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Title

WHAT DRIVES SOCIAL ENTERPRISE ACTIVITIES IN EUROPE ON A REGIONAL LEVEL? A MULTILEVEL ANALYSIS OF SOCIO-ECONOMIC FACTORS INFLUENCING SOCIAL ENTERPRISE GROWTH

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Abbreviations

Adj.: Adjusted

AIC: Akaike's Information Criterion

APS: Adult Population Survey

BIC: Schwarz's Bayesian Criterion

BIS: Business Innovation and Skills

CEO: Chief Executive Officer

CEPES: Confederación Empresarial Española de la Economía Social

CSR: Corporate Social Responsibility

Df: Degrees of freedom

e.g.: Exempli gratia

EMES: Emergence of Social Entrepreneurship in Europe Research Network

et al.: Et alia

EU: European Union

EUR: Euro

Eurostat: European statistics provided by The European Commission

EVPA: European Venture Philanthropy Association

FTE: Full Time Employee

GBP: Great Britain Pound

GDP: Gross Domestic Product

GEM: Global Entrepreneurship Monitor

GIS: Geographic Information System

HDI: Human Development Index

i.e.: Id est

ICC: Intra Class Correlation

LEED: Local Economic and Employment Development

Mdn: Median

Mn: Million

ML: Maximum Likelihood

NACE: 'Nomenclature Generale des Activites Economiques dans I'Union Europeenne' (General Name for Economic Activities in the European Union)

NESST: Nonprofit enterprise and self-sustainability team

NGO: Non-governmental organisation

No.: Number

NPI: Non-Profit Institutions

NPISH: Non-Profit Institutions Serving Households

OECD: Organisation for Economic Co-operation and Development

OLS: Ordinary Least Squares

Opmo: Organisation's operational business models

PPS: Purchasing Power Standards

QUO: The Quality of Government

RDS: Respondent Driven Sampling

SD: Standard Deviation

SE: Social Entrepreneurship

SELUSI: Social Entrepreneurs as Lead Users for Service Innovation

SME: Small and Medium Enterprises

SROI: Social Return On Investment

UCLA: University of California

UK: United Kingdom

UN: Unstructured variance-covariance matrix

US: United States of America

Vif: Variance inflation factor

Abstract

The objective of this study is to explore the socio-economic drivers of social entrepreneurship activities at a regional-level by merging unique social firm-level data with regional-level indicators. In particular, it aims at identifying factors causing regional heterogeneity in terms of social enterprise growth and social impact development in five selected European countries: Hungary, Romania, Spain, Sweden and the UK. This study draws on social enterprise data from the EU-funded 'SELUSI' ('Social Entrepreneurs as Lead Users for Service Innovation') project. This represents a unique dataset on the organisational behaviours of over 540 social ventures from across Europe in the early phase of enterprise maturity. In order to explain the effect of regional level and country level characteristics on social enterprise development, it is necessary to apply an adequate statistical method which allows the impact of both micro- and macro variables to be jointly assessed. Hence, multilevel analysis is applied in order to analyse the determinants of social entrepreneurship growth as this method allows for the apt treatment of hierarchical data structures.

This analysis explores social entrepreneurship development by regarding it as an activity that comes into existence at the intersection of the private sector (market), the public sector (state) and civil society. Trends have caused the traditional roles of the three sectors to blur and their nexus has provided a fertile ground for the growth of social entrepreneurship (Nicholls, 2006). Moreover, when conceptualising the spatial context of social entrepreneurship, the regression results imply that social enterprise development is mainly driven by two sets of processes; namely the relationship between demand (i.e. the need and opportunity for social entrepreneurship activities in a region) and supply (i.e. the capability of social enterprises to grow in a region) (Buckingham et al., 2011). Hence, on the one hand, social entrepreneurship growth depends on a favourable regional opportunity structure. On the other, the results also show that social enterprises evolve in particular in those regions where market and government failure is found. In such regions, social enterprise activities deliver goods and services which the market or public sector is either unwilling or unable to provide. On the supply-side, the capacity to meet these needs is dependent upon the social enterprises' ability to develop business skills and to access financial resources.

