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## Article

# Is social entrepreneurship a panacea for sustainable enterprise development?

Pakistan Journal of Commerce and Social Sciences (PJCSS)

## Provided in Cooperation with:

Johar Education Society, Pakistan (JESPK)

*Suggested Citation:* Javed, Asad; Yasir, Muhammad; Majid, Abdul (2019) : Is social entrepreneurship a panacea for sustainable enterprise development?, Pakistan Journal of Commerce and Social Sciences (PJCSS), ISSN 2309-8619, Johar Education Society, Pakistan (JESPK), Lahore, Vol. 13, Iss. 1, pp. 1-29

This Version is available at:

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## **Is Social Entrepreneurship a Panacea for Sustainable Enterprise Development?**

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### **Abstract**

The purpose of this empirical study is to examine the relationship between social entrepreneurship and sustainable enterprise development. Four dimensions of social entrepreneurship i.e. social mission, social innovation, social networking, and financial returns are regressed with three dimensions of sustainable enterprise development i.e. social, environmental, and economic. In current literature, most of the work in the field of social entrepreneurship is qualitative in nature and none of the existing studies explained the impact of labeling “social enterprise” as a source of enterprise sustainability and this study used positivist paradigm to test this impact. Data was collected from social entrepreneurs and employees of social enterprises via online questionnaire (n=434) developed and distributed through “Google Docs”. Social entrepreneurs from 41 different countries participated in online survey. The results of the study reveal that social entrepreneurship results in sustainable enterprise development. The study supports the fact that one of the important factors in enterprise development is the way the enterprise is managed and the label of ‘social enterprise’ is resulting in sustainable development of social enterprise itself. The research contributes to literature by empirically testing the relationship between social entrepreneurship and sustainable enterprise development which was never tested before. The study used a unique methodology that results in gathering of data from 41 countries of the world. This results of this study can be used by social entrepreneurs to create more positive impact for the society.

**Key Words:** social entrepreneurship, social mission, social networks, social innovation, financial returns, sustainable enterprise development, social sustainability, environmental sustainability, economic sustainability.

### **1. Introduction**

Social entrepreneurship is the process of generating social and economic value. Social entrepreneurship (SE) emerged as an important means by which teams and individuals

are meeting the social and environmental needs of society by developing economically viable organizations (Yunus et al., 2010). As entrepreneurship is essential for economic growth and social survival (Javed et al., 2018) and SE contains the same genes as of other entrepreneurship, thus SE is essential for economy. In last couple of decades, the concept of SE has been greatly emphasized by government, practitioners as well as by academicians (Chell et al., 2016). This interest is based on the role of social entrepreneurs as they are addressing unsolved social problems on international scale while enhancing human development around the world and improving the quality of life. Scholars and practitioners have recognized SE as a powerful tool to reduce unemployment (Pache & Santos, 2013), control poverty (Battilana & Dorado, 2010; Wu & Si, 2018), address environmental issues (Jay, 2013), and empower women (Zhao & Wry, 2016) etc. This has encouraged SE to flourish around the world especially in the societies where these problems are more prominent (Zahra et al., 2014).

One of the important objectives of social sector organizations is to achieve organizational sustainability. However, these organizations face the problem of shortage of funds, so they need to shift to commercial activities to generate necessary financial resources (Defourny & Nyssens, 2010). This has resulted in the emergence of social enterprises as independent entities focusing both on social and economic motives (Chell, 2007). However, to achieve sustainability, these organizations need to move from the concept of 'cost recovery' to 'more than cost recovery' (Yunus, 2007) and to become a self-sustained social organization. By ensuring the implementation of 'surplus strategy', social enterprises can serve the community for longer term and can have more social impact (Yin & Chen, 2018). Therefore, profitability is fully consistent with SE (Wilson & Post, 2013). According to Hynes (2009), to achieve social and economic sustainability, social enterprises should strive to grow and expand their business like commercial organization. By implementing this strategy, social enterprises can ensure their sustainability and can continue their provision of social value (Doherty et al., 2014)

According to Boudreau and Ramstad (2005), organizational sustainability is achieving business success today without compromising the future need and it encompasses of social, environmental and economic sustainability. However, keeping in view the importance of inward flow of financial resources, prior researchers viewed enterprise sustainability from the perspective of economic sustainability only (Jenner, 2016). In the case of social enterprises, this can cause mission drift as social enterprises are hybrid organizations with social and commercial mission at their heart. Thus, for continuously creating social value and social impact, social enterprises need to sustain their organizational existence through social, environmental, and economic organizational development. Furthermore, in literature, several key factors for social enterprise sustainability are discussed like social innovation (Edgeman & Eskildsen, 2012), networking (Meyskens et al., 2010), commercial growth (Chell, 2007), managerial expertise (Roy & Karna, 2015), human resource (Jenner, 2016), and other organizational resources (Doherty et al., 2014) etc. However, the widely ignored aspect from current literature is the nature and impact of 'social entrepreneurship' as a separate label having unique way of managing the enterprise and has impact on organizational existence as well as development. This study will fill this gap by empirically testing the impact of SE tag on sustainable enterprise development of social enterprises. Secondly, most of the

existing studies on SE used qualitative methods (Braunerhjelm & Hamilton, 2012); there are only a few quantitative studies on SE. Thus, as echoed by Braunerhjelm and Hamilton (2012), there is a need to study SE using quantitative research method. This issue will also be focused in this research by gathering quantitative data using web-based online survey.

The purpose of this paper is to empirically test the impact of SE on sustainable development of enterprise. Nga and Shamuganathan (2010) proposed four dimensions for SE, namely social mission, social innovation, social networking and financial returns were evaluated for their association with Dvořáková and Zborková, (2014) proposed three dimensions of social enterprise sustainability i.e. social, environmental, and economic goals attainment. This relationship is evaluated using data collected from social entrepreneurs through web-based questionnaire. The basic question for this research is how social enterprises are attempting to solve social issues using innovative ideas while achieving social, environmental, economic, and organizational sustainability. The outcomes of this research could be used by social enterprises to understand their strengths and weaknesses and the way they could strengthen their structure to promote social innovation and sustainable development. The methodology used in this research is also unique as it effectively accessed social entrepreneurs from 41 different countries.

