

ABSTRACT

Title of Dissertation: SELF-INTEREST VS. SOCIAL INTEREST: HOW
COGNITIVE MORAL DEVELOPMENT INFLUENCES
OPPORTUNITY RECOGNITION AND PERFORMANCE
FOR SOCIAL ENTREPRENEURS

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This dissertation is aimed at exploring the enablers of successful performance for social entrepreneurs which have been missing in the literature. It has been observed that most social enterprise firms do not grow (Han & McKelvey, 2016) and that the performance record of existing small social entrepreneurship firms has been weak (Katre & Salipante, 2012; Lichtenstein, Carter, Dooley, & Gartner, 2007). The literature states that about 40% of social ventures fail in their first five years (Headd & Kirchhoff, 2009; Katre & Salipante, 2012; Kleiman & Rosenbaum, 2007). As a result of the above, studying the success factors of social entrepreneurs becomes important.

The phenomenal growth in the past two decades of the practice of social entrepreneurship has, unfortunately, not been matched with a corresponding growth in the scholarship of social entrepreneurship (Starnawska, 2016). Being overly preoccupied with definitional debates about who the social entrepreneur is, or what elements constitute the boundaries of social entrepreneurship, has hindered the advancement of solid theory building in the literature and consequently prevented the achievement of a unifying framework for social entrepreneurship researchers (Dacin, Dacin, & Tracy, 2011; Nicolopoulou, 2014; Short, Moss, & Lumpkin, 2009)

Therefore, by employing a multi-theoretical approach, I present a model which explores how social entrepreneurs' cognitive and motivational processes impact their processes of recognizing social opportunities and needs in society, and how the interplay of these factors predicts both financial performance and social impact achieved by social entrepreneurs. Specifically, the social entrepreneur's cognitive moral development (CMD)—described as the cognitive process that motivates an individual to help others in search of a common good (Mair & Noboa, 2006)—is hypothesized to be related to the pursuit of internally-stimulated or externally-stimulated opportunity recognition. Further, CMD is hypothesized to be related to the financial performance of social entrepreneurs and the social impact created by social entrepreneurs respectively. Finally, pursuing internally stimulated opportunities or externally-stimulated opportunities is hypothesized to be related to social entrepreneurs' financial performance and social impact.

An online survey was administered to a total of 1,110 B Corps in the United States, and results are based on data collected from 167 respondents. B Corps are social entrepreneurs who have been certified by B Lab, an independent organization which

assesses, scores, and certifies social entrepreneurs. The findings of this study provide empirical evidence of the positive relationship between CMD and internally-stimulated opportunities.

The first chapter of this dissertation is the introduction while chapter 2 contains a detailed review of the literature on social entrepreneurship and the variables of interest to this study. Chapter 3 presents the formal hypotheses. Chapter 4 details the research methodology while the results of the statistical tests are presented in chapter 5. Chapter 6 presents a discussion of the results, theoretical and practical implications, limitations, and offers future research directions. The study conclusions are presented in Chapter 7.

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by

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DEDICATION

I would like to thank the Lord for His Grace and Mercies. I dedicate this dissertation to my beloved sister, Dr. Foluke Idowu (Nee Adeyinka). Rest on, Sis!

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As I near the completion of this Ph.D dissertation, I would like to show gratitude to the people who have been a strong pillar of support to me.

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CHAPTER 1: INTRODUCTION

Overview

Over the past two decades, there has been a growing interest in the practice and scholarship of social entrepreneurship (Costanzo, Vurro, Foster, Servato, & Perrini, 2014; Dacin, Dacin, & Matear, 2010; Defourny, Hulgård, & Pestoff, 2014; Johannisson, 1990; Nicholls & Young, 2008; Perrini & Vurro, 2006; Rey-Martí, Ribeiro-Soriano & Palacios-Marqués, 2016; Short, Moss & Lumpkin, 2009; Starnawska, 2016; Thompson, Alvy, & Lees, 2000; Wallace, 1999; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). Social entrepreneurship is described as a process which involves identifying specific social problems, finding solutions, and creating an organization to address the social problems (Robinson, 2006).

In the broadest sense, the growing interest in social entrepreneurship may be due, in part, to the realization that social entrepreneurship is often good for business as well as good for society, and that it is a way to solve complex societal problems (Gates, 2008; Prahalad, 2014). It may also be due, in part, to greater awareness by individuals and businesses of the need to be more accountable to society and to help solve society's pressing problems (Costanzo et al., 2014; Rey-Martí et al., 2016), or as a result of the urgent need by businesses to regain legitimacy owing to society's unprecedented distrust and disdain of businesses (Hiller, 2013). The global financial crisis of 2008-2009 has further exacerbated the interest in social entrepreneurship. As a result of the financial crisis, society's distrust of businesses has soared, with businesses being described as self-interested and unmindful of their relationships to society (Hiller, 2013). Businesses have

been accused of having no interest in humanity (Munch, 2012) and even being a threat to human survival (Metcalf & Benn, 2012).

The dynamics described above have resulted in the springing up of new types of businesses which seek to demonstrate more responsibility to society. Some of these new forms are considered “hybrid” businesses, i.e., for-profit, socially obligated, and socially committed businesses (Avdeev & Ekmekjian, 2012; Schoenjahn, 2011). For example, a 2015 survey by Social Enterprise UK reported the existence of about 70,000 social enterprises in the UK (Social Enterprise UK, 2015). Social enterprises are organizations that apply commercial strategies to maximize both social impact and financial performance. In other words, they seek to improve human and/or environmental well-being while providing profits for external shareholders. According to the survey, these social enterprises contributed £24 billion to the economy and employed nearly a million people (Social Enterprise UK, 2015).

There is increasing recognition of efforts of social entrepreneurs by the media and the government. A recent example is the conferment of the Nobel Peace Prize to Mohammed Yunus, founder of Grameen Bank. Grameen Bank operated with a microfinance community development model; it offered loans to the poorest people in Bangladesh without requiring collateral and empowered them in many other ways to become independent business owners (Yunus, Moingeon, & Lehmann-Ortega, 2010). One of the many results of these efforts is that tens of thousands of people have risen out of acute poverty (Yunus, Moingeon, & Lehmann-Ortega, 2010). The establishment of awards such as the Skoll Foundation’s Award for Social Entrepreneurship, the Schwab

Foundation's Social Entrepreneur of the Year Award, and the Social Enterprise UK Social Entrepreneur of the Year Award, to mention but a few, also underscores the growing importance of social entrepreneurs, and these developments have helped to lend legitimacy to the practice of social entrepreneurship.

Social Entrepreneurship Research and Challenges

The growth of social entrepreneurship scholarship pales in comparison to the growth in the practice of social entrepreneurship (Starnawska, 2016). The social entrepreneurship literature has been criticized for being overly preoccupied with definitional debates about who the social entrepreneur is or what elements constitute the boundaries of social entrepreneurship (Starnawska, 2016). These prolonged debates have hindered the advancement of solid theory building and consequently prevented the achievement of a unifying framework for social entrepreneurship researchers (Nicolopoulou, 2014). There also exists a predominance of case studies and conceptual papers to the neglect of empirical articles (Starnawska, 2016). The social entrepreneurship literature has been described as too phenomenon-driven, unfocused, fragmented and still in its infancy (Dacin, Dacin, & Tracy, 2011; Nicolopoulou, 2014; Short, Moss, & Lumpkin, 2009; Starnawska, 2016).

Social entrepreneurship research embraces common interests of management, entrepreneurship, sociology, political science, marketing, and psychology scholars; and researchers have noted that there is tremendous opportunity to research social entrepreneurship using a multidisciplinary lens (Dacin et al., 2010; Starnawska, 2016). Thus, the social entrepreneurship literature may benefit from incorporating existing

theories from these fields into the social entrepreneurship domain or re-contextualizing them for the purposes of social entrepreneurship (Dacin et al., 2010). In social entrepreneurship, much work remains to be done, particularly with respect to the empirical verification of causal relationships and especially in relation to performance outcomes (Dacin et al., 2010).

Boschee and McClurg (2003) describe social entrepreneurs as those who pursue the double bottom line, i.e., a blend of financial and social returns. This means that social entrepreneurship accommodates the simultaneous pursuit of economic goals and social goals. For the purposes of this dissertation, I focus on social entrepreneurs who engage in the simultaneous pursuit of both social goals and economic goals. Therefore, in recognition of efforts to create organizations which pursue the double bottom line, I will adopt Robinson's (2006) definition of social entrepreneurship which defines social entrepreneurship as:

. . . a process that includes: the identification of a specific social problem and a specific solution . . . to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented non-profit entity that pursues the double bottom line (p. 95).

Defining social entrepreneurship this way means that for social entrepreneurs, the indicators of performance will be measured in two ways, i.e. in terms of financial performance and social performance, also called social impact. As a result of the growing interest in the practice of social entrepreneurship and the growth of new social entrepreneurial firms in the United States and other countries, there is increasing interest in

the success factors for social entrepreneurship (Han & McKelvey, 2016; Katre & Salipante, 2012; Wronka-Pośpiech, 2018).

Purpose of the Study

The interest in studying the success factors of social entrepreneurs becomes even more important considering that the literature has suggested that about 40% of social ventures fail in their first five years (Headd & Kirchhoff, 2009; Katre & Salipante, 2012; Kleiman & Rosenbaum, 2007). It has also been observed that most social enterprise firms do not grow (Han & McKelvey, 2016) and that the performance record of existing small social entrepreneurship firms has been weak (Katre & Salipante, 2012; Lichtenstein et al., 2007). The pursuit of the double bottom line by social entrepreneurs makes it more difficult for social entrepreneurship firms to succeed (Han & McKelvey, 2016). André (2012) states that tensions exist between financial and social goals which can make them contradictory (Han & McKelvey, 2016).

Therefore, for social entrepreneurs to be able to survive, grow, and accomplish their goals, the co-evolution of the two elements of the double bottom line is a requirement (Han & McKelvey, 2016). Failure occurs in social entrepreneurship due to an inability to create social impact or due to an inability to generate profits for the business to survive. When social entrepreneurs do not create social impact, they cannot help those intended in a successful manner and this hurts the realization of their social mission. In cases like the above, stakeholder buy-in and cooperation is likely to be low (Han & McKelvey, 2016). Similarly, the ability to generate earned income may limit the ability to fund social activities or even threaten business survival (Han & McKelvey, 2016). Thus, success in social

entrepreneurship hinges on being able to achieve social impact while attaining financial rewards (Han & McKelvey, 2016).

The purpose of this dissertation is to explore enablers of performance for social entrepreneurs. Employing a multi-theoretical approach, I present a model which explores how social entrepreneurs' cognitive and motivational processes predict both financial performance and social impact. Entrepreneurial cognition research concerns itself with the entrepreneurs' processes of interpretation or construction of information as well as how entrepreneurs think or how they organize their knowledge structures (Arend, Cao, Grego-Nagel, Im, Yang, & Canavati, 2016; Baron & Ward, 2004; Grégoire, Corbett, & McMullen, 2011; Mitchell, Smith, Seawright, & Morse, 2000; Oyson & Whittaker, 2015; Shaver & Scott, 1991). Entrepreneurial cognition research also explores how entrepreneurs bring these cognitive processes to bear in their entrepreneurial purposes or activities (Oyson & Whittaker, 2015). The entrepreneurial cognition literature has sought to explain the cognitive factors associated with performance for entrepreneurs, e.g., research on overconfidence (Singh, 2008), alertness, pattern recognition, meta-cognition, and expert scripts (Dew, Grichnik, Mayer-Haug, Read & Brinckmann, 2015). The entrepreneurial cognition literature has also explored the relationships between cognitive processes and opportunity recognition, opportunity creation, and opportunity discovery processes in entrepreneurs (Oyson & Whittaker, 2015).

In this dissertation, I explore cognitive moral development (CMD) as a cognitive factor which influences performance in social entrepreneurship. CMD theory (Kohlberg, 1969) states that in individuals, moral development proceeds through a cognitive

developmental process. CMD in individuals explains why some individuals and not others display superior cognitive capabilities at recognizing possible contingencies arising from complex relationships with different stakeholders with respect to alternative choices of action (Goolsby & Hunt, 1992). CMD is described as the cognitive process that motivates an individual to help others in search of a common good (Mair & Noboa, 2006). Consequently, CMD explains why some individuals are primarily motivated by self-interest in their decision making and why other individuals take other peoples' interests into account and consideration when making decisions. By creating a multi-theoretical research model, I suggest, also, that CMD influences social entrepreneurs' opportunity recognition processes and performance of social entrepreneurs.

Research Questions

This dissertation aims to explore the success factors of social entrepreneurship. The aim of this paper is to highlight and contribute to two broad questions which remain unanswered in the social entrepreneurship literature. First, how can social entrepreneurs who pursue both social and economic goals be successful at creating social impact while also being profitable? Second, how do social entrepreneurs view social issues and how does this affect their processes of recognizing needs in the society and, consequently, their successes as social entrepreneurs (André, 2012; Rey-Martí et al., 2016)?

Considering the growth in the practice of social entrepreneurship, the increasing interest in the success factors of social entrepreneurship, and the dearth of causal relationships in the literature, what is the relationship between opportunity recognition and the performance of social entrepreneurship ventures? Finally, since performance in social

entrepreneurship entails performance in two domains – social performance and economic performance – what factors predispose social entrepreneurs to achieve better performance in each of these domains?

To this end, a model is proposed in this dissertation using Bhavé's (1994) opportunity recognition typology which divides opportunity recognition into two categories: externally-stimulated and internally-stimulated opportunity recognition. Internally-stimulated opportunity recognition is where an entrepreneur discovers problems to solve or needs to fulfill and then decides to create ventures (Bhavé, 1994; Singh & Hills, 2003). On the other hand, an externally-stimulated opportunity is one where the decision to start a venture precedes opportunity recognition (Bhavé, 1994; Singh & Hills, 2003). Earlier, Singh and Hills (2003) found that differences existed between entrepreneurs with internally-stimulated opportunities and entrepreneurs with externally-stimulated opportunities in terms of their performance expectations. Entrepreneurs who pursued internally-stimulated opportunities expected higher performance in terms of firm revenue; they also planned to have larger firms.

Choosing internally-stimulated opportunities or choosing externally-stimulated opportunities also led to differences in terms of actual performance for entrepreneurs. Entrepreneurs pursuing internally-stimulated opportunities recorded higher performance than entrepreneurs who pursued externally-stimulated opportunities (Singh & Gibbs, 2013; Singh, Knox, & Crump, 2008). Differences also exist between these two categories of entrepreneurs in terms of their motivation for choosing to become entrepreneurs. Entrepreneurs pursuing externally-stimulated opportunities were more likely to indicate

that their motivation was grounded in the need to achieve a higher position in society, earn more money, or enjoy greater flexibility (Singh & Hills, 2003). As opposed to being primarily motivated by ambition, entrepreneurs pursuing internally-stimulated opportunities were primarily motivated by a quest to meet an identified need (Singh & Hills, 2003).

A parsimonious model of factors that influence financial performance and social impact in social entrepreneurship is presented in later sections of this thesis. The model proposes a relationship between CMD and the social entrepreneurs' opportunity recognition processes. Similarly, CMD is proposed to impact performance in social entrepreneurship. Finally, the opportunity recognition processes of social entrepreneurs are proposed to be related to their performance.

In summary, this dissertation seeks to answer the following specific research questions:

1. What is the impact of CMD on whether social entrepreneurs pursue internally-stimulated or externally-stimulated opportunity recognition processes?
2. How does pursuing internally-stimulated opportunities or pursuing externally-stimulated opportunities impact the financial performance of social entrepreneurs?
3. How does pursuing internally-stimulated opportunities or pursuing externally-stimulated opportunities determine the social impact created by social entrepreneurs?
4. What is the impact of CMD on the financial performance of social entrepreneurs?
5. How does CMD influence the social impact created by social entrepreneurs?

Human Subjects and Ethical Issues

In complying with the ethical codes provided by the government and other professional bodies, issues such as assurance of respondent confidentiality, informed consent, right to privacy, and minimizing risks have become important in conducting behavioral research with human subjects today (Kimmel, 1988).

Special attention was paid to these issues in conducting this research. For example, respondents were assured that their participation in this study was voluntary and that they could withdraw from the study at any time without penalty or prejudice. Responses were confidential, only the researcher had access to individual responses and used codes to track survey responses. Also, Qualtrics, the online survey website that was used, guarantees privacy and has the highest level of security. Results were reported as group data only, and never individually. There was no risk or discomfort associated with completing the survey. The prospective participants were informed about the purpose of the study and that results would be used for academic purposes only.

This study was reviewed and approved by Morgan's Institutional Review Board (IRB) (IRB #18/02-0030), which ensures that research projects involving human subjects follow federal regulations.

Delimitations and Limitations

The limitations of the study include its cross-sectional nature. Another limitation is that the study examined only social entrepreneurs in the United States. The study was sent to B Corp firms, some of which had multiple founders. Responses received that were not completed by all founders were deleted. Another limitation is nested individual

and organizational variables were analyzed without taking into consideration the lack of independence or the inter-level variance between them.

Procedures

1. Information such as social impact score, website address, type of business, and industry was obtained from the B Lab website. From February 2018 to May 2018, preliminary data containing company name, industry, type of business, contact phone numbers, contact email addresses, name(s) of founder (s), number of employees, firm age, and firm revenue were compiled for each B Corp.
2. Pre-notification email was sent to each B Corp in mid-May 2018. The pre-notification email introduced the researcher, the purpose of the study, and highlighted what their contributions as social entrepreneurs to research knowledge in social entrepreneurship would be if they decided to participate.
3. In the first week of June 2018, the online survey was sent to 1,110 B Corps using the Qualtrics website.
4. Reminders were subsequently sent out to each B Corp who had not completed the survey every week for a period of six weeks. A thank you note was sent to those who had completed the survey.

Measures

The survey instrument contains items on internally-stimulated/externally-stimulated opportunity recognition, CMD, age, level of education, ethnicity, financial performance (revenue), and social impact. The CMD questions were obtained from Lind's (1978) MJT questionnaire, and the opportunity recognition questions were

obtained from Singh (2003). Item 1 measured internally-stimulated/externally-stimulated opportunity recognition, items 2-27 measured CMD, item 28 ascertained respondent's gender, item 29 ascertained respondent's age, item 30 ascertained respondent's ethnicity, item 31 ascertained respondent's level of education, item 32 measured financial performance in terms of revenue, item 33 measured firm age in terms of number of years in business, and item 34 measured firm size in terms of number of employees. Below is a detailed description of each variable and how it was measured.

Definition of Terms

Cognitive Moral Development (CMD).

Described as the cognitive process that motivates an individual to help others in search of a common good (Mair & Noboa, 2006).

Internally-stimulated Opportunity Recognition.

Described as an opportunity recognition process whereby the entrepreneur discovers a need to fulfill in the market and because he is motivated by the high prospects of this opportunity, creates a venture to pursue that opportunity (Singh & Hills, 2003).

Externally-stimulated Opportunity Recognition.

Described as an opportunity recognition process whereby an entrepreneur first decides that he/she wants to create a venture of some kind and thereafter engages in process of searching for opportunities. Here the decision to start a venture precedes the recognition of the opportunity upon which the venture is founded (Singh & Hills, 2003).

Organization of the Study

Through theory development and testing of *a priori* hypotheses, the objectives of this dissertation were fulfilled. Chapter 2 contains a review of the literature on social entrepreneurship. First, a discussion of the definitional debate in social entrepreneurship is presented. Subsequently, issues such as motivations in social entrepreneurship, causes of failure in social entrepreneurship, performance and strategies for success in social entrepreneurship are explored. CMD is discussed and presented as a factor which not only impacts the motivation of social entrepreneurs, but also their ability to identify social opportunities. Finally, to close out the chapter, a detailed discussion of the opportunity recognition process in traditional entrepreneurship and social entrepreneurship is presented.

