**The determinants of success in social enterprises:   
how entrepreneurial orientation, management culture, and   
organizational structure shape organizational success**

**Keywords: social enterprise, entrepreneurial orientation, management culture, organizational structure, organizational success**

**Summary**

Social enterprises with a pronounced entrepreneurial orientation are more successful than those, which are less oriented towards innovation, take fewer risks, and are less proactive than their competitors. This is shown by the results of a survey of 257 Swiss social enterprises offering customers residential, job, education, and consulting services in the context of social integration while being financed mostly via service agreements or other public funds. Organizational success was measured as a dependent variable with several dimensions. Apart from entrepreneurial orientation as an independent variable, the anchoring of organizational strategy and internal communication also play decisive roles in organizational success.

**Introduction**

Nonprofit organizations (NPOs) delivering services in the educational, cultural, health and social sectors to either society as a whole or to disadvantaged groups find themselves under increasing pressure to prove their credentials. Intensified competition for dwindling public funds and donations (Dees, 1998; Haugh, 2007; Weerawardena & Mort, 2006) drives them to earn increasing shares of their budget from marketable services (LeRoux, 2005; Suykens et al., 2018). Professionals, whether as volunteers or employees, examine their organizational affiliations more assertively and critically under conditions of full employment and influenced by individual life designs and generational shifts in values (Kovic & Hänsli, 2018). The traditionally higher reputation of NPOs is being endangered by voices opposing an expansive social policy or by media reports depicting conflicts of interest or scandals. Finally, NPOs are being expected to incorporate proven business concepts to demonstrate their professionalism (Lu & Park, 2018). Efficiency and effectiveness have become guiding principles in the third sector, including increasingly organizations supporting people who are temporarily or permanently defeated by this modern understanding of rationality and depend on organized private support (Dart, 2004).

Social enterprises or NPOs with a social as well as economic mission can meet these challenges in various ways: through lobbying and networking to securing and strengthen their traditional backing in politics, philanthropy and society; through intensified efforts at proving the effectiveness, efficiency, but also the impact of their work; or by concentrating on services whose credentials and funding base appear to be so far unthreatened. Additionally, a discussion has emerged in the academic literature on whether another approach might consist in NPOs’ shifting to a more entrepreneurial orientation and developing an organizational culture and structure enabling them to respond to changing conditions with flexibility and innovation and to tap into new fields of activity and working methods (Alarifi et al., 2019; Lurtz & Kreutzer, 2017).

This is the first motivation of this contribution, since NPO research and specifically the literature on social entrepreneurship so far contains only few publications which conceptually discuss and empirically examine the relationship between entrepreneurial orientation, management culture, and structural properties and organizational success. Further, systematic and statistically founded success measurement for social enterprises is a field that largely lacks systematic investigation (e.g., Arena, Azzone & Bengo, 2015).

The second motivation is rooted in the fact that that research on social enterprises is still strongly dominated by conceptual contributions and qualitative case studies (Sassmannshausen & Volkmann, 2018; Short et al., 2009). The present study develops an original research model and tests it using a written organization survey.

**State of the research on factors enabling success for social enterprises**

Research on social enterprises and social entrepreneurship in the last years has frequently engaged the relationship between economic and social goals. The initial assumption was that management and staff members experience predominantly conflict around goals and that this mostly weakens the realization of the organization’s social mission. For example the study by Stevens et al. (2014) demonstrates a negative correlation between social and economic missions.

However, in the last years studies demonstrating how social and economic goals can be mutually dependent and even support each other have been predominating (Child, 2016; Di Zhang & Swanson, 2013; Erpf et al., 2019; Fitzgerald & Shepherd, 2018; Smith et al., 2010).

Miller-Stevens et al. (2018) investigated in how far the values of managers of profit-oriented social enterprises differ from those of managers of classic NPOs in the USA. The NPO managers put a stronger emphasis on service orientation, charity and altruism, integrity and justice as well as responsibility, but also efficacy and efficiency. Representatives of the profit-oriented social enterprises rated themselves higher on only two values, namely entrepreneurship and innovation. There were no significant differences for values like transparency, equality and fairness, flexibility, freedom and individualism. These results suggest that even within a single sector, profit orientation influences which working methods and management principles play a dominant role.

