Doctoral Proposal - Social Entrepreneurial Firms: a study on the process of value creation

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Abstract

This doctoral proposal offers a research agenda to study the process of (social) value creation in social entrepreneurial firms (SEFs) building on three resource-based view constructs: social mission – business model – social performance. We start with an overview of two literature streams who study social value creation: the business and society literature and the social entrepreneurship literature and develop a conceptualization of SEFs. We further provide a research design encompassing a database to study SEFs, a qualitative case-study design and develop a quantitative survey which operationalizes the three key constructs to study this process. We hope this doctoral thesis results in a profound understanding of social value creation and in the relation between social performance, economic performance and the social mission of social entrepreneurial firms.
Introduction

The creation of social value by firms increasingly gains attention. While the narrow focus on profit maximization is questioned, Corporate Social Responsibility (CSR hereafter) moved towards a mainstream business practice (Godfrey and Hatch, 2007; Porter and Kramer, 2006) and pressure on firms to engage in CSR has increased over the last 3 decades (McWilliams and Siegel, 2000; McWilliams and Siegel, 2001; Carroll, 1998; Porter and Kramer, 2006; Jenkins, 2006). Many scholars, politicians, non governmental organisations, entrepreneurs and managers ask firms to act in a more social responsible way and thereby to create social value. Social value creation by firms has been studied from two broad perspectives. First there is the business and society literature who looks at ‘the actions that appear to further some social good, beyond the interests of the firm, required by law’ (McWilliams and Siegel, 2001). Next to the CSR research stream, social entrepreneurship literature emerged from the management and entrepreneurship literatures, looking at entrepreneurial activity as a source of social value creation (Christie and Honig, 2006). Social entrepreneurship or “entrepreneurial activity that primarily serves a social objective” has been on the rise in recent decades (Austin et al., 2006; Roberts and Woods, 2005; Peredo and McLean, 2006; Peredo and Chrisman, 2006).

To date however, there is little research done on the process of social value creation within firms and in both research traditions further research is necessary. First, in the social entrepreneurship literature most empirical work is limited to explorative cases or qualitative field studies (e.g. Anderson et al., 2006; Waddock and Post, 1991; Roberts and Woods, 2005; Dorado, 2006). Here there is an actual need for large scale empirical research. Second, in the research on CSR, the focus has mainly been laid on large organizations (Jenkins, 2006; Lepoutre and Heene, 2006; Fuller and Tian, 2006). As a result many scholars (e.g. Murillo and Lozano, 2006; Jenkins, 2006) acknowledge the need to study CSR in a SME context. We believe we will contribute to narrow these two gaps by studying value creation in social entrepreneurial firms (SEFs) with a large scale standardized survey. Our main and overall research question is the following: how do social entrepreneurial firms create value? We conceptualise SEFs as organisations with a social mission, financed at least 50% by private investors which achieve sustainability through trading and are less then 15 years old. More theoretical, conceptual and especially empirical scholarly attention on those firms will lead to a more profoundly understanding of social entrepreneurship and will advance the knowledge on CSR.

The research question will be addressed in this doctoral dissertation by first developing a theoretical framework for capturing value creation in SEFs. Secondly, a three-part empirical study on social entrepreneurial firms in Flanders will be conducted. Primarily, we will focus on three resource based view concepts (Peteraf, 1993; Barney, 1991) to describe the process of social value creation: social mission, business model and social performance. By conducting two explorative studies in SEF (an explorative case study research and an explorative quantitative research) on these concepts we hope to get a general understanding of this process. This will be followed by a profound study on the relation between the social mission, social performance and economic performance in a hypothesis testing research. Doing so, this doctoral study will advance our understanding on how social value is created in organisations and on the relation between social mission, economic and social performance within social entrepreneurial firms. Furthermore, we believe that the measures we will develop for these constructs will as well advance the business and society lit-
erature by providing a tool for analysing the corporate social responsibility of regular corporations.

The remainder of the proposal is organized as follows: First, we present a literature review on economic value creation, social entrepreneurship and the business and society literature. Second, we provide a conceptualization of social entrepreneurial firms. Third, we discuss the theoretical framework for analyzing the process of social value creation and the analyses of the nature of SEFs. Fourth, the research questions will be posed. In the fifth part of the proposal we will outline the research design and methods and finally, the expected contribution to management science and practice is highlighted.

1. Literature review

We provide a succinct literature review on “social value creation.” We start the review with a discussion of the value concept after which we move on to the business and society literature and the social entrepreneurship literature.

Value creation is a central concept in the management and organization literature (Lepak et al., 2007) as the primary pursuit of business is creating and maintaining value (Sirmon et al., 2007; Wheeler et al., 2003; Elkington et al., 2006). Kang et al. (2007) define value as the difference between benefits derived and costs incurred, which results in a greater level of appropriate benefits than target users currently possess (Sirmon et al., 2007). In this context, Bowman and Ambrosini (2000) argue that a distinction is needed between ‘use value’ and ‘exchange value’. Use value is subjectively assessed by the (potential / target) customers, which can refer to the individual, group / organization or society level (Lepak et al. 2007). Target users can be customers in the traditional sense, displaying willingness to pay for the value offered, or ‘clients’ that are benefiting from the value created by the firm. ‘Exchange value’ or ‘economic value’ refers to the total exchange value offered by customers (i.e. what a SEF generates financially) and is only realized at the point of sale. Although getting insight in the ‘exchange value’ of social entrepreneurial firms is important, we are especially interested in the ‘use value’ of these firms. Given the predominant social mission of these firms, we will analyze the social benefits that are generated by the social entrepreneurial firm for the individual customer / client, organizations and / or society as a whole. Brickson (2007) refers in this context to social value as ‘that which enhances well-being for the earth and its living organisms’.