The remaining parts of this paper are arranged as the following: the very next section discusses the relevant literature and the hypotheses proposed for this study. Section three explains the research methodology. Next section describes the data analysis and results. The final section discusses the theoretical and managerial contributions along-with limitations and directions for future research.

## **2. Literature Review and Hypotheses Development**

### *2.1 Social Entrepreneurship (SE)*

SE is process guided by social mission to serve the community using innovative ideas and combining resources to create social value and economic value (Mahfuz & Ashraf, 2018). In last couple of decades, SE has emerged as an important area of research (Choi & Majundar, 2014). According to Mair and Marti (2006), SE has a rich global heritage for creating social and economic value. Lee and Jung (2018) called it social economy organization. More recently, to create jobs and fight social issues, governments are also stepping up to support social enterprises (Ferreira et al. 2017). Organizations such as Ashoka Foundation, the Schweb Foundation, and the Skoll are the true examples of social enterprises working in various areas of the world that have done remarkable job to enhance the positive image of social entrepreneurship (Dacin et al. 2010). This distinct form of enterprise (Mason et al., 2007), by its design is created to help society: it initiates, leads, and contributes as a change agent of the society (Steinerowski & Steinerowska-Streb, 2012) Social problems are solved by social enterprises through capacities, ideas, resources, and social provisions necessary for sustainable social transformations (Alvord et al., 2004). According to Khan and Advani (2016), social enterprise combines the resources of conventional entrepreneurship with a goal to bring positive change in system and offers a kind of organization that is more socially acceptable. Hence, it is the

application of entrepreneurship in social domains such that both social enterprise and conventional enterprises carry same genes (Dees, 1998).

In the literature, notion of social entrepreneurship is conceptualized to have four dimensions namely; social mission, social innovation, social networks, and financial returns. Detail of these variables is given below:

### 2.1.1 Social Mission

Social mission defines the purpose and the objective of establishing social enterprise (Beckmann et al., 2014). Social enterprises operate between the boundaries of for-profit and not-for-profit organizations. Authors like Murphy and Coombes (2008), and Weerawardena and Mort (2006) argue that the difference between social enterprises and profit-oriented ventures lies in their motives and mission. Social mission is a unique characteristic of SE and if the motives and mission are unclear or diluted, it results in raising a number of ethical questions (Chell et al., 2016). Dacin et al. (2011) argue that social value creation is the primary mission of social enterprises and it sets clear boundaries for them. Social mission makes social enterprises an agent of change (Barendsen & Gardner 2004). Doherty et al. (2009) argued that due to high commitment of social entrepreneurs to their social mission, it is difficult for the market forces to divert them from their mission. Therefore, social enterprises are widely acknowledged as delivering positive socio-economic value to community as they persistently work for providing long-term solutions to social problems. Social mission provides a roadmap to social enterprises and it keeps the organization on a path that leads to create social impact along with enterprise sustainability (Austin, et al., 2012). In short, social mission helps social enterprises in achieving sustainable enterprise development.

### 2.1.2 Social Innovation

Social innovation is defined as any innovation in process, product, or technology that is essentially focused on meeting social need (Mulgan, 2006). Social innovation is a novel and useful solution for social problems that results in creation of social value (Gawell, 2013). Social entrepreneurs solve social problems that were overlooked by governments or business sectors (Brenneke & Elkington, 2007) by developing synergistic combination of products, capabilities, processes, and technology to obtain sustainable solutions (Auersweld, 2009). According to Moran and Ghoshal (1996) new way of creating value is by combining the resources differently. As social entrepreneurs want to create new and better offering, they have to combine resources in unique and better way (Phills et al., 2008). Thus, the process of unique resource combination and innovation helps in creating social value and social innovation that could work as a catalyst for bringing social change. Innovation is the application of new idea for solving social issue that could create strong social impact and bring return (monetary and non-monetary) to the social enterprises. In this way, social innovation helps entrepreneurs in sustainable enterprise development.

### 2.1.3 Social Networks

Social networks are group of individuals and organizations that are interconnected, therefore, share their ideas and resources with each other (Greve & Salaff 2003). Enterprises are no longer self-sustained units and they cannot survive on their own. They need resources and information to survive and grow. Moreover, in current era,

environmental uncertainties are rapidly increasing, therefore, to cope with uncertainties and unexpected environmental changes, firms are developing partnerships (Anand & Khanna, 2000) in the form of ‘networks’ (Barraket et al., 2017). Social networks provide entrepreneurs with ease of finding opportunities to access needed resources and information (Omorede, 2014), help in establishing linkages with people and society (Birley, 1985), Knowledge sharing (Chen & Wang, 2008), fill the asymmetry gap between different stake holders (Shane & Cable, 2002), mitigating risk (Shaw & Carter, 2007), and develop and strengthen the trust between the parties (De Carolis & Saporito, 2006). Hence, according to Granovetter (1985), economic activities of enterprises are embedded in social networks which make them crucial for organizational survival and growth (Wu & Si, 2018).

In the process of survival of the SE, networking and reputation creates a non-substitutable social resource (Schaper & Volery, 2004). Social networks work as a catalyst for sustainable development of social enterprises. Entrepreneurs are using networks for getting information, resources, help, spotting opportunity, advice, knowledge about markets. On the other hand, social networks also create an environment where network partners can learn from each other hence, contributing to sustainable development of the organization.

#### 2.1.4 Financial Returns

There is growing interest of researchers in financially viable ventures (McMullen, 2011) which creates social value and financial returns (Florin & Schmidt, 2011). Financially viable social ventures are independent organizations with social aim of creating superior social value and financial aim to achieve sustainability through trading (Defourny & Nyssens, 2006). This prospective is associated with demand side view and it holds that for generating greater financial returns, entrepreneur has to work with limited resources and needs to seize the opportunity to earn profit by satisfying unaddressed social needs (Nga & Shamuganathan, 2010). Therefore, it is imperative to evaluate the impact of these viable social ventures on their own sustainability.

SE is viewed as a promising tool for creating both commercial and social value (Sabeti, 2011). Social entrepreneurs pursue social mission of creating ‘Total Wealth’ (Zahra et al., 2009) which represents both social value and economic wealth for sustaining the enterprise (Thompson, 2002). At the initial stage, social entrepreneurs particularly face this problem of creating a balance between maximizing social and financial returns and social enterprises can face the problem of mission drift (Jone, 2007). The danger of mission drift can have two consequences; first, social enterprises are generating revenue for sustaining their operations thus, they have to depend on commercial activities, however it creates risk of higher priority to commercial activities rather than social mission. Secondly, when social enterprises drift away from social mission, they fail to deliver social value to society. Thus, social entrepreneur has to make important decision of creating trade-off between social activities and commercial activities. Hence, as concluded by Eikenberry and Kluver (2004), social entrepreneurs has to satisfy its investors by giving them return on investment (ROI) and at the same time they have to be socially effective by maximizing social ROI.