The estimates indicate that the availability of informal capital as well as high degrees of social capital (social trust) among the regional society are both strong drivers of social entrepreneurship growth as well as social impact development. Since social entrepreneurial

behaviour is embedded within broader social and spatial spheres, networks and infrastructural support are vital for social enterprise dynamism (Buckingham et al., 2010). Hence, the supply of cooperation and voluntary involvement within a local society determine the ability of social enterprises to function. On the other hand, the estimates show that in those regions, where the state's provision of social services remains limited, there is more demand for self-organisation responding to social needs. Thus, a smaller state sector creates demand for social entrepreneurship. A diminishing provision of social services is associated with waning (economic) means to address adverse societal conditions, such as poverty and social exclusion. This study finds that adverse social conditions implying a high risk of social exclusion are positively associated with social enterprise growth. Hence, those regions characterised by high rates of poverty have an especial need for innovative social solutions provided by social entrepreneurship.

Finally, this study reveals an interesting aspect with respect to the cross-regional variance of social venture development. The random effects in the estimated model imply that the influence of specific supply-side factors on social enterprises' dynamism varies across regions. As the determinants are unequally distributed across regional units, this leads to spatial heterogeneity of social entrepreneurship evolvement within and across European regions.

PART I INTRODUCTION

CHAPTER I: INTRODUCTION

1.1 Motivation and Research Objectives

In recent years, social entrepreneurship has increasingly emerged as a common approach to fulfilling both social and economic needs and is now attracting substantial attention due to its positive impact on local communities and regions. Social enterprises provide innovative solutions to unsolved social problems, such as unemployment, low quality housing, high incidence of crime, deprivation and social exclusion, by simultaneously adopting financially sustainable strategies. Insodoing, the creation of economic value is important as it serves to fulfil social objectives. Social entrepreneurship creates "*blended value*" (Emerson, 2003: 45) that consists of economic, social and environmental value components with the attendant positive local effects.

Organisations that nowadays would be described as social enterprises have been in existence for many years, though under different names, e.g. cooperatives and mutual societies, and with different tendencies (Phillips, 2006). However, until recently research on social enterprises and in particular on their socio-economic contribution has been widely neglected by academia and policy makers. In developed countries, the increasing focus on the concept of social entrepreneurship in the last 15 years has occurred due to major changes in the social welfare systems. Present trends, such as globalisation, international competition and social and demographic change have led to a shift away from the social welfare to a market forces approach as the primary mechanism for the distribution of resources (Leadbeater, 1997). At the same time, traditional organisations in the non-profit sector which depend upon grants and donations from the government experience restricted financial resources (Schöning, 2003). Economic tensions and social challenges are on the rise, yet government funding and philanthropy alone cannot address them. Hence, the demand for social-problem solving is growing while the continuing lack of solutions to socio-economic problems requires new action (Sommerrock, 2010).

Social entrepreneurship has evolved as a response to changes affecting welfare systems and traditional non-profit organisations. Social enterprises' operational basis is driven by pragmatic and innovative business models which seek to reconfigure solutions to societal problems in order to deliver sustainable social value. Some policy makers and academics view social enterprise activities as providing an impetus for economic growth and social

regeneration (Phillips, 2006), for example through community empowerment. Politicians as well as business people (e.g. Jeff Skoll, the founder of eBay), academic institutions (e.g. the Said Business School – University of Oxford), international institutions (e.g. the World Economic Forum) and specific support institutions (e.g. Ashoka – Innovators for the Public, The Schwab Foundation for Social Entrepreneurship) turn to social enterprises for solutions to pressing social challenges (Nicholls, 2006). The UK government, for example, introduced proactive measures to provide targeted support for social enterprises, e.g. by promoting the social investment market and reviewing tax relief, to encourage social enterprise growth – both as a sector and as individual institutions – to help them become more sustainable organisations.

Social enterprises that aim to meet social and economic goals must be sustainable and empowered to reach their full potential and as such should be encouraged to grow. Growth is crucial as it ensures that the enterprise moves out of the gestation period and becomes sustainable (Poutziouris, 2003), while several studies point out that survival increases with firm size (Geroski, 1995). Social enterprises are characterised by their small size (Borzaga & Defourny, 2001). This fact is seen as an internal weakness that prevents social enterprises from responding effectively to wider socio-economic challenges (Phillips, 2006).

