrelated, or central to the venture's mission. This allows for more flexibility in running for-profit ventures aiming to generate an independent income stream. In both of the other approaches, the connection is either central or related.

Legal structure. The Social Innovation School and the UK approach put no limitation on legal structure. The Social Enterprise School exclusively considers non-profits. Within the EMES approach, it is the degree of autonomy of the venture that is important, a focus that allows for certain restrictions on the juridical form. Social enterprises are not to be managed directly or indirectly by public authorities or other organizations.

Innovation. Innovation is clearly one of the defining features of the Innovation School. The level of innovativeness is one of the main criteria for Ashoka in the decision process of supporting a social entrepreneur. "Ashoka cannot elect someone to the Fellowship unless he or she is possessed by a new idea—a new solution or approach to a social problem—that will change the pattern in a field, be it human rights, the environment, or any other."³¹ For those involved in this school of thought, fundamental change or Schumpeterian change is considered a prerequisite. The other approaches acknowledge the importance of creativity and innovativeness, but neither principle is fundamental to the basis of any of these approaches.

Profit distribution. The Social Innovation School leaves the entrepreneur free to choose whatever is necessary to achieve her goals; this means no constraints on the distribution of profits. In contrast, for the Social Enterprise School, a non-distribution constraint on profits is one of the fundamental principles and is inherent to the non-profit status of the enterprises within this particular school. Social enterprises within the EMES and the UK approaches encompass enterprise types that are subject to a total non-distribution constraint as well as those, such as co-operatives, that may distribute profits to a limited extent as long as profit maximizing behavior is avoided (Nyssens, 2006).

Earned income. The Social Enterprise School, and to a lesser extent the UK approach, emphasize the importance of raising commercial income independent of grants and subsidies to secure sustainability and financial viability. Within the EMES approach, "financial viability depends on the effort of its members to secure adequate resources to support the enterprise's mission" (Nyssens, 2006:12). The viability is irrespective of the amount of income generated by the enterprise. Hence, income generation is not an important issue within this approach.

³¹ See www.ashoka.org

Governance. Governance is an important subject within the EMES approach. Multiple stakeholder involvement, democratic management, and the participative nature of the ventures are all fundamental to this approach. Within the UK approach, governance is considered an important topic, but direct or indirect involvement of stakeholders can vary in accordance with the legal structure of the enterprise. It is by no means as fundamental for the UK approach as for the EMES approach. The Social Innovation School is in favor of involving stakeholders by creating partnership and networks through which ideas, knowledge, and expertise can flow between organizations aiming to achieve the same social objective. Democratic management is not considered an issue. The Social Enterprise School is in favor of leaving the founders of the enterprise complete freedom to achieve their goals. From this perspective, multiple stakeholder involvement is to be discouraged if it hinders the effective management of both economic and social goals.

It should be clear from the preceding examination that the various approaches are distinct from each other and that when these distinctions are not made explicit, discussion can drift into conceptual fuzziness. Therefore, in our consideration of the empirical research on social entrepreneurship in the remaining of this paper, we will repeatedly refer to the various schools of thought as presented above. Section 2.3 explains our sample selection process and describes the characteristics of the selected empirical studies from a general and methodological perspective. Section 2.4 consists of the review of the content of the articles and summarizes the insights gleaned from the articles in our sample.

2.3. Research on social entrepreneurship

For the selection of articles used in our analysis, we reviewed the academic peer-reviewed journals incorporated in the Social Science Citation Index (SSCI)³², an interdisciplinary database that covers about 1.950 leading journals of social sciences. We selected articles from this database in October 2009 and included all papers published in SSCI journals until 1 October 2009. Our selection includes articles that make explicit use of one or more of the following terms: “social entrepreneurship”, “social entrepreneur”, “social enterprise”, and “social venture”³³. This resulted in 67 conceptual and empirical articles. Subsequently, conceptual articles and articles based on experience and illustrations were omitted, leaving us with 31 empirical articles for further analysis. A list of these articles is included in the appendix. All empirical articles in our selection were codified to detect the type of research,

³² Available via <http://apps.isiknowledge.com>]. Using the SSCI database has two shortcomings: it includes only English language journals and does not include journals that have been recently launched in the database.

³³ Using these explicit terms as selection criteria entails that research not using these terms but employing closely related terms (such as sustainable enterprise, indigenous enterprise, community-based entrepreneurship, and the fair trade movement) are omitted.

research method, data collection, sample size, and school of thought. These characteristics are summarized in Table 2.2 and are briefly described below.

Table 2.2 Characteristics of the empirical articles on social entrepreneurship.

Characteristic	Count
Type of research	Qualitative 27
	Quantitative 4
	Proposition generating Hypotheses testing 3
	2
Methods of qualitative articles (N=27) *	Case study 23
	Grounded theory 3
	Discourse analysis 2
	Not specified 2
Methods of quantitative articles (N=4) *	Correlations 3
	Descriptive statistics 1
	Factor analysis 1
	Structural equation modeling 1
	T-tests 1
Data collection (N=31) *	Interviews 22
	Secondary data 11
	Observation 9
	Not specified 6
	Survey 5
Case study sample size (N=23)	Single case 9
	2 - 5 cases 5
	6 - 10 cases 4
	11 – 20 cases 3
	more than 21 cases 1
	not specified 1
School of thought	Innovation School of thought 6
	Enterprise School of thought 9
	EMES approach 2
	UK approach 9
	Unknown 5

Notes: Number of empirical articles in review 31.

* Articles are classified under more than one heading when relevant.

Conceptual papers aiming to describe and explain social entrepreneurship as a phenomenon appeared from the early nineties onwards, with a strong increase at the end of the decade. The first empirical studies appeared just before the turn of the century, with a strong increase in the second half of the first decade. In all, less than 50% of the articles in our initial selection of 67 are empirical. This proportion is comparable to the one found by Short, Moss, and

Lumpkin (2009) in their literature review. The limited number of empirical studies on this subject in general and scarcity of studies that apply a quantitative research approach in particular, are two indicators of social entrepreneurship being a young or even embryonic field of scientific inquiry. Despite the increase in the number of empirical studies, hypothesis testing and proposition generation are still very scarce, revealing a current lack of scientific rigor and another indication of a scientific field in its relative infancy (Short *et al.*, 2009).

As for the research methods of the qualitative studies, a case study approach is by far the most common and was applied by 23 out of 27 studies. The case study approach is apparently perceived as a suitable method for describing and explaining this rather new phenomenon. Other methods found in our review are a grounded theory methodology (3 out of 27) and discourse analysis (2 out of 27). The quantitative papers used basic statistical methods such as correlations (3 out of 4), descriptive statistics (1 out of 4), and factor analysis (1 out of 4). More advanced statistical methods such as regression analysis for predictive purposes were not found among the methods used.

As far as the data collection methods are concerned, it turns out that the use of primary data prevails, and secondary data, although applied by 11 out of 31 cases, are used only in addition to primary sources. Observation and, in some cases, participant observation proved to be common ways to gather data. All quantitative studies used surveys as their data collection strategy.

In terms of the samples used for these studies, some remarks are worth making. In the first place, the sample size of the qualitative studies is small, with a large proportion of single case studies (9 out of 27) and a very small proportion of studies having a sample size of more than ten cases (4 out of 27). The studies are characterized by rich descriptions and are suitable for, once again, descriptive, and explanatory purposes. Second, the samples used are very diverse in terms of scope. Some of the samples are comprised of broadly defined social enterprises, while others, such as community enterprises and work-integration social enterprises, are more narrowly defined. Some focus on social enterprises in the early stage of development; others focus more on established and successful enterprises. Some are located in developing countries, while others originate in developed countries. Therefore, the articles lack generalizability, and comparing the results of these studies is a risky pursuit. Each similarity should be interpreted with great caution.

Finally, we classified the articles within the different schools of thought based on the definition of social enterprise used and the purpose of the article. In five cases, the fundamental characteristics of the different schools were not clearly identifiable, and therefore these articles were assigned to a residual category. For the other papers, our review shows that the EMES approach is underrepresented in the list, despite some extensive empirical research conducted by the EMES research network since the turn of the century (Borzaga and Defourny, 2001; Nyssens, 2006). The Enterprise School of thought and the UK approach account for the lion's share of the perspectives used.

2.4. What we know from research on social entrepreneurship

We will now shift our focus to the content of the articles and provide an overview of the main findings of the selected articles in our sample. We will present these findings along two lines: (1) along the four perspectives of the framework for new venture creation by Gartner (1985) and (2) along the four schools of thought from our conceptual review.

2.4.1. Studies classified

For the presentation of the main findings of the empirical studies in our review, we first classified the articles along the four components of Gartner's framework for new venture creation: individual, process, organization, and environment (Gartner, 1985). We used this particular framework because it is widely accepted in entrepreneurship, it is parsimonious, and it subscribes the multidisciplinary character of entrepreneurship. "The four dimensional conceptual framework can be seen as a kaleidoscope, as an instrument through which to view the enormous varying patterns of new venture creation" (Gartner, 1985:701). The framework utilizes contributions from several fields of research such as economics, personality psychology, and strategy (Mitchell *et al.*, 2002:94). Here, the framework offers a comprehensive and appropriate structure for our purpose of grouping the findings of the reviewed articles. The classification of the articles through the Gartner framework is based on the research questions and main themes of each article. Studies that are substantially focused on several components of the framework are classified under more than one heading.

Second, we classified the articles along the above mentioned schools of thought based on the definition and the purpose of the articles. Table 2.3 summarizes our classification. Before turning to the overview of the findings, we would like to make two additional remarks. First, the classification of the articles and themes is for analytical purposes only, and it is not absolute. Second, the overview comprises of those findings that are addressed as such by the authors. We did not analyze the articles to arrive at additional conclusions ourselves.

Table 2.3 Research on social entrepreneurship classified with respect to the components of Gartner’s framework on new venture creation and school of thought.

School of thought	Individual (N=8)	Process (N=11)	Organization (N=12)	Environment (N=11)
Innovation School (N=6)	Alvord <i>et al.</i> , 2004 Purdue, 2001 Thompson <i>et al.</i> , 2000	Alvord <i>et al.</i> , 2004 Mair and Martí, 2009 Raufflet, 2007	Alvord <i>et al.</i> , 2004	Pastakia, 1998
Enterprise School (N=9)	Dart, 2004 Van der Scheer, 2007 Sharir and Lerner, 2006	McDonald, 2007 Sharir and Lerner, 2006 Weerawardena and Sullivan Mort, 2006	Dart, 2004 Sharir and Lerner, 2006	Anderson <i>et al.</i> , 2006 Korosec and Berman, 2006 Ndemo, 2006 Phillips, 2005 Sharir and Lerner, 2006 Weerawardena and Sullivan Mort, 2006
UK approach (N=9)	Turner and Martin, 2005	Dixon and Clifford, 2007 Haugh, 2007 Tracey and Jarvis, 2007 Turner and Martin, 2005	Darby and Jenkins, 2006 Dixon and Clifford, 2007 Leeming, 2002 Thompson and Doherty, 2006 Turner and Martin, 2005 Spear, 2006 Vidal, 2005	Haugh and Rubery, 2005
EMES approach (N=2)				
?				
(N=5)	Parkinson and Howorth, 2008	Nel and McQuaid, 2002	Luke and Verreynne, 2006 Memberetti, 2007	Leeming, 2002 Nwanko <i>et al.</i> , 2007 Biggs, 2008

2.4.2. Individual: social entrepreneur

The idea that entrepreneurs are different from non-entrepreneurs is commonly held³⁴ and justifies the body of literature that evolved from exploring and explaining abilities, personality traits, and preferences at the level of the individual entrepreneur (Birley and Westhead, 1994; Blanchflower and Meyer, 1994; Evans and Jovanovic, 1989). Compared to the amount of research within conventional entrepreneurship concerning this perspective, the empirical

³⁴ Although this view is commonly held, not mean everybody agrees; see for example Koppl and Minniti (2008).

evidence of the social entrepreneur being different from its commercial counterpart or non-entrepreneurs is scarce. As may be expected from our conceptual review in the first section of this paper, a number of studies within the tradition of the Social Innovation School are dedicated to the individual perspective. More precisely, all three contributions from this school of thought with regard to the individual perspective address the skills of the social entrepreneur and in particular networking skills. The Social Enterprise tradition represented by three contributions within this perspective, takes more individual characteristics into account. Besides skills these three contributions also consider background and experience, motives, and discourse. With the exception of Turner and Martin (2005), the contributions of the EMES approach and the UK approach in our sample did not provide any empirical insights with regard to the individual characteristics of the social entrepreneur.

In the remaining of this subsection, we cluster the empirical findings along five themes, irrespective of the social entrepreneurship tradition of the studies. A further elaboration on the combination of empirical findings and conceptual traditions is subject of the discussion section. The five themes that are subject to the individual perspective are skills, background, discourse, demographics, and motives.

Skills. The study by Turner and Martin (2005), which focuses on the capacities that community-based projects need in order to cope with a changing policy environment, makes a distinction between managerial and entrepreneurial skills. Managerial skills are comprised of skills such as managing budgets, monitoring outcomes, and administrating a funded program, while entrepreneurial skills incorporate skills such as taking risks, raising funds, partnership and networking, and delivering innovative work. For the success of the community-based projects in the sample used by Turner and Martin, it seemed important for their managers to have both managerial and entrepreneurial skills, although not necessarily all manifest in one individual. Other individuals could equally provide the necessary skills, drawing on networking abilities. In the same vein, Thompson, Alvy, and Lees (2000) conclude that it is recommendable to foster more social entrepreneurship by bringing people who have the necessary leadership skills and confidence together with people who possess innovative ideas. Three studies explored networking skills as necessary skills needed to run a social venture. Alvord, Brown, and Letts (2004) stress the importance of strong networking abilities for social entrepreneurs given the wide variety of stakeholders with whom they have to cope. In most of the cases in their study of successful social entrepreneurs, it was the background and experience of these entrepreneurs that enabled them to build effective links with their stakeholders. Similarly, Sharir and Lerner (2006) emphasize the importance of networking skills. They conclude from their research that, out of eight variables identified as being central in contributing to the success of a social venture, only two can be defined as necessary conditions: total dedication and networking skills. They envisage two situations with regard to

the networking skills. In the first, the entrepreneur starts out depending on the resources of the network to which he belongs. In the second situation, the entrepreneur proactively creates a network and has to invest time and effort in its construction. Therefore, both using and building networks are of significance to a social entrepreneur. From a slightly different angle, Purdue (2001) investigates whether community leaders as social entrepreneurs can play an effective role in their neighborhoods and in regeneration partnerships. The effective development of their role requires the accumulation of social capital, defined as “networks of mutual obligations for outstanding favors, flows of information and enforceable shared norms” (Purdue, 2001:2214). Effective community leadership requires internal communal social capital (i.e., networking with a wide range of community groups) and external collaborative social capital (i.e., networking with partners from private and public sectors).

Background / experience. Two of the examined enquiries investigate the roles of background and experience for the social entrepreneur. Sharir and Lerner (2006) examine previous experience in management, former project initiation, and expertise in the venture area of each of the 33 social entrepreneurs in their sample. They conclude that having experience in managing a venture is one of the success-related variables for social ventures. Van der Scheer (2007) also examines the role of background and experience as Dutch health-care executives are confronted with a new sort of public management that is less governmental and more market-oriented. It is hypothesized that the quality of being entrepreneurial, defined as a combination of role perception and managerial practice, is shaped by the managerial background. The results of this study show that “to have attended several managerial courses” and “to have acquired experience in a range of management positions” are indicators for an entrepreneurial mind. Entrepreneurial-minded executives are more likely to behave in an entrepreneurial way that is described by Van der Scheer as an active management style, an external orientation, and a greater attention to strategic issues. The outcomes support the hypothesis that entrepreneurship is likely to be shaped by the managerial background.

Discourse. The ways in which concepts like “social entrepreneurship” and “being entrepreneurial” are used in spoken or written communication are explored by three studies. According to Parkinson and Howorth (2008), the collective logic that dominates the discourse on social entrepreneurship is that business and entrepreneurship are the way forward for social enterprises. Their study investigates whether or not this dominant logic is reflected in the actual discourse of people ‘doing’ social entrepreneurship. They find that the use of key words and concepts underlines an emphasis of social entrepreneurs on collective agency. Moreover, they draw their legitimacy from social and moral sources rather than the entrepreneurship discourse. At odds with conventional entrepreneurship, social entrepreneurs seem to be driven by obligations and need rather than opportunity. Their attention is directed towards collective need-driven action for local change, with little emphasis on outcomes and more on the process

of doing something. The collective logic that dominates the discourse on social entrepreneurship, as discussed by Parkinson and Howorth, seems to be reflected in the studies by Van der Scheer (2007) and Dart (2004). Both studies explore in more detail what it means to be business-like in a non-profit setting (Dart) and for health-care executives in the transition from a public to a private setting (Van der Scheer). Dart concludes that being business-like can be understood in at least four distinct manners, with rhetoric being one of them. He found in his single case study that when business language was used, it was organisationally neutral; business language was used without consequences for decision making or behavior. In contrast, Van der Scheer concludes that, although the ideal of entrepreneurship remains vague, executives understand that the discourse is not meant to exist without engagement, and they try to prepare for their new role. She adds that the discourse has an important function as a “catalyst by making executives rethink their role, their function, their personal qualifications, which position to take, and which actions to make” (Scheer, 2007: 62).

Demographics. Due to the small sample sizes of most of the studies in this examination, demographic exploration of individual characteristics such as age, education, and gender is practically absent. Only Alvord *et al.* (2004) remark that within their sample, which is comprised of seven highly successful social entrepreneurs, no immediately obvious and highly visible characteristics distinguish the leaders of social enterprises (Alvord *et al.*, 2004).

Motives. Although the motives of social entrepreneurs to engage in a social venture are described for several individual cases, conclusions are drawn by only one study. This particular study investigates the existence of common and unique motives between commercial and social entrepreneurs. Like commercial entrepreneurs, social entrepreneurs are driven by combinations of different motives. Some of these motives are comparable to those of their commercial counterparts (i.e., self-fulfillment, achievement, and occupational independence), while other motives are specific to the case of the social entrepreneur (i.e., personal rehabilitation, search for solutions to individual distress, and fulfillment of obligations to one’s community by meeting local needs or addressing social issues) (Sharir and Lerner, 2006).

2.4.3. Process: social entrepreneurship

The process dimension describes how entrepreneurship is undertaken. In the original framework of Gartner, this dimension entails the process by which a new venture is created (Gartner, 1985). For the purpose of our review, we adopt a broader view of this dimension and include a second perspective that examines how opportunities to create future goods and services are discovered, evaluated, and exploited (Shane and Venkataraman, 2000). The distinctions between the four schools of thought as described in Table 2.1, reveal that five out of seven distinctions are related to the organizational characteristics of the social ventures (i.e. the link between the mission and services, legal structure, profit distribution, earned income

strategies, and governance). The level of innovativeness is the only distinction that draws on the process dimension of the Gartner framework, a subject of importance within the Social Innovation School of thought. From this point of view we may expect innovation to be a well researched subject attracting considerable attention from the Social Innovation tradition. In fact only four of the studies in our sample address innovation, of which a single study represents the Social Innovation School. Overall, our analysis of empirical findings within this perspective reveals that, with the exception of the EMES approach, all three social entrepreneurship traditions are equally contributing to the process perspective without any theme being explored in more depth by a single tradition.

Within the process perspective seven themes emerged; stages, opportunity identification, innovation, scaling, networking, process traits, and risk. The empirical findings of these are summarized below.

Stages. Within our sample, one study that considers the entrepreneurial process as the process of venture creation is that of Haugh (2007). She adopts a stage model approach to venture creation, and although this is a widespread approach in conventional entrepreneurship, it is an exception within our sample. Haugh observes the process of five non-profit, community-led social ventures and identified six stages: (1) opportunity identification, (2) idea articulation, (3) idea ownership, (4) stakeholder mobilization, (5) opportunity exploitation, and (6) stakeholder reflection. Even though social venture creation may appear similar to that of a commercial venture, Haugh identifies several dissimilarities, i.e., the use of resources not available for for-profits, the longer timescale, the greater number of stakeholders involved, the absence of financial loss for stakeholders, the management of volunteer labor, and a nondistribution constraint inherent to non-profits (Haugh, 2007).

Opportunity identification. Of the six stages identified by Haugh, other authors explicitly mention opportunity identification. Weerawardena and Sullivan Mort (2006) describe opportunity identification as a separate activity in which social entrepreneurs actively seek opportunities to create social value. According to their study, the process of opportunity identification and evaluation is simultaneously influenced by the social mission of the venture, organizational sustainability, and environmental dynamics. Concerning sources of opportunity identification, Thompson, Alvy, and Lees (2000) find that opportunities could arise from an individual's vision or out of necessity. Mair and Marti (2009) identify institutional voids, defined as "situations where institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them", as opportunities for social entrepreneurs (Mair and Marti, 2009:419).

Innovation. Innovation is acknowledged as an important topic and has been the subject of several empirical inquiries in our sample. Weerawardena and Sullivan Mort (2006) present an empirically derived framework of social entrepreneurship, with innovativeness featuring as one of three core behavioral dimensions (along with proactiveness and risk management). These core behavioral dimensions are bounded by the organization's social mission, its drive for sustainability, and by environmental dynamics. According to Weerawardena and Sullivan Mort, not-for-profit ventures are forced to be innovative in all their social value-creating activities due to increasing competitiveness. In addition, they find that the majority of interviewees perceived their organizations as innovative. A similar result is obtained by McDonald (McDonald, 2007), who subsequently shows that self-reported innovativeness is related to the actual number of innovations developed and adopted. This finding indicates that the respondents had a reasonably good idea of how innovative their institutions were in comparison with competitors. Where Weerawardena and Sullivan Mort discuss social entrepreneurship from a broad spectrum, the focus of McDonald's study is smaller and considers the relation between innovation and the (non-profit) organization's mission. The main finding of the research is that the mission influences the development and adaptation of innovations. Mission-driven non-profit organizations are more likely to develop and adopt innovations faster than competitors. Turner and Martin (2005) focus on different levels of orientation towards innovation: (1) pioneers, i.e., cases that had developed new ways of working with disaffected young people; (2) early adopters, i.e., cases that tended to be highly receptive to innovative approaches developed by others; (3) risk adverse projects, i.e., cases that were slow to adopt new ways of working and tended to minimize efforts; and (4) resisters, i.e., cases that actively opposed innovations being imposed on them. A final study arrives at a categorization of three types of innovations from a comparative analysis of established and successful social entrepreneurs. The types of innovation include (1) increasing the capacities of local actors in solving their own problems; (2) disseminating a package of innovations to serve a widely distributed need; and (3) building a movement to challenge the structural causes of social problems (Alvord *et al.*, 2004).

Scaling. Alvord, Brown, and Letts (2004) find three scaling patterns—describing the increasing impact of a social venture—that correlate with the above-mentioned innovation types. Organizations that apply the first type of innovation (i.e., capacity building) are increasing social value creation by expanding coverage to provide services and benefits to more people. The second type of innovation, package-disseminating programs, is concerned with expanding functions and services to their initial target groups. Finally, movement-building initiatives tend to scale impact indirectly by initiating activities that change the behavior of other actors with wide impact (Alvord *et al.*, 2004). Another scaling strategy is franchising, which is the subject of a study by Tracey and Jarvis (2007). According to this study, social venture franchising, like business format franchising, is mainly driven by a

shortage of resources for expansion. Franchising allows for increased access to resources including capital, managerial expertise, and local knowledge. Like their business counterparts, social venture franchisors are unlikely to repurchase outlets over time due to a preference for local ownership. Finally, the study's findings suggest that the cost of selecting franchisees and the cost for dual goal alignment will be higher for social venture franchising than those of business format franchising (Tracey and Jarvis, 2007). The case study of Dixon and Clifford (2007) considers social franchising as a social venture strategy to create an economically viable business whilst retaining environmental and social values. The model facilitates rapid dissemination of the vision at relatively low risk and minimizes the acquisition of expensive assets at the same time (Dixon and Clifford, 2007).

Networking. The importance of networking was already addressed at the individual level and re-occurs as a theme at the process level. Several studies pay significant attention to this subject. The Sharir and Lerner study identifies long-term co-operation as one of the variables that contribute to a venture's success. In the same vein, Nel and McQuaid (2002) stress the importance of overall levels of social capital required to sustain and develop local economic development initiatives. Dixon and Clifford (2007) recognize in their single case study the formation of symbiotic relationships with a range of organizations as an integral part of the business model. Similarly, Spear (2006) acknowledges in his analysis of six UK cases that external stakeholders (including customers) are closely and essentially involved. Whereas the former three studies primarily highlight the importance of networks and social capital, Haugh (2007) highlights in her stage model approach that both resource acquisition and network creation precede formal venture creation. She distinguishes between two networks that both contribute resources to the new community-led social venture and assist progression through the stages: a formal support network and a tailor-made support network. The formal network consists of organizations with economic development responsibilities such as central government, local authority, and community development workers in other communities. The tailor-made support network operates as a network filter and refines the network to members that are useful in terms of their contributions to furthering the organization's purpose. This latter network consists of those involved in the community enterprise and who contribute something of value, such as resources, knowledge, information, or expertise (Haugh, 2007).

Process traits. Three studies conclude that the entrepreneurial process is not a predetermined or fixed one and use expressions like "bricolage", "make do" (Mair and Martí, 2009), and "learn as you go" (Raufflet and Gurgel do Amaral, 2007). In particular, Mair and Martí address the exploitation of opportunities as "the continuous combination, re-combination and re-deployment of different practices, organizational forms, physical resources, and institutions." (Mair and Martí, 2009:431). This process of "making do" or "bricolage" consists of three under-explored aspects. First, the work of the social entrepreneur continuously requires

one to make sense of the “contradictions, ambiguities and gaps”. Second, the work of social entrepreneurs is seldom accepted without resistance from various actors at different stages of the process. Mair and Marti conclude that the process is inherently political in nature. Third, they draw attention to the existing (and often overlooked) unintended and potentially negative consequences of the process of opportunity exploitation. According to Raufflet and Gurgel do Amaral (2007), the flexibility and the “learn as you go” approach is key elements in the success of the investigated case study. “From the beginning, adopting a ‘learn as you go’ approach, coupled with a truly entrepreneurial culture – business people, experts on children’s issues, and artists, all linked by the desire to change the status quo – made it possible for the Foundation to achieve and implement a modern approach to social programs. The Foundation’s strategic orientation and its roles emerged, one by one, along the way.” (Raufflet and Gurgel do Amaral, 2007:127). Finally, Nel and McQuaid (2002) consider the process of a local economic development initiative as one that evolves and alters as contextual and localized factors change and the initiative matures. In addition, a key lesson these latter authors discern is that the process of the creation of local development initiatives is to be considered as a long-term, drawn-out, and time-consuming one. This lesson is in line with one of the findings of Leeming (2002), who states that the development of a community-based enterprise is not a quick fix and that it can take ten years to become properly established and produce tangible results (Leeming, 2002).

Risk. Although risk and bearing risk rank among the key defining features of entrepreneurship, they are hardly subject to investigation in the selection of articles analyzed herein. Only Weerawardena and Sullivan Mort (2006) and Vidal (2005) explicitly address the subject of risk. Both studies find that social entrepreneurs’ behavior towards risk has a clear focus on the sustainability of the organization. According to Weerawardena and Sullivan Mort, this focus involves both attracting resources and resource commitments to employees and customers. The focus on the viability of the venture distinguishes not-for-profit entrepreneurs from their for-profit counterparts. While for-profit entrepreneurs have access to multiple sources of funding, social entrepreneurs are constrained in generating funds, which makes managing risk to sustain the organization a crucial operational activity (Weerawardena and Sullivan Mort, 2006). In the same vein, Vidal (2005) finds that work-integration social entrepreneurs are aware that the sustainability of the company depends greatly on their own efforts, as banks are reluctant to lend to them.

2.4.4. Organization: social enterprise

The social enterprise can be considered as the outcome of entrepreneurial behavior; it encompasses what is being created. This component of Gartner’s framework entails characteristics of social enterprises or social ventures such as internal organization, structure, strategy elements, and governance. The findings of the studies in our sample that have the organiza-

tion component as one of their major research themes are presented along two lines: (1) strategy elements (i.e., mission, goals, and impact) and (2) internal organizational characteristics (i.e., governance, resources, legal form, learning, and monitoring). As remarked in our conceptual review, the main commonality between the different schools of thought is that they all stress the importance of the creation of social value and impact. The empirical findings concerning social value creation and social impact are described below and labeled ‘strategy elements’. It seems that studies from the Social Enterprise tradition dominate empirical research under this label. Although this may not be that surprising taking the origins of this tradition (i.e. trying to guarantee continuity of operations) into account, it is surprising to observe that studies exploring the availability of resources and resource strategies are not dominated by the Social Enterprise tradition for which this theme is one of the defining features. With regard to organizational characteristics, some of the themes that emerged from our analysis of empirical findings are closely related to the distinguishing features of the different traditions such as governance, legal structure and resources. Despite the limited number of studies from the EMES tradition within our sample, it is in line with our expectations that they consider governance.

The empirical findings regarding strategy elements and internal organizational characteristics are summarized below.

Strategy elements.

Mission. Despite the differences between the various schools of thought within the field of social entrepreneurship, there is agreement on the emphasis on the social mission as the *raison d’être* of a social enterprise. The case study by Dixon and Clifford (2007) illustrates this and gives a role of great significance to the organization’s mission, which “acts a lodestar for determining the company’s overall direction and its culture” (Dixon and Clifford, 2007:341). This equally holds for the relation between the role of the non-profit organization’s mission and innovation, as discussed earlier. In contrast with the long held view that the social mission is sacred, the role of the mission must be understood within the competitive environment within which the organizations operate. The entrepreneurial process is indeed responsive to and bounded by the social mission, but the mission must simultaneously be understood within its competitive environment and the drive for a sustainable enterprise (Weerawardena and Sullivan Mort, 2006).