## *2.2 Sustainable Enterprise Development*

An important component of all existing enterprises strategy is to work for their sustainability or to achieve sustainable enterprise development. Sustainable enterprise development is defined by Dyllick and Hockerts, (2002) as enterprise ability to meeting the stakeholder's current needs without compromising on fulfilling their future needs. According to Rahdari et al. (2016) SED is the way to create shareholders value through economic development and environmental improvement. Sustainable enterprise development is not only the economic sustainability or long term profitability or growth; it compasses of social, environmental, and economic sustainability that exist simultaneously - also known triple bottom line (Elkington, 1997). In other words, enterprise should ensure achieving economic targets without damaging society and environment (Porter & Kramer, 2006). Enterprises perusing sustainable enterprise development strategies get numerous advantages including competitive advantage (Hornig et al., 2017; Fahy, 2002), good reputation (Garay & Font, 2012), uncertainty reduction (Petrick & Echols, 2004), superior performer (Teece, 2007), effective value creation (Moore & Manring, 2009) and there are numerous factors which brings sustainable enterprise development including innovation (Bos-Brouwers, 2010), effective supply chain (Ageron et al., 2012), competitive strategy (Porter, 1997) and dynamic capabilities (Katkalo et al., 2010) etc. However, the collective role/effect social mission, social networks, social innovation and financial returns on the sustainable enterprise development is the widely ignored part of currently existing literature.

According to Dwyer (2005), and Gallo and Christensen (2011), social enterprise development is the integration of three components including social sustainability, environmental sustainability, and economic sustainability. Detail of these components is given below:

### *2.2.1 Social Sustainability*

Social sustainability is the enterprise wider responsibilities towards its various stakeholders (Morrison, 2003). Laudal (2011) argued that the social sustainability is concerned with business related social issues including stakeholder's demands, environment, health and safety (EH&S) issues, community welfare and business ethics (Young & Tilley, 2006), working hours, child labor, and minimum wages (Desa & Kotha 2006) establishing friendly workplace for employees (Zahra et al., 2009). Enterprises are increasing paying more attentions to this aspect of sustainability due to increased stakeholder's pressure (Visser & Sunter, 2002) and enterprises can sustain their existence based on meeting the needs and demands of stakeholders. So, social sustainability is an important component for the long term success of social enterprise.

### *2.2.2 Environmental Sustainability*

Kandaurova et al. (2016) define environmental sustainability as the protection of natural environment from where organization gets its inputs and delivers its output. Organizations are not separate from the natural environment (Sharma & Ruud, 2003). However, business activities are having some negative effects on the natural environment in the form of pollution and exploitation of natural resources (Winn et al., 2011). At the same time, with the exponential increase in world population, natural environment is deteriorating in un-retrievable manner which has raised the concept of environmental

sustainability (Chen et al., 2008). Goodland (1995) called environmental sustainability as pre-requisite of social and economic sustainability. According to Dyllick and Hockerts (2002), the environmental sustainability has three footprints including eco-efficiency, eco-equity and eco-effectiveness. According to Chen et al. (2008) eco-efficiency means to have less or no environment destruction whereas eco-equity is concern with fair distribution of natural resources between current and future generations and eco-effectiveness is conformity to environmental standards (Meyer & Rowan, 1977). Enterprises that follow sustainable environmental practices rather than taking a toll on the environment, achieve more advantages and remain competitive for longer period (Parnell, 2016). Similarly, social enterprises and natural environment are inter-related. Social enterprises exist to create social and economic value; they also follow the concept of environmental sustainability. Social enterprises also adopt the eco-efficiency, eco-equity and eco-effectiveness policies which make them environmentally sustainable.

### 2.2.3 Economic Sustainability

Economic sustainability is defined as the enterprise ability to make profit for its long term survival (Roberts & Tribe 2008). Landrum and Edwards (2009) termed economic sustainability as internal financial stability and enterprise profitability. Enterprise must maintain its economic health and viability. Therefore, inward flow of economic resources is important for the enterprise (Doherty et al., 2014). According to Hynes (2009), economic sustainability determines the future of enterprises. For attaining economic sustainability, social enterprises usually adopt the policy of ‘more than cost recovery mechanism’ (Neck, Brush, & Allen 2009). However, too much stress on achieving economic sustainable can leads to drift from actual mission of social value creation (Doherty et al., 2014). Therefore, social organizations need continuously taking nourishment from its social mission.

### 2.3 *Social Entrepreneurship and Sustainable Enterprise Development*

Enterprises want to stay in business (Fenwick, 1996) and sustainable enterprise development is increasingly sighted as a tool for it (Gladwin et al., 1995). Social enterprises, as a dual purpose enterprise (Doherty et al., 2014), also wants continue proving its social impact (Chell, 2007) and remain sustainable. For pursuing sustainable organizational development, social enterprises require addressing all relevant interactions between the sociocultural, environmental, and economic dimensions in its all dimensions of social mission, social innovation, social networking and financial returns.

The mission of the social enterprise should lead it to sustainable development (Darby & Jenkins, 2006). For social enterprises, mission is to create social value as well as economic value (Sá & Kretz, 2015). Social mission provides clear direction to achieve organizational sustainability. Social mission of social enterprises helps it in achieving social development (Defourny & Nyssens, 2010). It provides guideline for interacting with external people and keeping the internal people safe and motivated while achieving organizational sustainability. Similarly, enterprises can incorporate and address ecological concerns in their products and process to achieve sustainable competitive advantage (Mahler, 2007). Social mission of a social enterprise also provides directions not to effect the surrounding environment while achieving organizational sustainability.



According to Shepherd and Patzelt (2011) the social mission of SE is to sustain the life-supporting system, community, and nature.

