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“Diplom-Kaufmann”

Stakeholdermanagement in social ventures

Exploring the effects of stakeholder salience, trust and conflict on social enterprise performance

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Abbreviations

CSR	Corporate social responsibility
DV	Dependent variable
e.g.	exempli gratia (for example)
EU	European Union
GmbH	Gesellschaft mit beschränkter Haftung (close corporation)
HR	Human resources
i.e.	id est (that is)
IV	Independent variable
NGO	Non-governmental organization
OECD	Organization for Economic Co-operation and Development
SD	Standard deviation
SE	Social entrepreneurship
SROI	Social return on investment
SVC	Social venture capitalists
UK	United Kingdom
US	United States

1 Introduction

Global interconnectedness and fast changing environments confront people all over the world with new social challenges. These challenges remain unmet by national institutions and government agencies in many cases because of different reasons: They do not have responsibility for addressing these problems, their reactions are delayed because of missing democratic legitimacy or they are not capable of dealing with them which is especially the case for developing countries. Consequently social problems remain unsolved. Firms could contribute to close these gaps temporarily or permanently (Arrow 1963). This is the reason for the emergence of a new class of organizations that tend to fill this gap in an innovative way, addressing unmet social needs - social enterprises, whose goal is not to maximize their financial revenue but to tackle a social problem, e.g. poverty, exclusion or the consequences of climate change in an innovative way (Austin, Stevenson & Wei-Skillern 2006).

Further they provide an alternative to profit-only business entities as Muhammad Yunus, founder of the social banking business Grameen Bank, points out: “Human beings are driven by more than a desire to just make money. Self-sustaining social enterprises should be built around this aspiration. Social business is a complement to traditional profit-maximizing business. Social business takes into account the multidimensional nature of human beings and uses business principles to achieve one or more social goals” (Forbes India 2010).

The number of social entrepreneurs and social enterprises is rising globally, as is their influence and impact (Drayton 2002; Harding 2004; Bornstein 2007). In the industrialized world, especially in the USA and the UK such organizations are increasingly being portrayed as actors of growing importance in welfare and environmental policy innovation. The potential market size is enormous as in most developed countries welfare expenditure has risen sharply throughout the last 30 years (Nicholls 2009; Nicholls 2005). In continental Europe and other OECD countries, social enterprises are deeply rooted in the voluntary/third sector which constitutes the social economy. They represent important actors for the provision of various services within their institutional settings, closing the gap between rich and poor and triggering social reforms. The withdrawal of central governments, notably in the domain of health care and education, accompanied by the empowerment of private, co-operative and community operators, spurs their develop-

ment. Additionally, market failures in certain activities, new incentive schemes for employment and co-operation between economic and social players as well as an increasing demand for social and community services stabilize this trend (OECD 1999). Today governments realize that they still have responsibility for providing health care and education services, but they also see opportunities partnering with corporations and the civil society to increase welfare for the entire society without reinstating the current welfare system (Leadbeater 1997).

In developing countries, social entrepreneurship (SE) is also well-established as an important role public or economic change-agent of the past and modern-day social pioneers in the provision of public goods. They act as small-scale, local solutions to poverty and social deprivation (i.e. co-operatives) as well as quasi- governments in terms of welfare provision, employment or environmental protection. Micro-credit finance which spurred economic development in Bangladesh provides a good example (Nicholls 2009; Nicholls 2005).

Responding to the impact that social entrepreneurs have on various levels of society in the world, scholars began exploring this phenomenon by studying the different aspects of the phenomenon applying economic, sociological and ethical models. Following up this development the theoretical underpinnings of this thesis combine a diligently explored topic with this newly emerged field of research.

First, stakeholder theory became an important stream of management literature during the 1990s, resulting in a special research forum on “Stakeholders, Social Responsibility, and Performance” of the Academy of Management Journal in 1999. About ten years later, the scientific community started focussing on SE. Recently a special issue “Entrepreneurship – Theory and Practice” has been published, trying to develop models to investigate this inadequately explored field. Further research centers have emerged all over the world to study this phenomenon, particularly the European research network on social economy (EMES), the Center for Advancement of Social Entrepreneurship (CASE) at Duke University and the Skoll Center at the University of Oxford.

For managers and politicians the relevance of SE becomes visible when considering actors that promote the concept and build networks to share best practice and provide funding, most notably governments, foundations and fellowship organizations. In the UK government investments add up to 842 million €. The budget of the Skoll founda-

tion, a US-based grant giving organization increased from 29 million € in 1999 to over 430 million € in 2006 (Moss, Short, Payne & Lumpkin 2010). So far Ashoka, the world's first and largest fellowship organization with more than 2000 fellows has invested approximately 250 million € (Nicholls 2010). This shows increasing support from private and public donors.

The aim of this thesis is to provide the reader with empirical data in the domain of stakeholder management in social ventures, as empirical findings are currently missing in this area of research. In order to show how social entrepreneurs manage different constituencies towards higher success of the organization, a stakeholder identification and salience framework is applied to the social enterprise model trying to explain how key stakeholders are able to influence the organization. Furthermore, different performance metrics for social enterprises are explored. Finally, stakeholder salience as well as antecedents of each relation, notably conflicts and trust are linked to a multi-dimensional performance indicator. Based on these considerations a survey measuring each construct in order to test the model empirically on a sample of German social enterprises is developed.

According to the research outline, the remainder of this thesis is structured as follows: Chapter two contains theoretical underpinnings for the stakeholder model including an identification and management scheme. The SE phenomenon provides the setting for the analysis that is characterized in chapter three, building on entrepreneurship literature and including performance metrics as well as the institutional context for SE in Europe and Germany. Chapter four comprises an evaluation of the stakeholder management process in social enterprises including the hypotheses to be empirically verified. The methodological outline is explained in chapter five. The obtained results are then presented in chapter six followed by a discussion and conclusions as well as practical implications and directions for future research in the last chapter.

2 Theoretical framework: The stakeholder approach

2.1 Stakeholder theory

The stakeholder school of thought in management theory intersects various other disciplines, notably the strategic management literature (e.g. Frooman 1999; Harrison et al. 2010; Jones 1995; Jones & Wicks 1999; Donaldson & L. E. Preston 1995; Jones et al. 2007) and the business ethics literature (Goodpaster 1991; Brenner & Cochran 1991; Carroll 1989). Stakeholder theory draw three fundamentally different approaches. They include a descriptive/empirical surface, an instrumental element and a normative core. (see 2.1)

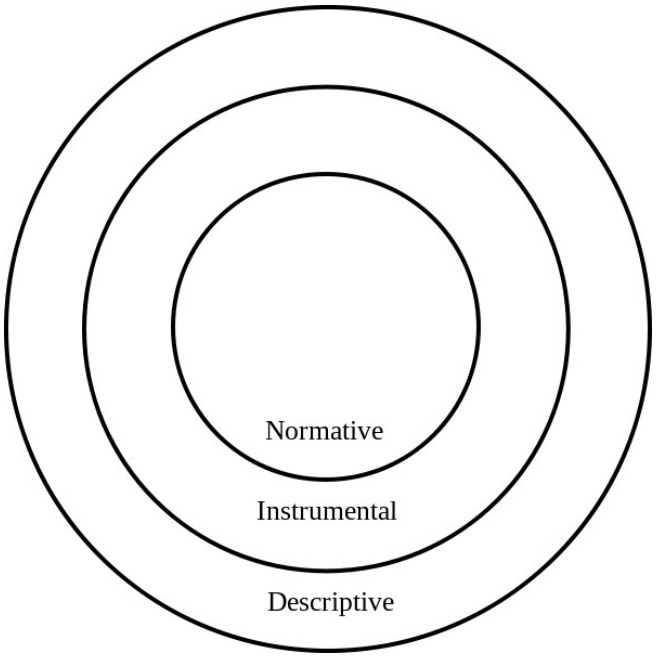

Figure 2.1: Three aspects of stakeholder theory

Source: Donaldson & Preston (1995)

The descriptive element specifies characteristics and behaviors regarding the nature of the organization. “It describes a constellation of cooperative and competitive interests possessing intrinsic value” (Donaldson & L. E. Preston 1995, p.66) that characterizes the circumstances under which the manager considers a certain entity as a stakeholder (Mitchell, Agle & Wood 1997). It is also an implicit basis for the existing management practices and legal issues.

Berman, Wicks, Kotha and Jones' (1999, p.491) “Strategic stakeholder management model” advanced the empirical foundation for the instrumental approach. The authors

point out that careful management with a stakeholder orientation represents an instrumental value for the company, linking the existing stakeholder principles or practices to other performance metrics. This may also imply that the management will only attend to stakeholder's interests if those can effect firm financial performance.

The normative approach covers mainly ethical, moral or philosophical guidelines for the management of an organization (Donaldson & L. E. Preston 1995). Therefore a corporation establishes a framework of ethical principles especially with respect to the treatment of its stakeholders and adapts its strategy to moral obligations they feel towards different stakeholders which is called “intrinsic stakeholder commitment model”. It explains logically why managers should consider certain individuals or groups as stakeholders (Mitchell et al. 1997). However, a firm can use these moral principles also strategically in order to increase public reputation, but only substantial cooperation based on mutual trust and cooperation is sustainable and likely to achieve the desired outcome of higher performance (Jones 1995).

Referring to these approaches, several definitions of “who is a stakeholder” evolved over the last years. They can be categorized into broad and narrow definitions. For example Freeman (1984, p.31) set up a now classic but broad definition, describing a stakeholder as someone who “can affect or is affected by the achievement of the organization's objectives”. Other authors such as Thompson, Wartick and Smith simply point out a “relationship with an organization” (1991, p.209). This could be unidirectional or bidirectional as the company is able to influence the stakeholder and vice versa. Finally Mitchell et al. (1997) stated that virtually everyone such as physical or legal persons and the natural environment could become a stakeholder of the firm. Reality shows that a company can indeed be affected by anyone.

However these broad definitions cannot be operationalized hence “rendering the concept meaningless” (Harrison, Bosse & Philips 2010, p.60). Additionally Mitchell et al. point out that “the broad concept of stakeholder management must be better defined in order to server the narrower interests of legitimate stakeholders.” (1997, pp.862-863) Thus more concrete definitions emerged bearing in mind that the concept should be empirically testable and dealing with all external entities simultaneously is almost impossible from the managers' point of view. (Mitchell et al. 1997). Subsequently Carroll (1989, p.57) asserts them “to have one or more of these kinds of stakes (…) ranging

from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property” or they “bear some form of risk as a result of having invested some form of capital human or financial, something of value in a firm”. Donaldson and Preston (1995, p.85) describe them as "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity". Accordingly, stakeholders are those whose involvement is critical for the firms' survival (Clarkson 1995).

Corresponding to these narrow definitions one generic stakeholder model has been created. The original version of the model (see 2.2) implies dyadic ties between the different types of stakeholders and the organization which means that the firm has influence on the different groups and vice versa. It is conceptualized as Hub and spoke network, viewed in terms of stakeholder attributes from the firm's vantage point. This network is regarded as a complex system for exchanging goods, services, information and other resources. (Harrison et al. 2010)

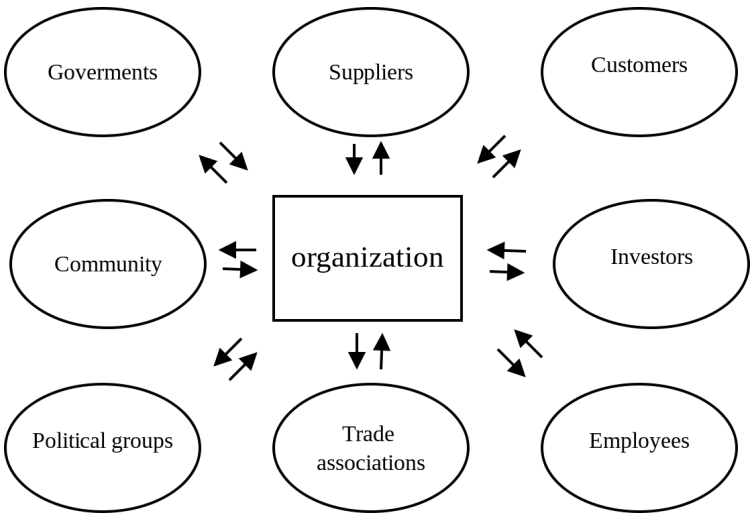

Figure 2.2: The stakeholder model of dyadic ties

Source: Donaldson & Preston (1995)

The ties between the corporation and its stakeholders are complex and need to be clarified in order to derive policies for the management of the different groups. Thus stakeholder theory also establishes a framework to examine these connections and bring them in relation to the achievement of the organization's objectives or goals. (Instrumental approach) The normative element addresses the question of legitimacy and appropriateness of different stakeholder interests which are then to be managed as a matter of corporate governance (Donaldson & L. E. Preston 1995). However, the orientation of an

organization towards its stakeholders can be measured and evaluated regardless of the driving factors (whether instrumental or normative) behind (Clarkson 1995).

2.2 Stakeholder groups

Until now various scholars have concentrated on the creation of classification schemes for different stakeholder groups. For example Carroll (1989) distinguishes between primary, those who are in a formal respectively contractual relationship with the organization and secondary stakeholders – outside constituencies such as advocacy groups or community activists. According to the business ethics context the distinction of strategic and moral stakeholder evolved (Goodpaster 1991). Strategic stakeholders are the ones which have to be dealt with (Freeman 1984) through a managing of interests. The moral stakeholder is affected by the firm where scholars identified a balancing of interests (Donaldson & L. E. Preston 1995). Furthermore the element of risk-taking as a result of having invested a form of capital in the firm divides into voluntary or involuntary stakeholders. Voluntary stakeholders have invested something of value in the firm, thus being dependent on the outcome whereas involuntary stakeholders are placed at risk through the firms activities (Clarkson 1995).

A combination of primary and strategic stakeholders to form the key stakeholders seems to be useful as an organization can be viewed as a set of interdependent relationships among primary stakeholders (Jones 1995; Donaldson & L. E. Preston 1995). Typically those primary stakeholders include resource suppliers, employees or customers. They do provide some important infrastructure for the company (Clarkson 1995).

2.3 Managing for stakeholders

To understand the position of managers in an organization, Mitchell et al. (1997) used to view the firm as a nexus of contracts (Cyert & March 1963), an “environmentally dependent coalition” of divergent interests with the management in a central position who needs to deal with conflicting claims, making strategic decisions and allocating resources to stakeholder groups. That is why the executives are in a relationship with all other stakeholders (Hill & Jones 1992). The term “managing for stakeholders” is therefore used to describe the notion that executives reach for an optimized overall performance effect by meeting their stakeholders' interests (Harrison et al. 2010).