In Chapter 3, five formal hypotheses are developed based on opportunity recognition theories, organizational theories, and CMD theories. Chapter 4 details the research methodology. In Chapter 5, I present the results of the statistical tests. Chapter 6 presents a discussion of the results, theoretical and practical implications, limitations, and offers future research directions. Conclusions for this study are presented in Chapter 7.

Chapter Summary

Factors which influence the success of social entrepreneurs are missing in the social entrepreneurship literature. This study seeks to uncover some of these factors by employing a multi-theoretical approach which relates cognitive moral development with the

opportunity recognition processes of the social entrepreneurs and, consequently, their performance in terms of revenues and social impact, respectively.

CHAPTER 2: LITERATURE REVIEW

Overview

The social entrepreneurship literature has engaged in a long debate aimed at describing and defining who the social entrepreneur is and clarifying the concept of social entrepreneurship (Abu-Saifan, 2012; Dacin et al., 2011; Dees, 1998; Mair & Marti, 2006; Martin & Osberg, 2007; Sullivan Mort, Weerawardena, & Carnegie, 2003; Peredo & McLean, 2006; Perrini & Vurro, 2006; Starnawska, 2016). The idea of recognizing opportunities or identifying opportunities to create social value or solve social problems, has however, been strongly featured in these descriptions (Martin & Osberg, 2007; Sullivan Mort et al., 2003; Peredo & McLean, 2006; Robinson, 2006; Thompson, Alvy, & Lees, 2000).

Thus, like traditional for-profit entrepreneurship, the notion of opportunity recognition is the starting point of social entrepreneurship. Opportunities may arise in the environment due to changes in technology, government, or other social factors (Baron & Ward, 2004). Studies in traditional entrepreneurship suggest that the opportunity recognition process of the entrepreneur may be influenced by factors including, but not limited to, prior knowledge or experience (Shane, 2000), the use or non-use of social networks (Hills, Lumpkin, & Singh, 1997) or as a result of more developed cognition, such as alertness, counterfactual thinking, and the ability to draw on prototypes/exemplars stored in memory (Baron & Ward, 2004; Gaglio & Katz, 2001). These cognitive factors help the entrepreneur to make sense of changes occurring in the environment, see, and seize arising opportunities.

The literature suggests that different entrepreneurs may engage in different processes of opportunity recognition (Bhave, 1994; Brockman, 2014; Gaglio, 2018; Gibbs, 2014; Lundy & White, 2017; Sarasvathy, 2001; Singh & Gibbs, 2013; Stuetzer & Cantner, 2013; Tang, Kacmar, & Busenitz, 2012; Welter, Mauer, & Wuebker, 2016). Thus, with respect to opportunity recognition, divergent theoretical approaches have been uncovered: effectuation vs. rational/economic processes (Sarasvathy, 2001; Welter et al., 2016), systematic search vs. gut-feel or the “eureka moment” (Bhave, 1994; Brockman, 2014; Cyert & March, 1963; Gaglio, 2018; Long & McMullan, 1984; Stevenson, Roberts, & Groesbeck, 1989; Tang et al., 2012; Timmons, 1990; Vesper, 1996) solo vs. network modes of opportunity recognition (Hills et al., 1997; Stuetzer & Cantner, 2013), and internally vs. externally-stimulated opportunity recognition processes (Bhave, 2004; Cyert & March, 1963; Gibbs, 2014; Lundy & White, 2017; Singh, 2003; Singh & Gibbs, 2013). Relatively few scholars have explored the process of opportunity recognition outside the commercial entrepreneurship domain, and it is essential that the opportunity recognition process be explored in the domain of social entrepreneurship given the importance of the construct to this evolving field.

This dissertation is grounded in Bhave’s (1994) internally vs externally-stimulated opportunity recognition framework in order to uncover antecedents of the opportunity recognition process and to empirically test factors that determine the financial and social performance of social entrepreneurs. The choice of Bhave’s (1994) model provides a specific and parsimonious theoretical model of the venture creation process. Bhave’s (1994) model is a process model of new venture creation which is both

comprehensive, integrative, and based on empirical, grounded data. The model divides the venture creation process into three specific stages—the opportunity stage, the technology set-up and organization creation stage, and the exchange stage—with internally-stimulated and externally-stimulated opportunity recognition processes discussed specifically as two divergent paths at the opportunity recognition stage.

More importantly, the choice of Bhavé's (1994) model is appropriate in this research because it aptly describes the entrepreneurial phenomenon, i.e., it incorporates a sound definition of the entrepreneurship construct by: (1) acknowledging the importance of the opportunity construct and acknowledging the roles of individuals and organizations in the pursuit of entrepreneurial opportunities (Shane & Venkataraman, 2000), (2) acknowledging the process nature of entrepreneurship (Shaver & Scott, 1991), and (3) describing the entrepreneurial process as a function that can also be carried out by organizations (Bhavé, 1994; Gartner, 1988; McKenzie, Ugbah, & Smothers; 2007). Furthermore, Bhavé's (1994) model highlights core variables which are unique and applicable at each of the above-mentioned three stages of venture creation and argues that the entrepreneurial content of a venture is a function of innovation at any of these three stages.

Historical Perspective on Social Entrepreneurship

Social entrepreneurship can be viewed as an attempt to locate business in its proper role in society. There has existed a long debate on what the role of business in society should be. At one end of the debate, scholars such as Friedman (1970) assert that the primary purpose of business is making profit; directors must pursue profit-making

activities as fiduciary responsibilities to owners and shareholders or stockholders while following the law. Activities not congruent with this goal are abuse of fiduciary responsibilities and they impose taxes on owners and shareholders for whom the businesses exist (Friedman, 1970). At the other end of the debate however, scholars argue that businesses do not exist solely to make profit but also need to answer to a wider group of stakeholders. From this perspective, owners or shareholders are not the only stakeholders of business (Stout, 2012). Local communities, the environment, and society become stakeholders in as much as the activities of the business affect these entities. Caring about society, involving society, giving back to society, or enhancing social value became the mantra of corporate social responsibility (CSR) frameworks, stakeholder management, and sustainability paradigms (Schwartz & Carroll, 2008).

Definitional Debates and Different Domains

A review of the social entrepreneurship literature uncovers four major viewpoints through which social entrepreneurship researchers have defined social entrepreneurship or described the social entrepreneur (Dacin et al., 2011). Through each of these viewpoints, attempts have been made to delineate the boundaries of social entrepreneurship. First, there is the individual-centric approach emphasizing special individual qualities or traits in order to explain, describe or define the social entrepreneur (Dacin et al., 2011; Drayton, 2002; Prabhu, 1998; Shaw, Shaw, & Wilson, 2002). Then there is the entrepreneur-centric approach arguing that social entrepreneurs are but a species in the genus entrepreneur (Dacin et al., 2011; Dees, 1998). In other words, to qualify as one, a social entrepreneur must act “entrepreneurially.” The mission-centric

viewpoint is yet another approach focusing on the goals, aims, or outcomes which the social entrepreneur seeks to accomplish (Dacin et al., 2011; Dees, 1998; Sullivan Mort et al., 2003). Lastly, in order to further delineate the boundaries of social entrepreneurship, the process-centric view emerged highlighting the process of formation, operation or sustenance of social entrepreneurship entities (Dacin et al., 2011; Abu-Saifan, 2012).

Individual-centric views.

The *individual-centric view* relies heavily on individual traits in describing social entrepreneurs (Drayton, 2002; Prabhu, 1998; Shaw et al., 2002). This view portrays social entrepreneurs as “social heroes” possessing entrepreneurial talent (Weerawardena & Mort, 2006). For example, Drayton (2002) suggests that social entrepreneurs possess special traits which can only be found in a very small percentage of the population and that these traits create in them the determination to change the whole of society.

Among other things, the individual-centric approach presents social entrepreneurs as “one special breed of leaders” (Dees, 1998), possessing leadership characteristics such as high levels of credibility and integrity. This viewpoint also describes social entrepreneurs as charismatic people possessing the ability to generate follower commitment to social projects (Borins, 2000; Lewis, 1980; Waddock & Post, 1991). In summary, the individual-centric approach to the study of social entrepreneurship suggests that social entrepreneurs are highly motivated individuals who are blessed with special traits, including exceptional leadership qualities. These individuals are able to see opportunities for change in society, and they excel in their ability to mobilize resources to address these needs (Dacin et al., 2010; Light, 2009; Tan, Williams, & Tan, 2005).

However, it is noteworthy to state here that the trait theory is not supported by evidence (Gartner, 1988; Van de Ven, 1980). Empirical research studying special traits fails to differentiate entrepreneurs from managers based on supposed possession of special traits (Brockhaus, 1980; Gartner, 1988; Sexton & Kent, 1981). The trait theory has failed in the study of leadership; there is no support or empirical evidence to differentiate successful from unsuccessful leaders based on a finite set of traits or characteristics (Van de Ven, 1980). According to Gartner (1988), the trait approach has failed in the study of leadership and is also unlikely to yield any fruitful results in entrepreneurship research (Gartner, 1988).

Entrepreneur-centric views.

The second viewpoint—the *entrepreneur-centric view* of social entrepreneurship—utilizes established entrepreneurship frameworks, concepts or constructs in describing the social entrepreneur. This view argues that social entrepreneurs are a subset of the universe of entrepreneurs; in other words, social entrepreneurs are a species in the genus entrepreneur (Dees, 1998). Social entrepreneurs act “entrepreneurially” in their bid to create social value.

In sync with entrepreneurship conceptions by the likes of Schumpeter (1934, 1942) on innovation, Kirzner (1973, 1979, 1985) on alertness, or Shane (2000, 2003) on recognition of opportunities, as well as other entrepreneurship frameworks, this stream of research emphasizes entrepreneurial practices such as: (1) the innovative combination of resources (Johnson, 2000); (2) risk-taking, creativity, proactiveness (Borins, 2000; Mair & Marti, 2004; Prabhu, 1998; Sullivan Mort et al., 2003); and (3) alertness to

opportunities and organization creation (Mair & Noboa , 2006) as necessary hallmarks of social entrepreneurship (Bacq & Janssen, 2011).

The social entrepreneur is, therefore, an individual who engages the above-mentioned entrepreneurial processes in his activities and who, through sound business practices, aims at catalyzing social change (Peredo & McLean, 2006; Reis, 1999).

Perhaps one of the most prominent works emphasizing the entrepreneur-centric view of social entrepreneurship is that of Dees (1998). Drawing on the entrepreneurship literature, Dees (1998) concludes that social entrepreneurs are one kind of entrepreneur and defines the entrepreneurial aspect of social entrepreneurship as including the following:

(1) The recognition and “relentless” pursuit of new opportunities to further the mission of creating social value,

(2) Continuous engagement in innovation and modification, and

(3) Bold action undertaken without acceptance of existing resource limitations.

The entrepreneurship construct subsumes both individual and organizational levels (Bygrave & Hofer, 1991). Often, individual entrepreneurs recognize opportunities to catalyze social change or to provide social benefits and create organizations to pursue these goals (Mair & Marti, 2004; Mair & Noboa, 2006). Thus, individual social entrepreneurs or social entrepreneurial organizations can tackle complex social problems and meet fundamental social needs through constant innovation and by taking a business-like approach (Mair & Noboa, 2006). The entrepreneur-centric view accommodates non-profit organizations that apply sound business practices in the delivery of their social

missions (Reis, 1999). Regardless of whether an organization is for-profit or non-profit, the entrepreneur-centric argues that a definition of social entrepreneurship should be based these core elements: recognizing opportunities, innovating in some way, displaying resourcefulness, and displaying capacity to endure risk (Bacq & Janssen, 2011). In enacting a boundary for social entrepreneurship, this viewpoint excludes philanthropy as social entrepreneurship (Mair & Marti, 2004). In other words, proponents of this viewpoint disqualify philanthropy from being regarded as a form of social entrepreneurship claiming philanthropy does not involve the three elements described above.

In his attempt to place social entrepreneurship in the spectrum of entrepreneurship, Abu-Saifan (2012) highlights several characteristics that are unique to entrepreneurs, such as being a holistic and high achiever, risk bearer, organizer, strategic thinker, value creator, and arbitrageur. Similarly, he highlights the characteristics that are unique to social entrepreneurs, specifically “mission leader, emotionally charged, change agent, opinion leader, social value creator, socially alert, manager, visionary, highly accountable” (p. 25). Abu-Saifan (2012) suggests that some characteristics are common to both groups: “innovator, dedicated, initiative taker, leader, opportunity alert, persistent, committed” (p. 25). Like traditional entrepreneurs, social entrepreneurs are described as individuals who envision a better world and take advantage of opportunities not seen by others in order to make the world a better place (Abu-Saifan, 2012). Traditional entrepreneurs and social entrepreneurs also differ from other individuals in the way they perceive risks. However, the major difference between social entrepreneurs and

traditional entrepreneurs lies in the prioritization of the social mission for the former and the prioritization of economic wealth creation for the latter (Abu-Saifan, 2012).

The major difference between the individual-centric views and the entrepreneur-centric views is that the former relies heavily on the presence of special traits or abilities in defining the social entrepreneur, while the latter describes the entrepreneur in terms of engagement in processes of opportunity identification, innovative combination of resources, and organization creation.

Mission-centric views.

Researchers who adopt the *mission-centric view* of social entrepreneurship focus on the goal(s), drive, motivations or aims of the social entrepreneur. Researchers advancing mission-centric views have been caught in a debate on the relative salience of social goals versus economic goals in defining social entrepreneurship (Boschee & McClurg, 2003; Dees, 1998; Peredo & McLean, 2006; Sullivan Mort et al., 2003).

Although researchers agree that social entrepreneurship differs from traditional entrepreneurship in its proposition which prioritizes social change, social transformation or social value creation, researchers at the extreme of the mission-centric viewpoint maintain that the exclusive pursuit of social goals define social entrepreneurship (e.g., Dees, 1998; Sullivan Mort et al., 2003). Dees (1998), for example, argues that just as for-profit organizations exist primarily for provision of superior value to their customers, social entrepreneurial organizations exist primarily to provide social value for stakeholders.

Other researchers are more permissive in that they accommodate the existence simultaneously of both social and economic goals in the mission of the social entrepreneur (Boschee & McClurg, 2003; Peredo & McLean, 2006). For example, Boschee and McClurg (2003) affirm that social entrepreneurs are those who pursue the double bottom line, i.e., “a blend of financial and social returns” (p. 3). In essence, social entrepreneurs can simultaneously pursue both social and economic goals. Self-interest and social interest can co-exist. Tan, Williams and Tan (2005) seem to give more clarity to the issue of the social entrepreneur’s mission, defining the social entrepreneur as a “legal person engaged in the process of entrepreneurship in a way that involves a segment of society with the altruistic objective that benefits accrue to that segment of society” (p. 360). They suggest that two possibilities exist: a social entrepreneur’s objective may be to profit society alone or a social entrepreneur’s objective may be to profit society and himself. In the second possibility, that of profiting society and himself, there emerges a continuum of the degrees to which a social entrepreneur’s objective is to profit society relative to himself, equally or unequally. Tan et al. (2005) offer a categorization of social entrepreneurs based on six descending degrees of altruism (Tan et al., 2005, p. 359):

- (1) The person who attempts to innovatively profit society alone . . . at risk of incurring personal loss.
- (2) The person who attempts to innovatively profit society alone . . . at risk of foregoing personal profit.
- (3) The person who attempts to innovatively profit society by profiting himself . . . at risk of incurring personal loss.

(4) The person who attempts to innovatively profit society by profiting himself . . . at risk of foregoing personal profit.

(5) The person who attempts to innovatively profit himself by profiting society . . . at risk of personal loss.

(6) The person who attempts to innovatively profit himself by profiting society . . . at risk of foregoing personal profit.

Adding to this discourse, Peredo and McLean (2006) offer persuasive cases and dynamics in which an organization may transition from having an exclusive social focus to accommodating a for-profit mission and vice versa. In their view, what really qualifies an undertaking as social entrepreneurship “is the presence of social goals in the purposes of that undertaking” (Peredo & McLean, 2006, p. 22). To buttress their argument, they cite the case of Margaret Cossette, who had a grant of \$4000 and was successful in the non-profit sector (Peredo & McLean, 2006). Margaret Cossette needed to expand her service but lacked the required capital because as a non-profit, her organization did not qualify for bank credit. As a result, Cossette finally shed the non-profit status, secured a loan, took her venture to the for-profit arena, expanded her services many times over, and her company became profitable with several million dollars in revenue (Peredo & McLean, 2006).

In conclusion, Peredo & McLean (2006) offer a range of social entrepreneurship types consisting of four categories:

(1) Enterprises whose goals are exclusively social, e.g. NGOs, Grameen Bank, at one extreme;

- (2) Enterprises for which social goals are chiefly social, but not exclusively, e.g.,
Missouri Home Care;
- (3) Enterprises for which profit-making to entrepreneur and others is a strong
objective, e.g., Ben & Jerry's;
- (4) Enterprises in which profit-making to entrepreneur and others is prominent or
prime objective, e.g., CSR or social objectives undertaken by corporations
such as banks.

In a similar vein, in formulating a landscape of social entrepreneurship, Neck, Brush and Allen (2009) offer a typology based on mission and outcomes. Based on the argument that the mission is the foundation of a venture's existence and that outcomes e.g., market impact, signifies how effectively a firm accomplishes its objectives, they create a typology of entrepreneurial ventures based on these two dimensions: mission, which may be economic or social mission, and primary market impact, which may be economic or social impact. Four types of entrepreneurial ventures emerge: (1) social purpose ventures – founded on the premise that a social problem will be solved, yet the venture is for profit and the impact on the market is typically perceived as economic; (2) traditional ventures—which focus primarily on economic mission and economic impact, with financial performance as its primary metric; (3) social consequence ventures—based on economic mission but whose many practices have social outcomes, yet these social outcomes are not the reason for the firm's existence; and (4) enterprising non-profits based on social mission and whose primary impact on the market is also social. Neck et al. (2009) argue that of the four types of entrepreneurial ventures, only social purpose

ventures and enterprising non-profits should be regarded as particularly in the domain of social entrepreneurship as they are chiefly based on the social mission.

The notion of involvement of society, a common argument in Tan et al.'s (2005) and Neck et al.'s (2009) conception of social entrepreneurship, is also noteworthy. Tan et al. (2005) emphasize that a social entrepreneur makes profit for society or a segment of it "in a way that involves that society or a segment of it" (p. 358). In a similar vein, Neck et al. (2009) reiterate that "the degree to which a venture involves or engages stakeholders will move the venture toward a greater social mission" (p. 17). They emphasize that "... wicked problems require collaboration with a variety of stakeholders because social problems are not solved independently" (p. 17). Thus, in their conception of what social entrepreneurship is or should be, this viewpoint also asserts that philanthropy, or charitable donations by philanthropic entrepreneurs, do not qualify as social entrepreneurship because these endeavors do not involve society in the process per se, particularly in terms of risk (Tan et al., 2005).

In summary, the mission-centric viewpoint is that social entrepreneurship enterprises can be located on a continuum of social and economic mission. At the one extreme, the venture prioritizes the social mission while at the other extreme, economic goals are prioritized. In other words, social entrepreneurship is conceptualized in terms of the "altruistic" objectives of the entrepreneurial person or organization (Tan et al., 2005). These objectives come in different degrees, depending both upon whether the primary objective is to benefit society or benefit self or realize primarily economic objectives. The "social" in "social entrepreneurship" has also been explained to signify

the level of involvement or engagement of society or a segment of it in the process (Tan et al., 2005). It also points to the weight of the social mission of the social entrepreneurial venture (Tan et al., 2005; Neck et al., 2009).

Process-centric views.