A number of studies have investigated which features of leadership and management have a positive effect on the target system of social enterprises. Based on two data sets on British and Japanese social enterprises, Liu et al. (2014) show that a pronounced entrepreneurial and market orientation is associated with above-average success on both economic and social targets. The newest study by Bhattarai et al. (2019) confirms this view with data on British social enterprises, although in this case it does so with respect to market orientation and the capacity for innovation. On the other hand, Duvnäs et al. (2012) do not find any such correlation for Finnish social enterprises. However, they point out that this might be explained by the Finnish managements’ limited degrees of freedom, since the activities of social enterprises are highly regulated in Finland. The Australian study by Miles et al. (2012) also showed no significant positive influence of an entrepreneurial orientation. The authors explain this result not only by referring to institutional restrictions, but also suspect that conflicts around goals might be generated by an increased focus on economic conditions: there is a risk of diverting attention away from the organization’s purpose towards the pursuit of monetary goals. Another Australian study by Newman et al. (2017) focuses on management relations and shows that a markedly entrepreneurial orientation on the one hand increases the staff’s willingness to innovate, but on the other hand has no effect on staff retention. Results by Shier et al. (2019) suggest that strong employee involvement and integration are in themselves important factors for an organization’s capacity to innovate; in social enterprises lacking a pronounced profit orientation, a drive towards innovation would thus be more likely to be found at the base than at the leadership level. The Finnish study by Tykkylainen et al. (2016) investigating the growth orientation of social enterprises shows how, on the one hand, a social mission can act as an impulse towards development that furthers growth targets; on the other hand, a strong orientation towards a mission can also impede growth when the latter is perceived as an expression of purely commercial interests. In a recently published study, Alarifi et al. (2019) show that in social enterprises in Saudi Arabia, innovation and proactiveness correlate positively with organizational success, but there is no such correlation between risk-taking and success. Even if the number of relevant studies is so far limited, the results available up to now suggest that an entrepreneurial orientation has positive effects. In this context, employee involvement is to be considered with special focus, and organizational culture, specifically growth and profit orientation, is to be included as an element of an entrepreneurial orientation. Table 1 below gives an overview over the most important measures of success used in the studies mentioned above. Here it can be noted that (1) the measures of success are very heterogeneous, and (2) the factors contributing to success turn out to be different depending on which measure of success is used. In order to arrive at a meaningful and practically workable selection, we have discussed these measures of success in detail in expert interviews with social enterprise managers. A common feature of all studies is that success is measured based on subjective assessments. This approach is also used in the present study.

*Table 1: Measuring the success of social enterprises*

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| --- | --- | --- | --- | --- |
| **Authors** | **Dataset** | **Research focus** | **Survey method** | **Measures of success** |
| Miles et al. (2013) | 85 social enterprises (Australia) | Investigating the influence of entrepreneurial and social orientation on social and economic success | Subjective rating | Social success measured by:  Donor and service user satisfaction, representation of service users’ needs in society, socially responsible organizational leadership  Economic success measured by:  Effectiveness of service delivery compared to competitors, increases in effectiveness and efficiency, improvements of the financial situation, financial sustainability |
| Stevens et al. (2014) | 270 social enterprises (Belgium) | Investigating the correlation between economic and social missions | Subjective ratings by the social enterprises’ CEOs | Economic mission measured by:  Importance of economic goals\*, self-focused values, utilitarian identity  Social mission measured by:  Importance of social goals\*, community-focused values, normative identity  \* economic goals: 4 items on ROI maximization and profitability  \* social goals: 4 items on addressing social problems and philanthropic responsibility |
| Liu et al. (2014) | 534 social enterprises  (UK and Japan) | Investigating the correlation between entrepreneurial and market orientation and meeting economic and social targets | Subjective ratings by managing directors | Economic success measured by adapted items following Voss & Voss (2000):  Revenue growth, proliferation of entrepreneurial activities  Social success measured by adapted items following Coombes et al. (2011) and Balabanis et al. (1997):  Increased provision of social services, more social services for service users |
| Newman et al. (2017) | 169 staff members and 42 social entrepreneurs  (Australia, Canada, UK) | The influence of servant leadership and entrepreneurial leadership on organizational commitment and innovative behavior among staff | Subjective ratings by staff and social entrepreneurs | 2 measures of success:  Affective organizational commitment (for employees): based on a 6-item scale following Meyer et al. (1993), with statements like, e.g., “I would be very happy to spend the rest of my career at this organization.”  Innovative behavior (for social entrepreneurs): 5 items on the scale by Scott & Bruce (1994) with statements like, e.g., “This employee generates creative ideas.” |
| Miller-Stevens et al. (2018) | 91 profit-oriented social enterprises,  132 non-profit organizations (USA) | Comparing the values of profit-oriented social enterprise managers with those of classic NPOs managers | Subjective ratings by management | Values:  Entrepreneurship, innovation, responsiveness, service orientation, effectiveness, efficiency  As well as: altruism, charity, transparency, justice, fairness  And: flexibility, integrity, trust, responsibility, generosity, freedom, equality, individualism |
| Bhattarai et al. (2019) | 164 social enterprises (UK) | Investigating the influence of market orientation and market disruptiveness capability on economic and social success | Subjective ratings by managers | Economic success measured by:  Profitability, revenue, growth, organizational success, fulfillment of stakeholder expectations  Social success measured by:  Implementation of the social strategy compared to competitors, fulfillment of the social mission, achievement of social goals |
| Shier et al. (2019) | 165 social enterprises (USA) | Investigating the influence of routine processes, staff commitment and organizational cohesion on social innovation | Subjective ratings by managing directors | Social innovation via: transformative, product-related and process-related innovation (12 items based on the Human Services Social Innovation Scale by Shier & Handy, 2015) |
| Alarifi et al. (2019) | 303 social enterprises (Saudi Arabia) | Investigating entrepreneurial orientation and organizational success | Subjective ratings | Organizational success measured by (one item for each):  Achievement of pre-defined goals, adaptability to environmental changes, efficiency, stakeholder satisfaction |