Furthermore, mission of social enterprises is to create social and economic values (Dacin et al., 2010). For continuous provision of social and economic value, social enterprise needed to be economically strong and standalone type organization. So, social mission results in economic sustainability of social enterprise. Based on above discussion, we formulated following hypotheses:

- **H<sub>1a</sub>**: There is a positive relationship between social mission and social sustainability.
- **H<sub>1b</sub>**: There is a positive relationship between social mission and environment sustainability.
- **H<sub>1c</sub>**: There is a positive relationship between social mission and economic sustainability.

Social entrepreneurship is driven by a motive to fulfill social needs (Mulgan, 2006). Social innovation tackles pressing social, economic, and environmental challenges faced by organization. Social innovation conforms that important societal needs are met (Weerawardena, McDonald, & Mort, 2010). “Social entrepreneurship is about finding new and better ways to create and sustain social value” (Guclu et al., 2002) and social innovation supports enterprises in achieving its mission of social and economic value creation (Dees, 2007). Social innovation is a source of sustainable competitive advantage (Kajanus, 2000) and results in social sustainability of organization. Furthermore, social innovation affects the social organization’s environmental sustainability as the purpose of social innovation is to fulfill social need without affecting the environment (Savitz, 2013). Social enterprises use this tool to achieve their mission of social value creation and achieving environmental sustainability. According to Mulgan (2006), the ultimate purpose of innovation is profit maximization. The purpose of social innovation in social enterprises is to create social value and economical value (Hynes, 2009). So, social innovation also results in creation of economically sustainable enterprise. Hypotheses suggested are:

- **H<sub>2a</sub>**: There is a positive relationship between social innovation and social sustainability.
- **H<sub>2b</sub>**: There is a positive relationship between social innovation and environment sustainability.
- **H<sub>2c</sub>**: There is a positive relationship between social innovation and economic sustainability.

Similarly, social networking is also an important component of social entrepreneurship. According to Hansen and Hamilton (2011), it has key influence on the performance of social enterprise. According to Dobbs and Hamilton (2006), social networking provides an opportunity for social venture to achieve growth and sustainability. Social networks are essential to the people’s value as well as for civic society (Dempsey, 2011). Hence, social networks results in achieving social organizational sustainability. Environment sustainability is one of the most related topic with social networking. Social networking brings different actors from society which provides important inputs for environment

sustainability (Fadeeva, 2005) and it provides help in assemble information on environmental and social issues and results in environmental sustainability (Fadeeva 2005). Social networking is also related to economic development of an enterprise. According to Fadeeva (2005), one of the purposes of social networking is to attain economic sustainability. Social networking results in creation of social as well as economic value for the enterprise (Bellostas et al., 2016). Social networks results in more innovative, cost effective, time efficient, and more customer-oriented solutions (Koch, 2004) and hence results in creation of more economic value for enterprise. Haugh and Talwar (2010) argue that enterprise use social networking as a tool to achieve economic sustainability. Social enterprise is supported by social networking in attaining economic sustainability (Larner, 2014). Consequently, hypotheses formulated are:

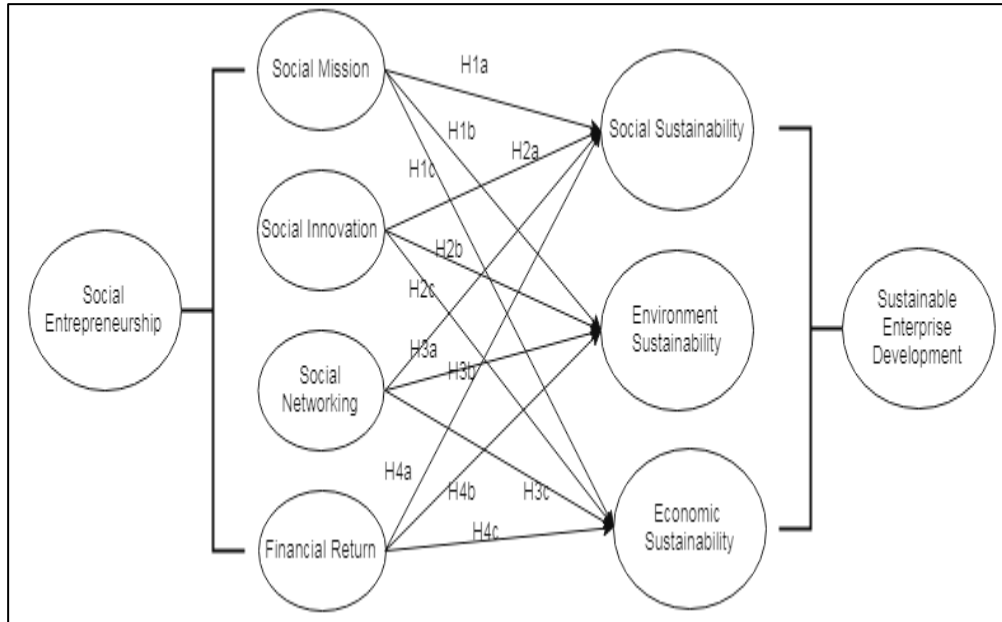
- **H<sub>3a</sub>**: There is a positive relationship between social networks and social sustainability.
- **H<sub>3b</sub>**: There is a positive relationship between social networks and environment sustainability.
- **H<sub>3c</sub>**: There is a positive relationship between social networks and economic sustainability.

Social enterprise is a unique combination of for-profit and not-for-profit organizational characteristics that create economic as well as social value. Social enterprise's commercial strategies actually help in sustaining the enterprise. According to Hynes (2009), pro-business strategy is essential for sustainability of social enterprise. Marketized approach of social enterprises for getting financial returns helps bringing social sustainability for the organization (Epstein & Buhovac, 2014). Financial returns provide the basis for carrying out social activities as well as results in social sustainability of social enterprise. Financial returns enhance the environmental sustainability of social enterprise. Enterprise financial returns and environmental sustainability are correlation (Kandaurova et al., 2016). Social enterprises are developed to create positive social, economic, and environment impact and for creating environmental impact, SEs prefer socially responsible investment (Orsato et al., 2015) which leads to sustainable environment development. Financial returns also play a vital role in sustainable economic development (Busch et al., 2016). Financial returns foster and organization's economic development (Doherty et al., 2014). An investment criterion is affected by financial returns (Mollick, 2014) and hence financial returns result in achieving sustainable economic growth. Based on aforesaid discussion, hypotheses to be tested are:

- **H<sub>4a</sub>**: There is a positive relationship between financial returns and social sustainability.
- **H<sub>4b</sub>**: There is a positive relationship between financial returns and environment sustainability.
- **H<sub>4c</sub>**: There is a positive relationship between financial returns and economic sustainability.