Goals. In turning our focus from mission to goals, it is remarkable to see that within this theme, the aim to sustain the enterprise receives the most attention and that any findings on social goals are lacking. The theme of sustainability and viability emerged earlier with regard to the social entrepreneurs’ behavior towards risk (Vidal, 2005; Weerawardena and Sullivan Mort, 2006). Apparently, this theme is of significance to social enterprises and may be

explained by a high number of non-profits and publicly owned enterprises in the samples of the reviewed articles. Being dependant on funding arrangements that subsidize the venture entails the risk of failure once funding stops and the need to avoid the loss of funding develops. Sharir and Lerner (2006) identified “standing the market test”, i.e., reducing the dependence on government as well as on other single stakeholders by generating independent revenue streams, as one of the success factors of a social enterprise. Being more “business-like” or entrepreneurial seems, once again, to be the ultimate aim. Understanding what business-like behavior comprises in a non-profit organization is the purpose of a study by Dart (2004). The study concludes that being business-like is broader than pursuing business-like goals such as generating revenues, profit, or financial surpluses to guarantee an independent revenue stream. Other business-like behavior may come in terms of (1) service delivery, i.e., how service delivery was (re)structured in order to become more effective and efficient; (2) organizational-level management, i.e., how managers manage their agendas and are fully accountable for the results; and (3) rhetoric, i.e., how business terminology is used. Luke and Vereynne (2006) explored a government's approach to fostering entrepreneurship within the public sector and identified six themes that have contributed to the success of establishing and sustaining the aim of being entrepreneurial. These themes are operational excellence, cost minimization, transfer and application of knowledge, confidence, people, and branding. Except for the last one, all of these themes involve organizational elements.

Impact. Even though the impact of social enterprises has attracted attention within research on social entrepreneurship, this is not reflected in the empirical studies of our sample. Only the study by Alvord, Brown, and Letts (2004) explores the primary areas of impact of the social enterprises under study. They distinguish between three areas of social impact: economic, cultural and political. The most common areas of social impact for the target groups are the economic and cultural arenas, while impact in the political arena is less common.

Internal organizational characteristics

The internal organizational characteristics explored in the different articles are clustered around five themes: governance, resources, legal form, learning and monitoring.

Governance. The governance of the fifteen work-integration social enterprises in a study by Vidal (2005) is mainly based on the “one person, one vote” principle and, to a lesser extent, on consensus. She discovered that ownership of capital is important but that other stakeholders such as collectives and interest groups participate in the decision-making process. The governance differs between different types of work-integration social enterprises. In type A enterprises, ventures that act as an intermediary between disadvantaged workers and the normal labor market, it is common for their professionals and managers not to form part of

their governing bodies. In contrast, in type B enterprises, ventures that carry on productive activities themselves and thereby provide stable jobs for disadvantaged people, it is common for workers to form part of an enterprise's governing body. Sharir and Lerner (2006) measure governance by the involvement of board members in planning, decision-making, personal financial investment, and expanding the social network. They conclude that the lion's share of enterprises in their sample suffered from poor governance board performance and suggest that this was caused by the attempts of the social entrepreneur to retain implementative power (Sharir and Lerner, 2006).

Resources. Conventional entrepreneurs are said to not be confined by obstacles in regards to their aims. They will not limit their options because of insufficient resources, but rather they will creatively combine multiple sources. This seems to hold equally true for social entrepreneurs regarding resource scarcity. As expressed by Peredo, "social entrepreneurs decline to accept limitations in available resource" (Peredo and McLean, 2006, p.56). Dees concurs, finding that "social entrepreneurs act boldly without being limited by resources currently in hand" (Dees, 1998b, p.4). Several studies in our analysis confirm the resource scarcity circumstances facing social entrepreneurs. Part of the discussion on risk and the orientation of goals towards the sustainability and viability of social ventures is explained by resource scarcity. The study by Sharir and Lerner (2006) confirms the belief that social enterprises are hindered during their start-up stage by lack of access to capital. According to Purdue (2001), lack of resources hampered community leaders seeking to engage actively in connections with an extensive range of local community networks, which made it difficult for them to accumulate communal and social capital. Where some authors mainly stress the lack of resources, two studies look at resources from a different angle. First, Alvord, Brown, and Letts (2004) discover creative resource strategies applied by social entrepreneurs, probably in reaction to perceived resource scarcity. Instead of using outside resources, social entrepreneurs tend to mobilize local, existing assets of their clients, often marginalized groups, to improve their situation. Second, Haugh (2007) acknowledges 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. Only one study in our selection considered the type of resources at hand for social entrepreneurs, making a distinction between human resources and financial resources. Vidal (2006) observes a variety of formal and informal relations and types of contracts amongst her cases of work-integration social enterprises. First, from a human resource perspective, the study finds a direct relationship between the type of work-integration social enterprise and the need for voluntary resources. The more market-oriented social enterprises (type B) have greater professional resources and fewer volunteers in terms of both time and money. Social enterprises providing care-based and training services (type A) turned out to have a greater presence of volunteers in the workforce. In the latter type of enterprises, the user normally has a temporary relationship with the social enterprise, and a part-time

working week is the norm. In contrast, in type B enterprises, indefinite full-time employment contracts are the norm. Second, from a financial resource perspective, the same study finds that 80% of the income from the fifteen examined cases comes from the sale of goods and services, the remainder deriving from grants, subsidies, and fixed asset disposals. In addition, two thirds of the revenue stream generated by selling goods and services comes from the private sector with the remaining revenues coming from the public sector. These proportions vary with the type of social enterprise. The more market-oriented social enterprises mainly serve the conventional private sector, and the more care-based and training social enterprises supply local and regional authorities.

Legal form. Both Spear (2006) and Vidal (2005) found that social enterprises choose diverse legal forms. According to Vidal, who investigated Spanish social enterprises, the choice depends on local legislation. In addition, Vidal found that the legal form of the enterprise is not an indicator of single or multiple stakeholder structure. Spear determined that the choice for a legal form is not always rational and mediated through professionals, advisers, or support organizations. In the case of enterprises in transition from public to private forms, the choice for a legal form can even be an involuntary one.

Learning. Both Spear (2006) and Alvord, Brown, and Letts (2004) anticipated finding learning milieus in their respective samples of enterprises. All the initiatives investigated by the latter authors did indeed emphasize learning by their staff and clients. Organizations with the largest staff also turned out to have strong commitments to staff development in terms of resources devoted to organizational arrangements such as management systems, staff development, and performance evaluation systems (Alvord *et al.*, 2004). In contrast, Spear found that the learning networks were less well developed than expected and depended more on social capital within normal trading relations as well as on sympathetic stakeholders (Spear, 2006).

Monitoring. The social enterprise sector is increasingly subject to the need for greater professionalization and is expected to submit to intensive performance monitoring. According to the Sharir and Lerner study, monitoring and evaluation (e.g., the quality of planning and business plan formulation) are poorly developed in social enterprises. The lack of monitoring and evaluation even constrains the development of the sector (Sharir and Lerner, 2006). Turner and Martin (2005) conclude that the social enterprises in their sample face a significant challenge in relation to a fast-changing policy environment in improving their performance monitoring, which requires managerial skills that have not traditionally been seen as one of their strengths. It is interesting to note, in this respect, the article by Darby and Jenkins (2006), which is devoted to the process of developing and applying indicators to improve monitoring. Although the process entails both positive and negative aspects, their main findings concern

problems with organizational capacity affecting adaptability to change. Two capacity limitations mentioned by the authors are (1) internal communication between management and other staff members and (2) the need for new methods of record keeping and extraction. Opportunities are likely to arise from the development of monitoring indicators in the form of new and improved information to be used for purposes such as strategic decision making.

2.4.5. Environment

The fourth and last component of the Gartner framework is the environment in which a social enterprise is embedded and in which potential social entrepreneurs are attempting to establish new ventures. In strategy literature, two perspectives on the relationship between environment and organization exist: environmental determinism and strategic choice. Given the emphasis of the Social Innovation School on structural social change, questioning and changing the patterns and structures that caused social problems in the first place, one might expect that the strategic choice perspective would prevail. From our analysis, however, it shows that none of the analyzed studies that are classified under the heading “environment” takes a strategic choice perspective. The article by Mair and Marti might have been a potential exception since it addresses institutional arrangements as a source of opportunity identification and, simultaneously, as an object of change. As the focus of the article is on the process dimension, we did not classify this along the environmental dimension (Mair and Marti, 2009). All of the studies in this subsection employ a more deterministic view that is clearly illustrated by Weerawardena and Sullivan Mort (2006), who consider social entrepreneurship as highly responsive to and constrained by environmental dynamics. Our analysis of this perspective revealed two themes: environmental dynamics and support structures. The Social Enterprise tradition dominates the former theme. The latter theme is represented by a combination of the Social Enterprise tradition and the UK tradition. The remainder of this section is summarizing the findings from these two themes.

Environmental dynamics. Four studies address the interaction between social entrepreneurship and its environment. The first one mentioned herein is the study by Sharir and Lerner (2006) that argues that the acceptance of the idea of the social venture in the public discourse is one of the vocal variables that influence the success of a social entrepreneur. Lack of acceptance would imply a serious hurdle for a social enterprise to overcome. A second study is the one by Anderson, Dana, and Dana (2006) that explores business development activities of the indigenous people of Canada in their attempt to reassert their nationhood by claiming their traditional lands and the right to use the resources of those lands. The authors state that a shift in the policy of the Canadian federal government from contesting to negotiating indigenous claims to land, resources, and some form of “nationhood” opened opportunities for business development by indigenous people. The authors conclude that social entrepreneurship may be “an effective way for states to address the socioeconomic circumstances of its indigenous

people while at the same time addressing their ‘national aspirations’” (Anderson *et al.*, 2006:54). A third study within this theme is that of Phillips (2005), which explores the benefits and risks of applying social entrepreneurship as a strategy for NGOs in the Ukraine. One of the main conclusions is that “replicating” programs that have proven to be successful in Western countries need not be successful in a transforming an economy like Ukraine’s. “Without the local discourse of citizen entitlement and gender stereotypes, or the hostile business climate it is difficult to apply this strategy in the Ukraine environment.” (Phillips, 2005:260) Although the study concludes that training NGO leaders in developing business enterprises may benefit individual activists and NGOs in significant ways, social business is not a realistic option for certain types of organizations serving citizens that have already been marginalized in a liberal economy. A fourth protection of intellectual property rights, which results in a disincentive for innovators. Strategies applied by the entrepreneurs to overcome these barriers varied depending on the intensity of the barriers (Pastakia, 1998).

Support structures. Five studies pay attention, albeit from different angles, to the support of social enterprises and social entrepreneurs. Korosec and Berman (2006) focus on municipal support, Ndemo (2006) on support from church networks, Leeming (2002) on the necessity of advice structures (public or private), Sharir and Lerner (2006) on the need for a supportive network for access to capital, and Haugh and Rubery (2005) on support from the academic sector. In a quantitative study, Korosec and Berman find that cities vary greatly in their level of support for community social enterprises. Of the cities included in this study, one-third of them are classified as actively supporting private organizations (through activities such as information and community awareness building, coordination and support program implementation, and assistance in resource acquisition). One-fifth of the cases are classified as providing very little support. The authors find two problems that cities or jurisdictions that intend to increase their support face: (1) lack of data on the current support for social enterprises and (2) legal questions (e.g., is it appropriate to support faith-based enterprises with public funds?) and propriety questions (e.g., would support of this organization give the appearance of favoritism?) (Korosec and Berman, 2006). Ndemo explored the support structures provided by church networks or faith-based enterprises in Kenya and found two different strategic incubator models. Faith-based enterprises that support profit-making enterprises as alternatives to providing relief efforts either give rise to satellite centers or build individual subsistence centers. The faith-based enterprises provide support structures to both models through marketing (local and international), micro-finance, and training through church networks (Ndemo, 2006). One of the main lessons Leeming draws from her examination of business development experiences of two deprived communities in the UK is that social entrepreneurs suffer from a lack of a support infrastructure. More 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. Like the lack of resources addressed in the

previous section, this lack of infrastructure hinders entrepreneurs in their development and makes them “reinvent the wheel” time and again (Leeming, 2002). Although the cases of Sharir and Lerner are drawn from a different context, the authors arrive at a seemingly similar conclusion: there is a need for the establishment of a supportive environment. This incubator environment may “fulfil an intermediary function by providing training, technical advice, networking or financial planning to compensate for the social entrepreneur’s limited knowledge and expertise” (Sharir and Lerner, 2006:16). Finally, Haugh and Rubery (2005) identify the types of support available from the academic sector to help social entrepreneurs make the most of their community-based enterprises. They find that there is a need for targeted courses for the sector, given that community enterprises employ a combination of business skills, self-help, and community involvement methods to tackle problems of poverty, social exclusion, and deprivation and that such skills are not necessarily included in standard management and leadership courses. The authors review a wide range of courses available for community enterprise leaders in the UK and identify a gap in the provision of rigorous evidence-based learning. According to Haugh and Rubery “[t]here is virtually nothing on assessment of effectiveness or on the theoretical framework that might underpin entrepreneurial activity in the sector.” (Haugh and Rubery, 2005:891). Although this type of education and learning program can be developed, as the authors illustrate, a funding mechanism for higher education in the sector is still required.

2.5. Discussion and implications for future research

In the first section of this paper, we provided a conceptual review by exploring four schools of thought on social entrepreneurship aiming to unveil definitional ambiguities. The conceptual review together with our review of 31 empirical studies, offers a structure to reflect on the current state of empirical research of social entrepreneurship both on a methodological level and on content level and to discuss underexplored topics and future research opportunities.

2.5.1. Gauging the state of empirical research on a methodological level.

Social entrepreneurship is a young field of study (Dees and Battle Anderson, 2006; Dorado, 2006; Short *et al.*, 2009), and our review confirms its current stage of infancy. Having reviewed the extant empirical research, we discuss our findings that confirm this formative stage from a methodological perspective.

We observe a strong increase in the number of articles on social entrepreneurship that is both conceptual and empirical since the turn of the century, although the absolute and relative number of empirical studies remains limited. Two decades of conceptual exploration resulted in valuable contributions and gave rise to the emergence of different schools of thought, but this exploration did not provide unity in concept definition and boundary setting. Although the

lack of unity may be considered a hindrance for the development of social entrepreneurship as a field of scientific inquiry, it is debatable whether a single unified construct may ever be attained. As long as agreement on the concept is lacking, it is worth paying considerable attention to the explication of what social entrepreneurship entails when applying the concept. Surprisingly, this is not the case in all of the studies in this review. An inventory of the definitions used throughout the articles left us with several gaps, articles that did not provide a description of what was meant by social entrepreneurship, social entrepreneur, or social enterprise. Even though the lack of unity in concept formation is a hindrance for rigorous theory testing and theory building, the formulation of a systematized concept suitable for empirical research can be improved by explicating the defining characteristics, such as the ones used to describe the different schools of thought (Adock and Collier, 2001).

Concerning the type of research applied in our sample, a qualitative research approach is evidently dominant. New insights might be gained by applying a quantitative research approach more frequently. Doing this calls for at least two requirements. The first requirement (continuing our previous argument) is the formulation of a systematized concept. Although both qualitative and quantitative research requires unambiguous formulation of key concepts, operationalisation of these concepts into measurable indicators is a necessity for quantitative research. A second requirement is the availability of data and, this is still rather problematic, a difficulty we have experienced ourselves. Not surprisingly, all four quantitative studies in our sample are based on primary data. The perceived absence of secondary data can be considered another indicator for the current stage of development of social entrepreneurship, and this might change when policymakers and researchers start to collect and disseminate data. Until that time, a data availability bias may be unavoidable.

In addition to the type of research, inquiries suffer from a uniformity of methods, and a case study design reigns. Consider as an illustration the limited number of studies that applied a grounded theory methodology. It is surprising to see that in a relatively new research field, only three of the studies apply a grounded theory methodology. Applying more grounded theory could divulge unique aspects of social entrepreneurship. Instead, most of the studies emphasize strategic management and entrepreneurship as their knowledge foundation (Short *et al.*, 2009). Approaching social entrepreneurship from these perspectives may restrict the research domain and limit what we observe to what we already know. Overall, applying more diversity in research design may stimulate the field of social entrepreneurship to move forward.

2.5.2. Gauging the content of empirical research and implications for future research

At this point, we will reflect on our analysis of the content of the 31 empirical studies in our sample and use each of the schools of thought and its corresponding key distinctions as a point of departure for our discussion. In addition, future research topics are identified and summarized in Table 2.4.

The defining characteristics of the Innovation School of thought are twofold: (1) the individual social entrepreneur who is assigned a series of exceptional qualities and (2) innovation in order to bring about structural social change. The empirical results on the individual level neither confirm nor deny the presence of exceptional qualities that the Social Innovation School tends to assign to social entrepreneurs. Apart from some specific motives and use of language, social entrepreneurs do not seem to be very different from their commercial counterparts. In fact, current research provides little insight on the individual entrepreneur compared with the findings obtained for popular themes in research on conventional entrepreneurship such as demographics, personality characteristics, attitudes towards risk and financial rewards, and educational experiences. The typology of social entrepreneurs as suggested by Zahra *et al.* (2009) can serve as a means to further distinguish between different types of social entrepreneurs. An additional research opportunity is the exploration of the specific motives of social entrepreneurs (i.e., meeting collective needs and obligations to the community) in more detail. These motives seem to be at odds with the rational self-interest paradigm that dominates conventional entrepreneurship literature. The knowledge that true altruism (i.e. acting with the goal of benefiting another), exists as a part of human nature has not yet altered entrepreneurship theories (Van de Ven, Sapienza, and Villanueva, 2007). Examining the behavior and motives of social entrepreneurs offers an opportunity to test and enrich such theories as rational choice and explore the simultaneous pursuit of self- and collective interests. Furthermore, a closer look at the samples of the studies in our review reveals that they all use active social entrepreneurs as their subject of inquiry. None of the studies explore potential social entrepreneurs, entrepreneurs who tried to start a social enterprise but gave up, or former social entrepreneurs. Including these categories in empirical research would enrich our knowledge of the individual and could be beneficial to policymakers attempting to stimulate social entrepreneurship.

With regard to innovation (the second defining characteristic of the Social Innovation School), some studies captured this topic, but extensive empirical research remains scarce. Especially within this particular school, the absence of research on disruptive change, addressing and changing the structures that caused social and environmental problems in the first place, is a glaring omission. Addressing this void is of considerable practical relevance. More than ever, we are confronted with persistent problems such as widespread disparity of

income, extreme poverty, and environmental problems, in need of the alternative approaches that social entrepreneurs are said to provide but of which we know very few. Studying successful cases of entrepreneurs who have been able to affect disruptive and incremental innovations, create the factors promoting change, or stimulate the diffusion of innovations are just a few of the topics at hand.

When it comes to the Social Enterprise school of thought, our analysis reveals that this school is well represented in our sample (9 out of 31 studies) and covers all four perspectives of the framework of Gartner. Two defining characteristics of this research tradition are again interesting to compare to our research findings: (1) earned income strategies and (2) the non-distribution constraint. Earning a commercial income in the market and becoming or staying independent from grants and subsidies is one of the fundamentals of the Social Enterprise school of thought. Surprisingly, earned income and income strategies seem to be completely absent from the reviewed articles irrespective of their research tradition. Vidal (2005) is the exception and presents some statistics on the proportions of earned incomes as compared to grants and subsidies. Reflecting on this subject from a broader perspective leads to an additional under-examined subject concerning funding and revenue streams. Several authors in our sample mentioned the lack of access to start-up capital, but examination of institutional forces at play and alternative financial resources for social entrepreneurs is left aside. In this respect, it is worth mentioning the recently introduced “social stock exchanges”, capital markets that connect donors and investors with non-profit and for-profit businesses with a social mission. Brazil’s Social and Environmental Stock Exchange, for example, is connected with the Bovespa Index, the traditional São Paulo market, and has raised more than \$5 million for dozens of social initiatives (Elkington and Hartigan, 2008; Paskin, 2009). Similar initiatives are in place in Europe, North America, and South Africa. The emergence of this new type of capital market raises questions about the malfunctioning of traditional markets for both investors and entrepreneurs, in general, and for social entrepreneurs and social investors, in particular, and suggests a direction for future research.

We encounter another gap when considering the second key characteristic of the Social Enterprise School, namely, limited or complete profit distribution. None of the empirical studies pay attention to this subject, despite the fact that the effects of the constraints on otherwise presumed profit-maximizing behaviors are interesting, especially in light of the current discussions on misconduct in profit maximizing behavior by commercial enterprises. Theoretical work on a profit non-distribution constraint and the survival and competitive edge of social enterprises, such as the contributions of Francois (2003) and Glaeser and Shleifer (2001), could serve as a basis for empirical assessment.

As for the EMES approach, governance is a distinction of great importance as is reflected in their definition of social enterprise: an initiative launched by a group of people; characterized by a high degree of autonomy or independence from public subsidies or other organizations; decision-making power not based on capital ownership; and involving various parties affected by the activities of the enterprise. We foresee in this particular topic an interesting opportunity for non-social enterprises to learn from their social counterparts. Commercial enterprises are increasingly confronted with stakeholder issues and stakeholder influence on decision making, for example, from a corporate social responsibility perspective. The interrelatedness of simultaneously serving multiple stakeholders and multiple goals offers great challenges for both conventional and social entrepreneurs. These issues are by definition incorporated in social enterprises as far as the EMES approach is concerned and can serve as fruitful sources for theory building and theory testing purposes (examining, for example, the agency theory and goal setting theory).

The defining distinction of the UK approach is not a single characteristic that sets it apart from the other schools of thought. The wide scope of the construct and, hence, the flexibility of the approach is what makes it distinct from other traditions. The discussion so far in this final section has focused on an individual and on an organizational level of analysis. With regard to the UK approach, we would like to switch to a macro or aggregate level of analysis. Research on a national, regional, and even a sectoral level is completely lacking in our inventory of research findings, and the achievement of the UK in putting “social entrepreneurship” successfully on top of the agenda offers a chance to address this void. Evaluation of current UK policies, the factors obstructing and promoting policy implementation, and possibilities for replication are particularly relevant for policymakers. Even on a more basic level, it is worthwhile to explore the actual degree of social entrepreneurial activity in a country, as well as potential differences and determinants that might explain these differences. Although some insights regarding the level of social entrepreneurial activity are available for the UK (Harding and Cowling, 2006), this is not the case for other countries. Actually, the macro level of analysis opens a new field of unexplored research opportunities concerning subjects such as employment, investments, policy formation, and service provision.

In all, it is an understatement to say that the emerging field of social entrepreneurship offers a fertile source for future research opportunities. In our discussion, we have provided structure for some of these opportunities by concentrating on the key characteristics of the various schools of thought and emphasizing potential topics that are appropriate for empirical assessment.

Table 2.4 Research opportunities organized by defining characteristics of the various schools of thought.

School of thought	Key distinction	Potential topics
Social Innovation School of thought	Level of observation; individual	<ul style="list-style-type: none"> - Basic demographics including educational experiences - Attitudes versus risk and financial rewards - Self vs. collective interests
	Innovation	<ul style="list-style-type: none"> - Sources of innovation - Factors stimulating the diffusion of innovation - Disruptive vs. incremental innovation
Social Enterprise school of thought	Earned income strategies	<ul style="list-style-type: none"> - Types of income strategies and effectiveness - Institutional and cultural forces at play that cause a lack of access to capital - Emergence and functioning of social stock exchanges
	Non-distribution constraint	<ul style="list-style-type: none"> - Effectiveness of the non-distribution constraint on (profit -maximizing) behavior - Workability of constraints - Use of surplus income
EMES approach	Multiple stakeholder involvement	<ul style="list-style-type: none"> - (Team-based) leadership in social enterprises - Decision-making dynamics not based on capital ownership - Multiple stakeholder- multiple goals - Involving clients or beneficiaries in the primary organizational processes
UK approach	<i>Macro-level</i>	<ul style="list-style-type: none"> - Evaluation of current UK policies - Replicable and unique elements of UK policies - Cross-country comparison of level of social entrepreneurial activity and determinants

2.6. Conclusions

The primary objective of this paper is to gauge the current state of empirical research on social entrepreneurship and to highlight potential areas for future theory building and theory testing. We review 31 articles and performed an analysis on a general methodological level and on a content level. In addition, we explore four schools of thought on social entrepreneurship to unveil definitional ambiguities and to provide a background against which to interpret the articles. Our final objective is to identify research omissions and to generate suggestions for future research.

The analysis of our sample confirms the stage of infancy of social entrepreneurship research as a field of scientific inquiry. The findings at this level can be summarized as follows: there are a limited number of empirical studies with a limited quantitative research approach mainly of an exploratory type; rigorous hypothesis testing is lacking; little variety in research design is applied; the use of primary data prevails; and research is based on relatively small sample sizes.

On a content level, we review the inquiries in our sample and classify them along two lines: four dimensions (i.e. individual, process, organization, and environment) and four schools of thought (i.e.: Social Innovation School of thought, Social Enterprise School of thought, EMES approach, and the UK approach). Within each dimension, the empirical insights from the articles are clustered along emerging themes. We observe that none of the dimensions are underrepresented and that each of them reveals several themes. This indicates that the present body of empirical knowledge on social entrepreneurship covers a broad spectrum of subjects. At the same time, most of the themes are addressed by only a few studies that use very different samples. This implies that the current state of empirical research offers a modest basis for further theory building and testing purposes. Obviously, a young field of study such as social entrepreneurship needs rigorous empirical assessments to evolve, while this necessity suggests an abundance of research opportunities. After two decades of conceptual exploration that has resulted in valuable contributions and distinguishable schools of thought, we have sufficient input to construct an unambiguous definition that can serve as a foundation for future empirical research. An undeveloped domain that has the potential for this research field to advance is quantitative research. Since “conceptualization stands prior to quantification” (Sartori, 1970), the time seems ripe for a next step in the lifecycle of social entrepreneurship as a research field theory of occupational choice has dominated the investigations of the entrepreneurship (self-employment) decision (Parker, 2004; Grilo and Thurik, 2008).

Appendix

List of articles used in this review:

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Prevalence and determinants of social entrepreneurship at the macro-level 3

Abstract: This chapter deals with the prevalence and drivers of social entrepreneurship across countries. Unique large-scale and internationally comparable data from the Global Entrepreneurship Monitor (GEM) 2009 covering 49 countries at different stages of development are used as our main data source. Hypotheses are generated from a multitude of theoretical perspectives including the failure thesis, interdependence theory, welfare state theory and supply-side theory. As regards the antecedents of the occurrence of social entrepreneurship, our findings suggest above all that social entrepreneurship is a phenomenon driven by wealth. In addition, we find a positive association between government expenditure on welfare and the prevalence of social entrepreneurship which assumes a relation of interdependence and partnership between government and social organizations. This finding supports the interdependence theory. With respect to cultural values, we postulate that a society's level of individualism can be considered to be a driver of social entrepreneurship. This suggests that in societies where ties between individuals are loose, social entrepreneurship is more widespread.

This chapter is based on:

Hoogendoorn, B., and Hartog, C. M. (2010). Prevalence and determinants of social entrepreneurship at the macro-level. Research Report H201022, Zoetermeer, The Netherlands: EIM.

3.1. Introduction

A growing awareness of the increasing disparity in wealth distribution, the discrepancy in access to opportunities, and a mounting concern for the environment, has led to increased attention for social entrepreneurship. Social entrepreneurs are increasingly acknowledged for offering solutions to complex and persistent social problems throughout the globe (Kerlin, 2009; Martin and Osberg, 2007; Zahra *et al.*, 2009). In developing and emerging economies, social entrepreneurs have become change agents that address basic and pressing needs such as health care, access to water and sanitation. At the same time, social entrepreneurs in more developed countries provide innovative business models to regenerate deprived communities, provide services and jobs for disabled people and waste recycling and nature protection (Bosma and Levie, 2010). However, despite a growing recognition of social entrepreneurship, there is a lack of understanding of the prevalence and drivers of this type of entrepreneurial activity. This holds in particular in a cross-country setting representing a multiplicity of socio-economic contexts.

This void in the literature is not surprising given the fact that social entrepreneurship is an ill-defined concept (Mair and Marti, 2006; Short *et al.*, 2009; Zahra *et al.*, 2009) covering a wide variety of activities and representing different models worldwide (Kerlin, 2009; Nicholls and Cho, 2006). The different notions of social entrepreneurship include: non-profit organizations that apply business expertise to become independent of grants and subsidies (Boschee and McClurg, 2003; Reis and Clohesy, 2001; Thompson, 2002); for-profit businesses that offer innovative solutions for persistent social, economic and ecological problems using market-based models (Dees and Battle Anderson, 2006; Dorado, 2006) and hybrid organizations aiming to achieve social impact while maintaining a sustainable business model (Alter, 2007; Nicholls and Cho, 2006; Thompson *et al.*, 2000). Moreover and closely related to the definitional complexity, a lack of harmonized and international comparable data has hindered attempts to address this research gap.

The aim of this paper is to increase our understanding of the prevalence and drivers of social entrepreneurship at a country level. In the absence of hypotheses on the variation in the rate of social entrepreneurship across countries, we draw on assumptions and insights from entrepreneurship literature and non-profit literature. By using regression analyses, theoretical perspectives are examined such as the failure thesis, interdependence theory, welfare state theory, and supply-side theory. As our main data source we use the Adult Population Survey (APS) from the Global Entrepreneurship Monitor (GEM) 2009 covering 49 countries at different stages of economic development.

For this purpose we define social entrepreneurship as follows: *social entrepreneurship concerns individuals or organizations engaged in entrepreneurial activities with a social goal* (Bosma and Levie, 2010). In addition, we introduce two measures of social entrepreneurship which have the potential to capture some of the different dynamics and characteristics inherent to this complex concept: “social business entrepreneurs” (i.e., social entrepreneurs actively involved in starting or owning-managing *a business* with a particularly social, environmental or community objective) and “social initiators” (i.e., social entrepreneurs actively involved in *any kind of activity or initiative* that has a particularly social, environmental or community objective).