Despite the growing interest for social entrepreneurship, there is a lack of understanding about the relationship between the regional context and social enterprise development. Social enterprises are embedded in their specific regional context and they evolve in reaction to their immediate environment. Therefore, the prosperity of regional communities and social enterprises are interconnected: Regional endowments provide opportunity and resources for social enterprises, while social enterprises simultaneously shape the local environment. The regional context influences not just the role of social enterprises, but also their performance and development. In this study, the primary interest lies in analysing the relationship between regional socio-economic factors and social entrepreneurship activity, by focusing on the regional effects causing heterogeneity of social enterprise growth across Europe.

Extant research on commercial entrepreneurship highlights the importance of regional characteristics for entrepreneurial activity (e.g. Bosma & Schutjens, 2011; Brixy et al., 2012; Fritsch & Falck, 2003; Wagner & Sternberg, 2004). Examples include studies investigating the regional variation of new firm formation (e.g. Armington & Acs, 2002; Brixy & Grotz, 2007), regional heterogeneity in entrepreneurial attitudes (e.g. Bosma & Schutjens, 2011),

studies relating national institutions and culture to national rates of firm creation (e.g. Aidis, et al., 2012; Stephan & Uhlaner, 2010) and growth aspirations (e.g. Bowen & DeClercq, 2008; Estrin et al., 2012). Firm growth constitutes one of the central topics of entrepreneurship research (e.g. McKelvie & Wiklund, 2010), particularly in the regional context. Some studies test the influence of regional economic structures on firm growth (Audretsch & Dohse, 2007; Barbosa & Eiriz, 2011), concluding that the geographic location impacts firm performance. However, remarkably little is known about regional determinants of social entrepreneurship activities. In particular, which regional factors may provide a supportive environment for the development of social enterprises (Muñoz, 2010). Existing studies linking regional factors and social enterprise activities suffer from narrowly sampling, as only a limited number of regions or countries are covered (e.g. Borgaza & Defourny, 2001, Kerlin, 2006; Nyssens, 2006). In addition, this literature is largely case-based, which has led to a bias towards the "success" story of social entrepreneurs (Amin et al., 2002). Recent reviews of the social entrepreneurship literature repeatedly point to the lack of comprehensive data on social enterprises that is either quantitative or longitudinal in nature and would allow generalisations to be made beyond singular cases (e.g. Dacin et al., 2010; Short et al., 2009).

These considerations lead to the following research questions to be answered by this present thesis:

Which specific socio-economic factors determine social enterprises' growth at a regional level?

The objective of this study is to explore the socio-economic drivers of social entrepreneurship activities at a regional level by merging unique firm level data with regional level indicators. In particular it aims at identifying factors causing regional heterogeneity in terms of social enterprise growth and social impact development across Europe. In the presence of very limited research on the variation of social entrepreneurial activities across regions and countries, this study will develop new insights on regional level determinants of social enterprises growth integrating arguments from the social and commercial entrepreneurship literature. Based on the eclectic theoretical framework provided, eight different hypotheses, which will be subsequently empirically tested, are postulated with regard to the drivers of social enterprise growth.

The availability of detailed social enterprise data is obviously the linchpin of any quantitative analysis in the field of social entrepreneurship. In general, there is a lack of systematic, rigorous and reliable data of social enterprise activities in Europe. Researchers and policy makers thus emphasise the need for comprehensive studies to establish the degree of social enterprise activity, thus providing a picture of how this varies across countries (Peattie & Morley, 2009). This present thesis greatly benefits from the EU-funded 'SELUSI' (Social Entrepreneurs as Lead Users for Service Innovation) project data which is a unique dataset tracking the organisational behaviours of over 540 social enterprises in the early phase of firm maturity located in five European countries: Hungary, Romania, Spain, Sweden and the UK. As social enterprise activity is conceptualised as being nested within regional and national contexts, multilevel analysis is employed (Raudenbush and Bryk, 2002). This methodology allows the assessment of the joint impact of micro variables, e.g. social enterprise characteristics, and macro variables, e.g. regional and national determinants, on social enterprise growth. Moreover, multilevel analysis enables potential sources of variability in the model to be disentangled by estimating random effects.

Which specific firm-level abilities and strategies are of importance for social enterprises' operational success?