**Methods**

**Sampling and data collection**

The population of the present study consists of 1,198 social enterprises in Switzerland. No official and above all no even approximately comprehensive register of social enterprises exists in Switzerland. Thus we carried out a separate investigation in order to determine the population. Using membership directories of relevant associations (such as Arbeitsintegration Schweiz, Insos, Curaviva, Heiminfo, or Cisa Schweiz), we identified the organizations listed in them using the internet, and where possible worked out the managing directors’ contact information. Additionally we searched on the internet (with keywords such work integration, social company or social enterprise) and on social media to find additional organizations until no further results were found, i.e., data saturation was achieved.

According to the “International Typology of Social Enterprise Models” initiated in the scope the ICSEM-Project and developed by Defourny & Nyssens (2016), the sample of this study consists mainly of so-called “Work Integration Social Enterprises (WISE).” The main goal of these organizations is to reintegrate disadvantaged groups and long-term unemployed persons into the labor market and into society. Thus their main focus is on professional and social integration.

All organization managements were contacted by e-mail and invited to fill out an online survey. The research model and the questionnaire had been discussed in previous conversations and interviews with managing directors of social enterprises and adapted where necessary. Overall the survey collected 257 evaluable questionnaires which had been completed either fully or for the most part. The response rate was 21.5%. Representativeness testing showed that the various size categories in the sample largely reflected those in the population.

The 257 social enterprises show significant diversity in several aspects: their median yearly revenue is almost 5 million CHF, where 18% make less than 1 million and on the other hand, 27% make more than 10 million CHF. On average they employ about 40 staff members (full-time equivalents) and offer spaces for 60 clients. The average social enterprise in this sample still earns 90% of its income via government service agreements or subsidies. 54% of the organizations derive income from market services, which constitute an average 20% of the total income; only for 1 in 14 organizations market income constitutes more than half of the annual revenue. Finally, half of the organizations also fund themselves via donations from other organizations or individuals, with this constituting only 2–3% of their income on average. When asked about their areas of activity, 67% of the organizations reported managing places of residence and 56% were active in labor market integration.

Three quarters of the organizations function legally as foundations (39%) or associations (37%); 8% are stock corporations, 5% are limited liability companies, and 3% are cooperatives; the remainder consists above all of public sector organizations.

When asked about their profit orientation, 34% of the organizations declared that the “not-for-profit” idea is absolutely paramount, while 12% contradicted this statement. Using a 10-point scale, 52% of the survey subjects indicated that profitability was of either rather or very high importance; for another 12% it was the most important factor. This expresses an increasingly two-sided identity in many social organizations.

**Research model**

The goal of this study was to identify factors influencing the success of social enterprises. Thus this model analyses two potential determinants of organizational success in social enterprises: management culture and organizational structure. Both of these determinants, as well as the multi-dimensional measure of success, consist of sub-variables that are separately discussed and later tested in the model. For visual reasons we have not connected every single independent variable to every single dependent variable with an arrow in Figure 1. Further, testing every single correlation hypothesis does not make much sense because all hypotheses point in the same direction, as a positive correlation/influence of each independent variable with/on each dependent variable is assumed. Thus in this respect the present study has an explorative character. Figure 1 below illustrates the model considerations and relationships.