The contribution of the present research to the literature is threefold. First, it provides insights into the drivers of social entrepreneurial activity across countries using large-scale and internationally comparable data in a research domain dominated by case-study designs. Second, we test several existing theories and assess whether these theories apply to social entrepreneurship. Finally, by introducing two notions of social entrepreneurship, we contribute by differentiating between various activities captured by the label ‘social entrepreneurship’.

Understanding what makes some countries or regions more social entrepreneurial than others is particularly relevant as many governments attach high hopes to the potential of social entrepreneurship to solve some of the pressing problems of our times against the background of diminishing budgets. Moreover, the number of social enterprises can be substantial and therefore understanding the drivers of this type of activity is of interest for policy-makers from an employment, investments and service provision perspective. In addition, these insights are relevant for private support organizations and individuals stimulating the strategic development of social entrepreneurship such as promotion and the creation and improvement of sector infrastructure.

Our results reveal that the prevalence rates of social entrepreneurship range from 0.1% to 4.3% with worldwide 1.8% of the adult population involved in the early stages of social entrepreneurial activities. As regards the antecedents of the variation of this rate of social entrepreneurship across countries, our findings suggest above all that social entrepreneurship is a phenomenon driven by wealth: the higher a society’s per capita income, the higher the level of social entrepreneurship. In addition, we find a positive association between government expenditure on welfare and the prevalence of social entrepreneurship which assumes a relation of partnership between the government and social organizations. This finding supports the interdependence theory. No support is found that the prevalence of social entrepreneurship is related to a society’s entrepreneurial spirit or to a society’s degree of postmaterialism. Instead, a society’s level of individualism can be considered a driver of social entrepreneurship. This latter finding suggests that in societies where ties between individuals are loose,

social entrepreneurship is more widespread and in more collectivist society's social services are provided by informal sources such as extended families.

This paper is organized as follows. The next section provides a literature background and introduces a definition of social entrepreneurship as applied throughout this study. Section 3.3 presents several theoretical perspectives including the failure thesis, interdependence theory, welfare state theory and supply-side theory, relates them to social entrepreneurship and formulates hypotheses. Section 3.4 describes our main data source, introduces different measures of social entrepreneurship and explores national level prevalence rates for our sample of 49 countries. Section 3.5 describes the methodology and presents the results. The discussion and the conclusion are presented in section 3.6 and 3.7 respectively.

3.2. Background

Much work on social entrepreneurship has focused on defining the concept (Hoogendoorn *et al.*, 2010; Short *et al.*, 2009)³⁵. As mentioned in the introduction, this ongoing debate stems from the observation that social entrepreneurship covers a wide variety of activities, and can be approached from many perspectives (Kerlin, 2009; Mair and Martí, 2006; Nicholls and Cho, 2006; Short *et al.*, 2009; Zahra *et al.*, 2009). According to recent literature reviews, the few empirical studies are characterized by a micro-level perspective with a case-study design or small sample sizes and have therefore not yet provided generalizable results (Hoogendoorn *et al.*, 2010; Short *et al.*, 2009). Macro-level studies, however, are scarce and, like research at the micro-level, mainly qualitative. For example, Borzaga and Defourny (2001) explore the characteristics and future prospects of European social enterprises by analyzing fifteen single country studies; Nyssens (2006) focuses on governance issues and public policies in several European countries; and Kerlin (2009) gives an extensive description of the social origins of social enterprise in seven regions across the globe.

In spite of these contributions, quantitative cross-national studies of the actual level and determinants of social entrepreneurship activities are scarce. The following factors have, however, been suggested to at least be of influence on cross-country variations of the level of social entrepreneurial activities: (1) the prevalence of social and environmental problems (Elkington and Hartigan, 2008; Zahra *et al.*, 2008); (2) differences in the welfare states and the third sector (Borzaga and Defourny, 2001; Elkington and Hartigan, 2008; Kerlin, 2009); (3) favorable legal and tax regimes (Borzaga and Defourny, 2001; Elkington and Hartigan, 2008); (4) the level of development of economic and social systems (Borzaga and Defourny, 2001); and (5) a culture encouraging entrepreneurship (Elkington and Hartigan, 2008). Despite these

³⁵ Comprehensive overviews of definitions of social entrepreneurship have recently been given by Dacin *et al.* (2010) and Zahra *et al.* (2009).

suggested factors, it is noteworthy here that none of these studies quantify the prevalence. The few studies that do quantify the level of social entrepreneurial activity, take a single country perspective (Harding and Cowling, 2006; Urban, 2008). An exception is the first global survey on social entrepreneurship conducted by the Global Entrepreneurship Monitor (GEM). The 2009 GEM annual report (Bosma and Levie, 2010) is, however, descriptive in nature and does not aim to explain country variations.

One perspective to explore social entrepreneurship at the aggregate level is by perceiving it as an activity that comes into existence at the intersection of market, state and civil society (Figure 3.1).³⁶ This perspective allows the definition of social entrepreneurship vis-à-vis its related fields. The next subsection briefly describes this view and subsequently concludes by introducing the definition of social entrepreneurship as used in the remainder of this paper.

3.2.1. Social entrepreneurship and related fields

Social entrepreneurship represents different models throughout the world. Kerlin (2009) demonstrates, drawing on social origins theory, that a region's history can shape socio-economic conditions that influence the emergence and characteristics of social entrepreneurial activity. Both Kerlin (2006a; 2009) and Nicholls (2006a, 2006b) demonstrate that various models of social entrepreneurship emerge from different points of origin across the junctions of state, market and civil society³⁷ with their own institutions, guiding principles, and logic.³⁸ In the United States for example, social entrepreneurship emerges at the crossing of market and civil society against the background of a strong but reluctant state and a long tradition of market reliance. In Latin America, on the other hand, social entrepreneurship and co-operative models of social businesses are more or less positioned at the same crossing as the United States but for different reasons. In the Southern part of the American continent, social entrepreneurship is even more strongly associated with civil society since both the public and the private sectors are less well developed and problems such as poverty and production conditions are poorly addressed. In Europe, in contrast, social entrepreneurship is strongly

³⁶ In line with Pestoff (1992) we use the term 'civil society' as a combination of the third sector and the community (Pestoff, 1992).

³⁷ According to Salamon *et al.* (2003), civil society organizations are private in character and not part of the governmental apparatus. In addition, they are, unlike private institutions, not primarily commercial but serving some public or community purpose without generating profits for those involved in them, such as directors or owners. The civil society sector refers to a broad spectrum of organization including registered charities, development non-governmental organizations, community groups, women's organizations, faith-based organizations, professional associations, trades unions, self-help groups, social movements, business associations, coalitions and advocacy groups.

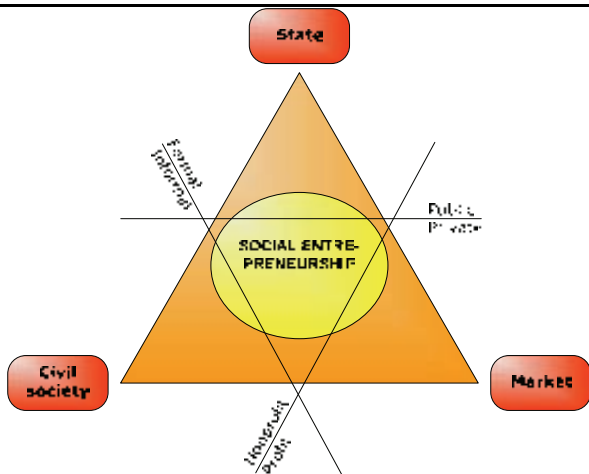
³⁸ The intermediate space at the crossroad of state, market and community has been claimed to represent: associations (Streeck and Schmitter, 1985); third sector (Evers and Laville, 2004; Pestoff, 1992); civil society (Anderson *et al.*, 2006); social business entrepreneurs (Kievit *et al.*, 2008); social economy which incorporates social enterprise (Defourny, 2009; Nyssens, 2006); and social entrepreneurship (Nicholls, 2006a; Nicholls, 2006b).

supported by local government and European Union policy. This is evident for example at a European level where the European Commission executes a policy towards ‘social economy’ enterprises aiming to guarantee a “playing field in which they can compete effectively in their markets and on equal terms with other forms of enterprise, without any regulatory discrimination and respecting their particular principles, modus operandi, needs, particular goals, ethos and working style” (European Commission, 2009; Kerlin, 2009).

Figure 3.1 visualizes that the boundaries of social entrepreneurship with its related field are not unambiguous; social entrepreneurship entails a mixture of formal and informal, public and private, and non-profit and profit activities. Not surprisingly, a range of closely related concepts thwarts defining social entrepreneurship. These related concepts include: non-market entrepreneurship (Shockley *et al.*, 2008), non-profit institutions (Nissan *et al.*, 2010; United Nations, 2003), sustainable entrepreneurship (York and Venkataraman, 2010) and CSR practice (Garriga and Melé, 2004; Van Marrewijk, 2003), and third sector and social economy (Anheier and Ben-Ner, 1997; Nyssens, 2006). As specific theories with regards to the drivers of social entrepreneurship at the macro-level are not available, we draw on theories and insights from these related fields to formulate and test hypotheses. In particular, we focus on non-profit literature and entrepreneurship literature.

In the next section we investigate several theories from these fields, relate them to social entrepreneurship and formulate hypotheses. But first, we define social entrepreneurship as used throughout the remainder of this paper.

Figure 3.1. Social entrepreneurship at the intersection of market, state and civil society.



Source: Based on Pestoff (1992).

3.2.2. Defining social entrepreneurship

For the sake of the international comparative perspective of this study we need a definition of social entrepreneurship at a high level of abstraction which captures regional differences in what the term means and how it is supported and developed. By sacrificing specificity (i.e., properties and characteristics) we increase the universal applicability of the concept (Sartori, 1970). Therefore, we define social entrepreneurship as follows: *social entrepreneurship concerns individuals or organizations engaged in entrepreneurial activities with a social goal* (Bosma and Levie, 2010). This definition entails four operational features: individuals, organizations, entrepreneurial activities and social goals.

Including both *individuals* and *organizations* implies that we consider activities that have some structure and stability to their operations (i.e., informal and formally constituted organizations) and activities initiated and launched by individuals not necessarily within an organizational context. By *entrepreneurial activities* we refer to entrepreneurship as a process ((Bosma and Levie, 2010; Van der Zwan *et al.*, 2010) including both a process of discovering, evaluating and pursuing opportunities (Shane and Venkataraman, 2000) as well as a process of new business creation (Gartner, 1990). More specifically and in line with our main data source, we measure entrepreneurship as the share of the adult population that is “in the process of setting up a business they will (partly) own and/or [that is] currently owning and managing an operating young business” (Reynolds *et al.*, 2005, p. 209). *Social goals* refer to the enhancement of social wealth creation, as opposed to private wealth creation, and the desire to benefit society in some way. Social wealth creation is the contribution of the individual’s entrepreneurial effort to the broader society such as the provision of clean water and education to deprived communities, empowerment of women, and providing jobs for disabled people. In line with Zahra *et al.* (2009) social wealth can be defined as the result of social value created offset by social costs incurred (Zahra *et al.*, 2009). What contributes to the complexity of defining social goals is that there is no consensus on which social objectives benefit society. According to Cho (2006), this discussion inevitably requires political choices and hence involves a ‘value’ dimension about which concerns can claim to be in society’s ‘true’ interest (Cho, 2006, p. 36).³⁹ For the purpose of this paper we consider ‘social’ as a desire to benefit society in some way without any normative restrictions.⁴⁰

³⁹ Illustrative in this respect is an article by Abdulkadrirov in “The dark side of social entrepreneurship” in which it is argued that terrorists may be considered social entrepreneurs (Abdulkadrirov, 2010).

⁴⁰ It goes beyond the scope of this paper to unveil the complexity of social goals, political choices and values. See for more discussion Cho (2006) and Tan *et al.* (2005).

3.3. Hypotheses formulation

In this section we describe four theoretical perspectives that have emerged in the realm of entrepreneurship and non-profit literature and formulate hypotheses with regards to the prevalence of social entrepreneurship. These four theoretical perspectives include the failure thesis, interdependence theory, welfare state theory, and supply-side theory.

3.3.1. Failure thesis

One of the dominant theoretical perspectives in explaining the size of the non-profit sector is the failure thesis (Salamon *et al.*, 2000). This theoretical perspective assumes that the level of non-profit activity is influenced by the extent to which the market and state are performing their basic functions (Nissan *et al.*, 2010; Salamon *et al.*, 2000; Salamon *et al.*, 2003; Weisbrod, 1977).⁴¹ Within classical economic theory, market imperfections such as unsatisfied production of public goods for reasons of free-rider behavior are considered the justification for the presence of government (Weisbrod, 1977). As perfect market conditions are rarely met⁴², the state performs a variety of functions: provide and maintain institutions, correct in case of market failure, produce public goods, and act as a market party. Government failure exists when the above-mentioned functions are not met and market imperfections become socially undesirable. According to Weisbrod (1977), non-profit organizations fill the gap left by market and government. So far, empirical evidence for this theoretical perspective regarding non-profit activity has not been convincing. A study by Salomon *et al.* (2000) using two measures for government failure (i.e., (1) the degree of heterogeneity⁴³ in a population measured in terms of religious diversity and (2) government social spending), did not confirm this thesis. The same holds for a recent study by Nissan *et al.* (2010) using public expenditure in welfare as an indicator for government failure.

The belief that weak functioning or failure of market or government is of influence on the prevalence of social entrepreneurship seems to be widespread (Elkington and Hartigan, 2008; Kerlin, 2009; Mair and Martí, 2009; Nicholls, 2006b; Nyssens, 2006; Zahra *et al.*, 2008). Kerlin (2009), for example, found that the general theme underlying the emergence of social enterprise in all seven regions and countries she studied is the absence of state social

⁴¹ Next to market failure and state failure, Salamon *et al.* (2000) acknowledge the existence of failures with respect to the non-profit or civil society sector. The so-called voluntary failure describes the limitations of the voluntary sector as a mechanism for meeting public needs. We limited our examination of the failure thesis to market and state.

⁴² Markets are successful if the following conditions are met: perfect competition, perfect information, absence of externalities, divisibility, excludability, zero transactions costs, zero entry barriers, economic rationality, fair distribution of wealth and income (Harris and Carman, 1983).

⁴³ Weisbrod (1977) points out that government failure is most likely when considerable heterogeneity exists in a population which indicates the existence of a broad spectrum of opinions about which public goods to produce or more general, when market imperfections need government interventions. This is also known as heterogeneity theory.

programs of funding, due to either the retreat or poor functioning of the state. Hence, we assume that social entrepreneurs perceive these failures as a source of opportunities and try to create social value by addressing them. An example of a market failure that resulted in an innovative business model with a social aim is microfinance. Yunus, founder of the Grameen Bank for microfinance and recipient of the Nobel Peace Prize in 2006, addressed the malfunctioning of the capital market for the rural poor in Bangladesh in the early seventies. He created the first microfinance institution, which enabled poor people to borrow small amounts of money as start-up capital to change their own future. Therefore, applying the failure thesis to explain the variation in the level of social entrepreneurship seems to be justified and hence we formulate the following hypothesis⁴⁴:

H1a: The prevalence rate of social entrepreneurship is negatively related to government expenditure on welfare.

3.3.2. Interdependence theory

An alternative view of the failure thesis originates from the idea that the relationship between governments and non-profit organizations need not be supplementary where non-profits supplement the government and in principle both address the same needs. (Nissan *et al.*, 2010; Salamon and da Costa Nunez, 1995; Young, 2000). The alternative view assumes a relationship of potential interdependence or partnership where non-profits and government complement each other. Whereas the failure thesis assumes non-profit activity to be a residual of unsatisfied demand for social services left unanswered by the state, the interdependence theory assumes that non-profit organizations are more flexible and pro-active in responding to social needs. Non-profits are not only often active in a field before governments are able to respond, they also mobilize political support needed to stimulate government involvement (Salamon and da Costa Nunez, 1995; Salamon *et al.*, 2000; Young, 2000). In case the relationship between government and the non-profit sector is one of partnership, non-profit organizations deliver collectively financed social services on behalf of the government.

Regarding social entrepreneurship, several authors argue that a relationship of partnership and interdependence characterizes the European situation (Borzaga and Defourny, 2001; Nyssens, 2006). Young (2008) and Kerlin (2006a) state that a relationship of interdependence or a contractual relationship is also common in the United States, albeit for different reasons. In Europe this practice is considered an alternative approach to the traditional welfare state model and hence stimulated by the government whereas in the United States resource scarcity drives these organizations to seek for new combinations of preferred and non-preferred service offerings. In both cases governments seeking more efficient or effective

⁴⁴ We focus on government failure since we assume that government failure includes and transcends market failure.

ways to address public goals contract out with private initiatives (Young, 2000; Young, 2008). Hence, we expect that part of the government budget favors the development of social entrepreneurial activity. From this perspective we therefore formulate the following alternative for hypothesis 1a:

H1b: The prevalence rate of social entrepreneurship is positively related to government spending on welfare.

3.3.3. Welfare state theory

Early theories on welfare state growth (Wilensky, 1975) and more contemporary discussion on welfare state (Pierson, 1996) suggest a relationship between welfare state expansion and processes of economic growth; “strong economies produce strong welfare states” (Pierson, 1996). This implies that economic development is associated with an increase in size of the welfare state and hence, in line with the failure thesis, higher levels of income or wealth decrease the demand for non-profits (Nissan *et al.*, 2010). Hence the following hypothesis is formulated:

H2a: The prevalence rate of social entrepreneurship is negatively related to GDP per capita.

In contrast with this perspective, an alternative explanation stemming from the realm of social entrepreneurship literature suggests an opposing view. Bosma and Levie (2010) suggest that individuals in richer countries, having satisfied their own basic needs, can afford to turn to needs of others (Bosma and Levie, 2010). Hence this leads to the following opposing hypothesis:

H2b: The prevalence rate of social entrepreneurship is positively related to per capita income.

Inglehart (1981; 1997; 2000) suggests that an increase in wealth is associated with fundamental changes in values. Whereas Bosma and Levie (2010) suggest that wealthy individual can simply afford to turn to the needs of others, Inglehart suggests that economic development will eventually lead to a shift from materialistic to postmaterialistic values. The concept of postmaterialism refers to the degree to which the population of a society values non-materialistic life-goals such as personal development, self-expression and the desire for meaningful work over material ones (Inglehart, 1981; Inglehart, 1997; Inglehart, 2000). We hypothesize that the higher the degree of postmaterialism in a country, the more likely the population considers the well-being of others, finding its expression in activities such as volunteering, environmental protection, cultural issues and social entrepreneurship. An

interesting study in this respect is one by Uhlaner and Thurik (2007) who found a negative relationship between postmaterialism and entrepreneurial activity across countries. They argue that material gains, which are of less value to postmaterialist individuals, are crucial to commercial entrepreneurship. Postmaterialistic societies put less emphasis on economic growth and hence, are likely to be less entrepreneurial. Given Baumol's argument (1990) of substitution of one form of entrepreneurship for another as a result of changes in institutions, rules and norms in society, we assume that in postmaterialistic societies, commercial entrepreneurship is (partly) replaced by social entrepreneurship. This leads to the following hypothesis:

H3: The prevalence rate of social entrepreneurship is positively related to the level of postmaterialism.

3.3.4. Supply-side theory

A necessary condition for any type of entrepreneurial activity to emerge is the availability of individuals who are willing to and capable of exploiting opportunities and, indeed, choose the entrepreneurial option.⁴⁵ A significant empirical literature exists that seeks to test a range of factors influencing occupational choices at the individual level.⁴⁶ At the aggregate level, explanations for the prevalence of entrepreneurship are subject to a more multidisciplinary approach such as the 'eclectic' framework by Verheul *et al.* (2002).⁴⁷ According to Verheul *et al.* (2002), explanatory factors of the rate of entrepreneurship can be classified into supply and demand side factors. On the supply side, aggregate characteristics of the country to which an individual belongs are considered and shaped by a demographic dimension including population growth, age structure, rate of urbanization, and income levels as well as a cultural one including values and beliefs (Audretsch *et al.*, 2007).

In order to understand the explanatory factors of the prevalence of social entrepreneurship from a supply side perspective, we explore two cultural factors: entrepreneurial spirit (i.e., the level of entrepreneurial activity) and individualistic versus collectivistic values. Next, we introduce these factors and formulate hypotheses for each of them.

⁴⁵ This perspective draws on the distinction between the supply side and the demand side of entrepreneurship (Audretsch *et al.*, 2007; Bosma *et al.*, 1999; Van Praag, 1996; Verheul *et al.*, 2002).

⁴⁶ See for an overview of references Parker (2009) Blanchflower (2004) and Grilo and Thurik (Grilo and Thurik, 2005).

⁴⁷ For updates of this framework see Wennekers, Uhlaner and Thurik (2002) and Audretsch *et al.* (2007).

Entrepreneurial spirit. One approach that relates culture to entrepreneurial behavior at a country level is the ‘legitimation’ or ‘moral approval’ approach (Etzioni, 1987) which assumes that a higher overall level of legitimation of entrepreneurship will result in higher prevalence rates.⁴⁸ Legitimation may be reflected in more attention to entrepreneurship in the media and the educational system, high social status of entrepreneurs, and public policies to encourage self-employment (Freitag and Thurik, 2007). This approach resonates with a suggestion made by Elkington (2008) who put forward that the prevalence of social entrepreneurship is positively influenced by a culture encouraging entrepreneurship. It seems indeed plausible to assume that a culture which favors entrepreneurship influences the likelihood of individuals motivated to address social needs to turn to entrepreneurial practices instead of, for example, charity or philanthropy. We postulate the following hypothesis:

H4: The prevalence rate of social entrepreneurship is positively related to a society's entrepreneurial spirit.

Individualistic versus collectivistic values. According to Hofstede (Hofstede, 1991) most people in our world live in collectivist societies: societies in which the interest of the group prevails over the interest of the individual. In these societies the relationship between the group, also referred to as extended family, and the individual is one of dependence where individuals take care of each other and throughout people's lifetimes continue to protect each other. In contrast, in individualistic societies individual ties between individuals are loose and individuals are taught from early childhood onwards to take care of themselves independent of a group. Individualistic and collectivistic values⁴⁹ have also been associated with levels of entrepreneurship and Hofstede's index which measures the degree of individualism has been used by multiple authors (Hofstede, 1980; S. A. Shane, 1992; Mitchell *et al.*, 2000; Mueller and Thomas, 2001; Hayton *et al.*, 2002). Hayton *et al.* (2002) conclude, based on an extensive review of empirical research relating national culture to entrepreneurship that cultural values have a direct effect on individual characteristics and an indirect influence via needs and motives on levels of entrepreneurship. In general, these authors state, it is hypothesized that cultures high in individualism are supportive of entrepreneurship. In particular, evidence was found that cultural values such as uncertainty avoidance and individualism are significantly related to individual traits that are commonly associated with entrepreneurship: internal locus of control, risk taking, and innovativeness (Hayton *et al.*, 2002; Mueller and Thomas, 2001).

⁴⁸ See for a more detailed description of this approach and a two other approaches that relate culture to the level of entrepreneurship (i.e. the aggregate psychological trait approach and the push explanation of entrepreneurship): Wennekers (2006), Noorderhaven *et al.* (2004), Baum *et al.* (1993), and Freitag and Thurik (2007).

⁴⁹ Hofstede's other cultural dimensions include Power Distance Index (PDI), Masculinity (MAS), Uncertainty Avoidance Index (UAI) and Long-Term Orientation (LTO).

With respect to social entrepreneurship, Borzaga and Defourny (2001) suggest that social enterprises are not widespread in countries where social services are, to a large extent, provided by informal sources such as families. Conversely, they suggest that in countries where family ties are loose, the demand for social services is higher and hence social enterprises are more widespread. Put in terms of Hofstede, we expect social entrepreneurship to be more widespread in individualistic countries than in collectivistic countries. Despite the observation that social organizations may provide product and services other than the social services mentioned by Borzaga and Defourny (2001), which may lead to other assumptions, we postulate the following hypotheses:

H5: The prevalence rate of social entrepreneurship is higher in individualistic societies.

Before testing these hypotheses, we introduce the data used and the measures of social entrepreneurship applied.

3.4. Data

This section consists of three subsections. The first subsection describes our main data source. Next, we introduce several measures of social entrepreneurship as used throughout the remainder of this paper. Since our data provide unique insights to the level of social entrepreneurship across countries, we end this section by exploring national level prevalence rates of social entrepreneurship in more detail.

3.4.1. Data source

The Adult Population Survey (APS) from the Global Entrepreneurship Monitor (GEM) 2009 is used as our main data source to provide insight into the level of social entrepreneurial activity across countries and explain the variation between countries. GEM is an international research program providing harmonized annual data on entrepreneurial activity at the national level with samples of at least 2,000 randomly selected adults in each participating country. The main objectives of the GEM research program are enabling a cross-country analysis of the level of entrepreneurial activity, uncovering determinants of entrepreneurial activity, measuring the economic impact of entrepreneurship, identifying policies that may stimulate the level of entrepreneurial activity, and examining special topics of common concern and/or those that are specific to an individual country. The principle GEM measure is Total early-stage Entrepreneurial Activity (TEA) which measures the relative amount of nascent entrepreneurs and business owners of young firms in the adult population (18-64 years of age). Nascent entrepreneurs are individuals who are actively involved in creating a new business that they will (partly) own. Young business owners are defined as individuals who actively own and manage a new firm that is not more than 3.5 years old (Reynolds *et al.*

2005). The GEM 2009 includes a special study of social entrepreneurship. In total, 49 nations that participated in GEM 2009 APS collected additional data on social entrepreneurial activity.⁵⁰

3.4.2. Measures of social entrepreneurship

Within the GEM annual survey the entrepreneurially active adult population is identified from the initial question of the survey that enquires whether the respondent is “*alone or with others, currently trying to start a new business or owning and managing a company, including any self-employment or selling any goods or services to others*”. When social entrepreneurship is involved, the question used to identify this type of entrepreneur reads as follows: “*Are you, alone or with others, currently trying to start or currently owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective?*” Whether an objective is considered social or not, depends on a respondent’s perception. Referring to “*activity, organization or initiative*” is broader than new business creation. If a respondent answers positively to both above mentioned questions, a control question which checks if both initiatives are the same allows us to distinguish between two categories of social entrepreneurs: (1) those that overlap with commercial entrepreneurs and, we assume, start a social business and (2) those who are involved in a social activity but do not necessarily start a new business.

Because of the heterogeneity of activities that may be captured by these questions, in particular in relation to the broad international context, we introduce two conceptual notions of social entrepreneurship and use them as measures of social entrepreneurship to explore our data. These measures are based on the distinction between social entrepreneurs who start/own-manage a social business and those who are not involved in business creation. We will refer to the former group as “social business entrepreneur” (i.e., percentage of the adult population that is actively involved in starting or owning-managing *a business* with a particularly social, environmental or community objective) and to the latter as “social initiator” (i.e., percentage of the adult population that is actively involved in starting or owning-managing *any kind of activity or initiative* that has a particularly social, environmental or community objective). We

⁵⁰ These countries are Algeria, Argentina, Belgium, Bosnia and Herzegovina, Brazil, Chile, China, Colombia, Croatia, Dominican Republic, Ecuador, Finland, France, Germany, Greece, Guatemala, Hong Kong, Hungary, Iceland, Iran, Israel, Italy, Jamaica, Jordan, Korea, Latvia, Lebanon, Malaysia, Morocco, Netherlands, Norway, Panama, Peru, Romania, Russia, Saudi Arabia, Serbia, Slovenia, South Africa, Spain, Switzerland, Syria, Uganda, United Kingdom, United Arab Emirates, United States, Uruguay, Venezuela, and West Bank and Gaza Strip.

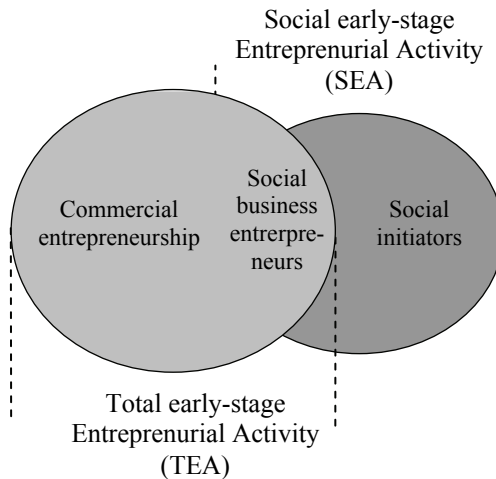
No data on the special topic were collected in Japan and Tunisia (which did participate in GEM APS 2009). Data on social entrepreneurship were collected in Denmark but are not included in this analysis as Denmark used a different data collection approach, making the results insufficiently comparable with other countries. Finally, data were collected in Tonga and Yemen but are also excluded in this analysis since these countries reveal extraordinarily high prevalence rates of social entrepreneurship and are therefore considered as outliers.

believe this distinction is relevant because we expect these groups and their underlying antecedents to be different.

In addition to these two measures and in line with the case for commercial entrepreneurship as described in the previous subsection, social entrepreneurship can be identified at different phases of the entrepreneurial life cycle i.e., nascent, young and established social entrepreneurial activity. Social early-stage entrepreneurial activity (SEA) refers to the aggregate of nascent entrepreneurship and young business entrepreneurship up to 3.5 years. In this sense, SEA is comparable to the principle GEM measure TEA.

Figure 3.2 visualizes our measures of social entrepreneurship (i.e., social business entrepreneurship and social initiators) in relation to the measures derived from the phases of the entrepreneurial life-cycle (i.e., TEA and SEA). It will be apparent from Figure 3.2 that entrepreneurs that do not overlap with the social business entrepreneurs nor with the social initiators are referred to as “commercial entrepreneur”.

Figure 3.2. Conceptual notions of entrepreneurship: commercial entrepreneurship, social business entrepreneurship and social initiators.