Generally, growth in small firms is influenced by both exogenous factors as well as by factors internal to the business (Poutziouris, 2003). Therefore, when studying the drivers of social enterprise growth, firm-level characteristics have to be equally considered in the multilevel assessment. Operational business strategies, the availability of sufficient business resources and organisational structures determine a social enterprise's performance and sustainability. Moreover, it is also conceivable that the choice as regards the social enterprise's geographical scope of operation has an influence on the scalability of its social impact. Instead of solely serving the local community, social enterprises operating on a national or international level can increase their scale and augment social impact (Lyon &Fernandez, 2012). In addition, the expansion of the territory of a social enterprise's operations can extend the overall market penetration, leading to the growth of the enterprise (Grossman & Rangan, 2001).

As the empirical results show, the implementation and diversification of specific business models as well as social enterprises' proactive development of social networks are important growth predictors: Social enterprises may have to deploy several and different operational business models by applying complex operational strategies (adopting several and different

business models), to achieve greater social and economic business success. Moreover, social networks provide social entrepreneurs with new ideas, information, advice and other resources and can also reduce transaction costs by promoting trust between the network partners. Hence, the proactive development of social enterprises' network capacities represents a crucial organisational strategy that can trigger social enterprise growth at the regional level.

How can social enterprise growth, as the organisational outcome, be measured?

Growth is an organisational outcome resulting from the combination of firm-specific resources, capabilities and routines (Zhou & De Wit, 2009). Moreover, since (social) enterprises' growth is a phenomenon that necessarily happens over time, it should therefore be researched longitudinally, at least in the sense that assessment of the predictors precedes assessment of the outcome, i.e. changes in size or social impact. Entrepreneurship literature suggests measuring growth from a 'change-in-amount' perspective, e.g. by analysing sales, employment, physical output and profit (Parker, 2009). In the case of social enterprises, the assessment of social impact development is a major objective, while organisational growth facilitates the scalability of social impact (Lyon & Fernandez, 2012).

In the framework of this thesis, social enterprises' dynamics will be captured by three different indicators, namely *employment growth*, *revenue growth* and *social impact development*, all of which are based on the SELUSI data set. The inclusion of three different growth indicators allows information to be obtained on social enterprises' various objectives, e.g. the 'blended value components' (Emerson, 2003). Social enterprises aim at tackling social issues to achieve significant positive change – this intended organisational outcome is captured by the social impact development indicator as well as by that of employment growth. At the same time, social enterprises need to achieve commercial sustainability to attain their social objectives. Hence, the development of the enterprise's financial situation reflects its business viability as do any changes to its workforce.

Is it possible to spatially map the distribution of social enterprise activities in Europe, thereby highlighting connections between the socio-economic localities in which social enterprises evolve and the processes underlying their success, failure and impact?

In general, there is a lack of data on social enterprise activities in Europe. Social enterprise

researchers only possess insufficient information regarding the number and exact location of social enterprises currently operating at (sub-) regional level. Hence, researchers and policy makers emphasise the need for comprehensive studies to establish the degree of social enterprise activity, thus providing a picture of how this varies across countries (Peattie & Morley, 2009).

The SELUSI dataset is unique in that it offers the first detailed and population representative overview of social enterprises' locations as well as their geographical scale. In so doing SELUSI provides insights into the regional variation of social entrepreneurial activities, i.e. across European countries and across sub-national regions. When analysing the regional context of social enterprise dynamics, it is important to work on a smaller geographical scope than that of a national level because some countries are particularly characterised by large regional social and economic disparities. To obtain a good overview of the sample's location and to exhibit potential geographical concentrations of social enterprise activities, this study includes a number of maps created with the help of GIS mapping software. For each country surveyed, a map will be provided which spatially displays the sample's location. This allows to gain knowledge on the overall distribution of the social enterprise population.

What is the contribution of this study to the literature as well as to policy making?

The contribution of this study is twofold. Firstly, it provides novel insights into the drivers of social enterprise growth across European countries using cross-national comparable data. Secondly, it points out what makes some countries and regions more social entrepreneurial than others by examining sources of variability regarding social enterprises' growth. This is particularly relevant as policy-makers attach high hopes to the potential of social entrepreneurship to deal with pressing social issues (Buckingham et al., 2012) – especially against the background of strained fiscal budgets due to financial- and sovereign crises. Moreover, the findings may offer important results which prove valuable for policy design. Policy makers are instrumental in the implementation of accurate support for social enterprises. Obviously, for such support to be effective, a sound understanding of the different geographical and traditional contexts in which social enterprises operate is imperative. The acquired knowledge could help governmental support to shape its local policies in terms of creating more stimulating entrepreneurial environments for both established as well as emerging social businesses. The support of social businesses at regional

level can produce real dividends by fostering the creation of new and secure jobs, social inclusion and better public services.