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| *Figure 1: Research model* |
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Management culture

Entrepreneurial orientation

Strategic anchoring

Internal communication

Management consensus

External evaluation

Organizational structure

Formalization & standardization

Hierarchization (number of levels)

Power of the strategic committee

Power of the executive board

Organizational success

Perceived organizational success

Achieving growth goals

Increasing market financing

Fewer staff resignations

Control variables

* growth orientation
* profit orientation
* organization size (number of staff)
* funding structure (proportion of public funds, market proceeds, donations)
* legal structure (association, foundation, corporation)
* language of the questionnaire (German, French)

***Dependent variables (DV): the dimensions of organizational success***

The range of success measures has to do justice to the broad target systems of social enterprises facing diverse stakeholder groups. For this purpose we defined four different measures of success. These had to be, on the one hand, represented in the literature (see Table 1); on the other hand, they had to above all appear meaningful in the daily practice of the social enterprises surveyed. Our starting point were subjective criteria of success commonly used in the research, which replaced a purely financial definition of success that is not often the primary tool in research on social enterprises and NPOs (Barrett et al., 2005; Bhuian et al., 2005; Chen & Hsu, 2013). We have foregone a measurement of social impact, which is being intensively discussed in the sector investigated (see the review article by Rawhouser, Cummings & Newbert, 2019), because the organizations surveyed typically had no relevant data available and a subjective assessment in this case seems too distorted in the sense of social desirability.

*DV1 – perceived organizational success*: This variable was computed as the average of three self-ratings: satisfaction of the most important stakeholders, reputation as an employer, and market success compared to competitors. Because of the partly formative character of this construct, these items show a moderate positive mutual correlation (Cronbach’s alpha = .56).

*DV2 – achieving growth goals*: The organizations were asked how important growth has been for them in the last ten years, and on the other hand how well they have achieved their growth targets (both questions were answered on an unspecified scale from 1 to 10). The latter item constitutes the criterion of success. Organizations that assigned no or only low importance to growth as a goal (values of 3 or less on the 10-point scale) were excluded from the success factors analysis.

*DV3 – increasing market financing*: We asked how the proportion of proceeds from market services had changed over the last 10 years. Organizations were asked whether this proportion had been constant or had (strongly) increased or decreased. From the answer, in combination with the growth criterion, we deduced how successfully an organization responds to the market environment.

*DV4 – fewer staff resignations:* The organizations were asked what percentage of employees had on average left the organization of their own accord every year over the past years. This provides clues as to how well an organization is meeting its staff-related goals (such as identification and staff retention).

It comes as no surprise that the participating organizations mostly assessed their capacity for success positively (see Table 2).

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| *Table 2: Dimensions of organizational success* | | | | |
| **Measure of success** | **Scale** | **Range** | **Median** | **N** |
| Perceived organizational success | 10 points per item | from 4.3 to 9.7 | **8.0** | 214 |
| Achieving growth goals *(when their importance >3 of 10)* | 10 points | from 1 to 10 | **8** | 150 |
| Proportion of market financing | 5 specified points | strongly decreased 2%  decreased 8%  constant 57%  increased 26%  strongly increased 7% | **constant** | 190 |
| Staff resignations | % per year | from 0 to 40 % | **5 %** | 187 |

Despite being very statistically scattered, these data still allow us to draw inferences on the differences between more vs. less successful social enterprises. Further, the criteria of success show only low mutual correlations: organizations with high perceived organizational success tend to meet their growth goals to a greater degree (r +.28) and have a lower staff turnover (r -.22); however, apart from this no significant correlations were found, especially not with changes in market financing. This is why the criteria of success are tested and accounted for separately in the model.

***Independent variables (IV)***

***Management culture***

*IV1 – entrepreneurial orientation*: this variable consists of nine items (Cronbach’s alpha = .74) based on the established scale by Covin and Slevin (1989). The items were adapted to the organizational reality of social enterprises based on the previous interviews with experts from this sector. They describe whether an organization launches new products or services (innovativeness), undertakes risky projects and business activities (risk taking), and acts more proactively and quickly than its competitors (proactiveness). These three dimensions are understood as a reflective and one-dimensional construct (Miller, 1983; Covin & Slevin, 1989; Helm & Andersson, 2010). Seen as a reflective construct, entrepreneurial orientation is an attitude shaping the actions of individuals, groups, or whole organizations. In empirical research, correlations serve as an essential indicator as to whether a construct is reflective or formative. When one measures the levels of expression of these three elements in an organization and their correlation is high, this points to a reflective construct. This is the case here, since the elements show significant mutual correlations (Spearman-correlation = p(t) < .01): innovativeness and risk taking at +.38, innovativeness and proactiveness at +.40, and risk taking and proactiveness at +.37.

Apart from entrepreneurial orientation, we investigated four other features of management that seemed notable in our expert discussions with sector representatives and social enterprise leaders.

*Strategic anchoring (IV2)* was assessed by three questions or items about how the organization’s foundational goals are spelled out, broken down into individual sub-goals and used to motivate staff (Cronbach’s alpha = .72).

*Internal communication (IV3)* consists of five items (Cronbach’s alpha = .82) in which we asked how intensive the exchange and feedback on organizational goals and services is, to what degree staff is included in decision making, and in how far informal meetings take place in an established fashion. This battery of items was strongly shaped by the previous interviews and conversations about the research model.