The last viewpoint, the *process-centric view*, attempts to delineate the boundaries of social entrepreneurship organizations based on how they are formed, funded or how they achieve sustenance. For example, Abu-Saifan (2012) includes financial independence and incorporation of earned income strategies as major criteria in order to qualify as social entrepreneurship. Accordingly, non-profit organizations which depend on government funding or donations are not self-sufficient or sustainable, and therefore, fall short of being classified as social entrepreneurship. His conceptualization of social entrepreneurship, therefore, includes two categories: (1) non-profits with earned-income strategies: organizations which are both social and which engage in commercial exchange, profits being generated as a means to further improve their service delivery, and (2) for-profits with mission-driven strategies: organizations which perform social and commercial entrepreneurial activities simultaneously, but in which founders and investors can benefit from financial returns.

Social Entrepreneurship and the Moral Dimension

Today, society expects more from businesses regarding how their business operations affect society (Davis, 1975; Hiller, 2013; Reidenbach & Robin, 1991). For example, Davis (1975) proposes that in order to proceed with a business activity, product or service, its social costs as well as benefits must be calculated. According to Davis

(1975), businesses typically considered only two factors: (1) technical feasibility and (2) economic profitability, in deciding whether to proceed with an activity, but businesses must add a third factor: the “social favorability” of an activity, in order to proceed with a business activity. The increasing concern of the consequences of their actions and how they impact society have resulted in society demanding that businesses also achieve certain social goals along with their economic/profit-making goals (Davis, 1975; Reidenbach & Robin, 1991). According to Reidenbach and Robin (1991), the extent to which businesses recognize and blend this required social mission with their economic mission is a pointer to their level of moral development as this is an indication of the extent to which they consider other stakeholders in their business operations.

Clearly, society’s expectation in terms of pollution prevention and control, bringing to market of organic products, and other practices, is changing (Porter & Kramer, 2011). Businesses which accommodate these changing expectations can “claim moral superiority over those who do not” (Logsdon & Yuthas, 1997, p. 1221). Thus, businesses are moral to the extent to which they factor in the needs of the society in their activities and are responsive to those standards, norms or expectations that reflect a concern for society and other stakeholders in their activities (Schwartz & Carroll, 2003).

Although traditional businesses typically pursue profit-making, social entrepreneurship leans towards creating social wealth, or delivering social value and bringing positive change to social conditions. Social entrepreneurship is about meeting social needs and about rising to the higher standards of accountability that society demands of businesses. It is also about accommodating social expectations with regards

to doing business in a more socially responsible/responsive manner. Thus, social entrepreneurs represent the group of entrepreneurs who demonstrate commitment to meeting society's expectation towards social goals. In doing so, they accept, in addition to the duty to pursue self-interest, the duty to accommodate the interests of those broader stakeholder groups whose social conditions they seek to improve.

The dynamics described above have resulted in the springing up of new types of businesses which demonstrate more responsibility to society. Some of these new forms are considered as “hybrid” businesses – for-profit, socially obligated, and socially committed businesses (Avdeev & Ekmekjian, 2012; Schoenjahn, 2011). An example of such hybrids is the B-corporation (or Benefit Corporation)—a new organizational form for which social entrepreneurs in the U.S. have recently prevailed in achieving legal status. The agenda of the B-corporation is both to pursue a social agenda and to maximize profit (Hiller, 2013; André, 2012). Thus, although the B-corporation is a for-profit entity which retains all its traditional corporate characteristics, it is, also, a socially obligated corporate form of business (André, 2012; Hiller, 2013).

In the next sections, I will present a discussion on the different drivers of social entrepreneurship. While highlighting the different motivations which can encourage individuals to choose to pursue social entrepreneurship, I argue that pro-social and pro-self motivations are drivers of social entrepreneurship. Following the discussion, I present causes of failure in social entrepreneurship and finish with a discussion of social entrepreneurship success factors.

Motivation for becoming a Social Entrepreneur

The literature suggests that social entrepreneurs also may be motivated to engage in social entrepreneurship for different reasons. While some social entrepreneurs may be primarily motivated by a sense of selflessness, sacrifice, empathy, and compassion, (Mair & Noboa, 2003; Miller, Grimes, McMullen, & Vogus, 2012), others may be primarily motivated by other factors, such as self-interest with a primary focus on economic gains (Dacin et al., 2010). Social entrepreneurship clearly accommodates the simultaneous pursuit of social self-interest and social interest (Galaskiewicz & Barringer, 2012; Tracey & Phillips, 2007). As earlier discussed, social entrepreneurs display different degrees of altruism (Tan et al., 2005): social entrepreneurs may oscillate between a focus on the pursuit of self-interest and a focus on pursuit of social interests, and they may even subordinate one of these goals to the other if they so wish.

The quest for heroism may become a strong motivation for social entrepreneurs. Characterization of the “heroic social entrepreneur” can be seen across the social entrepreneurship literature (Miller et al., 2012; Nicholls, 2010). Short et al. (2009) noted less enthusiastically that much of the research on social entrepreneurship has focused on the heroic individual social entrepreneur. Dacin et al. (2010) emphasize that a focus on heroic characterizations of social entrepreneurs uncovers a bias in terms of motives and mission of social entrepreneurs. Miller et al. (2012) argue that the springing up of social enterprises may result from a bandwagon effect following the spotlighting and celebration of social entrepreneurs. Together with Nicholls (2010), they cite examples of new award programs, e.g., *Fast Company’s* Social Capitalist Awards, new foundations,

e.g., Skoll Foundation, and new fellowship programs, e.g., Ashoka, which all aim to legitimize social entrepreneurship by its hero entrepreneurs and success stories (Miller et al., 2012; Nicholls, 2010). Nicholls (2010) suggests that some social entrepreneurs are drawn into social entrepreneurship due to a quest for heroism. As noted by Martens, Jennings, and Jennings (2007), individuals identified as social entrepreneurs provide the platform for rich and powerful narratives. Social entrepreneurs often achieve fame and they are celebrated in the society. As discussed earlier, an example is the conferment, in 2006, of the Nobel Peace Prize award on Muhammad Yunus, a social entrepreneur and the founder of Grameen Bank, a successful social enterprise (Martens et al., 2007).

According to Nicholls (2010), the social entrepreneurship discourse has proceeded on two narrative logics: the social entrepreneur hero narrative which presents the hero social entrepreneur as central (Alvord, Brown, & Letts, 2004; Lounsbury & Strang, 2009; Seelos & Mair, 2005) and the community engagement/empowerment narrative (e.g. Barnes, 1999). The social hero narrative relies on myths, narratives and logics from commercial entrepreneurship, which ascribes success to individual qualities, while the community empowerment/engagement narrative focuses more on creation of social value for the community as well as bottom-up solutions (Nicholls, 2010).

According to Nicholls (2010), the activities of foundations and fellowship organizations have given precedence to the hero entrepreneur narrative. In a quest for higher levels of legitimation for social entrepreneurs, foundations supporting social entrepreneurship portray social entrepreneurship with a business venture approach (Nicholls, 2010).

Accordingly, “this venture approach legitimates grants as investments that demand a

maximum ‘return’ on capital” (Nicholls, 2010, p. 622). In the end, social entrepreneurship becomes a philanthropic model predicated on maximizing return on investment and the goal shifts from a focus on providing social service to a focus on maximizing monetary gains (Nicholls, 2010).

Similarly, fellowship organizations, like foundations, also espouse the hero social entrepreneur narrative and suggest that social entrepreneurs have a lot to gain from connections with private-sector actors (Nicholls, 2010). Television and film series put together by the media in partnership with several foundations and fellowship organizations have served to promote the hero entrepreneur narrative (Nicholls, 2010).

Following the above discussions, it will not be out of place for individuals to be drawn to social entrepreneurship through an appeal for heroism, celebration, recognition and fame. Seelos and Mair (2005) contrast the group of social entrepreneurs who are motivated by heroism, the hope of award, fame or recognition with those whose passion for social causes overshadows other motivations. They state that most often, the latter do not even see themselves as social entrepreneurs “until they receive an award or some form of recognition” (Seelos & Mair, 2005, p. 244). Mair and Noboa (2006) identified moral development as predictor of becoming a social entrepreneur. Moral development motivates individuals to help others and is suggested to be positively related to perceived social venture desirability (Mair & Noboa, 2006).

In summary, I argue that individuals can be drawn to social entrepreneurship through prosocial motivations such as selflessness, compassion (Miller et al., 2012), moral sentiments and ethical obligations (Bacq, Hartog, & Hoogendoorn, 2016; Kickul &

Lyons, 2016; Pless, 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). However, traditional self-oriented motivations such as need for achievement, desire for autonomy/independence, and need to maximize economic gain can also be strong motivators for social entrepreneurship (Carland, Hoy, Boulton, & Carland, 1984; Carsrud & Olm, 1986; Hart, Stasson, Mahoney, & Story, 2007). Thus, an attempt to create wealth through founding a social enterprise “can be an end in itself, or a means to a self-oriented end” (Miller et al. 2012, p. 631).

The link between motivations of social entrepreneurs and their opportunity recognition process has been suggested in the literature (Yitshaki & Kropp, 2016). For example, Yitsaki and Kropp (2016) suggest that some individuals are *pulled* into social entrepreneurship, whereas, others are *pushed* into social entrepreneurship. Those pulled into social entrepreneurship are motivated by factors such as desire to serve others or an opportunity to contribute to a better world (Yitshaki & Kropp, 2016). Conversely, those pushed into social entrepreneurship may be motivated by factors that make staying on a job undesirable (Robichaud, LeBrasseur, & Nagarjan, 2010; Yitshaki & Kropp, 2016). Yitsaki and Kropp (2016) suggest, among other things, that a major difference between those that are pulled and those that are pushed is the former’s sensitivity to social needs (Yitshaki & Kropp, 2011, 2016) and the ability to recognize opportunities (Hakim, 1989).

This indicates that social entrepreneurs that are primarily motivated by a sense of selflessness, sacrifice, empathy, and compassion are likely to engage in different opportunity recognition processes than those motivated primarily by other factors such as self-interest, ambition, hope of recognition, heroism, or economic gains. CMD, an

‘other-regarding’ and a prosocial motivation, is presented in later sections of this paper as a determinant of differences in motivation and opportunity recognition of social entrepreneurs.

Examining Performance in Social Entrepreneurship

causes of social entrepreneurship failures and examples of failed efforts.

As noted earlier, social entrepreneurship may constitute a particularly challenging terrain for entrepreneurs. This is because social entrepreneurship necessitates the fusing together of two often conflicting logics (Tracey, Phillips, & Jarvis, 2011). Furthermore, according to Miller et al. (2012), social entrepreneurship requires the combination of market-based organizing, which has the goal of obtaining financial returns by creating economic value, with charity-based organizing, which has the goal of creating social value.

Another reason why social entrepreneurship may be arduous is because social entrepreneurship is often implemented in contexts where markets have failed or in which institutions are lacking or non-existent. Thus, to be successful, the social entrepreneur not only bears the risk associated with starting a new venture but must also bear the risks of building new institutions and forging new partnerships (Dacin et al., 2010; Miller et al., 2012). The social entrepreneur therefore needs to demonstrate high levels of commitment without the expectation of immediate reward (Miller et al., 2012).

Social entrepreneurs may also fail due to an inability to build successful partnerships, i.e., the inability to engage stakeholders or take stakeholders into consideration in their business activities. Social entrepreneurs who adopt a firm-centric

approach in product development and market entry are likely to fail (Calton, Werhane, & Bevan, 2013). Calton et al. (2013) argue, that, for social entrepreneurs to be successful, they must be able to forge successful partnerships with stakeholders through a process of “emergent, co-creative learning within a shared problem domain” (p. 721). In other words, social enterprises must adopt an entirely different mental map, a “moral imagination” which guides the adoption of new ways of doing business with a variety of disparate stakeholders with the goal of solving a common or shared problem. This mental map “embraces multiple goals and respects multiple perspectives, values and interests” (Calton et al., 2013, p. 722).

The firm-centric approach is a model or strategy which perpetuates the mindset that the firm is the most valued stakeholder, leading to an egocentric or firm-centric thinking which overemphasizes the firm and deemphasizes the various stakeholders affected by the firm’s decisions (Bevan & Werhane, 2011). Rather than adopting a firm-centered stakeholder relationship framing which leads to failure, Calton et al. (2013) suggest adoption of a decentralized stakeholder network model for social entrepreneurial firms to be successful. This decentralized stakeholder network model places the firm “as an equal participant in an unfolding, multilateral pattern of firm/stakeholder interactions” (p. 725). The decentralized stakeholder network model is a strategy that views the firm as an equal participant with stakeholders in the co-creation of value.

Another factor that can lead to success for social entrepreneurial firms is a focus on “faces and places” (Calton et al., 2013). The “faces and places” construct is described as a cognitive lens which humanizes every inhabitant of the society and co-creates

solutions for these inhabitants based on their uniqueness and the contexts of their need and existence (Calton et al., 2013). According to Calton et al. (2013), focus on identifying which market need to exploit with a focus on organizational goals and a provision of blanket or generalized solutions will lead to failure (Calton et al., 2013).

To buttress the need for the adoption of their concepts of a decentralized stakeholder network model and a focus on “faces and places,” Calton et al. (2013) give several examples of social entrepreneurs who failed because they did not adopt these concepts in their activities. An example is the recent failure of many banks in the Indian microfinance sector. As a result of their firm-centric approach and a narrowly focused mental model that only saw profitability through a single lens, these banks not only damaged their own bottom line but hurt their clients and failed to meet any stakeholder interests at all (Calton et al., 2013). As a result, many of these banks are experiencing poor financial as well as social returns (Bajaj, 2011; Chandavarkar, 2011). The Proctor & Gamble PUR (water purifier) project is yet another example of social entrepreneurship effort that failed due to a firm-centric approach and a lack of attention to the unique cultural needs and contexts in Indian villages (Calton et al., 2013). Fortunately, Proctor & Gamble realized these factors for success and incorporated them eventually recording success with the PUR product (Calton et al., 2013).

In summary, social entrepreneurs will record more successes if they “learn to develop the capability to listen respectfully and engage in dialog with multiple stakeholders . . . and to move toward a collaborative response to problems” (Calton et al., 2013, p. 726). Through aligning competing interests, tensions between social and

economic goals can be resolved and social entrepreneurs can realize the potential for high profitability (Calton et al., 2013).

A strategy for success: creating shared value.

Porter and Kramer (2011) unveil creating shared value (CSV) as a strategy for success in business. Porter and Kramer (2011) argue that societal needs, not just conventional economic needs, define markets and that businesses can realize economic success by addressing fundamental societal needs and challenges in an innovative manner. They argue that the largest unmet needs in society include fundamental human needs, such as health, better housing, improved nutrition, help for the aging, greater financial security, and less environmental damage. By addressing any of these unmet needs in an innovative manner, companies can create economic value by creating societal value. For example, when a firm invests in a wellness program, society benefits because employees and their families become healthier, and the firm minimizes employee absences and lost productivity (Porter & Kramer, 2011). Porter and Kramer (2011) also contend that the narrow view of capitalism has not been successful because businesses have focused on making profits by enticing customers to buy more and more of their products. Stiff competition and pressures from shareholders have caused firms to adopt survival strategies, such as restructuring, personnel reductions, and relocations to lower-cost regions, with attendant commoditization, price competition, little innovation and no perceived benefits to society.

Porter and Kramer (2011) suggest three ways to create shared value: by reconceiving products and markets, by redefining productivity in the value chain, and by

enabling local cluster development. Porter and Kramer (2011) offer the following examples; that of GE's Ecomagination products which reached \$18 billion in 2009 – the size of a *Fortune* 150 company. Similarly, Wal-Mart has made a successful attempt at redefining productivity in its value chain; by reducing its packaging and cutting 100 million miles from the delivery routes of its trucks, Wal-Mart lowered carbon emissions and saved \$200 million in costs. By investing in employee wellness programs, Johnson & Johnson has saved \$250 million in health care costs.

In summary, the concept of creating shared value proposes that fundamental societal needs are ready markets waiting to be tapped by social entrepreneurs, who can realize significant economic gains by solving these needs in an innovative manner (Porter & Kramer; Prahalad, 2014).

Creating and Scaling Social Impact.

Social impact is an important outcome variable in social entrepreneurship (Bacq & Eddleston, 2018). Social impact is described in terms of the magnitude of a social need that a social enterprise is able to meet or social problem solved (Dees, 1998). The ability to engage stakeholders, the capability to generate earned income (Bacq & Eddleston, 2018; Cannatelli, 2017), and an “other-regarding” culture (Bacq & Eddleston, 2018; Montgomery, Dacin, & Dacin, 2012; Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008) have been suggested to be related to social impact.

Researchers suggest a positive relationship between the capability to engage multiple and diverse stakeholders and the scale of social impact in social entrepreneurship (Bacq & Eddleston, 2018; Cannatelli, 2017). This is because co-

operation and support are key in achieving success for social enterprises (Bacq & Eddleston, 2018). Also, the resource-based view (RBV) considers the capability to consider and engage multiple stakeholders over time to be a key firm resource that contributes to firm success (Barney, 1991; Barney, Wright, & Ketchen, 2001).

Communicating with and engaging stakeholders helps social enterprises to: (1) secure resources and gain legitimacy (Desa & Basu, 2013; Di Domenico, Haugh, & Tracey, 2010; Miller & Wesley, 2010), and (2) create large-scale social impact (Hart, 1995; Montgomery et al., 2012; Pearce & Doh, 2005). Social entrepreneurs who lack the ability to engage stakeholders are likely to limit the reach of their impact as a result of lack of buy-in, loyalty, commitment, and support from stakeholders (Renko, 2013; Zahra et al., 2009).

The ability to generate earned income has also been suggested as a factor that affects social impact (Bacq & Eddleston, 2018; Cannatelli, 2017). First, the income generating activities of a social enterprise can be used in funding its social goals (Boschee, 2001). Second, the ability to generate earned income is key to business survival and existence (Gras & Mendoza-Abarca, 2014). More importantly, a social enterprise's ability to avoid mission drift and to focus exclusively on its mission may be contingent on being able to fund itself independently (Ebrahim, Battilana, & Mair, 2014; Edwards & Hulme, 1996; O'Dwyer & Unerman, 2008). A quest for survival may force social enterprises that are dependent on large donors and powerful financial capital providers to divert from serving the interests of beneficiaries to prioritizing the interests of donors (Minkoff & Powell, 2006), thereby altering their mission and inhibiting their

social impact. Less reliance on donors increases autonomy and ability to focus on scaling social impact (Swanson & Zhang, 2010).

The scale of social impact achieved by social entrepreneurs can also be determined by some aspects of organizational culture (Bacq & Eddleston, 2018; Montgomery et al., 2012; Zahra et al., 2008). Bacq and Eddleston (2018) argue that an “other-regarding” culture in organizations can determine the social impact created (Bacq & Eddleston, 2018). An organizational culture that is not “other-regarding” can hurt its scale of social impact by limiting employee participation and empowerment (Bacq & Eddleston, 2018). In such organizations, the intensity with which the enterprise’s ethical and moral intentions inspire employees to pursue firm goals is diminished (Smith, Kistruck, & Cannatelli, 2016; Zahra et al., 2009). In a culture that lacks employee involvement and care, employees will neither be fully committed, nor will they be willing to exert additional effort, and these hamper the capabilities of the organization to achieve social impact (Bacq & Eddleston, 2018).

Bacq and Eddleston (2018) argue that an “other-regarding” culture, which supports employee involvement and care, amplifies the positive relationship between stakeholder support and social impact because employees are motivated to take advantage of stakeholder support (Bacq & Eddleston, 2018). Since social change requires collective action, Montgomery et al. (2012) suggest that an organizational culture that fosters a sense of community and purpose among stakeholders and organizational members will enhance the realization of social change.

Cognitive Moral Development

This research presents moral development as an “other-regarding” and a prosocial construct. Cognitive moral development is described as the cognitive process that motivates an individual to help others in search of a common good (Mair & Noboa, 2006). High moral development is associated with being sensitive to the needs of others and an ability to consider the legitimate interests of a broader stakeholder base (Goolsby & Hunt, 1992). Low moral development is associated with a focus on realizing self-interest. In this section, a discussion of moral development in individuals is followed by a discussion of moral development in organizations.