Both the business and society literature and the social entrepreneurship literature have “social value creation” at the heart of their academic interest. The business and society literature has investigated numerous issues and interrelated concepts (Dentchev, 2005; Antal and Sobczak, 2004) of which the best known and most discussed concept is corporate social responsibility. Although numerous definitions exist in the literature (e.g., Carroll, 1999), CSR refers to the specific actions that organizations undertake to move beyond their economic and legal responsibilities, addressing ethical issues and potentially embracing philanthropic actions (Carrol, 1979). Today, the academic debate surrounding CSR centers around at least two important challenges. First, there is still no agreement on the basic assumption that CSR is indeed a responsibility of firms beyond their wealth generating function (Aguilera et al., 2007; Barnett, 2007; Wheeler et al., 2003). Following the ideas of
Milton Friedman, some advocate that a business organization exists primarily for the profit of the stockholders. The main argument against CSR is that expending limited resources on social issues necessarily decreases the competitive position of a firm by unnecessarily increasing its cost (Barnett, 2007). This perspective has dominated curricula of business schools and the thinking of future managers for years (Brickson, 2007). Second, the analysis of CSR is strong in theory but empirical methods have not been resolved (McWilliams, 2006). Scholars studied CSR from different theoretical angles such as institutional theory (Campbell, 2007), stakeholder theory (Brickson, 2007), the resource-based view (Russo and Fouts, 1997), multilevel theory (Aguilera et al., 2007), and social movement theories (Den Hond and De Bakker, 2007). Exemplary for this debate is the research on the connection between CSR and corporate performance (Marquis et al., 2007; Ruf et al., 2001). In other words, does the creation of social value results in economic value? Some studies indicate no relationship (f.e. McWilliams and Siegel, 2000; Aupperle et al., 1985), some a positive (f.e. Russo and Fouts, 1997) and some a negative relationship (f.e. McWilliams and Siegel, 2001; McWilliams et al., 2006), which shows an inconsistency in the results.

Whereas CSR emerged in a corporate context (e.g., Porter and Kramer, 2006; Brickson, 2007), social entrepreneurship originated from the non-for-profit sector (Dees, 1998; Johnson, 2000; Mort et al., 2003; Fowler, 2000; Weerawardena and Mort, 2006; Sagawa and Segal, 2000; Emerson, 2003). More specifically, social entrepreneurship is seen as a response to diminishing government involvement in the economy and society (e.g., Sharir and Lerner, 2006; Perrini and Vurro, 2006; Den Hond and De Bakker, 2007; Nicholls, 2006; Sullivan, 2007; Spence and Rutherford, 2001) and extended rapidly to the private and public sector (Johnson, 2000). Although the CSR literature and the social entrepreneurship literature share a primary interest in the creation of social value, its fundamental assumptions are distinct: Socially responsible companies are those, whose primary goal is profit (Carroll, 1999), whereas, social entrepreneurs emphasize social value and economic value creation as a necessary condition to ensure (financial) viability (Dorado, 2006; Schuler and Cording, 2006).

To date, there are different approaches to social entrepreneurship (Mair and Marti, 2006, Peredo and McLean, 2006; Dorado, 2006) and there is not one universally accepted definition of what constitutes a social entrepreneur (Shaw and Carter, 2004; Harding, 2004; Dorado, 2006). Therefore, the literature on social entrepreneurship still hearts around two main themes: the level of analysis and the locus of social entrepreneurship. Regarding the level of analysis, the field potentially embraces individual, organisational and interorganisational levels of analyses. At the individual level, definitions of social entrepreneurs focus on the founder of the initiative (Mair and Marti, 2006), who is generally referred to as a ‘change maker’ (Barendsen and Gardner, 2004; Shaw and Carter, 2004; Sharir and Lerner, 2006; Van Slyke and Newman, 2006), acting upon an opportunity and gathering resources to exploit it. At the (inter)organisational level, definitions of social entrepreneurship typically refer to the process of value creation, including opportunity recognition, adopting a mission to create social value, engaging in a process of continuous innovation, adaptation, and learning (e.g. Dees, 1998; Anderson et al., 2006; Waddock and Post, 1991; Roberts and Woods, 2005). The second debate addresses the issue of where or in which contexts social entrepreneurship actually occurs. Mair and Marti (2006) contest the views that social entrepreneurship is limited to the non-profit sector on one hand or to socially responsible actions of mainstream business practice on the other. They conclude that social entrepreneurship refers to a means to tackle social problems and catalyze social transformation,
irrespective of the for-profit or not-for-profit status of the organisation (Marti and Mair, 2006; Simms and Robinson, 2005; Roberts en Woods, 2005; Austin, 2006; Nicholls, 2006; Korosec and Berman, 2006). The European perspective on “social enterprises” (Nyssens, 2006; DTI, 2007; Vidal, 2005) can be positioned within this perspective, referring to organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits.

2. Towards conceptualisation of social entrepreneurial firms

To study social entrepreneurship and the social value creation in social entrepreneurial firms, we developed a conceptualisation of “Social Entrepreneurial Firm” as an organization with a social mission, financed at least 50% by private investors which achieves sustainability through trading and is less than 15 years old. The next paragraphs discuss the arguments underlying our conceptualisation.