Stakeholder management strategies to achieve higher performance greatly differ among firms (Reynolds, Schultz & Hekman 2006), ranging from “keeping score” (Freeman

1984) over “prioritizing” (Mitchell et al. 1997) to “constructive negotiation” (Frooman 1999). Harrison et al. (2010, p.67) found that firms which apply “a managing-for-stakeholders approach gain this advantage not only by creating and sharing value with stakeholders, but by becoming known as a firm that does so”. Sharing value could mean that profits are distributed trough higher wages to employees and in doing so the firm's reputation becomes an asset (Harrison et al. 2010).

More precisely Hillman and Keim (2001) found that building better relations with primary stakeholders could lead to improved performance as the firm develops intangible, socially complex assets which could be a source of competitive advantage. Therefore firms should extend value creating relationships with these stakeholders beyond what would be possible through market transactions. In this regard Harrison et al. (2010) suggest justice and fairness as principles for the treatment of stakeholders.

If the firm is dependent on the external stakeholders in terms of resources needed for the ongoing activities, it possesses options to apply a withholding or a usage strategy depending on the power of this stakeholder group and the importance of the resource (Frooman 1999). Within this network several stakeholders might possess strategic resources (nodes in the nexus) which are typically complex and/or knowledge-based hence hard to imitate for potential competitors (Coff 1999).

This leaves the firm to bargain their interests, distribute the profits in order to keep them in the organization and finally to achieve its mission. According to the literature (Porter 1980; Pfeffer 1981) bargaining power derives from the capability of unified action, the access to information and the threat posed by the exit of this particular group. For example employees simply leave the company if the rent they receive from working (financial and non-financial) does not exceed their input (workforce, human capital). Similarly the organization faces high replacement costs for the management as they have developed the knowledge to identify and acquire the necessary resources to maintain an advantage. Moreover investors usually have a relatively high bargaining power as they possess the financial resources which are critical for the firm's survival and development.

As shown, managerial decision making contains significant tension and a trade off between the firm's interests and stakeholder interests as well as between different stakeholders (Jones, Felps & Bigley 2007). It involves moral elements and normative obliga-

tions by society. The normative core represents the underlying principle of action. Thus managers need to decide whether to act self-regarding or other-regarding according to their values (Mitchell et al. 1997).

However social issue participation, which means that a for-profit company engages in societal beneficial actions is negatively related to firm performance (Hillman & Keim 2001). Yet this was not the original intention behind the concept of stakeholder management. It was rather the effective dealing with all stakeholder groups than managing corporate social responsibility (CSR) (Walsh 2005; Freeman 1984).

2.3.1 Stakeholder identification and salience

To answer the question how management could identify the relevant groups to their organization Mitchell et al. (1997, p.854) proposed a framework (see 2.3) of three attributes which a stakeholder might possess in order to have a "stake" in the firm: "(1) the stakeholder's power to influence the firm, (2) the legitimacy of the stakeholder's relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm." From the managers point of view these lead to salience.

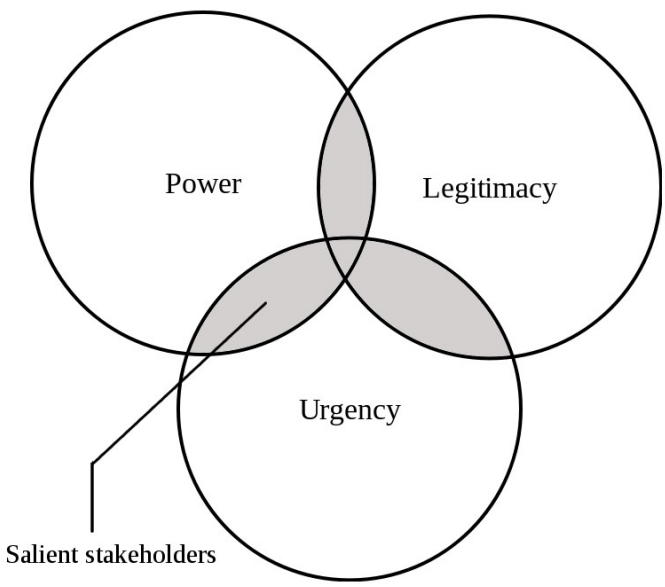

Figure 2.3: Classes of stakeholders

Source: Adapted from Mitchell et al. (1997)

Mitchell et al. (1997, p.865) define power as "a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would

not have otherwise done." A useful categorization is based on the type of resource used to exercise power such as physical force, material or financial resources or symbolic (immaterial) resources (e.g. esteem or reputation). Different types of power include also formal, economic, political (Freeman & Reed 1983) and normative power (Mitchell et al. 1997). Answers to the question of dominance in the stakeholder relationships varied widely, ranging from firm to stakeholder supremacy respectively dependence in terms of the relative access to resources. Stakeholders that control the access of firms' valuable resources which are necessary for their survival (Frooman 1999; Pfeffer & Salancik 1978) have a powerful position. Those actors that possess a large amount of resources are also likely to initiate and sustain their requests on the firm. More precisely Carroll (1989) suggests that investments in budget or staff could serve as a measure to evaluate the relationship between stakeholders and the corporation.

Going into ethics theory a moral element of legitimacy (Carroll 1989; Donaldson & L. E. Preston 1995; Jones & Wicks 1999) constitutes the core of stakeholder theory as mentioned earlier. Many authors adopt a broad definition encompassing sociological elements that imply a "desirable social good": "A generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs [or] definitions" (Suchman 1995, p.574). This element is being evaluated by the management to judge the stakeholder claim. According to institutional theorists legitimacy is even the means by which organizations obtain resources (Oliver 1991). This is the aim behind the observed conformity (isomorphism) of executives with expectations of key stakeholders in their environment (Dart 2004b; DiMaggio & Powell 1983). Dart (2004b) also notes that their framing of legitimacy is the most relevant to a managerial perspective because it "emphasizes the ways in which organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support" (Suchman 1995, p.572). In contrast to legitimacy from the strategic perspective, legitimacy from the institutional perspective emphasizes much wider (sector–wide) dynamics that are beyond the purposive control of any organization (Dart 2004b). Both possess relevance for this discussion. Legitimacy has been mentioned in the same context with power although these two elements are different from each other. So if the claim of a particular stakeholder is legitimate it might still need power to enforce this claim in order to be salient in the eyes of the management.

Urgency is defined by Mitchell and colleagues (1997, p.869) as “the degree to which stakeholder claims call for immediate attention”. It is a “multidimensional notion that includes both criticality and temporality, with a stakeholder claim considered to be urgent both when it is important and when delay in paying attention to it is unacceptable” (Agle, Mitchell & Sonnenfeld 1999, p.508). Thus even if the other two attributes of the identification construct are met it does not necessarily mean that the manager will act according to these demands. This attribute adds a dynamic dimension to the relationship.

Finally it is necessary to explore the attribute which causes management to act according to different demands from inside and outside the firm. Therefore Mitchell et al (1997, p.869) developed different classes of stakeholders which are more or less salient, defined as “the degree to which managers give priority to competing stakeholder claims”. Depending on the perception of stakeholder salience, as a combination of the aforementioned attributes the management will act. (see 2.3) The model has been empirically tested and confirmed by various researchers (e.g. Frooman 1999; Eesley & Lenox 2006; Agle et al. 1999).

2.3.2 Conflicts

To describe the antecedents of a stakeholder relation more closely, the notion of conflict is suitable since “the underlying concept of stakeholder theory bears potential conflict stemming from divergent interests” (Frooman 1999, p.193) which involves a high level of managing interests toward higher success of the firm (Jones 1995; Donaldson & L. E. Preston 1995). The research of Jehn and Mannix (2001, pp.238-239) into intra-group conflict contributes a theoretical basis.

First, relationship conflict is defined as “an awareness of interpersonal incompatibilities, includes affective components such as feeling tension and friction” which involves personal issues. Task conflict describes “an awareness of differences in viewpoints and opinions pertaining to a group task”, which is interesting regarding the objectives of a firm. Finally a third type of conflict has been identified: Process conflict. It is defined “as an awareness of controversies about aspects of how task accomplishment will proceed” and refers to resource delegation and responsibility throughout the management process. These types of conflict have different implications for the stakeholder approach. Relationship conflict might influence the stake depending on the degree of for-

mality between management and stakeholder. Further task conflict is critical with regard to the mission achievement and resulting performance. Process conflict involves the notion of balancing interests throughout the constituencies of the organization. In general, conflicts are more or less helpful in different stages of the collaboration, but all types of conflict were lower in tested groups with high performance (Jehn & Mannix 2001).

Schwenk (1990) suggests that although conflicts in organizational decision making could be seen as a positive aspect in this process as they for example increase the range of available alternatives, executives' perceptions of conflict differ from this point of view. They view it as harmful and thus try to avoid it. Results indicated that managers in not-for-profit organizations evaluated a positive relationship between conflict and overall quality of their work which stems from the democratic governance in this kind of organization whereas managers of for-profit organizations proved a negative influence of conflict as it decreases the decision making effectiveness.

2.3.3 Trust

A further characterization of the stakeholder relation is achieved by the notion of trust. Generally, evidence shows that trust has various benefits for organizations and their members. Firstly, there are direct effects on organizational issues such as communication, negotiation and conflict management which will finally lead to superior performance. Secondly, trust positively influences the interpretation of one's behavior (Mayer, Davis & Schoorman 1995), thus triggers cooperation, knowledge sharing and commitment. Furthermore decision making is supposed to be more efficient since the acquisition and interpretation of information is facilitated (McEvily, Zaheer & Perrone 2003). Consequently it constitutes the underlying base of organizational relationships and plays an important role in stakeholder connections since it can possibly lower transaction costs, reaching acceptable agreements for all participants and thus effect firm performance (Barney & Hansen 1994; Calton & Lad 1995; Jones 1995).

To narrow down the concept of trust for a meaningful analysis, a distinction between interpersonal and interorganizational trust is necessary. (see 2.4) Whereas the former refers to a relationship between two specific members of organizations or groups, the latter describes trust placed by a group of members in the partner organization. Since different stakeholders neither constitute a homogeneous group, nor belong to distinct organizations, interpersonal trust is selected.

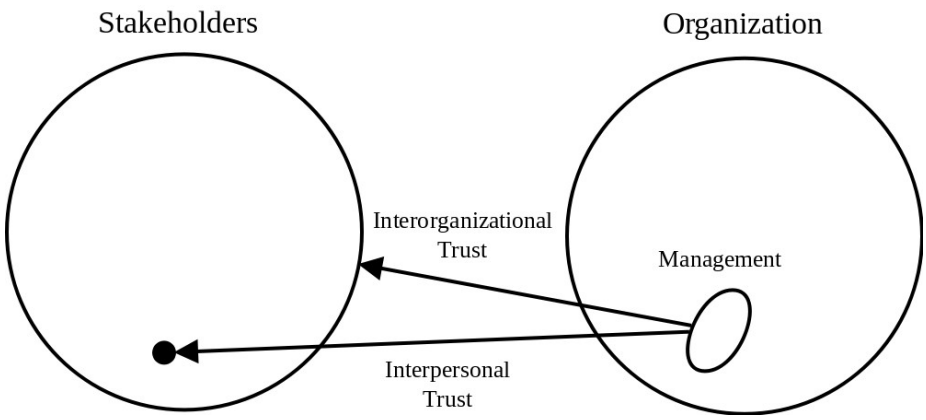

Figure 2.4: Interpersonal and interorganizational trust

Source: Adapted from Zaheer et al. (1998)

Zaheer, McEvily and Perrone (1998, p.143) address the complexity of trust with the elements reliability, predictability and fairness i.e. “a combination of expectation[s] that an actor (1) can be relied on to fulfill obligations, (2) will behave in a predictable manner, and (3) will act and negotiate fairly when the possibility for opportunism is present”. These elements positively impact the stakeholder relations' outcome, notably the notion of fairness (Harrison et al. 2010) but also reliability (Hillman & Keim 2001) and the general implications of trust (Jones 1995; Clarkson 1995).

Moreover trust and its spillover effects could enhance knowledge about stakeholder relationships which leads to a competitive advantage over other firms (Berman et al. 1999; Hillman & Keim 2001). It also plays a role in reducing conflicts over time, namely disagreements about the organization's goals and routines (i.e. task conflict and process conflict). But trust can also productively promote the conflict to reach new solutions in the short run (Zaheer et al. 1998).

3 Setting: Social entrepreneurship

After introducing the theoretical basis, the setting for the application of the stakeholder concept needs consideration: Social entrepreneurship (SE). Based on definitions of entrepreneurial and social elements this phenomenon is characterized.

3.1 Entrepreneurship

Joseph Schumpeter (1934) suggests that the term “entrepreneurship” refers to the creative and destructive key process which combines resources in a new and innovative way, creating employment and thus advancing the entire economy. Entrepreneurs act as innovative change agents behind economic progress who serve new markets or discover new needs (Dees 1998b). Remaining in the same tradition Drucker (1985) emphasizes the aspect of opportunity exploitation that essentially drives the change which may yield a higher return for the founder of the venture although the profit-motive is not a prerequisite. Furthermore the OECD highlights the entrepreneurs' influence on the market economy: “Entrepreneurs are change agents and growth agents. They can contribute to creation, dissemination and application of innovative ideas. (…) Entrepreneurs do not only search and identify potentially profitable economic opportunities but they also feel up taking risk to find out whether their intuition was right” (OECD 1998, p.11).

Austin et al. (2006) refer to an entrepreneurship model (see 3.1) based on Sahlman's (1996) comprehensive framework, which captures the most critical elements, notably Stevenson and Jarillo's (1990) entrepreneurial management (“how of entrepreneurship”), the process of seizing an opportunity and gaining control over necessary resources. It includes four components: People and Resources (People) provide the resource mix (financial and non-financial) from within the organization and from the outside which is central to success. The market, tax and regulatory environment as well as the macroeconomic situation define the context that shapes the venture. The distribution of outcomes such as economic profits among key stakeholders (e.g. through wages) constitute the deal. Opportunity describes the notion that a future state is more desirable for the entrepreneur than the present one, envisioning new demands or needs. This requires the investment of scarce resources, multiple entities working together to create change based on power relationships or personal networks (Austin et al. 2006).

