LOUVAIN
School of Management
RESEARCH INSTITUTE

WORKING PAPER

2011/04

Governing for impact and performance within social entrepreneurial ventures: The mediating role of organizational capabilities

Sophie BACQ,
Frank JANSSEN,
Louvain School of Management

Jill KICKUL,
New York University

Louvain School of Management Working Paper Series
Editor : Prof. Per J. Agrell

Governing for impact and performance within social entrepreneurial ventures: The mediating role of organizational capabilities

Sophie Bacq, Louvain School of Management
Frank Janssen, Louvain School of Management
Jill Kickul, New York University

Summary

Social entrepreneurial ventures pursue a double bottom line, i.e., they try to achieve simultaneous social and financial performance. Governance has been shown to be a critical issue for firm performance. However, this issue has been neglected in the social entrepreneurship literature. This exploratory study empirically addresses this gap by proposing a mediational model between governance behaviors (agency and stewardship) and financial performance and social impact. Using Structural Equation Modeling (SEM), we confirm mediation and find that stewardship predicts organizational capabilities, leading to higher social impact. On the contrary, agents' opportunistic behaviors negatively influence the development of these organizational capabilities. These innovative findings contribute to the understanding of governance behaviors within SEVs and offer interesting insights for the practice of social entrepreneurship.

This work was presented at the 2011 Babson College Entrepreneurship Research Conference & the 4th Research Colloquium In Social Entrepreneurship and financial support from the Intercollegiate Center for Management science is gratefully acknowledged.

Corresponding author:
Sophie Bacq
Center for Research in Entrepreneurial Change and Innovative Strategies CRECIS
Louvain School of Management / Campus Louvain-la-Neuve
Université catholique de Louvain
Place des Doyens, 1
B-1348 LOUVAIN-LA-NEUVE, BELGIUM
Email : Sophie.Bacq@uclouvain.be

The papers in the WP series have undergone only limited review and may be updated, corrected or withdrawn without changing numbering. Please contact the corresponding author directly for any comments or questions regarding the paper.
ILSM, UC Louvain, 1 place des doyens, B-1348 Louvain-la-Neuve, BELGIUM
www.uclouvain.be/ilsm and www.uclouvain.be/lsm_WP

GOVERNING FOR IMPACT AND PERFORMANCE WITHIN SOCIAL ENTREPRENEURIAL VENTURES: THE MEDIATING ROLE OF ORGANIZATIONAL CAPABILITIES

SOPHIE BACQ[a]

Louvain School of Management, Université catholique de Louvain, 1 Place des Doyens, B-1348 Louvain-la-Neuve, BELGIUM
Sophie.Bacq@uclouvain.be

FRANK JANSSEN

Louvain School of Management, Université catholique de Louvain, 1 Place des Doyens, B-1348 Louvain-la-Neuve, BELGIUM
Frank.Janssen@uclouvain.be

JILL KICKUL

New York University, Stern School of Business, 44 W 4th street, New York, NY 10025, USA
jkickul@stern.nyu.edu

Accepted

Social entrepreneurial ventures pursue a double bottom line, i.e., they try to achieve simultaneous social and financial performance. Governance has been shown to be a critical issue for firm performance. However, this issue has been neglected in the social entrepreneurship literature. This exploratory study empirically addresses this gap by proposing a mediational model between governance behaviors (agency and stewardship) and financial performance and social impact. Using Structural Equation Modeling (SEM), we confirm mediation and find that stewardship predicts organizational capabilities, leading to higher social impact. On the contrary, agents' opportunistic behaviors negatively influence the development of these organizational capabilities. These innovative findings contribute to the understanding of governance behaviors within SEVs and offer interesting insights for the practice of social entrepreneurship.

1. Introduction

Social entrepreneurship can be viewed as the pursuit of a social mission by the use of entrepreneurial strategies (Bacq & Janssen, 2011; Short, Moss, & Lumpkin, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). At the organizational level, this has led to innovative methods and processes toward the creation of new ventures, or the management of existing ones. In line with Dorado (2006) and Townsend and Hart (2008), we refer to these organizations as "Social Entrepreneurial Ventures" (SEVs) that we define as nonprofit or for-profit forms of organizations using the market to tackle society's most pressing and intractable problems. Social entrepreneurship research so far has mainly focused on explaining the emergence of these hybrid forms of organizations, describing the social entrepreneurs, or attempting to identify distinguishing characteristics between social and commercial entrepreneurship (e.g., Austin, Stevenson & Wei-Skillern, 2006; Di Domenico, Tracey, & Haugh, 2009), both at the conceptual or exploratory empirical levels. Despite Battle Anderson's (2005) call for more efforts to better understand social entrepreneurship from a strategic and organizational approach, little research has focused on the underlying organizational systems that influence economic and social/environmental impact. As suggested but not tested, SEVs' governance behaviors might assist in resolving the ubiquitous dilemma of balancing the social mission and the need for financial sustainability – a dilemma known as the "double bottom line". Harjula (2006) demonstrated, for instance, that the tensions in balancing economic and social returns are very concrete for for-profit social entrepreneurs who rely on venture capitalist funding and that addressing this balancing act comes, in part, within the governance systems of these organizations. Moreover, it has been argued that corporate governance is even more important for double bottom line ventures, given that governance is defined as all the mechanisms that guarantee the reach of an organization's bottom line (Drucker, 1990). While anecdotal evidence suggests that social entrepreneurs use governance to increase their social impact and financial success, relatively little work has focused empirically on understanding the

[a] Corresponding author: sophie.bacq@uclouvain.be; (T) +32-486-880-078; Center for Research in Entrepreneurial Change and Innovative Strategies, Université catholique de Louvain, 1 Place des Doyens, 1348 Louvain-la-Neuve, Belgium.

processes by which social entrepreneurs reach their objectives. Given the unique context of social entrepreneurship, we think that the role of governance in balancing the double bottom line in SEVs is worth exploring.

Furthermore, in the entrepreneurship and family business literature dealing with the issue of governance, Hoopes and Miller (2006) and Miller and Le Breton-Miller (2006) found that an organization's governance behavior helps to develop organizational capabilities. These, in turn, lead to higher financial performance. In the social entrepreneurship context, Bloom and Smith (2008) found that some organizational capabilities leading to higher social impact are correlated with behaviors of the board of directors, one of the most studied governance mechanism. Therefore, by extending the literature on governance and organizational capabilities to the social entrepreneurship context, this exploratory study intends to address "the strategic and managerial consequences of trying to concurrently satisfy economic and social objectives" (Short et al., 2009). In line with ongoing discussion on the governance of social ventures, we adopt both agency and stewardship perspectives. In particular, this study addresses the extent to which organizational capabilities mediate the relationships between, on the one hand, social entrepreneurs' perceptions of their governance behaviors in line with the agency/stewardship predictions, and, on the other hand, social impact as well as financial performance. Our research objective is to examine whether social entrepreneurs' governance behaviors influence the organizational capabilities that their organizations develop, thereby increasing their financial performance, as well as the social impact they bring to their marketplace. This study also intends to fill a methodological gap in addressing the deplored lack of predictive models in the extant social entrepreneurship literature.

In order to reach this objective, the paper proceeds as follows. Section 1 examines the under researched issue of governance in SEVs by applying the agency and stewardship theoretical lenses. Section 2 introduces the importance of organizational capabilities in SEVs. Section 3 presents our mediational model. Section 4 presents our research methodology and Section 5 presents our results and Section 6 discusses these. Finally, contributions, limitations, as well as implications for theory and practice are discussed.