### 3. Theoretical Framework

Based on literature review where different arguments were built that relate the dimensions of SE i.e. social mission, social innovation, social networks, and financial returns with different dimensions of SED i.e. social sustainability, environmental sustainability, and economic sustainability. The theoretical model which has been empirically tested is given below:



**Figure 1: Theoretical Framework**

### 4. Methodology

This research aims to measure the opinion of social entrepreneurs of social enterprises about the impact of social entrepreneurship on sustainable enterprise development. In order to get maximum input for the study from social entrepreneurs from all around the world, data was collected from an online survey conducted on social entrepreneurs across the world. A web-based questionnaire was developed using “Google Docs” as per the guidelines of Granello & Wheaton (2004). It is a latest technique and state of the art program that is supported by all types of browsers. Web-based data collection is a time and cost effective way of collecting data from large geographical area (Granello & Wheaton, 2004). Target population for the study included social entrepreneurs who were members of different Facebook groups accessed through the official website of this application i.e. www.facebook.com. Groups were searched by entering the key words, “social entrepreneur”, “social entrepreneurship”, and “social enterprise”, in Facebook search bar. The search returned a total of 103 results. However, an analysis of the groups’ characteristics revealed that only 47 groups were directly relevant to our area of investigation. The remaining groups merely used the words social, entrepreneur, entrepreneurship and/or enterprise in the description of the groups’ characteristics. As access to the majority of these groups was restricted to members only, a message was

sent to all the group administrators with a request to share the link of survey questionnaire within their respective groups. The request was sent on 25th May, 2017 and only, nine group administrators posted the link in their groups. Nulty's (2008) approach was used for getting better response by pushing the survey and providing frequent reminders to group members via group administrators. Therefore, another message was sent on 25th June, 2017 to all the remaining group administrators to share the link. This time, four group administrators shared the link in their groups. Third request was sent to group administrators on 25th July, 2017 and two more group administrators shared the link in their respective group. As a result of these requests, 15 group administrators shared the link in their groups. Total members of these 15 groups were 8202.

According to Quinn (2002) for higher response rate link to online questionnaire should be kept visible and accessible for maximum time. Therefore, the link for questionnaire was kept visible and accessible for six months i.e. 25<sup>th</sup> May, 2017 till 25<sup>th</sup> November, 2017. During these six months, 434 respondents filled the online questionnaires. Moreover, the total response rate was greater than 5% of total population.

#### *4.1 Measurement of Variables*

Dimensions used for measuring SE are social mission, social innovation, social networking, and financial returns. To measure sustainable enterprise development, three dimensions were used i.e. social, ecological and economic organizational sustainability.

The 4-item, 5-point Likert scale was used to measure social mission. The value of coefficient of Cronbach's Alpha for these measure was 0.801. Social innovation was measured through 4 items self-formulated scale. Value of coefficient of Cronbach's  $\alpha$  was 0.799. Social networking was measured using 5 items, 5-point Likert scale. These items generated coefficient of Cronbach's  $\alpha$  value of 0.865. Variable 'financial returns' was measured using 3 items, 5 point scale value of coefficient of Cronbach's  $\alpha$  was 0.746. For measuring social aspect, 5 pint Likert scale was used. Value of coefficient of Cronbach's  $\alpha$  was 0.787. To measure ecological aspect of sustainable enterprise development, 7 items were used. These items generated coefficient of Cronbach's  $\alpha$  value of 0.898. To measure economic aspect, 2 items, 5 point Likert scale was used. These items generated coefficient of Cronbach's  $\alpha$  value of 0.886. Detail of questions and Cronbach's Alpha values is given in Table 1.

Overall, it was a 29 item, five point Likert scale where "1" referred to "strongly disagree" and "5" referred to "strongly agree". To make it understandable for respondents, questionnaire was divided into two sections. First section was about demographic information which included gender, age, qualification, marital status, nationality, age of social enterprise, and work experience of respondent. Second section included information about the social entrepreneurship and sustainable enterprise development. All these 29 items generated coefficient of Cronbach's  $\alpha$  value of 0.899.

**Table 1: Standardized Loadings, Cronbach's Value and AVE**

	Standardized Loadings	$\alpha$	AVE
<b>Social Mission</b>			
Our organization wants to participate in activities that address social issues.	0.90	0.80	0.68
Our organization regularly examines new opportunities and programs which can uplift the society.	0.82		
Our organization tries to fulfill ethical and moral responsibilities.	0.87		
It is important for our organization to addressing societal problems.	0.70		
<b>Social Innovation</b>			
Our organization is planning to solve social problems in a new and more efficient way.	0.73	0.79	.64
Our organization always looks for more effective solutions to a social problem.	0.90		
Our organization recommends other to come up with a different but efficient way of solving the social problem.	0.81		
Our organization always looks for sustainable solution to a social problem.	0.77		
<b>Social Networking</b>			
Our organization has good ties with other organizations in the society.	0.65	0.86	.643
We consider our customers and other actors in the society as our most important networking partners.	0.90		
Other organizations and people will help our organization in establishing new organization to eliminate social cause.	0.92		
If our organization takes any step to eliminate any social problem, people and organizations around will share knowledge and resources with us.	0.92		
Our organization's social network can disseminate social information.	0.54		
<b>Financial Returns</b>			
Our social enterprise aims to gain financial returns from existing and new ventures.	0.75	0.74	.533
Sustainability of our social enterprise is possible only if we earn enough profits while serving a social cause.	0.73		
Our organization reinvests some portion profit in business for policy initiatives.	0.71		
<b>Social Sustainability</b>			
Our enterprise addresses unsolved social problems on priority basis.	0.77	0.78	

Our organization communicate the risks and firm's environmental impacts to the general public	0.94		.786
Our enterprise identifies and takes active parts in community development initiatives.	0.94		
<b>Environmental Sustainability</b>			
Our organization is providing/manufacturing goods/services that are less harmful to environment.	0.89	0.89	.764
Our organization is providing/manufacturing goods/services that are more environment friendly as compare to our competitors.	0.92		
Our organization is providing/manufacturing goods/services that are less environmentally damaging than in previous years.	0.92		
Our organization is using renewable source of input.	0.92		
Our organization is using pro-environment production process to eliminate waste.	0.75		
Our organization is disposing waste responsibly	0.78		
Our organization is handling/storing toxic waste responsibly	0.92		
<b>Economic Sustainability</b>			
Our organization works with government officials to protect the company's interest	0.82	0.88	.588
Our organization aim to reduced costs for waste management for same level of outputs	0.70		
Note: Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization.			