*Management consensus (IV4)* comprises three questions in which managing directors assessed in how far their values and ideas agreed with those of the board of directors and influenced common strategic guidelines, and how strongly they felt supported by the board (Cronbach’s alpha = .80). The cooperation between the operational and strategic levels especially in NPOs and social enterprises is an important and heavily discussed area that can also sometimes be full of tensions, since these levels are mostly composed of volunteers vs. full-time employees, respectively, and their relationship is decisive for organizational success (e.g., Bernstein et al., 2016; LeRoux & Langer, 2016).

Further we asked whether the strategic committee (executive, foundation, or administrative board) undergoes evaluation by an external instance at regular intervals (*IV5 – external evaluation*).

***Organizational structure***

Organizational structure was modeled in two dimensions, in keeping with the research tradition (see, e.g., the foundational article by Pugh et al., 1968). *Formalization and standardization (IV6)* comprises items concerning the formalization of individual job descriptions, performance reviews, work processes, and the division of labor between operational and strategic leadership. Additionally we recorded three properties of organizational structure with barely any mutual correlation (correlation coefficients < .1; not statistically significant): the number of *hierarchical levels (IV7)* as an indication of the length of communication paths between the top and the base, and the influence of strategic and operational leadership as measured by the *power of the strategic committee (IV8)* and that of the *executive board (IV9)*. All correlation coefficients between these variables remained below .1 and were not statistically significant. Table 3 summarizes the independent variables.

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| *Table 3: Possible determinants of organizational success in our research model* | | | | | |
|  | **Measurement** | **Scale** | **Range** | **Mean** |
| **Management culture** |  |  |  |  |
| IV1-entrepreneurial orientation | 9 items (alpha = .74) | 1 to 5 | 1.9 – 5.0 | 3.95 |
| IV2-strategic anchoring | 3 items (alpha = .72) | 1 to 5 | 1.0 – 5.0 | 3.89 |
| IV3-internal communication | 5 items (alpha = .82) | 1 to 5 | 1.8 – 5.0 | 4.30 |
| IV4-management consensus | 3 items (alpha = .80) | 1 to 5 | 1.0 – 5.0 | 4.43 |
| IV5-external evaluation | 1 item | 1 to 5 | 1 – 5 | 2.40 |
| **Organizational structure** |  |  |  |  |
| IV6-formalization & standardization | 5 items (alpha = .82) | 1 to 5 | 1.0 – 5.0 | 4.11 |
| IV7-hierarchization | Number of hierarchical levels | - | 1 – 8 | 3.82 |
| IV8-power of the strategic committee | 1 item | 1 to 5 |  | 2.96 |
| IV9-power of the executive board | 1 item | 1 to 5 | 1 – 5 | 3.62 |

***Control variables (CV)***

The *growth orientation (CV1)* and *profit orientation (CV2)* of the organizations was measured using two simple questions. On the one hand we asked whether growth and/or profit goals had been set, and if so, whether the organization had achieved them (scales from 1–10: CV1 mean = 5.69, CV2 mean = 6.20). Especially the literature on social entrepreneurship and social enterprises often discusses these two orientations because the relevant organizations often put an emphasis not only on their social mission but also on growth and profits, which are usually reinvested in accordance with the organization’s purpose (Boschee & McClurg, 2003; Cho, 2006; Eikenberry & Kluver, 2004). As further control variables we took into account the *organization size (CV3)*, measured by the number of staff in full-time equivalents,the present *proportion of market proceeds* in the organization’s total income (*CV4 and CV5*, because we tested the proportions of market earnings and donations separately), whether the *legal form* of the organization was corporate, i.e., an AG (equivalent to plc.) or GmbH (equivalent to Ltd.) (*CV6*) and thus an exception from to the usual case of forming an association or foundation, and the *language region* (CV), where we regarded German Switzerland as the typical case (92.2%) and Latin Switzerland (French and Italian) as the exception.

**Results**

If one looks only at the simple correlations between the four measures of success on the one hand and the hypothesized influencing factors on the other, then depending on the measure of success different correlations emerge (see Table 4).