2. Governance In Social Entrepreneurial Ventures: A Path To Balance Double Bottom Line

SEVs are not a homogeneous group of organizations: they vary in terms of legal forms (nonprofit, for-profit, or hybrid structures), sizes, activity sectors (e.g., health, renewable energy, recycling, employment, housing, education), ownership (concentrated or divided), management (independent management, owner-management), etc. However, SEVs are all characterized by a "double bottom line" (e.g., Alter, 2004; Boschee & McClurg, 2003; Dees, 1998; Flannery & Deiglmeier, 2000; Nicholls & Cho, 2008; Robinson, 2006; Thompson & Doherty, 2006), i.e. they strive simultaneously for the highest social impact on the communities they serve, as well as for sustainable revenue-generating activities. Therefore, the biggest challenge for social entrepreneurs lies in the practical implementation of a promising "social" idea into an operational, plausible, sustainable business model (Guclu, Dees, & Battle Anderson, 2002). Be they for-profit entities explicitly designed to serve a social purpose (e.g., "For-Profit Social Ventures", in Dees & Battle Anderson, 2003), or nonprofits using an entrepreneurial strategy to fund their social mission, SEVs search for a balance between social value creation and financial sustainability. Some have argued that a double bottom line is not unique to SEVs, and that other types of organizations, even commercial ones, can also pursue several missions and goals. However, a recent exploratory study found that SEVs distinguish themselves from their commercial counterpart by the intention and the dominance of perceived social value creation over economic value creation[b] (Bacq, Hartog, Hoogendoorn, & Lepoutre, 2011). These peculiarities should be taken into account when dealing with governance. Indeed, the double bottom line poses important challenges to the field of social entrepreneurship and the social entrepreneur who will have to find a balance between both objectives. As a consequence, governance mechanisms must be created in SEVs to guarantee that

[b] As such, SEVs are distinct from commercial entrepreneurial firms and Corporate Social Responsibility (CSR) programs (e.g., Carroll, 2001; Donaldson & Preston, 1995; Moir, 2001). On the one hand, the social entrepreneur sets up a business in order to pursue an explicit social mission, whereas the "traditional" entrepreneur is often more motivated by goals like independence or achievement, if not profit (Janssen & Surlemont, 2009). These objectives can be more easily aligned with a financial bottom line than a social mission. On the other hand, the key difference between CSR and social entrepreneurship lies in the fact that the social mission is central for the organizations of the latter, whereas it is secondary in the former perspective.

the organizational social mission is achieved, while guaranteeing economic sustainability and reflecting the interests of the people holding the capital – even if fund providers investing in that kind of venture might have other interests than the sole financial return on investment (Labie, 2005). Therefore, the context of social entrepreneurship provides a particularly interesting setting in which to examine governance. This is the object of the next section.

2.1 *Governance in SEVs*

There are many different definitions of governance, varying by discipline (i.e., definitions vary between management, law or economics) or by context (for-profit/corporate, nonprofit, etc.). In management studies for instance, the definition of corporate governance given by the OECD (2004), as "dealing with the rights and responsibilities of an organization's board, its management, shareholders and other stakeholders", has been used extensively (e.g., Bonn & Fisher, 2005: 730). However, in the nonprofit context, this definition does not make sense, since nonprofits do not have "shareholders" *per se*. Therefore, for the purpose of this study, we define governance as being all the mechanisms that guarantee to reach an organization's (be it for-profit or nonprofit) bottom line (Drucker, 1990) – i.e., in the case of SEVs, a mix of social and economic objectives.

The importance of governance in social entrepreneurship has been stressed by many authors, arguing that governance is one of the key aspects of SEVs' success and should therefore deserve further investigation. The issue of governance in SEVs is all the more important since, according to Light (2009: 22), these organizations "may neglect organizational infrastructure, possibly resulting in underinvestment in measurement and governance". Similarly, Spear, Cornforth, and Aiken (2009: 269) warn that, in the particular case of newly started "social enterprises", governance arrangements can be disregarded given the entrepreneur's focus on the successful implementation of his/her business ideas. Since, according to Nicholls (2006) and Townsend and Hart (2008), governance structures in SEVs could be viewed as a way to gain organizational legitimacy, SEVs should really pay attention at their governance systems. In their discussion of the application of market discipline to SEVs, Austin, Stevenson and Wei-Skillern (2006: 9-10) stress that "funders and board members focus on the organization's social mission and fail to emphasize accountability and high performance for the organization". They contend that the goals of the different constituencies of a SEV, from the social entrepreneur to board members, vary widely and therefore need to be monitored. Despite the acknowledged importance of governance in SEVs, and arguments saying that governance dynamics in SEVs are likely to be distinct from governance behaviors found in private, public or associative sectors (Jegers, 2010; Low, 2006), to date, the emerging literature on the topic has tended to be overly prescriptive (Cornforth, 2004), therefore limiting the number of empirical research to a few exceptions. Sharir and Lerner (2006) found weak salience, among SEVs, of the involvement of board members in planning, decision-making, personal financial investment, and expanding the social network, suggesting that "the functioning of board members was problematic" (Sharir & Lerner, 2006: 10). The study conducted by Spear et al. (2009) confirms that one of the most interesting governance challenges facing social enterprises lies in balancing social and economic goals, while managing entrepreneurial and financial risk. Based on agency theory's predictions, Spear et al. (2009) stress that social enterprises' boards have to maintain a certain level of power to control management. One of the common governance challenges therefore includes managing interdependencies between boards and management, although, as the authors insist on, they should have clearly different roles. In addition to this agency-based research, stewardship has been argued to be part of social entrepreneurs' behavior by several scholars (Mair & Marti, 2006; Tan et al., 2005). Stewardship theory and collective activity have also been the object of discussion in several case studies of social enterprises in the UK (Low, 2006; Mason, Kirkbride, & Bryde, 2007; Shaw & Carter, 2007). Finally, let us note some empirical applications of the stakeholder approach to the field of social entrepreneurship (Campi, Defourny, & Grégoire, 2006; Vidal, 2005). As Low (2006) argues, the logic that leads to consider SEVs as organizational forms distinct from "traditional" for-profit/nonprofit enterprises is based on the tensions between social and economic objectives, therefore suggesting that governance structures including multiple stakeholders will need to co-exist with the influence of the social entrepreneurs as the individual driving forces behind their enterprise.

Among the different approaches of governance – agency, stewardship, stakeholder, democratic, resource-dependency and managerial hegemony being the most studied for the management of

corporations, nonprofits, entrepreneurial or family firms[c] – we chose to focus on agency and stewardship theories, as they offer complementary views on SEVs. Indeed, both agency and stewardship behaviors have been identified in the literature as leading to different outcomes. Therefore, stewardship-oriented behaviors may be in tension with the financial duties of starting and managing a SEV (Short et al., 2009).

Agency theory adopts an economic approach to governance and depicts managers as individualistic and opportunistic (Jensen & Meckling, 1976). It analyzes the relationships that take place between a principal and an agent, who receives the responsibility of a specific set of tasks. The assumption underlying agency theory is that the principal and the agent are both self-interested and have divergent interests. Given information asymmetry between the two parties, or the impossibility and cost of writing complete contracts, agency problems (e.g., adverse selection, moral hazard) arise. In order to make sure that the agent's interests are aligned with his/her own, the principal might need to adopt some monitoring or incentive actions. The costs to set up these actions are referred in the literature as the "agency costs" (Fama & Jensen, 1983). Consequently, close alignment of interests lowers agency costs, whereas misalignment increases these costs. In contrast, the sociological stewardship theory depicts managers as collectivist, trustworthy and behaving in accordance with organizational objectives. As such, it assumes that senior decision-makers are intrinsically motivated not only by self-interest, but also by altruism and/or generosity (Davis, Schoorman, & Donaldson, 1997). When it comes to theory building in the context of social entrepreneurship, the assumptions behind agency and stewardship theories should not be forgotten (Zahra, 2007). Therefore, in the next section, we detail the rationales underlying the two theories and discuss their application to the context of social entrepreneurship.