1.2 Course of Investigation

In the course of this present thesis, the formulated research questions are answered in a step-by-step approach. This study has an empirical orientation as reflected in its structure and approach adopted. The theoretical part of this thesis (Part II) postulates a research framework which serves to derive several hypotheses designed to answer the research questions. In the subsequent empirical part (Part III), those hypotheses based on the SELUSI project data are tested.

Following this introduction, the theoretical foundations for the analyses are established by exploring the phenomenon of social entrepreneurship (Chapter II). Introducing social entrepreneurship's context as well as its emergence in the academic, societal and economic spheres, Chapter II discusses the terminological foundation for the analysis and provides a working definition of social entrepreneurship elaborated on the basis of current research. The objective of Chapter III is to provide an eclectic theoretical framework to study the drivers of social enterprise activities at different impact levels. It discusses supply- and demand-side factors of social enterprise development as well as firm-specific abilities and strategies. Following the theoretical discussion, eight different hypotheses are postulated with regard to the drivers of social enterprise growth. Chapter IV introduces the empirical part of the thesis, thereby providing extensive information on the data sample. It describes the Respondent-Driven-Sampling (RDS) method – an approach which serves to collect data on non-registered or so called 'hidden populations'. This approach is applied to identify the sample of the SELUSI project. Further, Chapter IV gives an overview of the sample characteristics. Chapter V provides detailed information on the sample's location. Here, the distribution of social enterprise activities across the five study regions is spatially mapped. Moreover, Chapter V expounds important details on the socio-economic framework conditions in the respective locations. The idea is to identify under- and overrepresented areas in the research sample and to determine possible reasons behind this particular allocation. Chapter VI explains the methodology applied and presents the results of the multilevel analysis. The analysis provides a set of different models to test the elaborated hypotheses quantitatively and

it further applies fixed effects and random effects estimations which give further insights as to the causes of regional heterogeneity of social enterprises' sustainability and growth.

The thesis concludes with Part IV, summing up the results of the analyses and drawing implications for both research and practice for social enterprises and their public and private supporters.

PART II THEORETICAL BACKGROUND

The Social Entrepreneurial Event in Literature. Outlining the Drivers of Social Enterprise Growth at Different Impact Levels.

CHAPTER II: THE CONCEPT OF SOCIAL ENTREPRENEURSHIP

2.1 Introduction

Following the introduction and first insights into the topic of social entrepreneurship in the previous chapter, the aim of this chapter is threefold. First, it will discuss the origin and development of the research field and clarify how social entrepreneurship in society has evolved. Second, it will review the current trends and debates on the meaning of social entrepreneurship in the body of literature. It is important to understand the difference here between social and commercial entrepreneurship (traditional entrepreneurship) as this is one of the major issues when defining the concept. Finally, I shall provide a working definition of social entrepreneurship elaborated on the basis of current research. The idea is to gather the fullest scope of definitions as well as definitional differences of the meaning in order to structure the definitions and finally to filter out key aspects.

2.2 Origin and Development of the Research Field

While social entrepreneurs have existed throughout history (Linklaters 2006), the concept of social entrepreneurship, from a scientific point of view, is still a relatively young field of research. According to Mair, Robinson and Hockerts (2006: 3), the state of research on social entrepreneurship can be characterised as a "*phase of excitement*". This is comparable with the initial period of a scholarly debate, the so called 'first phase of the life-cycle model' by Hirsch and Levin (1999)[1]. On the other hand, whereas two decades ago the approach of social enterprises was rarely discussed, it has made striking breakthroughs in the United States and in various European countries, as well as in Eastern Asia (especially Japan and South Korea) and Latin America (Defourny & Nyssens, 2001). International literature is expanding significantly and there is a growing body of commercial (i.e. appearing in mass media) and academic articles.