#### 4.2 Factor Analysis

Based on literature review, items identified for measuring the variables were subjected to factor analysis to check them for uni-dimensionality and to group them into meaningful clusters. Before conducting factor analysis, the Kaiser-Meyer-Olkin (KMO) and Bartlett tests of sampling adequacy and sphericity were conducted to validate the use of factor analysis. Results indicated that the value of KMO is mediocre (i.e. 0.60 to 0.69) and Bartlett's Test of Sphericity is significant ( $P < 0.05$ ) suggesting that factor analysis could be conducted as recommended by Pallant (2013). Exploratory factor analysis was performed using SPSS v.23. Maximum likelihood extraction and promax rotation methods were used. Coefficients were sorted and those with a value greater than or equal to 0.5 were displayed. Convergence validity of construct was conformed through factor loading value falling between 0.65 to 0.92 and value of Average Variance Extracted (AVE) found above 0.533. Detail of factor analysis is given in Table 1.

#### 4.3 Characteristics of Respondents

An analysis of the demographic profile of respondents of this study explains that there were 297 (68.4%) male and 128 (29.5%) female participants whereas 9 (2.1%) of respondents did not respond to this question. Based on age, majority of respondents were

between 21 and 30 years of age that made 37.6% (163) of the total respondents. 27.4% (119) were aged 31 to 40 followed by age group of under 20 years making 15% (65) of the total. 12% (52) respondents were of the age of between 41 years and 50 years. There were only 2.3% (10) respondents above the age of 60 years who took part in survey. 2.3% (25) people did not respond to this question. In terms of education, most of the people were having 14 years of education. Followed by 16 years of degree. There was least number of people having education below 10 years of education. Most of the respondents were unmarried (54.8%). There were 31.1% respondents who were married and least number of respondents were separated/ divorced. Most of respondents were having job experience of less than 5 years, followed by 6 to 10 years. Most of the respondents were working in the organization having age of less than 5 years. Fewer respondents were working in organizations having age more than 10 years. Complete list is shown in table 1. Majority of respondents were from South Africa (12.44%), followed by United States (10.36%), United Kingdom (8.52%), Malaysia (8.29%), France (6.68%), South Korea (6.22%), India (5.76%), Singapore (4.83%), Canada (2.99%), Chili (2.3%), Hong Kong (2.07%), Israel (1.61%), Pakistan (1.61%), Australia (1.38%), others twenty seven countries (20.27%), and 4.83% respondents does not mentioned their country. Complete list is shown in Annixure-1.

## 5. Results

### 5.1 Results of CFA

For testing the model fitness, confirmatory factor analysis was conducted using AMOS. Initially, the model was providing acceptable values of parameters (CMIN=329.268, DF=186, CMIN/DF=1.770, CFI=0.984, SRMR=0.048, RMSEA=0.048, P Close=0.896), however, after deleting some items from social mission, social networking and economic sustainability, the results were found significant. Different models with acceptable values of parameters were found. However, the model with all the seven variables provided the most satisfactory and acceptable GOF values (CMIN=406.763, DF=264, CMIN/DF=1.541, CFI=0.984, SRMR=0.049, RMSEA=0.039, P Close=0.996). This proved the model fitness. Furthermore, discriminant validity was checked using the method described by Fornell and Larcker (1981). Shared-variance between the constructs were compared with average variance explained (AVE) by each construct. Results show that value of AVE for each construct was greater than the shared-variance value. Therefore, the discriminant validity of construct was verified.

### 5.2 Common Method Bias (CMB), Common Latent Factor (CLF) and the issue of Multicollinearity

This study used all self-reported scales, so it was important to test the data for common-method bias, for which Harman test was conducted. According to this method, common method-variance (CMV) can be detected if one common-factor accounts for the covariance within the variables, or only one factor emerges from factor testing. As per suggestions of Podsakoff et al. (2012) all 29 items of study were loaded into factor analysis while bringing the rotation at zero level. The results demonstrated that seven distinct factors with Eigen-value greater than one were present and accounted for 53% total variation. The first and largest factor was accounting for 15% of variation. Furthermore, common latent factor (CLF) was also applied which demonstrated that

calculated variance (19%) was below the threshold value of 50%. Hence, it could be concluded that no common method bias existed in collected data. To test the multicollinearity among independent variables, guidance from Myers (1990) were used. Accordingly, we had to look for collinearity statistics to check multicollinearity issues. In this study, no such issues were noticed (Tolerance statistic  $> 0.5$ ; VIF  $< 10$ ; Average VIF  $> 2$ ).

### *5.3 Correlation and Path Analysis*

Mean values of all the variables are shown in Table 2. For all the variables, the mean value is greater than 3 which shown that all the social enterprises were having social mission, they uses their social networks, they are willing to solve social problems and also need financial returns. Similarly, the respondents' enterprises also work for their own social, environmental, and economic sustainability. Table 2 also presents the value of coefficient of correlation ( $r$ ) of all the variables in the study. The coefficients of correlations confirmed significant and positive associations among independent and dependent variables. The results of correlation confirmed the relationship between social entrepreneurship (social mission, social innovation, social networking, and financial returns) and sustainable enterprise development (social sustainability, environmental sustainability, and economic sustainability).