Moral development in individuals.

The CMD theory, developed by Kohlberg (1969), states that in individuals, moral development proceeds through a cognitive developmental process. According to Kohlberg (1969), an individual acquires an increasingly accurate understanding of the nature of moral obligations in complex social systems, in a developmental process that takes place over time. Thus, according to Kohlberg (1969), in decisions having a moral dimension, the ability to recognize and analyze the complex relationships among all the elements involved, and to recognize all the possible outcomes that might result from taking a particular course of action, depends on the CMD stage of the individual. The moral reasoning processes of individuals improve as their reasoning abilities pertaining to social arrangements improve (Goolsby & Hunt, 1992). Kohlberg (1969) proposes that every individual occupies one of six stages of moral development and that the stage an individual belongs to would guide reasoning and decision-making in situations involving

moral issues. According to Goolsby and Hunt (1992), making a decision in situations involving a moral twist often requires resolving how the situation may affect each of the entities involved and then being able to calculate the diverse range of interests of all stakeholders in arriving at the right decision or course of action (Goolsby & Hunt, 1992). Therefore, when situation arise involving decisions with a moral dimension, persons with poorly developed moral reasoning abilities are less capable of assimilating the rightful needs of all parties (Goolsby & Hunt, 1992; Kohlberg, 1969). Thus, as moral reasoning becomes cognitively more complex, individuals at higher stages of moral development are better able to deploy their more elaborate algorithms in order to effectively respond to situations that require setting priorities and distributing justice (Goolsby & Hunt, 1992). The construct of moral judgment is also useful in providing guidance for what course of action to pursue in situations involving conflicting moral claims (Ashkanasy, Windsor, & Trevino, 2006).

As mentioned above, Kohlberg (1969) contends that CMD can be characterized as a progression through a maximum of six stages. Kohlberg's six-stage moral development is categorized into three levels: the pre-conventional level, the conventional level and the post-conventional level, with each level comprising two stages. At the pre-conventional level, which comprises stages 1 and 2, individuals make moral decisions based on immediate consequences to them, i.e., punishments and rewards. At the conventional level, which comprises stages 3 and 4, individuals make decisions based on the need to adhere to norms of appropriate behavior established by external groups, such as peers, family, and society. At the principled level, stages 5 and 6, individuals make moral

decisions based on self-selected universal ethical principles which transcend the authority of group norms. At this principled stage, individuals become decreasingly egoistical (Goolsby & Hunt, 1992).

Kohlberg's (1969) stage sequence of CMD has been supported as well as validated by several longitudinal, cross-cultural, and cross-sectional research studies. The studies demonstrate that Kohlberg's research is applicable across many populations and cultures (Blasi, 1980; Brabeck, 1984; Gibbs, Widaman, & Colby, 1982; Snarey, 1985). According to Goolsby and Hunt (1992), the cognitive ability to integrate the legitimate interests of many diverse publics signals the level of CMD of an individual. Goolsby and Hunt (1992) state further that "individuals high in CMD are able to recognize the "social contract" and the importance of multiple stakeholders, as well as demonstrate socially responsible behavior in organizations" (Goolsby & Hunt, 1992, p.58).

The CMD framework has been useful in studying managers, as managers often face situations where there are conflicting moral claims among the various interests in the organizations that they manage (Ford & Richardson, 1994; Trevino, 1992). Marketers have also been studied as marketing constitutes a "morally complex" environment (Goolsby & Hunt, 1992; Ho, Vitell, Barnes, & Desborde, 1997). The CMD theory fits squarely into the study of social entrepreneurship because social entrepreneurs often need to assimilate the social needs of diverse publics. For social entrepreneurs, accountability and responsibility are not limited to traditional markets, economic actors, or stockholders, but responsibility and accountability often extend to a broader range of stakeholders,

including social actors and society (Dees, 1998). The CMD theory also fits squarely because researchers have emphasized that tensions often exist between social and economic goals (André, 2012) and that the pursuit of social goals is an added cost to business. Social entrepreneurs often find themselves having to make decisions with respect to either of these two alternatives.

The social entrepreneur often finds him/herself in situations involving the need to resolve conflicting claims from each of these ends (André, 2012; Crane, Palazzo, Spence, & Matten, 2014). When in situations in which moral claims conflict, understanding of the nature of moral obligations in complex social systems becomes important (Rest, 1979), particularly for social entrepreneurs.

Goolsby and Hunt (1992) suggest that individuals high in CMD are more sensitive to the desires, needs, and wants of diverse stakeholders and that they are also better able to engage a broader stakeholder group, as well as integrate their legitimate interests (Goolsby & Hunt, 1992). This suggests that CMD may be related to the process of identification of social needs and opportunities.

Moral development in organizations.

Building on Kohlberg's (1969) ideas of individual level CMD theory, other researchers, also theorize that the stage-based moral development idea also applies to organizations (Logsdon & Yuthas, 1997; Reidenbach & Robin, 1991; Sridhar & Camburn, 1993). Accordingly, organizations too, just as individuals, can be classified into stages of moral development.

For example, Reidenbach and Robin (1991) categorize organizations into five stages of moral development (amoral, legalistic, responsive, emerging ethical, and ethical). Their model was based on case studies of the actions of large numbers of organizations as they responded to diverse situations. Differences in the moral development stage of each organization were deduced from the different corporate actions taken by each organization. Consequently, they drew up a hierarchical model of organizational moral development based on the observed differences in corporate behavior. According to Reidenbach and Robin (1991), management philosophy and attitudes are important determinants of these corporate behaviors, signaling that an organization's moral development is influenced by organization's top management. Further explanations of how corporations move across levels were presented, and case scenarios typifying each of the developmental stages were described.

Similarly, Sridhar and Camburn (1993) argue that organizations can be categorized into stages of moral development. Their rationale lies in the observation that, over time, organizations develop into collectivities of shared cognitions and rationale as a result of embracing shared language and meaning. They suggest that by viewing organizations as symbol processing systems of shared language and meaning, a better understanding of organizational ethical behavior can be achieved. They developed their six-stage model by asking independent subjects to analyze speeches made by organizational spokespersons following ethical crises. Consistently, participants classified organizations into distinct categories of moral development.

More recently, Logsdon and Yuthas (1997) also developed a six-stage model of organizations' moral development. Their argument is based on whether an organization focuses on the realization of self-interests alone or whether it takes other stakeholders' interests into account in its activities. Logsdon and Yuthas (1997) argue that "just as the moral development of individuals is premised on whether and how they take others into account (Fraedrich, Thorne, & Ferrell, 1994; Trevino, 1992), an organization's level of moral development is signaled by the way an organization views its goals and relationships to various stakeholders" (p. 1216).

The major theme of the work of Logsdon and Yuthas (1997) is that organizations at low levels of moral development are motivated largely by a quest to fulfil self-interest, i.e., economic interests and financial objectives such as bottom-line profits, stock prices, and revenues. At low levels of moral development, organizations focus on realizing self-interest/economic interests regardless of whether their activities result in harm to other stakeholders, i.e., at pre-conventional stages of moral development, or, at best, they accommodate the interests of narrow stakeholder groups only to the extent that this furthers the realization of organizational self-interest, i.e., at conventional stages of moral development.

However, for organizations at higher stages of moral development, i.e., post conventional stages, the interests of broad stakeholder groups, which include market-based and non-market-based stakeholders, local communities, environmental groups, as well as the poor or other disadvantaged members of society, are considered as important goals in their own right. At this stage, interests of these stakeholder groups are actively

pursued in their own rights and not merely as instrumental means geared towards the realization of organizational self-interest alone (Donaldson & Preston, 1995).

Organizations at the post conventional stage of moral development are motivated to pursue the interests of broad stakeholders because they “do not see themselves as separate from this broad range of stakeholders, but they recognize their interconnectedness in achieving welfare of the society” (Logsdon & Yuthas, 1997, p. 1218).

Just like other researchers have suggested, Logsdon and Yuthas (1997) emphasize the role of top management as the major determinant of organizational moral development (Logsdon & Yuthas, 1997; Reidenbach & Robin, 1991; Sridhar & Camburn, 1993). They emphasize that top management plays a role in setting the moral tone for the organization and that top management is responsible for establishing and maintaining the moral climate of the organization.

The fact that top management, founder or CEO behaviors and beliefs shape organizational variables is not new in the literature. For example, the upper echelon theory (Hambrick & Mason, 1984) has been widely used to explain how factors such as the cognitive biases and values of organizations’ top management, dominant coalitions or power holders in organizations influence organizations, organizational variables and organizational outcomes (Schminke, Ambrose, & Neubaum, 2005). To a large extent, entrepreneurs shape their organizations through their beliefs and behaviors; they set up processes within the organization that ensure that their philosophies filter down to employees (Logsdon & Yuthas, 1997). An entrepreneur’s moral development is a major

determinant of his/her organization's ethical climate as well as his/her organization's moral development stage (Schminke et al., 2005). For example, studies show that founders, CEO, or top management significantly determine their organization's "ethical climate", i.e., the moral atmosphere of the organization's work environment (Dickson, Smith, Grojean, & Ehrhart, 2001; Logsdon & Corzine, 1999; Logsdon & Yuthas, 1997; Schminke et al., 2005; Sims, 2000; Sims & Brinkman, 2002) and their organization's moral development stage (Logsdon & Yuthas, 1997, Reidenbach & Robin, 1991).

Trevino (1986) hypothesized that a primary influence on the organization's moral development is the stage of moral development of top managers. In a similar vein, Logsdon & Yuthas (1997) also argue that "unless s/he is exhibiting cognitive dissonance, an executive who applies a high level of moral reasoning in evaluating personal moral dilemmas is likely to use similar cognitive processes to deal with dilemmas facing the organization" (p. 1220). Further, there is also a high likelihood that s/he would use this framework as a standard from which to develop expectations regarding the reasoning pursued by other individuals within the organization (Logsdon & Yuthas, 1997). Logsdon and Yuthas (1997) suggest, for example, that a manager who considers the legitimate interests of stakeholders in the process of decision making would prefer that his/her subordinates also adopt such reasoning in making similar decisions. On the other hand, a manager who, for example, cuts corners on product safety and product quality signals to subordinates that low levels of moral reasoning are acceptable in making decisions in the organization.

The strong effect of an organization's leader on the organization's level of moral development can also be seen in results found by Schminke et al. (2005). While examining the effect of leader moral development on the organization's ethical climate, Schminke et al. (2005) found that the leader moral development exerts an influence above and beyond that of the average moral development of firm employees, indicating that leaders, CEOs or top management's influence shape the organization's moral development.

Following the thought that moral development predisposes individuals to being motivated by the desire to help others and to being more sensitive to social needs and the needs of a broader stakeholder, I turn to a discussion of opportunity recognition.

Opportunity Recognition

Opportunity recognition is regarded as a central concept in the entrepreneurship literature (Brockman, 2014; Bygrave, 1989a, 1989b; Christensen, Madsen, & Peterson, 1994; Gaglio, 2018; Gibbs, 2014; Hills, 1995; Lundy & White, 2017; Sarasvathy, 2001; Shane, 2000; Shane & Venkataraman, 2000; Singh, 2000; Singh & Gibbs, 2013; Stevenson & Jarillo-Mossi, 1986; Stuetzer & Cantner, 2013; Tang et al., 2012; Welter et al., 2016). An opportunity is described as a chance to meet a market need and deliver value by combining resources in creative ways (Ardichvili, Cardoza, & Ray, 2003). Singh (2003) defines opportunity recognition as "perceiving a possibility for new profit potential through (a) the founding and formation of a new venture, or (b) the significant improvement of an existing venture" (p. 1.). Thus, an entrepreneur can be described as "someone who perceives an opportunity and creates an organization to pursue it"

(Bygrave & Hofer, 1991, p. 14). Entrepreneurship is, therefore, the process of discovery, evaluation, and exploitation of opportunities to create goods and services (Shane & Venkataraman, 2000). Opportunity recognition can be viewed as an event or as a continuous process which can occur prior to firm founding and throughout a firm's life (Singh, 2003).

The literature suggests that different entrepreneurs may engage in different processes of opportunity recognition (Bhave, 1994; Brockman, 2014; Gaglio, 2018; Gibbs, 2014; Lundy & White, 2017; Sarasvathy, 2001; Singh & Gibbs, 2013; Stuetzer & Cantner, 2013; Tang et al., 2012; Welter et al., 2016). Thus, with respect to opportunity recognition, divergent theoretical approaches have been uncovered: effectuation vs. rational/economic processes (Sarasvathy, 2001; Welter et al., 2016), systematic search vs gut-feel or the "eureka moment" (Bhave, 1994; Brockman, 2014; Cyert & March, 1963; Gaglio, 2018; Long & McMullan, 1984; Stevenson, Roberts, & Groesbeck, 1989; Tang et al., 2012; Timmons, 1990; Vesper, 1996) solo vs. network modes of opportunity recognition (Hills et al., 1997; Stuetzer & Cantner, 2013), and internally vs. externally-stimulated opportunity recognition processes (Bhave, 2004; Cyert & March, 1963; Gibbs, 2014; Lundy & White, 2017; Singh, 2003; Singh & Gibbs, 2013).

Opportunities may arise due to changes in the environment, i.e., changes in technology, changes in society, or changes in the social or political arena (Baron & Ward, 2004). As a result of these changes, the entrepreneurs may discover an opportunity to exploit due to inadequacies and mismatch of demand and supply (Kirner, 1973). Entrepreneurs may also come up with ground breaking technological innovations and

ideas which may disrupt entire industries and create new institutions, new markets, and new order (Schumpeter, 1934). Furthermore, entrepreneurs may discover opportunities based on their ability to connect the dots or recognize patterns of changes in the environment (Baron & Ward, 2004), as well as through their prior knowledge and experiences (Shane, 2000). The focus of this dissertation is on internally vs. externally-stimulated processes of opportunity recognition with the aim of uncovering the performance implication of these different modes of opportunity recognition for social entrepreneurs.

Opportunity recognition in social entrepreneurship is viewed in terms of an entrepreneur's ability to create a solution to a social problem (Hansen, Shrader, & Monilor, 2011). Opportunity recognition in social entrepreneurship is not about future goods and economic returns alone, but it includes addressing unmet social needs and creating social value, shared value, or social impact (Žur, 2015). Žur (2015) defines opportunities in social entrepreneurship in terms of creation or optimization of new means-ends combinations in socio-economic environments (Žur, 2015). For social entrepreneurs, opportunities can arise due to the need to solve problem for people, places, or the planet.

Social problems are sources of opportunities for social entrepreneurs (Žur, 2015). Social entrepreneurs can discover opportunities by observing social problems. Social problems can be described as conditions that cause psychic or material suffering for any segment of the population (Eitzen, Zinn, & Smith, 2010). Social entrepreneurs can also recognize opportunities by recombining bits of incomplete knowledge spread among

people in new ways to create new social value (Žur, 2015). This is accomplished by having access to information from multiple sources. Harnessing cognitive abilities, such as sociological imagination, is also another way by which social entrepreneurs can identify and exploit social opportunities (Žur, 2015). According to Žur (2015), social imagination is a cognitive factor that makes individuals able to combine openness to and awareness of diversity of social groups and problems with an ability to synthesize across this diversity. According to Eitzen and Smith (2003), sociological imagination is associated with the ability and willingness to see the world through the perspective of others as well as being able to perceive, analyze, and decode social and environmental patterns. This leads to a more effective identification of effective actions and an ability to act accordingly and appropriately (Eitzen & Smith, 2003).

The social entrepreneurship literature has begun to focus on the relevance of stakeholders in the creation of opportunity (McDermott, Kurucz, & Colbert, 2018). Through active stakeholder engagement and participation, social entrepreneurs can identify community conditions for collaboration, develop a process to help collaboration, and motivate participation in the collaboration (McDermott et al., 2018).

Research has linked motivations of social entrepreneurs and their opportunity recognition processes. Social entrepreneurs may be motivated by push or pull factors (Buttner & Moore, 1997; Yitshaki & Kropp, 2016). Buttner and Moore (1997) identify push and pull factors as two broad categories of motivations or drivers for individuals starting ventures. Pull factors are self-motivations driven by internal choices such as identifying opportunities based on an inner drive to contribute to a better world or the

desire to solve social problems or achieve social goals (Buechner, 1973; Hakim 1989; Yitshaki & Kropp, 2011). In other words, pull factors can be regarded as a “calling,” i.e., an individual’s perception of his purpose in life (Hall & Chandler, 2005). Push factors, on the other hand, has been used to characterize individuals with fewer opportunities in the job market, many of whom are lacking in education and skills, and who are less likely to foresee future business opportunities compared with entrepreneurs motivated by pull factors (Robichaud et al., 2010).

Following the thought that different motivations may lead to difference in opportunity recognition, a discussion of internally vs. externally-stimulated opportunity recognition processes is presented in the next section. Differences in motivation between these divergent opportunity recognition paths are also examined.

Internally-stimulated vs. externally-stimulated opportunity recognition processes.

Building on Cyert and March’s (1963) earlier typology, Bhawe (1994) proposed a process model of venture creation wherein he categorized opportunity recognition into two processes: externally-stimulated and internally-stimulated opportunity recognition. According to Bhawe (1994), in the process of creating a venture, some entrepreneurs first decide that they want to create some kind of venture and thereafter engage in process of searching for opportunities. They refine or fine-tune these opportunities several times and eventually kick off their venture. This is regarded as the externally-stimulated opportunity recognition process.

On the other hand, in the case of the internally-stimulated opportunity recognition process, the entrepreneur discovers a need to fulfill in the market and, because he is motivated by the high prospects of this opportunity, creates a venture to pursue that opportunity (Singh & Hills, 2003). In the case of externally-stimulated recognition, the decision to start a venture precedes the recognition of the opportunity upon which the venture is founded, while in the case of an internally-stimulated opportunity recognition, the opportunity shows up first and, in an effort to capitalize on that opportunity, the entrepreneur creates a venture to pursue it (Singh & Hills, 2003).

Extensive study on these divergent opportunity recognition processes have uncovered salient differences for entrepreneurs in terms of performance, motivation, educational background, proposed firm size and other characteristics (Gibbs, 2014; Hills & Singh, 2004; Singh & Gibbs, 2013; Singh & Hills, 2003; Singh et al., 2008). For example, Singh and Hills (2003), employing data from a survey administered to a sample of almost 400 entrepreneurs through the Panel Study of Entrepreneurial Dynamics (PSED) project, found that: (1) entrepreneurs who recognized externally-stimulated opportunities were more likely to have engaged in a systematic search for opportunities while those who recognized internally-stimulated opportunities did not necessarily do so, (2) entrepreneurs pursuing internally-stimulated opportunities were more likely to be more educated than those who pursued externally-stimulated opportunities, (3) the motivations for starting their ventures were also found to differ; compared with entrepreneurs pursuing internally-stimulated opportunities, entrepreneurs pursuing externally-stimulated opportunities were more likely to indicate that their motivation was

grounded in the need to achieve a higher position in society, earn more money, or enjoy greater flexibility, and (4) entrepreneurs pursuing internally-stimulated opportunities planned to have larger firms than those pursuing externally-stimulated opportunities.