In academia, the body of writing on social entrepreneurship to date can be conceptualised as falling at the intersection of the established research fields of non-profit management and

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[1] The authors Hirsch and Levin (1999) describe in their paper how the rise and fall of academic theories and concepts can be traced through four life-cycle stages. Following the first phase of 'emerging excitement', the second phase is determined to serve as a validity check of the theory ('validity challenge'). During the third phase, one or several dominant typologies evolve ('tidying up with typologies') and finally, these typologies have to be either revised or they remain persistent ('construct collapse').

commercial entrepreneurship within a conventional business and economics context (Nicholls, 2006). Literature on social enterprise research, with the underlying interfaces of non-profit management studies, mainly explores how to start and sustain successful charitable ventures by simultaneously applying business expertise and entrepreneurial skills in order to develop innovative approaches to earn income (Lasprogata & Cotton, 2003). The extensive literature from the research field of commercial entrepreneurship which has today established entrepreneurship as a meaningful locus of academic teaching and research (Nicholls, 2006) steadily contributes to the understanding of social entrepreneurship. It complements research by adding a psychological angle to the personal values of social entrepreneurs (Stephan, 2010) and topics relating to the organisation of social enterprise, such as conditions for start-ups (Phillips, 2006), their internal functioning as organisations and potential barriers to business expansion (Bull, 2006). However, this does not suggest that the research field of social entrepreneurship sits as a fixed point between these two more established fields of study. It rather takes inspiration from both to drive its own agenda forward (Nicolls, 2006). Also, other disciplines are contributing to social entrepreneurship research, such as for example marketing (Quelch & Laidler-Kylander, 2006), cultural studies (Holt, 2004), business ethics (Moore, 2004), political economics (Putnam, 2001; 2004) and sociology (DiMaggio & Anheier, 1990; Dart, 2004).

The term "*social entrepreneur*" was first coined by Banks (1972: 53) in the context of an analysis of different approaches to management and values orientation by individuals engaged in addressing social issues in a commercial activity. Banks pointed to the possibility of applying managerial skills to tackle social problems. From this point onwards, research into social entrepreneurship focused on the management of non-profit organisations (Nicholls, 2006). Research by Etzioni (1973) stated that necessary innovations and reforms of society could neither be provided by the state alone nor the market. According to Etzioni, there should be a "*third alternative*" – the "*Third Sector*" – that could combine business elements with a welfare orientation of the state (Etzioni, 1973: 315).

The following academic research on social entrepreneurship has mainly focused on defining its essence and how it differs from the concept of commercial entrepreneurship (Nicholls, 2006). According to Johnson (2000: 5), "*defining what social entrepreneurship is, and what its conceptual boundaries are, is not an easy task, in part because the concept is inherently complex, and in part because the literature in the area is so new that little consensus has emerged on the topic*".

2.3 Formation Context of Social Entrepreneurship and Its Global Spread

Not only academia discovered social entrepreneurship as a rich field of interdisciplinary research. The concept is also gaining popularity as societies around the world are confronted by a growing array of social and environmental problems that cannot be solved by the existing social systems. It can be observed that, whilst developed countries have been able to provide solutions for certain social problems, the demand for social problem-solving is still growing (Sommerrock, 2010). Since the existing social structures are not capable of delivering suitable solutions, new action is called for and society has to come up with alternative concepts. In this context, social entrepreneurs are gaining popularity as they manage to deliver new approaches to tackle social issues. Historic examples show that social entrepreneurs appeared during times when the state proved incapable of solving social problems – for example, the period of industrialisation (Bornstein, 2005). Industrialisation, which took place in Europe during the nineteenth century, uprooted the existing social structures. The effects of the socio-economic conversion changed working and living conditions and the exploitation of women and children as cheap labour generated a strong need for social action which the state was unable to meet immediately. Hence, emerging social problems were addressed by other institutions, such as social enterprises, the Church or citizens themselves, in order to fill the gaps (Amin et al., 2002).

Between the wars in the twentieth century, these civic activities were largely cut back until the end of the Second World War, when social structures were reintroduced in order to address the social problems of the time. The period between the mid 1950s to the late 1970s was characterised by the economic and social system of Fordism – the model of capitalist accumulation and regulation. In North America and parts of Europe, during its golden age, the economic structures provided full employment and consumer and welfare security. Its economic logic lay in the employment of large workforces to mass-produce goods for a mass consumer market sustained by growing wages, state demand management policies and extended public welfare provision. By the mid 1970s, Fordism became increasingly vulnerable as a societal model under the pressure of systematic challenges, such as falling demand for mass-produced goods, strains on the national regulatory state due to bureaucratic inefficiency and escalating welfare expenditure (Amin et al., 2002). The crisis of Fordism renewed interest in the potential of the Third Sector as a source of work and welfare. As Rifkin (2000: 245) notes: "*The steady disagreement of government and commerce from*

communities around the world is leaving an ever widening institutional vacuum. That vacuum is being filled by a rejuvenated third sector [...]"[2].