2.2 *Agency and stewardship rationales in SEVs*

Depending on the theoretical assumptions (i.e., agency theory versus stewardship theory), different decisions and behaviors made at the organizational level lead to different implications in terms of agency costs or stewardship attitudes, which, in turn, have an influence on the organization's success. Success in the case of SEVs is a multidimensional concept that includes both social impact and financial performance. We define social impact as an organization's achievements to address and solve a particular social problem, relatively to its competitors. Financial performance refers to the importance of sales and profit for the SEV, as well as the social entrepreneur's level of satisfaction with the financial performance recently achieved (check definition used by Iakovleva).

Given their double bottom line, agency issues are likely to be more complex in SEVs. In their case study analysis, Tracey and Jarvis (2007) found that the double bottom line in SEVs means that goal asymmetry is even more likely to characterize these organizations than traditional businesses. This goal incongruence might in turn require the principals to pay more attention at monitoring their agents' actions and at designing appropriate incentives structures that lead them to adopt a balance between social and economic objectives. Similarly, recent research on family business management asserts that the special nature of family firms creates unique agency problems, given distinctive monitoring and disciplinary challenges (e.g., Anderson & Reeb, 2003; Chua, Chrisman, & Sharma, 2003; Schulze, Lubatkin, & Dino, 2003; Villalonga & Amit, 2006). When applying the agency perspective to social entrepreneurship, the owner(s) of the SEV might be seen as the principal, whose interests lie in the realization of the double bottom line. Conversely, the senior decision-maker(s) of the SEV, including the CEO, the CFO, the CIO, etc. could be considered as the agent(s). Therefore, because of multiple objectives, agency problems related to divergent interests might occur between the owners and the senior decision-makers. For instance, under financial pressures to reach a sustainable initiative, they may not act in the best interests of the social mission, but in an opportunistic way in order to address short term economic needs. Indeed, the need to become financially sustainable might take the advantage over the social mission of the venture and therefore lead to agency problems that derive from interests' misalignment between the agent's short-termism and the principal's long-term orientation. In line with this, Tosi, Brownlee, Silva, and Katz (2003) found that decision-makers under

[c] Besides these theories, different governance "mechanisms" can also be named, of which the board of directors has been the most studied in the literature. Charreaux (1997) introduced an interesting distinction between "intentional" mechanisms, such as the board of directors or the general assembly, and "spontaneous" mechanisms, referring to the corporate culture, managers' cross-control, or the job market. The latter seem to play a major role in start-ups whereas intentional mechanisms are more and more adopted as the firm grows.

agency controls chose to invest more in profit maximization strategies than individuals under stewardship controls. Therefore, we formulate the following hypothesis:

Hypothesis 1a: Agency-oriented governance behaviors are positively related to financial performance.

Hypothesis 1b: Stewardship-oriented governance behaviors are positively related to financial performance.

However, we offer some nuance by formulating the following hypothesis:

Hypothesis 1c: Agency-oriented governance behaviors lead to higher financial performance than stewardship-oriented governance behaviors.

Stewardship theory depicts the behaviors of senior decision-makers, called stewards, as being driven by collective interests, self-actualization and altruism (Donaldson, 1990; Zahra, 2003). This altruistic motivation leads them to adopt an "involvement-oriented management philosophy" and therefore to act toward organizational, rather than personal, objectives (Short et al., 2009: 176). As a consequence, in contrast to agency theory predictions, stewards are more likely to orient their actions toward the long run rather than favoring short-term decisions (Davis et al., 1997). Long-term orientation can be defined as "the tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period" (Lumpkin, Brigham, & Moss, 2010). In the case of social entrepreneurship, this implies that stewardship-oriented SEVs' CEOs will be more prone to achieve social impact – understood as a long-term objective – as opposed to short-term profit-maximization objectives. Indeed, the assumed socio-emotional attachment to the social mission might motivate both principal and agent to cultivate the long-run interests and resources of the firm (versus the temptation to pursue short-term gains). Thus, we formulate the following hypothesis:

Hypothesis 2a: Stewardship-oriented governance behaviors are positively related to social impact.

Hypothesis 2b: Agency-oriented governance behaviors are positively related to social impact.

However, we posit the following difference:

Hypothesis 2c: Stewardship-oriented governance behaviors lead to higher social impact than agency-oriented governance behaviors.

Financial performance and scaling social impact have been shown to depend on people and policies within the organization's boundaries (Bradach, 2003; LaFrance et al., 2006; Sherman, 2006). For instance, Bloom & Chatterji (2009) found that social impact is driven by a series of organizational capabilities relative to domains such as staffing, networking, etc. In the next section, we further develop arguments for organizational capabilities as drivers of social impact and financial performance.

3. Organizational Capabilities, Social Impact and Financial Performance

The resource-based view (RBV) of the firm has been applied to the context of social entrepreneurship, thereby viewing SEVs as "competitive organizations whose ability to attain their goals and create social value is impacted by being able to combine and convert acquired resources" (Meyskens et al., 2010: 663). According to this theoretical framework, the firm achieves a sustainable competitive advantage through unique combinations of resources (Barney, 1991). Those "unique combinations of resources leading to competitive advantage" are usually referred to as "capabilities". Those are expected to improve the firm's efficiency and effectiveness (Barney, 1991). In the present study, we examine seven categories of capabilities that matter most for driving successful scaling of social impact (Bloom & Chatterji, 2009), known under the acronym "SCALERS". These include the ability of the SEV to fill its labor needs with skilled people (*Staffing*), its effectiveness in persuading key stakeholders of the value of its theory of change (*Communicating*), its networking abilities in creating partnerships, coalitions, joint ventures, etc. that help to reach its social mission (*Alliance-Building*), the SEV's advocacy power to influence government actions in its favor (*Lobbying*), its

ability to generate positive revenues (*Earnings-Generation*), the replicability of its programs and initiatives to other regions of the world or to other variant of the social problem (*Replicating*) and, finally, its ability to create incentives that encourage people or institutions to pursue private interests while also serving the public good (*Stimulating Market Forces*).

A positive relationship between capabilities and financial performance has been demonstrated in various studies (e.g., Abell, Felin, & Foss, 2008; Teece, 2007; Wu, 2006; Zott, 2003). Therefore, we formulate the hypothesis:
Hypothesis 3a: Organizational capabilities are positively related to financial performance.

Bloom and Smith (2008) have shown that the seven SCALERS organizational capabilities are important predictors of scaling a SEV's social impact on the communities and markets it serves. Moreover, we argue that SEVs' distinctive organizational capabilities will also have an impact on their financial performance, cornerstone of their sustainability. Hence, we propose the following hypothesis:
Hypothesis 3b: Organizational capabilities are positively related to social impact.

4. Governance, Capabilities and Double Bottom Line

Major headings should be typeset in boldface with the first letter of important words capitalized.