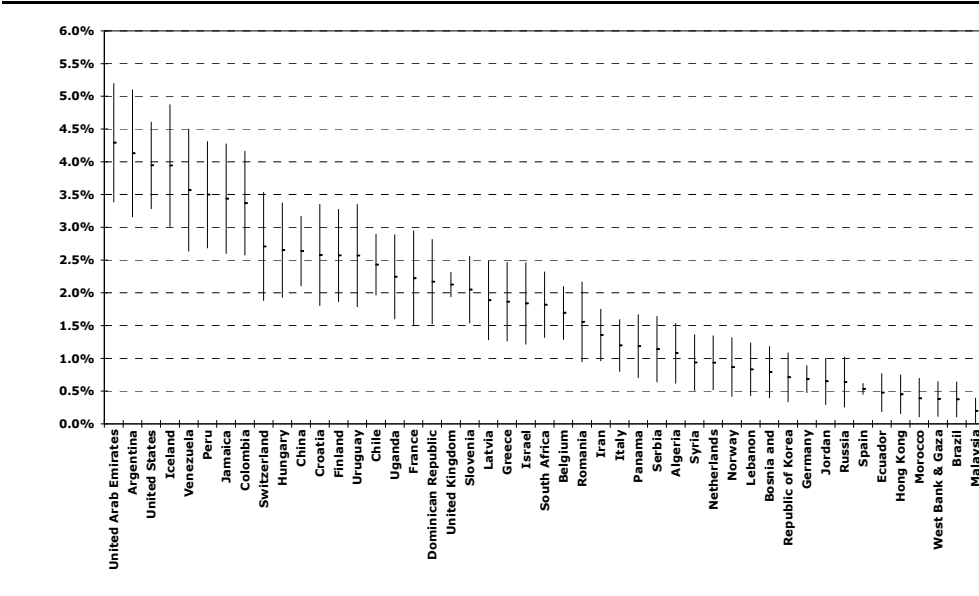


Since our data is the first harmonized large-scale dataset available providing insights into the prevalence of social entrepreneurship across the globe, the next subsection is devoted to exploring the data through descriptive statistics.

3.4.3. Prevalence of social entrepreneurship

Prevalence rates of Social early-stage Entrepreneurial Activity (SEA) in all participating GEM 2009 countries are shown in Figure 3.3.⁵¹ The prevalence rates of social entrepreneurship range from 0.1% in Guatemala to 4.3% in the United Arab Emirates. Also, Argentina (4.1%), the United States (3.9%) and Iceland (3.9%), Venezuela (3.6%), Peru (3.5%), and Jamaica and Colombia (3.4%) have high SEA-rates. At the other end of the spectrum, Guatemala (0.1%), Saudi Arabia and Malaysia (0.2%), and Brazil, West Bank and Gaza Strip and Morocco (0.4%) all reveal low prevalence rates.

Figure 3.3. Prevalence of Social early-stage Entrepreneurial Activity (SEA) by country, GEM 2009, percentage of the adult population (18-64 years of age).



Source: Global Entrepreneurship Monitor, 2009.

Table 3.1⁵² presents the prevalence rates of social entrepreneurial activity (columns 1 and 2) as well as conventional measures of entrepreneurship (columns 3 and 4).

It follows that the prevalence rate of total early-stage entrepreneurship (10.7%) is more than five times the prevalence rate of social early-stage entrepreneurship (1.8%). Focusing on prevalence rates by stage of economic development shows that, mainly in countries with

⁵¹ The vertical bars represent 95% confidence intervals of the point estimates for SEA. If these vertical bars for any two countries do not overlap, this means that they have statistically different SEA rates.
⁵² For an overview of the prevalence rates of social and conventional entrepreneurship by country we refer to Table 3.9 in the Appendix.

relatively low levels of national wealth TEA rates, are quite high while SEA rates are quite low – such as Algeria, Guatemala, Jamaica, Lebanon, Morocco, Uganda, and Venezuela (see Table 3.9 in the Appendix). The gap between prevalence rates of TEA and SEA is, on average, smaller for high income countries as opposed to low income countries. In addition, *established* entrepreneurship (i.e., activities that have been in existence for more than 3.5 years) reveals a similar gap between social and commercial entrepreneurship (columns 2 and 4) which also decreases by stage of economic development.

Table 3.1. Prevalence rates of social entrepreneurship versus conventional measures, by stage of economic development⁵³, GEM 2009, percentage of the adult population (18-64 years of age).

	Social <u>early-</u> <u>stage</u> Entrepreneurial Activity (SEA)	<u>Established</u> social entrepreneurial activity	Total <u>early-</u> <u>stage</u> Entrepreneurial Activity (TEA)	<u>Established</u> entrepre- neurial activity
Low income countries	1.3	0.2	16.9	10.2
Middle income countries	1.8	0.4	11.3	7.8
High income countries	1.9	0.7	6.6	6.8
<i>Overall (unweighted) average</i>	1.8	0.5	10.7	8.0

Source: Global Entrepreneurship Monitor, 2009.

Table 3.1 also suggests that social entrepreneurship is mainly an early-stage phenomenon, whereas ‘conventional’ entrepreneurship is also widely prevalent in established businesses. A possible explanation could be that social entrepreneurship may be such a young field that there are relatively few established organizations in this area. This suggests that it is a matter of time for the percentage of established activities to increase. Alternatively, it may imply that starting a social initiative or social business is somehow difficult to turn into lasting action. A third explanation concerns the intentions of the social entrepreneurs to turn their initiatives into lasting businesses or activities. It may well be that the social initiators organize their initiatives as a project possible for the duration of assigned subsidies and grants (i.e., temporary initiatives). These explanations are likely to vary between the different socio-economic contexts of the countries in our sample.

⁵³ Countries with per capita income levels below 3,000 US\$ are classified as ‘low income countries’. Countries for which GDP per capita in US\$ lies between the income thresholds of 3,000 and 17,000 US\$ are classified as ‘middle income countries’. ‘High income countries’ are all countries with a per capita income level of at least 17,000 US\$.

Table 3.2 presents the prevalence rates of the refined entrepreneurial concepts: commercial entrepreneurs, social business entrepreneurs and social initiators.⁵⁴ These results confirm the figures in Table 3.1: commercial entrepreneurship decreases with national wealth while social activities increase by stage of economic development. More specifically, the prevalence rate of commercial entrepreneurship falls from 16.5% in low income countries to 6.1% in high income countries whereas social initiatives rise from 0.9% in low income countries to 1.5% in high income countries. Social initiators as a percentage of all entrepreneurs (i.e., social initiators divided by TEA plus SEA minus the overlap) (column 4) substantially increases by stage of economic development. In multivariate analyses in the next section, we use this particular measure of social entrepreneurship as our dependent variable.

Table 3.2. Prevalence rates of commercial entrepreneurship, social business entrepreneurship and social initiators as well as SEA as a percentage of commercial entrepreneurship, by stage of economic development, GEM 2009, percentage of the adult population (18-64 years of age).

	Commercial entrepreneurs (i.e. part of TEA that does not overlap with SEA)	Social business entrepreneurs (i.e. TEA - SEA overlap)	Social initiators (i.e. part of SEA that does not overlap with TEA)	Social initiators as % of all entrepre- neurs*
Low income countries	16.5	0.4	0.9	4.9
Middle income countries	10.7	0.6	1.2	9.7
High income countries	6.1	0.4	1.5	18.3
Overall (unweighted) average	10.2	0.5	1.2	10.4

* TEA plus SEA minus the overlap

Source: Global Entrepreneurship Monitor, 2009.

The differences in involvement in social versus commercial entrepreneurship also find their expression in demographic characteristics, i.e., gender and age (Table 3.3). With respect to gender, Table 3.3 reveals that males are more actively involved in both types of entrepreneurship than females. This pattern is similar at all stages of economic development (not displayed in Table 3.3). The gender gap is, however, smaller for social entrepreneurial activity than for commercial entrepreneurial activity. This suggests that women are proportionally more likely to become social entrepreneurs compared to commercial entrepreneurs. With respect to age, on average people in the age category 25-44 years seem to be most likely

⁵⁴ For an overview of the prevalence of commercial entrepreneurship, social business entrepreneurship and social initiators as well as Social initiators as a share of all entrepreneurship by country we refer to Table 3.9 in the Appendix.

to become engaged in early-stage entrepreneurial activity (both social and commercial). A closer look reveals that commercial entrepreneurship most likely includes individuals aged between 25-34 years, while social entrepreneurship relatively more often includes people in the age category 35-44 years. In addition, the average age of social entrepreneurs in high income countries tends to be higher compared to low income countries.

After having explored the data, we now turn to the methodology applied and the results of our attempt to find what drives a country's level social entrepreneurship.

Table 3.3. Demographic characteristics of social and total early-stage entrepreneurs worldwide, GEM 2009, percentage of the adult population (18-64 years of age) involved in SEA/TEA.

		SEA	TEA
Gender	Male	55.7	62.0
	Female	44.3	38.0
Age	18-24 years	13.5	16.7
	25-34 years	24.1	28.1
	35-44 years	27.3	24.1
	45-54 years	21.9	19.1
	55-64 years	13.3	12.0

3.5. Methodology and results

3.5.1. Dependent variable

To test our hypotheses we use besides our main data source as described in the previous section, various additional sources, including World Value Survey, IMF World Economic Outlook Forum Database and WHO Global Health Observatory Dataset. As our primary measure for social entrepreneurship we take social initiators as a percentage of all entrepreneurs (i.e., in terms of Figure 3.2, social initiators divided by TEA plus SEA minus the overlap)⁵⁵. Put differently, our dependent variable is the percentage of the adult population that is actively involved in starting or owning-managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective divided by the percentage of the adult population that is active as an entrepreneur. For this purpose we take a dynamic perspective focusing on the creation of new businesses, organizations and initiatives

⁵⁵ We chose to exclude the social business entrepreneurs from our multivariate analysis because of the low prevalence rate. Moreover, focusing only on social entrepreneurs that do not overlap with regular entrepreneurs provides a straighter and less ambiguous picture.

(i.e., taking into account the nascent and young entrepreneurs).^{56,57} This measure is also used as our dependent variable in the rest of this paper.⁵⁸

3.5.2. Independent variables and data analysis

To test our hypothesis we take a multivariate approach by means of multiple regression analyses. A series of models are carried out to determine the effects of different variables on the prevalence of social entrepreneurship.

Given the relationship between a country's level of economic development and its level of entrepreneurial activity (Carree *et al.*, 2002; Carree *et al.*, 2007; Sternberg and Wennekers, 2005; Wennekers *et al.*, 2005; Wennekers *et al.*, 2010) and a suggestive positive relationship between the level of economic development and social entrepreneurship stemming from our descriptive statistics in section 3.4.3, we start our analyses by exploring this relationship in more detail (hypotheses 2a and 2b). We use Gross Domestic Product (GDP) per capita in purchasing power parity (PPP) as indicator for a country's level of income. Whereas past research provided accumulating and consistent evidence for a U-shaped relationship, we include both the linear term (Model I) and squared term (Model II) for GDP per capita in order to account for these curvilinear effects. Since both the linear and the squared term are significant and as the model fit substantially increases with the inclusion of the squared term, we further improve our model from this base model. To test hypotheses 1a and 1b, government expenditure on health per capita is added to the base model as a proxy for government spending on welfare. Hypothesis 3 is tested by using Inglehart's four-item postmaterialism index.⁵⁹ In order to test hypothesis 4, the entrepreneurial spirit of a country is measured as the level of TEA. Finally, hypothesis 5 is tested using Hofstede's index on individualism. We refer to Table 3.6 in the Appendix for a description and source reference of the variables used to test our hypotheses.

Two important aspects of our data need to be addressed before we move to the results: (1) correlation of independent variables with per capita level of income and (2) lack of complete data.

First, strong bivariate correlations can be observed between per capita level of income and the other independent variables (i.e., per capita government expenditure on health, entrepreneurial spirit, degree of individualism, and degree of postmaterialism) (see Table 3.7 of the

⁵⁶ A static perspective relates to the number of business owners. See Wennekers (2006) for more details on this distinction.

⁵⁷ Due to data limitations, the overlap category for established social entrepreneurs cannot be separated from the non-overlap categories.

⁵⁸ The values for this variable for each country are provided in the last column of Table 3.9.

⁵⁹ The World Value Survey also provides a twelve-item index for postmaterialism but, since this index is available for fewer countries in our sample than is the four-item index, we take the more concise version.

Appendix). With the exception of the degree of individualism, literature indicates a relationship between the level of entrepreneurship and economic development (Wennekers *et al.* 2010), welfare state expansion and economic growth (Pierson, 1996), and the degree of postmaterialism and the level of economic development (Inglehart, 2000; Inglehart, 2003). Hence, we correct our independent variables for per capita income and include these corrected variables in our analyses.⁶⁰ For instance, for entrepreneurial spirit this correction involved performing a linear regression $T_i = T(GDP_i) + u_i$, where T_i is the level of entrepreneurship expressed as TEA for country i , $T(GDP_i)$ is a function of GDP (including intercept), and u_i denotes the error term. Because of the curvilinear relationship between TEA and per capita income, $T(GDP_i)$ is a *quadratic* function and hence, $T(GDP_i) = \alpha + \beta(GDP_i) + \gamma(GDP)^2$. Next, entrepreneurial spirit corrected for GDP is defined as the residuals $\hat{u}_i = T_i - \hat{T}(GDP_i)$ of the linear regression, where $\hat{T}(GDP_i) = \hat{\alpha} + \hat{\beta}(GDP_i) + \hat{\gamma}(GDP)^2$ and $\hat{\alpha}$, $\hat{\beta}$ and $\hat{\gamma}$ are the estimated coefficients. We consider \hat{u}_i , entrepreneurial spirit corrected for GDP, as a country's 'true' entrepreneurial spirit. For the other independent variables, that is per capita government expenditure on health, individualism and postmaterialism, the estimated residuals are calculated as a *linear* function in GDP, that is $\hat{T}(GDP_i) = \hat{\alpha} + \hat{\beta}(GDP_i)$.

Second, due to use of different datasets, we lack complete data for all countries in our dataset. In order to address this point, we added three seemingly identical models that differ only in the number of countries included (Model III, V and VII in Table 3.4). These models allow taking account of the independent contribution of several variables in more detailed analyses.

⁶⁰ See Table 3.8 in the Appendix for the bivariate correlations among the dependent and independent variables corrected for per capita income.

3.5.3. Results

Table 3.4 presents a summary of the regression analyses carried out. An initial test of hypotheses 2a and 2b reveals that GDP per capita positively relates to the level of social entrepreneurship (Model I). When adding a squared term for per capita income to take account of a curvilinear effect, it appears that this term is negatively associated with social entrepreneurship (Model II). This seems to suggest an inverted U-shaped relationship between per capita income and social initiators as a share of all entrepreneurs. This implies that from a certain level of economic development onwards⁶¹, social entrepreneurship decreases for higher levels of wealth. However, it should be noted that high income countries (from approximately 30.000\$ and above) show a much higher level of variation regarding their levels of social entrepreneurship as compared to low income countries, leading to more uncertainty in the estimated regression line. In addition, when omitting certain outliers from the dataset (in particular Norway) the slope of the estimated curve remains positive. Given these latter observations, the results support hypothesis 2b and rejects hypothesis 2a.

As model III shows, per capita government expenditure on health corrected for per capita income is positively related to social entrepreneurship. This suggests that the relationship between government and non-profit organizations is one of partnership and cooperation rather than competition. Thus, model III supports the interdependence theory (hypothesis 1b) and contrasts the failure thesis (hypothesis 1a).

Model IV reveals that a country's entrepreneurial spirit is negatively associated with social entrepreneurship although this effect is not significant. Moreover, extending our model with a country's entrepreneurial spirit neither substantially change the total variation explained nor does it substantially change other effects. Hence, it seems that a country's level of entrepreneurial spirit does not influence the level of social entrepreneurship. Therefore, the model rejects hypothesis 4 and this variable is excluded from further analyses.

The estimation results of Model VI show that a country's degree of individualism positively affects social entrepreneurship. This result is in line with hypothesis 5 and suggests that in countries where ties between individuals are loose, social entrepreneurship is more widespread.

⁶¹ The turning point at which the effect of GDP per capita on the share of social entrepreneurship becomes negative is at approximately 37.000\$ for Model VI ($(1.034/(2*0.014))*1000=36.930$).

Table 3.4. Explaining social entrepreneurship (i.e. social initiators as a percentage of all entrepreneurs) using aggregate level conditions.

	I	II	III	IV	V	VI	VII	VIII
Intercept	5.754 ^c (3.00)	0.256 (0.08)	-1.155 (-0.39)	-1.051 (-0.35)	-2.789 (-0.62)	-1.806 (-0.48)	-2.789 (-0.62)	-2.708 (-0.58)
GDP per capita / 1,000	0.335 ^c (4.23)	1.025 ^c (3.49)	1.199 ^c (3.90)	1.185 ^c (3.85)	1.326 ^c (3.01)	1.034 ^c (2.85)	1.326 ^c (3.01)	1.316 ^c (2.91)
(GDP per capita / 1,000) ²		-0.014 ^b (-2.36)	-0.018 ^c (-2.89)	-0.017 ^c (-2.83)	-0.020 ^b (-2.41)	-0.014 ^a (-2.00)	-0.02 ^b (-2.41)	-0.020 ^b (-2.30)
Per cap. gov. exp. on health corr. for GDP			4.577 ^a (1.89)	4.273 ^a (1.75)	5.729 (1.03)	0.522 (0.18)	5.729 (1.03)	5.182 (0.80)
Entrepr.spirit corr. for GDP				-0.189 (-0.91)				
Individualism corr. for GDP						0.181 ^b (-0.48)		
Postmaterialism corr. for GDP								5.280 (0.18)
R ²	0.2434	0.3404	0.4135	0.4249	0.3823	0.5207	0.3823	0.3831
Adj. R ²	0.2270	0.3111	0.3725	0.3701	0.3050	0.4589	0.3050	0.2758
N	47 [*]	47 [*]	47 [*]	47 [*]	36 ^{**}	36 ^{**}	28 ^{***}	28 ^{***}

Notes: ^a Significant at 10% level; ^b Significant at 5% level; ^c Significant at 1% level; t-values are between brackets

*. Countries excluded from total sample due to incomplete data: Hong Kong and West Bank & Gaza Strip

**. Countries excluded from total sample due to incomplete data: Algeria, Bosnia and Herzegovina, Croatia, Dominican Republic, Hong Kong, Iceland, Jordan, Latvia, Serbia, Slovenia, Syria, Uganda, West Bank & Gaza Strip.

***. Countries included: Argentina, Brazil, Chile, China, Colombia, Finland, France, Germany, Guatemala, Iran, Italy, Jordan, Korea, Malaysia, Morocco, Netherlands, Norway, Peru, Romania, Russia, Serbia, Slovenia, South Africa, Spain, Switzerland, United Kingdom, United States, and Uruguay.

Finally, Model VII and VIII are used to test hypothesis 3 which predicts a positive relationship between the degree of postmaterialism and the level of social entrepreneurship. Although Model VIII does indeed suggest a positive effect, this effect is not significant and including postmaterialism does have a negligible contribution compared to Model VII. Since the degree of postmaterialism is corrected for per capita income, it seems that a presumed effect of postmaterialism is completely captured by the level of income. Indeed, when explaining the share of social entrepreneurship in all entrepreneurship by postmaterialism only (i.e., uncorrected for per capita income and without per capita income as explanatory variable), postmaterialism reveals a significant and positive effect. Even when extending this model with GDP per capita corrected for postmaterialism (in a similar way postmaterialism is corrected

for GDP per capita) postmaterialism is still significantly positive. However, the number of countries for which the degree of postmaterialism is available is limited (n=28) and drawing conclusions is a tricky pursuit.⁶²

The hypothesized effects of our independent variables on social entrepreneurship and the results from our analyses are collected in Table 3.5.

Before we move on to the conclusions, we discuss the results of our analyses in the next section including a discussion of the limitations of this study and suggestions for future research.

Table 3.5. Overview of the hypotheses, their proposed effect and whether the results support hypotheses or not.

	Hypothesis	Effect	Supported
Effect of government expenditure on welfare	1a	-	
	1b	+	Yes
Effect of per capita income	2a	-	
	2b	+	Yes
Effect of a society’s degree postmaterialism	3	+ n.s.	
Effect of a society’s entrepreneurial spirit	4	+ n.s.	
Effect of a society’s degree of individualism	5	+	Yes

3.6. Discussion

This section is divided into two subsections: an actual discussion of the results and one which covers some of the limitations of this study. In both subsections directions are provided for future research.

3.6.1. Discussion of the results

Overall, the regression results imply that social entrepreneurship is a phenomenon strongly driven by a country’s level of wealth. Interestingly, the association between per capita income and social entrepreneurship is positive whereas the opposite holds for commercial entrepreneurship. More specifically, whereas the relationship between economic development in terms of per capita income and entrepreneurial activity has been shown to be U-shaped (Carree *et al.*, 2002; Carree *et al.*, 2007; Sternberg and Wennekers, 2005; Wennekers *et al.*, 2005), our data seems to suggest an inverted U-shape for the case of social entrepreneurial

⁶² Models that combine both the degree of individualism and postmaterialism are excluded because only 25 countries had complete data available.

activity.⁶³ Put differently, while in low income countries often people have no alternative source of income and are forced to turn to entrepreneurship (also referred to as necessity entrepreneurship), social entrepreneurship seems a wealth phenomenon to which one can turn in case one can afford to do so. These contrasting shapes may favor Baumol's argument (1990) that as a result of changes in institutions, rules and norms in society, one form of entrepreneurship is (partly) substituted by another. With respect to our hypotheses derived from the welfare state theory, it may be concluded that even though the demand for social entrepreneurial activities may indeed be lower in wealthier countries (as suggested by hypothesis 2a) or social and ecological issues may be addressed by other institutions such as philanthropy or charity, the prevalence of social entrepreneurship is positively affected by the level of economic development, supporting hypothesis 2b.

Inglehart (Inglehart, 2000) analyzed the relationship between a country's economic development and survival strategies. He describes that certain basic values change in societies that have passed a certain threshold of economic development. Beyond this threshold, a shift towards more postmaterialistic values occurs. Our results suggest that a presumed effect of postmaterialism is completely captured by per capita income. Interestingly, as explained earlier, postmaterialism and per capita income both have a positive and significant effect on social entrepreneurship when per capita income is corrected for postmaterialism. Clearly, a rather complex interrelationship between social entrepreneurship, per capita income and postmaterialism exist. Uhlaner and Thurik (2007) studying the association between postmaterialism and entrepreneurial activity conclude that mediating relationships are possibly at play. Whether postmaterialism mediates the relationship between economic development and entrepreneurship or if economic development mediates the relationship between postmaterialism and entrepreneurship, remains unanswered.

In addition, intergenerational differences at the individual level might also play a role here. Inglehart (1997; 2000; 2003) suggests that the hypothesis of postmaterialism is based on two sub-hypotheses: socialization and scarcity. The socialization hypothesis assumes that one's values reflect to a great extent the prevailing circumstances during one's formative years. The scarcity hypothesis assumes that someone's priorities reflect his socio-economic circumstances and hence one attaches greatest value to relatively scarce goods (Inglehart, 2000). Taken together, these two hypotheses may increase our understanding of social entrepreneurship. The hypothesis of socialization implies that younger birth cohorts that have experienced unprecedented prosperity are more likely to value non-material goals such as the desire for meaningful work. On the one hand, this may suggest that young people turn to social entrepreneurship because of different values compared to older birth cohorts. On the other hand, older birth cohorts may turn to social entrepreneurship because they have the

⁶³ This suggestion should be interpreted with caution though because omitting some countries (Norway in particular) influences the curve towards a more linear relationship.

financial means to do so. This suggestion resonates with Parker's "neoclassical life-cycle theory" of social entrepreneurship which predicts two dominant types to 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 (Parker, 2008). Exploring the association between the intergenerational differences in the degree of postmaterialism and the occurrence of social entrepreneurship is a highly relevant research option. Even more so because the shift from materialistic to postmaterialistic values is potentially universal and should occur, according to Inglehart, in any country that moves from conditions of economic insecurity to relative security (Inglehart, 1997). As such, understanding this relationship will allow us to anticipate changes in social entrepreneurial activity.

With respect to the effect of government expenditure on welfare on social entrepreneurship, our results suggest that the relationship between government and social entrepreneurial organizations is one of partnership and interdependence. However, despite the observation that the effect remains positive, when fewer countries are included in the different models, the effect becomes insignificant. Whereas the relationship between social organizations and governments was presented as a duality (i.e., a relationship of competition reflecting the failure thesis *or* a relationship of partnership reflecting the interdependence theory) this may be a false duality. Governments are not the only source of demand for social entrepreneurship implying that low levels of government expenditure on welfare and high levels of social entrepreneurship do not necessarily indicate a failing government. Other sources of demand for social entrepreneurship may stem from consumers of commercial products who prefer purchasing from social enterprise providers and corporations seeking strategic benefits by association with social organizations such as cause related marketing (Young, 2008). Nevertheless, our results are not significant in all models and future research including more or other countries may alter our current insights.

Our results reveal a positive and significant effect of the degree of individualism on social entrepreneurship as was predicted by hypothesis 5. Such a positive association is in line with the association between the degree of individualism and entrepreneurship (Mitchell *et al.*, 2000; Mueller and Thomas, 2001). As suggested by Hayton, *et al.* (2002), cultural values may influence the level of entrepreneurship directly via individual characteristics or indirectly via individual needs and motives. In addition, cultural values are also believed to influence the institutional context such as the regulatory and legal system and social institutions. The suggestion made by Borzaga and Defourny (2001) that social enterprises are not widespread in countries where social services are to a large extent provided by informal sources such as families, refers to the latter indirect effect of cultural values. To what extent our results are indeed the result of this indirect effect via society remains unanswered. Further research is needed to analyze these separate direct and indirect effects.

3.6.2. Limitations

Our study is not without limitations. *First*, as described in the introduction, social entrepreneurship is an ill-defined and not well understood concept representing different models throughout the globe. Using the GEM harmonized dataset on social entrepreneurship including 49 countries involves the risk of comparing apples with oranges and therefore it is very unlikely to find a single set of determinants that is able to explain such a wide range of activities. Although this is inherent to many cross-country studies with a global scope, it is especially true for an ill-defined concept such as social entrepreneurship. Our study covers a wide variety of socio-economic contexts and we know very little to date on how to make a meaningful distinction between these contexts with respect to social entrepreneurship. A suggestion may be to distinguish between countries that are characterized by ‘institutional support’ and ‘institutional void’. Where support or the lack thereof may concern the role of the government it may also concern cultural values shaping an (un)favorable institutional context such as the two cultural values used in this exploratory study.

Second, we use the first and only large scale survey available to date on social entrepreneurship and, although the questionnaire is based on earlier versions used in the UK and the US, what the data measures remains ambiguous. We tried to address this by introducing two different measures that distinguish between those social entrepreneurs that are actively starting or own-manage a business (i.e., ‘social business entrepreneurs’) and those who do not and are involved in any activity, organization or initiative with a social, environmental or community objective (‘social initiators’). The former group was too small to include as a separate group in the regression analyses and for the latter group it remains unclear what these social entrepreneurs are involved in and whether they can be considered *entrepreneurial* as described in section 2.2. Additional qualitative research at the country level may be insightful.

A *third* limitation of our study concerns its small number of observations (i.e., 49 countries). In some regression models, this number is even more restricted due to unavailable data for variables from additional data sources. Moreover, potential drivers such as volunteering, strength of the civil society, and institutional support for social entrepreneurship could not be included due to lack of (harmonized) data. Furthermore, while the rich diversity in socio-economic contexts as mentioned above necessitates a considerable number of determinants to be included, we are restricted by the small sample size.

Finally, it may be possible that results will change if other proxies are chosen to test the hypotheses. For example, government expenditure on health is chosen as an indicator for government expenditure on welfare whereas another indicator such as public expenditure as a percentage of GDP might alter the results. Moreover, all variables are measured at one point in time and although a certain time lag is taken into account (e.g., we regress social entrepreneurial activity of 2009 on GDP per capita of 2008), we do not know what may be considered a realistic time lag.

3.7. Conclusions

Social entrepreneurship attracts attention from practitioners, academics, and increasingly from policy-makers. An ever growing number of cases showing the potential of social entrepreneurs to alleviate society's troubles are subject to scholarly and media attention. Yet, our understanding of the prevalence of social entrepreneurial activity at a country level and our comprehension of factors of influence on the prevalence rate are still limited. Hence, the main purpose of this exploratory paper is to increase our understanding of the prevalence and drivers of social entrepreneurship at the macro-level using large-scale and internationally comparable data in a research domain dominated by case-study designs.

As regards the occurrence of social entrepreneurial activity the data reveals that worldwide 1.8% (unweighted average) of the adult population (18-64 years of age) is involved in Social early-stage Entrepreneurial Activity (SEA), opposed to 10.7% in Total early-stage Entrepreneurial Activity (TEA). Social entrepreneurship seems mainly an early-stage phenomenon (i.e., entrepreneurial activities in existence for less than 3.5 years), whereas 'conventional' entrepreneurship is also widely operationalized in established businesses (i.e., activities that have been in existence for more than 3.5 years).

As regards the drivers of social entrepreneurship at a country level, hypotheses are tested, drawing on various theoretical perspectives (i.e., failure thesis, interdependence theory, welfare state theory and supply-side theory). First and foremost we conclude that social entrepreneurship is a wealth phenomenon. More specifically, the relationship between per capita income and social entrepreneurship suggests an inverted U-shape. This result sharply contrasts accumulating evidence for a U-shaped relationship between the level of economic development and commercial entrepreneurship. Given the strong and contrasting effect of economic development on both types of entrepreneurship we also conclude that social entrepreneurship is indeed a phenomenon different from commercial entrepreneurship with its own characteristics and dynamics. Furthermore, we found no support for the failure thesis, which assumes that a malfunctioning market or state creates opportunities for social entrepreneurs and thus influences the prevalence rate. Instead, we find some evidence supporting the interdependence theory which assumes a relation of partnership between the government and social organization whereby the latter delivers social services on behalf of and financed by the government. When it comes to cultural values, no support is found that the prevalence of social entrepreneurship is related to a society's entrepreneurial spirit. As is also the case for postmaterialism corrected for the level of economic development, the effect of a society's entrepreneurial spirit on social entrepreneurship disappears when TEA is corrected for the level of economic development. On the contrary, a society's level of individualism can indeed be considered a driver for social entrepreneurship. This latter finding suggests that in societies where ties between individuals are loose, social entrepreneurship is more widespread and in more collectivist societies social services are provided by informal sources such as extended families.