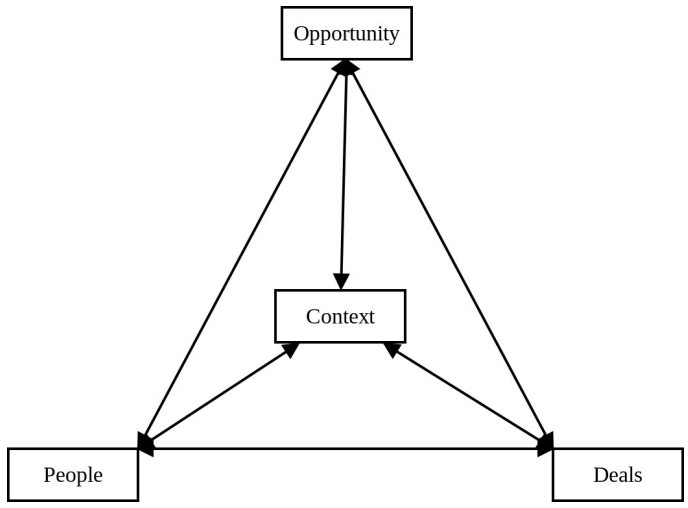

Figure 3.1: PCDO entrepreneurship framework

Source: Sahlman (1996)

The acquisition of resources from outside is accomplished by a network of different stakeholders which includes the founder as well as the venture. Structures facilitating the incorporation of internal and external resources constitute the social capital (H. H. Stevenson & Jarillo 1990). Financial capital is acquired through support of the own family, banks or venture capitalists. Human resources comprise the founder's personal characteristics and capabilities as well as qualifications of the initial employees with all human resources having a major impact on the survival and growth of the firm (Cooper, Gimeo-Gascon & Woo 1994). Strong ties with the environment have also been identified as beneficial for gaining access to voluntary labor (Brüderl & Preisendörfer 1998). A deficient endowment of either HR or financial resources cannot be compensated with the other (Chandler & Hanks 1998).

3.2 Stakeholder management and entrepreneurial behavior

Although Stakeholder management has been widely applied to situations in large organizations, a few scholars (e.g. Venkataraman 2001; Mitchell 2002) have come to the conclusion that it would also be enlightening for the entrepreneurial process. In that respect Freeman's work serves as first concept asking “for whose benefit and at whose expense the firm should be managed” (Freeman 1994, p.67). Since entrepreneurship involves joint activities, coordinating external resources and gathering information, possible conflicts between stakeholder interests become obvious. Venkataraman (2001) fur-

ther notes that whereas in the established companies a governance system (accompanied by the enforcement of external law) would solve the conflicts, in small organizations it is rather an equilibrating mechanism used by the decision maker throughout the value creation process which is based on a moral mindset and a fair contract system. However stakeholder suggestions might also trigger entrepreneurial behavior in mature organizations (Kuratko, Hornsby & Goldsby 2007). Consequently "even if the fiduciary duty of the manager is to the stockholder, the process of entrepreneurial discovery and exploitation will ensure that the corporation will be managed as if for the benefit of all stakeholders" (Venkataraman 2001, p.10).

3.3 Social venturing

Only recently SE has evolved as an academic field of considerable interest. Numerous publications have been published in various social economics or entrepreneurship journals (e.g. Austin et al. 2006; Dees 1998b; Foster & Bradach 2005; Mair & Martí 2006; Zahra, Gedaljovic, Neubaum & Schulman 2009; Weerawardena & Mort 2006; John Thompson & Doherty 2006; Dees 1998a). Most of the existing work is of a conceptional manner. Table 3.1 provides exemplified definitions.

Table 3.1: Social entrepreneurship definitions

Authors	Domain/Sector	Definition of Social Entrepreneurship
Leadbeater (1997)	Non-profit/ Social action	"Social entrepreneurs identify under-utilized resources – people, buildings, equipment – and find ways of putting them to use to satisfy unmet social needs." (p.2)
Mort, Weerawardena & Carnegie (2003)	Non-profit	"[A] multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and key decision-making characteristics of innovativeness, pro-activeness and risk-taking." (p.76)
Austin et al. (2006)	Non-profit/ For-profit	"[S]ocial entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors." (p.2)
Defourny & Nyssens 2008	Voluntary/ Third sector	"Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity". (p.5)
Zahra et. al. 2009	Non-profit/ For-profit	"Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner." (p.524)

Source: Adapted from Weerawardena & Mort 2006

Based on these definitions, the phenomenon can be characterized as a multidimensional construct. Entrepreneurial elements include the innovative way of discovering and exploiting opportunities which creates value. This value needs to benefit the community in order to match the SE concept. Additionally these definitions highlight the different operating sectors, notably non-profit, public for-profit. Finally an increased attention towards a management of stakeholders is identified.

SE does not necessarily imply the creation of a new organization. Comparable to the corporate entrepreneurship approach from the business literature (e.g. H. H. Stevenson & Jarillo 1990), SE often originates from existing non-profit or for-profit organizations which facilitate structural change, new internal configurations of resources and external partnerships such as alliances (Austin et al. 2006; Mair & Martí 2006), herein referred to as “social intrapreneurship”. These organizations are more path dependent, complex and embedded in their institutional context than newly founded entities but engage in similar activities (Kistruck & Beamish 2010). Therefore Peredo and McLean (2006) argue for a more developed sense of SE as attributes for newly founded ventures might apply to them as well.

Consequently, if Sahlman's (1996) theoretical framework (see 3.1) is changed according to SE principles, new aspects emerge resulting in a combination of both entrepreneurial and social elements. (see 3.2) Central to this model is the social value proposition (SVP), which is mainly mission driven, tackling a social problem by pro-actively seizing an opportunity in an innovative way and being constrained by the availability of resources. (People and Capital) These elements reflect a stakeholder orientation: People (employees, volunteers) constitute necessary human resources but also provide an even more valuable form to the venture – social capital (i.e. network ties to garner support and resources). Financial and physical capital (herein referred to as Capital) are also provided by the surrounding web of stakeholders, namely funders. Only if these elements can be combined, social value is created. Being shown in 3.2, the outer circle represents the operating context which reflects institutional constraints for social ventures (Austin et al. 2006). The elements of this model will be considered in turn.

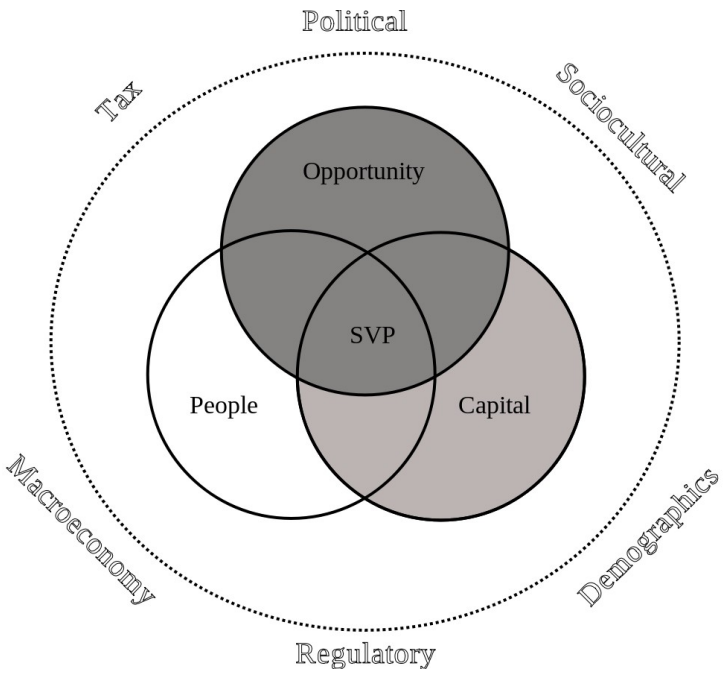

Figure 3.2: Social entrepreneurship framework

Source: Austin et al. (2006)

3.3.1 Entrepreneurial elements

The outer context is similar across commercial and social entrepreneurship, even though social ventures face continuing interactions with their environment due to their mission (Austin et al. 2006). They operate in a changing social and business environment, with the need to be competitive and to adapt to government regulations (Weerawardena & Mort 2006).Thus the regulatory environment consisting of laws impact their ability to carry out their services as these rules influence social needs for certain fields such as education, culture, environment, health economic development and housing (Austin et al. 2006).

The success of a social venture is accomplished by cooperating with different social actors and an effective stakeholder management (J. Thompson, Alvy & Lees 2000; Mair & Martí 2006) as indicated by the integration of stakeholder theory into the (social) entrepreneurship concept. In order to generate additional benefits such as social capital or social cohesion active stakeholder participation as well as effective governance structures are required (Di Domenico, Haugh & Tracey 2010; Dart 2004b). Furthermore the economic surplus is rather distributed among the key stakeholders, paying adequate

wages, charging below market prices for their services and becoming known to do so which increases reputation. (see chapter2.3)

Moreover a business model and value creating strategies, placing great emphasis on innovation to solve social problems (Weerawardena & Mort 2006), are integral components of SE. New approaches include the creative application of existing services with novel combinations of resources (Dees 1998b), new services, for example as a supplement for government services which have been inadequately provided (Dees 1998a; Zahra et al. 2009) or more cost-effective ways of delivering the social value (Dees & Anderson 2003a). Alvord, Brown and Letts (2004) characterize innovation as building local capacity (working with marginalized populations and their existing capabilities) or creating grassroots movements that empowers people to challenge existing institutions.

Additionally social entrepreneurs relentlessly pursue new opportunities for improvements to provide social value in a superior way, a persistence which is also displayed by commercial entrepreneurs (Dees 1998b; Peredo & McLean 2006). They actively seek to identify and acquire new potential clients and markets (Weerawardena & Mort 2006). Opportunity identification might be based on stakeholder suggestions, but also idea articulation and discussion with peers usually takes place (Haugh 2007), stressing the importance of key stakeholders throughout the formation of entrepreneurial activity.

3.3.2 Social elements

As described earlier, the social value proposition (SVP) is at the heart of SE. Society benefits by entrepreneurs creating value for the public good that can have transformative impact (Austin et al. 2006). ‘‘[F]or social entrepreneurs, the social mission is explicit and central (…) Mission-related impact becomes the central criterion, not wealth creation’’ (Dees 1998b, p.3). According to the mission activities are grown or shutdown (Weerawardena & Mort 2006). The contribution to the welfare in a given community (Peredo & McLean 2006) is the most important distinction to business entrepreneurship. Dart (2004b) notes that the distinctions between classic nonprofit organizations to “hybridized” social enterprise are also strong in terms of mission. While non-profits usually have a solely proscial mission, social enterprises developed a double bottom line approach consisting of both economic and social outcomes.

Di Domenico et al. (2010) also highlight the concept of bricolage[1] i.e. social entrepreneurs trying to make the most out of the resources they have at hand. These entrepreneurs acquire resources from different sources through the use of networks and they provide novel combinations in order to solve a distinct problem reflecting the entrepreneurial management approach of Stevenson and Jarillo (1990). Improvisation enables them to pursue their activities within the constraints of limited resources. Finally, other significant actors are persuaded to leverage the acquisition of new resources, to support and to allocate funds where they are most needed (Dees & Anderson 2003a).

Social ventures also adopt the function of change agents, trying to achieve "systemic changes and continuous improvements, tackling underlying causes instead of the symptoms (…) within their environment. [This] reflects a recognition of institutional pressures in which the social enterprise moves beyond the constraints of institutional rules and structures to fashion its own bundle of resources and repertoire of strategies and activities" (Di Domenico et al. 2010, p.19). They introduce new innovative paradigms through collective action at critical leverage points which catalyzes change within the larger social system, taking into account economic, social and political challenges. Therefore leaders are obliged to identify and prioritize the key stakeholders for their strategy to create the kind of transformational change they envision (Alvord et al. 2004). This role as an "institutional entrepreneur" is also taken by social intrapreneurs already possessing a distinct set of internal and external stakeholders as well as a certain mission (Kistruck & Beamish 2010).

Evidence for diverse funding is also provided (Austin et al. 2006; Foster & Bradach 2005). Social enterprises inherited this attribute from traditional non-profit organizations which relied on member fees, government funds or grants (Dart 2004b). Commercial opportunities and efficiency to generate less restricted funds and achieve financial sustainability are attractive because donations and grants are often restricted to certain projects. Furthermore revenues from markets such as fees are easier to grow than donations or other forms of philanthropic funding. These activities do not necessarily drive out their philanthropic ones but the danger is present, therefore organizations should enhance their financial portfolio in both directions focusing on the mission related performance (Dees 1998a).

1 Bricoleur is a French word for someone who builds or cobbles something together from what resources are at hand. Bricolage represents the process.

3.3.3 Social entrepreneurs

As the management perspective is suitable to identify stakeholders and since executives have a relationship with key actors (Mitchell et al. 1997), the function of social entrepreneurs in terms of stakeholder involvement also provides valuable insights. In this regard Zahra et al. (2009) distinguish between three types of social entrepreneurs depending on which kind of context they operate in and what their mission's focus is.

The social bricoleur acts on a very local level hence, as a premise, Hayek (1945) highlights (tacit) knowledge, resources. Most importantly the opportunity to start the social venture can only be discovered within the context they operate in. Although equipped with a limited scope social bricoleurs are important, having a unique position as without them local social needs or problems would not be addressed. Typically they do not rely heavily on external resources or a network of suppliers resulting in them being independent of external stakeholders.

The existence of the social constructionist on the other hand is not necessarily caused by the use of local knowledge but rather by exploitation of opportunities and leverage by developing innovative products, goods and services (Kirzner 1973). These innovations then lead to systemic changes and expected social wealth in the future. They attend to social needs that have been inadequately addressed by other institutions, such as non-governmental organizations (NGOs) or government agencies. Furthermore they acquire resources through collaborative ventures or cooperations to build, sustain and grow their organizations. These circumstances may lead to constraints for their social mission and require effective management of a complex web of stakeholders such as other partner organizations, donors, professional employees and volunteers.

The social engineer addresses systemic social problems whose solution lies outside the social systems boundary thus requiring revolutionary change. They introduce innovative changes including a replacement of decadent institutions with more socially efficient ones in case they have become barriers to reform. This resembles Schumpeter's (1942) business entrepreneurs. Their mission requires above all legitimacy to serve as a change agent organizing broad support which they often find in building catalytic alliances.