**Table 2: Correlation Matrix**

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Gender	1.30	.45	1.0												
2. Respondent Age	2.46	.98	.032	1.0											
3. Qualification	3.45	.83	.023	.197*	1.0										
4. Marital Status	1.72	.56	.052	.437**	.241*	1.0									
5. Current Job Experience	4.80	2.30	.42	.207*	.039	.035	1.0								
6. Organization Age	6.0	3.1	-.04	.098	-.060	.045	.596**	1.0							
7. Social Mission	3.40	.80	-.072	.057	.036	.027	-.037	-.085	1.0						
8. Social Innovation	3.43	.75	-.028	.050	.001	.014	-.007	.221	.296**	1.0					
9. Social Networking	3.72	.077	-.025	.034	.006	-.094	.032	.066	.162*	.307**	1.0				
10. Financial Returns	3.87	.051	.037	.047	.103*	.018	-.087	-.062	.006	.087	.275**	1.0			
11. Social Sustainability	3.94	.63	.023	.045	.018	.018	.017	.101	.101*	.439**	.232**	.168**	1.0		
12. Environmental Sustainability	3.50	.83	.011	.047	.019	.039	-.017	.007	.162**	.481**	.292**	.189**	.379	1.0	
13. Economic Sustainability	3.31	.93	-.09	.065	.041	-.088	.018	.61	.270**	.431**	.598**	.136**	.101*	.187*	1.0

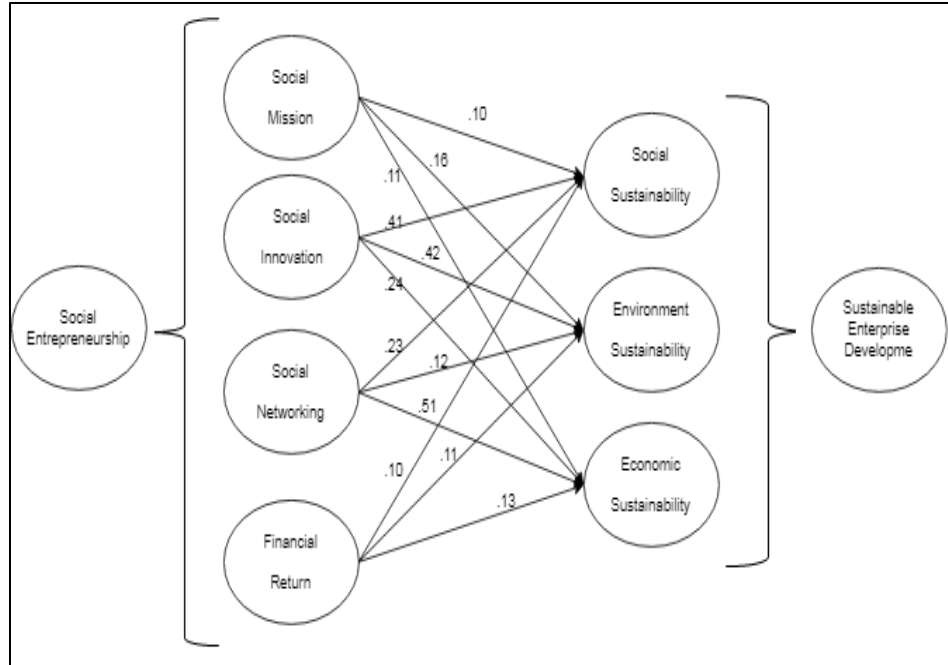
\*\*. Correlation is significant at the 0.01 level (2-tailed).  
 \*. Correlation is significant at the 0.05 level (2-tailed).

Three independent linear multiple regression analyses were conducted to test the hypotheses of study. The results are shown in Table 3.

**Table 3: Path Analysis**

	<b>B</b>	<b>t-value</b>	<b>Sig.</b>
Social Mission → Social Sustainability	.10	2.1	.005
Social Mission → Environmental Sustainability	.16	3.4	.001
Social Mission → Economic Sustainability	.11	3.0	.003
Social Innovation → Social Sustainability	.41	8.9	.000
Social Innovation → Environmental Sustainability	.42	9.4	.000
Social Innovation → Economic Sustainability	.24	6.1	.000
Social Networking → Social Sustainability	.23	4.9	.000
Social Networking → Environmental Sustainability	.12	2.7	.006
Social Networking → Economic Sustainability	.51	12.9	.000
Financial Returns → Social Sustainability	.10	2.4	.015
Financial Returns → Environmental Sustainability	.11	2.7	.007
Financial Returns → Economic Sustainability	.13	2.8	.005

Social mission is positively and significantly related to social sustainability ( $\beta = 0.10$ ,  $t = 2.1$ ,  $p < 0.05$ ). So,  $H_{1a}$  is accepted. Similarly, social mission was also found positively related to environmental sustainability ( $\beta = 0.16$ ,  $t = 3.4$ ,  $p < 0.05$ ). So, our  $H_{1b}$  is also accepted. Positive and significant results were found between social mission and economic sustainability ( $\beta = 0.11$ ,  $t = 3.0$ ,  $p < 0.001$ ). So  $H_{1c}$  is accepted. Similarly social innovation is also positively and significantly related to social sustainability ( $\beta = 0.41$ ,  $t = 8.9$ ,  $p < 0.001$ ). Same in the case of social innovation and environmental sustainability where positive and significant relationship has been found ( $\beta = 0.42$ ,  $t = 9.4$ ,  $p < 0.000$ ). So,  $H_{2b}$  is also accepted. Social innovation and economic sustainability are found positively related ( $\beta = 0.24$ ,  $t = 6.1$ ,  $p < 0.000$ ). So,  $H_{2c}$  is accepted.  $H_{3a}$  is also accepted ( $\beta = 0.23$ ,  $t = 4.9$ ,  $p < 0.001$ ) showing positive and significant relationship between social networking and social sustainability. Social networking and environment sustainability ( $\beta = 0.12$ ,  $t = 2.7$ ,  $p < 0.006$ ). Social networking and economic sustainability are found positively related ( $\beta = 0.51$ ,  $t = 12.9$ ,  $p < 0.000$ ). So our  $H_{3c}$  is proven.  $H_{4a}$  is also accepted ( $\beta = 0.10$ ,  $t = 2.4$ ,  $p < 0.05$ ) proving positive and significant relationship between financial returns and social sustainability. Further,  $H_{4b}$  is accepted based on results ( $\beta = 0.12$ ,  $t = 2.7$ ,  $p < 0.00$ ). Results demonstrate that there is a positive and significant relationship existing between financial returns and environmental sustainability ( $\beta = 0.11$ ,  $t = 2.7$ ,  $p < 0.05$ ). A positive and significant relationship was found between financial returns and economic sustainability ( $\beta = 0.13$ ,  $t = 2.8$ ,  $p < 0.001$ ). So,  $H_{4c}$  is also accepted.



**Figure 2: Beta Values**

As all the hypotheses are also accepted by empirical data analysis, it could rightly be concluded that label of SE results in the sustainable development of enterprise for social enterprises.