Although a quantitative approach at a macro-level may lack the depth of substance characteristic of case study research, in particular in the case of social entrepreneurship which covers a wide variety of socio-economic contexts, it does reveal useful clues for explanatory factors for the occurrence of social entrepreneurship. However, future research is needed to confirm the robustness of associations that we found and to be able to make a meaningful distinction between different groups of countries possibly with their own drivers.

Appendix

Table 3.6 Description of variables for the regression models.		
Variable	Description	Source
<i>Dependent variables</i>		
Social entrepreneurship	The share of social initiators (i.e., percentage of the adult population (aged between 18-64 years) that is actively involved in starting or owning and managing <i>any kind of activity or initiative</i> that has a particularly social, environmental or community objective) as part of total entrepreneurship (i.e., Total early-stage Entrepreneurial Activity (TEA) plus Total early-stage Social Entrepreneurial Activity (SEA) minus the overlap between these two categories).	Adult Population Survey (APS) of GEM 2009
<i>Independent variables</i>		
Per capita income	Gross domestic product per capita (year 2008) as expressed in (thousands of) purchasing power parities per international dollar	IMF World Economic Outlook Database, version April 2008
Per capita government expenditure on health	Per capita general government expenditure on health (year 2008) expressed in (thousands of) purchasing power parities per international dollar	WHO Global Health Observatory Dataset 2008
Entrepreneurial spirit	Total early-stage Entrepreneurial Activity (TEA) (i.e., the relative amount of nascent entrepreneurs and business owners of young firms in the adult population (18-64 years of age)) corrected for per capita income.	Adult Population Survey (APS) of GEM 2009 and IMF World Economic Outlook Database, version April 2008
Degree of individualism	The degree to which individuals are integrated into groups: everyone is expected to look after him/herself and his/her immediate family.	Institute for Training in International Management (ITIM)
Degree of postmaterialism	The degree to which a society favours non-materialistic life-goals such as personal development and self-esteem over material ones (year 2005-2008)	World Value Survey: Values Surveys Databank

Table 3.7. Bivariate correlations among the dependent and independent variables uncorrected for GDP per capita.

Variables	1.	2.	3.	4.	5.	6.	7.
1. Share of social entr. in all entrepreneurship	1.00						
2. GDP per capita	0.49 ^a	1.00					
3. (GDP per capita) ²	0.40 ^a	0.97 ^a	1.00				
4. Per cap. govern. exp. on health	0.54 ^a	0.92 ^a	0.92 ^a	1.00			
5. Entrepreneurial spirit	-0.47 ^a	-0.56 ^a	-0.44 ^a	-0.49 ^a	1.00		
6. Individualism	0.67 ^a	0.66 ^a	0.61 ^a	0.78 ^a	-0.58 ^a	1.00	
7. Postmaterialism	0.35	0.55 ^a	0.54 ^a	0.62 ^a	-0.03	0.51 ^a	1.00

^a Correlation is significant at the 0.01 level (two-tailed)

Table 3.8. Bivariate correlations among the dependent and independent variables corrected for GDP per capita.

Variables	1.	2.	3.	4.	5.	6.	7.
1. Share of social entr. in all entrepreneurship	1.00						
2. GDP per capita	0.49 ^a	1.00					
3. (GDP per capita) ²	0.40 ^a	0.97 ^a	1.00				
4. Per cap. govern. exp. on health corr. for GDP	0.12	0.00	0.08	1.00			
5. Entrepreneurial spirit corr. for GDP	-0.12	0.00	0.00	-0.12	1.00		
6. Individualism corr. for GDP	0.44 ^a	0.00	-0.03	0.41 ^b	-0.23	1.00	
7. Postmaterialism corr. for GDP	0.10	0.00	0.00	0.44 ^b	0.50 ^a	0.20	1.00

Note: Independent variables 4-7 are corrected for GDP per capita.

^a Correlation is significant at the 0.01 level (two-tailed)

^b Correlation is significant at the 0.05 level (two-tailed)

Table 3.9. Prevalence rates of social entrepreneurship versus conventional measures as well as rates of commercial entrepreneurship, social business entrepreneurship, social initiators and social initiators as a percentage of all entrepreneurs, by stage of economic development.

Country	Social early-stage Entrepreneurial Activity (SEA)	Established social entrepreneurial activity	Total early-stage Entrepreneurial Activity (TEA)	Commercial entrepreneurs (i.e. part of TEA that does not overlap with SEA)	Social business entrepreneurs (i.e. TEA - SEA overlap)	Social initiators (i.e. part of SEA that does not overlap with TEA)	Social initiators as % of all entrepreneurs*
<i>Low income countries</i>							
Algeria	1.1	0.0	16.7	4.7	16.7	0.0	6.1
Guatemala	0.1	0.0	25.1	4.2	25.0	0.1	0.2
Jamaica	3.4	0.6	22.7	16.3	20.8	2.0	6.0
Lebanon	0.8	0.4	15.0	16.0	15.0	0.0	5.3
Morocco	0.4	0.3	15.8	15.2	15.6	0.1	1.6
Saudi Arabia	0.2	0.0	4.7	4.1	4.7	0.0	3.5
Syria	0.9	0.0	8.5	6.7	8.5	0.0	10.0
Uganda	2.2	0.8	33.7	21.9	33.2	0.5	4.9
Venezuela	3.6	0.0	18.7	6.5	16.9	1.7	8.9
West Bank and Gaza Strip	0.4	0.1	8.6	6.9	8.5	0.0	3.7
(Unweighted) average	1.3	0.2	16.9	10.2	16.5	0.4	4.9

Table 3.9. (continued)

Country	Social early-stage Entrepreneurial Activity	Established social entrepreneurial activity	Total early-stage Entrepreneurial Activity	Established entrepreneurial activity	Commercial entrepreneurs	Social business entrepreneurs	Social initiators	Social initiators as % of all entrepr.*
<i>Middle income countries</i>								
Argentina	4.1	3.0	14.7	13.5	14.1	0.6	3.6	19.5
Bosnia Herzegovina	0.8	0.0	4.4	3.9	4.4	0.0	0.8	14.6
Brazil	0.4	0.0	15.3	11.8	15.3	0.0	0.4	2.4
Chile	2.4	0.2	14.9	6.7	14.6	0.2	2.2	13.0
China	2.6	0.3	18.8	17.2	18.2	0.7	2.0	9.4
Colombia	3.4	0.1	22.4	12.6	19.6	2.8	0.6	2.6
Croatia	2.6	1.1	5.6	4.8	5.0	0.6	2.0	25.9
Dominican Republic	2.2	0.8	17.5	11.4	17.3	0.2	2.0	10.1
Ecuador	0.5	0.0	15.8	16.1	15.6	0.2	0.3	1.8
Hungary	2.7	0.1	9.1	6.7	8.2	0.9	1.8	16.2
Iran	1.4	0.2	12.1	6.5	11.5	0.6	0.8	6.1
Jordan	0.6	0.1	10.2	5.3	10.1	0.1	0.5	5.1
Latvia	1.9	0.7	10.5	9.0	10.3	0.2	1.7	13.8
Malaysia	0.2	0.0	4.4	4.3	4.4	0.0	0.2	4.3
Panama	1.2	0.1	9.6	4.2	9.0	0.6	0.6	5.9
Peru	3.5	0.1	20.9	7.5	18.4	2.5	1.0	4.4
Romania	1.6	0.1	5.0	3.4	4.5	0.5	1.0	17.3
Russia	0.6	0.1	3.9	2.3	3.5	0.3	0.3	7.2
Serbia	1.1	0.5	4.9	10.1	4.9	0.0	1.1	18.9
South Africa	1.8	0.1	5.9	1.4	5.1	0.8	1.0	14.2
Uruguay	2.6	0.3	12.2	5.9	11.5	0.7	1.9	13.3
<i>(Unweighted) average</i>	<i>1.8</i>	<i>0.4</i>	<i>11.3</i>	<i>7.8</i>	<i>10.7</i>	<i>0.6</i>	<i>1.2</i>	<i>9.7</i>

Table 3.9. (continued)

Country	Social early-stage Entrepreneurial Activity	Established social entrepreneurial activity	Total early-stage Entrepreneurial Activity	Established entrepreneurial activity	Commercial entrepreneurs	Social business entrepreneurs	Social initiators	Social initiators as % of all entrepre.*
High income countries								
Belgium	1.7	0.9	3.5	2.5	3.2	0.3	1.4	28.4
Finland	2.6	1.9	5.2	8.5	5.1	0.0	2.5	32.9
France	2.2	0.4	4.3	3.2	3.8	0.6	1.7	27.6
Germany	0.7	0.4	4.1	5.1	3.9	0.2	0.5	10.0
Greece	1.9	0.8	8.8	15.1	8.3	0.5	1.4	13.8
Hong Kong	0.5	0.3	3.6	2.9	3.5	0.2	0.3	7.5
Iceland	3.9	1.5	11.4	8.9	10.7	0.8	3.2	21.7
Israel	1.8	1.4	6.1	4.3	5.8	0.2	1.6	20.7
Italy	1.2	0.5	3.7	5.8	3.4	0.3	0.9	19.1
Korea	0.7	0.1	7.0	11.8	6.5	0.5	0.2	3.0
Netherlands	0.9	0.4	7.2	8.1	7.1	0.1	0.9	10.9
Norway	0.9	0.0	8.5	8.3	8.1	0.4	0.4	4.8
Slovenia	2.0	1.1	5.4	5.6	5.2	0.1	1.9	26.4
Spain	0.5	0.2	5.1	6.4	4.9	0.2	0.3	6.1
Switzerland	2.7	0.1	7.7	8.4	6.4	1.3	1.4	15.4
United Arab Emirates	4.3	0.4	13.3	5.7	11.8	1.5	2.8	17.5
United Kingdom	2.1	1.8	5.7	6.1	5.5	0.3	1.9	24.5
United States	3.9	0.5	8.0	5.9	7.4	0.6	3.4	29.7
(Unweighted) average	1.9	0.7	6.6	6.8	6.1	0.4	1.5	18.3
Overall (unweighted) average	1.8	0.5	10.7	8.0	10.2	0.5	1.2	10.4

* TEA plus SEA minus the overlap

Source: Global Entrepreneurship Monitor, 2009

Social and commercial entrepreneurship: Exploring individual and organizational characteristics

4

Abstract: This study extends our current knowledge of the social entrepreneur and the activities he/she is involved in and contrasts them with our understanding of commercial entrepreneurs. For the purpose of generating empirically-driven propositions, we bring together insights from current empirical investigations and insights from unique large-scale data from the GEM 2009 survey on social entrepreneurship covering Belgium and The Netherlands. Findings are refined with insights from interviews with key informants in both countries. In general the generated propositions seem to indicate a rather fragile entrepreneurial profile in terms of effort put into the organisation or activity, self-confidence, ambition in terms of employment growth, funding from the sale of products and services and progression to more mature stages of the entrepreneurial process. Furthermore, social entrepreneurs are more likely to be younger, more highly educated and they perceive legitimization of entrepreneurs in society differently than do their commercial counterparts.

This chapter is based on:

Bacq, S., Hoogendoorn, B., Hartog, C. M., Lepoutre, J. (2010). Social and commercial entrepreneurship: exploring individual and organizational characteristics. Research Report, Zoetermeer, The Netherlands: EIM.

4.1. Introduction

In recent years, social entrepreneurship has received increasing recognition from the public sector, the media, the population at large, as well as from scholars. This growing interest can be explained by at least two arguments (Bacq and Janssen, 2011, forthcoming). First, the innovativeness of treating social problems that are becoming more and more complex has been advocated by numerous scholars (Johnson, 2000; Mair and Martí, 2004; Nicholls, 2006b; Roberts and Woods, 2005; Thompson *et al.*, 2000; Weerawardena and Sullivan Mort, 2006) and has been evident in multiple success stories around the globe (such as Aravind Eye Hospitals, Grameen Bank, Teach for America). Second, social entrepreneurship can be seen as a way to reduce the financial dependence on private donations and government funding of socially oriented organizations by using market-based solutions to address the most intractable social problems of our societies. As a result, hybrid models of enterprises have emerged (Austin *et al.*, 2006; Johnson, 2000; Wallace, 1999) that apply for-profit and non-profit elements. This combination of social and financial value creation has led to a consensus according to which understanding social entrepreneurship and its determinants is of primary importance (Dees, 1998b; Weerawardena and Sullivan Mort, 2006).

Together with a growing recognition for this type of entrepreneurship, definitional attempts of it have proliferated. However, given a lack of empirically-grounded evidence, except for some case studies of social entrepreneurship's defining and distinctive characteristics (Jones *et al.*, 2008; Mair and Schoen, 2007; Mair and Martí, 2009; Vasi, 2009), social entrepreneurship still has different meanings for different people. Although it has been argued that the social entrepreneur, entrepreneurial process and activities involved differ substantially from their commercial counterparts (Mair and Martí, 2009), the lack of large-scale studies of the phenomenon has prevented researchers from moving forward. Indeed, even though the importance of a quantitative approach has been acknowledged (Hoogendoorn *et al.*, 2010; Short *et al.*, 2009), exploring social entrepreneurship activities, determinants, or consequences resulting in testable hypothetical relationships, is still to be deplored.

In order to address this gap in research this paper adopts a quantitative, exploratory and proposition generating approach to elementary questions about the social entrepreneur and his/her activities and compares these insights to our understanding of commercial entrepreneurs. More precisely, our research objective can be formulated as follows: generate generalizable and testable insights into who social entrepreneurs are and what businesses or activities they are involved in. For this purpose, we first provide an extensive literature review of individual and organizational characteristics of both entrepreneurship and social entrepreneurship before complementing these views with insights from two sources of empirical data.

As our main data source, we draw on the Belgian and Dutch data from the Global Entrepreneurship Monitor (GEM)⁶⁴ 2009 special issue, the first worldwide survey on social entrepreneurship. Additionally, we enrich the insights of our quantitative data and the literature review with in-depth interviews with a variety of key informants from both countries, comprised of national experts in social entrepreneurship, representatives of the non-profit/NGO sector, or the Corporate Social Responsibility (CSR) movement. Common patterns, covering both the individual characteristics and perceptions of the social entrepreneur, and also organizational characteristics, such as the firm age, objectives, size, funding sources or degree of innovation, are subsequently formulated as propositions. As such, this micro-level study is exploratory by nature, applies an inductive approach to the subject matter and provides empirically-grounded research propositions to be tested in future research.

This paper aims to contribute in two ways. First, and most important, this study extends current knowledge on social entrepreneurs and the organizations and activities they are involved in by using unique large-scale data in a field that is dominated by case studies. Second, this study not only extends our current knowledge on this subject but also formulates propositions that may serve as a basis for theory building and testing purposes. As such, this study contributes to the development of this particular field of research to move beyond *descriptive* purposes to more *predictive* purposes (Snow and Thomas, 1994). In addition, an increased understanding of the personal and organizational characteristics of social entrepreneurship is highly relevant for those who wish to promote it as a desirable career choice with a higher impact on society, or to create and improve the sector infrastructure, be they public policy-makers, private foundations or support organizations.

The paper proceeds as follows. Section 4.2 reviews previous conceptual and empirical literature on social entrepreneurship. Section 4.3 presents the data that we use for our analyses followed by a description of the methodology used to investigate our research question. In line with our methodological choices, Section 4.4 presents our results in three subsections. First, we present our results of the individual characteristics of social entrepreneurs. Second, we explore various aspects of the organizational dimension of social entrepreneurship. We address to what extent the insights gained from our large-scale survey data add, confirm or contradict the extant literature. Third, we complement our results by qualitative insights gained from interviews with key informants. Using those three subsections, we formulate research propositions. These results and study limitations are discussed in Section 4.5. Finally, implications for future research and conclusions are presented in Section 4.6.

⁶⁴ See also www.gemconsortium.org

4.2. Theoretical background

In this section we introduce a broad definition of social entrepreneurship as applied throughout this paper that allows the consideration of a wide range of practices captured by this particular concept. Subsequently, we set the stage for further exploration of the individual and organizational characteristics of the social entrepreneur and the activities in which he/she is involved. We do so by reviewing entrepreneurship and social entrepreneurship literature and by addressing some controversial debates.

The label “social entrepreneurship” has generated a large number of definitions that can be classified according to different dimensions of the phenomenon to which they relate, including the individual, the organization, the process and the environment (Bacq and Janssen, 2011, forthcoming). This study focuses on the individual and organizational dimensions of social entrepreneurship. We apply the following definition of social entrepreneurship: social entrepreneurship concerns individuals or organizations engaged in entrepreneurial activities with a social goal (Bosma and Levie, 2010). This definition reflects some basic assumptions about social entrepreneurship on which the empirical part of this study is based: (1) social entrepreneurship is a process of entrepreneurial activities which includes discovering, evaluating and pursuing opportunities that does not necessarily involve new venture creation; (2) social entrepreneurship includes formally constituted and informal organizations and activities initiated and launched by individuals; (3) social entrepreneurship principally aims to pursue a social goal. Hence, this definition of social entrepreneurship captures an extensive range of praxis: it encompasses non-profit, for-profit, and hybrid forms of organizations and activities, originating from the private, the public, or the third sectors without any restriction on their legal form, earning income strategies, scope of activities, or sector in which they operate.

At the individual level, social entrepreneurs have been seen as a ‘sub-species’ of the entrepreneurs’ family (Dees, 1998a). For Mair and Martí (2004), for example, an important element is the “entrepreneurial spirit” that gives social entrepreneurs their entrepreneurial nature. A recent review of social entrepreneurship literature (Bacq and Janssen, 2011) showed that social entrepreneurs share a series of behavioral characteristics with the commercial entrepreneurs, such as: the ability to detect opportunities (Catford, 1998; Dearlove, 2004; Dees, 1998b; Johnson, 2003; Nicholls, 2006b; Peredo and McLean, 2006; Roberts and Woods, 2005; Thompson *et al.*, 2000; Tracey and Phillips, 2007); the drive to innovate (Austin *et al.*, 2006; Dees, 1998b; Mair and Martí, 2004; Roberts and Woods, 2005); the willingness to bear risk (Peredo and McLean, 2006; Zahra *et al.*, 2009) and the display of proactive behavior towards survival, growth and serving the market (Prabhu, 1999; Sullivan Mort, Weerawardena, and Carnegie, 2003; Weerawardena and Sullivan Mort, 2006). However, they show a key difference in terms of motivation to engage in social activities: social entrepreneurs demon-

strate a socio-moral motivation in their entrepreneurial initiatives (Nicholls, 2006b; Shaw and Carter, 2007). Shaw and Carter (2007), for example, based on 80 in-depth interviews with social entrepreneurs in the UK, found that they are more likely to be motivated by social aims, such as to affect change and make a difference, to meet local needs or to tackle a social issue. What remains empirically unexplored though, is what determinants are related to the choice of individuals to engage in social entrepreneurial activities *versus* commercial ones.

In microeconomic models of conventional entrepreneurial behavior, a wide variety of factors have been subject to empirical studies related to the choice made by individuals to start a business or not. These factors include both personal characteristics such as psychological traits, demographics, attitudes towards risk, and variables measuring social and human capital as well as environmental factors such as industry characteristics and macroeconomic factors (Parker, 2009). With respect to personal characteristics, both objectively measurable variables (e.g., age, gender, formal education) and subjective preferences and perceptions have been acknowledged as important determinants of entrepreneurial behavior (Busenitz and Barney, 1997; Cooper *et al.*, 1988; Koellinger *et al.*, 2007). On the other hand, and despite an extensive coverage of successful social entrepreneurs in the media, only a few studies have empirically addressed individual characteristics of social entrepreneurs in comparison with other occupational groups. Table 4.1 provides an overview of the empirical contributions that concern personal characteristics of social entrepreneurs. What is noteworthy here is that most of these studies apply a qualitative methodology with a case-study design, with the exception of Bosma and Levie (2010) and Harding and Cowling (2006) who use large-scale surveys and descriptive techniques to present results. As a consequence, these studies do indeed, provide valuable insights but they have not yet provided any generalizable results. Insights gained from these empirical studies and conventional entrepreneurship research are presented and compared with our results in Section 4.4.

Table 4.1. Overview of empirical studies addressing personal characteristics of social entrepreneurs.

Perceptions and attitudes	Age and gender	Employment status	Goal orientation and motivations	Innovativeness
Harding and Cowling (2006)	Bosma and Levie (2010)	Harding and Cowling (2006)	Bosma and Levie (2010)	Bosma and Levie (2010)
Johnson (2003)	Harding and Cowling (2006)		Sharir and Lerner (2006)	Mair and Schoen (2007)
	Shaw and Carter (2007)		Shaw and Carter (2007)	Weerawardena and Sullivan Mort (2006)
				McDonald (2007)

Source: Hoogendoorn *et al.*, 2010

At the organizational level, different elements of social entrepreneurship organizations have been discussed in the extant literature. The issue of their legal organizational form has been debated among scholars as whether the social mission implies that the organization cannot exist under any other legal organizational form than the non-profit form and, therefore, cannot distribute any profit to its investors. This issue has notably been widely discussed within the European boundaries, where a variety of new legal forms have appeared (e.g., ‘social co-operatives’ in Italy, the ‘Community Interest Company’ in the UK, the ‘social purpose company’ in Belgium) (Defourny and Nyssens, 2006).

Beyond the question of the legal form, social entrepreneurship organizations can be characterized along a series of dimensions, such as their age, their objectives, their size, their source of funding or their innovativeness. Each of these characteristics will be addressed in the remainder of this paper. While little is known about the distribution of social entrepreneurship organizations in terms of age, the social enterprise’s objectives have been widely discussed in the literature. The main divergence among scholars lies in whether the creation of a social value proposition (i.e., non-financial goals) is the primary objective (Austin *et al.*, 2006; Dees, 1998b; Haugh and Rubery, 2005; Sharir and Lerner, 2006; Sullivan Mort *et al.*, 2003) and, as such, the economic value creation represents a necessary but not sufficient condition (Mair and Schoen, 2007) or whether it rather consists of a blended value creation (Emerson, 2003; Nicholls, 2010). Empirically, any findings on social organizations’ objectives are scarce. Exceptions include Nyssens (2006) and Seelos and Mair (2005) who confirm that the long held belief that social enterprises serve multiple goals simultaneously, including at least three different kinds of goals: economic, social and socio-political. However, Nyssens (2006) adds that the social goals are clearly at the core of the mission and that economic goals are in support of the social goals, thereby reinforcing the primacy argument.

When it comes to human resources and size of the organization, social entrepreneurs are working with a wide variety of employees in terms of formal and informal relations and types of contracts (Nyssens, 2006; Turner and Martin, 2005; Vidal, 2005). A study by Vidal (2006), based on 15 Spanish social enterprises, distinguishes between two types of social organizations: market-oriented versus care and services provider. The former have greater professional resources and fewer volunteers both in terms of time and money, whereas the latter have a greater presence of volunteers in the workforce. In care and services provider type of enterprises, employees normally have a temporary relationship with the social enterprise and a part-time working week is the norm; in market-oriented enterprises indefinite full-time employment contracts prevail. Overall, there has been very little research on the size (in terms of employment base) of these organizations.

Finally, the innovation dimension of social entrepreneurship organizations has been put forward by all the partisans of the so called “Social Innovation School” (Austin *et al.*, 2006; Catford, 1998; Dearlove, 2004; Dees, 1998a; Roberts and Woods, 2005; Schuyler, 1998), according to which social entrepreneurs are primarily driven by vision and innovation.

However, this characteristic has been taken for granted as one of social entrepreneurship's defining elements, rather than being empirically-grounded. Therefore, this issue deserves further exploration. This will be addressed in the paper.

Thus, although the individual and organizational dimensions of social entrepreneurship have raised the curiosity of researchers, empirical investigations aiming to generate generalizable and testable insights have been rare. This paper attempts to address this gap. The next section describes the data used and methodology applied in this study.

4.3. Data and methodology

4.3.1. Data source and definitions

The Adult Population Survey (APS) of the Global Entrepreneurship Monitor was used as the main data source to provide insights into social entrepreneurs' individual characteristics and into the activities and organizations in which these individuals are involved. More specifically, we used the 2009 micro-level data of Belgium and The Netherlands⁶⁵. GEM is an international research program providing harmonized annual data on entrepreneurial activity at the national level. The main objectives of the GEM research program are to enable a cross-country analysis of the level of entrepreneurial activity, uncovering determinants of entrepreneurial activity, identifying policies that may stimulate the level of entrepreneurial activity, and examining special topics of common concern and/or those that are specific to an individual country. GEM teams of researchers collect data in each participating country using a standardized telephone survey among at least 2,000 randomly selected individuals from the adult population (i.e., aged between 18 and 64 years). Within the GEM annual survey, the entrepreneurially active adult population is identified from an initial question that inquires whether the respondent is *'alone or with others, currently trying to start a new business or owning and managing a business, including any self-employment or selling any goods or services to others'*. We refer to this group as *'commercial entrepreneurs'* throughout the remainder of this paper. In addition, the entrepreneurially active population can be split into the percentage of the adult population that is actively involved in setting up a new business (*'nascent entrepreneurial activity'*), the percentage of the adult population that is the owner-manager of a business less than 3.5 years old (*'young entrepreneurial activity'*), and the percentage that is owner-manager of a business that was created more than 3.5 years ago (*'established entrepreneurial activity'*).

⁶⁵ In contrast to the aggregate level data, micro-level data is only available for the national team of the country concerned. Since this study is the result of cooperation between the Belgian and Dutch teams, we were able to use the data relating to these two countries.

In 2009, GEM conducted a special study on social entrepreneurship. Data on social entrepreneurial activity was collected in 49 countries, including Belgium and The Netherlands. In order to identify the socially entrepreneurially active population, GEM asked each respondent the following question: *‘Are you, alone or with others, currently trying to start or currently owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective?’*. We refer to this group as *‘social entrepreneurs’*. Whether an objective is considered social or not thus depends on the respondents’ perception. Note that referring to ‘activity, organization or initiative’ is broader than ‘starting a new business’ or ‘owning and managing a business’. When a respondent answered positively to both above-mentioned questions, a control question checked whether or not these initiatives are the same⁶⁶. Similar to commercial entrepreneurship, different phases of social entrepreneurship can be distinguished, including nascent social entrepreneurial activity, young social entrepreneurial activity and established social entrepreneurial activity.

The GEM data set shows considerable variation in the prevalence of social entrepreneurship across countries, ranging from 0.1% in Guatemala to 4.3% in the United Arab Emirates (Bosma and Levie, 2010; Hoogendoorn and Hartog, 2010). With respect to the Belgian and Dutch data, we observe rather low prevalence rates (1.7% and 0.9% of the adult population, respectively). Furthermore, the data reveals that social entrepreneurial activity is less prevalent than commercial entrepreneurship. Whereas, in total, 151 individuals from the pooled Belgian and Dutch adult population ($n = 6,122$) are involved in social entrepreneurial activities (both starting and owning-managing a social activity, organization or initiative), commercial entrepreneurs are over three times more numerous than social entrepreneurs ($n = 553$). Although some individuals are involved in both types of entrepreneurial activity, these results indicate that social entrepreneurship accounts for about one-fifth of the total entrepreneurially active population in Belgium and The Netherlands.

The next section presents the methodology applied before presenting the results originating from our research questions.

4.3.2. Research methodology

In order to address our research question, i.e., generating empirically grounded propositions into social entrepreneurship at the individual and organizational levels, we take the following characteristics into account. At the individual level, we consider those characteristics that may influence the occupational choice of individuals i.e., those characteristics that bear on the decision to engage in social entrepreneurship: age, gender, education, perceptions

⁶⁶ We chose to consider this category of respondents as social entrepreneurs. They are not counted as commercial entrepreneurs.

and employment status. At the organizational level, we investigate social entrepreneurship organizations' age, objectives, size, sources of funding and innovativeness.

We investigate these characteristics by using a combination of quantitative and qualitative techniques. First, for each of the above-mentioned characteristics, a brief overview is provided of current insights from previous research bearing on both entrepreneurship literature and social entrepreneurship literature. Second, the GEM data is explored through descriptive analyses. When the data are available, we consistently assess the descriptives of both commercial and social entrepreneurs. These outcomes are then compared with the literature insights. Subsequently, a qualitative investigation, by conducting face-to-face interviews with key informants in both Belgium and The Netherlands, generates insights to complement our exploratory quantitative findings and sheds light on some apparently remarkable results. Key informants are national experts in social entrepreneurship, representatives of the non-profit/NGO sector and the CSR movement⁶⁷. Since, as explained in Section 4.2, literature on the organizational level of social entrepreneurship is scarce, we focused our interviews on organizational characteristics instead of individual characteristics. We purposefully chose key informants coming from different perspectives, various (professional) backgrounds and sectors⁶⁸. Key informants were asked, by means of a semi-open interview guide, to (1) reflect on the descriptive results obtained from our exploratory data analyses and (2) to comment on the questions used by the GEM researchers to identify the socially entrepreneurial active adult population. Given their position on the national landscape, they also contributed in putting our findings into context. Finally, propositions are generated when (a) common patterns between the literature and our descriptive results are identified, or (b) when a combination of the quantitative insights from GEM data and the qualitative insights from the key informants give rise to do so.

4.4. Results

This section is divided into three subsections. The first section focuses on the individual level, providing characteristics of the social entrepreneur in terms of socio-demographics, perceptions and employment status. The second section reveals characteristics of the organization or initiative these individuals are involved in. Both subsections describe and analyze several characteristics in terms of the current knowledge of commercial and social entrepreneurship and to what extent the insights gained from our large-scale survey data add, confirm or contradict the literature. In the third and final subsection we provide the results of the interviews with key informants concerning the characteristics of the organizations and

⁶⁷ All interviews were recorded and their average length was about one hour.

⁶⁸ An overview of key informants, their professions and backgrounds, can be found in Table I.1 in the Appendix.

initiatives social entrepreneurs are involved in. Along those three sections, we frame our findings in testable propositions for future research.