3.3.4 Operating sector and organizational identity

As shown in the previous chapters, the SE concept is not tied to any legal form (Austin et al. 2006) nor is it clear what social entrepreneurs do and in which sector they operate. Concerning the sector 3.3 shows areas where social enterprises could have their activities:

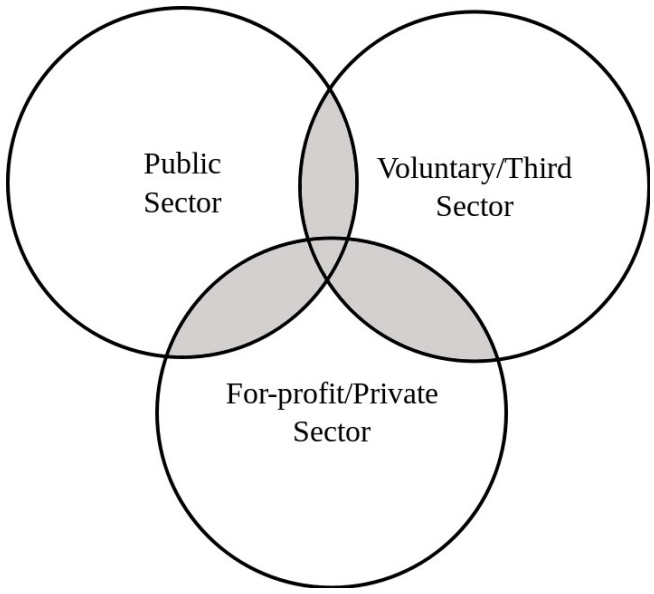

Figure 3.3: Sources of social entrepreneurship

Source: Leadbeater (1997)

Non-profits as well as for-profit and hybrid entities (a combination of both non-profit and for-profit organizational features) constitute social enterprises whereas hybrids account for most of them (Roper & Cheney 2005). The decision whether SE is incorporated into a non-profit or for-profit legal form often depends on the specific business model and the social needs the entrepreneurs tend to serve (Mair & Martí 2006). While the term is most commonly attributed to “a socially engaged private sector” or “more entrepreneurial approaches in the not-for-profit sector” there are also initiatives largely or wholly within the public sector which are framed similarly (Roper & Cheney 2005, p.97). Dees and Anderson (2003b) call this phenomenon “sector bending” when non-profits adopt business practices such as interaction with competitors, contractors and collaborators, the imitation or conversion of products or services or even industry creation (e.g. eco-tourism or community development finance).

Throughout all three sectors SE is framed by a spectrum of commercialization towards key stakeholders (see 3.2) such as beneficiaries, donors, workforce and suppliers. (Dees 1998a). Similarities were also found by Nicholls (2005) who saw voluntary activism on one side and corporate social innovation on the other side of the continuum.

Table 3.2: Social entrepreneurship spectrum

		Purely Philanthropic	⟷	**Purely Commercial**
Motives, Methods and Goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stakeholders	Beneficiaries	Pay nothing	Subsidized rates or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts or mix of in-kind and full-price donations	Market-rate prices

Source: Dees 1998a

Within this continuum integrated SE (Dees & Anderson 2003a) emerged characterized by a dual social and financial goal – the double bottom line: Firstly there are non-profit business ventures being run as commercial enterprises even though they are prevented from distributing their economic surplus. However they are entitled to use philanthropic support in the form of donations or grants. Secondly social ventures exist that are legally incorporated as for-profit entities thus in control of one particular group who are eligible for the earnings. Nevertheless these firms are designed and committed to a social purpose, serving the society or the common good – usually this can be found in the mission statement (Emerson & Twersky 1996).

The ongoing emphasis on proficiency contrasts with many of the ideals of the public/non-profit sector, government agencies or NGOs, which are dedicated to nurture the common good (Zahra et al. 2009). There is a risk of pursuing self-interested goals in the name of an alleged ethical behavior rather than sticking to the social mission. Thus, “while an entrepreneurial orientation can produce desirable change, its effects could also leave clients with compelling needs unserved, marginalized, or force some to pay for services that others may get at a lower rate” (Zahra et al. 2009, p.527). This was also

confirmed by a study of organizational identities (Moss et al. 2010), which revealed that social ventures have growth aspirations and entrepreneurial orientation on the one hand but on the other hand they also include normative ideas especially focusing on people (stakeholders) and feeling a responsibility for the society at large. Bearing in mind these diverging aspects of its identity, the possible ways of measuring the outcomes of social entrepreneurial activity in order to incorporate both dimensions are discussed below.

3.3.5 Determinants of success

Unlike business enterprises, where performance measurement systems gradually evolved over time as a combination of accounting standards or regulations, social value creation still lacks a unifying approach (Nicholls 2009). These greater challenges exist due to the non-quantifiable and intangible resources they use (Austin et al. 2006).

First of all it is necessary to clarify what parameters exactly shall be measured. Although currently valid and reliable measures of social wealth do not exist, some scholars (e.g. Nicholls 2009; Nicholls 2005; Zahra et al. 2009) suggest total wealth (or blended value) as a measurement for the contributions of SE. Total wealth accounts for both the economic and social dimension (double bottom line) and the concept suggests how entrepreneurs can potentially shift resources between their activities to maximize their total performance.

While commercial markets reward entrepreneurs for superior performance this is not necessarily the case for the social market, leaving space for inefficient implementation of the social objective. “In particular, markets do not do a good job of valuing social improvements, public goods and harms, and benefits for people who cannot afford to pay. These elements are often essential to social entrepreneurship. (...) As a result, it is much harder to determine whether a social entrepreneur is creating sufficient social value to justify the resources used in creating that value. The survival or growth of a social enterprise is not proof of its efficiency or effectiveness in improving social conditions. It is only a weak indicator, at best” (Dees 1998b, p.3). This could be prevented by introducing high standards for transparency, feedback and accountability to all kinds of stakeholders, especially those who contribute directly (Haugh 2007).

Secondly the type of measurement is to be selected. Market prices or proxy goods to test the beneficiaries' willingness to pay for the services are not available since social enterprises often operate because of market failures. Again the comparison between different

kinds of social outcome poses problems, too (Nicholls 2009; Foster & Bradach 2005). "Although there is no single measure such as the rate of return to align the interests of all parties involved, the social enterprise's mission often provides a common anchor for diverse stakeholders. It is critical for social entrepreneurs to have a clear understanding of their enterprise's theory of change, or the process by which the social innovation is going to have a social impact" (Austin et al. 2006, p.15). This impact is neither easily calculated nor attributed to a specific intervention. That results in the difficulty to match complex input factors (donations, membership fees, government subsidies, grants, voluntary labor, market income or social capital) with the achievement of the mission because this could affect all areas of society (Nicholls 2009).

Finally the purpose of reporting is to gain trust and legitimacy (Suchman 1995). Thus social entrepreneurs recognize the need for innovative accounting principles complying to quantitative market standards and reflecting social impact (Nicholls 2009). Defining a causal link between non-financial performance measures and the achievement of the mission provides the basis for a strategic choice within the organization. Society is therefore granting the reporting organization a mandate to operate by creating (or destroying) perceptions of its accountability and legitimacy (Suchman 1995), resulting in enhanced stakeholder accountability, transparency and stakeholder engagement from their part (Dart 2004a). Thus "blended value accounting is used by social entrepreneurs to access resources and realize organizational mission objectives with key stakeholders" (Nicholls 2009, p.764).

The social return on investment (SROI) is a sophisticated accounting framework which is based on the considerations above. The SROI metrics measure two types of value created by social purpose enterprises – enterprise value (the financial return from the business), and social purpose value (the monetizable public cost savings and new taxes generated by individuals while employed by the social purpose enterprise). Looking at these values separately enables the investor to gain a deeper understanding of the impact of the investment (REDF 2000). These two elements are used to calculate the blended (combined) return on investment the venture generates. The SROI covers direct or indirect effects on target stakeholders as they are included into the organizational boundaries (scope) which are set before and it tries to examine the extent of outcomes, which would have happened without the intervention. Similarly Sharir and Lerner (2006)

stated that the achievement of the mission as well as the possibility of continuous operation by acquiring the necessary resources also represents an indicator for success. Table 3.3 provides an overview of the presented measures.

Table 3.3: Social enterprise performance measures

Indicator	**Type**	**Reporting technique**	**Focus**
Financial accounting	Quantitative	Objective measure	Financial
SROI	Quantitative/Qualitative	Objective measure	Social and Financial
Mission achievement	Qualitative	Self-reported	Social
Survival	Qualitative	Objective measure	Social
Continuation of service	Qualitative	Self-reported	Social
Expectations of stakeholders	Qualitative	Self-reported	Social

Source: Own investigations

3.4 Context: Social entrepreneurship in Europe and Germany

In this chapter, the interactions between social entrepreneurial activity and its institutional context are described. It is crucial to understand them since the majority of the literature cited above refers to SE within the American public bodies. In Europe SE appeared within the third sector[2] a few years before it emerged in the US (Borzaga & Defourny 2001). The main focus lies on activities within the social economy. The initiatives, legally incorporated as non-profits or co-operatives, usually motivate themselves by the impact on the community (Nyssens et al. 2006). European scholars try to locate social enterprises within this field of non-profits as classic business organizations on the one hand and “social economy” co-operatives, mutual societies and associations on the other hand, with their specificity to benefit either their members or a larger collectivity. SE in this context is seen as a “bridge” between two concepts which might cause tensions as there are fundamental differences concerning the marketization of most co-operatives and the non-economic character of movement activities. Thus social enterprises have been positioned "at the crossroads of market, public policies and civil society" (Defourny & Nyssens 2008, p.5).

SE in Europe focuses on several aspects, which makes it different to most American approaches: The mode of governance involves people belonging to a community and dif-

2 The third pillar of society besides the market and the state is civil society. In this sector, individuals and organizations address problems the state is not able to or does not have the resources to address. It is made of individuals feeling responsible for the economic, political, environmental, social and cultural development.

ferent stakeholders through formal or informal channels rooted in the third sector. Accordingly financial sustainability is not required, on the contrary, social enterprises depend on the contributions of is members or affiliates. Additionally, the economic activities they undertake must be explicitly linked to the social mission, whereas in most American definitions a separation between both activities is possible (Kerlin 2006). Finally a close interaction between the social enterprise and public policies, reciprocal in nature, is highlighted. The venture is shaped by its external environment yet influences institutional actors thus contributing to the development of public policies (Nyssens, Adam & Johnson 2006).

A comparison of the institutional environment in Europe and US (Kerlin 2006) revealed that overseas the orientation towards business and private sector including foundations, charitable trusts and SE accelerators which provide funding and the connections to key stakeholders dominate whereas in Europe the focal point is the provision of social services mainly for governmental institutions tying SE to government and EU support. The main purpose of social enterprises in Europe, among other care services, is the struggle against structural unemployment and exclusion which reflects the heightened involvement of beneficiaries. Acting as “work integration social enterprises” (WISE) for disadvantaged and long-term unemployed trying to reintegrate them by shaping labor market policies and employing these groups themselves in order to provide goods and services for the market (Nyssens et al. 2006). This narrow range of services constitutes a major challenge for social enterprises throughout Europe although recent trends indicated a growth in other areas as well, e.g. childcare, local development and community services (Defourny & Nyssens 2008). In the US, these firms are found in a greater variety of sectors which makes them important players in the market. But this market orientation could lead to the exclusion of specific groups, unable to pay for these services and the deterioration of resources when mission related income becomes less attractive. Finally a reduced reliance on key stakeholders (e.g. donors, members or communities) leads to a loss in social capital and resulting opportunities (Kerlin 2006). A brief comparison of SE in Europe and the United States can be drawn from Table 3.4.

Table 3.4: Comparative overview: Social enterprise in Europe and the US

	United States	**Europe**
Emphasis	Revenue Generation	Social Benefit
Common Organizational Type	Nonprofit	Association/Cooperative
Focus	All Nonprofit Activities	Human Services
Types of Social Enterprise	Many	Few
Recipient Involvement	Limited	Common
Strategic Development	Foundations	Government/EU
University Research	Business and Social Science	Social Science
Context	Market Economy	Social Economy
Legal Framework	Lacking	Underdeveloped but Improving

Source: Kerlin (2006)

In some European countries, however, the concept of social enterprise is neither part of the political agenda nor of the academic discourse outside a small circle of experts. This is in particular the case in Germany. Most likely, this might be mainly caused by the fact that the German socio-economic model is based on a wide social partnership agreement around the concept of "social market economy" (Siebert 2005), interpreted as a specific articulation between the market and the state to foster socio-economic development which is essentially based on the concept that the market is the fundamental means of allocating resources. At the same time, the state plays a regulatory role to assure a socially acceptable outcome characterized by high public and social expenditure (Rhodes & Meny 1998). “Within such an environment , the specific roles of social enterprises – or the social economy as a third sector – are particularly difficult to highlight” (Defourny & Nyssens 2008, p.8). That is why most decision-makers in the political and social class do not acknowledge the development of new approaches, considering widespread SE as an option.

The German third sector is regarded as “amorphous” including a wide variety of non-profits, jobless movements, voluntary organizations, various forms of social enterprises and integration companies. Moreover the sectors contain fields where the state and market have been less developed such as community care or environment and ecologic purposes (OECD 1999). The dominant source of income in non-profit organizations in Germany is public sector payments, which is consistent with the principle of subsidiarity, thus the civil sector in Germany has stronger ties with the state than with the market (Priller & Zimmer 2000).

The special challenges, faced by social entrepreneurs , arise mainly from the socio-economical and political environment. Germany's comparably well functioning welfare system might not give as much business opportunity to social entrepreneurs (Priller & Zimmer 2000). While the state administers a big tax budget, the level of private donations is relatively low. Especially education and health care sectors are strongly regulated by the state leaving less room for private initiatives. Moreover Germans have the tradition to put state and church at the center of social welfare. People therefore are suspicious towards social ventures that are profit oriented, and might prefer pure not-for-profit organizations. Finally, social entrepreneurs often depend on the philanthropic capital markets for some portion of their funding, but the foundation sector and philanthropy for social entrepreneurs are far not as well developed in Germany than in the U.S. (Achleitner, Pöllath & Stahl 2007).