Clearly, differences exist in terms of motivation and outcomes for entrepreneurs depending on whether they are pursuing internally-stimulated or externally-stimulated opportunities. The motivational and performance implications of this dichotomy have been employed as a lens to examining the lagging rate of black entrepreneurship as compared to their white counterparts (Singh et al., 2008). For example, Singh et al. (2008) suggest that the reason why black entrepreneurship may have lagged may be because blacks were more likely to primarily pursue externally-stimulated opportunity recognition processes (Singh et al., 2008). This culminated in the observation that white entrepreneurs are more likely to pursue more lucrative opportunities than black entrepreneurs. In a study comparing black entrepreneurs, Singh and Gibbs (2013) found that entrepreneurs who founded their firms based on internally-stimulated opportunities were more successful than those who founded firms based on externally-stimulated opportunities (Singh & Gibbs, 2013). Gibbs (2014) also found that compared to black males, more black females were pursuing externally-stimulated opportunities. Her findings also reinforce the conclusion that entrepreneurs pursuing externally-stimulated opportunities record lower revenues and reduced business success rates (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013).

Motivations for pursuing internally-stimulated vs. externally-stimulated opportunity recognition processes.

The link between the motivations and opportunity recognition processes of social entrepreneurs has been suggested (Yitshaki & Cropp, 2016). Social entrepreneurs may either be *pulled* to recognize opportunities as a result of, for example, an ability to seize opportunities, or they may be *pushed* into recognizing opportunities through job dissatisfaction or lack of capabilities for success in the job market. It is noteworthy that a significant difference between social entrepreneurs *pulled* into opportunity recognition and those *pushed* into opportunity recognition is that the latter are less likely to see opportunities easily compared to those *pulled* into social entrepreneurship (Robichaud et al., 2010).

Singh et al. (2008) suggests that entrepreneurs pursuing externally-stimulated opportunities are *pushed* into entrepreneurship. Singh et al. (2008) noted that entrepreneurs pursuing externally-stimulated opportunities indicated motivations grounded in the need to achieve a higher position in society, earn more money, or enjoy greater flexibility. On the other hand, as opposed to being primarily motivated by ambition, entrepreneurs pursuing internally-stimulated opportunities are primarily motivated by a quest to meet an identified need. Clearly, differences in terms of motivations may be associated with differences in the opportunity recognition paths taken by social entrepreneurs, with a higher likelihood of pursuing internally-stimulated opportunities being more related to motivations grounded in sensitivity to needs, and with

a higher likelihood of pursuing externally-stimulated opportunities being grounded in motivations of fulfilling personal-related interests.

The summary of the above is that social entrepreneurs that are primarily motivated by a sense of selflessness, sacrifice, empathy, and compassion are likely to engage in different cognitive processes than those motivated primarily such factors as self-interest, ambition, recognition, heroism, or economic gains. The former is more likely to be apt to recognize social needs, resulting in a higher likelihood that their opportunity recognition process precedes firm founding. The latter, however, being more motivated by a quest to realize self-interest, are more likely to be less sensitive in recognizing social need and, therefore, more likely to experience a situation whereby firm founding precedes their opportunity recognition for them.

The motivational influences on the opportunity recognition processes of social entrepreneurs make a discussion on CMD relevant to the opportunity recognition process of social entrepreneurs. Individuals higher in CMD have been said to be higher in pro-social motivations and more “other-oriented” as compared to individuals who are at a lower stage of CMD (Kohlberg, 1969; Mair & Noboa, 2006). Individuals high in CMD have been said to be sensitive to social needs and able to integrate the interests of a more diverse stakeholder group (Goolsby & Hunt, 1992). It follows, therefore, that CMD level of social entrepreneurs may be related to their opportunity recognition processes and that social entrepreneurs at different levels of CMD will follow different opportunity recognition paths.

Thus far, I have discussed CMD in detail and presented it as a cognitive process which influences how individuals interpret social issues in society. In summary, CMD determines whether individuals are motivated by the desire to help others or a desire to fulfil their own ends. CMD also determines how sensitive individuals are to the needs of a broader stakeholder base and whether they will be able to display superior cognitive capabilities at recognizing possible contingencies arising from complex relationships with different stakeholders.

In the next chapter, I discuss and propose relationships between CMD and the opportunity recognition processes of social entrepreneurs. More specifically, how the CMD of social entrepreneurs influences whether they will pursue internally-stimulated opportunities or externally-stimulated opportunities. The next chapter also discusses the proposed relationships between these variables and how each one of these variables influence the success of the social entrepreneur in terms of financial performance and social impact.

CHAPTER 3: THEORIES AND HYPOTHESES DEVELOPMENT

Overview

The previous chapters have presented CMD as an “other- regarding” or a prosocial construct which is likely to impact the opportunity recognition process of the social entrepreneur. Through opportunity recognition and through other processes that will be discussed below, the implications of moral development for performance, i.e., financial performance and social impact, in social entrepreneurial organizations will also be highlighted. This chapter, is therefore, aimed at arriving at formal relationships between moral development, opportunity recognition, financial performance, and social impact in social entrepreneurship.

CMD and Social Impact

Higher stages of CMD are associated with being able to accommodate the interests of broader stakeholder groups, which include local communities, the environment, environmental groups, as well as the poor or other disadvantaged members of society (Kohlberg, 1969; Logsdon & Yuthas, 1997). At higher stages of moral development, the interests of these broader stakeholder groups are considered, in their own right, as important goals, not merely as instrumental means geared towards the realization of self-interests alone. According to Logdson and Yuthas (1997), at a higher stage of moral development, e.g., at the post conventional stage of moral development, the motivation to pursue the interests of broad stakeholders arises because individuals no longer “see themselves as separate from this broad range of stakeholders” (p. 1218) and they “recognize their interconnectedness to these stakeholders in achieving welfare of the

society” (p. 1218). On the contrary, at low levels of moral development, organizations focus on realizing self-interest/economic interest regardless of whether their activities result in harm to other stakeholders, i.e., at pre-conventional stages of moral development, or, at best, they accommodate the interests of narrow stakeholder groups only to the extent that this furthers the realization of organizational self-interest, i.e., at conventional stages of moral development (Logdson & Yuthas, 1997)

The ability to engage stakeholders has been related to higher social impact (Bacq & Eddleston, 2018; Cannatelli, 2017). Thus, consistent with the thoughts above which suggest that higher stages of moral development are related to the ability to effectively accommodate and engage a broader stakeholder base, I argue that higher levels of CMD are associated with higher ability to create social impact.

The presence of an “other-regarding” culture in organizations has also been suggested to be related to higher social impact (Bacq & Eddleston, 2018; Montgomery et al., 2012; Zahra et al., 2008). An organizational culture which encourages employee participation and care fosters employee commitment to firm goals (Smith et al. 2016; Zahra et al. 2009). Accordingly, employees are motivated to take advantage of stakeholder support (Bacq & Eddleston, 2018) and this further amplifies the positive relationship between stakeholder support and social impact (Bacq & Eddleston, 2018). Similarly, Bacq and Eddleston (2018) state that an organizational culture that is not “other-regarding” can hurt its scale of social impact by limiting employee participation and empowerment. Researchers note that in such organizations, the intensity with which the enterprise’s ethical and moral intentions inspire employees to pursue firm goals is

diminished (Smith et al., 2016; Zahra et al., 2009). In a culture that lacks employee involvement and care, employees will neither be fully committed, nor will they be willing to exert additional effort, and these hamper the capabilities of the organization to achieve social impact.

Reidenbach and Robin (1991) studied moral development in organizations and found that organizations low in moral development limit employee participation and discretion. Furthermore, these organizations do not demonstrate genuine concern for employees (Reidenbach & Robin, 1991). In line with the above, I argue that high moral development is positively related to social impact since it fosters an ‘other-regarding’ culture in organizations, which encourages employee participation and commitment to organizational goals.

Higher CMD has also been found to be associated with corporate social responsibility. In their study using marketers as samples, Goolsby and Hunt (1992) found a good correlation between CMD and socially responsible attitude. More specifically, they found that marketers high in CMD are more likely to act in socially responsible ways than those low in CMD. Further, according to their findings, marketers lower in CMD frequently placed duty to company above duty to society whereas their counterparts higher in CMD did so less frequently. In my opinion, these findings may suggest that individuals higher in CMD are more likely to pay attention to issues such as lowering emission of greenhouse gases, minimizing wastes through reduced packaging and more efficient resource use, organic food offerings, or improvement of employee

wellness, whereas individuals lower in CMD are more likely to act in less socially responsible ways with respect to the above-mentioned issues.

Higher stages of moral development have been associated with higher sensitivity to the needs and wants of diverse publics and the ability to integrate the legitimate interests because of a broader stakeholder base in society (Goolsby & Hunt, 1992). Being prosocial or being other-oriented encourages awareness of the circumstances of other people and forges a deeper appreciation of their different contexts of existence (Dutton, Worline, Frost, & Lilius, 2006). Moral development is a prosocial motive. Prosocial motives have been associated with: (1) integrative thinking, (2) commitment to alleviating others' suffering, and (3) a more prosocial form of cost-benefit analysis (Miller et al., 2012). Prosocial motivations help individuals to identify more ways to help others effectively; they engender innovation by helping to envision a larger variety of possible benefits (Grant & Berry, 2011) and foster commitment to others by suppressing a focus on personal risks (Batson & Shaw, 1991). In contrast to pro-self motivations, prosocial motives encourage innovation and a search for solutions that lead to collective gains. Therefore, in line with the above, I argue that higher CMD is associated with higher likelihood of creating more social wealth, value, and impact than low CMD.

Werhane (2012) cites several examples of social entrepreneurs who failed because they focused more on themselves rather than on the societies and communities which they intended to serve. Examples of these included the Indian banking micro lending failures (Werhane, 2012), and Hindustan Lever's initial affordable soap campaign failure (Werhane, 2012). These social entrepreneurial initiatives were based on a firm-centric

view and failed (Calton et al, 2013; Werhane, 2012). Werhane (2012) argues that to be successful, social entrepreneurs must be sensitive to local contexts. In a similar vein, Calton et al. (2013) suggest that to be successful, social entrepreneurs must adopt the “giving a face to places” (p.398) mental framework, i.e., a mental framework which is able to integrate the uniqueness of every community by providing tailor-made solutions for each community’s unique problems and challenges, thereby avoiding the provision of generalized solutions to communities’ needs.

For successful social impact, social entrepreneurs must also develop a moral imagination, (Calton et al., 2013) which is the ability to challenge existing mind-sets and to think out of the box (Calton et al., 2013). It is my view that as a result of more developed moral cognitions, social entrepreneurs higher in CMD are more likely to possess more developed moral imaginations and are likely to be better able to adopt the “faces and places” mental models which are necessary for successful social impact. Therefore, I propose a relationship between CMD and social impact, stated formally:

Hypothesis 1: *CMD is positively related to social impact.*

CMD and Financial Performance

There is a link between social wealth creation and economic wealth creation (Calton et al., 2013; Fuller & Tian, 2006; Kramer, 2011; Porter & Kramer, 2011; Prahalad, 2014). Calton et al. (2013) state that there are significant opportunities for high profitability through serving social needs. Porter and Kramer (2011), through their “creating shared value” concept, argue that fundamental social needs and not only economic needs define markets. They suggest that through reconceiving products,

through redefining the value chain, and by creating new coalitions, entrepreneurs can increase social wealth and simultaneously realize more profits for themselves.

Reconceiving products entails being creative at introducing new products that address society's huge and pressing needs (Porter & Kramer, 2011). According to Porter and Kramer (2011), these needs are the greatest unmet needs globally include and include health needs, needs for better housing, better nutrition, help for the aged, financial security, and less damage to the environment (Porter & Kramer, 2011). Similarly, redefining the value chain with societal progress in mind can also lead to more profits for businesses. Porter and Kramer (2011) argue that "social harms frequently create internal costs for firms; such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies" (p. 5a). For example, excess packaging of products and greenhouse gases are not just costly to the environment but also costly to the business.

Earlier discussions suggest that high CMD is associated with alertness and sensitivity to social needs, and a higher likelihood of conceiving of novel ways of meeting these needs through innovative products and services (Grant & Berry, 2011). Higher CMD is associated with being able to demonstrate higher concern for society and the ability to take the interests of a wider stakeholder base into consideration. This leads to the possibility of being more innovative at proffering solutions that meet the needs of these diverse groups. Therefore, efforts at meeting the huge fundamental societal needs are likely to lead social entrepreneurs with higher CMD to realize higher profits as they meet these needs.

CMD has been associated with being ethical and with the avoidance of carrying out socially irresponsible activities (Goolsby & Hunt, 1992). Thus, higher CMD should be associated with socially responsible activities aimed at reduction of greenhouse gas emissions, more efficient resource use, and avoiding wastage. These activities, according to Porter and Kramer (2011), translate to cost savings and financial gains. For example, Wal-Mart in 2009 saved \$200 million from reducing its packaging and lowering carbon emission through more efficient routing of trucks. Similarly, between 2002 and 2008, Johnson & Johnson had saved \$250 million on healthcare costs by investing in employee wellness (Porter & Kramer, 2011).

Fuller and Tian (2006) also suggest a positive link between social responsibility and profitability in an organization. They argue that organizations which act in an ethical and socially responsible manner acquire high levels of symbolic capital. Symbolic capital is described as the value or reputation accorded to a firm by society (Bourdieu, 1986). Symbolic capital is the prestige or honor possessed by a firm, and it increases with firms' social responsibility and ethical behaviors (Fuller & Tian, 2006). More importantly, Fuller and Tian (2006) argue that it is possible to exchange symbolic capital with economic capital.

Conversely, lower CMD is associated with being more self-interested and having a lower concern for society's legitimate interests. Low CMD may therefore, limit the likelihood of developing innovative ways to solve social needs. Social irresponsibility and unethical behaviors are more likely with low CMD than with high CMD. Acting in

socially irresponsible ways may increase internal costs for businesses and an inability to realize financial gains from cost savings.

Gates (2008) also suggests that entrepreneurs who are more socially responsible may receive more positive recognition, prompting customer loyalty. Customer loyalty may encourage higher demand and increased patronage thereby leading to higher revenues for organizations. I therefore propose a relationship between CMD and financial performance and state formally:

Hypothesis 2: *CMD is positively related to financial performance.*

CMD and Internal/External Opportunity Recognition Processes

It is my view that Kohlberg's (1969) moral development theory has salient implications for social entrepreneurs in terms of whether they pursue externally or internally-stimulated opportunity recognition processes. As discussed earlier, higher levels of CMD predispose individuals to considering and incorporating the interests of others, or "diverse publics," in arriving at decisions. Individuals at higher levels of CMD display superior cognitive capabilities at recognizing possible contingencies arising from complex relationships with different stakeholders (Goolsby & Hunt, 1992). Individuals at higher stages of moral development are more concerned about others than individuals at lower stages of moral development (Logsdon & Yuthas, 1997).

The implication of this is that individuals at higher stages of CMD are likely to be predisposed to seeing the needs of others around them. Because of their concern for others, individuals at higher stages of moral development are apt to recognize social needs, i.e., the needs of people, society, local community and the environment, and to

quickly see opportunities to add value or increase social wealth/well-being in society (Porter & Kramer, 2011). In other words, they are more alert to seeing social opportunities. Their cognitive ability to integrate the legitimate interests of many diverse publics may explain why they and not others with less cognitive ability are able to quickly recognize interconnectedness and discern patterns in the environment which result in opportunities to create social value (Baron & Ward, 2004). For individuals at higher stages of CMD, the ability to integrate the legitimate interests of others in society makes them more likely to be able to create greater social benefits for a greater number of people or a wider stakeholder base.

In contrast, individuals at low stages of CMD do not take others into consideration as much as they do themselves (Logsdon & Yuthas, 1997). When they take others into consideration, they do so not because of a primary focus on adding value to others but because of the likelihood of realizing personal gain from these activities even if their actions lead to negative consequences for others in the long run. It, therefore, will not be hard to see individuals at lower stages of CMD engage in a systematic search to find those opportunities which they think will result in the most lucrative outcomes for themselves. As a result of lesser sensitivity to others, they are less likely than those at higher stages of CMD to recognize opportunities to meet social needs and add social value.

Zahra et al. (2008) state that social entrepreneurs' different motives and goals might lead them to recognize opportunities differently. Since differing motivations draw different individuals to social entrepreneurship, it is possible that their mode of

opportunity recognition in terms of whether they engage in internally-stimulated or externally-stimulated opportunity recognition processes will differ. I argue that individuals motivated by a primary desire to help others or serve society are more likely to take others' interests into account and are thereby more likely to see ways of solving social needs more easily than individuals motivated by other reasons such as fame, awards and recognition.

Since entrepreneurs who follow the internally-stimulated opportunity recognition process are those who first see the need to be met or the opportunity to be addressed and are subsequently drawn into entrepreneurship by the motivation to fulfill that need or opportunity, it follows that social entrepreneurs who are more predisposed to seeing the needs in society or the needs of a broader base of stakeholders or diverse publics will be apt to follow the internally-stimulated opportunity recognition process. It has been suggested that individuals at higher levels of CMD are adept at recognizing the needs of others or "diverse publics" (Goolsby & Hunt, 1992). They are more sensitive to the needs of a broader stakeholder base (Logsdon & Yuthas, 2007). Therefore, I propose a relationship between CMD and internally-stimulated opportunity recognition processes and hypothesize that social entrepreneurs at higher stages of CMD are more likely to pursue internally-stimulated opportunities.

On the other hand, low CMD predisposes individuals to focusing primarily on realizing personal interest. Individuals at lower CMD stages are more likely to be less sensitive to the needs of others, and they are likely to less easily see the needs of society and stakeholders than those at higher stages of CMD (Goolsby & Hunt, 1992). They are,

therefore, more likely than individuals at higher CMD stages to engage in a systematic search for social opportunities that are more likely to better serve their personal ends.

Singh et al. (2003) also noted that entrepreneurs pursuing externally-stimulated opportunities indicated motivations grounded in the need to achieve a higher position in society, earn more money, or enjoy greater flexibility. These motivations, in my view, suggest a primacy of self-interest. Thus, I propose a relationship between CMD and externally-stimulated opportunity recognition and suggest that entrepreneurs at lower stages of CMD are more likely to pursue externally-stimulated opportunities. More formally stated:

Hypothesis 3: *CMD is positively related to internally-stimulated opportunity recognition.*

Performance Implications of Internally-Stimulated vs. Externally-Stimulated Opportunity Recognition Processes

The performance implications of engaging internally-stimulated opportunity recognition or externally-stimulated opportunity recognition processes have been suggested in the literature (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013). Singh and Hills (2003) revealed differences in terms of motivation and search processes between entrepreneurs who pursued internally-stimulated opportunities and those that pursued externally-stimulated opportunities.

Singh et al. (2008) examined the differences between black and white entrepreneurs and found that white entrepreneurs were more likely to engage in internally-stimulated opportunity recognition processes and pursue more lucrative opportunities than black entrepreneurs who engaged in externally-stimulated opportunity

recognition processes. Entrepreneurs who engaged internally-stimulated opportunity recognition processes also projected higher revenues for their ventures than their counterparts who engaged externally-stimulated opportunity recognition processes (Singh & Hills, 2003). Singh et al. (2008) suggest that one of the reasons why black entrepreneurship may have lagged is because blacks were more likely to primarily pursue externally-stimulated opportunity recognition processes, leading to lower revenues and lower success rates. In a recent study comparing black entrepreneurs, Singh and Gibbs (2013) found that entrepreneurs who founded their firms based on internally-stimulated opportunities were more successful than those who founded firms based on externally-stimulated opportunities (Singh & Gibbs, 2013). Singh and Gibbs (2013) found that black entrepreneurs who pursued internally-stimulated opportunities recorded higher revenues than those who pursued externally-stimulated opportunities.

Gibbs (2014) examined differences between the opportunity recognition processes of black female and black male entrepreneurs. She also found that compared to black males, more black females were pursuing externally-stimulated opportunities causing the black females to record lower revenues and lower business success. In summary, her findings also reinforce the conclusion that entrepreneurs pursuing externally-stimulated opportunities record lower revenues and reduced business success rates (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013).