4.4.1. Characteristics of the social entrepreneur

The characteristics of the social entrepreneur, we consider are the socio-demographic characteristics (i.e., age, gender, and formal education), perceptions (i.e., perceptions with respect to opportunities, self-perceived capabilities, knowing other entrepreneurs, perceptions of national attitudes, and attitude towards risk) and employment status. We compare each of these characteristics for three distinct groups: individuals who are not entrepreneurially active, commercial entrepreneurs and social entrepreneurs.

Age. With regard to age, empirical research repeatedly found that people in the age group 35-44 years are the most likely to start a mainstream enterprise (Cowling, 2000; Reynolds *et al.*, 2002; Williams, 2004). The probability of being or becoming an entrepreneur reveals an inverted U-shape relationship between age and entrepreneurship: the likelihood of being involved in entrepreneurship increases up to a certain age (somewhere around the forties or early fifties) and decreases thereafter (Bates, 1995; Bergmann and Sternberg, 2007). Theoretical arguments for this pattern include that older people are more likely to have experience, access to capital, and personal financial resources. At the same time older people may lack the energy and commitment of younger people (Parker, 2009).

Empirical research that focuses on social entrepreneurs tends to find that the youngest age group has a relatively higher chance of being involved in social entrepreneurship (Bosma and Levie, 2010; Harding and Cowling, 2006; Johnson, 2003; Johnson, 2003; Van Ryzin *et al.*, 2007). Several suggestions are available for this observation. Van Ryzin *et al.* (2007) suggest that, in contrast to the observation that older people are more civically engaged and possess more social capital (Putnam, 2000), young people adopt new forms of expressing civic engagement such as social entrepreneurship. Johnson suggests that young Canadians tend to be more open to adopting socially entrepreneurial approaches compared to older individuals (Johnson, 2003). She argues that, especially among older individuals with a long history of working towards social improvements, the language of the private sector forms barriers to the acceptance of social entrepreneurship in Canada. A third explanation stems from Hoogendoorn and Hartog (2010) based on a cross-country level study and refers to the degree of postmaterialism i.e., the degree to which the population of a society values non-materialistic life-goals such as personal development, self-expression and the desire for meaningful work above material ones (Inglehart, 1981; Inglehart, 1997; Inglehart, 2000). At the individual level, the preference for non-materialistic values may be of influence on occupational choices and may find expression in social entrepreneurship. Younger birth cohorts who have experienced unprecedented prosperity in their early years attach higher priority to non-materialistic values (2000).

In addition to empirical studies that concern social entrepreneurs and age, Parker (2008) provides a neoclassical life-cycle theory of social entrepreneurs which predicts two dominant types of individuals will engage in social entrepreneurship: idealistic individuals who operate social enterprises when young on the one hand, and wealthy individuals who engage in social entrepreneurship later in life after a career in paid employment or as self-employed commercial entrepreneur, on the other hand. As a consequence, this model predicts a U-shaped age distribution of social entrepreneurs.

Turning to our dataset, Figure 4.1 and Table 4.2 show the descriptive statistics with regards to the age distribution within the total sample and the three occupational groups (i.e., the non entrepreneurially active population and the social and commercial entrepreneurially active individuals) – Figure 4.1 – and by phase (i.e., nascent, young, early-stage, and established entrepreneurship) – Table 4.2.

Looking at the adult population that is entrepreneurially active, it follows from Table 4.2 that it is the adult population aged between 35 and 44 years that is most involved in social and commercial entrepreneurship. Individuals in the age categories 45-54 years and 25-34 years are also relatively more involved in entrepreneurial activity than individuals in the youngest and oldest age category.⁶⁹ Interestingly, individuals aged between 18 and 24 years are relatively more involved in social entrepreneurship as opposed to commercial entrepreneurship, which seems to be in line with prior research results.

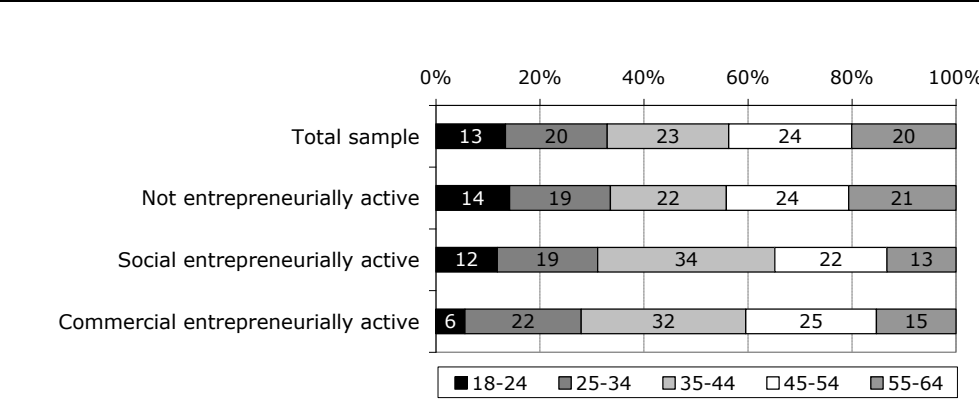
Focusing on the age distribution of social and commercial entrepreneurs by phase, it follows from Table 4.2 that social entrepreneurs are, on average, younger than commercial entrepreneurs. There are some differences by phase of the entrepreneurial process, however. Social established business entrepreneurs, for instance, are relatively older in comparison to social early-stage entrepreneurs. Furthermore, at all phases of the entrepreneurial process, a relatively larger share of individuals aged between 18 and 24 years is involved in social entrepreneurship than in commercial entrepreneurship. Once the business is created (young or established business), the share of the adult population aged 55-64 years is (slightly) higher for social entrepreneurship relative to commercial entrepreneurship. For nascent entrepreneurship however, commercial entrepreneurship involves a relatively larger share of individuals in the oldest age category. As regards the significance of these age differences, a t-test supports that

⁶⁹ However it is important to note here that the age distribution of commercial entrepreneurs in Belgium deviated from other years in the sense that normally the age group 25-34 years is mostly involved in entrepreneurship, but in 2009 this was not the case. Since this was also the case in some other countries participating in GEM (e.g. Scotland), the economic crisis may have played a role. Perhaps the crisis made younger people less willing to give up their secure jobs in times of turmoil, while older people might have thought that it was more a matter of 'now or never'.

the average age of commercial entrepreneurs (early-stage plus established) is indeed significantly higher than the average age of their social counterparts (42 years and 40 years respectively). However, the average age of early-stage commercial entrepreneurs and early-stage social entrepreneurs are not significantly different (39 years and 37 years respectively). Taking into account the small differences in age that we found combined with findings from previous empirical research, we formulate the following proposition.

Proposition 1: Social entrepreneurs are likely to be younger than commercial entrepreneurs.

Figure 4.1. Age distribution of different groups in the sample (18-64 years of age), The Netherlands and Belgium pooled, relative distribution within each group.



Source: GEM Adult Population Survey 2009

Table 4.2. Age distribution of social and commercial entrepreneurship, by phase, The Netherlands and Belgium pooled, relative distribution within each group.

Phase in the entrepreneurial process		Nascent	Young business	Total early-stage	Established business
Social	18-24 years	12.7	19.2	16.0	5.0
	25-34 years	20.3	27.1	23.9	11.6
	35-44 years	37.6	20.9	30.7	38.3
	45-54 years	24.5	18.8	21.9	23.5
	55-64 years	4.9	14.0	7.6	21.6
Commercial	18-24 years	8.2	10.8	9.5	1.1
	25-34 years	27.6	29.9	28.9	14.8
	35-44 years	30.3	34.2	32.1	31.1
	45-54 years	21.7	16.6	19.2	32.0
	55-64 years	12.2	8.5	10.3	21.1

Source: GEM Adult Population Survey 2009

Gender. As far as gender is concerned, large-scale survey research shows that in all high income countries a higher proportion of men than women is engaged in entrepreneurship, despite an increase of female participation in entrepreneurship in many of these countries (Minniti *et al.*, 2005; Parker, 2009; Reynolds *et al.*, 2002). Socio-economic differences between female and male entrepreneurs in terms of age, household income, employment status, education, and country specific economic factors are not able to explain the difference in entrepreneurial engagement (Minniti and Nardone, 2007). Instead, it is suggested that the difference between male and female participation in entrepreneurship is largely attributable to perceptual or ‘subjective’ differences: women are less likely to feel qualified, have a greater fear of failure and judge opportunities more pessimistically (Langowitz and Minniti, 2007; Minniti and Nardone, 2007; Verheul and Thurik, 2001).

Despite the stream of entrepreneurship literature in general, and gender and entrepreneurship literature in particular, only a limited number of descriptive reports are available when it comes to gender and social entrepreneurship (Bosma and Levie, 2010; Harding and Cowling, 2006). These reports reveal that social businesses and initiatives are more likely to be started by men than by women but that the gender gap (i.e., the difference between the male and female percentage of the adult population involved in entrepreneurial activity) is smaller for social entrepreneurship than for commercial entrepreneurship. This suggests that women are proportionally more likely to become social entrepreneurs rather than commercial entrepreneurs. A recent survey by the Social Enterprise Coalition based on 962 telephone interviews with senior individuals within British social enterprises, shows that 41.1% of all board members are women, which is much larger than the percentage in non-social small businesses. Also, 26% of the social enterprises are owned by women, which sharply contrasts the given 14% in commercial small businesses in the UK (Leahy and Villeneuve-Smith, 2009, p.7). Apparently, social entrepreneurship appeals to women, but as yet no theoretical explanation is available.

In line with Bosma and Levie(2010) and Harding and Cowling (2006), our data reveals that, while males and females are about equally present in the total sample, relatively more males are involved in entrepreneurial activity as opposed to females (Table 4.3). In contrast to earlier findings, the gender gap seems slightly larger for social entrepreneurs than for commercial entrepreneurs. Looking at entrepreneurship by phase (Table 4.4) it follows that the male-female distribution in social entrepreneurship is relatively comparable to commercial entrepreneurship for nascent and established entrepreneurs. For young business entrepreneurs however, the share of males involved is much higher for social entrepreneurship than it is for commercial entrepreneurship.

Table 4.3. Gender distribution of different groups in the sample (18-64 years of age), The Netherlands and Belgium pooled, relative distribution within each group.

	Total sample	Not entrepreneurially active	Social entrepreneurially active	Commercial entrepreneurially active
Male	50.4	48.3	69.7	66.8
Female	49.6	51.7	30.3	33.2

Source: GEM Adult Population Survey 2009

Table 4.4. Gender distribution of social and commercial entrepreneurship, by phase, The Netherlands and Belgium pooled, relative distribution within each group.

Phase in the entrepreneurial process		Nascent	Young business	Total early-stage	Established business
Social	Male	59.3	82.3	69.5	70.9
	Female	40.7	17.7	30.5	29.1
Commercial	Male	62.5	60.6	61.7	72.2
	Female	37.5	39.4	38.3	27.8

Source: GEM Adult Population Survey 2009

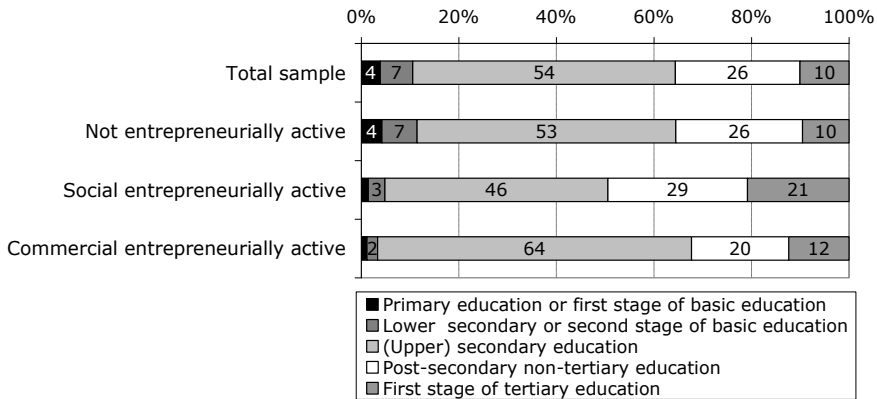
Education. Shifting our focus to educational attainment as an individual characteristic, empirical evidence from entrepreneurship literature does not provide an unambiguous picture: results differ from positive, negative and insignificant relationships between entrepreneurship and education (Parker, 2009). From an occupational choice perspective, additional education may increase entrepreneurial knowledge, abilities and skills (Casson, 1995), but it equally increases the value of paid employment as an alternative option which makes the entrepreneurial option less attractive and hence less likely. Despite these ambiguities, various patterns between developing and developed countries have been found (Van der Sluis, Van Praag, and Vijverberg, 2005). In high income countries, education has been shown to be positively related to the probability of being self-employed (Blanchflower, 2004; Reynolds *et al.*, 2003).

With respect to the relationship between education and social entrepreneurship, the aggregate GEM data, that includes 49 countries at different stages of economic development, suggest that the level of education is positively related to the propensity of being active as a social entrepreneur, irrespective of the level of economic development (Bosma and Levie, 2010). Hoogendoorn *et al.* (2011), who based their analyses on a sample of 36 high-income countries, and Harding and Cowling (2006), who focused on the UK context, confirm this relationship.

Figure 4.2 and Table 4.5 represent the results of our data with respect to educational attainment. Figure 4.2 suggests that social entrepreneurs do indeed have a higher level of education compared to their commercial counterparts. Of all social entrepreneurially active individuals, 50% has at least a post secondary degree, compared to 32% of the commercial entrepreneurially active individuals. A specification of these results by phase of the entrepreneurial process can be found in Table 4.5. This Table reveals that whereas the level of education of commercially active individuals remains rather stable across the phases in the entrepreneurial process, this is not the case for social entrepreneurs. In the latter case the level of education increases considerably with the level of engagement in the entrepreneurial process. In fact, whereas 30.6% of the nascent social entrepreneurs have a post-secondary or tertiary education, this percentage increases to 55% and 63% for young and established social entrepreneurs respectively. It seems plausible to assume that this effect is related to other variables such as age. A multivariate analysis may increase our understanding of this. For the time being and given previous research it seems legitimate to formulate the following proposition:

Proposition 2: Social entrepreneurs are likely to be more highly educated than commercial entrepreneurs.

Figure 4.2. Education level of different groups in the sample (18-64 years of age), The Netherlands and Belgium pooled, relative distribution within each group.



Source: GEM Adult Population Survey 2009

Table 4.5. Education level of social and commercial entrepreneurship, by phase, The Netherlands and Belgium pooled, relative distribution within each group.

Phase in the entrepreneurial process		Nascent	Young business	Total early-stage	Established business
Social	Primary education or first stage of basic education	2.1%	1.4%	1.8%	1.8%
	Lower secondary or second stage of basic education	3.9%	0.8%	2.5%	4.7%
	(Upper) secondary education	63.4%	42.7%	54.7%	30.5%
	Post-secondary non-tertiary education	23.4%	20.4%	21.8%	40.2%
	First stage of tertiary education	7.2%	34.6%	19.1%	22.8%
Commercial	Primary education or first stage of basic education	1.4%	0.4%	0.9%	1.6%
	Lower secondary or second stage of basic education	1.4%	2.1%	1.7%	2.5%
	(Upper) secondary education	61.0%	68.1%	64.8%	64.1%
	Post-secondary non-tertiary education	17.3%	17.6%	17.5%	22.4%
	First stage of tertiary education	18.8%	11.9%	15.0%	9.4%

Source: GEM Adult Population Survey 2009

Perceptions. In addition to *objectively* measurable socio-demographic characteristics, *subjective* and often biased perceptions have an impact on the decision to participate in entrepreneurship (Busenitz and Barney, 1997; Cooper *et al.* 1988; Koellinger *et al.* 2007). A set of perceptions has been attributed to entrepreneurs and confirm the belief that entrepreneurs tend to be more overconfident than average, in particular with respect to the assessment of one’s own skills, knowledge and abilities to start a business (Camerer and Lovallo, 1999; Koellinger *et al.* 2007). Other perceptions usually attributed to entrepreneurs, include the perception whether the entrepreneur personally knows someone who recently started a business (i.e., knowing other entrepreneurs), whether there will be good business opportunities for starting a business (i.e., perceived opportunity recognition) and perceptions related to risk-

taking. With the exception of risk, each of these perceptions have been found to have a positive effect on entrepreneurial activity (Arenius and Minniti, 2005).

With respect to the effect of knowing other entrepreneurs on entrepreneurial decisions, it has been argued that the presence of role models is able to reduce ambiguity in the start-up process (Minniti, 2004) and provides a personal network to be used for advice and support (Aldrich, 1999; Arenius and Minniti, 2005). With respect to opportunity perception, both Kirzner (1973; 1979) and Casson (1982) argue that the essence of entrepreneurship is the ability to perceive unexploited opportunities and that different individuals have different perceptions of the environment. Different views about entrepreneurial opportunities may play a role in explaining why some people become entrepreneurs while others do not.

With regard to risk, the ability to bear uncertainty and risk is required for entrepreneurship and is acknowledged to play a significant role in the choice to become an entrepreneur (Knight, 1921). Empirical research supports the idea of a negative effect of risk aversion on the entrepreneurial decision. One measure of risk aversion, used in GEM, is fear of failure⁷⁰ which measures the extent to which fear of failure would prevent someone from starting a business. Several studies using GEM data equally report a negative association between fear of failure and the propensity to be involved in entrepreneurial activities (Clercq and Arenius, 2006; Levie, 2007)⁷¹. With respect to social entrepreneurship, bearing risk is equally acknowledged to be one of its characteristics which is reflected in several definitions of the concept (Dees, 1998b; Leadbeater, 1997; Peredo and McLean, 2006; Tan *et al.*, 2005; Zahra *et al.* 2009). Despite this acknowledgement, very little is known about the risk attitude of social entrepreneurs and whether this attitude differs from the attitude of commercial entrepreneurs.

Not only the above mentioned self-perceptions of entrepreneurial requirements, but also an individual's perception of the degree of 'legitimation' or 'moral approval' of entrepreneurship within a culture may influence the decision to engage in entrepreneurship (Etzioni, 1987; Freytag and Thurik, 2007). A high degree of legitimation expressed, for example, as a high level of social status for entrepreneurs (Parker and Van Praag, 2009, forthcoming), a desirable career choice and extensive media coverage of successful entrepreneurs, is expected to positively influence the preferences of individuals to become involved in entrepreneurship as occupational choice (Freytag and Thurik, 2007).

As far as social entrepreneurship literature is concerned, a single empirical UK based study touches upon the perceptions of social entrepreneurs (Harding and Cowling, 2006). Harding and Cowling conclude that the individual's perceptions with regards to one's own skills, knowledge and abilities to start a business, knowing other entrepreneurs, opportunity recognition and fear of failure are what make social entrepreneurs a distinct group compared

⁷⁰ Fear of failure as a measure for risk aversion is debated. According to Parker (2009), it is unclear whether this variable measures risk aversion or something else, such as anticipated social stigma.

⁷¹ Although we acknowledge that someone's attitude towards risk is not the same as the actual or perceived level of risk itself, we pay attention to this aspect in the section on perceptions.

to commercial entrepreneurs and the general adult population. However, when it comes to the perception of the degree of ‘legitimation’ or ‘moral approval’ of entrepreneurship (i.e., attitudes with regards to entrepreneurship as a good career choice, status and respect and media attention for successful entrepreneurs), commercial entrepreneurs, social entrepreneurs and the general adult population are not significantly different (Harding and Cowling, 2006).

Table 4.6. Individual self-perceptions and individual perceptions of the legitimization of entrepreneurship, different groups in the sample, The Netherlands and Belgium pooled, percentage of the adult population (18-64 years of age) that agree with the statement.

	Total sample	Not entrepreneurially active	Social entrepreneurially active	Commercial entrepreneurially active
<i>Individual self-perceptions</i>				
Personally knows entrepreneurs	35.4	30.5	67.1	59.5
Perceived business opportunities	25.3	21.1	43.4	44.8
Self-perceived capabilities (knowledge, skills and experience)	46.9	38.6	74.5	89.5
Fear of failure	25.6	27.2	19.6	18.4
<i>Individual perceptions of legitimization of entrepreneurship</i>				
Entrepreneurship perceived as desirable career choice	61.7	58.7	63.7	77.7
Successful entrepreneurs gain high level of status and respect	56.3	55.9	67.8	57.0
Media attention about successful new businesses	44.8	42.9	47.6	55.0

Source: GEM Adult Population Survey 2009

Making use of our data, Table 4.6 provides insights into the perceptual indicators for different groups in the sample. Table 4.6 reveals that the individual perceptions of socially and commercially active individuals are relatively similar, but deviate much from individuals who are not entrepreneurially active. Compared to the non-entrepreneurially active population, entrepreneurially active individuals – whether socially or commercially – relatively more often know other entrepreneurs, are relatively more positive concerning business opportunities and

their self-perceived capabilities to start a new business, and are relatively less negative about their fear of failure. Although commercial and social entrepreneurs (early-stage plus established) do not differ significantly in terms of knowing other entrepreneurs, perceiving business opportunities and fearing failure if starting a business, commercial entrepreneurs are significantly more self-confident when it comes to their entrepreneurial skills than socially active individuals.

The different groups in our sample are somewhat more diverse with respect to their perception of the legitimization of entrepreneurship. Table 4.6 reveals that social entrepreneurially active individuals are significantly more likely to believe that successful entrepreneurs enjoy a high level of status and respect as opposed to both commercial entrepreneurs and non-entrepreneurially active individuals. Yet, commercial entrepreneurs considerably more often than social entrepreneurs believe that starting a new business is a desirable career choice. The perceptions of social and commercial entrepreneurs are not significantly different when it comes to media attention for successful new businesses.

Given our findings and the observation, from the literature review, that social entrepreneurs share many behavioral characteristics with their commercial counterparts (Hoogendoorn *et al.* 2010; Short *et al.* 2009), we formulate the following propositions.

Proposition 3a: Social entrepreneurs are significantly less self-confident of one's own capabilities to start a business than commercial entrepreneurs, but when it comes to perceived business opportunities, risk tolerance and personally knowing entrepreneurs commercial and social entrepreneurs do not differ significantly.

Proposition 3b: Commercial and social entrepreneurs perceive legitimization of entrepreneurs in society differently.

Employment status. Being actively involved in running or owning and managing a business does not necessarily imply that someone is self-employed. Instead, it is common to mix work time between multiple occupations (Parker, 2009). In particular in mature market economies, it is common to start a business part-time next to a regular wage job (Carter, Gartner, and Reynolds, 1996; Delmar and Davidsson, 2000; Smallbone and Welter, 2001). Part-time business activity may serve as a route into full-time involvement by gradually increasing their involvement in the business over time when opportunities arise, individual circumstances change or confidence grows (Smallbone and Welter, 2001). Empirical evidence from the GEM seems to confirm this pattern: among established business owners the rate of full-time entrepreneurs is higher compared to early-stage entrepreneurs (Bosma and Harding, 2007; Bosma *et al.*, 2008; Minniti *et al.*, 2006). More than 80% of established business owners see

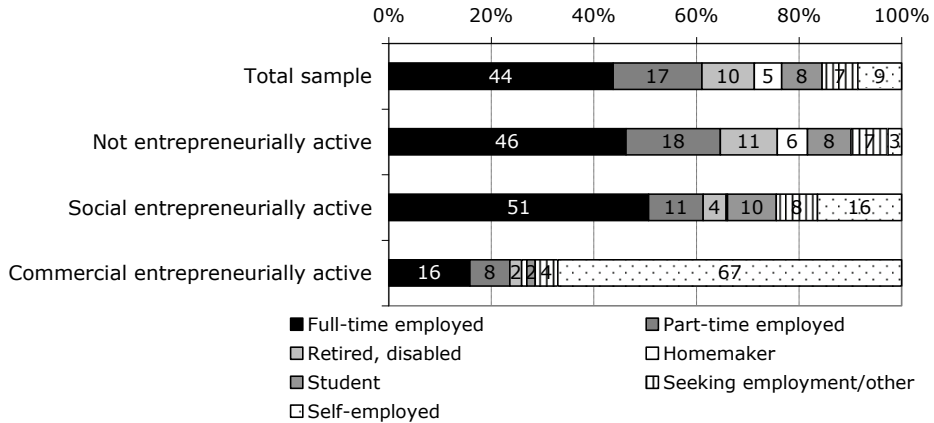
their business as a full-time occupation whereas this is slightly more than 70% for early-stage entrepreneurs (Bosma *et al.*, 2008)⁷². In addition, working people, both self-employed and in paid employment either full-time or part-time, are more likely to be entrepreneurially active (Arenius and Minniti, 2005). Participation in entrepreneurial activity is much lower among those who are not active in the labor market (e.g., unemployed, students, homemakers, and retired) (Bosma and Harding, 2007).

With respect to social entrepreneurship, some authors hold a view that social entrepreneurs are completely possessed by their vision and, as a consequence, are fully committed to the business or activity on a 24/7 basis (Bornstein, 2007; Drayton, 2002; Light, 2009). In contrast to this view but partly in accordance with the empirical findings from regular entrepreneurship literature, Harding and Cowling (2006) find that young social businesses are most likely to be run by someone who is in full-time employment and an established social business is run by someone who is employed part-time. Interestingly, she finds that individuals who are labor market inactive are slightly more likely to be involved in early-stage social entrepreneurship than in early-stage commercial entrepreneurship. In addition, those in full-time employment seem to be most likely of all occupational groups to be involved in starting or running a young social business.

The results of our data with respect to employment status are described in Figure 4.3 and Table 4.7. Most remarkable in Figure 4.3 is the difference between social and commercially active individuals. Whereas by far the majority of commercial entrepreneurs are self-employed, this is true for only 16% of the social entrepreneurs. In contrast, 62% of the social entrepreneurs are involved in paid employment, where this is the case for only 24% of the commercial entrepreneurs. In addition, the percentage of labor market inactive entrepreneurs (i.e., retired, disabled, students, homemakers, and unemployed) is higher for social entrepreneurs than for commercial entrepreneurs.

⁷²The rate of full-time involvement in entrepreneurial activity differs across countries. With respect to Belgium and The Netherlands, the GEM 2007 report shows that, in Belgium, some 75% of early-stage and established businesses are engaged in their business on a full-time basis. In The Netherlands, about half of all early-stage entrepreneurs see their business as a full-time occupation whereas this percentage is close to 80% for established businesses.

Figure 4.3. Occupational status of different groups in the sample (18-64 years of age), The Netherlands and Belgium pooled, relative distribution within each group.



Source: GEM Adult Population Survey 2009

When considering the various stages of the entrepreneurial process and employment status, Table 4.7 confirms the assumption that part-time employment combined with part-time business activity may serve as a route into self-employment as suggested by Smallbone and Welter (2001), at least for the commercial entrepreneurs. The percentage of commercial entrepreneurs that is either full-time or part-time employed decreases from 38% for the nascent entrepreneurs to 26% and 14% for the young and established entrepreneurs respectively. At the same time, the level of self-employment increases from 40% to 81% for nascent and established entrepreneurs respectively. For social entrepreneurs, Table 4.7 reveals a different picture. More than half of the nascent social entrepreneurs retain part-time or full-time employment, and this number is even increasing for young and established social entrepreneurs (66% and 65% respectively). The difference is evident with respect to established business owners. In addition, more than half of the established social entrepreneurs indicate that they consider their social activity as an activity outside their daily job⁷³. This suggests that part-time involvement in social entrepreneurship does not serve as a (successful) route into full-time involvement. Possible explanations may include a lack prospects in terms of opportunities and income generating capacity or specific challenges regarding resource mobilization (Dees, 1998b; DiDomenico *et al.*, 2010; Haugh, 2006; Peredo and McLean,

⁷³ Socially entrepreneurially active individuals were asked to indicate whether their activity was their daily job, part of their daily job or an outside job activity. Since this was asked only to the social entrepreneurs and not to the commercial entrepreneurs, these statistics are not displayed here.

2006). In addition, and possibly related to the previous arguments, the activity may also be considered as a hobby, a volunteer activity, or an activity on the side which contrasts the image of the ‘possessed’ and ‘fully committed’ social entrepreneurs as put forward by some authors (Bornstein, 2007; Drayton, 2002; Light, 2009).Based on these findings and previous research we formulate two propositions:

Proposition 4a: Social entrepreneurs are less likely to transit into full-time self-employment than commercial entrepreneurs.

Proposition 4b: Social entrepreneurs are more likely to hold multiple jobs and hence put less effort into their social activity than commercial entrepreneurs.

Table 4.7. Occupational status of social and commercial entrepreneurship, by phase, The Netherlands and Belgium pooled, relative distribution within each group.

Phase in the entrepreneurial process		Nascent	Young business	Total early-stage	Established business
Social	Full-time employed	43.2	52.6	47.0	56.9
	Part-time employed	9.4	13.4	12.0	8.2
	Retired, disabled	4.1	6.0	4.4	4.3
	Homemaker	0.0	1.0	0.5	0.0
	Student	12.7	11.7	12.6	4.5
	Seeking emploment/other	14.0	5.4	9.6	5.3
	Self-employed	16.6	9.8	13.9	20.8
Commercial	Full-time employed	27.0	17.0	22.0	8.8
	Part-time employed	10.6	8.7	9.7	5.3
	Retired, disabled	4.1	1.2	2.6	1.8
	Homemaker	2.3	0.2	1.3	0.7
	Student	4.2	0.8	2.5	0.7
	Seeking employment/other	12.0	2.1	7.0	1.4
	Self-employed	39.8	69.9	54.9	81.3

Source: GEM Adult Population Survey 2009

When shifting focus from labor market active individuals to those who are not active on the labor market (i.e., retired, disabled, homemakers, students, and unemployed), Table 4.7 shows that, for every phase, the share of labor market inactive individuals involved in entrepreneurial activity is about three times higher for social entrepreneurs than for commercial entrepreneurs. In particular, social entrepreneurship seems to be an appealing alternative for students and those who are not working compared to commercial entrepreneurship. In line with Harding and Cowling (2006), our data suggests that social entrepreneurship may serve as a way to include these groups in entrepreneurial activities that leads to the following proposition:

Proposition 4c: Those individuals who are inactive on the labor market are more likely to choose social entrepreneurship than commercial entrepreneurship.