4 Synthesis: Managing for stakeholders in social ventures

As mentioned above, stakeholder theory (Donaldson & L. E. Preston 1995; Freeman 1984; Goodpaster 1991; Jones 1995) seeks to explain how organizations can prioritize and manage relationships with identified stakeholders to be more successful. The integration of the model into the entrepreneurial process and the importance of key stakeholders for social entrepreneurs underlines the theoretical relevance and potential fit since both approaches have a normative core as an underlying principle of action (Donaldson & L. E. Preston 1995; Zahra et al. 2009). Despite considerable criticism of the model as not being operational (i.e. accountable to one stakeholder group, namely shareholders), the impact of that defect upon the applicability of the model to social enterprises is scant, since the shareholder group is absent in most organizations (Mason, Kirkbride & Bryde 2007). As they create social value rather than only personal or shareholder wealth (Austin et al. 2006), social enterprises are widely viewed as stakeholder organizations, whose asset base is owned by the community (Low 2006). This qualifies the SE concept for a multi-stakeholder analysis. So "one of the tasks of stakeholder management is interpreting the nature of stakeholders' expectations and weighing the appropriateness of the expectations against the values and mission of the organization, the executives' professional norms, and the organization's own interpretation of the public good. Consequently, executives (...) have some discretion in how they manage stakeholder relations" (Balser & McClusky 2005, pp.295-296). Throughout the following paragraphs it is clarified who these stakeholders are and how an effective management could be linked to the overall performance. Finally hypotheses are derived that form the basis for the empirical investigation.

4.1 Stakeholder groups in social enterprises

According to Leadbeater (1997) social entrepreneurs excel at activating a diverse network of people, private sector companies with which they form partnerships and alliances to tackle social problems. To conceptualize these relationships, the generic stakeholder model provides a network view on the organization in terms of stakeholder attributes. Additionally the primary stakeholder classification scheme was applied since the view of the organization as an interdependent relationship of primary stakeholders is adopted (Donaldson & L. E. Preston 1995; Jones 1995).

Thus, for the following investigation key stakeholder groups (beneficiaries, employees, volunteers and funders) of social enterprises have been selected that are indispensable to the organizations' survival. They directly provide valuable resources such as human, social or financial capital in the case of employees, funders and volunteers (Leadbeater 1997; Haugh 2007; Di Domenico et al. 2010; Certo & T. Miller 2008) standing in a formal or informal relationship with the organization. They could affect social enterprise performance because of their bargaining power (Nicholls 2009). On the other hand the organizations' relationship towards its beneficiaries is critical with regard to mission accomplishment (Dees 1998b; Austin et al. 2006). Below, the relevance of each group for social ventures is outlined.

4.1.1 Beneficiaries

The social entrepreneur's transactional relationship with the consumer of its goods or services is quite distinct from the commercial entrepreneur's. The former often has little or no economic capability and few consumption alternatives. Consequently, social consumers have little or no economic/market power to exercise in the transactional relationship with the social enterprise. Either the beneficiary is unable to pay (e.g. natural environment) or fees would prevent some potential users from the services (Dees 1998b; Foster & Bradach 2005). "Thus, the market mechanism, through which consumers choose, is virtually absent for social entrepreneurs. Third-party payers or sources of subsidy fill this economic vacuum. Consequently, many social entrepreneurs consider their funders as their primary clients" (Austin et al. 2006, p.14).

Nevertheless social entrepreneurs are obliged to deal with their clients' complex needs, satisfying them by using a variety of different services. But also beneficiaries preferences could lead the venture away from its mission, notably when third-party payers account for the services or when the social impact is hard to measure for the individuals who do not have insights into the social value creation process (Dees & Anderson 2003a). A further challenge lies in the development of a strategy, "weighing the various benefits and concerns with each deal, and to create a portfolio that sustains the organization and enables it to expand nationally to serve its clients and to carry out its mission most effectively" (Austin et al. 2006, p.15).

4.1.2 Employees

People are undoubtedly the most valuable resource to a venture thus management should spend a significant amount of time and money recruiting people with cultural fit, who share the core values and thus are committed to the dual (social and economic) objective. Full time staff members are vital hence innovation, entering into new markets and entrepreneurial behavior are more difficult to obtain when they are absent (Leadbeater 1997).

However social entrepreneurs are rarely able to pay market wages (Dees & Anderson 2003a). New incentive schemes are required in order to attract qualified personnel, since the monetary compensation of employees in the social sector is lower than in comparable positions in the business sector (A. E. Preston 1989). The renouncement of wage is regarded as a donation of labor to generate positive externalities which could explain the inward flow of qualified employees. To attract further highly skilled workers or executives Flannery and Deiglmeier (1999) suggest to adopt pay for performance schemes from the business world which need to be considered cautiously since a mission drift may be the consequence. In this regard for-profit social ventures might be able to attract more skilled personnel then traditional non-profit entities or government agencies because of higher financial rewards. Hiring employees with business and social background who fit into the context having different motivational factors (extrinsic and intrinsic) is as challenging as managing mixed teams of regular employees and volunteers because of “cultural differences” (Dees & Anderson 2003a).

A common strategy, especially in WISE, is to employ disadvantaged individuals and to provide them with training, in order to qualify them for positions in other (commercial) firms. (Dees & Anderson 2003a). Tension can be caused by the reduced productivity of these employees which is often limited due to their social and personal problems, putting the continuation of the social venture at risk. On the other hand, a full wage can contribute to the solution of their problems which results in the advancement of the venture's mission (Flannery & Deiglmeier 1999).

4.1.3 Volunteers

The OECD (1999) highlights several key aspects of volunteers for social enterprises. At first they contribute local knowledge and access to networks which are essential for social entrepreneurs in order to tackle the problems in their community. Often they func-

tion as advocacy actors for beneficiaries. By using volunteers organizations are able to make savings, reducing the total costs for employment still having professional expertise at their disposition. Additionally these people can provide social capital by building and maintaining relationships of trust with the state, consumers and other important actors. Thus they embody a strategic advantage of social enterprises vis-à-vis their business counterparts. Further, they ensure a mission focus and charitable character of the venture because of their voluntaristic values (Dart 2004a).

However volunteers represent an ambivalent part of the human resources in social enterprises. On the one hand the social entrepreneur does not pay them directly. On the other hand many of them are not adequately qualified for the tasks. They also represent a very fluctuating group of stakeholders, hence they have no contractual or formal relationship to the organization and depend exclusively on the alignment of the mission. Therefore they require a higher level of monitoring and coordination.

4.1.4 Funders

As indicated in chapter3.3.2social ventures rely upon various sources of funds including individual contributions, foundation grants, member dues, user fees, and government payments. These funders have a wide range of motivations and expectations. In addition to that foundations and government agencies as well as private actors impose different regulations on their funds and how they can be invested or used. This leaves many SE without unrestricted sources of capital (Austin et al. 2006).

Donations are usually tied to a specific purpose or project. Different donors pursue a variety of interests which need to be incorporated into the venture's strategy. According to Grønbjerg et al. (2000) the social entrepreneur needs to gain access to the network of the foundation which is possible through personal relationships (social capital). After gaining access the venture enters into competition with other firms that receive funds. This mechanism works similarly when the donor is a governmental organization.

Earned-income strategies should only be pursued if these activities contribute directly to the core mission of the social enterprise. Otherwise too many valuable resources would be bound, which prevents the venture from serving its main beneficiaries (Zahra et al. 2009). Besides, many non-profit organizations would not adequately calculate commercial activities, e.g. including donations and other forms of support into their income, as they lack essential business skills. (Foster & Bradach 2005).

The growth of enterprises has recently spurred the need for resources which led to the development of an innovative way to finance these ventures similarly to their business counterparts: Social venture capitalists (SVC). Miller and Il (2010) note that the funding rules for social ventures must be unique because of their dual identity to achieve social as well as certain economic goals (Moss et al. 2010). Criteria such as innovation capabilities, managerial experience and earned-income strategies influence perceptions of effectiveness by SVCs. Certainly the relationship with venture capitalists is not fully explored yet (Certo & T. Miller 2008). According to Dees and Anderson (2003a, p.10) "for-profit investors typically want a competitive return, which is a function of profit levels, perceived risk, and growth prospects". That is why more and more non-profit executives feel the pressure from funders to launch for-profit activities (Foster & Bradach 2005). While several scholars have argued that investors should look for a total return that includes financial and social returns (Austin et al. 2006; REDF 2000; Dart 2004a; Nicholls 2009), this idea has not yet caught on with the vast majority of investors potentially interfering with the achievement of long-term social goals.

4.2 Stakeholder management and social enterprise performance

Having outlined the stakeholder approach with the management in a central position and conceptional setting (SE) highlighting four key stakeholder groups, the central argument of this thesis becomes clear: The effective management of key stakeholders in social enterprises effects their performance. Mason et al. state that "a key aspect here is the appropriate management and measurement processes that facilitate communication and decision-making throughout the organization. (...) [M]anagers need to be given the scope to pursue stakeholders' interests most effectively" (Mason et al. 2007, pp.288-289). Consequently, by direct involvement of stakeholders the organization can adopt the culture of including the needs of its beneficiaries and other key groups and therefore reflecting the participatory and ethical base upon which these organizations are founded (Mason et al. 2007). This requires political skills since many social enterprises originated from the non-profit sector where a democratic approach to decision-making dominates. To meet these challenges, managers need the "capacity that enabled leaders to work effectively across many diverse constituencies" and an "operational organization, which refers to the actors (e.g. staff, volunteers) involved in the implementation of the initiative's fundamental activities" (Alvord et al. 2004, p.271). The challenge is to adapt

this system to the local and unique situation of the organization therefore requiring an understanding of the key stakeholders' needs.

To operationalize these claims, the point of view of the social entrepreneur provides valuable insights. Depending on the social value creation they envision, it involves stakeholder participation on every level of activity. Therefore the stakeholder identification and salience framework (Mitchell et al. 1997; Agle et al. 1999) is applied to social enterprises. Prior research (Austin et al. 2006; Leadbeater 1997; Dart 2004b; Mason et al. 2007) indicated that especially social enterprises depend on their key stakeholders for resource provision as a power dimension notably in the case of funders, employees and volunteers. Furthermore the legitimacy dimension could potentially provide explanations. Balser and McClusky (2005) viewed the maintenance of relationships to key stakeholders as essential for being legitimate and accountable. DiMaggio and Powell's (1983) organizational isomorphism describes how organizations adapt to such environmental and institutional pressures. This includes the acceptance of legitimate claims of stakeholders on the organization. The management must therefore reflexively comply to key actors (Nicholls 2010) and communicate these results through transparent routines in order to maintain their organization's legitimacy and to prevent the lack of trust. “This very tangible, exchange based idea of legitimacy denotes an attribution of social acceptability by stakeholder groups if an activity provides them with anything of value” (Dart 2004b, p.417). Finally urgency is supposed to call the management for immediate attention to a particular stakeholder claim allowing for the fact that the manager will act according to these demands or even “commit to action” (Mitchell et al. 1997) which could be relevant for managers of social enterprises as they have limited time and capabilities but a greater variety of stakeholders to deal with (Austin et al. 2006; Leadbeater 1997; Mort et al. 2003). Consequently social enterprise stakeholders are also regarded as highly salient and the management will act according to their demands if these three attributes are fulfilled. Thus I hypothesize:

H_1: The stakeholder attributes power, legitimacy and urgency are positively related to stakeholder salience.

The realization of stakeholder salience, i.e. effective management of different constituencies, has been proven beneficial for organizations (Hillman & Keim 2001; Eesley & Lenox 2006; Frooman 1999; Agle et al. 1999; Harrison et al. 2010). Similarly SE is

conceptualized as being successful by cooperating with different social actors and an effective stakeholder management (J. Thompson et al. 2000; Mair & Martí 2006). This link is established by the SE framework which characterizes SVP as function of stakeholder influences, notably the provision of capital (human, financial and social) and the development of an opportunity (Austin et al. 2006) which is generated by interacting with peers (Haugh 2007). Leaders of such organizations are obliged to identify and prioritize the key stakeholders for their strategy in creating the kind of transformational change they envision (Alvord et al. 2004). Especially the change of social constructionist and social engineer results in the necessity to involve stakeholders at different levels of their action. Thus key stakeholders have influence on the outcomes of the social venture, depending on the mission and structure. Subsequently it could be safely stated that executives giving priority to competing stakeholder claims (salience) as an implementation of their mission could positively effect performance. Therefore I hypothesize:

H_2: Stakeholder salience is positively related to social enterprise performance.

4.3 Tension and conflicts

Furthermore several stakeholder theorists have shown that managerial decision making contains significant tension, conflicts and a trade off between firm's interests and stakeholder interests as well as between different stakeholders in order to allocate resources strategically (Hill & Jones 1992; Jones et al. 2007). Since entrepreneurship involves joint activities coordinating external resources the venture depends on, possible conflicts between stakeholder interests become obvious (Venkataraman 2001). Although managers perceptions of conflicts differ across organizations and sectors, in general a negative influence is attributed (Jehn & Mannix 2001; Zaheer et al. 1998; Schwenk 1990). These conflicts (Nyssens et al. 2006) might have a worse effect on performance since some of the relationships in SE are non-contractual. For example tension caused by the limited productivity of disadvantaged employees (Dees & Anderson 2003a). Further, Dees (1998a) suggest a separation of regular employees from voluntary labor to avoid conflicts between them. Even if they do not work together regularly they could perceive each other as rivals. Additionally funders exercise pressure on the management to pursue profitable strategies which might conflict with the original mission or the beneficiaries (Foster & Bradach 2005). Consequently the wider and more diverse the net-

work of partners and supporters, the more conflicts could emerge due to this diversity. Accordingly I hypothesize:

H_3: Stakeholder conflicts are negatively related to social enterprise performance.

The question, whether the business approach itself is adequate for solving social problems, or whether it poses considerable risk, remains important. (Seanor & Meaton 2008). "Commercial and social dimensions within the enterprise may (…) be a source of tension" (Austin et al. 2006, p.3). This applies not only to existing social enterprises originating from the nonprofit/voluntary sector but also to newly created ventures as they both have to define their organizational identity, mixing the social and the economic objective. The phenomenon is called ambiguity of identity. Dealing with ambiguity reflects the calculated risk taking approach as one trait of a social entrepreneur. Consistent with the Sources of SE (see 3.3) and the SE spectrum these areas are fields where social enterprises operate respectively might find opportunities to tackle a social problem (Seanor & Meaton 2008). The uncertainty and tension might arise from the different preferences stakeholders have towards the mission which is a form of task conflict. For example volunteers and beneficiaries identify with the social mission whereas employees and funders have a legitimate interest in the economic viability of the venture. Therefore I hypothesize:

H_4: Stakeholder conflicts have a negative influence on the relationship between stakeholder salience and social enterprise performance.