The likelihood of recording higher performance and performance by entrepreneurs who engage internally-stimulated opportunity recognition processes, according to Singh and Hills (2003), may be predicated upon their ability to more

effectively apply their analytical skills along with an ability to recognize market needs. Furthermore, according to them, it is more likely for an entrepreneur who sees an unmet market need to quickly find ways of exploiting this opportunity before another entrepreneur realizes that needs and fills it. This first mover advantage may be very significant for achieving profitability, building brand recognition, developing network ties, achieving legitimacy and gaining customer loyalty, which are important for getting ahead of other entrepreneurs in the market.

Katre and Salipante (2012) examined the differences between successful and struggling social entrepreneurs (including those that had failed, i.e., those who had closed their businesses). They found that one of the factors that differentiated successful social entrepreneurs from those that were struggling, or had failed, was their identification of social needs as the first activity prior to beginning their businesses. Katre and Salipante (2012) however, found that many of the struggling or failed social entrepreneurs began their businesses first, before beginning to explore a social issue or social change to address. These findings are consistent with the above discussions on the performance implications of pursuing internally-stimulated versus externally-stimulated opportunities. Therefore, stated formally:

Hypothesis 4: *Internally-stimulated opportunity recognition is positively related to financial performance.*

As discussed earlier, social entrepreneurship is based on finding ways to add social value, increase social wealth, or improving the well-being of stakeholders, which include people, communities, and the environment, among others (Abu-Saifan, 2012;

Robinson, 2006). Katre and Salipante (2012) found that conceptualizing the social issue to pursue or the social change to address was a differentiating factor between the social entrepreneurs who succeeded and those who struggled or failed. It is my view that entrepreneurs who are sensitive to society's needs and who discover ways to meet fundamental social needs are more likely to make more impact in society than those who are less predisposed to recognizing society's unmet needs. More importantly, those entrepreneurs who are motivated primarily by a focus to fulfil their own personal goals are less likely to be able to impact society than those motivated by the unmet need which they have recognized. Therefore, formally stated:

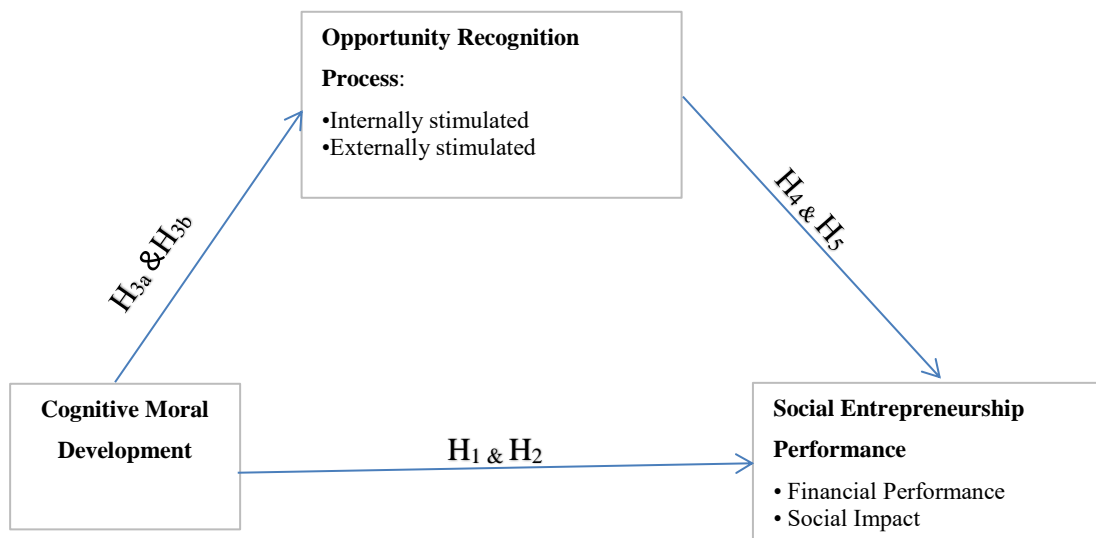
Hypothesis 5: Internally-stimulated opportunity recognition is positively related to social impact.

Research Model

Based on the discussion and hypotheses in this chapter, I developed a research model which depicts the relationship between CMD, opportunity recognition, and performance for social entrepreneurs. CMD is related to sensitivity to social needs and an ability to integrate the legitimate interests of a wider stakeholder base. CMD is therefore hypothesized to be related to the pursuit of internally-stimulated or externally-stimulated opportunity recognition. Further, CMD is hypothesized to be related to the financial performance of social entrepreneurs and the social impact created by social entrepreneurs respectively. Through gains in cost reduction, capacity for innovation, sensitivity to the needs of stakeholders, and finding solutions to fundamental social needs, CMD is hypothesized to be positively related to financial performance. Similarly,

through serving a wider stakeholder base, CMD is hypothesized to be positively related to social impact created by social entrepreneurs. Finally, pursuing internally stimulated opportunities or externally-stimulated opportunities is hypothesized to be related to financial performance and social impact respectively. The model is shown in Figure 3.1.

Figure 3.1 Relationships among CMD, Opportunity Recognition, and Performance in Social Entrepreneurship



CHAPTER 4: METHODOLOGY

Chapter Overview

This chapter covers the methodology used in the dissertation. It details the data gathering process and how the hypotheses were tested. It also contains sections describing the survey questionnaire, the sample of social entrepreneurs to which the survey was administered, the data collection process, and the variables contained in the questionnaire. The statistical methods employed are also discussed in detail.

Since this research involved human subjects, it was subject to IRB review. IRB approval was given for all procedures used in this research on February 20, 2018.

Research Design and Survey Methodology

The study is cross-sectional. An online Survey was administered to B Corps. B Corps are certified social entrepreneurship companies registered with B Lab, an independent body that encourages the use of business as a force for good by assessing dimensions such as transparency, accountability, sustainability, performance, and the creation of value, not for shareholders only but for a broader stakeholder base. The survey methodology was the use of the questionnaire method to receive response from participants. Details are provided in the sections below.

Survey Questionnaire

The survey questionnaire contains sub-scales and questions adapted from Lind's (1978) Moral Judgment Test (MJT), and Singh's (2003) Internally-Stimulated/Externally-Stimulated Opportunity Recognition Questionnaire which were designed to measure CMD and internally-stimulated/externally-stimulated opportunity

recognition respectively. Participants were also asked to indicate their firm revenue. Participants' demographic information, including age, race, gender, education, and other items, were gathered. Data on firm size, firm age and industry were also collected to be used as control variables in the analyses.

The survey questionnaire was submitted for IRB approval. After the approval was received on February 12, 2018, the online survey was sent to participants via Qualtrics, an online survey site. Pretest checks for validity, appropriateness of questions, and checks for errors were conducted on the survey questionnaire by administering it to a group of Ph.D. students and faculty prior to sending it out to the actual participants. A copy of the complete version of the final survey questionnaire can be found in Appendix A.

Pilot Study

As part of the pretest, the online survey questionnaire was sent to colleagues and faculty (seven individuals in total) in order to receive feedback on issues such as clarity of instructions, length of questionnaire, time to complete the questionnaire, overall format of the questionnaire, and other suggestions. On completion, each of the participants in the pilot study were asked the following questions:

(1) Which questions did you find the easiest or the hardest to understand? (2) What instructions did you find confusing? (3) Did you experience any difficulty in understanding terminologies used in the survey or in the instructions? (4) Do you have any suggestions to improve the survey? (5) How long did it take you to complete the survey? Based on the feedback from the pilot study, and initial feedback from the

dissertation committee, only a few changes were made to the online formatting and styles. Overall, minimal changes were needed.

Survey Sample

The sample for research was B Corps. The questionnaire was administered via email to all the B Corps in the United States of America, a total of 1,110 B Corps. B Corps are social entrepreneurs, who have applied to B Lab, an independent organization which assesses, scores, and certifies social entrepreneurs. B Lab verifies social entrepreneurs' social and environmental performance, public transparency, and legal accountability, as meeting the highest standards before designating them as B Corps (<https://bcorporation.net/>). The B Lab website (<https://bcorporation.net/>) currently contains data on the social impact scores of over 2000 Certified B Corps from 42 countries and more than 120 industries. The social impact score for each social entrepreneur is a composite score based on an agglomeration of sub-scores based on the following dimensions: environment, workers, customers, community, and governance. For more information on how the social impact score is calculated, see website: <https://bcorporation.net/>.

B Corps social impact scores range from 80 to 200. The higher the score, the higher the social impact created by the firm. The choice of this sample is appropriate based on two factors: (1) these social entrepreneurs engage in the simultaneous pursuit of both social and economic goals, and (2) This sample contains a national sample of social entrepreneurs from various industries in the United States.

Data Collection Process

Information such as social impact score, website address, type of business, and industry was obtained from the B Lab website. On each B Corp's website, information such as names and contact information of founders, other company contact phone numbers, contact emails, type of business, and industry were obtained. From February 2018 to May 2018, preliminary data containing company name, industry, type of business, contact phone numbers, contact email addresses, name(s) of founder(s), number of employees, firm age, and firm revenue were compiled for each B Corp. The preliminary data were gathered to obtain and document information that was used in contacting respondents during the research study.

To ensure proper awareness of the study and to elicit an appropriate response rate, a 3- step process was followed in contacting respondents. The first step of this process was respondent pre-notification. A pre-notification email was sent to each B Corp in mid-May 2018. The pre-notification email introduced the researcher, the purpose of the study, and highlighted what their contributions as social entrepreneurs to research knowledge in social entrepreneurship would be in the event that they decided to participate. Respondent pre-notification has been found to increase response speed (Mehta & Sivadas, 1995; Sheehan & McMillan, 1999).

In the first week of June 2018, a few weeks after the pre-notification email was sent to each B Corp, the online survey was sent to 1,110 B Corps using the Qualtrics website. Complete confidentiality was assured. Qualtrics indicated that times to

complete the questionnaire should generally be within ten to twelve minutes. The social entrepreneurs then completed the questionnaire.

Reminders were subsequently sent out to each B Corp who had not completed the survey every week for a period of six weeks. Follow-up or reminder messages in an e-mail survey have been found to increase response rates by 25% (Sheehan & Hoy, 1997). The survey was available online from the beginning of June 2018 to the beginning of August 2018, a period of about eight weeks. A thank you note was sent to those who had completed the survey. Completeness of the responses was assessed when each survey was returned. Returned surveys were examined for trends in missing data, and no recurring issues were identified. Overall, 167 completed responses were obtained, bringing the response rate to 15%. This response rate is consistent with expectations of email survey research (Kittleson, 1995).

Measures

The survey instrument contains items on internally-stimulated/externally-stimulated opportunity recognition, CMD, age, level of education, ethnicity, financial performance (revenues), and social impact. The CMD questions were obtained from Lind's (1978) MJT questionnaire, and the opportunity recognition questions were obtained from Singh (2003). Item 1 measured internally-stimulated/externally-stimulated opportunity recognition, items 2-27 measured CMD, item 28 ascertained respondent's gender, item 29 ascertained respondent's age, item 30 ascertained respondent's ethnicity, item 31 ascertained respondent's level of education, item 32 measured financial performance in terms of revenue, item 33 measured firm age in terms of number of years

in business, and item 34 measured firm size in terms of number of employees. Below is a detailed description of each variable and how it was measured.

Cognitive moral development.

Lind's Moral Judgment Test (MJT) was developed and validated (Lind, 2000, 2005) and has been used in measuring CMD (Feitosa, Rego, Bataglia, Sancho, Rego, & Nunes, 2013; Heidbrink, 1985; Ishida, 2006; Senger, 1985). Several longitudinal, cross-sectional, experimental, cross-cultural, and educational studies, involving thousands of participants of all ages, gender, social classes, educational background and cultures have been conducted using the MJT (Lind, 2005). The MJT has the advantage of being shorter in comparison to other instruments for measuring moral development (Lind, 2000).

The MJT is a two-story instrument constructed between 1975 and 1977 in response to Kohlberg's (1964) definition of moral judgment competence (Lind, 2000). Moral judgement competence as defined by Kohlberg (1964) is the "capacity to make decisions and judgments which are moral (based on internal principles) and to act in accordance with such judgments" (Kohlberg, 1964, p.425). Moral judgment as measured by the MJT is indexed by the C-score (also referred to as C-index). The C-score indicates the percentage of an individual's total response variation due to a person's concern for the moral quality of given arguments or behavior (Lind, 2000). The C-score ranges from 0 (lowest score) to 100 (highest score), although Cohen (1998) has classified the C-score into four groups: low (1-9), medium (10-29), high (30-49) and very high (above 50) (Cohen, 1988; Lind, 2000). Lind (2000), however, states that, empirically, the value of the C-score rarely exceeds 40, i.e., usually ranges from 0 to 40.

In the MJT, respondents were presented with two ethical situations described in two vignettes. They were asked to indicate their level of agreement with the course of action set out in each story in terms of a seven-point scale ranging from -3 to +3. Next, participants rated twelve arguments; six arguments for and six arguments against the course of action presented in each story on a nine-point scale ranging from -4 (“I strongly reject”) to +4 (I strongly agree”). Each argument represents one of Kohlberg’s (1969) six stages of moral orientation. I contacted Lind for the coding scheme in September 2018. The coding scheme is needed for classifying each argument according to Kohlberg’s (1969) stages and for calculating the C-score. He graciously provided this coding scheme in September 2018.

The computation of the C-score is similar to the computation of multi-variate analysis of variance (MANOVA) and the C-score can be computed by hand or through a programming language using packages like SAS, SPSS, or STATISTICA (Lind, 1998).

A full description of the how the C-score of an individual is calculated is detailed in Lind’s (1998) article. Summarized, to calculate the C-score, the researcher first assigns the MJT items to the Kohlberg’s (1969) six stages using the coding scheme. The following are needed to calculate the C-score: (1) the Mean Sum of Squares (SS_{Mean}) (2) the adjusted Total Deviation Sum of Squares (SS_{Dev}) (3), and the adjusted Stage Sum of Squares (SS_{Stage}).

The Mean Sum of Squares (SS_{Mean}) is obtained for a respondent by adding up each of the respondent’s answers to each of the 24 MJT questions. The result is then squared and divided by 24 (which is the number of questions in the MJT).

To calculate the adjusted Total Deviation Sum of Squares (SS_{Dev}), each of the individual respondent's answers to each of the 24 questions in the MJT is squared. Each squared response is then added up and the Mean Sum of Squares (SS_{Mean}) is subtracted from this total.

To calculate the adjusted Stage Sum of Squares (SS_{Stage}), the respondent's pro and con arguments for each of the two dilemmas is sorted into the Kohlberg's (1969) six stages. For each stage, the pro and con arguments are added up and the obtained sum is squared. This is repeated for all the respondent's pro and con arguments for all the six stages. All the squared totals obtained for each stage are then added up and the Mean Sum of Squares (SS_{Mean}) is subtracted from the result.

Finally, the C-score can be obtained by dividing Stage Sum of Squares by the Total Deviation Sum of Squares, (i.e. SS_{Stage} / SS_{Dev}) and multiplying the result by 100. A full description of the calculations to obtain the C-score is discussed in Lind's (1998) article. Again, as stated above, the value of the C-score usually ranges from 0 to 40 and rarely exceeds 40.

Internally-stimulated/externally-stimulated opportunity recognition.

Singh's (2003) questionnaire was used to determine if a social entrepreneur engaged internally-stimulated opportunity recognition processes or if he or she engaged the externally-stimulated opportunity recognition processes. Respondents were asked the following question: "Which came first for you, the business idea or the decision to start some kind of business?" Respondents then chose one of two responses: (1) Business idea or opportunity came first, or (2) Desire to start a business came first. The former

represented internally-stimulated opportunity recognition, while the latter represented externally-stimulated opportunity recognition.

Financial performance.

The measure of the financial performance of each social enterprise was determined by recent firm revenue. Respondents were asked to state their most recent revenue.

Social performance/social impact.

The social impact data for each business was obtained from the B Lab website. The B Lab website contains a composite social impact score for each business. As earlier mentioned, the social impact score for each social entrepreneur is a composite score based on an agglomeration of sub-scores based on the following five dimensions: environment, workers, customers, community, and governance. Social impact scores for social entrepreneurs range from a score of 80 to a maximum score of 200.

Control variables.

Number of years in business.

Organizational age is likely to impact performance (Freeman, Carroll & Hannan, 1983). Theories, such as liability of newness (Stinchcombe, 1965), indicate that new firms may struggle at first to overcome a disadvantaged position. This is brought about by the fact that being new, internal roles and routines and external relations to the environment have not been mastered properly. The fact that for these organizations, attempts at legitimacy, e.g., relationships with suppliers, customers etc., are still evolving may constitute a weakness when compared with larger well-established organizations and

is regarded as liability of newness (Freeman, Carroll & Hannan, 1983, Stinchcombe, 1965).

Number of employees.

The size of the firm as measured by the number of employees is another factor that may correlate with a firm's performance (Greve; 2008; Orlitzky, 2001; Orser, Hogarth-Scott, & Riding, 2000; Stanwick & Stanwick, 1998).

Demographic data.

Demographic data collected included the following:

Age.

The social entrepreneur was asked to state his/her age.

Gender.

The social entrepreneur was asked to indicate his/her gender.

Ethnicity.

The social entrepreneur was asked to indicate which of the following best describes his/her ethnicity (white, Native American, black/African American, Asian, Indian, or others).

Education.

The social entrepreneur was asked to indicate his/her highest level of formal education.

Statistical Methods

Returned surveys were examined for missing data and as mentioned earlier no recurring issues were identified. Data were collected from early June to mid-August

2018. Overall, 167 social entrepreneurs' completed responses were obtained, a response rate of 25%.

Data cleaning.

Prior to data analysis, the data were cleaned, and data files were constructed. Missing data were evaluated, and all variables that had more than 25% missing data, were discarded. Exploratory analysis was used to detect potential outliers and data collection errors. Five responses with missing data more than 25% were discarded. Standard descriptive statistics (mean, median, standard deviation, frequency, and distribution of responses) were used to describe all key variables and to determine if responses differed by race/ethnicity.

Methods and assumptions.

The data were analyzed using SPSS Version 24. Logistic regression was used to examine the relationships between CMD and opportunity recognition since internally-stimulated and externally-stimulated opportunity recognition processes are presented as dichotomous dependent variables. Hierarchical multiple regression was used to examine the theoretical relationships between the concepts of CMD, social impact, and financial performance, because of its usefulness in accounting for the influence of control variables. This is because the effect of potential correlating or confounding variables such as of number of employees and firm age needed to be controlled for. For example, to control for number of employees and firm age in the relationship between moral development and financial performance, I employed the hierarchical regression analysis

by entering number of employees and firm age first into the model and subsequently entering moral development last into the model.

In using hierarchical multiple regression, the statistical assumptions were followed. There was low multicollinearity between predictors, meaning the correlations between the predictors were less than 0.8. (Field, 2006). The variable types were appropriate, and all predictors and independent variables were either quantitative or categorical. The outcome variable was continuous and quantitative, and the variance of the predictors was not zero. The homoscedasticity assumption was also followed, i.e., variance of residuals should be constant at each level of the predictor. Finally, it was assumed that the relationship being modeled was linear and based on normally distributed data using the central limit theory.

In addition, using independent sources of data, independent *t*-tests were used to examine if response bias existed in the data. The *t*-tests examined mean differences in the responses based on revenues, social impact, and number of years in business. Data used for the *t*-tests for social impact scores were obtained from www.bcorporation.net while data used for the *t*-tests for mean revenue and mean number of years were obtained from www.owler.com, an independent website that documents information about different companies. For these tests, it was assumed that the data were from normally distributed populations, that the data were measured at the interval level, and that the scores were independent, i.e., that respondents answered their questions independently. For *t*-tests, the homogeneity of variance assumption was considered in interpreting results.

Statistical tests.

Initial bivariate correlation analysis was carried out on the data to estimate the effects of sample characteristics such as age, education, gender, and ethnicity on their individual responses. Hierarchical multiple linear regression was used for testing hypotheses 1, 2, 4 and 5. Logistic regression was used for testing hypotheses 3a and 3b. Table 4.1 summarizes the different hypotheses and the statistical tests used in examining the relationships between the different variables.