First, there is a general consensus that social entrepreneurship is a “entrepreneurial activity that primarily serves a social objective” (Austin et al., 2006; Roberts and Woods, 2005; Peredo and McLean, 2006; Peredo and Chrisman, 2006), making the social mission the central and defining characteristic (Dees, 1998; Tracey and Jarvis, 2007). SEFs share a mission for realizing social value, rather than personal and shareholder wealth, which is the key driver for commercial entrepreneurial activity. Although a clear definition of what constitutes a ‘social mission’ is lacking, there is agreement that ‘social missions’ have “the desire to benefit society or to contribute to the welfare or well-being in society” in common (Mort et al., 2003; Peredo and Mclean, 2006).

Second, at least part of the working (start) capital of SEFs comes from private sources (other than subsidies/gifts/grants). With this criterion we want to exclude public organizations which are completely financially dependent on government or philanthropic support (Dees and Anderson, 2002) and capture these types of organizations that are able to mobilize private money (e.g., bank loan, equity financing, ...).

Third, following DTI’s (2007) definition of social enterprise, SEFs achieve sustainability through trading. According to this view, trading viability, social aims and social ownership are the distinguishing features of these firms (e.g. Tracey and Jarvis, 2007). In practice this means that SEFs receive a ‘considerable proportion’ of their revenues by trading and these may or may not align with the social goals that the enterprise is pursuing (DTI, 2005). Trading is seen as the selling of services or products. Nyssens (2006) adheres to this perspective and argues that social enterprise is ‘a continuous activity, producing and selling goods and/or services’.

In support of the ‘private capitalization’ and ‘trading’ argument, the OECD (1999) characterizes social enterprises as entities that finance their activities by a combination of different types of market resources (resulting from the sale of goods and services), non-market resources (government subsidies and private donations), and non-monetary resources (voluntary work).

Fourth, borrowing from life cycle models of organizations (typically ranging from 3 to 9 phases, e.g., O’Rand and Krecker, 1990; Gersick, 1994), we focus on the entrepreneurial stage of SEFs. This stage is marked by early innovation, little structure and planning and the search for appropriate business model(s). Kazajian and Rao (1999), for example, sampled relatively young technology-based new ventures (mean age of 6.7 years) to study capability creation. The firms had to be created within the last 15 years, in order to capture
their developmental character as new, emerging organizations provide a unique opportunity to assess how and why capabilities develop. In a similar fashion, Sapienza et al. (2006) sampled young firms to study internationalization. Following these authors, we will sample SEFs less than 15 years old.

Table 1 summarizes the main components of our conceptualization of a social entrepreneurial firm, suggesting a number of indicators that will be used for screening the sample frame we are currently constructing.

<table>
<thead>
<tr>
<th>Component</th>
<th>Operationalisation</th>
<th>Measure</th>
</tr>
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<tbody>
<tr>
<td>Dominant social value proposition</td>
<td>“organisational goal” (Antio et al, 2002)</td>
<td>Absolute measure: 2 items on 5 point-Likert scale</td>
</tr>
</tbody>
</table>
| at founding                        |                             | Relative measure: Dividing 100 points to 6 different organizational goals |%
| Trading                            | Product and service sales   | % of product / service revenues from total sales                        | Euro volume product and service sales |
| Private capital                    | Capital structure           | Start capital in absolute numbers (€ volume start capital)             | % of start capital from 3F, BA, VC, banks, corporate investors |
| Entrepreneurial stage              | Young (Mintzberg, 1992)     | Age in years (max 15 years)                                            | Brief start up history (qualitative) |
|                                    | Organic structure           |                                                                         | Organizational structure          |
|                                    | Centralized decision making |                                                                         |                                  |

Table 1: Components of SEF conceptualization

3. Theoretical model

The main aim of this research is to gain in depth understanding in the process of social value creation for which we use the resource-based view (RBV). The basic argument of the RBV is that internal, firm-specific (valuable, rare, inimitable and non-substitutable) resources and capabilities lead to a competitive advantage (Maritan, 2001; Lei et al., 1996; Colbert, 2004; Lado et al., 1992), provide the basis of superior firm performance (Lado et al., 2006; McWilliams et al., 2006; Ray et al., 2004) and leads to value creation (Amit and Zott, 2001). From this perspective, Sirmon et al. (2007) argue that the resource-based view explains the process of value creation. Conceptually this translates into gaining insight in how the social mission develops into particular business models and subsequent levels of social performance. Next paragraphs describe these three constructs.
3.1 Social mission

We propose four constructs to capture the nature of the social mission of social entrepreneurial firms. The constructs need to be further operationalized in a standardized questionnaire making international comparison possible.

Although there is limited agreement about their purpose and content (Bartkus et al., 2000) and the relationship between *mission statements* and performance appears not been proven by empirical research (Sidhu, 2003; Bartkus et al., 2006; Bart, 1997), mission statements serve an important strategic role in organisations (Stone, 1996; Ireland and Hitt, 1992). More especially, mission statements are usually considered the cornerstone of every company’s strategy formulation exercise and essential component of planning systems in large organizations (Bart, 1997; O’Gorman and Doran, 1999). By aiding strategy formulation and implementation, they can lead to superior performance (Sidhu, 2003; Bartkus et al., 2006). An effective mission statement describes the firm’s fundamental, unique purpose (Ireland and Hitt, 1992). Ideally, this is in line with the values and expectations of major stakeholders (Johnson et al., 2005). Logically, mission statements can be a useful tool to analyse the mission of SEFs. For example, Marcus and Anderson (2006) believe that ethical obligations are reflected in how firms define their missions. More especially the researchers successfully supported the following hypothesis: the degree to which a firm’s mission is broad leads to the acquisition of a social competency.