*Table 4: Non-parametric correlations between organizational properties and success, and control variables*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | DV1 | DV2 | DV3 | DV4 | IV1 | IV2 | IV3 | IV4 | IV5 | IV6 | IV7 | IV8 | IV9 | CV1 | CV2 | CV3 | CV4 | CV5 | CV6 | CV7 | |
| DV1 | Perceived success | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| DV2 | Achieving growth goals | .28\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| DV3 | Increasing market financing | -.01 | .14 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| DV4 | Fewer staff resignations | .22\*\* | -.09 | -.09 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| IV1 | Entrepreneurial orientation | .32\*\* | .23\*\* | .15\* | .02 | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| IV2 | Strategic anchoring | .25\*\* | .19\* | .19\*\* | -.03 | .50\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| IV3 | Internal communication | .46\*\* | .26\*\* | .07 | .15\* | .42\*\* | .52\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  |  | |
| IV4 | Management consensus | .27\*\* | .13 | .01 | .01 | .34\*\* | .30\*\* | .28\*\* | 1 |  |  |  |  |  |  |  |  |  |  |  |  | |
| IV5 | External evaluation | .11 | .01 | .02 | .24\*\* | .27\*\* | .42\*\* | .21\*\* | .14 | 1 |  |  |  |  |  |  |  |  |  |  |  | |
| IV6 | Formalization and standardization | .28\*\* | .09 | .04 | -.15\* | .27\*\* | .40\*\* | .25\*\* | .25\*\* | .13 | 1 |  |  |  |  |  |  |  |  |  |  | |
| IV7 | Number of hierarchical levels | .15\* | .06 | .03 | -.12 | .19\*\* | .14\* | .11 | .08 | .05 | .16\* | 1 |  |  |  |  |  |  |  |  |  | |
| IV8 | Power of the strategic committee | -.01 | .02 | .13 | .18\* | -.06 | -.00 | -.07 | .03 | .15\* | .07 | -.07 | 1 |  |  |  |  |  |  |  |  | |
| IV9 | Power of the executive board | .15\* | .06 | .08 | -.06 | -.03 | -.05 | -.01 | -.04 | -.24\*\* | .11 | .-07 | -.02 | 1 |  |  |  |  |  |  |  | |
| CV1 | Growth orientation | .09 | .30\*\* | .34\*\* | -.01 | .33\*\* | .16\* | .09 | .05 | .12 | .12 | .16\* | -.02 | .05 | 1 |  |  |  |  |  |  | |
| CV2 | Profit orientation | .01 | .03 | .30\*\* | -.05 | .20\*\* | .09 | .07 | .00 | .05 | .10 | .03 | .16\* | .16\* | .33\*\* | 1 |  |  |  |  |  | |
| CV3 | Organization size (no. of staff) | .07 | .11 | .01 | -.18\* | .17\*\* | -.01 | -.01 | .09 | .12 | .12 | .39\*\* | -.04 | -.07 | .14 | .05 | 1 |  |  |  |  | |
| CV4 | Proportion of market-based funding | -.09 | .06 | .16\* | -.13 | .09 | .11 | -.08 | .04 | -.09 | .05 | .20\*\* | -.01 | .01 | .22\*\* | .17\* | .16\* | 1 |  |  |  | |
| CV5 | Prop. of donation-based funding | -.20\*\* | .01 | .11 | .01 | .01 | .04 | -.09 | .00 | .10 | -.06 | -.01 | .07 | .00 | .17\* | .04 | -.05 | .12 | 1 |  |  | |
| CV6 | Corporate legal form (AG, GmbH) | -.06 | .09 | .22\*\* | .03 | -.03 | -.03 | .08 | .03 | .03 | -.11 | -.22\*\* | .09 | -.13 | .08 | .11 | -.11 | .02 | -.13 | 1 |  | |
| CV7 | French language region | -.11 | -.12 | .02 | .14 | -.01 | -.17\* | -.05 | -.09 | .12 | -.13\* | -.09 | .21\*\* | -.14\* | .04 | -.07 | -.15\* | -.01 | .02 | .07 | 1 | |
| Note: Non-parametric Spearman’s rho coefficients; \* = significant at the 5% level (two-way) / \*\* = significant at the 1% level (two-way) | | | | | | | | | | | | | | | | | | | | | |  |

The results of the correlation analysis show that an association between the success determinants investigated and the measures of success is plausible. We briefly discuss these results and then further investigate them with multiple linear regressions.

Entrepreneurial orientation and strategic anchoring both show an almost pervasive positive effect, except on the staff turnover rate, for which the correlation is close to 0. Internal communication presents a similar picture, however showing a stronger effect on staff turnover and almost none on market financing.

Staff resignations are rare above all in organizations which regularly submit the governing board regularly to external evaluations and maintain an intensive internal communication culture. Such a communication culture also has a positive effect on subjective ratings of organizational success and the realization of growth goals. Further, a consensus-oriented cooperation of strategic and operational leadership also shows tendencies towards positive correlations, again especially with respect to organizational success. Within the subset of organizations granting a significant role to growth it correlates with the achievement of growth goals. Together with profit orientation, growth orientation is associated with a shift in funding sources: the proportion of revenues derived from market services increases in the presence of such an organizational culture. Formalization, standardization, hierarchization, and a strong position of the operational management as indicators of a professionalized organizational structure are correlated with organizational success; however, they show only weak correlations with growth, market financing, and staff resignations.