4.4 Trust among key stakeholders

To make decisions in an ambiguous environment, characterized by uncertainty and possible conflicts, trust becomes an important positive factor (McEvily et al. 2003). It constitutes the basis for social capital and social enterprise networks which are formed by a trustworthy relationship between the social enterprise and its community of stakeholders. These trustworthy relationships and resulting knowledge spillovers are socially complex assets which could affect performance. Additionally trust reduces risk while working together (Mayer et al. 1995). Other advantages include the ease of sharing information and good practice, relationship reciprocity and the co-ordination of activities, projects and programs. It is one of the most important assets social entrepreneurs possess. Leadbeater (1997) pointed out that forms of social capital which underpin economic partnerships and alliances on the basis of trust, co-operation and shared values

give them access to needed resources they would not have had access to under market conditions. Consequently I hypothesize:

H_5: Trust among key stakeholders is positively related to social enterprise performance.

Further, the gradually application of business principles and the resulting dual identity (Moss et al. 2010), being both mission and market driven, having mixed motives (Dees 1998a) as incorporation of the double bottom line, necessitates trust and reliability towards its key stakeholders to maintain organizational legitimacy, hence producing the desired social outcome (Seanor & Meaton 2008). Based on that the community of stakeholders may also have assets "invested" in the venture on the basis of trust (Low 2006) which constitutes the importance of the relationship. Thus I hypothesize:

H_6: Trust among key stakeholders has a positive influence on the relationship between stakeholder salience and social enterprise performance.

Finally trust is a matter to reduce the costs of negotiation which would be necessary to reach an acceptable agreement for all participants thus lowering risk of conflict (Zaheer et al. 1998). It also provides the basis for an equilibrating mechanism to different stakeholder interests (Venkataraman 2001) which is especially relevant for SE since they depend more intensely on external stakeholders (Austin et al. 2006; Dart 2004a; Leadbeater 1997; Mason et al. 2007). Finally I hypothesize:

H_7: The more trustworthy the relationship between the organization and its stakeholders the less negative is the impact of conflicts upon performance.

5 Methods

5.1 Research model

Based on the theoretical assumptions of stakeholder management in social enterprises the research model (see 5.1) for the following investigation was built.

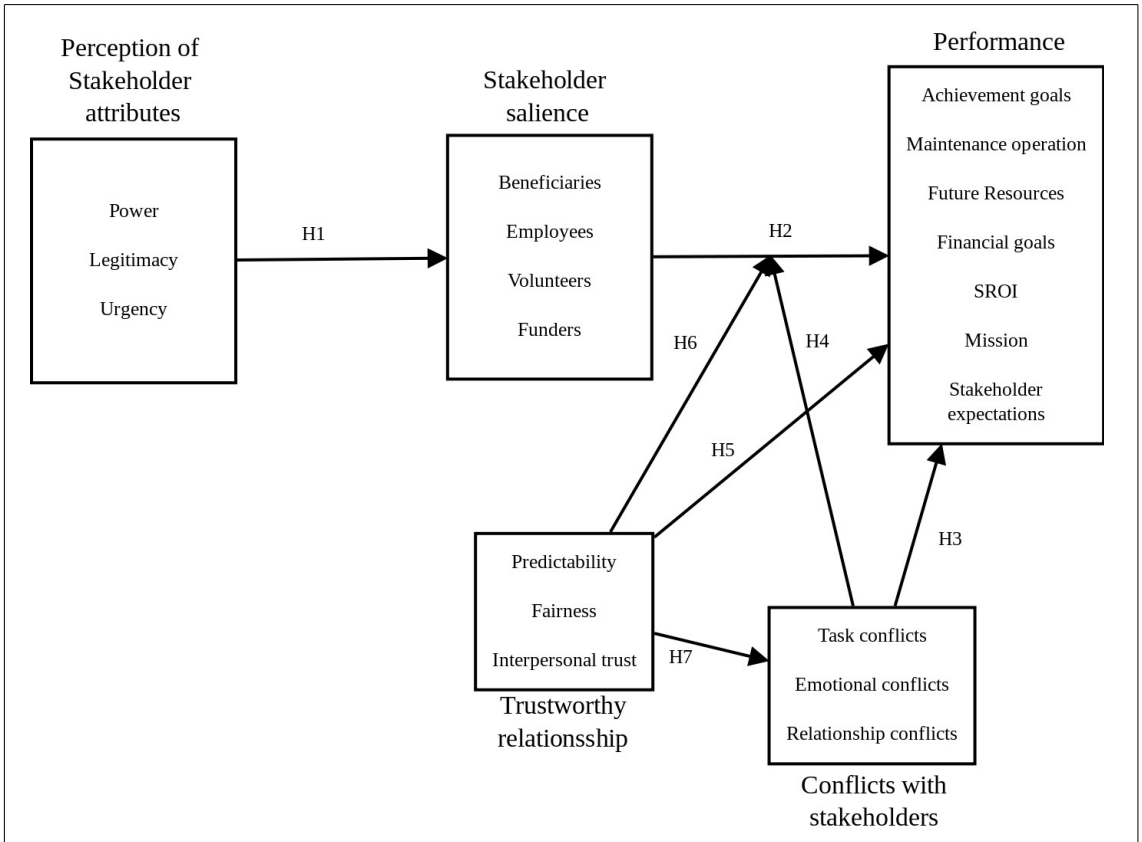

Figure 5.1: Research model: antecedents and outcomes of stakeholder management

Table 5.1 summarizes the hypotheses which have been built into the research model.

Table 5.1: Hypotheses of the research model

Hypothesis	Prediction
H_1	The stakeholder attributes power, legitimacy and urgency are positively related to stakeholder salience.
H_2	Stakeholder salience is positively related to social enterprise performance.
H_3	Stakeholder conflicts are negatively related to social enterprise performance.
H_4	Stakeholder conflicts have a negative influence on the relationship between stakeholder salience and social enterprise performance.
H_5	Trust among key stakeholders is positively related to social enterprise performance.
H_6	Trust among key stakeholders has a positive influence on the relationship between stakeholder salience and social enterprise performance.
H_7	The more trustworthy the relationship between the organization and its stakeholders the less negative is the impact of conflicts upon performance.

Source: Own investigations

The main research objective is to clarify how stakeholder relationships in a social enterprise could affect their success. Therefore the key stakeholders were selected (beneficiaries, employees, volunteers and funders) and which I believe represent a distinct feature of social enterprises in comparison to business ventures. They are also critical for the ventures' success. Using the concept of stakeholder salience (Agle et al. 1999) I try to predict performance by a multi-dimensional indicator developed from different success measures (Nicholls 2009; REDF 2000; Austin et al. 2006; Sharir & Lerner 2006). Furthermore I examined trust among stakeholders and possible conflicts as antecedents of these relationships.

5.2 Sample

I surveyed executives from 183 non-profit entities in Germany. Taking a sample from the same institutional background allows the assumption that the results are not affected by different institutional pressures. They are all legally incorporated as close corporations (GmbH – Gesellschaft mit beschränkter Haftung) ensuring a comparable enterprise structure.

Additionally all entities hold the status of charitable organizations, including tax exemption and other privileges which require a special mission or purpose within their articles of incorporation. (Abgabenordnung (AO) §§ 51 - 68) Accordingly they are obliged to serve the public good, not preventing any individuals to take advantage of this service. The field of operation has to include the advancement of science and research, religion, youth and elderly care, art and culture, environmental protection or development aid etc.

My sample consists of young social enterprises up to the age of seven years and older organizations which have undertaken social entrepreneurial activities, such as the creation of new subsidies and the reconfiguration of internal structures and resources ("social intrapreneurship") within the same period of time.

The combination of the attributes of close corporation with the status of non-profits and the selection of entrepreneurial activities constitutes the suitability for a social enterprise analysis. I gathered the primary data for the study in July and August 2010, using an online survey and invitations (with two mailed follow-ups and one phone follow-up to nonrespondents) sent to executives from the Hoppenstedt firm database[3]. Finally 29 surveys have been returned resulting in a response rate of 15,8%.

3 Hoppenstedt firm database: http://www.wiso-net.de [Accessed June 8, 2010]

5.3 Measures

Reliable measures from peer-reviewed journals such as the Academy of Management Journal (Agle et al. 1999; Jehn & Mannix 2001), Organization Science (Zaheer et al. 1998) and Journal of World business (Sharir & Lerner 2006) are used as main variables to ensure quality and reliability of the constructs.[4] Each item is evaluated for the selected primary stakeholder groups: beneficiaries, employees, volunteers and funders.

5.3.1 Stakeholder identification and salience

To characterize stakeholder claims on the social enterprise from the management point of view, I selected the stakeholder identification and salience framework as it has been tested and confirmed on commercial enterprises. In a prior study, Mitchell et al. (1997) developed multiple items for measuring each of the power, legitimacy, urgency and salience constructs. For example, the item used to measure stakeholder salience, "This stakeholder group was highly salient to our organization (definition: received high priority from our management team)," linked high salience to "strongly agree" and provided measurement for a range of salience levels as defined by a five-point Likert scale. (1, least important, to 5, most important).

5.3.2 Conflicts

As stated earlier the “underlying concept of stakeholder theory is managing potential conflict stemming from divergent interests” (Frooman 1999, p.193) which involves a high level of balancing interests toward higher success of the firm (Jones 1995; Donaldson & L. E. Preston 1995). Social enterprises are particularly effected as they feature heterogeneous groups of stakeholders (Leadbeater 1997; Austin et al. 2006; Mort et al. 2003) and a dual identity (Moss et al. 2010).

To examine the conflict with stakeholders, perceived by the executives of the social enterprises I used constructs developed by Jehn and Mannix (2001): Task conflict, relationship conflict and process conflict. Each of them was evaluated with a three-item scale. For example one item of task conflict (“How often are there disagreements about who should do what in your relation with this group?”) linked high conflict to “very often” and other levels of conflict have been measured correspondingly on a five-point Likert scale.

4 The full questionnaire, which was translated for the use in Germany, can be found in the Appendix.

5.3.3 Interpersonal trust

Firms which contract with their primary stakeholders on the basis of mutual trust and cooperation are likely to achieve higher performance and increase organizational legitimacy in the face of ambiguity. Also interpersonal trust can act as a mean to reduce conflict stemming from different interests which is especially true for social enterprises hence they display a very heterogeneous group of stakeholders (Zaheer et al. 1998; Seanor & Meaton 2008).

Therefore in consistency with Zaheer et al. (1998) I used the five-item scale for interpersonal trust which includes one item related to predictability, three items related to fairness, and one item that directly assesses interpersonal trust. For example the item concerning fairness, “This stakeholder group has always been evenhanded in negotiations with me.” was equally measured on a five-point Likert scale.

5.3.4 Performance

According to the discussion of different performance indicators in chapter3.3.5I developed a success variable containing self-reported success measures. First of all I used key aspects which contribute to the success of social ventures identified by Sharir and Lerner (2006, p.8): “(1) The degree to which the social venture achieve its declared goals; (2) the ability of the venture to ensure program/service continuity and sustainability by acquiring the resources necessary to maintain current operations; and (3) the measure of resources available for the venture’s growth and development.” For example “To what extent did you achieve your declared goals in the past operating year?” evaluated the mission achievement. The executives were asked to state their agreement on a five-point Likert scale, linking “Absolutely” to the highest degree of achievement.

Additionally I considered the fulfillment of several aforementioned performance indicators: Achievement of the mission; (Austin et al. 2006) Financial measures; (Nicholls 2009) and SROI. (REDF 2000) Finally the fulfillment of stakeholder expectations was included as stakeholder management constitutes the basis for legitimacy of social enterprises (Dart 2004b). In consistence with other measures used in this thesis I also employed a five-point Likert scale here. All parts of the construct have been equally weighted to calculate the overall (mean) performance indicator.

5.4 Data analysis

To analyze the data I performed a multivariate regression and correlation (MRC) as it is applicable and commonly used to test hypotheses by researchers in the behavioral sciences (J. Cohen, P. Cohen, Aiken & West 2009; Fidell & Tabachnick 2009). It "is a highly general and therefore very flexible data analytic system. Basic MRC may be used whenever a quantitative variable, the dependent variable [DV] is to be studied as a function of, or in relationship to, any factors of interest, the independent variables [IVs]. (J. Cohen et al. 2009, p.1) The components of the prediction equation are listed below.

$$\hat{Y} = B_1 X_1 + B_2 X_2 + B_3 X_3 + ... + B_0 + \varepsilon$$

with the following elements:

$\hat{Y}$ as the dependent variable (DV)

X_k as the independent variables (IV)

B_i as regression coefficients

and an error term ε

When this equation is applied to the data, "(...) it yields a set of $\hat{Y}$ values (one for each of the n cases) for which the sum of the $(Y-\hat{Y})$ values over all n cases will (again) be a minimum. B_i is the average or expected change in Y for each unit increase in X_i when the value of the $_{k-1}$ other independent variables is held constant. The application of the regression to the IVs yields a set of estimated $\hat{Y}$ values. The simple product moment correlation of Y with $\hat{Y}$ equals the multiple correlation R". [R^2 is the proportion of Y variance accounted for by using the regression equation . However the R^2 which can be obtained from a sample is not an unbiased estimate of the population.] "Because of random sampling fluctuation there would always be a contribution to R^2 even if the partial impact of this variable is zero. Thus the more IVs in the sample the larger the R^2 gets. To eliminate this effect the shrunken R^2 was introduced taking into account the number of IVs in the regression" (J. Cohen et al. 2009, pp.82-83).

Tabachnick and Fidell (2009) discuss model premises of multivariate regressions. First of all the absence of multicollinearity and singularity need to be fulfilled which can occur if the IVs themselves are highly correlated or if interactions among IVs are included. Furthermore normality, linearity and homoscedasticity of residuals have to be

fulfilled which means that residuals “are normally distributed about the dependent variable (DV) scores, that residuals have a straight-line relationship with the DV scores and that the variance of the residuals about predicted DV scores is the same for all predicted scores” (Fidell & Tabachnick 2009, p.125). These facts are identified using a residual plot. The final assumption concerns the error term ε. Errors of prediction should be independent of one another which is measured by the Durbin-Watson statistic. A value around 2 indicates a fulfillment of this prerequisite (Verbeek 2008).