We believe that *norms and values* of the SEF can provide a valuable insight in the ‘social mission’ of the SEF. Values are defined as the shared beliefs of organization members and refer to the culture prevalent in the organization (Sidhu, 2003). An argument for researching and describing the values and norms of SEFs can be found in the study of Agle et al. (1999) where the values of CEOs are linked to the corporate social performance of organizations. Embedded in the social economy context and literature, VOSEC1 and Nyssens (2006) argue that the social economy consists of organizations characterized by “putting added value for society central to their mission”, adhering to a number of basic values (see table 2). Furthermore, we could hypothesis that organisational commitment (Maznevski et al., 1997), collectivism (Mowday, Steers and Porter’s, 1979) and ‘other-regarding’ interest (Agle et al., 1999) are strong values in SEFs (Kirkman and Shapiro, 2001).

<table>
<thead>
<tr>
<th>VOSEC</th>
<th>Nyssens (2006)</th>
</tr>
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<tbody>
<tr>
<td>Labor has right of way over capital</td>
<td>Limited profit distribution</td>
</tr>
<tr>
<td>Democratic decision making</td>
<td>Decision-making power not based on capital ownership</td>
</tr>
<tr>
<td>Embeddedness in society</td>
<td>A participatory nature, which involves the various parties affected by the activity</td>
</tr>
<tr>
<td>Transparency</td>
<td>An explicit aim to benefit the community</td>
</tr>
<tr>
<td>Sustainability</td>
<td>An initiative launched by a group of citizens</td>
</tr>
<tr>
<td></td>
<td>A participatory nature, which involves the various parties affected by the activity</td>
</tr>
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1 VOSEC = “Vlaams Overleg Sociale EConomie” is a virtual network organization grouping social economy initiatives in Flanders
Next, the construct of ‘organisational identity’ refers to the set of beliefs or meanings that addresses the question of ‘who are we?’ (Foreman and Whetten, 1999; Fiol, 2001, 1991, 2002; Brickson, 2007; Dutton et al., 1994; Dyer and Whetten, 2006). Researchers generally define organizational identity as members’ shared perceptions about their organization’s central, distinctive, and enduring qualities (Brickson, 2007, 2005; Dutton and Duckerich, 1991). For example Fiol (1991) approaches organizational identity as a core competence contributing to competitive advantage. According to Brickson (2007, 2005), the concept of organizational identity is perfectly positioned to inform how businesses relate to stakeholders and why they relate to them as they do. There is a growing interest in examining organizational identity as a determinant of corporate social performance (Dyer and Whetten, 2006). A number of operationalizations of organizational identity can be found in the literature (e.g., Dutton et al., 1994; Brickson, 2005). Foreman and Whetten (1999) operationalize organizational identification in terms of multiple and competing identities. They follow Albert and Whetten (1985) in considering a particular type of hybrid-identity organization, namely those that are constituted according to two seemingly incompatible value systems. A normative system (emphasizing traditions and symbols, internalization of an ideology and altruism, like that of a church or family); and a utilitarian system (characterized by economic rationality, maximization of profits and self-interest) like that of a business. We suggest to measure the normative - utilitarian value systems of social entrepreneurial firms. Here important questions can be asked: does this kind of multiple identity also exists in social entrepreneurial firms? Is their a typical defining organizational identity in SEFs? Do SEFs have a strong social identity?

Finally, assessing Carroll’s (1979) perspective on what entails corporate social responsibility potentially provides insight in the nature of the social mission of SEFs. For evaluating the extent to which SEFs move beyond their economic and legal responsibilities we will use Aupperle's (1985) operationalization of economical, legal, ethical and philanthropical actions. Looking at corporate orientation toward social responsibility, rather than performance, (Ruf et al., 1998), the measurement tool has been used successfully by numerous scholars (e.g., Ibrahim et al., 2008; Ibrahim and Angelidis, 1995; Agle et al., 1999).

We are confident that these four approaches will provide a complete picture of what SEFs are really about and how the entrepreneurial, commercial and the social component interplay in those organisations. We hope that our questionnaire - that reflects the social and commercial/entrepreneurial component in the SEFs - not only benefits the social entrepreneurship literature but can be a valuable tool for assessing the corporate social responsibility of regular commercial firms.

In addition to the social mission every social entrepreneurial firm needs to be supported by a plausible business model, in order to achieve social value creation in a sustainable way. We discuss this construct in the next section.
3.2 Business Model

Following the social mission, each social entrepreneurial firm develops a revenue model and structure of how its product or service will reach the end customer. To be effective a SEF needs a fitting business model (Perrini and Vurro, 2006). A conceptual vagueness characterises the term with as many definitions as they are proponents of the term (e.g. Venkatraman and Henderson, 1998; Magretta, 2002; Timmers, 1998; Morris et al., 2005; Bonaccorsi et al., 2006; Alt and Zimmerman, 2001; Mahadevan, 2000). Even so, these definitions refer all somehow to how and where ‘value’ in an organization is created. Despite widespread use in the industry, the idea of a ‘business model’ is rarely studied in academic research, except for some pioneering research focused on e-business.