4.1 *Governance and organizational capabilities*

Although the RBV provides insights into how organizational capabilities generate value, others have focused their attention on the antecedents of organizational capabilities, in particular governance. Among recent research, Lazonick and O'Sullivan (2002) highlighted that governance influences the way managers develop internal routines, processes, and systems. Carney (2005) linked a governance approach with RBV, arguing that family firms' systems of governance (including incentives, authority patterns, norms of legitimization) generate organizational propensities that create competitive advantage. Hoopes and Miller (2006) showed that ownership concentration and owner preferences give rise to distinctive resources and capabilities. According to their model, higher ownership concentration reduces agency costs, which leads to resource surplus and a preference towards long-term investment; these capabilities, in the end, create unique competitive opportunities. Miller and Le Breton-Miller (2006) found that family governance choices (e.g., level and mode of family ownership and control, family leadership as CEO) feed distinctive capabilities. They argue that stewardship attitudes – prevalent among family-controlled businesses in which leaders are either family members or emotionally linked to the family (Miller & Le Breton-Miller 2006) – generate far-sighted contributions that feed distinctive capabilities. As we argued in the previous section, such behaviors could also be found in SEVs where managers are also emotionally linked, not to a family, but to the social mission and, as a consequence, yield distinctive capabilities. In the context of social entrepreneurship precisely, Bloom and Smith (2008) found that the "attitude" of the board is an important antecedent to the SCALERS. Hence, given the underlying assumptions of agency and stewardship theories and previous research findings, we formulate the following hypotheses:
Hypothesis 4: Agency-oriented governance behaviors positively influence organizational capabilities.
Hypothesis 5: Stewardship-oriented governance behaviors positively influence organizational capabilities.

4.2 *Mediational model*

Since we have linked capabilities to social impact and financial performance, and governance behaviors to organizational capabilities, we have developed a model (please see Figure 1) that examines the mediating role of capabilities between SEVs' governance and their double bottom line. That is, capabilities facilitate the ways in which SEVs adopt effective governance behaviors to increase their success on both social and financial fronts. Some scholars have investigated the link between governance, capabilities and performance. Arguing that the relationship between governance and

performance is too simple, Miller and Le Breton-Miller (2006) suggest that a mediating role of organizational capabilities should be considered. Their study explains the drivers of performance of family-controlled businesses, also using precepts from agency and stewardship theory. Carney and Gedajlovic (2003) showed that organizational value-creating/destroying attributes are embedded in the firm's system of corporate governance that they defined as family control rights over a firm's assets. These control rights generate organizational propensities that lead to competitive advantage. Moreover, Bloom and Smith (2008) found evidence of a significant positive relationship between the board's attitude and the organizational capabilities leading to social impact (the "SCALERS") in their exploratory empirical study surveying 601 social enterprises. In line with previous research, we develop two final hypotheses, in which organizational capabilities mediate the relationship between governance behaviors and both social impact and financial performance. Our last two hypotheses read as follows:

Hypothesis 6: Organizational capabilities mediate the positive relationship between agency-oriented governance behaviors and financial performance.

Hypothesis 7: Organizational capabilities mediate the positive relationship between stewardship-oriented governance behaviors and social impact.

Figure 1 summarizes our proposed research model.

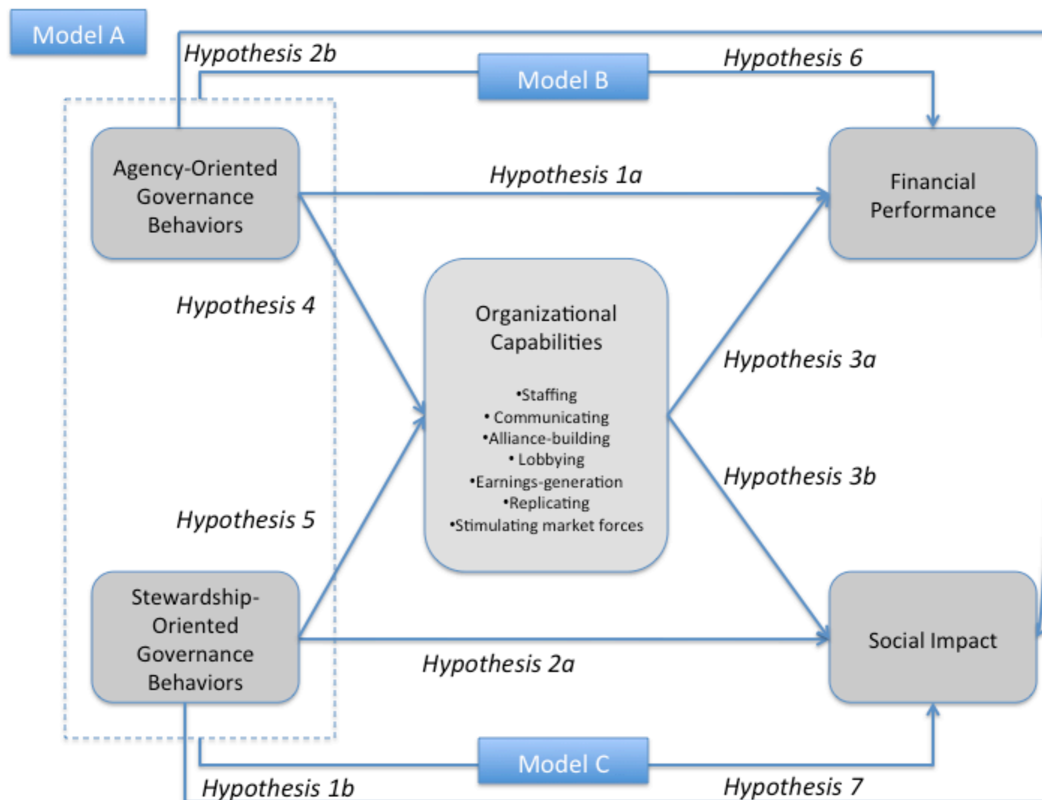

Fig. 1. Proposed research model.

5. Methodology

5.1 *Data collection*

To investigate the proposed seven hypotheses and model, we surveyed senior decision-makers of SEVs (e.g., CEO, CFO, CIO), to whom we further refer as "social entrepreneurs." Social entrepreneurs included in the database serve a number of sectors in the US, including education, environment, mental health, hunger, arts and culture, and social capital investing. All the information was gathered from the social entrepreneurs over a six-month period using an online survey. This survey was sent to about 1,000 social entrepreneurs; a response rate of more than 18% generated 184 questionnaires. 120 are used for the purpose of the present study.

5.2 *Measurement scales*

Agency. To measure agency, we used a four-item scale developed by Frankforter, Davis, Vollrath and Hill (2007), further used by Davis, Allen & Hayes (2010). Respondents indicated the degree to which they perceived their leadership behavior as self-serving on a 5-point Likert scale. The metric for empirical testing was formed by the mean of the four scale items. Cronbach's alpha of .65, thereby meeting the threshold of .60 suggested by several researchers (e.g., Atuahene-Gima & Evangelista, 2000).

Stewardship. To capture stewardship, we used a multi-dimensional scale developed by Zahra et al. (2008). The advantage of their scale, compared to the one developed by Davis, Frankforter, Vollrath and Hill (2007), is that it captures two dimensions of stewardship whereas Davis et al.'s (2007) is one-dimensional. On the one hand, it measures personal factors, such as the motivations of the CEO to adopt a stewardship behavior regarding the achievements of his/her organization. On the other hand, it considers the context of the organization, i.e., the degree of stewardship culture within the SEV. We used Zahra et al.'s (2008) 5-item Likert-type stewardship motivation scale to measure "the extent to which the respondent values positive, intrinsic motivations consistent with stewardship-oriented behaviors" (p. 1043). Cronbach's alpha for the stewardship motivation scale is .90. To capture stewardship culture, we used their 4-item Likert-type stewardship culture scale intended to capture "the extent to which the family firm developed a collective, supportive, and caring environment for their employees, and provided opportunities for them to reach their potential" (Zahra et al., 2008: 1043). Cronbach's alpha for the stewardship culture scale is .82. The measures ranged from 1 "not at all" to 5 "to an extreme extent" for both scales.