Also the control variables show a few remarkable correlations: large and small organizations achieve their goals to a similar degree (the coefficient is positive but not significant); however, labor turnover increases with size. The fact that larger organizations have grown more intensely in the past years than have small ones (even if the correlation does not reach statistical significance) results almost inevitably. The same holds for the correlation between increasing market financing and the present proportion of revenues derived from market services. Finally, organizations depending more heavily on donations tend to rate their organizational success more critically and show a slightly (although not significantly) stronger inclination towards market financing.

Summarizing all success factors into a single regression model that takes into account their interdependencies largely confirms the results of the individual analyses, while further emphasizing the variables with the strongest correlations (see Table 5).

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| *Table 5: Regression analyses for the various criteria of success* | | | | | |
|  |  | Perceived success | Meeting growth | Increasing market | Few staff |
|  |  |  | targets | financing | resignations |
|  |  | Standardized beta coefficients | | | |
| CV1 | Growth orientation | .00 | **.24\*** | **.26\*\*** | -.10 |
| CV2 | Profit orientation | -.06 | -.09 | .09 | -.01 |
| CV3 | Organization size (no. of staff) | -.04 | .15 | -.06 | -.14 |
| CV4 | Proportion of market funding | .02 | .04 | .06 | .06 |
| CV5 | Prop. of donation funding | **-.25\*\*** | -.10 | .07 | .05 |
| CV6 | Corporate legal form | .02 | .05 | **.20\*** | -.16 |
| CV7 | French language region | -.12 | -.05 | .04 | -.03 |
| IV1 | Entrepreneurial orientation | **.22\*\*** | **.25\*** | .05 | -.02 |
| IV2 | Strategic anchoring | -.15 | .08 | **.20\*** | -.22 |
| IV3 | Internal communication | **.44\*\*** | .10 | -.08 | **.35\*\*** |
| IV4 | Management consensus | .09 | .01 | .03 | .06 |
| IV5 | External evaluation | .09 | -.10 | -.02 | **.27\*\*** |
| IV6 | Formalization and standardization | .06 | -.13 | .04 | -.05 |
| IV7 | Number of hierarchical levels | .01 | -.01 | .02 | .06 |
| IV8 | Power of the strategic committee | .09 | .10 | .06 | .16 |
| IV9 | Power of the executive board | .13 | .13 | .08 | .00 |
|  |  |  |  |  |  |
| *corr. R2 control variables* | | *0.052* | *0.077* | *0.206* | *-0.015* |
| *corr. R2 control variables + IV1* | | *0.225* | *0.132* | *0.214* | *-0.009* |
| *corr. R2 control variables + IV1–9* | | *0.369* | *0.114* | *0.205* | *0.076* |
|  |  |  |  |  |  |
| Sample size | | 165 | 120 | 158 | 149 |
| Note: (\*) = p(t) < .10 / \* = p(t) < .05 / \*\* = p(t) < .01 | | | | | |

Multiple linear regressions were carried out for perceived organizational success, achieving growth goals, staff resignations, and increasing market financing.

The sample size is reduced because only full datasets were included (list-based exclusion of cases). Since an increase in market financing as a dependent variable can be regarded as interval-scaled only in a limited way, we additionally carried out an ordinal regression analysis to test the robustness of this model: with a pseudo R-squared (Cox and Snell) of 27% this method yielded the same significant coefficients as did the multiple linear regression.

Thus the following points can be recorded and discussed as core insights of the regression analyses:

1. A pronounced entrepreneurial orientation strengthens organizational success (at least as internally or subjectively perceived), which was measured by stakeholder satisfaction, the organization’s reputation as an employer, and market success compared to competitors.

Further we can note that an entrepreneurial orientation is associated with above-average growth success. Thus social enterprises with an entrepreneurial orientation show a greater tendency to achieve their growth goals.

As a secondary condition for organizational success a strong centralization, i.e., a concentration of power in management plays an important role.

2. Well-functioning internal communication also strengthens organizational success. This means that staff is engaged in intensive exchanges about organizational goals and services, can give feedback, is involved in decisions, and apart from that informal meetings take place in an established fashion. However, surprisingly it does not contribute as a decisive factor to lower rates of staff resignations.

3. Not surprisingly, growth-oriented organizations tend to achieve their growth targets. It is interesting to note that they also tend towards increasing the proportion of market-derived revenues. Thus social enterprises that want to grow increase their market financing. However, such an increase additionally presupposes good strategic anchoring. This could be explained by the fact that increased market financing as a basic strategic goal can be clearly spelled out, broken down into individual sub-goals, and used to motivate staff. This appears plausible because market financing can be expressed in terms of tangible and easily measurable figures. If this hypothesis is correct, it would also explain the negative correlation between such a strategic anchoring and a lower staff turnover: this strategic foundation may cause staff to feel pressurized, thus resulting in resignations. External evaluation has the opposite effect. If the strategic committee submits itself to periodic evaluations, a positive correlation with a lower resignation rate is noted. An explanation may be that this is perceived favorably by the staff – an organizational leadership that submits itself to regular assessments is perceived as reflecting critically on its own actions, which motivates employees to stay.