Amit and Zott (2001) believe that a business model, which builds on the resource-based view, can be a good tool for analysing value creation and define it consequently: ‘A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.’ We follow this line of argument and propose the construct of business model as a useful building block for studying the process of social value creation in social entrepreneurial firms. Authors have argued that answering this question requires an understanding of the strategic capabilities of the organisation (Teece et al., 1997; Miller, 2003), and an analysis of the position of the organisation in the value chain (Guclu et al, 2002).

The strategic capability of a firm is underpinned by the resources (Barney, 1991) and competences (Hamel and Prahalad, 1990) of the organization. Organizations must bundle their resources to build capabilities, and leverage those capabilities with the purpose of creating and maintaining value for customers and owners. Consequently, in most definitions, capabilities refer to the ability to coordinate and deploy those resources to perform tasks (e.g. Kazanjian and Rao, 1999; Mustar et al., 2006; Ray et al., 2004; Sapienza et al., 2006; Simon et al., 2007; Lichtenstein and Brush, 2001). Direct observation of capabilities is not possible and is a well-known problem in the literature on the resource-based view of the firm. Therefore, finding reasonable proxies for firm capabilities proved to be extremely challenging (Alcaser, 2006). Some general conceptualisations are made of capabilities (e.g. Harrison and Miller, 1999; Lenz, 1980), but few researchers have actually operationalised the construct. Perhaps even more than the strategic capabilities literature, the emergent literature on dynamic capabilities and their role in value creation is ‘riddled with inconsistencies, overlapping definitions, and outright contradictions’ (Zahra et al., 2006). Many scholars (e.g. Lepak et al., 2007; Pettus, 2001; Eisenhardt and Tabrizi, 1995; Galunic and Eisenhardt, 2001; Colbert, 2004; Rindova and Kotha, 2001; Griffith and Harvey, 2001; Luo, 2000) link dynamic capabilities to the rapidly changing and hypercompetitive environment of firms. Consequently, they are mostly defined as the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997; Eisenhardt et al., 2000; Sapienza et al., 2006; Marcus and Anderson, 2006). Learning mechanisms play a key role in the shape of dynamic capabilities (Zollo and Winter, 2003). Marcus and Anderson (2006) found that general dynamic capabilities that drive competitive advantage are not the same as those that drive social responsibility. More research on the dynamic capabilities and strategic capabilities of SEF leading to social competencies and finally to social performance is an important challenge.
The value chain is adopted as an analytical tool for strategic management (Lado et al., 1992) and describes a series of value-adding activities connecting a company’s supply side with its demand side (Rayport and Sviokla, 1995). Essentially, an organization’s value chain embraces discrete but related sets of activities concerned with designing, developing, producing, and marketing outputs to customers (Lado et al., 1992). Consequently, Hwang (1999) presents the following approach to categorize such activities: Overall administration - Research and development - Design - Production - Marketing - Distribution - Customer service. Value chain analysis is argued to consist of four major factors: (1) defining the nature of the external market the organisation serves, (2) identifying the particular products or services that are at the heart of the organisation’s existence, (3) identifying the critical activities that are needed to deliver the products or services to the customer / client, and (4) determining the value created by these activities (Porter, 1985). Value chain analysis has several applications for researchers (e.g. Gamble et al., 2004; Pathania-jain, 2001). For managers, it allows to understand the strengths and weaknesses of their company’s operation by examining the value chain upstream and downstream (Nicovich et al., 2007). Important questions regarding the value chain and SEFs can be asked. For example, are SEFs upstream of downstream competitors (Nicovich et al., 2007) as described by Galbraith and Kazanjian? Which activities in the value chain of SEFs (Hwang, 1999) are the most important in SEFs? How do the four major factors of value chain analysis (Porter, 1985) look like in SEFs?

3.3 Social performance

Social entrepreneurship scholars have lamented that there is a substantial lack of research in top-tier journals that demonstrate the social performance of organisations (Margolis and Walsh, 2003; Mair et al., 2006; Ruf et al., 1998). In addition, in the social sector, it has been taken as a virtual given that most elements of social value stand beyond measurement and quantification (Emerson, 2003). Nonetheless, social performance has been the subject of academic attention from different angles. For example, some authors have focused on the problem of non-profit organisations and mission-driven organizations to measure their performance (Wood, 1991; Lingane and Olsen, 2004; Kaplan, 2001; Sawhill and Williamson, 2001). We will especially use the concept of corporate social performance to assess the social performance of SEF.

Corporate social performance is defined by Wood (1991) as ‘a business organization’s configuration of principles of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firm’s societal relationships.’ According to this view, social outcomes are divided into three types: the social impact, the programs an organisation uses to implement CSR activities and the policies in place to deal with social issues. CSP can be described as a snapshot of a firm’s overall social performance at a particular point in time - a summary of the firm’s aggregate social posture (Barnett, 2007). Schuler and Coring (2006) define CSP as a voluntary business action that produces social ‘third-party’ effects. Researchers that have looked at the social impact of businesses, paid attention to assessment devices such as social indicators, social reporting and accounting, the social balance sheet and social return on investment (Wood, 1991; Pearce, 2005; Lingane and Olsen, 2004). Increasingly, scholars are questioning the traditional separation between economic and social value (e.g. Elkington et al., 2006; Clarkson, 1995; Wheeler et al., 2003). Emerson (2006; 2003) and Elkington et al. (2006) claim that from a value creation perspective, there is no difference between a for-profit and a not-
for-profit firm. Not-for-profits create economic worth and for-profit companies have social and environmental impacts. Emerson notes that we not simply seek the ability to track financial, social or environmental performance, but rather each of these three aspects of value creation is key to achieving and maximizing the total, blended return. We will follow this line of thought and study the ‘blended value’ of SEFs. Next to economic performance indicators, we will take corporate social performance to inform our analyses. This is in line with Lepak, et al. (2007), arguing that the source and target of value creation need to be clear to understand how value is created at the firm level. A ‘double’ or ‘triple bottom line’ approach is central to interpreting social venture outcomes (Nicholls, 2006).