Finally, we aggregated the two scales into a single "stewardship scale", consisting of the mean of both stewardship motivation and culture. Cronbach's alpha for the aggregated scale is .90.

Organizational Capabilities. Seven organizational capabilities were measured by using the SCALERS measurement scales developed by Bloom and Smith (2008). Respondents were asked the extent to which they agreed (1=strongly disagree, 5=strongly agree) with four statements for each of seven SCALERS, in comparison to organizations tackling similar social problems. Cronbach's alphas were: Staffing (.65), Communicating (.70), Alliance-building (.69), Lobbying (.72), Earnings-generation (.58), Replicating (.76) and Stimulating market forces (.72).

We then aggregated the scales into one "SCALERS" scale by calculating the mean of the seven organizational capabilities. We also performed a confirmatory factor analyses (CFA), using the covariance matrix in Lisrel (Joreskog & Sorbom, 1996). Model parameters were estimated using the maximum likelihood method. The chi-square score for the 1-factor model was significant, (χ^2(14, N = 131) = 29.71, $p < .001$). The goodness of fit index (GFI) was .94 and, more importantly, the two incremental fit indexes, the comparative fit index (CFI) and the incremental fit index (IFI) were .91. These indexes are independent of the size of the sample and degrees of freedom (Marsh, Balla, &

McDonald, 1988). According to Anderson and Gerbing (1988) and Hoyle (1995), a value of .90 or higher on the CFI and IFI indicates an adequate fit of model to data.

Social Impact. Social impact was also measured based on the work of Bloom and Smith (2008). Also in comparison to organizations tackling similar social problems, respondents were asked the extent to which they agreed, on a 5-point Likert scale, with four statements, such as “we have made significant progress in alleviating the problem”, or “we have greatly expanded the number of individuals we serve”. Cronbach’s alpha for this scale is .76.

Financial Performance. Financial performance was measured using a composite indicator of performance *importance* and *satisfaction* that was adapted from Iakovleva (2005). Respondents were asked to indicate the degree of importance (1=very low importance, 7=very high importance) their SEV attached to six different items over the past three years: sales level, sales growth, profitability, net profit, gross profit and their ability to fund enterprise growth from profits. They were also asked about their level of satisfaction (1=highly dissatisfied, 7=highly satisfied) on the same six indicators over the same period of time. The composite performance index was constructed by rescaling importance questions from a “1 to 7” to a “-3 to 3” scale, and then by multiplying those scores with satisfaction. Cronbach’s alpha for performance is .85.

Control variables. Two variables that can have an influence on a SEV’s social impact and financial performance were taken into account. These are the age of the venture (in years) and the profit status of the SEV (dichotomous variable: 1 if for-profit, 0 if nonprofit).

5.3 *Data analysis: Structural Equation Modeling (SEM)*

We tested our hypotheses using SEM since it effectively estimates model parameters. Lisrel 8.70 (Joreskog & Sorbom, 1993) was used. The covariance matrix was used as input for estimation of the structural models. A series of models were evaluated by comparing the change in chi-square estimates associated with the restriction of certain paths to zero.

The proposed structural model, which contains all potential paths to social impact and financial performance, was first evaluated (Model A, i.e., tests of Hypotheses 1, 2, 3, 4 and 5). From this saturated model, nested models were evaluated to test the mediational hypothesis of organizational capabilities. For Hypotheses 6-7, we restricted the paths from the direct relationships to financial performance (Model B) and to social impact (Model C). Significant changes in the chi-square of this model indicate support for the reinstatement of the restricted paths and therefore support for the direct influence of the variables (agency and stewardship) on financial performance and social impact (i.e., not full mediation of organizational capabilities).

6. Results

6.1 *Descriptive statistics*

The means, standard deviations, and zero-order partial correlations for our constructs are reported in Table 1. Partial correlations were chosen since it allowed us to estimate the relationships that consider our two control variables. We found that a number of correlations between our 5 variables, after controlling for age and profit status, are significant. That is, stewardship is positively correlated with the SCALERS, financial performance and social impact. Agency is negatively correlated with the SCALERS. Finally, the higher score on the SCALERS, the higher the social impact. From this correlation matrix we extracted a covariance matrix that we used to run analyses in Lisrel.

Table 1. Means, Standard Deviations (SD), and Pearson zero-order PARTIAL Correlations (controlling for age and profit status)

	N	Mean	SD	Agency	Stewardship	SCALERS	Fin. Perform.	Impact
Agency	120	2.97	0.82	1	-.017	-.193*	.063	-.021
Stewardship	120	15.60	4.80	-.017	1	.415**	.213*	.261**
SCALERS	120	3.54	0.48	-.193*	.415**	1	.159	.522**
Fin. Perform.	120	3.66	5.11	.063	.213*	.159	1	.085
Impact	120	3.60	0.71	-.021	.261**	.522**	.085	1

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).

6.2 *Overall test of the model*

Before analyzing the individual relationships, an analysis of the overall model A was conducted (i.e., tests of Hypotheses 1-5), as recommended by Anderson and Gerbing (1988). Although the chi-square score for this model was significant, ($\chi^2(1)$, N = 120) = 0.045, p<.05), we calculated three incremental fit indexes, the goodness of fit index (GFI), the comparative fit index (CFI) and the relative fit index (RFI). They were 1.00, 1.00, and .99, respectively. Bentler and Bonett (1980) recommended that a value of .90 or higher on the fit indexes indicates an adequate fit of model to data. We also calculated the standardized root mean square residual (RMR) and the root mean square error of approximation (RMSEA). They were .0041 and 0.0, respectively, indicating a good overall fit of our model.

6.3 *Significance of individual paths (test of hypotheses 1-5)*

The model discussed above was conducted to test the aggregate, not the individual relationships. Figure 2 displays the standardized LISREL estimates for the relationships in the saturated model (Model A).

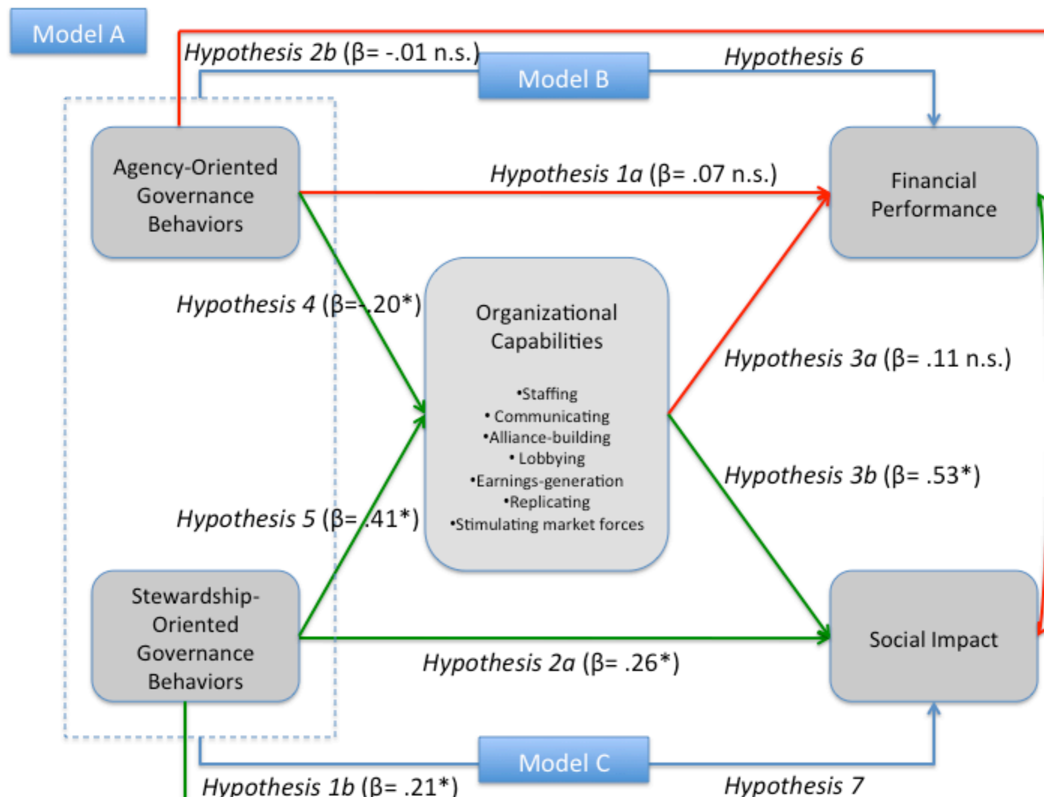

Fig. 2. Test of the hypotheses: Significance of the relationships (β)