Concerning the control variables we might say that organizations depending on donations tend to judge their success more critically, as do French-speaking organizations. The importance of a corporate legal form (AG or GmbH) for market-based financing is also confirmed by the regression analysis. Other control variables, specifically organization size, are not decisive factors for achieving goals.

**Discussion**

From the perspective of the organizations investigated and their representatives, an entrepreneurial orientation is associated with above-average achievement of goals, or organizational success. Social enterprises which put special emphasis on innovation in their service range and in doing this deliberately differentiate themselves from competitors, occasionally taking considerable risks, act in an entrepreneurial way. Similar results were arrived at by Barrett et al. (2005), who analyzed NPOs in the education and health sector in the USA and found that an entrepreneurial orientation correlates positively with subjectively perceived organizational success. And Coombes et al. (2011) showed for cultural organizations in the USA that activism among the board of directors is correlated with an entrepreneurial orientation, which in turn correlates with subjective assessments of achieving the organization’s mission. Also Alarifi et al. (2019) demonstrated a positive correlation between two elements, innovative capacity and proactiveness, with organizational success for social enterprises. The authors tested these dimensions separately against success, and so did not treat entrepreneurial orientation as a one-dimensional formative construct.

Social enterprises which orient themselves entrepreneurially are also more likely to grow, and those who write growth orientation on their banners increase their proportion of market-derived revenues. This conclusion was similarly reached by Pearce et al. (2010) concerning religious communities in the USA, in which an entrepreneurial orientation is also correlated with organizational growth. In our present sample this seems to be the case regardless of whether the organization is already large or still small. Within the subset of entrepreneurially oriented organizations we find both organizations striving to derive profits from their activity and those who are fully committed to the “not-for-profit” idea, or have no interest in financial surpluses for other reasons.

Having an entrepreneurial orientation in the social sector does not necessarily mean that an organization has to act like a business enterprise, and neither does it have to imply that the social mission is being betrayed in favor of a one-sided managerialism. Apart from an entrepreneurial orientation, also taking care of the internal communication culture, good anchoring of organizational goals and strategies, as well as agreement on values among leadership show a strong correlation with successfully achieving goals. This shows social organizations that they can attain their successes in ways which match the values and social image of their work, and that this can take place outside oversimplified concepts of commercialization. The latent danger of a pronounced entrepreneurial focus leading to a distancing from the traditional values of integration work and thus to not turning the same attention to social goals cannot be completely dismissed. However, this might also depend on point of view and attitude, since social enterprises that act entrepreneurially and are economically stable have greater chances of survival, and thus also the potential to carry out their social mission for longer and with greater success. As is so often the case when committing to a charitable organization, also in this case it is crucial to find a good balance between a diverse set of goals.

**Limitations and further research**

No measurement of goal achievement in the sense of outcome and impact was carried out in this study, even though there are already a lot of conceptual contributions on this subject (e.g., Arena, Azzone & Bengo, 2015; Arogyaswamy, 2017; Bagnoli & Megali, 2009). Thus a future study could aim to include this type of success measures as dependent variables in a quantitative study design, as was done by Battilana et al. (2015). In this context a survey among service users would also be meaningful and could represent an interesting extension of the research beyond surveying only managers. A fundamental issue that merits critical scrutiny is that a survey among managers asks for subjective assessments but does this from only one perspective; however, the managers’ perspective is not necessarily identical with that of the staff. A further issue is self-selection bias, which is hard to control for in organizational research and can give rise to distortions of representativeness.

As an additional limitation we note that this study has been conducted in the specific context of only one country and with a relatively small sample size. However, since Switzerland is a federal system in which institutional influences are predominantly determined by the local cantons, environmental conditions are rather diverse, which makes a one-sided distortion unlikely. The fact that the “language” variable was not significant additionally suggests that these results are not highly vulnerable to cultural differences.

Finally, a highly interesting discussion has only recently emerged in the literature regarding whether established scales for entrepreneurial orientation can be transferred to the functional logic of NPOs and social enterprises in an unqualified way. For example, in a recent qualitative study Lurtz and Kreutzer (2016) investigated the roles of an entrepreneurial orientation in the pre-start-up phase of social enterprises. They found that risk-taking has both financial and social dimensions and identified collaborations as an additional element of an entrepreneurial orientation. The role of collaborations as an additional source of resources is certainly a point meriting further investigation as an entrepreneurial element in social enterprises.

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