4. Research Questions

The literature review reveals many unresolved questions in the new academic field of social entrepreneurship. Our main and overall research question is: How do social entrepreneurial firms create social value? As this is a relative new field of research where empirical research is sparse, we first need to get a general and broad understanding of the process (Lichtenstein and Brush, 2001). Therefore the first two parts of the research project will be explorative in nature aiming at generating a global understanding of the process of value creation in social entrepreneurial firms. To capture this process we will use the model as described above. Logically, the sub research questions are: How does the social mission of social entrepreneurial firms look like? How does the business model of SEF look like? What levels of performance are reached within SEF? Thirdly, a hypothesis testing research will be developed on the relation between social mission, social performance and economic performance. Possible hypotheses are: SEFs with a strong social mission reach a higher level of social performance. SEFs with a weak social mission reach a lower level of social performance. SEFs with a high level of social performance reach a high level of economic performance.

RQ 1: How do social entrepreneurial firms create value? (Study 1 and 2)

RQa How does the social mission of social entrepreneurial firms looks like? What is the nature of SEF?

RQa-1 Mission statement
- Do SEFs explicitly formulate mission statements?
- Are these mission statements of SEFs complete (Sidhu, 2003)?
- What is the relation between commercial and social objectives?
- What is the content of the mission statements of SEFs?

RQa-2 Norms and values
- What are the values and norms within SEF (e.g., commitment, values of social economy,...)?

RQa-3 Organisational Identity
- Do SEFs have a multiple organizational identity?
- How does the identity(ies) of SEFs look like?
- How strong is the organizational identification within SEFs? (Dutton et al., 1994)

RQb How does the business model of SEF looks like?
- How does the value chain of SEFs looks like?
- How does the external market of the SEFs looks like?
- What are the resources and capabilities underlying the SEFs?
- Are SEFs upstream of downstream competitors? (Nicovich et al., 2007)
- Which activities in the value chain of SEFs (Hwang, 1999) are the most important in SEFs?

RQc What levels of performance are reached within SEF?
- What is the economic performance SEFs?
- What is the social performance of SEFs? (Wood, 1991)
- Do SEFs measure their social performance?
- To what extent do SEFs reach their mission?

RQ 2 What is the relation between social mission, economic performance and social performance within SEFs? (Study 3)

H1 SEFs with a strong social mission reach a high level of social performance.
H2 SEFs with a low social mission reach a low level of social performance.
H3 SEFs with a high level of social performance reach a high level of economic performance.

5. Research design and methods

The empirical research in this doctoral dissertation will be divided in two stages (table 3): an explorative and a hypothesis testing stage. The first two studies aim at gaining in depth understanding in the process of social value creation in SEFs. We will do this both qualitatively through in depth case study analysis and quantitatively through the administration of a survey which operationalizes the aforementioned concepts. The third study will specifically focus on testing hypotheses on how the social mission of SEFs translates into different levels of social and economic performance. Data for study 2 and 3 will be provided by the same survey. The next paragraphs discuss the sample and sample frames and the three complementary methodological approaches.
Explorative qualitative research

The first study of the doctoral dissertation will be explorative in nature and makes use of the case-study method for gaining insight in the process of social value creation in SEFs.

5.1.1 Sample and sample frame

One of the main challenges when designing empirical studies in social entrepreneurship is that sample frames representing the population of interest - SEFs -- are not available. To address this gap we took the investment portfolios of social investors in Flanders (Belgium) for constructing a non probability, quota sample as a point of departure (Eisenhardt, 1989; Yin, 2003; Judd et al., 1991). In total, VOSEC (Vlaams Overleg Sociale ECOnomie, Flemish association grouping actors in the social economy) lists 8 social investors located in Flanders. From these, we selected the investors that (1) locate their investment activities for the most part in the Flemish region (excluding f.e. third world micro-finance projects) and (2) are not restricted to traditional banking activities. We analysed the year reports from the 4 remaining social investors in Flanders and conducted a round of interviews with the investment managers in order to obtain data on the scope of their activities and the investment portfolio's. Table 4 provides descriptive data on each of these investors, such as the number of new projects per year, the number of organisations in portfolio per year and the mean capital invested / available. Applying theoretical sampling, we will select out of each investor portfolio one case which we believe has the most potential for gaining insight in the process of social value creation. In theoretical sampling, cases are chosen for theoretical, not statistical, reasons, meaning that they are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs (Eisenhardt and Graebner, 2007).