* indicates significance of β at the .05 level

In our first initial tests of hypotheses 1-2, we found support that stewardship-oriented governance behaviors lead to higher social impact (β = .26; p<.05; test of H2a) and to higher financial performance (β = .21; p<.05; test of H1b). However, we did not find support for a significant effect of agency-oriented governance behaviors neither on financial performance (β = .07; n.s.; test of H1a), nor on social impact (β = -.01; n.s.; test of H2b). Based on these results, we can reject H1c, but confirm H2c.

As a test of hypothesis 3, we found organizational capabilities are positively related to social impact (β = .53; p<.05; test of H3b), but not to financial performance (β = .11; n.s.; test of H3a). We also found that agency-oriented governance behaviors are negatively related to organizational capabilities (β = -.20; p<.05; test of H4). Finally, analyses revealed that stewardship-oriented governance behaviors are positively related to organizational capabilities (β = .41; p<.05; test of H5).

6.4 *Nested model comparisons (test of hypotheses 6-7)*

Nested model comparisons were then conducted to determine if the relationship between the antecedents of agency and stewardship and social impact and performance is mediated by organizational capabilities (i.e., tests of Hypotheses 6-7). The results of the nested models analysis are reported in Table 2 that displays the number of degrees of freedom (d.f.), the chi-square (χ^2) and goodness of fit statistics for each model (i.e., GFI, CFI, RFI, standardized RMR and RMSEA).

Table 2. Degrees of Freedom (d.f.), χ2, and Goodness of Fit Statistics for each model

	d.f.	χ^2	GFI	CFI	RFI	Standardized RMR	RMSEA
Saturated (Model A)	1	0.045 (P = 0.83)	1.00	1.00	0.99	0.0041	0.0
Less Constrained on Performance (Model B)	3	4.11 (P = 0.25)	0.99	0.98	0.82	0.045	0.056
	Δ=2	*Δ 4.065*	*Δ -.01*	*Δ -.02*	*Δ -.18*	*Δ .0409*	*Δ .056*
Less Constrained on Impact (Model C)	3	1.71 (P = 0.63)	0.99	1.00	0.93	0.026	0.0
	Δ=2	*Δ 1.665*	*Δ -.01*	*Δ -.00*	*Δ -.07*	*Δ .0219*	*Δ .0*
Post-hoc: omitting Steward-Impact (Model D)	2	0.29 (P = 0.87)	1.00	1.00	0.98	0.0093	0.0
	Δ=1	*Δ .245*	*Δ -.00*	*Δ -.00*	*Δ -.02*	*Δ .0052*	*Δ .0*

χ^2(d.f.) at 0.05 level of significance: $\chi^2(1) = 3.84$; $\chi^2(2) = 5.99$; $\chi^2(3) = 7.81$

Model A in the first row of Table 2 is the model in Figure 1. This saturated model includes all of the mediating and direct effects. Model B, shown in the second row of Table 2, is almost identical to Model A, except that the effect of agency and stewardship-oriented governance behaviors on financial performance is omitted (test of H6). As shown in Table 2, the chi-square difference (Δ) between Model B and Model A is 4.065, and is not significant at 2 degrees of freedom. The change in χ^2, as shown by the goodness of fit statistics, is very small, indicating a valid model. However, since the relationship between organizational capabilities and financial performance is not significant (see test of H3a here above), we cannot conclude on mediation by organizational capabilities of agency and stewardship-oriented behaviors in determining financial performance.

However and for further follow-up analyses, Model C is almost identical to Model A except that the effect of agency and stewardship-oriented behaviors on social impact is omitted (test of H7). As shown

in the third row of Table 2, the chi-square difference between Model C and Model A is 1.665, and is not significant at 2 degrees of freedom. Since the relationship between organizational capabilities and social impact is significant (test of H3b), this is evidence for mediation by organizational capabilities of the stewardship–impact relationship.

Additionally, in order to confirm mediation by SCALERS of the relationship between stewardship-oriented behaviors and social impact, we run one post-hoc model, omitting the relationship from stewardship to impact[d]. The results, displayed in the fourth row of Table 2 inform us that the chi-square difference between Model D and Model A is .245, which is not significant at 1 degree of freedom. Moreover, there is almost no decrease in terms of goodness of fit of the model, compared to Model A. Therefore, we conclude that the relationship between stewardship-oriented behaviors is fully mediated by organizational capabilities in determining social impact. Table 3 summarizes the findings regarding our hypotheses.

Table 3. Summary of findings

Hypotheses	Relationships (sign)	Supported/Not supported
H1a	Agency → Financial Performance (+)	Not supported
H1b	Stewardship → Financial Performance (+)	Supported
H2a	Stewardship → Social Impact (+)	Supported
H2b	Agency → Social Impact (+)	Not supported
H3a	SCALERS → Financial Performance (+)	Not supported
H3b	SCALERS → Social Impact (+)	Supported
H4	Agency → SCALERS (+)	Supported but inversed sign (-)
H5	Stewardship → SCALERS (+)	Supported
H6	Agency-Performance mediated by SCALERS	Not supported
H7	Stewardship-Impact mediated by SCALERS	Supported

☐

7. Discussion

The SEM tests enabled us to find partial support for our hypotheses. More specifically, regarding individual paths, hypotheses 1b, 2a, 3b, 4 and 5 were supported. That is, we found that stewardship is positively related to both financial performance (H1b) and social impact (H2a). Moreover, agency governance behaviors are negatively related to organizational capabilities. Stewardship governance behaviors are positively related to organizational capabilities (H5) whereas agency governance behaviors are negatively related to organizational capabilities, which is the reverse of our initial hypothesis (H4). This result suggests that stewardship behaviors, i.e., the emotional commitment to the SEV's social mission, do positively influence key organizational capabilities that lead the organization to success. It is therefore these types of behaviors that should be encouraged within SEVs.

In addition, we found organizational capabilities to be associated with higher social impact (H3b), but not to financial performance (H3a). This result confirms Bloom and Smith's (2008) finding that organizational capabilities indeed are important drivers to the successful scaling of social impact. However, it would be interesting to investigate the reasons why organizational capabilities do not lead to higher financial performance, as predicted by the resource-based view of the firm. Indeed, in the management literature, abilities to attract skilled workforce, find partners, convince decision-makers, generate earnings, have all been shown to enhance financial performance. One possible explanation lies in that financial performance was measured in an aggregated manner and that some components of it indeed could be linked to organizational capabilities, whereas others may not be. By conducting a

[d] Since the direct relationship from agency to performance was not significant and thus did not meet the first condition in the test for mediation, we did not conduct any further analyses examining organizational capabilities as a mediator between agency and performance/social impact.

more refined analysis of each component of financial performance, one might find support for our hypothesis 3a.