Moreover, I perform a test for moderator effects of different IVs which is “at the very heart of theory testing in the social sciences” (J. Cohen et al. 2009, p.255). In this regard it is necessary to separate between main effects of IVs and interaction among IVs. The former could be framed by the question “Holding all else constant, are mean differences in the composite DV among groups at different levels of an IV larger then expected by chance?”. The latter calls for the question whether “a change in the DV over levels of one IV depend on the level of another IV” (Fidell & Tabachnick 2009, p.247). Several models such as the dichotomization of continuous variables evolved, however J. Cohen et al. (2009) recommend to use the product term in the regression equation to determine the exact effect of the interaction. “If IVs are said to interact in their accounting for variance in Y (DV) when over and above any additive combination of their separate (main) effects, they have a joint affect” (J. Cohen et al. 2009, p.257).

To interpret the following results, the power of a statistical test (the probability of detecting an effect when that effect should in fact be detected) needs consideration. It is influenced by the alpha level set to test hypotheses (here indicated as a value of p), the strength of the association between variables (the adjusted R^2), the number of IVs and the size of the sample (Hair 2010). Thus, a low response rate and a correspondingly small sample could limit the interpretability of findings because of the increased probability of not detecting a relationship between variables where one actually exists (Agle et al. 1999). As in this sample the number of respondents for most of the analysis is 29, only a small share of the actual variance regarding the DVs can be explained given the common alpha levels of $p = 0.01$, 0.05 and 0.10 respectively.

My research model (see 5.1) is finally computed with the PASW Statistics 17.0 (SPSS) software package, using the sample from chapter 5.2, the measures from the following chapter and regression techniques from the preceding paragraphs. All variables have

been z-standardized before the calculations and missing values are excluded on a pair-wise basis. All scales have again been tested in terms of reliability (internal consistency), calculating the most commonly used estimate Cronbach's alpha (α) which “represents the mean of the correlations between all of the different possible splits of the scale into two halves” (J. Cohen et al. 2009, p.129).

6 Results

6.1 Descriptive statistics and correlations

Since this is one of the first empirical studies concerning social enterprises in Germany, I provide detailed descriptives which contain numbers regarding the institutional context, respondents' characteristics and performance metrics.

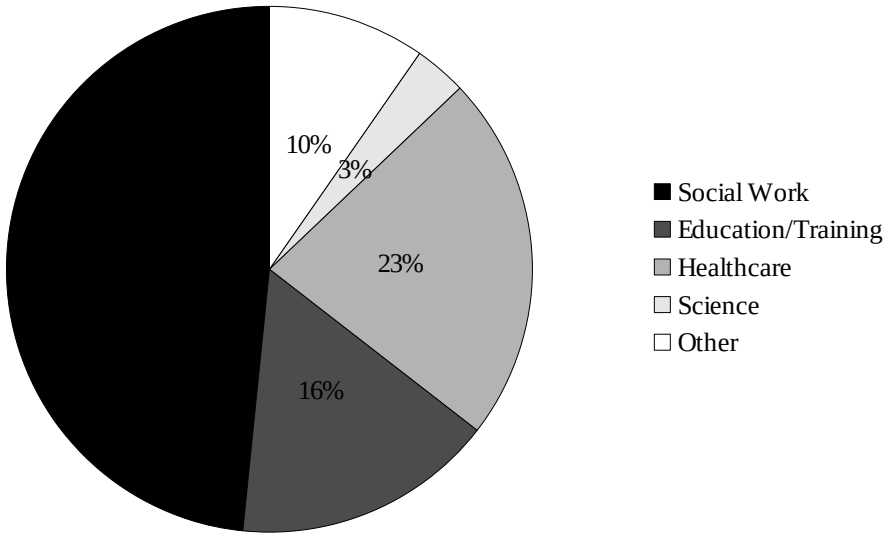

Figure 6.1: Industry distribution in sample

According to the data (see 6.1) most of the surveyed organizations operated within the social work domain (including WISE) followed by health care and education/training organizations. Only a small share (10%) originated from other industries such as culture or social marketing.

A large part of their financial resources come from government institutions. 41,3% of the organizations were even more than 90% publicly financed. The proportion of privately invested money is significantly lower. On average only 17% have been acquired from private donors and other funders.

Regarding the constellation of HR, regular employees dominate in the surveyed organizations, volunteers only played a subordinate role. Whereas the former, on average, constitutes nearly 73 % of the respondents total workforce, the latter only accounts for around 7 %.

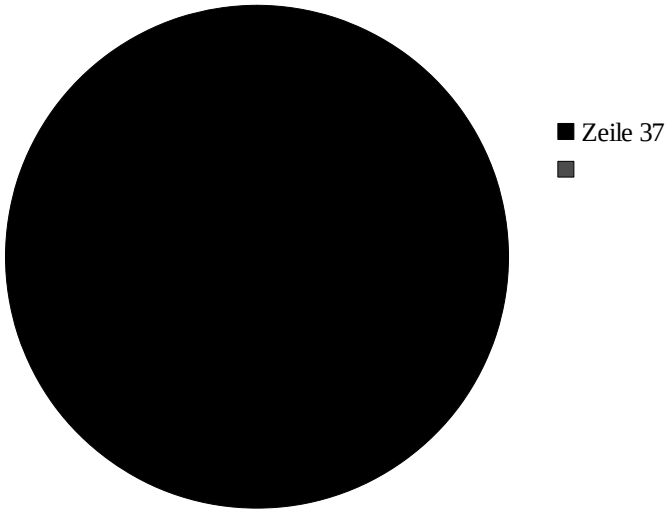

Figure 6.2: Education of respondents

Concerning the respondents' education and qualification, I found a large share (42%) from the humanities, followed by the executives who have been educated in the field of business administration. (39%)

Furthermore 88,9% of the respondents hold a bachelor or master's degree thus being highly qualified. They have worked more than 15 years at an average in the social sector before. On average one other organization has been founded by them, before joining the current organization and 41,4 % of the respondents founded their organization themselves. Also the surveyed executives have been working more than 10 years as an employer respectively entrepreneur.

Regarding the success measures about one-fifth of the respondents stated that financial accounts or the SROI are modest or even not important to determine their success. Other measures, notably mission achievement and expectations of stakeholder groups have been rated as “important“ or “very important” by at least 90% of the survey participants.

After a brief overview of the basic descriptives, various statistical tests are performed on the data according to the methodology outline above. Due to the limited sample size I renounce the use of control variables such as full time equivalents or the organization's age. Table 6.1 provides the means, standard deviations (SD), reliability estimates and correlations for the variables used to test the hypotheses of this research model. Each in-

dicator is computed using the mean of all surveyed stakeholder groups. (Beneficiaries, employees, volunteers and funders)

Table 6.1: Means, standard deviations, reliability measures and correlations

Variable	Mean	SD	α	1	2	3	4	5	6	7
1. Stakeholder Power	3.70	0.56	0.77	1						
2. Stakeholder Legitimacy	3.78	0.64	0.90	0.583***	1					
3. Stakeholder Urgency	3.42	0.73	0.76	0.683***	0.312*	1				
4. Stakeholder Salience	4.28	0.54	0.90	0.563***	0.608***	0.353*	1			
5. Stakeholder Conflicts	2.20	0.48	0.77	0.331*	0.161	0.254	-0.129	1		
6. Stakeholder Trust	3.46	0.58	0.68	0.121	0.226	0.143	0.282	-0.265	1	
7. Performance	3.95	0.46	0.73	0.060	0.225	0.018	0.385**	-0.514***	0.300	1

** p < .10 ** p < .05 *** p < .01*

In order to assure internal construct validity the measurement scales have been tested calculating Cronbachs alpha (α). A value around 0.7 is regarded as acceptable. For shorter scales (i.e. three items) even a lower value of 0.6 is sufficient (Nunally & Bernstein 1978). The reliability values of power (0.77), legitimacy (0.90), urgency (0.76) and salience (0.90) are appropriate for these three-item scales. Conflict as a 9-item scale also reveals a sufficient α of 0.77. The trust construct, consisting of five items has a slightly lower coefficient (0.68) yet it is adequate. The performance indicator, including 7 items is reliable (α = 0.73) as well.

Concerning the stakeholder identification framework, legitimacy and power ranked above 3.70, still urgency results have been lower and varied the most (SD = 0.73). On average stakeholder salience (4.28) and performance (3.95) are also high in the surveyed organizations as the constructs have been measured on a five-point Likert scale. On the other hand, conflicts with key stakeholder groups have been low (2.20) whereas trust is evaluated higher (3.46).

The statistics also indicate highly significant correlations for the main combinations of attributes: Stakeholder salience is significantly related to power, legitimacy, and urgency ($p < 0.01$, 0.01, and .10, respectively). Further we see that the performance indicator has a significant negative relation to conflicts ($p < 0.01$) and significant positive relation to stakeholder salience. ($p < 0.05$)

6.2 Regression

6.2.1 Power, legitimacy, urgency and salience

To test Hypotheses H_1, three univariate regression (Model I-III) to examine independent effects of the attributes, and a multivariate analysis (Model IV) are performed regressing the three stakeholder attributes, power, legitimacy, and urgency (IV), against stakeholder salience (DV). Table 6.2 provides the results of the different models. When regressing stakeholder power against salience, a highly significant ($p < 0.01$) effect of 0.307 is revealed. (Model I) Similarly legitimacy has an even stronger (0.334) and equally significant impact on salience in Model II. On the other hand, urgency, which is tested with an univariate regression in Model III, has a weaker (0.195) and less significant ($p < 0.10$) effect. Thus independent influence of the three attributes is detected.

The full Model (IV) indicates only a highly significant ($p < 0.01$) influence of stakeholder legitimacy on salience (0.240). The power coefficient is lower (0.143) and statistically insignificant. Urgency has only a very low and insignificant effect of 0.008. The Durbin-Watson statistic for residuals reveals no grave autocorrelation among the independent variables with a value of 2.519 which is near the recommended value of 2. The whole model has an effect size of 0.378 explaining more than a third of the variance in salience with power, legitimacy and urgency results. But only the legitimacy construct denotes a significant positive impact.

Table 6.2: Results of regression analysis: Power, legitimacy, urgency and salience

Variable (Model)	**Stakeholder salience (I)**	**Stakeholder salience (II)**	**Stakeholder salience (III)**	**Stakeholder salience (IV)**
Stakeholder attributes				
Power	0.307***			0.143
Legitimacy		0.334***		0.240**
Urgency			0.195*	0.008
Durbin-Watson	2.477	2.382	2.202	2.519
Adjusted R^2	0.293***	0.347***	0.092*	0.378***
F	13.022	16.381	3.841	6.118
n	29	29	29	29

** p < .10 ** p < .05 *** p < .01*

6.2.2 Salience, conflict, trust and performance

To test hypotheses H_2, H_3 and H_5, univariate regressions (Model I-III) and a multivariate regression (Model IV) were applied to the data, regressing salience as well as trust and conflicts (IV) against overall performance (DV). Table 6.3 provides the results for the univariate regressions and the multivariate model. They indicate highly significant ($p < 0.01$) support for the direct positive influence of salience (0.180) in Model I and a highly significant ($p < 0.01$) negative (-0.236) influence of conflicts (Model II) on overall performance. A positive effect of trust on performance (0.138) in Model III almost reaches the threshold to be significant ($p = 0.114$) which is possibly the fact due to the limited sample size. Concerning the multivariate results (Model IV), a significant ($p < 0.10$) impact of stakeholder salience (0.138) as well as a highly significant ($p < 0.05$) negative influence of conflicts is found. Trust has only a weak (0.045) and insignificant coefficient in this model. The whole model explains almost one third (0.301) with these three constructs. Eventually, no autocorrelation is detected since the Durbin-Watson static has a value of 1.888.

Table 6.3: Results of regression analysis: Salience, conflicts, trust and performance

Variable (Model)	Performance (I)	Performance (II)	Performance (III)	Performance (IV)
Attributes				
Salience	0.180**			0.138*
Conflicts		-0.236***		-0.210**
Trust			0.138(*)	0.045
Durbin-Watson	2.108	1.823	1.780	1.888
Adjusted R^2	0.120**	0.237***	0.056 (*)	0.301***
F	4.692	9.676	2.664	5.014
n	29	29	29	26

** p < .10 ** p < .05 *** p < .01*

Additional results reveal an equal influence of all tested stakeholders groups on performance. Relationship conflict (Jehn & Mannix 2001) has a significant negative influence on performance. Further conflicts with beneficiaries and volunteers tend to have a negative influence on venture performance however these calculations were not significant. With regard to the influence of trust among key stakeholders, results reveal a heightened positive effect of employee relations on overall performance.

6.2.3 Interactions between salience, trust, conflicts and performance

To explore antecedents of performance for social enterprises, moderator effects of trust and conflicts on the relationship between management and stakeholder groups are hypothesized. (H_4, H_6) These have been built into the Models I and II. Furthermore indirect effects of trust on the connection between conflicts and performance are investigated (Model III) according to hypothesis H_7. Therefore three univariate analysis of variances (ANOVA) are performed to reveal interaction effects. Results (see Table 6.4) indicate a significant ($p < 0.10$) main effect for stakeholder salience in Model I, however only an insignificant effect of trust (0.204) and a slight (0.006) and insignificant interaction effect (Salience*Trust) could be detected. The analysis according to Model II reveals significant ($p < 0.05$) main effects of salience (0.170) and conflicts (-0.202) while the hypothesized interaction effect (Salience*Conflict) is higher than in Model I but still not visible. The results from Model III show support for the main effects of trust (0.105) and conflict (-0.207) whereas the latter is also highly significant ($p < 0.05$). An interaction effect (Trust*Conflict) is visible (see 6.3) although these values are not significant. This model has not the largest effect size (0.243) still it explains almost one quarter of the variance of the performance indicator.