Next, we switch from individual characteristics to the characteristics at organization level

4.4.2. Characteristics of the social organization or initiative

At the organizational level, we focus on the following characteristics: the age of the organization or initiative, the organizational objectives, the size of the organization or initiative, the sources of funding and the degree of innovation.

Age of the organization or initiative. Several studies that concern the age of social businesses or activities all point in the same direction: they tend to be young and mainly represented in the early stages of the entrepreneurial process. Hoogendoorn *et al.* (2011), for example, find that social entrepreneurs are mainly engaged in the pre-start-up or infancy stage of creating a social business. Harding and Cowling (2006) found evidence of a relatively high rate of nascent social entrepreneurship, a significantly lower rate of young social business entrepreneurship and a relatively higher rate of social established entrepreneurship (Harding and Cowling, 2006). Again in the UK, a conducted by the Social Enterprise Coalition found, based on 962 telephone interviews with senior individuals within British social enterprises, that a third of them had been in existence for four years and that 50% of the enterprises began their activities after the year 2000 (Leahy and Villeneuve-Smith, 2009). In other words, there seems to be a large number of recently created social businesses. Hence, we expect the age of social organizations (or initiatives) to be rather modest.

Table 4.8 presents prevalence rates for social and commercial entrepreneurship by phase for Belgium and The Netherlands.

For commercial entrepreneurship, the prevalence rates of established business entrepreneurs are higher than nascent and young business entrepreneurs. Social entrepreneurship, however, seems to be a rather early-stage activity as the prevalence rate of total early-stage entrepreneurship (nascent plus young business entrepreneurs) is relatively higher than the social established business entrepreneurship prevalence rate. This observed pattern of the age of the social entrepreneurial activities by phase confirms previous empirical research findings. According to Hoogendoorn *et al.* (2011), one explanation could lie in the rate of business closure and related challenges social entrepreneurs face when setting up their activities. However, additional insights into why this is the case are needed. Therefore, this question, along with others, will be addressed in our interviews with key informants (see Section 4.3.).

Table 4.8. Involvement in social and commercial entrepreneurship, by phase, The Netherlands and Belgium pooled percentage of the adult population (18-64 years of age).

Phase in the entrepreneurial process	Nascent	Young business	Total early-stage	Established business
Social	0.86	0.69	1.52	0.99
Commercial	2.37	2.44	4.79	4.45

Source: GEM Adult Population Survey 2009

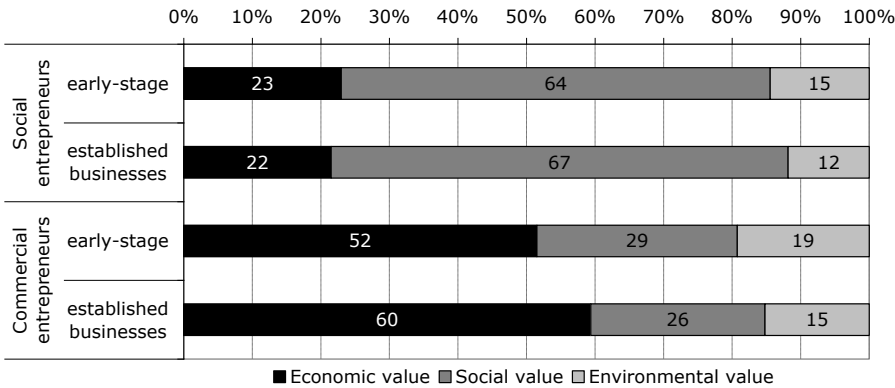
Organizational objectives. Although the difference between commercial and social entrepreneurs may seem unmistakable – i.e., the former being mainly driven by economic goals whereas the latter being driven by social goals – both theoretical and empirical research is more nuanced. The entrepreneur’s set of goals may vary for each individual (Naffziger *et al.*, 1994) and is likely to be manifested as a combination of economic goals (i.e., monetary rewards such as acquiring personal wealth or increasing personal income), social goals (i.e., fulfilling relationships with other people and benefiting society in some way) and self-developmental goals (i.e., the achievement of intellectual and spiritual satisfaction and growth) (Wickham, 2006). Even though it seems to be commonly held that social entrepreneurs are primarily driven by a social mission, realizing a social vision or the creation of social value (Dees, 1998b; Haugh and Rubery, 2005; Mair and Schoen, 2007; Sharir and Lerner, 2006; Sullivan Mort *et al.*, 2003), a study by Sharir and Lerner (2006) confirms the view of (Naffziger *et al.*, 1994). Similar to commercial entrepreneurs, social entrepreneurs are driven by combinations of motives. Some of these motives are comparable to those of their commercial counterparts (i.e., self-fulfillment, achievement, occupational independence), while other motives are more specific to the case of social entrepreneurs (i.e., personal rehabilitation, search for solutions to individual distress, fulfillment of obligations to one’s community by meeting local needs or addressing social issues) (Sharir and Lerner, 2006). In addition, Shaw and Carter (2007), who confirm the multiple goal orientation of social entrepreneurs, found that social entrepreneurs consider profitability and financial wealth in the long and the short term less important than their commercial equivalent. Personal satisfaction and successfully addressing a social issue are instead considered key benefits to the social entrepreneur.

Despite the ongoing conceptual debate, it seems that there is a consensus on the primary motivations of social entrepreneurs and the objectives of social businesses on creating social value. Whereas the above-mentioned studies focus mainly on individual motivations and not on business objectives, it has been shown in the literature that, in an entrepreneurial context, the organization is often an extension of the entrepreneur and that individual and organizational objectives therefore coincide (Parker, 2009). In the GEM survey, individual (social) entrepreneurs were asked to answer about their organization’s goals. That is, each respondent

of the GEM survey who, at the time of survey, indicated to be currently trying to start a new business, currently owning-managing an existing business, was asked to allocate a total of 100 points across three main categories of goals of his/her organization: the generation of economic, social and/or environmental value. The distribution of the organization's goals as perceived by social or commercial entrepreneurs is presented in Figure 4.4.

It is important to note that for both types of entrepreneurs there are only small differences in the organization's goals as perceived by early-stage entrepreneurs and established business owners, in particular for social entrepreneurs. In other words, the hierarchy of objectives seems to remain rather stable across the different phases of the entrepreneurial process. Furthermore, it seems that, on average, the accent for social early-stage and established business entrepreneurs is, as expected, more on social value creation (about two third), while commercial entrepreneurs are much more driven by economic goals ($\pm 50\text{-}60\%$). Nevertheless, commercial entrepreneurs also attach value to social and environmental goals, although commercial entrepreneurs seem to consider social value creation as slightly more important than environmental value creation, irrespective of the phase of the entrepreneurial activity. Interestingly, early-stage commercial entrepreneurs seem, on average, to attach more value to environmental goals than do social early-stage entrepreneurs. Social entrepreneurs, on the other hand, attach secondary importance to economic goals before paying attention to environmental value creation. Overall, commercial early-stage entrepreneurs and commercial established entrepreneurs attach significantly higher values to economic and environmental goals than do their social counterparts. Social entrepreneurs (both early-stage and established) however, attach significantly more value to social objectives. In short, Figure 4.4 confirms the dominant focus of social entrepreneurs on social value creation and undermines the belief that commercial businesses simply pursue economic goals. Before concluding on the mix of objectives of social entrepreneurial organizations and initiatives compared to commercial ones, we discussed this issue with our key informants. Insights gained from these interviews are reported in Section 4.4.3.

Figure 4.4. Goals of social and commercial entrepreneurs in terms of economic, social or environmental value, by phase, The Netherlands and Belgium pooled.

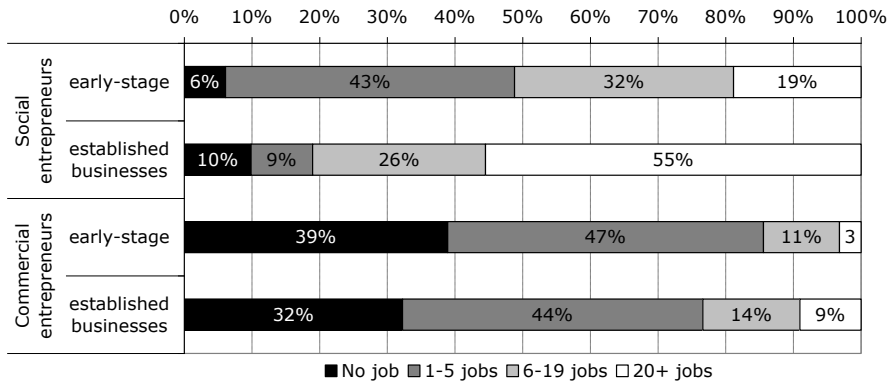


Source: GEM Adult Population Survey 2009

Size of the organization or initiative. Given the relatively broad meaning generally attributed to social entrepreneurship organizations, it has been somewhat difficult for researchers to conclude on any trend regarding their size in terms of turnover or numbers of employees. Leahy and Villeneuve-Smith (2009), in their UK based Social Enterprise Survey, concluded that social enterprises are similar to businesses in general in that a large majority is small and medium sized (that is, turnover below £25 million and/or fewer than 250 employees). However, a more detailed level of analysis is required in order to determine whether social entrepreneurship shows a different pattern from that of commercial entrepreneurship.

Figure 4.5 provides insights into the current number of people working in social and commercial entrepreneurial activities. Here again, a distinction has been made between early-stage and established activities. As the figure illustrates, about 6% and 10% of social early-stage entrepreneurs and social established entrepreneurs respectively have no people working in their activity. Surprisingly, very many social established business entrepreneurs have 20 or more people working in their organization, while the majority of social early-stage entrepreneurs have between 1 to 19 people working in their activity. In comparison, most commercial entrepreneurs (whether involved in early-stage activities or running an established business) employ either no people or 1 to 5 people. One possible explanation for the difference in the number of workers between social entrepreneurial activities and commercial businesses could lie in the number of volunteers. Traditionally, volunteers are well represented in non-profit, charitable organizations. A Dutch chain of fair-trade shops may serve as an illustration: one

Figure 4.5. Current number of people working in social and commercial entrepreneurial activities, by phase, The Netherlands and Belgium pooled.



Source: GEM Adult Population Survey 2009

third of the 400 retail shops of the ‘Wereldwinkel’ employs a group of 40 volunteers for each shop whereas a regular retail shop employs on average 7,5 (paid) employees (Rijt-Veltman, 2010). Table 4.9 provides details on the characteristics of workers active in social entrepreneurial ventures and includes the number of volunteers⁷⁴.

As can be seen from Table 4.9, the average number of people working in a social entrepreneurial activity equals 15 for early-stage activities and 44 for established activities. The number of volunteers working in the social activity, organization or initiative also increases when the organization matures. The same pattern can be observed for part-time workers. Interestingly, the share of volunteers in the total number of workers is relatively higher for social early-stage activities (13 out of 15) than for social established business activity (18 out of 44). This might suggest that once the social business is a lasting activity, there are more opportunities for individuals for a paid job. Given the wide spread in the number of employees and volunteers across social organizations, we are not in a position to formulate a general proposition regarding their size.

Finally, the expected number of people working in five year’s time suggests that social early-stage entrepreneurs expect their social activity to grow, whereas social established business entrepreneurs will have about the same number of people working in their activities.

⁷⁴Data on the number of volunteers and part-time workers are not available for commercial entrepreneurs.

This further suggests that social entrepreneurs do not really have high growth ambitions. This finding can be related to our earlier remarks on organizations’ lack of prospects in terms of opportunities and income generating capacity or their hobby/voluntary characteristics. Commercial entrepreneurs, however, have more growth ambitions as the expected job growth in a five year period is 17 employees for commercial early-stage activities and 7 employees for established commercial enterprises, as follows from the GEM survey (not shown in Table 4.9).

Proposition 5: Social entrepreneurs are less ambitious in terms of employment growth than commercial entrepreneurs.

Table 4.9. Characteristics of workers in social activities, organizations or initiatives, by phase, The Netherlands and Belgium pooled.

	Social <i>early-stage</i> activities	Social <i>established</i> activities
Number of people working (average), of which:	15	44
Number of volunteers (average)	13	18
Number of part-time workers (average)	8	18
Expected number of people working in 5 years (average)	20	43

Source: GEM Adult Population Survey 2009

Sources of funding. Social entrepreneurial organizations or initiatives turn to different sources of funding, depending on their profit status, among others. When organized as non-profits, for example, they are likely to turn to government subsidies and private donations because a non-distribution constraint prevents the distribution of generated profits in the form of stocks and dividends. However, a trend has emerged over the last few years, especially in the US, in reaction to an increased demand on their services and important cuts in public funding (Phills Jr. *et al.*, 2008) and against a background of a long tradition of market reliance: the generation of earned income i.e., income resulting from some form of exchange of a product or service (Dees and Battle Anderson, 2006). In Europe, on the other hand, social enterprises use the same resources (i.e., a mix of earned income, fees from users, public subsidies and volunteers) (Defourny and Nyssens, 2010) against the background of strong support from the government. However, as noted by Alter (2007) and Armstrong (2006), earned income activities and self-financing schemes have been practiced by non-profits for a long time in a variety of sectors (e.g., hospitals, universities, arts). But whether earned income strategies need to be directly related to their mission remains the subject of debate⁷⁵.

⁷⁵ Different schools of thought have different opinions on the relationship between earned income and mission. See Hoogendoorn *et al.* (2010) for an overview of different schools of thought and their distinguishing features.

Two approaches to social organizations' funding predominate at the conceptual level. On the one hand, some expect social entrepreneurship organizations to be funded by means of earned income-generating activities (Mair and Martí, 2006; Oster *et al.*, 2004). This is, indeed, the more reliable path to financial sustainability, compared with donations and grants (Dees, 1998a). Accordingly, many researchers (Boschec, 2001; Emerson and Twersky, 1996; Weisbrod, 1998) have advocated the role of earned income in reducing social organizations' dependence on outside sources of funding and allowing cross-subsidization. On the other hand, the opponents of this "earned income approach" (Defourny and Nyssens, 2010) have argued that earned income is not a sufficient condition (Mair and Martí, 2009). Indeed, "social entrepreneurship is about finding new and better ways to create and sustain social value" (Anderson and Dees, 2002, p. 192). Even when organized as for-profits, social organizations' focus should be on the social value proposition rather than on its economic activities. As such, Light (Light, 2005, p.18) insists "social entrepreneurs need not engage in social enterprise or use market-based tools to be successful". This movement considers earned income as one of the *many* options to fund a social organization or initiative. Other options are monetary resources such as subsidies, donations and grants and non-monetary resources such as volunteers, even though some for-profit social organizations now turn to venture capitalists.

At the empirical level, a mix of funding sources has been brought as a response to these conflicting views on social entrepreneurship's means to ensure financial sustainability. A study of the European charities shows that 47% of their sources come from earned income – voluntary workforce representing 45% of their income, and 8% coming from investment (Defourny and Nyssens, 2010). Focusing on the UK context Peattie and Morley, (2006) insist on this funding mix as a unique characteristic of social enterprises. They found that the majority of social enterprises surveyed turned mainly to grant and donation funding, the rest being dependent on earned income. Still in the UK, Smallbone and Welter (2001) found that social enterprises fund their activities by a mix of market, non-market and non-monetary resources such as voluntary work. Vidal (2005) found that 80% of Work Integration Social Enterprises' (WISE) income comes from earned income (2/3 to the private sector, 1/3 to the public sector), the remainder coming from subsidies, grants, and fixed-asset disposals. However, Amin *et al.* (2002) found that most social enterprises operate on a local scale and only a small proportion managed to make the transition from philanthropy and government subsidy to financial independence through earned income. In addition, a study conducted by Foster and Bradach (2005) showed that earned income counts for only a small share of funding in most non-profit domains and few ventures actually make money. This could be due to the challenges induced by the tension between implementing earned income strategies while pursuing a social mission (Foster and Bradach, 2005; Pharoah *et al.*, 2004; Seelos and Mair, 2005). Therefore, being able to keep a balanced mix between earned income streams, grant

funding and/or partnerships with a for-profit organization, has been seen as the key to sustainability (Hare *et al.*, 2007; Reis and Clohesy, 2001).

Returning to our dataset, respondents were asked whether any of the revenue for their activity, organization or initiative with a social, environmental or community objective originated from income, for example through the sale of products or charging for services. If yes, the respondent was then asked what percentage of total income came from the sale of products or services. Table 4.10 provides an overview of the sources of income of social activities, organizations and initiatives by phase.

Table 4.10. Sources of income of social activities, organizations and initiatives by phase, The Netherlands and Belgium pooled.

	Social <i>early-stage</i> activities	Social <i>established</i> activities
Any revenue coming from income, for example through sales of products or charging for services? (% yes)	58.0	37.8
Percentage of total income that comes from the sale of products or services?	57.6	79.3

Source: GEM Adult Population Survey 2009

Table 4.10 shows that nearly two thirds of the social established businesses (62%) do not derive their income from their activity, organization or initiative. In contrast, the majority of the social early-stage entrepreneurially active generates at least some revenue from income. This counter-intuitive result (one might have thought that, as the social entrepreneurial organization/initiative matures, it relies more on sales than on grants and subsidies) could depict the observation that the GEM survey captures large, long lasting, government-based non-profits as social established businesses as was suggested by several key informants (see the discussion on size in Section 4.3.). However, of those social organizations and initiatives that indicated that they did, indeed, derive some revenue from sales of products and services, it is evident that the established entrepreneurs depend less on other sources than their early-stage counterparts (21% and 42% respectively). Hence, in line with other studies, our data suggests that social organizations and activities rely on a mix of funding sources. This leads to the following proposition:

Proposition 6: The funding mix of social organizations and initiatives is dominated by other sources than earned income from the sale of products and services.

Innovativeness of the organization or initiative. Innovation is considered as a fundamental element of entrepreneurship (Drucker, 1985; Schumpeter, 1934). According to Schumpeter, innovation may involve new products or services, as much as new methods of production, new markets, new sources of raw materials, or the reorganization of an industry. Adopting a Schumpeterian view on social entrepreneurship, numerous scholars have highlighted the innovative behavior of social entrepreneurs (Dees, 1998b; Mair and Martí, 2004; Nicholls, 2006b; Roberts and Woods, 2005; Thompson *et al.* 2000; Weerawardena and Sullivan Mort, 2006). Weerawardena and Sullivan Mort (2006) suggested that increased competitiveness forces this type of businesses to be innovative in all its social value creating activities. Others suggested that innovativeness is the result of a general lack of resources (Mair and Schoen, 2007; Roberts and Woods, 2005; Weerawardena and Sullivan Mort, 2006). In addition, Weerawardena and Sullivan Mort (2006), as well as McDonald (2007), found that social entrepreneurs themselves perceived their organizations as innovative. McDonald's research (2007) subsequently showed that self-reported innovativeness is related to the actual number of innovations developed and adopted. This finding indicates that the respondents had a reasonably good idea of how innovative their institutions were in comparison to competitors. The same study also found that mission-driven non-profit organizations are more likely to develop and adopt innovations faster than competitors. Moreover, in their typology of social entrepreneurs, Zahra *et al.* (2009) acknowledged that different types of social initiatives are not all equally innovative in terms of social significance. In particular, the social engineers, in comparison to social bricoleurs and social constructionists, are the most likely to achieve social change. Some empirical evidence for this widely shared opinion was provided by Shaw and Carter (2007) who concluded from their case study analyses that innovation and creativity was one of the five main themes of social entrepreneurship to be borrowed from the entrepreneurship literature. However, as the authors state, innovation in the social context involves searching for and applying novel solutions to intractable, long lasting social problems.

In general, as suggested but not tested, social entrepreneurs are expected to show and execute some degree of innovation in their activities. Table 4.11 displays the degree of innovation offered by the social entrepreneurs' activities, differentiating between early-stage and established ones. It follows from Table 4.11⁷⁶ that social entrepreneurs perceive their social businesses or activities as quite innovative. More precisely, the results underline the innovativeness of social early-stage entrepreneurs relative to social established business entrepreneurs. Social early-stage entrepreneurs not only perceive themselves as relatively more innovative than social established ones in terms of providing, producing or promoting a

⁷⁶ These specific measures for innovation are available only for social entrepreneurs. For commercial entrepreneurs different questions were asked with respect to innovation.

new product/service, but also in terms of entering a new or so far unattended market niche or customer. In other words, irrespective of the type of innovativeness, social early-stage entrepreneurially active individuals are more positive about their innovativeness compared to social established entrepreneurs. The same pattern holds for commercial entrepreneurs: commercial established business entrepreneurs are less positive about their innovativeness compared to their early-stage counterparts (not shown in Table 4.9). This finding suggests that as (social) entrepreneurial activities mature, they become less innovative. Perhaps new businesses or activities need to be innovative in order to survive in the market while established activities are less driven by this motive. Given the similarities between social and commercial entrepreneurship with regard to innovation, we do not formulate any specific proposition.

Table 4.11. Degree of innovation of social activities, organizations and initiatives, by phase, The Netherlands and Belgium pooled, percentage of the adult population (18-64 years of age) involved in social entrepreneurship who agree with the statement.

	Social <i>early-stage</i> activities	Social <i>established</i> activities
Social activity offers new type of product or service	37.4%	24.3%
Social activity offers new way of producing product or service	38.0%	23.0%
Social activity offers new way of promoting or marketing product or service	41.4%	24.5%
Social activity attends new or so far unattended market niche of customer	42.1%	23.9%
If social activity did not exist, the customers' needs would be served elsewhere in the market	48.4%	47.1%

Source: GEM Adult Population Survey 2009

In the next section, these quantitative insights are with insights gained from interviewing key informants.

4.4.3. Organizational level insights from interviews

As described in the methodology section, the key informants were asked to interpret some of the descriptive results presented in the previous section. Since little literature is available on the organizational level in relation to social entrepreneurship, this dimension was emphasized in our interviews. Subsequently, valuable insights at the organizational level are framed as propositions.

As far as the **age** of the organizations is concerned, our data suggests that social organizations and initiatives are relatively younger compared to commercial organizations and, hence, over-represented in the early-stages of entrepreneurial engagement (see table 4.8). For commercial entrepreneurs on the other hand, the distribution over early-stage and established activities is more or less in balance. Reflection of our key informants on this finding reveals at least three interesting suggestions. *First*, it was suggested that a lack of leadership skills and entrepreneurial ability in the hands of social entrepreneurs contributed negatively to the survival prospects: i.e., idealistic social entrepreneurs are motivated ‘to do something social’ but sometimes lack the necessary entrepreneurial skills ‘to do well’. Indeed, the double bottom line of social entrepreneurial initiatives, i.e., serving social and economic objectives simultaneously, is likely to make the conduct of business more complex and, hence, to threaten their survival and growth (Austin *et al.*, 2006; Dorado, 2006; Mair and Martí, 2006; Moizer and Tracey, 2010; Zahra *et al.*, 2009). As a *second* explanation, the intentions of social entrepreneurs and the influence of government subsidies were mentioned repeatedly. In the Belgian and Dutch context, it is likely that a considerable part of social activities are organized as projects subsidized by the government and are, by definition, not meant to last. Subsidies are often granted for a period of no longer than three to four years, which corresponds to the definition of a young business as used in the GEM survey (a business that is less than 3.5 years old). Moreover, if social entrepreneurs are willing but unable to continue their operations without drawing on public sources, they will not turn their efforts into established activities. Whether social entrepreneurs do not have the intention or are unable to turn their activities into lasting actions led one of our key informants to conclude: ‘The Netherlands is a cemetery of unfinished projects’. *Third*, the low rate of established social business entrepreneurship could also be explained by the fact that social entrepreneurship is perceived as a relatively young phenomenon. However, it has been argued that, throughout history, social entrepreneurs have always been around but were never addressed as such (Alter, 2007; Bornstein, 2007; Nicholls, 2006b). In addition, the long tradition of private initiatives in both Belgium and The Netherlands (Veldheer and Burger, 1999) and the substantial non-profit sectors in both countries (Burger *et al.*, 1999; Mertens *et al.*, 1999) suggest that ‘activities, organizations or initiatives that have a particularly social, environmental or community objective’ are not particularly new.

These insights, along with the insights gained from our quantitative part in Section 4.4.2., point in the same direction: social entrepreneurial organizations and initiatives are relatively young and social entrepreneurship may be considered as an early-stage phenomenon. Hence we formulate the following proposition.

Proposition 7a: Social entrepreneurial organizations or initiatives are on average younger than their commercial counterparts and are mainly represented in the pre-start-up or infancy stage of the entrepreneurial process.

Proposition 7b: The age of the social entrepreneurial organization or initiative is positively related to the quality of the leadership and entrepreneurial skills.

Proposition 7c: The age of the social entrepreneurial organization or initiative is negatively related to the involvement of government funding in the sector in which it is active.

When shifting the focus to the **goals** set by social and commercial entrepreneurs, GEM data clearly show that all businesses, whether social or commercial, claim that their business or activity is at least an act of blended value creation. The considerable amount of points allocated to social goals by commercial entrepreneurs (on average more than 25 points out of 100) was explained by the key informants as either a socially desirable answer or social entrepreneurs' perception of having social benefits, mainly by creating jobs and human resource practices. This leads to the following proposition.

Proposition 8: Blended value creation is not what distinguishes social organizations from commercial ones. It is the intention and dominance of perceived social value creation over economic value creation that is a distinguishing feature of social organizations and initiatives.

In terms of **organizational size**, according to some key informants, the data capture at least two different types of organizations. On the one hand, it was suggested that there are, among social early-stage entrepreneurial activities, many publicly financed projects. Given the relatively short lead-time of public funding, those projects are not meant to be large-scale in terms of employment. On the other hand, established social entrepreneurial organizations are likely to represent the very large, established professional non-profits or NGOs. These two relatively extreme situations in terms of size do not allow us to draw a proposition regarding social entrepreneurial organizations.

To be able to obtain a better, overall understanding of the group of respondents who answered positively to the defining question '*Are you, alone or with others, currently trying to start or currently owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective*'⁷⁷, we asked the key informants

⁷⁷ In addition to this question, some examples were provided for the respondent, formulated as 'This might include providing services or training to socially deprived or disabled persons, using profits for socially oriented purposes, organizing self-help groups for community action etc.'.

to reflect on this question from the perspective of the group they represent. That is to say, we gathered key informants' perceptions of how the respondents may have interpreted the question. Two main insights arose, including a mixture of professional language used in the defining question and a certain resistance to social entrepreneurship.

First, it followed from the interviews that the co-existence of different perspectives of social entrepreneurship reflects a mixture of professional language. Social entrepreneurship comes into existence at the intersection of state, market and civil society (Kerlin, 2009; Nicholls, 2006a; Nicholls, 2006b) and hence can be characterized as a mixture of related but different phenomena, each with its own logic of exchange, institutions associated with it, types of goods and services, and their own professional language⁷⁸. A mixture of the latter is reflected in the question used in the GEM 2009 survey. It was suggested by the key informants that, at least in Belgium and The Netherlands, the professional language from one sector does not resonate with the language of another sector. In particular, it was indicated that terms used in the first part of the question, such as 'owning and managing', strongly refer to the business environment. On the other hand, the examples used in the second part of the question (e.g., 'providing services or training to socially deprived or disabled persons, using profits for socially oriented purposes, organizing self-help groups for community action') were perceived as being associated with the non-profit sector, which is heavily government-subsidized in those two countries. As a result, the key informants who shared this understanding of the question stated that respondents from the non-profit sector would answer negatively to this question because they do not recognize themselves in the business language. The same holds for more business-oriented respondents. Even if we might want to label them as social entrepreneurs, we will not capture them with this question because they cannot identify their activities with the examples used at the end of the question that are more related to traditionally subsidized non-profit initiatives. Hence, key informants argued that only a very small group of respondents is likely to feel comfortable with the language used in the question and therefore identify themselves as 'social entrepreneur'. This might explain the relatively low rate of social entrepreneurial activity found in Belgium and The Netherlands.

A *second* point of interest emanating from our interviews concerns a certain resistance to social entrepreneurship. According to some of the Dutch interviewees, given the omnipresence of the government in the provision of social services (in practice outsourced to private non-profits), the Dutch social sector is perceived as over-organized and, as long as there is no lack of resources (i.e., subsidies), *entreprendre* in the social sector is not a natural thing to do. Belgian key informants also put forward this very strong logic of subsidization. One of them explained the low level of social entrepreneurial activity by the minor presence of financing

⁷⁸ The intermediate space at the crossroad of market, state and civil society has been claimed to represent: associations (Streeck and Schmitter, 1985), third sector (Evers and Laville, 2004; Pestoff, 1992), social economy which incorporates social enterprises (Defourny, 2009; Nyssens, 2006), social ventures (Kievit *et al.*, 2008), and social entrepreneurship (Nicholls, 2006a; Nicholls, 2006b).

models in Belgium and that one has to know rich families to leverage funds. Hence, initiatives that blur the boundaries between private and public sectors may cause a certain resistance to social entrepreneurship and may influence the adoption of social entrepreneurship in the Belgian and Dutch context. Johnson (2003) suggests a similar opposition against social entrepreneurship in Canada where the state is the provider by excellence when it comes to social services. However, as detailed by Johnson, this discomfort applies primarily to senior-level individuals and organizations, the young generation feeling less contradiction (Johnson, 2003), which, again, corroborates our results in Section 4.4.1. (i.e., at all phases of the entrepreneurial process, a larger share of individuals aged between 18 and 24 years is involved in social entrepreneurship than in commercial entrepreneurship).

The next section discusses future research opportunities and limitations of this research.

4.5. Discussion, research opportunities and limitations

4.5.1. Discussion and research opportunities

The purpose of this study is to generate empirically-driven propositions relating to a phenomenon that has attracted researchers' attention for almost two decades: social entrepreneurship. This objective was also sketched in response to the observation that research in the emerging field of social entrepreneurship is mainly populated by conceptual and qualitative contributions. For the purpose of generating empirically-driven propositions, we bring together insights from empirical investigations and complement them with insights from GEM 2009's unique large-scale survey data on social entrepreneurship and with insights from interviews with key informants in both Belgium and The Netherlands. Propositions are generated in cases where common patterns between the literature and our results are identified, or when a combination of the data and the insights from the key informants give occasion to do so. Table 4.12 lists them.