Social investor
HEFBOOM
TRIVIDEND
NETWERK TEVRIJ
REN- TEVRIJ
KRINGLOOP-FONDS
Mean number of new projects / year
33
11
15.5
9
Mean number of organizations in portfolio / year
32
19
19
12
Mean capital available for investment / year (K €)
2174
2250
73500
Mean % of capital invested in projects / year
56
32
22

Table 4: Descriptive analysis of social investors in Flanders (data for 2004-2006) (to be completed)
5.1.2 Data collection and analysis.

The first part of the research project (Study 1) will use an explorative case-study design. Using case studies is especially appropriate in new topic areas (Eisenhardt, 1989; Dutton and Duckeirch, 1991), like social entrepreneurship. Following Brown and Eisenhardt (1997) and Galunic and Eisenhardt (2001) the cases must be treated as a series of independent experiments that confirm or disconfirm emerging conceptual insights. We will collect data on the process on social value creation through open-ended interviews. Conducting interviews is appropriate as interviews are a highly efficient way to gather rich, empirical data (Eisenhardt and Graebner, 2007). Furthermore, open-ended responses can help in the formulation of new hypotheses and are useful in scouting a new area of research (Judd et al., 1991). Open-ended questions are asked with a relatively small pretest sample of the population that is to be studied. We will use the principles of Miles and Huberman (1994) as a guide for transcribing the interviews and analysing the data.

5.2. Survey

The survey of this doctoral research will provide data for study 2 and 3. On the one hand, the survey will provide explorative qualitative data on the process of social value creation and on the other hand it provides data to test hypothesis on the relation between social mission, social performance and economic performance.

5.2.1 Sample

For study 2 and 3 we will enlarge our sample frame to construct a sample frame that theoretically reflects our population of interest (SEFs) as defined earlier and allows us to test hypothesis. Therefore we will develop the following sample strategy (see table 5). (1) List of social enterprises in Flanders, compiled by VOSEC (N = 600). (2) List of cooperatives in Flanders that have people-planet-profit objectives at their heart of operations. This list has been compiled by FEBECOOP, the Belgian Federation for the Social and Cooperative Economy (N ~ 75) and (3) the investment portfolio’s of all social investors that invest in local projects (as described earlier). Each of these lists will be screened for identifying the SEFs as described in the conceptualization section. More especially, we will perform a telephone screening of all organisations in our sample on the four criteria of SEFs. Once we have decided on a final sample we will discuss our selection with experts from VOSEC, FEBECOOP and the social investment firms, to make sure the selection provides a representative view on social entrepreneurial firms. For the second and third part of the doctoral research we will interview the final sample of the SEFs we listed.

<table>
<thead>
<tr>
<th>Social economy sector</th>
<th>Portfolio’s of social investors</th>
<th>Cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructed by VOSEC</td>
<td>Listed by VOSEC</td>
<td>Constructed by FEBECOOP</td>
</tr>
<tr>
<td>Total list: N~600</td>
<td>Total list: N~100 (2004-2006)</td>
<td>Total list: N~75</td>
</tr>
<tr>
<td>Telephone screening for selecting SEFs as described above</td>
<td>Final Sample: N~150</td>
<td>Final Sample: N~70</td>
</tr>
<tr>
<td>Final sample: N~200 Social entrepreneurial firms (after removing overlaps)</td>
<td>Final Sample: N~60</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Sample frame
5.2.2 Data collection and analysis

Study 2 will use an extensive questionnaire for gaining explorative quantitative data on the process of social value creation. The challenge lies in operationalising the constructs to describe the process of social value creation. For example ‘social mission’ will be operationalised by looking at the mission statement, the norms and values, CSR and the organisational identity of the SEFs. In our survey, we will use existing, validated measures (see Table 6) and we will construct new items. For these new items we will use different scale techniques (Judd et al., 1991) as multiple-item scales provide a usable measure of a theoretical construct. It allows researchers to reduce the complexity of data, test hypotheses about the nature of a construct and improves reliability and validity of measurement. For example, Likert-scale items are used to investigate the attitudes of respondents to a series of written or verbal statements (items). The statements form sets of questions, with respondents asked to represent their strength of feeling on a common categorical scale (Dittrich et al., 2007). For example we can ask respondents about the relative importance of social goals (1-very important to 7-of no importance).

<table>
<thead>
<tr>
<th>Construct</th>
<th>Operationalization</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Mission</td>
<td>Mission statement</td>
<td>Core components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality</td>
</tr>
<tr>
<td>Organizational goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norms and Values</td>
<td>Collectivism</td>
<td>Milton et al., 1997</td>
</tr>
<tr>
<td></td>
<td>Commitment</td>
<td>Autio et al., 2000</td>
</tr>
<tr>
<td></td>
<td>‘Other-regarding’ interest</td>
<td>Agle et al., 1999</td>
</tr>
<tr>
<td></td>
<td>Self interested values</td>
<td>Agle et al., 1999</td>
</tr>
<tr>
<td>Organisational identity</td>
<td>Relation with stakeholders</td>
<td>Brickson, 2006</td>
</tr>
<tr>
<td>CSR</td>
<td>Typology of Carroll</td>
<td>Wartick and Cochran, 1985</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aupperle, 1985</td>
</tr>
<tr>
<td>Business Model</td>
<td>Content</td>
<td>Lai et al., 2006</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Elements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Resources</td>
<td>types of assets</td>
<td>Lai et al., 2006</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Typology</td>
<td>Alcaser, 2006</td>
</tr>
<tr>
<td>Value chain</td>
<td>Upstream or downstream</td>
<td>Marcus and Anderson, 2006</td>
</tr>
<tr>
<td></td>
<td>Content/elements</td>
<td>Nicovich et al., 2007</td>
</tr>
<tr>
<td>Social performance</td>
<td>Corporate social perf</td>
<td>KLD index</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Graves and Waddock, 1994</td>
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<td></td>
<td></td>
<td>Bass et al., 1997</td>
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<td></td>
<td></td>
<td>Turban and Greening, 1997</td>
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<td></td>
<td></td>
<td>Ruf et al., 2001</td>
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<tr>
<td></td>
<td></td>
<td>Greening and Turban, 2000</td>
</tr>
</tbody>
</table>
Table 6: Existing operationalizations of the constructs (under construction)