Effect size.

In order to achieve statistical power of 80 percent, and for a medium effect (i.e. when R^2 is 0.07 and beta is on average .20), Green (1991) suggests using the following formula to determine the sample size needed:

$$N \geq 104 + k$$

Where k is the number of independent variables

Therefore, in this study, to achieve 80 percent power with medium effect, then a sample size of equal to or more than 106 is needed. The sample of 167 exceeded this requirement.

Table 4.1. *Summary of variables, Hypotheses, and Statistical Methods.*

Hypothesis	Method	IV	DV
1. Positive relationship between CMD and social impact	Hierarchical multiple linear regression	CMD	Social Impact
2. Positive relationship between CMD and financial performance	Hierarchical multiple linear regression	CMD	Financial Performance
3. Positive relationship between CMD and internally-stimulated opportunities	Logistic Regression	CMD	Internally-stimulated opportunity recognition/Externally-stimulated opportunity recognition.
4. Positive relationship between internally-stimulated opportunities and financial performance.	Hierarchical multiple linear regression	Internally-stimulated opportunity recognition.	Financial Performance
5. Positive relationship between internally-stimulated opportunities and social impact.	Hierarchical multiple linear regression	Internally-stimulated opportunity recognition	Social impact

CHAPTER 5: EMPIRICAL RESULTS: TESTS OF HYPOTHESES

Chapter Overview

This chapter describes the characteristics of the respondent sample and the results of statistical analyses. In this chapter the results of the hypotheses that were developed in Chapter 3 and the statistical approach used in arriving at these results are presented in detail. First, I discuss the data collection process and the basic assumptions for the statistical analyses. Next, I discuss the demographic characteristics of the sample. After this, I discuss issues of scale development and examinations for reliability and validity. Subsequently, the relationships between the key constructs used in the theoretical model for this study are discussed.

Demographic Data

There was a total of 167 participants. The mean age of the participants was 47 years. The entrepreneurs in the sample were mostly white males. Most participants had a college or graduate degree. Table 5.1 summarizes the demographic characteristics of the respondent sample.

Table 5.1 Participant Demographic Characteristics

	<i>Mean/SD</i>	<i>Range</i>
Age (Years)	46.53/12.51	18-99
	<i>Frequency</i>	<i>Percent</i>
Gender		
Male	89	53.3
Female	78	46.7
Race/ Ethnicity		
Black	3	1.9
White	151	90.4
Hispanic	3	1.9
Indian sub-continent	2	0.9
Others	8	4.76
Education		
Associate Degree	2	0.9
Some College	8	4.7
Bachelor's Degree	58	34.9
Some Graduate	31	18.8
Graduate Degree	68	40.5
N= 167		

Response Bias

A *t*-test was conducted to examine the differences between respondents and non-respondents in terms of mean social impact, mean revenue, mean number of years in business using independent sources of data. Data used for the *t*-tests for social impact scores was obtained from www.bcorporation.net while data used for the *t*-tests for mean revenue and mean number of years were obtained from www.owler.com. The *t*-tests yielded no differences between respondents and non-respondents with respect to these parameters (see Table 5.2). Since there is no statistical difference between respondents and non-respondents, it suggests that the issue of response bias may be limited, and the respondent sample is representative of the overall sample.

Table 5.2 Differences between Respondents and Non-Respondents in terms of Mean Revenues, Mean Social Impact Scores, and Mean Number of Years in Business.

	Mean			
		Social	Mean number	
	Mean	Impact	of years in	
	Revenues	Scores	business	
Respondents	\$3553400	99.5	12.9 years	n = 167
Non-Respondents	\$3602458	98.3	12.2 years	n = 943

t-tests were not significant

Bivariate Analyses - Correlations

Table 5.3 details the results of descriptive statistics and correlations among the key variables used in the study.

Table 5.3 Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9
1.Social Impact Score	99.5	18.7	1								
2. Opp. Rec	N/A	N/A	0.03	1							
3. CMD	13.5	8.20	0.10	-0.08	1						
4. Gender	N/A	N/A	0.13*	-0.07	0.02	1					
5. Age	46.50	12.50	0.03	-0.08	-0.06	0.18	1				
6.Education	N/A	N/A	0.38***	0.31***	0.38***	0.09	0.07	1			
7. Revenue	3553400	6682703	0.16	0.23	0.20	0.10	0.20	0.45*	1		
8. Years in Business	12.9	9.2	0.22*	-0.20	0.02	0.06	0.37**	0.13	0.44**	1	
9. Employees	26.60	86	0.43*	0.06	0.04	0.14	0.04	0.06	.50**	0.15	1

* p < .05 ** p < .01 *** p < .001

Regression.

In this section, the formal hypotheses stated for this research, are examined and the results of the different statistical methods used are presented.

Hypotheses testing.

hypothesis 1: cmd is positively related to social impact.

A hierarchical multiple linear regression was used to determine the relationships between CMD and social impact created by social entrepreneurs. The number of employees and the number of years in business were used as control variables. Thus, a stepwise analysis was performed. The enter method was used with number of years in

business and number of employees first entered into the model and with CMD values subsequently entered into the model (see Table 5.4). As can be seen, the social entrepreneur's CMD plays an important part in social impact created (see Model 2, on Table 5.4). The resulting regression model was significantly improved over Model 1 (which had only the control variables) with the addition of CMD to the model ($p < .001$). Model 2 resulted in an adjusted R^2 of .065 ($F = 26.674$, $p < .001$). The standardized regression coefficient for CMD was also highly significant ($\beta = .325$, $p < .001$). Thus, a one standard deviation change in CMD would result in a .325 standard deviation change in the social impact created by the social entrepreneur. These results provide strong support for Hypothesis 1.

Table 5.4 Regression Analyses Results for Social Impact: Hypothesis 1

Variable	Model 1	Model 2
	Beta	Beta
<u>Controls</u>		
Number of years in business	.42	.22**
Number of Employees	.25	.06**
CMD		.325***
<i>F</i>	26.674**	27.030**
Adjusted <i>R</i> Square	.032	.065
Change in <i>R</i> Square from Model 1		.033*
* $p < .05$ ** $p < .01$ *** $p < .001$ $n = 167$		

hypothesis 2: cmd is positively related to financial performance.

A hierarchical multiple linear regression was used to determine the relationships between CMD and financial performance of entrepreneurs. Here, the number of employees (size) and number of years in business were used as control variables. Thus, a stepwise analysis was performed. The enter method was used with number of years in business and number of employees first entered into the model and with CMD values subsequently entered into the model (see Table 5-5). CMD had a positive relationship with revenue but the relationship was not statistically significant. The regression coefficients for CMD was not significant (see Model 2 in Table 5.5). Thus, hypothesis 2 was not supported.

Table 5.5 Regression Analyses Results for Financial Performance: Hypothesis 2

Variable	Model 1	Model 2
	Beta	Beta
<u>Controls</u>		
Number of years in business	.42	.36**
Number of Employees	.25	.44*
CMD		.008
<i>F</i>	29.097***	31.145**
Adjusted <i>R</i> Square	.038	.052
Change in <i>R</i> Square from Model 1		.014*
* p < .05 ** p < .01 *** p < .001 n = 167		

hypothesis 3: cmd is positively related to internally-stimulated opportunity recognition.

Logistic regression was used to determine if social entrepreneurs at higher levels of CMD were more likely to pursue internally-stimulated opportunities than externally-stimulated opportunities or if lower levels of CMD will be associated with a higher likelihood of pursuing externally-stimulated opportunities.

The $-2 \text{ Log Likelihood } (-2LL)$, the Hosmer and Lemeshow measure of overall fit, and the pseudo R^2 , were used as statistical measures to assess the overall model fit. As can be seen in table 5.6, the $-2LL$ value reduced from the base model value of 84.108 to 59.754 in the 2nd model, a decrease of 24.354. This increased model fit was statistically significant at the 0.000 level. Similarly, the Hosmer and Lemeshow test shows significance for the model ($p = 0.718$) indicating that the model fit is acceptable. Similarly, the R^2 value shows that the logistic regression accounts for at least 50 percent of the variation.

Table 5.6 Logistic Regression Base Model Results

Overall Model Fit: Goodness-of -Fit Measures		
	Value	
-2 Log Likelihood (-2LL)	84.108	
Variables not in the Equation		
Independent Variables	Statistic	Significance
Gender	-1.25	0.352
Age	0.640	0.424
Race	0.025	0.764
Education	2.052	0.082
CMD	8.622	0.001

Table 5.7 Overall Model Fit: Goodness-of -Fit Measures

	Value	Change in -2LL from base model	
		Change	Significance
-2 Log Likelihood (-2LL)	59.754	24.354	0.008
Pseudo R^2	0.530		
Cox and Snell R^2	0.542		
Nagelkerke R^2	0.612		
	Value	Significance	
Hosmer and Lemeshow χ^2	5.366	0.718	

As can be seen on Table 5.8 below, the results showed a positive relationship between CMD and internally-stimulated opportunity recognition. This means that higher levels of CMD are associated with engaging the internally-stimulated opportunity recognition process. As the Exp (B) is 4.251, it means that the odds of high-CMD social entrepreneur pursuing internally-stimulated opportunities are four times the odds of low-CMD social entrepreneur pursuing internally-stimulated opportunities. This provides support for hypothesis 3.

Table 5.8 Logistic Regression Analyses Results for CMD and Internally-stimulated/externally-stimulated Opp. Rec: Hypothesis 3

	B	S. E	Wald	df	Sig	Exp (B)
Gender	-0.35	0.403	0.003	1	0.931	0.956
Age	0.876	0.187	21.859	1	0.10	2.400*
Race	0.362	0.183	3.391	1	0.16	1.436
Education	0.091	0.061	2.232	1	0.135	1.095
CMD	1.4470	0.542	7.118	1	0.008	4.251**
Constant	6.739	1.285	27.486	1	0.00	0.001***

* p < .05 ** p < .01 *** p < .001

hypothesis 4: internally-stimulated opportunity recognition is positively related to financial performance.

A hierarchical multiple linear regression was used to determine the relationship between internally-stimulated opportunities and financial performance as well as the relationship between externally-stimulated opportunities and financial performance

respectively. Internally-stimulated opportunities were coded 1 while externally-stimulated opportunities were coded zero. The number of employees (size) and number of years in business (firm age) were used as control variables. Thus, a stepwise analysis was performed with number of years in business and number of employees first entered into the model and then internally-stimulated and externally-stimulated opportunities subsequently entered into the model. Results are shown in Table 5.9.

The resulting regression model was significantly improved over Model 1 (which had only the control variables) with the addition of internally-stimulated/externally-stimulated opportunities to the model ($p < .001$). Model 2 resulted in an adjusted R^2 of .061 ($F = 29.311, p < .001$). The standardized regression coefficient for internally-stimulated opportunities was also highly significant ($\beta = .314, p < .001$). Thus, a one standard deviation change in internally-stimulated opportunities would result in a .314 standard deviation change in the financial performance recorded by the social entrepreneur pursuing internally-stimulated opportunities. This provides strong support for Hypothesis 4.

Table 5.9 Regression Analyses Results for Financial Performance: Hypothesis 4

Variable	Model 1	Model 2
	Beta	Beta
<u>Controls</u>		
Number of years in business	.39	.34**
Number of Employees	.23	.40*
Internally-stimulated Opp. Rec (n=143)		.314***
<i>F</i>	27.149***	29.311**
Adjusted <i>R</i> Square	.029	.061
Change in <i>R</i> Square from Model 1		.032*
* $p < .05$ ** $p < .01$ *** $p < .001$ $n = 167$		

hypothesis 5: internally-stimulated opportunity recognition is positively related to social impact.

A hierarchical multiple linear regression was used to determine the relationship between internally-stimulated opportunities and social impact as well as the relationship between externally-stimulated opportunities and social impact respectively. Again, internally-stimulated opportunities were coded 1 while externally-stimulated opportunities were coded zero. The number of employees (size) and number of years in business (firm age) were also used as control variables. Thus, a stepwise analysis was performed with number of years in business and number of employees first entered into

the model and then internally-stimulated and externally-stimulated opportunities subsequently entered into the model. Results are presented in Table 5-10.

It can be observed that the resulting regression model was significantly improved over Model 1 (which had only the control variables) with the addition of internally-stimulated/externally-stimulated opportunities to the model ($p < .001$). Model 2 resulted in an adjusted R^2 of .055 ($F = 25.703, p < .001$). The standardized regression coefficient for internally-stimulated opportunities was also highly significant ($\beta = .232, p < .001$). Thus, a one standard deviation in internally-stimulated opportunities would result in a .232 standard deviation in the social impact created by the social entrepreneur pursuing internally-stimulated opportunities. This provides strong support for Hypothesis 5.

Table 5.10 Regression Analyses Results for Social Impact: Hypothesis 5

Variable	Model 1	Model 2
	Beta	Beta
<u>Controls</u>		
Number of years in business	.28	.12**
Number of Employees	.19	.03**
Internally-stimulated Opp. Rec (n=143)		.232***
<i>F</i>	23.012**	25.703**
Adjusted <i>R</i> Square	.027	.055
Change in <i>R</i> Square from Model 1		.028*
* $p < .05$ ** $p < .01$ *** $p < .001$ $n = 167$		

Summary of Hypotheses Testing

Overall, the results showed support for five of the six hypotheses put forward. Hypothesis two was not supported. In Chapter 6, an in-depth discussion of the results of the hypotheses tests is carried out. In addition, the study limitations are highlighted, a discussion of the practical implications of this research is presented, and future research directions are offered in the following chapter.

CHAPTER 6: DISCUSSION OF EMPIRICAL RESULTS

Overview

In this study, the theoretical relationships identified during the literature review were found to be significant for five of the six hypotheses formally stated in this study. Social entrepreneurs' CMD and the opportunity recognition pursued was significantly related to their performance in terms of social impact (hypothesis 1). Support was also found for hypotheses 3a and 3b which examined the impact of CMD on the opportunity recognition process of the social entrepreneur. Furthermore, hierarchical regression to test hypotheses 4 and 5 found significant differences for social entrepreneurs based on the financial performance that they recorded and the social impact that they created. Hypothesis 2 was not supported. This study hypothesized that social entrepreneurs higher in CMD would record higher financial performance, but statistical support was not found for this hypothesis. Interestingly, there was a positive relationship between social entrepreneurs' moral development and financial performance, but this relationship was not statistically significant.

In the next section, the results are discussed based on the literature review in Chapter 2 and the findings presented in the previous chapter. This is followed by a discussion of the purpose of this study in relation to the current state of the social entrepreneurship literature. Implications for social entrepreneurship education and practice are then offered. Finally, while acknowledging the limitations of this study, future studies are suggested.

Discussion of Results

This section presents a summary of the results. A discussion of each hypothesis presented. When applicable, consistencies of present findings with previous findings in the literature were noted and further explanations were offered.

Cognitive moral development.

Hierarchical multiple linear regression was used to test hypotheses 1 and 2 which examined the relationship between the CMD and the social impact created by social entrepreneurs, as well as CMD and financial performance recorded for social entrepreneurs respectively.

The study found support for hypothesis 1 which examined the relationship between CMD, and the social impact created by social entrepreneurs. This is consistent with the literature suggesting that CMD is related to the ability to assimilate the interest of diverse publics and to incorporate and serve the goals of a wider stakeholder base (Donaldson & Preston, 1995; Goolsby & Hunt, 1992; Logsdon & Yuthas, 1997). All things being equal, the more likely it is to identify and meet the needs or goals of a wider stakeholder base, the greater social impact created. Moreover, Goolsby and Hunt (1992) suggest a positive relationship between moral development and socially responsible behavior. And all things being equal, the results of this study suggest that acting in a socially responsible manner should lead to higher social impact.

Full support was not found for hypothesis 2 which examined the relationship between CMD and the financial performance of social entrepreneurs. Although the statistical relationship observed between these variables was positive, it was not

significant. The inability to find support for this hypothesis may be related to tensions that may exist in the simultaneous pursuit of social goals and financial goals (André, 2012). It may be the case that those social entrepreneurs higher in CMD placed more emphasis on creating social impact at the expense of financial gains (Peredo & McLean, 2006). It may also be the case that social entrepreneurs at lower CMD levels did better in terms of financial performance since, theoretically speaking, lower CMD predisposes individuals to pursue self-interest at the expense of other social interests.

This study found support for both hypothesis 3 which examined the relationship between CMD and the opportunity recognition process for social entrepreneurs. Social entrepreneurs high in CMD were found to be four times more likely than their counterparts who were low in CMD to pursue internally-stimulated opportunities. This lends credence to the notion that social entrepreneurs high in CMD are more likely to be drawn into social entrepreneurship by the quest to fulfilling pressing needs that they identify in society or by the motivation to solve social problems. Moreso, moral development has been identified as one of the key predictors of becoming a social entrepreneur (Mair & Noboa, 2006).

Similarly, finding support for hypothesis 3 which also suggests that social entrepreneurs at lower levels of CMD were more likely to pursue externally-stimulated opportunity recognition lends credence to prior suggestions in the literature that for some social entrepreneurs, ambition precedes recognition of social needs. As earlier discussed by Nicholls (2010), there is a narrative that presents social entrepreneurship with a business venture approach, shifting the focus away from the provision of social services

to a focus on maximizing monetary gains. This narrative also portrays social entrepreneurs as “heroes” highlighting their individual qualities and celebrating their successes. Clearly, the prospects of maximizing monetary gains coupled with the prospects of being famous and being recognized and celebrated as a “hero” could appeal to individuals, thereby prompting them to want to become social entrepreneurs. For social entrepreneurs who fall into this category, this motivation invariably causes ambition to precede recognition of needs in society, leading to the pursuit of externally-stimulated opportunities. A focus on self-interest may also cause individuals to be less sensitive to the needs of others or to the pressing needs in society.

Internally-stimulated/externally-stimulated opportunity recognition.

Hierarchical multiple linear regression was used to test hypotheses 4 and 5 which examined the relationship between the opportunity recognition process of social entrepreneurs and the social impact created by them, as well as the relationship between their opportunity recognition process and their financial performance respectively.

Support was found for hypothesis 4 which examined the relationship between internally-stimulated/externally-stimulated opportunity recognition processes and financial performance. This suggests that pursuing internally-stimulated opportunities is superior to pursuing externally-stimulated opportunities with respect to achieving higher levels of financial performance for social entrepreneurs (Singh et al., 2008).

This study also found support for hypothesis 5 which examined the relationship between internally-stimulated/externally-stimulated opportunity recognition process and social impact. Social entrepreneurs who pursued internally-stimulated opportunities

created higher social impact than those who pursued externally-stimulated opportunities. This finding suggests that recognizing a social/market opportunity or need first, and then founding a venture to fill that opportunity or need, is preferable for social entrepreneurs in terms of creating social impact. It may be that social entrepreneurs who are drawn by the quest to fulfil a need focus more on meeting same thereby becoming more ambitious in terms of finding ways to meet the need than maximizing financial gains. To these social entrepreneurs, the importance of filling this identified need may become overwhelming, prompting them to put up structures as well as seek collaborations aimed at meeting the need while not relenting in their efforts until they fill that need. It may also be the case that for social entrepreneurs, effectively meeting needs in society translates to increased social impact regardless of whether they maximize financial gains or not. Subsequently, being successful in filling the need for a segment of society may prompt them to expand their mission to include other stakeholders, thus generating higher social impact.

The relationship between internally-stimulated opportunities and social impact may be accentuated by the fact that most of the respondents (85.7%) were pursuing internally-stimulated opportunities. It may also be the case that most social entrepreneurs pursuing externally-stimulated opportunities do not generate enough social impact, because of motivations of self-interest, to qualify as B Corps and, thus, could not be included in our sample. It is also possible that most social entrepreneurs engage in internally-stimulated opportunity recognition processes. Overall, this may suggest that

internally-stimulated opportunity recognition is a superior opportunity recognition process for social entrepreneurs.