Before we discuss these propositions, the context in which these results are to be interpreted needs explanation. Our current knowledge of this field, based both on conceptual as well as empirical studies (most of them from the UK), draws mainly on contexts that are characterized by a high level of income. This holds equally for the Western European context of our study, which is based on Belgian and Dutch data. That is to say a context that, besides a high level of income and a good functioning market, is characterized by a welfare state regime that delegates a large proportion of public service delivery to private and non-governmental organizations, financed by collective arrangements (Burger *et al.*, 1999; Mertens *et al.*, 1999; Salamon *et al.*, 2003). In the case of Belgium and The Netherlands, this resulted in a highly developed non-profit sector mainly in domains such as health, education and social services.

Even though public financial support is increasingly under pressure, support for strategic development of the social enterprise sector remains in the hands of public institutions. These socio-economic-political characteristics differ from other regions in the world, such as the United States, where social entrepreneurship is characterized by the influence of the market, reflecting a long tradition of market reliance (Mair and Martí, 2009). The strong logic of subsidization was one of the items that were repeatedly put forward by the key informants and that are typically related to the Belgian and Dutch context. This is directly reflected in proposition 7c that suggests a negative relationship between the age of a social entrepreneurial organization or initiative and government funding. In sum, the results of this study need to be interpreted in its proper context.

Table 4.12. Generated propositions.

Individual characteristics	1	Social entrepreneurs are likely to be younger than commercial entrepreneurs.
	2	Social entrepreneurs are likely to be more highly educated than commercial entrepreneurs.
	3a	Social entrepreneurs are significantly less self-confident of one's own capabilities to start a business than commercial entrepreneurs, but when it comes to perceived business opportunities, risk tolerance and personally knowing entrepreneurs commercial and social entrepreneurs do not differ significantly.
	3b	Commercial and social entrepreneurs perceive legitimization of entrepreneurs in society differently.
	4a	Social entrepreneurs are less likely to transit into full-time self-employment than commercial entrepreneurs.
	4b	Social entrepreneurs are more likely to hold multiple jobs and hence put less effort into their social activity than commercial entrepreneurs.
	4c	Those individuals who are inactive on the labor market are more likely to choose social entrepreneurship than commercial entrepreneurship.
Organizational characteristics	5	Social entrepreneurs are less ambitious in terms of employment growth than commercial entrepreneurs.
	6	The funding mix of social organizations and initiatives is dominated by other sources than earned income from the sale of products and services.
	7a	Social entrepreneurial organizations or initiatives are on average younger than their commercial counterparts and are mainly represented in the pre-start-up or infancy stage of the entrepreneurial process.
	7b	The age of the social entrepreneurial organization or initiative is positively related to the quality of the leadership and entrepreneurial skills.
	7c	The age of the social entrepreneurial organization or initiative is negatively related to the involvement of government funding in the sector in which it is active.
	8	Blended value creation is not what distinguishes social organizations from commercial ones. It is the intention and dominance of perceived social value creation over economic value creation that is a distinguishing feature of social organizations and initiatives.

When considering the propositions derived in this study and reading Table 4.12, an image of the social entrepreneur and his/her activities emerges which raises questions about the entrepreneurial behavior of this group. Even though social and commercial entrepreneurs do not seem to be different with respect to their self-perception of entrepreneurial requirements (proposition 3a), other characteristics show rather distinct entrepreneurial groups. The socially entrepreneurially active share of the adult population in particular seems to exhibit a rather fragile entrepreneurial profile: they appear to put considerably less effort into their activities than their commercial counterparts (proposition 4a and 4b); they are less confident about their own capabilities to start a business (proposition 3a); they are hardly ambitious in terms of employment growth (proposition 5); the funding mix is dominated by other sources than earned income from the sale of products and services (proposition 6); and they seem to have difficulties to move into more mature stages of the entrepreneurial process (proposition 7a). In addition, their young age (proposition 1) may also be associated with entrepreneurs who are not (yet) optimally equipped for the complex task of owning and managing a social organization in terms of experience, access to capital, personal funding and social capital. This fragile entrepreneurial profile may also be reflected in the age of the activity (proposition 7b) or, put differently, the survival of the social organization or initiative.

With respect to survival, there are at least two notable findings that contrast the customary image of social entrepreneurs aiming to generate sustainable social impact. *First*, we address the effort that social entrepreneurially active individuals put into their activities. It is remarkable to observe that more than half of the established social entrepreneurs perceive their activity of *owning* and *managing* as an activity outside their daily job. This is in particular worrying given the relationship between the entrepreneurs' effort and output (Carter *et al.*, 1996; Parker, 2009; Rampini, 2004). Devoting time and effort is necessary to start and run a business. If a certain level of effort is not achieved, individuals may find themselves "perennially still trying, rather than succeeding or failing" (Carter *et al.* 1996). In the case of the social entrepreneur, "perennially" may mean as long as subsidies are provided. *Second*, it is worth noting the low growth ambitions of social entrepreneurs in terms of job creation, in particular for established social entrepreneurs. It is considered a stylized fact of small businesses that those that grow, even at a modest level, are more likely to survive (Phillips and Kirchhoff, 1989; Storey and Greene, 2010). Whether or not this also holds for social entrepreneurial organizations is currently under-researched but it seems plausible to assume that those initiatives that are able to grow are more likely to generate higher levels of social wealth or social impact. Evidently, it remains unanswered whether social entrepreneurs are indeed less ambitious than their commercial counterparts or that their prospects in terms of opportunities and income generating make them more realistic and hence modest in their growth ambitions.

Furthermore, one could wonder whether social entrepreneurs' quite frail entrepreneurial profile (an antecedent of survival) reflects the presumed complexities of this type of activity including multiple goals, or whether this type of entrepreneurship appeals to a certain type of individuals, such as idealistic individuals who draw their legitimation from social and moral sources and who are not entrepreneurs *per se*. Our quantitative and qualitative exploration of the phenomenon confirms that what distinguishes social organizations from commercial ones is the intention and dominance of perceived social value creation over economic value creation (proposition 8). This may suggest that the social entrepreneurs' decision to *entreprendre* is not linked to an occupational question or growth issues, but rather suggests that social entrepreneurs could either be activists who want to take action themselves, as much as idealistic, business-type entrepreneurs.

An additional item of interest for this discussion, and in particular for policy makers, is the role of subsidies versus generating revenue by charging for products and services, and the subsequent survival prospects of the social organization. Sources of funding and sustainability or viability of social organizations are recurrent topics in the social entrepreneurship literature (Boschee and McClurg, 2003; Haugh, 2009; Sharir and Lerner, 2006; Weerawardena and Sullivan Mort, 2006). Being dependent on governments and single stakeholders such as wealthy individuals, private corporations and foundations is associated with lower survival prospects and 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 to be used for predefined purposes only, they will restrict autonomous strategic decision-making and will affect a social venture's long-term success and viability (Haugh, 2009). The collective logic that seems to dominate the discourse on social entrepreneurship is that business and entrepreneurship are the way forward for social organizations (Parkinson and Howorth, 2008) including generating independent sources of earned income. Whereas fewer subsidies and more earned income may increase the survival prospects of social initiatives, it may also leave the most pressing social and environmental needs unaddressed since social organizations purposely locate their activities in areas where markets function poorly (DiDomenico *et al.*, 2010) and with a limited potential to capture the value created (Mair and Martí, 2006). In all, the relationship between subsidies, earned income strategies and performance in terms of impact and social wealth creation offers a promising path for future research.

4.5.2. Limitations

Of course we acknowledge that this study is not without limitations – limitations that should be taken into account when interpreting the results. In this section we address several empirical limitations concerning measurement, availability of data and generalizability.

First, social entrepreneurship is an ill-defined and not well-understood concept. This is especially true in a cross-country setting but applies equally to a more limited scope such as

the Belgian and Dutch context. Combined with relatively recent scholarly attention, this poses serious measurement challenges. We use the first and only large-scale survey available to date that is specifically designed to measure social entrepreneurial activities in a multiple country setting and this is not without empirical limitations. Although the questionnaire is based on earlier versions used in the UK and USA, the initial question used by the GEM consortium to identify social entrepreneurs underlines the broad perspective of the concept and raises questions about what it is that this survey measures. Whereas the traditional measure of the GEM survey adopts an *occupational* notion of entrepreneurship that defines an entrepreneur as someone who owns and manages a business for his/her own account and risk (e.g., business owner and self-employed), this is not the case when social entrepreneurship is concerned. In the latter case, it is not the act of new venture creation or owning and managing a business that is stressed but *any kind of activity, organization or initiative*. In addition, the initial question used by this survey to identify social entrepreneurs does not refer to the *behavioral* notion of entrepreneurship which perceives entrepreneurial behavior in the sense of seizing (economic) opportunity often associated with pro-activeness, innovativeness, and bearing of risk⁷⁹. Instead of referring to entrepreneurial behavior, the objective of the activity, organization or initiative is stressed. Confusion about the terms that are customary in entrepreneurship clearly hampers the interpretation of the data. As such, based on our interviews with the field's key informants, we have the impression that the initial question intended to identify the social entrepreneurs does not measure the prevalence of 'social entrepreneurship' but rather the active involvement or active leadership in addressing social, environmental or community needs.

Second, and closely related to the previous point, due to a mixture of professional language in the initial question (see Section 4.4.3), only a small group of respondents are likely to identify themselves with this question, as was suggested by our key informants. Some remarkable findings (e.g., the rather low prevalence of social entrepreneurial activity in Belgium and The Netherlands, social entrepreneurship as an early-stage phenomenon and the low rate of full-time self-employment among social entrepreneurs) could be addressed either as unique characteristics and dynamics of social entrepreneurship or as issues of measurement and formulation. Hence, this limits our interpretation of the data.

In addition to these measurement challenges, a *third* limitation of this study concerns the limited number of social entrepreneurs in our data. Given the fact that social entrepreneurship covers a wide range of practices, we are limited in our possibilities to split our sample into different categories of social entrepreneurs, such as those who start a new venture and those who do not, or distinctions based on legal structure (for-profit and non-profit), type of industry, size or growth ambition. As such, differentiating the group of social entrepreneurs by

⁷⁹The distinction between the *occupational* notion and *behavioral* notion of entrepreneurship was introduced by Sternberg and Wennekers (2005). In addition, the *functional* notion may be distinguished as a third notion of entrepreneurship and refers to the major functions of entrepreneurship in the economic process.

these and other criteria offer opportunities for future research. Simultaneously, the limited number of social entrepreneurs restricts us in the methodological options available to explore the data. Therefore, we chose to explore the data by focusing on a wide range of different characteristics and, for this purpose, we limited our analyses to the use of descriptive statistics. Applying a multivariate setting that allows investigating characteristics in relation to each other is a valuable next step and offers an abundance of research opportunities.

Finally, this study has a limited scope using data on two countries. Hence, conclusions cannot be generalized and should be interpreted in the Belgian and Dutch context and most favourably be stretched to a Western European or high-income context. However, let us recall the exploratory status of this study, which therefore does not aim to verify any theory but rather to generate propositions that could be tested in future research.

4.6. Conclusion

This study adopts a quantitative, exploratory and proposition generating approach to elementary questions about the social entrepreneur and his/her activities and contrasts them with our understanding of commercial entrepreneurs. For the purpose of generating empirically-driven propositions, we bring together insights from current empirical investigations and complement them with insights from unique large-scale data from the GEM 2009 survey on social entrepreneurship covering Belgium and The Netherlands. Subsequently, these combined insights are refined with in-depth interviews with key informants from social entrepreneurship and related fields in both countries. Propositions are generated when common patterns between the literature and our results are identified or when a combination of the data and the insights from the key informants give cause to do so.

In all, thirteen propositions are generated: seven concerning individual characteristics and the remaining six related to organizational characteristics. Although these propositions are still to be thoroughly tested, they seem to indicate a rather fragile entrepreneurial profile in terms of effort put into the organization or activity, self-confidence in capabilities to start a business, ambition in terms of employment growth, funding from the sale of products and services, and reaching more mature stages of the entrepreneurial process. This fragile profile seems to be in contrast with the heroic social entrepreneur portrayed in the media and successful cases of social entrepreneurs as a subject of scholarly endeavors. Despite this fragile profile, social entrepreneurs also seem to distinguish themselves from their commercial counterparts by sharp social intentions that might give them a different rationale for *entreprendre*. Furthermore, social entrepreneurs are more likely to be younger, more highly educated and perceive legitimization of entrepreneurs in society differently than their commercial counterparts.

Although not without limitations, this study contributes to a field dominated by case studies and sometimes unfounded assertions by surpassing the taken-for-granted idea of the social entrepreneurial hero and by insisting on a series of challenges that may guide future

research in order to lead social entrepreneurs and their initiatives toward success and higher social impact. Overall, this study not only extends our current knowledge of the distinguishing individual and organizational aspects of social entrepreneurship, but our empirically grounded propositions will help this particular field to evolve beyond descriptive purposes towards more predictive purposes.

Appendix

Table 4.13. List of key informants and their involvement in SE.

BELGIUM		
Profession	Involvement in SE	Date of interview
Philippon Foundation	Belgian foundation aiming to stimulate sustainable human development in Central and Western Africa through the support of African social enterprises	June 15, 2010
Ashoka representative in Belgium	Belgian branch of the global organization that invests in innovative social entrepreneurs	June 16, 2010
Researcher in CSR at Louvain School of Management	PhD dissertation on “Toward the stakeholder company: Essays on the role of organizational culture, interaction, and change in the pursuit of corporate social responsibility”	June 16, 2010
Prof. in economics at Université Catholique de Louvain / Founder of the EMES network	Researcher in social economy for numerous years	June 17, 2010
Project manager at <i>SAW-B</i> (Walloon and Brussels Alternatives Solidarity)	<i>SAW-B</i> support the development of an economy based on the respect of human and environmental values	June 18, 2010
Post-doctoral researcher at Oxford University	PhD dissertation on “Explaining Organizational Diversity in Fair Trade Social Enterprises”	June 24, 2010
Coordinator of the Advising Cell of CREDAL (Bank of “solidarity money”)	90% of CREDAL’s clients are non-profit organizations, the remaining are cooperatives	July 6, 2010

Table 4.13. (continued)

THE NETHERLANDS		
Profession	Involvement in SE	Date of interview
Researcher and account manager for CSR in SME at EIM Business and Policy Research	Researcher and account manager on studies of and advice on environmental policy, effects of environmental legislation, socially responsible enterprising, and sustainable consumption	June 15, 2010
Prof. of Volunteering, Civil Society and Businesses and of Strategic Philanthropy at Erasmus University, The Netherlands	Prof. Since 2003 with research focus on strategic philanthropy, volunteer/non-profit management, corporate community involvement, and business-society partnerships,	June 25, 2010
Ass. Prof. at the Department of Public Administration and Political Science, Nijmegen University, The Netherlands / EMES representative	Research focus on urban regeneration and housing, government - civil society relationships and innovations in governance.	June 29, 2010
Director SSO (Foundation for social entrepreneurs)	Entrepreneur in the creative industry and director at “Stichting Sociaal Ondernemerschap”.	June 29, 2010
Director Franssen & Scholten consultancy	Author of the book “Sociaal Ondernemen in Nederland” (Social Entrepreneurship in The Netherlands) and one of the founders of SROI method.	July 1, 2010
Consultant Ashoka Netherlands	Dutch branch of the global organization that invests in innovative social entrepreneurs	July 1, 2010
Chairman Social Venture Network Netherlands	Chairman of a support network for entrepreneurs in the field of Social Responsibility and Sustainable Development.	July 1, 2010
Consultant GreenWish and PhD. Social Entrepreneurship and the Business Sector (UVA)	As a consultant at GreenWish, she supports initiators and entrepreneurs who start social initiatives and promotes this type of initiatives at public authorities, and private institutions.	July 2, 2010

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

5

Abstract: This study investigates *if* and in *what way* social entrepreneurs are hampered in turning their efforts into sustainable organizations. Using binary logit regressions and unique data containing approximately 26,000 individual-level data points for 36 countries, this study assesses the influences of perceived environmental barriers, risk variables, and socio-demographic variables on the probability of being a social entrepreneur versus a commercial entrepreneur. Our findings confirm that socially motivated entrepreneurs are less likely to survive the earliest levels of entrepreneurial engagement. Several factors have been identified to 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. In addition, this study found that social entrepreneurs are more likely to be female and highly educated than are their commercial counterparts.

This chapter is based on:

Hoogendoorn, B., Van der Zwan, P., Thurik, A.R., (2011). Social entrepreneurship and performance: The role of perceived barriers and risk. Erasmus Research Institute of Management (ERIM) Reports Series 2011. Rotterdam, The Netherlands: Erasmus University Rotterdam

5.1. 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 and Hartigan, 2008; Kerlin, 2009; Nicholls, 2006b; Nyssens, 2006; Zahra *et al.*, 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 and Ho, 2010; Mair and 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 *et al.*, 2010; Short *et al.*, 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, 1998a; DiDomenico *et al.*, 2010; Haugh, 2006; Peredo and 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. 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.⁸⁰ 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.⁸¹

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 entrepre-

⁸⁰ 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.

⁸¹ In other words, we expect that social entrepreneurs have more difficulties in “climbing the entrepreneurial ladder” (Grilo and Thurik, 2005; Van der Zwan *et al.*, 2010).

neurial 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 and Cowling, 2006; Shaw and Carter, 2007; Weerawardena and 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 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).

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.

5.2. Literature background

It is widely argued that entrepreneurship and small businesses make positive contributions to economies in term of innovation, employment generation, productivity, and growth (Carree and Thurik, 2010; Praag and Versloot, 2007). Consequently, the creation, growth, and survival of new ventures are seen by policymakers as key elements in economic development (Audretsch *et al.*, 2007). However, approximately 20% of new ventures do not survive their first year (Fritsch *et al.*, 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 and 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 and Martí, 2006; Moizer and 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 *et al.* (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 and Martí, 2006; Yitshaki *et al.*, 2008); resource-based theory (Haugh, 2009; Meyskens *et al.*, 2010; Sharir *et al.*, 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.

5.2.1. 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 and Tracey, 2010). This complication poses specific challenges to social entrepreneurs, particularly with respect to financial and human resource mobilization (Dorado, 2006; Purdue, 2001; Sharir and 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. Next, 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 and 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 and 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 and 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 *et al.*, 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.⁸² Hence, social entrepreneurs are constrained in fund generation, making the management of risk to sustain the organization a crucial operational activity (Weerawardena and 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, and Letts, 2004; Haugh, 2007; Purdue, 2001; Sharir and 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, 2006a; 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 and 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).

⁸² 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 and Shleifer, 2001; Parker, 2009).

5.2.2. 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 (1998b) and in more recent definitions by Tan *et al.* (2005), Peredo (2006), and Zahra *et al.* (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 with their for-profit counterparts (Zahra *et al.*, 2008; Shaw and Carter, 2007; Sullivan Mort *et al.*, 2003; Tan *et al.*, 2005; Peredo, 2006; Zahra *et al.*, 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.

5.3. 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 *et al.* (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 and Osberg, 2007). Our definition also refrains from social service provision by public institutions that do not operate on their own account and risk (Martin and 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 ecological⁸³ 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.

5.4. 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 and 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

⁸³ From this point onward, when social goals and needs are discussed, ecological goals and needs are also included.

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 (Boschec and McClurg, 2003; Haugh, 2009; Sharir and Lerner, 2006; Weerawardena and 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 and Cowling, 2006; Leahy and Villeneuve-Smith, 2009) and descriptive analyses of aggregate participation rates in social entrepreneurship (Bosma and Levie, 2010; Hoogendoorn and 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 and 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 and Levie, 2010; Harding and 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.

5.5. 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,⁸⁴ 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.⁸⁵ 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");
- 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");

⁸⁴ 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).

⁸⁵ 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 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.⁸⁶ 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”).

5.5.1. 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).

5.5.2. Independent variables

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,

⁸⁶ 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.”

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.

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.”⁸⁷ Each respondent was required to select two answers. If a risk 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.

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.

5.5.3. 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 and Rosen, 2000; Dunn and 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)

⁸⁷ 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.

was taken into account. Finally, country dummy variables are included to control for country-specific influences.

5.6. 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).

5.6.1. 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 5.1 shows the distribution of commercial and social entrepreneurs across engagement levels. Table 5.1 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 5.1 shows that social and commercial entrepreneurs differ regarding the distribution across engagement levels. This finding is confirmed by the Pearson χ^2 statistic, which is derived from Table 5.1: 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 5.1 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 χ^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 χ^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 5.1 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 and Cowling, 2006; Leahy and 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 χ^2 value.

5.6.2. 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 5.2 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 5.2; 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 *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 5.2 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.⁸⁸

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

⁸⁸ 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.

percentage points as age increases by 10 years.⁸⁹ Additional calculations show that the probability of being a social entrepreneur decreases with age but increases again after the age of 64.⁹⁰ 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, 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 55.⁹¹ 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-

⁸⁹ 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.

⁹⁰ 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.

⁹¹ 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.

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 5.3. 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 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 5.4 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 5.4 provides interesting material for future research.

The current estimations provide interesting insights into the differences between social and commercial entrepreneurs. All regressions in Table 5.2 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 5.3 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.

5.7. 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 overrepresentation 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 and 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 *et al.*, 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 combines 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 and Terry, 2000; Tajfel and 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 5.1. Bivariate analysis: percentages of social entrepreneurs and commercial entrepreneurs across the values of the independent variables.

		Comm. entrepr.	Social entrepr.	χ^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	Strongly disagree	3.71	2.69	57.42	0.00
	Disagree	17.86	12.17		
	Agree	44.66	45.93		
	Strongly agree	33.78	39.21		
Perceived insufficient information	Strongly disagree	13.84	9.53	103.38	0.00
	Disagree	38.43	30.76		
	Agree	31.85	38.01		
Perceived administrative complexities	Strongly agree	15.88	21.70	20.20	0.00
	Strongly disagree	7.77	6.42		
	Disagree	25.19	21.51		
	Agree	38.04	41.16		
<i>Risk factors</i>	Strongly agree	29.01	30.90		
	Strongly disagree	4.97	5.55	6.96	0.07
	Disagree	25.70	23.05		
	Agree	48.76	50.22		
Risk of personal failure	Strongly agree	20.58	21.18		
	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		

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

Table 5.2. 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			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

Table 5.2. (continued)

<i>Socio-demographic variables</i>									
Age/10 (H4a)								-0.012***	0.004
Male (H4b)								-0.049***	0.010
Education/10 (H4c)								0.031*	0.018
<i>Control variables</i>									
Professionally active	-0.020*	0.011	-0.033***	0.010	-0.035***	0.010	-0.034***	0.011	-0.021
Father self-employed	-0.001	0.012	-0.007	0.012	-0.006	0.010	-0.005	0.011	0.006
Mother self-employed	-0.003	0.014	-0.011	0.015	-0.009	0.015	-0.008	0.014	-0.007
Income	-0.026***	0.008	-0.019**	0.008	-0.025***	0.008	-0.026***	0.008	-0.019**
Urban versus rural	-0.021*	0.011	-0.014	0.011	-0.018	0.011	-0.026***	0.010	-0.027**
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 5.3. 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

Notes:

+ 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 5.4. 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		

Notes: 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%.

Thesis in short

English

The present study deals with social entrepreneurship. Social entrepreneurship is a type of entrepreneurship that concerns the process of discovering, evaluating, and pursuing opportunities primarily and intentionally aimed at the creation of social value by addressing social needs. Despite a growing recognition for social entrepreneurship, there is a lack of knowledge regarding this type of entrepreneur, the occurrence of this phenomenon, and the factors that influence successful social enterprise initiatives.

The objective of the four chapters which can be read independently from each other (chapters 2 to 5) is to test and extend the current knowledge on the causes of social entrepreneurship, social entrepreneurs and the organizations and activities they are involved in. Preliminary to these four chapters, an introductory chapter situates the phenomenon of social entrepreneurship in the modern economy. In contrast to what is common in this research domain that is in an early stage of discovery, this study applies a research design based on unique, large-scale and internationally comparable survey data. This approach not only contributes to new insights by addressing the occurrence and drivers of social entrepreneurship at the macro-level, but also provides insights that deviate from the hero image of the social entrepreneur that is sometimes portrayed in the media and is reflected in scholarly work that is based on successful cases.

The main findings of this study concern three levels of analysis. At the macro-level, it is found that social entrepreneurship clearly is a global phenomenon with a prevailing role for the level of income in a country as one of the drivers of its occurrence. The effects of other significant factors that contribute to explain the variation of the prevalence of social entrepreneurship across countries are much smaller such as government expenditure on welfare and a country's degree of individualism. Hence, our findings suggest that social entrepreneurship is a wealth-driven phenomenon. At the level of the firm it is found that social ventures are less likely to survive the early stages of setting up and running a business. Factors identified that explain this underperformance include socially motivated entrepreneurs perceiving more financial and informational barriers to starting a business. In addition, it is found that fear of bankruptcy and personal failure is more common among social entrepreneurs than commercial entrepreneurs. At the individual level results indicate social entrepreneurs to have a deviating entrepreneurial profile that tends to be, in some respects, vulnerable in terms of effort put into the organization or activity, self-confidence in capabilities to start a business, ambition in terms of employment growth and funding from the sale of products and services. Finally, it is found that social entrepreneurs can be found in lower and higher age categories, are more likely to be female and highly educated than are their commercial counterparts.

The results of this thesis are of particular interest for public policy-makers, private foundations or support organizations who want to promote social entrepreneurship and improve the sector infrastructure. This study suggests taking account for this deviating entrepreneurial profile.

Nederlands

Het centrale thema van dit proefschrift is sociaal ondernemerschap, een vorm van ondernemerschap waarbij in tegenstelling tot regulier ondernemerschap de nadruk ligt op het creëren van sociale waarde door een specifiek sociaal, milieu- of gemeenschapsdoel te adresseren. Ondanks de toenemende aandacht staat onderzoek naar sociaal ondernemerschap nog steeds in de kinderschoenen.

Het doel van de hoofdstukken in dit proefschrift is het testen en uitbreiden van de huidige kennis van de oorzaken van het bestaan van sociaal ondernemerschap, sociale ondernemers en hun organisaties. Het proefschrift wordt voorafgegaan door een inleidend hoofdstuk waarin het positioneren van sociaal ondernemerschap in de hedendaagse maatschappij centraal staat. In tegenstelling tot wat gangbaar is in onderzoek naar dit type ondernemerschap, is gekozen voor een kwantitatieve benadering waarbij gebruik wordt gemaakt van grootschalige en internationaal vergelijkbare survey data. Deze benadering leidt tot nieuwe en aangescherpte inzichten en kan dan ook gezien worden als een belangrijke bijdrage aan dit onderzoeksveld.

De belangrijkste bevindingen worden gerapporteerd op drie verschillende niveaus van observatie. Op macro niveau constateren we dat de verschillen in de mate van sociaal ondernemerschap tussen landen bovenal gerelateerd is aan het gemiddeld inkomensniveau. Omdat andere significant gerelateerde factoren zoals de mate van individualisme en uitgaven van de overheid een veel kleiner deel van de variantie tussen landen kunnen verklaren, stellen we dat sociaal ondernemerschap een welvaartsverschijnsel is. Op bedrijfsniveau vinden we dat voor sociale ondernemingen de kans kleiner is dan voor commerciële ondernemers om de eerste fasen van het ondernemerschapsproces te overleven. Als mogelijke verklaring hiervoor vinden we dat sociaal gemotiveerde ondernemers een gebrek aan financiële middelen en start-up informatie ervaren. Bovendien komt de vrees voor faillissement en persoonlijk falen vaker voor onder sociale ondernemers dan onder commerciële ondernemers. Op individueel niveau suggereren de resultaten dat sociale ondernemers een afwijkend ondernemerschapsprofiel hebben dat, in sommige opzichten, minder gunstig is dan dat van commerciële ondernemers. Zo steken zij minder tijd in hun bedrijf, hebben ze geringere groeiambities en is het belang van inkomsten uit de verkoop van goederen en diensten kleiner. Bovendien zijn ze minder zelfverzekerd over hun ervaring, kennis en vaardigheden om een bedrijf te starten en zijn ze over het algemeen jonger en hoger opgeleid zijn dan commerciële ondernemers.

De bevindingen uit dit proefschrift zijn relevant voor beleidsmakers en supportorganisaties die sociaal ondernemerschap trachten te stimuleren. Deze studie suggereert bovenal om rekening te houden met het afwijkende ondernemerschapsprofiel van de sociale ondernemer en specifiek aandacht te besteden aan die aspecten als minder gunstig beschouwd kunnen worden ten opzichte van de commerciële tegenhanger.

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SOCIAL ENTREPRENEURSHIP IN THE MODERN ECONOMY WARM GLOW, COLD FEET

This study tests and extends current knowledge on the causes of social entrepreneurship: a type of entrepreneurship that concerns the process of discovering, evaluating, and pursuing opportunities aimed at the creation of social value. In contrast to what is common in this research domain, this study applies a research design based on unique, large-scale and internationally comparable survey data. The chapters in this book address various research themes such as the occurrence and drivers of social entrepreneurship at the macro-level, factors that influence the survival of social ventures at the firm level, and the differences and commonalities between social and commercial entrepreneurs at the individual level. At the macro-level it is concluded that social entrepreneurship clearly is a global phenomenon with a prevailing role for the level of income in a country as one of the drivers of its occurrence. At the micro-level results indicate a deviating entrepreneurial profile for social entrepreneurs that tends to be, in some respects, less favorable compared to commercial entrepreneurs in terms of effort put into the organisation, self-confidence, ambition, funding and progression to more mature stages of the entrepreneurial process.

The results of this thesis are of particular interest for public policy-makers, private foundations, and support organizations who want to promote social entrepreneurship and improve the sector infrastructure. This study advocates taking account for this deviating entrepreneurial profile.

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