More importantly, we did not find confirmation that agency-oriented governance behaviors lead to higher financial performance (H1a), nor to social impact (H2b). Although these were based on insights generated by the extant literature on social entrepreneurship, one should remember that this field is still under development. Indeed, the introduction of agency theory in the social entrepreneurship context is new and probably deserves closer attention on how agency relationships take place in organizations pursuing a double/triple bottom line. Overall, the general intuition that agency cost minimization behaviors lead to higher financial results, and higher social impact, still needs to be demonstrated.

Finally, coming to mediation, we found support for our hypothesis that the relationships between stewardship governance and social impact (H7) are facilitated by the development of a series of organizational capabilities, but not for the one about mediation of the latter between agency and financial performance (H6).

8. Study Limitations and Future Research Directions

This study is not without limitations. First, the analyses were conducted on a relatively small sample, although we respect the rule-of-thumb of 10 observations per variable. In order to increase the validity of our analyses, we plan to collect more data. Second, relationships between the different constructs included common method variance since each of the constructs was measured relying on one source, i.e., the social entrepreneur. This bias could be overcome by the inclusion of alternative perspectives from the SEV's multiple stakeholders (employees, partnering organizations, beneficiaries, etc.). However, others have argued that the entrepreneurs' opinion is the one that matters most since they know their business the best (Covin, 1991; Hambrick, 1981), these types of firms being often considered as an extension of the entrepreneur (Lumpkin & Dess, 1996) who makes all the decisions. Third, yet the hypothesized model and relationships suggest causal direction, our study was cross-sectional. Future research should therefore examine these relationships from a longitudinal perspective in order to establish causality. This would provide additional perspectives of how governance and the development of organizational capabilities occur throughout the life cycle of the SEV.

9. Conclusion

The objective of this paper was to examine whether social entrepreneurs' governance behaviors influence the capabilities that their organizations develop, thereby increasing both their financial performance and the social impact. We developed a series of hypotheses regarding the relationships between three sets of constructs (i.e., agency- and stewardship-oriented governance behaviors, organizational capabilities known as SCALERS, and financial and social performance) and argued for a mediational model. This study also intended to fill a methodological gap in addressing the deplored lack of predictive models in the extant social entrepreneurship literature. We found partial support for our hypotheses and were able to confirm the mediational role played by organizational capabilities between governance and performance. More specifically, we found that organizational capabilities are good predictors of social impact and thus act as facilitators between a stewardship governance behavior and social impact. Furthermore, we found that agents' opportunistic behaviors negatively influence the development of these organizational capabilities. These innovative and intriguing results and the study limitations encourage further theoretical and methodological developments of the model.

References

Abell, P., Felin, T., & Foss, N. (2008). Building micro-foundations for the routines, capabilities, and performance links. *Managerial and Decision Economics, 29*(6): 489–502.

Alter, K. (2004). *Social enterprise typology*. Virtue Ventures LLC.

Anderson, J., & Gerbing, D. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin, 49*: 411–423.

Anderson, R., & Reeb, D. (2003). Founding family-ownership and firm performance: Evidence from the S&P 500. *Journal of Finance, 58*(3): 1301–1328.

Atuahene-Gima, L., & Evangelista, F. (2000). Cross-functional influence in new product development: An exploratory study of marketing and R&D perspectives. *Management Science, 46*(10): 1269–1284.

Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: Same, different, or both? *Entrepreneurship: Theory & Practice, 30*(1): 1–22.

Bacq, S., Hartog, C., Hoogendoorn, B., & Lepoutre, J. (2011). Social and commercial entrepreneurship: Exploring individual and organizational characteristics. Working paper.

Bacq, S., & Janssen, F. (2011 – Forthcoming). The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria. *Entrepreneurship & Regional Development* (Special Issue on Community-Based, Social & Societal Entrepreneurship).

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1): 99–120.

Battle Anderson, B. (2005). Mission-driven social enterprise: Integrating income and impact. *CASEconnection*, Spring.

Bentler, P., & Bonett, D. (1980). Significance tests and goodness of fit in the analysis of covariance structures. *Psychological Bulletin, 88*(3): 588–606.

Bloom, P., & Chatterji, A. (2009). Scaling social entrepreneurial impact. *California Management Review, 51*(3): 114–133.

Bloom, P., & Smith, B. (2008). *Identifying the drivers of social entrepreneurial impact: An exploratory empirical study.* Working paper, Duke University Fuqua School of Business.

Bonn, I., & Fisher, J. (2005). Corporate governance and business ethics: Insights from the strategic planning experience. *Corporate Governance, 13*(6): 730–738.

Boschee, J., & McClurg, J. (2003). *Toward a better understanding of social entrepreneurship: Some important distinctions*. Working paper, Social Enterprise Alliance.

Campi, S., Defourny, J., & Grégoire, O. (2006). Work integration social enterprises: Are they multiple-goal and multi-stakeholder organizations? In M. Nyssens (Ed.), *Social enterprise: At the crossroads of markets, public policies and society*. London and New York: Routledge.

Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice, 29*(3): 249–265.

Carney, M., & Gedajlovic, E. (2003). *Governance, inducements-contributions and organizational capabilities*. Academy of Management Proceedings, Seattle, WA.

Carroll, A. (2001). A commentary and an overview of key questions on corporate social performance measurement. *Business Society, 39*(4): 466–478.

Charreaux, G. (1997). *Le gouvernement des enterprises: "Corporate Governance", théories et faits*. Paris: Economica.

Chua, J., Chrisman, J., & Sharma, P. (2003). Succession and nonsuccession concerns of family firms and agency relationship. *Family Business Review, 16*(2): 89–107.

Cornforth, C. (2004). The governance of cooperatives and mutual associations: A paradox perspective. *Annals of Public and Cooperative Economics, 75*(1): 11–32.

Covin, J. (1991). Entrepreneurial versus conservative firms: A comparison of strategies and performance. *Journal of Management Studies, 28*: 439–462.

Davis, J., Allen, M., & Hayes, H. (2010). Is blood thicker than water? A study of stewardship perceptions in family business. *Entrepreneurship: Theory & Practice, 34*(6): 1093–1116.

Davis, J., Frankforter, S., Vollrath, D., & Hill, V. (2007). An empirical test of stewardship theory. *Journal of Business and Leadership: Research, Practice, and Teaching, 3*(1): 40–50.

Davis, J., Schoorman, F., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review, 22*(1): 20–47.

Dees, G. (1998). *The meaning of "social entrepreneurship"*. Working paper, Kauffman Foundation.

Dees, G., & Battle Anderson, B. (2003). For-profit social ventures. *International Journal of Entrepreneurship Education, 2*: 1–26.

Di Domenico, M., Tracey, P., & Haugh, H. (2009). The dialectic of social exchange: Theorizing corporate-social enterprise collaboration. *Organization Studies, 30*(8): 887–907.

Donaldson, L. (1990). The ethereal hand: Organizational economics and management theory. *Academy of Management Review, 15*(3): 369–381.