The second part of the survey (Study 3) will test the relationship between the social mission, social performance and economic performance of the SEFs in our sample. For constructing this survey we will repeat the steps taking by Forman and Whetten (1999) and hold several focus groups to aid us in developing the appropriate survey items. Small pilot studies will be conducted to check the external validity of the survey items.

Figure 1: Hypothesis testing research: relation between social mission, economic-, and social performance
6. Expected Contribution

The contribution of this doctoral dissertation will be situated on two different levels. First there is an expected contribution to scientific theory. Secondly, we hope that our research results advance knowledge on SEFs and the creation of social value by firms. Doing so, we hope to advance actual social value creation and to benefit society by extension.

6.1 Contribution to theory

This doctoral study will be on the edge of different research traditions. First, this doctoral research will especially contribute to the social entrepreneurship literature. The social entrepreneurship literature is in need for an empirical study that moves away from exploration to theory based hypothesis testing research in a context where the entrepreneurial character of social value creation is most prominent (Anderson and Dees, 2006). This research will offer a conceptualization of SEFs and an empirical study on the process of social value creation.

Second, this research will have value for strategic management science. The proposed theoretical model integrates the ‘advantage-seeking’ perspective from strategic management and the ‘opportunity-seeking’ perspective from entrepreneurship (Hitt et al., 2001) to investigate the process of social value creation in social entrepreneurial firms. We have to develop a questionnaire to measure resource based view constructs in standardized items like social performance, social mission and business model. The challenge in testing constructs from the resource-based view of the firm is identifying and measuring the most critical resources of firms (Hitt et al., 2001) and to do so, it is helpful to focus on a single industry (Dess et al., 1990).

Third, this research will advance the knowledge on organisational identity and organisational theory by operationalising this construct and applying the construct in a ‘social entrepreneurship’ context. In the field of organizational identity, several researchers have proposed identity-based models of organizational identification but unfortunately few are operationalized and tested (Foreman and Whetten, 2002). Furthermore, major empirical gaps remain despite the construct’s 20-year history (Brickson, 2005). This doctoral research would build further on the knowledge around organizational identity.

Fourth, this doctoral research will advance the understanding of the social component of firms and thereby will be of interest to the business and society literature and the research on corporate social responsibility. We believe that the instrument we will develop for assessing the social and entrepreneurial/commercial component of SEF can also be applied to assess the nature of social responsible firms. For example Ruf et al. (1998) acknowledge that the measurement of CSP is essential for theory development in the research area of...
social performance. Second, the B&S literature has largely overlooked small businesses and entrepreneurial firms in how they address social issues, especially at the level of ‘discretionary’ activities. Although interest for CSR in SMEs is increasing, the research developed today does not specifically focus on entrepreneurial entities that have a social mission as their key ‘social value proposition’. We will fill this gap.

6.2 Contribution to society: social doctoral performance?

As well as in academic attention as in practice there has been an unprecedented wave of growth in social entrepreneurship globally over the last ten years (Nicholls, 2006). Social entrepreneurship has become a powerful global phenomenon and social business entrepreneurs can become very powerful players in the national and international economy according to Muhammad Yunus\(^2\) (2006). It is clear that social entrepreneurship has a strong link with society. The world is constantly changing (Wheeler et al., 2003) and is now making excellent ground for social entrepreneurship. Two phenomena nurture the growing interest and importance. First, social entrepreneurship did not emerge within a corporate context with a focus on social issues management. Rather, the attention for social entrepreneurship originated from the non-profit sector, where entrepreneurial initiatives were increasingly seen as alternative funding schemes as public funding decreased substantially (Dees, 1998; Johnson, 2000; Mort et al., 2003; Fowler, 2000; Weerawardena and Mort, 2006; Sagawa and Segal, 2000; Emerson, 2003). Second, many scholars (e.g. Sharir and Lerner, 2006; Perrini and Vurro, 2006; Den Hond and De Bakker, 2007; Nicholls, 2006; Sullivan, 2007; Spence and Rutherfoord, 2001) notice a trend in many countries of diminishing government involvement in the economy and society who made it increasingly more difficult for welfare states to answer social needs and claims. Dees (1998) believes that we have come to a point where entrepreneurial approaches to social problems are accepted. Social entrepreneurs have a social mission (Austin et al., 2006; Roberts and Woods, 2005; Peredo and McLean, 2006; Peredo and Chrisman, 2006) and “the desire to benefit society or to contribute to the welfare or well-being in society” in common (Mort et al., 2003; Peredo and Mclean, 2006). Therefore, research on social entrepreneurship has the potential to benefit society as well. Mair and colleagues (2006) acknowledge the great social relevance of research on social entrepreneurship. We hope that by advancing the knowledge on SEFs and the creation of social value by firms, the doctoral dissertation advances the real creation of social value for society.

References