Taken together, the results of this study may provide important empirical evidence of the superiority of CMD and internally-stimulated opportunities with regards to realizing higher social impact and thereby being successful as a social entrepreneur. Although, full support was not found for the relationship between CMD and financial performance, the data trend suggested consistency with the stated hypothesis as there was a positive relationship between these variables.

This study breaks new grounds and expands the literature being the first test of internally-stimulated/externally-stimulated opportunity recognition processes using CMD as an independent variable for social impact and financial performance for social entrepreneurs.

Study Limitations

In terms of opportunity recognition, the study relied on self-reported data. Thus, there may be concerns about common method bias or inflated predictive relationships as a result of the self-reported data (Campbell & Fiske, 1959). However, this research being perceptual in nature, employed the survey methodology for which there has been no evidence in the literature that self-reported measures have led to inflated relationships (Crampton & Wagner, 1994).

Another limitation is the possibility of memory and recall issues since respondents had to make retrospective assessments of their actions and businesses. For example, social entrepreneurs needed to recall if their decision to become a social

entrepreneur preceded opportunity/need identification or vice versa. However, self-report data is commonly used in social research (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013)

Relying on a single-item question to determine the type of opportunity pursued is another limitation. The use of multiple items, as was employed the measurement of moral development, may provide more meaningful information and higher reliability. A single-item, forced-choice question may not be adequate for capturing the actual process that the entrepreneur used to recognize the opportunity (Singh et al., 2008). A more qualitative approach with the aid of interviews may be more effective in shedding light on the opportunity recognition process and providing a clearer of the difference between internally-stimulated opportunity recognition and externally-stimulated opportunity recognition processes to respondents. However, the use of single-item measure has been used in social research in the past (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013).

Other limitations may arise due to the exclusive focus on internally-stimulated and externally-stimulated opportunity recognition processes in this study. There are other approaches to thinking about opportunity recognition such as effectuation vs. rational/economic processes (Sarasvathy, 2001; Welter et al., 2016), systematic search vs gut-feel or the “eureka moment” (Bhave, 1994; Brockman, 2014; Cyert & March, 1963; Gaglio, 2018; Long & McMullan, 1984; Stevenson, Roberts, & Groesbeck, 1989; Tang et al., 2012; Timmons, 1990; Vesper, 1996), and solo vs. network modes of opportunity recognition (Hills et al., 1997; Stuetzer & Cantner, 2013). However, the use of the

internally-stimulated/externally-stimulated opportunity framework for this study is advantageous because it is associated with a concrete model of entrepreneurship. Furthermore, previous research in terms of motivational differences, sensitivity to needs, and the performance implications of pursuing these divergent opportunity recognition paths make it more suitable to the model presented in this study for examining performance in social entrepreneurship.

The study is also cross-sectional. The problem with cross-sectional data is that the direction of relationship can sometimes be called into question. Longitudinal studies may be more useful in capturing financial performance and social impact over time. However, cross-sectional design research has been useful for many decades for examining the relationships between variables. Also, this study did not compare social entrepreneurs that were not B Corps or those still in the process of qualifying as B Corps. Including these groups of social entrepreneurs will help to further strengthen the relationships and results of this study.

Only about 14% of the social entrepreneurs in this study indicated that they were pursuing externally-stimulated opportunities. This is not surprising and is consistent with the findings of this study in terms of the superiority of the internally-stimulated opportunity recognition process for social entrepreneurial success. It could also be a sign that social entrepreneurs are more likely to pursue internally-stimulated opportunities rather than externally stimulated opportunities. Finally, this study examined only B Corps in the United States of America. Although, it would help to study more social

entrepreneurs in other countries, the results of this study are consistent with what was expected.

The measure of the financial performance of each social enterprise was determined by recent firm revenue. Respondents were asked to state their most recent revenue. The limitation that may arise from this apart from the possible effects of self-report, is that respondents may interpret this question differently leading to less reliable results.

Other limitations may arise because of the use of founder CMD as proxy for organizational level moral development. The implications of mixing levels in analyses include the possibilities of unexplained variance between key variables, which may result in findings being overstated (Nunnally & Bernstein, 1994). In this study, individual variables, e.g., internally-stimulated/externally-stimulated opportunity recognition and CMD, were analyzed alongside organizational variables, e.g., social impact and financial performance without taking into consideration lack of independence or inter-level variance. Using nested data in this way, may violate the independence assumption. Using more appropriate analytical techniques such as hierarchical linear modeling (HLM) or structural equation modeling (SEM) with MPLUs software would better account for independence issues in multi-level analysis.

Future Research Directions

Future research should work to address the limitations discussed above. For example, longitudinal study will be useful in the future for examining the impact of moral development and opportunity recognition on the successes of social entrepreneurs over

time. It will be interesting and groundbreaking to see if or how moral development progresses overtime for social entrepreneurs especially since some researchers argue that moral development does not regress and to observe changes in social impact and financial impact change for social entrepreneurs with changes in moral development.

An important predictor of outcomes in organization is organizational structure. The likelihood that moral development in organizations is related to organizational structure has been suggested in the literature (Reidenbach & Robin, 1991). Empirical studies which examine the impact of moral development on the structure that emerges in organizations are needed in the study of social entrepreneurship to examine the kind of organizational arrangements that support successful performance for social entrepreneurs. This is even more necessary as the creation of social impact becomes an added organizational goal for social entrepreneurship organizations. Future research can also investigate the relationship between organizational moral development and ethical climate in organizations.

A more robust way to examine the relationship between CMD in organizations in the future would be to survey as many employees as possible along with top management members. Here, a more robust statistical methodology such as Hierarchical Linear Modeling (HLM) may be more useful in explaining the nested data which results from this kind of sampling. Also, a multi-item questionnaire may be developed and used in measuring internally-stimulated/externally-stimulated opportunities and not the single-item question that was used in this study.

An important future direction for the study of social entrepreneurs would be to include social entrepreneurs who have not obtained the B Corp certification in the study. This becomes even more pertinent as recent findings by Parker, Gamble, Moroz, and Branzei (2018) suggest that firms that qualify as B Corps often take a financial penalty during and after the process of certification. Although the B Corp certification helps them in the longer term, social entrepreneurs that go through the certification process to become B Corps often suffer a decline in revenues for a while after obtaining the certification. Parker et al. (2018) attributed this financial decline to factors such as the necessary internal reorganizations that many such firms needed to make in terms of operational best practices, organizational structure, organizational culture, and other processes, to qualify as B Corps.

Furthermore, since becoming certified as a B Corps also entails an ongoing monitoring of best practices and re-certification every two years (Herrera, 2015), a fruitful line of research would be to investigate change in organizational moral development of social entrepreneurship organizations in the period prior to certification and after certification. Since Parker et al. (2018) suggest that future research should examine adaptability capabilities, it would also be fruitful in future to study the relationship between organizational moral development, ease of certification, and the adaptability capabilities of B Corps.

The entrepreneurship literature has been interested in studying entrepreneurship failure (Singh, 2008). For social entrepreneurs, the added goal of creating social impact may spell more complexity even as researchers have stated that tensions exist between

financial and social goals (André, 2012). The social entrepreneur often finds him/herself in situations involving the need to resolve conflicting claims between financial and social goals (André, 2012; Crane et al., 2014). Thus, social entrepreneurs who are poorly equipped, or who are not adept at resolving these tensions may fail. CMD may be a potentially useful construct in studying and understanding social entrepreneurship failure if CMD helps social entrepreneurs to effectively balance the often-conflicting priorities between social and economic goals.

Finally, since this study is the first that uncovers the relationship between CMD and opportunity recognition in social entrepreneurship, a fruitful line of future research would be for researchers study the relationship between CMD and other opportunity recognition processes such as solo vs. network modes of entrepreneurship. It is likely that individuals high in CMD are more likely than those low in CMD to involve more people in the opportunity identification and opportunity fine-tuning process. It may well be that motivations of self-interest vs the motivations of social interest may be influential in the amount of social network resources that social entrepreneurs use in their process of identifying opportunities. CMD can also be studied with respect to effectuation vs. rational economic modes of opportunity recognition since CMD has been associated with sensitivity to social needs.

The findings of this study suggest that although high CMD is necessary for success in social entrepreneurship, pursuing internally-stimulated opportunities is an equally important factor. Therefore, future research should investigate the mediational or

moderational effects of internally/externally-stimulated opportunity recognition process on the relationship between CMD and performance in social entrepreneurship.

Implications for Entrepreneurial Practice

The overall results of this study suggest that CMD – the cognitive process that motivates an individual to help others in search of a common good (Mair & Noboa, 2006) – is necessary for success in social entrepreneurship. This is accentuated by its relationship with the opportunity recognition process, which is an important construct for success in entrepreneurship. All things being equal, for social entrepreneurs, higher levels of moral development are associated with a superior opportunity recognition process.

Exposure to social experiences, such as relating with the needs, values, and viewpoints of others, affects the level of moral development (Comunian & Gielen, 1995). It will be helpful, therefore, in the teaching of entrepreneurship, to introduce students to practical ways of relating with stakeholders in the unique contexts in which these stakeholders live and to help students to develop skills aimed at identifying and proffering solutions to fundamental needs in the neighborhood, local community, society, and the global community. These will help students to develop the “moral imagination” and “giving faces to places” popularized by Calton et al. (2013) and Werhane (2012) and which have been suggested as necessary mental models to be adopted by social entrepreneurs in order to be successful.

A CMD approach to ethics training has been found to be superior to traditional ethics courses which mostly focus on exhortations of “doing the right thing” or of

obeying some stipulated rules of conduct (Trevino, 1986). A CMD approach to ethics training helps develop students' reasoning patterns so as to be better able to integrate the legitimate interests of a broader stakeholder base into their decisions (Baxter & Rarick, 1987; Goolsby & Hunt, 1992).

The CMD framework has implications for connecting business ethics to social entrepreneurship studies. It has been noted that present day ethics education is inadequate in terms of transferability to business contexts (Goolsby & Hunt, 1992). For example, Goolsby and Hunt (1992) criticized the use of situation-specific case-studies as inadequate in preparing students for the wide variety of ethical decisions that a social entrepreneur may come across, while courses focusing on ethical guidelines and rules are criticized for being too abstract. CMD training overcomes these inadequacies by teaching students how to reason through moral dilemmas, while at the same time exposing them to reasoning patterns at higher stages than their own and helping them to develop superior reasoning patterns (Goolsby & Hunt, 1992; Kohlberg, 1969). Overall, CMD education is useful in providing students with intellectual capacity to make more sound judgment calls when faced with "ethically troublesome situations" (Goolsby & Hunt, 1992, p. 65).

The importance of the opportunity recognition construct in entrepreneurship and venture creation cannot be overemphasized. Furthermore, the findings of this study highlight the clear benefits of internally-stimulated opportunities, consistent with other studies (Gibbs, 2014; Singh et al., 2008; Singh & Gibbs, 2013). Therefore, as suggested by Singh and Gibbs (2013), for entrepreneurship educators, teaching and helping students

to hone their market analyses/orientation skills may help to improve the odds of these would-be entrepreneurs in identifying internally-stimulated opportunities.

In the present day, businesses have struggled with legitimacy in society. Owing to the recent 2008/2009 financial crisis, society's distrust and disdain of businesses has been on the rise (Hiller, 2013). Entrepreneurs are highly visible in society and their boundary-spanning roles make it more likely for them to deal with ethical issues often. Thus, entrepreneurs and business owners would benefit from inculcating trainings in moral development in employee training programs. Inculcating a sense of helping others and sensitivity to social needs in business decisions may go a long way in helping businesses in attempts at regaining legitimacy in society. It has been stated that the CMD approach to ethics training helps employees to reason through ethically challenging situations (Goolsby & Hunt, 1992).

As discussed in earlier sections of this paper, the Creating Shared Value (CSV) strategy is gaining recognition as one of the strategies suggested for present day businesses for maximizing profits while at the same time creating social impact for society (Porter & Cramer, 2011). CSV strategy is recommended for successful social entrepreneurship. Porter & Kramer (2011) suggest that not only will this strategy help businesses to make profits, but it will also help businesses regain lost legitimacy in the eyes of society, and usher in a new wave of creative capitalism (Gates, 2008; Porter & Kramer, 2011). The findings of this study suggest that organizations high in CMD are more likely than those low in CMD to be successful in adopting and executing this

strategy. Future research should, therefore, investigate the relationship between organizational moral development and successful execution of the CSV strategy.

Finally, the findings of this research may be useful in uncovering the reasons for entrepreneurship failure. Entrepreneurship failure has received paramount attention in the entrepreneurship literature, with researchers trying to uncover factors that cause entrepreneurs to fail. For example, Singh (2008) suggests that overconfidence may be a cognitive defect that causes entrepreneurship failure. Although further studies are required in order to make generalizations, the findings of this study may well be a first step in suggesting that low CMD may be a paramount factor in social entrepreneurship failure.

CHAPTER 7: CONCLUDING REMARKS

The current state of the social entrepreneurship literature has been criticized as lacking in empirical rigor, being overly phenomenon-driven, and essentially fragmented (Dacin et al., 2011; Nicolopoulou, 2014; Short et al., 2009; Starnawska, 2016). This study contributes to the social entrepreneurship literature by providing theoretical and empirical backing for factors that contribute to success for social entrepreneurs. The benefits of studying social entrepreneurship through a multi-disciplinary lens has been highlighted (Dacin et al., 2010; Starnawska, 2016). Thus, this study fulfills this goal by incorporating mainstream constructs and theories from ethics, psychology, and traditional entrepreneurship, to the study of social entrepreneurship. CMD is presented to be related to the opportunity recognition process of the social entrepreneur and to social impact and financial performance respectively.

This study breaks new ground and contributes to the literature on opportunity recognition by highlighting CMD as a predictor for pursuing internally-stimulated/externally-stimulated opportunity recognition processes. Prior literature has provided no predictors for these divergent opportunity recognition paths. In this way, this study has added empirical results which focus on Bhavé's (1994) model.

In the present day and following the recent recession wherein businesses continue to struggle to regain legitimacy, uncovering factors that lead to successful social entrepreneurship become important for building successful businesses that give back to society, thereby regaining society's trust.

This study is one of the few studies to employ B Corps as a sample in conducting studies aimed at further knowledge on the phenomenon of social entrepreneurship, thereby contributing to the literature. To the best of my knowledge, this is the first study that incorporates the use of B Corps social impact in an empirical study. More importantly, this study also highlights the impact of founders' motivations of self-interest versus the motivations of helping others on the financial performance that they achieve as well as the social impact that they create.

Overall, this study provides the foundation to begin to move away from definitional debates to unearthing sound theoretical relationships and conducting empirical verifications in social entrepreneurship.

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APPENDIX

9.0 Appendix

Appendix A : Survey Questionnaire

Thank you for agreeing to participate in this brief survey. As explained in my earlier email, my name is Olugbenga Adeyinka, a doctoral student at Morgan State University, Baltimore. I am studying social entrepreneurs for my PhD Dissertation. The aim of this study is to assess how social entrepreneurs' views on social issues influence their process of recognizing the needs in society, and how these affect their successes as social entrepreneurs. Please feel free to provide answers to the questions presented based on your opinion. Keep in mind that there are no right or wrong answers, and all information provided will remain confidential and shall be used for academic purposes only. Please do not complete the survey more than once. The survey should take about 10 minutes to complete.

Your Consent:

Thank you for taking your time to participate in this study. Your responses will be kept confidential and never associated with your name. All precautions have been taken to protect the confidentiality of your responses. Only members of the research team will have access to your responses. Results of the study will be reported as group data only; your responses will not be reported individually. Results of the study may be submitted for future publications. At the end of the study, records with your individual responses will be destroyed. There is no risk or discomfort associated with completing the survey.

Your participation in this study is completely voluntary. You may withdraw at any time without penalty or prejudice.

This study has been reviewed and approved by Morgan's Institutional Review Board (IRB), which ensures that research projects involving human subjects follow federal regulations. If you should have any questions about this research project, please feel free to contact me at (443) 885-3434 or via email at olade38@morgan.edu. For additional information regarding your rights as a research subject, please feel free to contact the Morgan State University IRB Administrator, Dr. Edet Isuk at (443) 885-3447.

By clicking "I Agree" below, you are indicating your consent to participate in this study.

☒ I Agree

1. As a social entrepreneur, which of the following statements best describes how you started off? Please select one:

- ☐ The business idea or opportunity came to mind first, then I decided to start a business around the idea.
- ☒ First, I decided that I wanted to start my own business of some kind, and after that I began searching for the business idea, opportunity, or need to fulfil.

This section is concerned with how you view social issues. Two stories about social issues are presented. For each question, please select the choice that you feel is most appropriate.

Story 1: WORKERS' DILEMMA

Due to some seemingly unfounded dismissals, some factory workers suspect the managers of eavesdropping on their employees through an intercom and using this information against them. The managers officially and emphatically deny this accusation. The union declares that it will only take steps against the company when proof has been found that confirms these suspicions. Two workers then break into the administrative offices and take tape transcripts that prove the allegation of eavesdropping.

2. Would you disagree or agree with the workers' behavior? *Please indicate your level of agreement from 1 (strongly disagree) to 7 (strongly agree)*

Strongly	Disagree	Somewhat	Neither agree	Somewhat	Agree	Strongly
disagree	<input type="radio"/>	disagree	nor disagree	agree	<input type="radio"/>	agree
<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>

How acceptable do you find the following arguments *in favor* of the two workers' behavior? Suppose someone argued they were *right*. . .

3. because they didn't cause much damage to the company.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input checked="" type="radio"/>

4. because due to the company's disregard for the law, the means used by the two workers were permissible to restore law and order.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input checked="" type="radio"/>

5. because most of the workers would approve of their deed and many of them would be happy about it.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

How acceptable do you find the following arguments *against* the two workers' behavior? Suppose someone argued they were *wrong* . . .

9. because we would endanger law and order in society if everyone acted as the two workers did.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

10. because one must not violate such a basic right as the right of property ownership and to take the law into one's own hands, unless some universal moral principle justifies doing so.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

11. because risking dismissal from the company is unwise because of other people.

Completely	Unacceptable	Slightly	Neutral	Slightly	Acceptable	Completely
unacceptable	<input type="radio"/>	unacceptable	<input type="radio"/>	acceptable	<input type="radio"/>	acceptable
<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

IMPORTANT NOTE: *This is not the standard MJT. The standard MJT contains two stories with respondents required to rate six arguments for and six arguments against the course of action described in each story. Thus, items 6-8, and items 12-27 of the survey questionnaire have been deliberately omitted. Please contact Georg Lind: georg.lind@uni-konstanz.de for the standard MJT.*

28. Are you Male or Female?

☐ Male

☐ Female

29. What is your age? _____ (years)

☐ 18 - 24

☐ 25 - 34

☐ 35 - 44

☐ 45 - 54

☐ 55 - 64

☐ 65 - 74

☐ 75 - 84

☐ 85 or older

30. Of the following, which best describes your ethnicity? (Please check one)

White

Native

Black/African

Hispanic

Asian

Indian sub-

Other

☐

American

American

☐

☐

continent

(Please

☐

☐

☐

Specify)

☐

31. What is your highest level of formal education? (Please check one)

Some high	High	Some	Some	Associate	Bachelor's	Some	Graduate
school, but	school	professional	college,	degree	degree	graduate	degree
no	diploma	qualification	but no	<input type="radio"/>	<input type="radio"/>	classes,	<input type="radio"/>
diploma	<input type="radio"/>	<input type="radio"/>	degree			but no	
<input type="radio"/>			<input type="radio"/>			degree	
						<input type="radio"/>	

32. Please indicate your firm's recent revenue

33. When was your firm founded?

34. How many employees are currently in your organization?