Donaldson, T., & Preston, L. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review, 20*(1): 65–91.
Dorado, S. (2006). Social entrepreneurial ventures: Different values so different process of creation, no? *Journal of Developmental Entrepreneurship, 11*(4): 319–343.
Drucker, P. (1990). Lessons for successful nonprofit governance. *Nonprofit management and leadership, 1*: 7–14.
Fama, E., & Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*(2): 301–326.
Flannery, D., & Deiglmeier, K. (2000). Managing the social purpose enterprise. In Roberts Enterprise Development Fund (Ed.), *Social purpose enterprises and venture philanthropy in the New Millennium*: 11–18. San Francisco, CA: The Roberts Foundation.
Frankforter, S., Davis, J., Vollrath, D., & Hill, V. (2007). Determinants of governance structure among companies: A test of agency predictions. *International Journal of Management, 24*(3): 454–462.
Guclu, A., Dees, G., & Battle Anderson, B. (2002). *The process of social entrepreneurship: Creating opportunities worthy of serious pursuit*. CASE Working Paper, Duke University Fuqua School of Business.
Hambrick, D. (1981). Strategic awareness within top management teams. *Strategic Management Journal, 2*: 263–279.
Harjula, L. (2006). Tensions between venture capitalists' and business-social entrepreneurs' goals Will Bottom-of-the-Pyramid strategies offer a solution? *Greener Management International, 51*: 69–87.
Hoopes, D., & Miller, D. (2006). Ownership preferences, competitive heterogeneity, and family-controlled businesses. *Family Business Review, 19*(2): 89–101.
Hoyle, R. (1995). *Structural equation modeling: Concepts, issues, and applications*. Thousand Oaks, CA: Sage.
Iakovleva, T. (2005). Entrepreneurial Orientation of Russian SMEs. In G. T. Vinig, & R.C. Van Der Voort (Eds.), *The Emergence of Entrepreneurial Economics*: 83–97. Emerald Group Publishing Limited.
Janssen, F., & Surlemont, B. (2009). L'entrepreneur: Ses caractéristiques et ses motivations. In F. Janssen (Ed.), *Entreprendre: Manuel d'Introduction*. Louvain-la-Neuve (Belgium): De Boeck Université.
Jegers, M. (2009). "Corporate" governance in nonprofit organizations: A nontechnical review of the economic literature. *Nonprofit Management & Leadership, 20*(2): 143–164.
Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics, 3*(4): 305–360.
Jöreskog, K., & Sörbom, D. (1996). *LISREL 8: Users Reference Guide*. Chicago: Scientific Software International.
Labie, M. (2005). Economie sociale, non-profit, tiers-secteur: A la recherche d'un cadre de gouvernance adéquat. In A. Finet (Ed.), *Gouvernement d'entreprise*: 101–124. Brussels: De Boeck.
LaFrance, S. et al. (2006). *Scaling capacities: Supports for growing impact*. Working paper, LaFrance Associates.
Lazonick, W., & O'Sullivan, M. (2002). *Corporate governance and sustainable prosperity*. New York: Palgrave Macmillan.
Light, P. (2009). Social entrepreneurship revisited. *Stanford Social Innovation Review, 7*(3): 21–22.
Low, C. (2006). A framework for the governance of social enterprise. *International Journal of Social Economics, 33*(5/6): 376–385.
Lumpkin, G., Brigham, K., & Moss, T. (2010). Long-term orientation: Implications for the entrepreneurial orientation and performance of family businesses. *Entrepreneurship & Regional Development, 22*(3): 241–264.
Lumpkin, G., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review, 21*(1): 135–172.
Mair, J., & Martí, I. (2006). Social entrepreneurship research: A source of explanation, prediction and delight. *Journal of World Business, 41*(1): 36–44.
Marsh, H., Balla, J., & McDonald, R. (1988). Goodness of fit indexes in confirmatory factor analysis: The effect of sample size. *Psychological Bulletin, 103*: 391–410.
Mason, C., Kirkbride, J., & Bryde, D. (2007). From stakeholders to institutions: The changing face of social enterprise governance theory. *Management Decision, 45*(2): 284–301.
Meyskens, M., Robb-Post, C., Stamp, J., Carsrud, A., & Reynolds, P. (2010). Social ventures from a resource-based perspective: An exploratory study assessing global Ashoka Fellows. *Entrepreneurship: Theory and Practice, 34*(4): 661–680.
Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review, 19*(1): 73–87.
Moir, L. (2001). What do we mean by corporate social responsibility? *Corporate Governance, 1*(2): 16–22.
Nicholls, A. (2006). *Social entrepreneurship: New models of sustainable social change*. Oxford: Oxford University Press.
Nicholls, A., & Cho, A. (2008). Social entrepreneurship: The structuration of a field. In A. Nicholls (Ed.), *Social entrepreneurship: New models of sustainable social change*: 99–118. Oxford: Oxford University Press.

Robinson, J. (2006). Navigating social and institutional barriers to markets: How social entrepreneurs identify and evaluate opportunities. In J. Mair, J. Robinson & K. Hockerts (Eds.), *Social Entrepreneurship*: 95–120. Basingstoke, UK, and New York: Palgrave Macmillan.

Schulze, W., Lubatkin, M., & Dino, R. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing, 18*(4): 473–490.

Sharir, M., & Lerner, M. (2006). Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of World Business, 41*(1): 6–20.

Shaw, E., & Carter, S. (2007). Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes. *Journal of Small Business and Enterprise Development, 14*(3): 418–434.

Sherman, D. (2006). *Social entrepreneurship: Pattern-changing entrepreneurs and the scaling of social impact*. Working paper, Case Western Reserve University.

Short, J., Moss, T., & Lumpkin, G. (2009). Research in social entrepreneurship: Past contributions and future opportunities. *Strategic Entrepreneurship Journal, 3*(2): 161–194.

Spear, R., Cornforth, C., & Aiken, M. (2009). The governance challenges of social enterprises: Evidence from a UK empirical study. *Annals of Public and Cooperative Economics, 80*(2): 247–273.

Spector, P. (1981). *Research Designs*. Thousand Oaks, CA: Sage Publications.

Teece, D. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal, 28*: 1319–1350

Thompson, J., & Doherty, B. (2006). The diverse world of social enterprise: A collection of social enterprise stories. *International Journal of Social Economics, 33*(5/6): 361–375.

Townsend, D., & Hart, T. (2008). Perceived institutional ambiguity and the choice of organizational form in social entrepreneurial ventures. *Entrepreneurship: Theory & Practice, 32*(4): 685–700.

Tosi, H., Brownlee, A., Silva, P., & Katz, J. (2003). An empirical exploration of decision-making under agency controls and stewardship structure. *Journal of Management Studies, 40*(8): 2053–2071.

Tracey, P., & Jarvis, O. (2007). Toward a theory of social venture franchising. *Entrepreneurship: Theory & Practice, 31*(4): 667–685.

Vidal, I. (2005). Social enterprise and social inclusion: Social enterprises in the sphere of work integration. *International Journal of Public Administration, 28*: 807–825.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics, 80*(2): 385–417.

Wu, L.-Y. (2006). Resources, dynamic capabilities and performance in a dynamic environment: Perceptions in Taiwanese IT enterprises. *Information & Management, 43*(4): 447–454.

Zahra, S. (2003). Ownership involvement and international expansion: an empirical test of the stewardship theory among family firms. *Journal of Business Venturing, 18*(4): 495–512.

Zahra, S. (2007). Contextualizing theory building in entrepreneurship research. *Journal of Business Venturing, 22*(3): 443–452.

Zahra, S., Gedajlovic, E., Neubaum, D., and Shulman, J. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing, 24*(5): 519–532.

Zahra, S., Hayton, J., Neubaum, D., Dibrell, C., and Craig, J. (2008). Culture of Family Commitment and Strategic Flexibility: The Moderating Effect of Stewardship. *Entrepreneurship: Theory & Practice, 32*(6): 1035–1054.

Zott, C. (2003). Dynamic capabilities and the emergence of intraindustry differential performance: Insights from a simulation study. *Strategic Management Journal, 24*(2): 97–125.