### 6. Discussion and Implications

This paper examined a key strategic issue of social enterprises i.e. social enterprises sustainability. Sustainability is the best answer to all the currently prevailing organizational problems (Ramirez, 2012). Sustainability has been identified as a key social, organizational, and managerial concern for the new millennium (Schmidheiny, 1992). In this era of cutthroat competition, all enterprises want to achieve sustainability in and through their business operations as enterprise sustainability has become a business necessity to remain competitive (Mahler, 2007). Enterprise sustainability provides an opportunity not only to perform better regarding quality but also regarding customer services, flexibility, cost, and lead-time. The issue of sustainable enterprise is not just limited to environmental development only, but it encompasses social and economic sustainability as well. Prior literature identifies different factors like resources, marketing, HR etc. that contribute to the sustainable development of social enterprises. However, the impact of social enterprise management was not empirically tested for its impact on sustainable enterprise development. The primary concern of this study was to empirically test relationship of social entrepreneurship and sustainable enterprise development.

This study adds to resource based theory (RBT) by arguing and proving the social mission, social innovation, soacil networks, and financial returns are unique resources (internal as well as external) of a social enterprise and they results in creating sustainable

competitive advantage and thus resulting in social enterprise sustainability. Furthermore, the dimensions of social entrepreneurship (social mission, social innovation, social networking, and financial returns) were regressed with dimensions of sustainable enterprise development (social sustainability, environmental sustainability, and economical sustainability). All proposed relationships of the study were found statistically significant. The research contributes how the label of SE lays ground for sustainable enterprise development and proved that social mission, social innovation, social networks, and financial returns are social enterprise unique resources that results in social enterprise sustainability. The findings of this research provide relevant contribution in the field of organizational research and enterprise sustainability.

The study tested different hypotheses, exploring the relationship between dimensions of SE and dimensions of sustainable enterprise development. Social innovation was found most important predictor of social sustainability followed by social networks, then social mission and last is financial returns. Dawson and Daniel (2010) also found that social innovation results in social sustainability, however those results are for-profit-organizations. These results suggested that for external networks guide the social organization towards social sustainability and social mission keep them on track to achieve it. The strongest predictor of environmental sustainability was social innovation, followed by social mission, then social networks and last is financial returns. Melville (2010) also found that innovation is essential for environmental sustainability. Social networks were found to be the strongest determinant of economic sustainability of an social enterprise. Second strongest predictor of economic sustainability is social innovation, followed by financial returns and the least but significant influencing factor is social mission. Dempsey, Bramley, Power, and Brown, (2011) also argued that social networks are essential for economic sustainability. Thus, all the results were found significant and hence all the proposed hypotheses of this research are accepted which ultimately proves that the label of SE results can be used by social enterprises to achieve sustainable enterprise development. There are no such studies which evaluated the impact of SE on sustainable enterprise development.

### *6.1 Implications*

Overall, this research would have some important implications for social entrepreneurs and researchers. The most important contribution of this study is that the instead of measuring the performance of social enterprises, the way of achieving sustainable enterprise development for social enterprises was discussed. This paper has empirically tested the link between social entrepreneurship and sustainable enterprise development, thus explaining the conceptual relationship between variables above. This relationship was not tested before (neither tested empirically nor qualitatively) which makes this study a unique contribution to existing literature. According to the results of this study, social entrepreneurship and its determinants i.e. social mission, social innovation, social networking and financial returns result in social, environmental and economic sustainability of social enterprises. The results of this research would inspire social entrepreneurs to create more positive impact using social innovation and social networks. This would result is creating competitive pressure on other firms (not-for-profit and for-profit organizations) to introduce innovative and sustainable management practices that

would ultimately result in sustainable development of organization and society. *Secondly*, this research proposed a model which was never proposed before and also empirically tested the model. *Third*, the methodology used in the paper was unique as no study on social entrepreneurship used the Facebook and Google docs for gathering data. *Fourth*, the study gathered data from social entrepreneurs from 41 different countries of the world which is a unique contribution to the study.

#### 6.2 Limitations and Future Research Directions

Despite its significant contributions, this study has some limitations that could be used as directions for future research. *Firstly*, this research involves only four dimensions of social entrepreneurship. Some other relevant dimensions like proactiveness and risk-taking can also be added to it in future studies. *Secondly*, the moderating and mediating role of other variables like sustainable marketing practices, and HR practices etc. could also be studied to make the model more comprehensive for capturing extensive information. *Thirdly*, this study used self-reported questionnaires, which could result in common method bias. Although different tests were applied on data to validate common method bias, however collecting data at different points (from respondents and from secondary sources like balance sheet and annual reports etc.) would reduce the threats of common method bias.

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**Annexure -1, Demographic Profile of Respondents**

		Quantitative Survey Results					
Demographic Variable	Type	F	Percent age	Demographic Variable	Type	F	%
Gender	Male	297	68.4	Organization Life	Under 5 Years	223	51.3
	Female	128	29.5		5 to 10 Years	172	39.7
	Not Mentioned	09	2.1		More than 10 Years	37	8.4
Age	Under 20 Years	65	15		Not mentioned	2	0.5
	21-30 Years	163	37.6				

	31-40 Years	119	27.4	<b>Nationality</b>	South Africa	54	12.44
	41-50 Years	52	12		United States	45	10.36
	51-60 Years	10	2.3		United Kingdom	37	8.52
	60 above	0	0		Malaysia	36	8.29
	Not Mentioned	25	5.8		France	29	6.68
<b>Qualification</b>	10 Years or below	3	.7		South Korea	27	6.22
	12 Years Education	48	11.1		India	25	5.76
	14 Years Education	173	39.9		Singapore	21	4.83
	16 Years Education	166	38.2		Canada	13	2.99
	18 Years and above Education	41	9.4		Chili	10	2.30
	Missing values	3	.7		Hong Kong	9	2.07
<b>Marital Status</b>	Married	135	31.1		Israel	7	1.61
	Unmarried	238	54.8		Pakistan	7	1.61
	Divorced/Separated	24	5.5		Australia	6	1.38
	Not mentioned	37	8.5		Others	88	20.27
<b>Job Experience</b>	Under 5 Years	303	69.9		Not Mentioned	20	4.83
	5 to 10 Years	119	27.3				
	More than 10 Years	10	2.2				
	Not Mentioned	2	0.5				