Table 6.4: Interaction effects: Salience, conflicts, trust and performance

Variable (Model)	**Performance (I)**	**Performance (II)**	**Performance (III)**
Main effects			
Salience	0.577*	0.170**	
Trust	0.204		0.105
Conflict		-0.202**	-0.207**
Interactions			
Salience*Trust	0.006		
Salience*Conflict		0.036	
Trust*Conflict			0.094
Adjusted R^2	0.092	0.299	0.243
F	1.945	4.990	4.000
n	29	29	29

**** p < .01 ** p < .05 * p < .10*

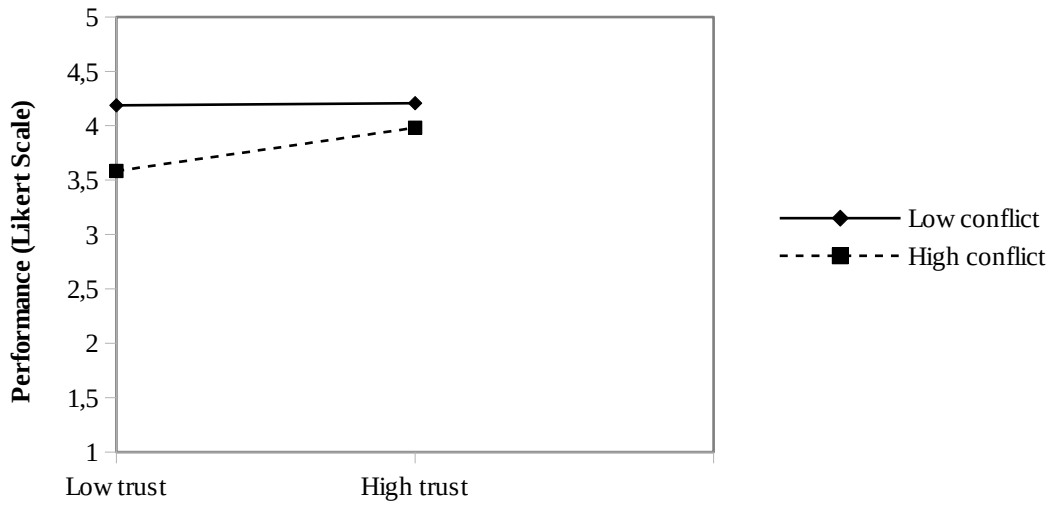

Figure 6.3: Interactions between trust and conflicts

6.3 shows the interaction of trust as a moderator on the relationship between conflict (IV) and performance (DV) according to Model III. Since the performance indicators have been measured on a five-point Likert scale the overall performance scale displays the overall correspondingly. While trust (whether high or low) does not determine performance outcomes when the level of conflict is low, the results indicate a positive influence of high trust on performance when the level of conflict is high.

7 Discussion and conclusions

Within this final chapter the survey results are being discussed and possible contributions to the literature as well as practical implications are outlined. Eventually limitations of this study in terms of statistical power, research model and institutional context as well as avenues for future research are depicted.

The empirical data confirms earlier theoretical work (Defourny & Nyssens 2008; OECD 1999; Priller & Zimmer 2000; Nyssens et al. 2006). With social work and education training organizations constituting the majority of the sample enterprises, the narrow range of social enterprise services provided in Europe, especially in Germany is reflected in the sample. Only a small proportion originates from other industries. Further I encountered a certain professionalism when it comes to the share of employee or volunteers labor on total HR. The former clearly exceeds the latter. That is probably the case as many non-profit firms are mature organizations, adapted to government regulations in the social security system. A large part of their financial resources derives from government institutions as predicted by Kerlin (2006) who described a strong EU/Government influence on social enterprises in Europe. The small share of private funding may also refer to the underdeveloped SVC market (Achleitner et al. 2007) and the separation of the third sector from other commercial activities.

Referring to the education of the investigated executives, with most of them holding a degree in humanities indicates a presence of church and state within the social economy/ third sector. The equally strong presence of managers holding a degree in business administration on the other hand may lead to the assumption that their organizations are run and understood primarily as business entities with a social mission.

Interestingly the level of stakeholder salience and performance was relatively high throughout the sample. Contrarily, the participants disagreed when it came to questions on conflicts, which already indicates a stakeholder orientation or compliance with their demands among the management.

After discussing general implications of survey results, I address the outcomes and implications of the research model and corresponding hypotheses to draw a picture of stakeholder management in social ventures which was my primary research objective.

H_1: The stakeholder attributes power, legitimacy and urgency are positively related to stakeholder salience.

To explore the attributes which cause management to act according to stakeholder claims, I applied the stakeholder identification and salience framework to social enterprises assuming that these would be similar. This hypothesis was partially supported. Independent effects of all three attributes could be detected. However, using the entire model revealed only an increased influence of stakeholder legitimacy on salience. This expresses the two-way character of legitimacy. (Dart 2004b; Nicholls 2010) The social enterprise is obliged to provide a certain level of legitimacy i.e. compliance with established societal norms, values and rules to acquire resources, notably financial means and qualified motivated personnel, so that key stakeholders deem the organization appropriate. (Nicholls 2010) Yet, moral legitimacy provides the basis for inquiries about the management as it was indicated by the results. Accordingly, executives perceive the claims on the organization as appropriate. Legitimacy represents a key asset to the social entrepreneur. Power and urgency have not been confirmed as dimensions for the identification of social enterprise stakeholders. Power might focus on the aspect of imposing a will, which is not feasible for entities social entrepreneurs deal with, for example beneficiaries and others who cannot adequately raise their voices. So if that is the case, these stakeholders cannot call for immediate attention which provides potential explanation for the insignificance of both attributes. This has already been proposed by Schlange (2009) who suggested philosophy and impact as additional scopes. “Philosophy reflects the notion of sharing the entrepreneurs’ system of basic values. (...) Impact refers to a high potential to induce future change within the economic, social and ecological layers of society.” (Schlange 2009, p.26) Still the author does not provide any reliable measures for these concepts.

H_2: Stakeholder salience is positively related to social enterprise performance.

Based on the stakeholder identification scheme, salience, the notion that the management of an organization will act according to stakeholder claims, was linked to performance. Agle et al. (1999) state that effective stakeholder management positively affects a company's CSR and overall performance. Since the social mission is a very distinct feature of SE (Dees 1998b; Austin et al. 2006; J. Thompson et al. 2000), a direct link to their success was established, which is now empirically confirmed. Thus if the organiza-

tion acts according to the demands of the selected key stakeholders (beneficiaries, employees, volunteers and funders) it yields a positive effect on performance. Indeed satisfaction of beneficiaries' demands are closely aligned with the venture's mission. Employees also constitute a critical factor for the venture's survival and impact and so do volunteers who provide a cost advantage as well as social capital for further resource acquisition. More obvious is the link to funders. They can either contribute directly to organizational success by granting donations or loans as well as encouraging earned-income revenue generation in the role of SVCs.

H_3: Stakeholder conflicts are negatively related to social enterprise performance.

Applying the stakeholder model to SE reveals that executives of these organizations have a more heterogeneous group of stakeholders (Leadbeater 1997; Austin et al. 2006; Alvord et al. 2004; Mort et al. 2003) to deal with. Subsequently conflicts are more likely to occur and are potentially worse as they directly involve these stakeholders and the possible fulfillment of their claims, thus effecting social enterprise performance. Indeed this hypothesis could be confirmed by robust results, contradicting prior research by Schwenk (1990) who suggests that conflicts have a positive influence on not-for-profits. The role of conflicts with beneficiaries and volunteers supports the notion that stakeholders within social enterprises are prone to fluctuation (i.e. leave the organization if there is a conflict), yet critical for the venture's success.

H_4: Stakeholder conflicts have a negative influence on the relationship between stakeholder salience and social enterprise performance.

In correspondence with the direct influence of conflicts on SE performance, an indirect effect on the stakeholder salience-performance link was assumed as well, referring to conflicting opinions towards the economic and social aim of the organization. Regarding the results, this hypothesis is not supported as the results' quality does not provide for a valid conclusion. With regard to the institutional setting of the sample organizations, one might conclude that most enterprises rely on formal contracts with their key stakeholders (regular employees and contracted out government services) where conflicts do not necessarily lead to the termination of that relation from either side. Additionally, the descriptive results from the industry indicate that these organizations are primarily run as business entities with a social mission, being deeply rooted in the

third/voluntary sector but at the same time accepted as business organizations, resulting in the absence of ambiguity regarding their identity.

H_5: Trust among key stakeholders is positively related to social enterprise performance.

Prior research (e.g. Barney & Hansen 1994; Calton & Lad 1995; Zaheer et al. 1998) identified trust as an underlying principle of interorganizational and interpersonal relations. In absence of contractual relationships and a special need for alignment with their social aim, for example in the case of volunteers or beneficiaries, trust is especially relevant for social enterprises because of its organizing function. (McEvily et al. 2003) Interpersonal trust was found to be a suitable dimension to express the relationship between management and stakeholders leading to a positive influence on this social context. However,a confirmation is not supported by the data as they are not statistically significant. This could be explained by the fact that within the institutional context, i.e. in Germany, a distinct third sector exists that has its own professional rules and mature structures where trust might play only a subordinate role.

H_6: Trust among key stakeholders has positive influence on the relationship between stakeholder salience and social enterprise performance.

Additionally I hypothesized a necessity of trust towards the key stakeholders in order to maintain organizational legitimacy (Seanor & Meaton 2008) as the entrepreneurial orientation and the resulting ambiguity of identity may contrast the common good (Zahra et al. 2009). However, in correspondence with H_4, this assumption is not supported by the survey results as trust impact on the salience-performance connection is weak and insignificant. A possible explanation might be the fact, that these organizations mainly carry out government services which give them a certain legitimacy and a distinct role.

H_7: The more trustworthy the relationship between the organization and its stakeholders the less negative is the impact of conflicts upon performance.

The theory introduced earlier (Mayer et al. 1995; Jehn & Mannix 2001; McEvily et al. 2003) implicates that trust is capable of reducing conflict in a given relationship. Managing a heterogeneous group with non-contractual relationships, as it is the case for SE, bears a higher potential of conflict thus possibly requiring trust as an organizing principle to reduce conflict and reach an acceptable agreement to create value for both – the

organization and the stakeholder. Although trust has only been a weak indicator regarding the survey data, a visible interaction effect on performance could be detected highlighting a positive influence of interpersonal trust in the stakeholder relationship.

7.1 Contributions to literature

Examining the implications for theory of the results discussed above, this thesis answers the call for additional research into the management of stakeholders and provides empirical support for the appropriateness of the stakeholder theory as a basis for understanding social enterprises. Therefore key stakeholder groups have been identified which could influence social enterprise performance through their claims on the organization thus confirming social enterprises as stakeholder organizations. The selected stakeholder model has been extended, beginning at the normative approach to stakeholder management. This model has partially been confirmed through empirical support, leading to legitimacy as a key concept.

I explored performance concepts to develop a performance indicator for SE, using qualitative and self-reported measures instead of quantitative ones. Furthermore, I demonstrated that antecedents of stakeholder relations, in particular trust and conflicts in social ventures, impact overall performance as well. This adds to the current literature on intra-group conflict and interpersonal trust.

Contributions are also made to the field of entrepreneurship by empirically examining the stakeholder influences on the social venture, particularly joint activities and the coordination of external resources in the entrepreneurial process being negatively affected by conflicts with important stakeholders. In addition, this research provides key debates within the area of SE with new evidence, especially concerning the aspects of organization's accountability and feasible performance measures .

7.2 Practical implications

Managers of social enterprises are encouraged to realize the interconnectedness of different key stakeholders as a network, not only dyadic ties, their bargaining power and their combined influence on social enterprise performance. Legitimate claims, i.e. appropriate claims within their systems of norms and values, have to be defined individually. The resulting salience key stakeholders impose on the firm must be realized and answered in order to obtain different resources such as financial, human and social capital. In doing so managers can increase the success of their organization. But legitimacy

is also achieved by transparent performance measurement systems i.e. accountability to receive increased support from stakeholders and the community they are embedded in.

The avoidance of conflict with any of these groups, especially beneficiaries and volunteers because of the absence of a contractual relationship is linked to better performance as well. Especially relationship conflict, which involves personal issues, is critical to monitor and to solve if necessary. Trust might be one of the means to meet these needs, as well as dealing fairly, justice and a moral treatment with employees as an important stakeholder group. Still the impact of trust is limited according to the survey results.

7.3 Limitations

Considering the small sample size (29 respondents), no control variables such as industry, age or number of full time working equivalents were included. With regard to the interaction effects, a sample of at least 50 respondents is recommended. (J. Cohen et al. 2009)

The unique institutional background must be taken into account as well (Nyssens et al. 2006), with Germany being characterized by a functioning social security system. Since social entrepreneurs operate in highly regulated sectors like health care, social work and education, it is questionable how much entrepreneurial activity is possible. Moreover, many social services have been provided by mature institutions associated with religious or other welfare actors, existing existed for several decades. However, entrepreneurial activity is visible as new entities in a variety of areas are emerging, because established institutions have not been active. The beginning development of independent social enterprises reflecting the American prototype must be taken into account as well. Consequently the results are not fully generalizable to other industrialized nations, let alone developing countries.

The model was also tested on a sample exclusively consisting of non-profit entities that have special characteristics arising from their non-distribution constraint in comparison with for-profit social enterprises which might affect their business behavior and the extent of conflicting interests.

7.4 Future research

As Arrow (1963, p.947) stated, “when the market fails to achieve an optimal state, society will, to some extent at least, recognize the gap, and nonmarket social institutions

will arise attempting to bridge it." Throughout the theoretical part, scholars suggested SE to be a means to that end. With the empirical analysis, I have attempted to explore how key stakeholders, through their claims on the executives, influence social enterprise performance, the latter being characterized by them as stakeholder organizations. Further dimensions need to be explored in order to get a complete picture of how social enterprises successfully manage their stakeholders in order to achieve superior performance. It might be possible to base future research on the sustainability entrepreneurship framework. (Schlange 2009)

As trust has been only a weak indicator for the antecedents of stakeholder relationships, other aspects could be investigated to understand the functioning of these (non-) contractual relationships. The decision-making process or new approaches to communication yield possible alternatives.

There is also criticism of the stakeholder theory in general and its implications for social enterprises. To whom are the executives held accountable to maximize the social impact in the standard case of a range of stakeholders? It could be more effective to focus on providing a service for only one group. (Mason et al. 2007) These issues have not been discussed fully yet.

Yet, the SE phenomenon needs further empirical consideration to test the models which have been conceptualized throughout the last ten years. (e.g. Austin et al. 2006; Weerawardena & Mort 2006; Certo & T. Miller 2008; Mort et al. 2003) This is especially relevant for German organizations, where the topic has not been widely discussed so far, apart from primary conferences and research projects, e.g. the GETIDOS project[5] at the Institute for Ecological Economy Research (IÖW). Hopefully, this thesis can contribute to the ongoing debate. Eventually, it is essential to explore the dual character of social enterprises and the versatile role as innovative change agents in existing institutional contexts, highlighting their possible contribution to the solution of arising social problems throughout the world. Therefore a world-wide survey including different sets of stakeholders and various institutional pressures might further enlighten SE, resulting in policy implications to support more individual social entrepreneurs and other means to support SE.

5 GETIDOS – Getting Things Done Sustainably: http://www.getidos.net/ [Accessed October 16, 2010]

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Appendix

Cover letter

Please send an email to the author to receive the German version of the cover letter.

Questionnaire

Please send an email to the author to receive the German version of the questionnaire.