Today, welfare systems in developed countries are challenged by a growing number of modern social and environmental problems and these systems seem to have reached their limits. According to Leadbeater (1997: 12), the welfare state was designed for "*a world [...] that no longer exists*". It was based on the prevailing social and economic assumptions of the post-war era, such as "*full employment, stable families and low female employment*" (Leadbeater, 1997: 1). Nowadays, social systems are exposed to social challenges resulting from ageing populations due to demographic shifts, women's reintegration into the labour market, single parent households, high unemployment and the integration of immigrants from a variety of different countries and religious backgrounds. As the underlying social and economic assumptions have fallen apart, these systems cannot cope with the social challenges they currently face. Furthermore, the costs of social welfare are rising and its productivity continues to lag behind that of the private sector. As a consequence, welfare systems attempt to reduce entitlements and cut costs in order to lower the burden on national economies (Sommerrock, 2010). At the same time, traditional organisations in the non-profit sector are experiencing some fundamental changes. Due to economic recession in some countries, traditional sources of funds, such as grants and donations from the government and private individuals, are declining and becoming increasingly scarce, leading to increased efficiency requirements. Therefore, these organisations have to find new approaches on how to mobilise resources in order to become more financially self-sustainable (Schöning, 2003)[3]. Furthermore, cuts in public grants are causing rivalry among non-profit organisations, which at the same time are facing a greater demand of their services (Ferri & Urbano, 2010).

Social entrepreneurship has evolved as a response to changes in welfare systems as well as traditional non-profit organisations. As stated by Robinson (2006: 96), "*in less-developed, developing and emerging economies, SE [social entrepreneurship] arises out of distrust of the NGO [non-governmental organisations], apathy within the private sector, and the impotence of the government to provide services to the people*". Social entrepreneurs are driven by pragmatic and innovative ideas to reconfigure solutions to societal problems and they deliver sustainable social value.

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[2] See also Amin et al. (2002).
[3] According to Schöning (2003), the different strategies to mobilise financial resources include franchise models, setting up a system of decentralized and independent nodes and working with a large number of volunteers.

2.3.1. The Global Spread of the Social Economy and Social Enterprise Activities

The growing lack for solutions to social and ecological problems fosters the worldwide development of innovative approaches by social entrepreneurs (Nicholls & Young, 2006). While empirical evidence shows that social entrepreneurship is growing, it is difficult to measure – comparable with measuring the social economy, the third sector and the non-profit sector (OECD, 2010a). Firstly, this is due to the variety of entities operating in this field. Secondly, the entities belonging to this field vary according to the geographical context and the fact that countries view and understand social entrepreneurship differently (OECD, 2010a). In 2010, The Global Entrepreneurship Monitor (GEM) project for the first time collected data on the prevalence of social entrepreneurship across 49 countries[4]. In these countries, approximately 1.8% of the adult population was involved in early stage social entrepreneurial activity (Bosma & Levie, 2010). The results range from as low as 0.1-0.2% in Guatemala, Malaysia and Saudi Arabia to over 4% in Argentina and the United Arab Emirates. The rates in Europe were higher: 2.1% in the United Kingdom, 1.7% in Belgium, 0.9% in the Netherlands, 0.7% in Germany, 0.5% in Spain and in the post-communist countries such as Hungary (2.7%), Slovenia (2.0%) and Latvia (1.9%)[5].

The social economy represents a fast growing sector in Europe and this context offers good prospects for the development of social enterprises locally. The concept and term 'social economy' is broad (Arpinte et al., 2010), but in the EU it is generally understood as "*The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote. The social economy also includes private, formally-organised organisations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any,*

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[4] The GEM 2010 Adult Population Survey examined the prevalence and nature of entrepreneurship with a social purpose. 49 national teams collected data on a series of questions that were designed to explore social entrepreneurial activity. The question respondents answered was "Are you, alone or with others, currently trying to start or owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective? This might include providing services or training to socially deprived or disabled persons, using profits for socially oriented purposes, organizing self-help groups for community action, etc.?".

[5] According to the GEM report by Bosma and Levie (2010), across all countries, men are more likely than women to start a social venture, although the gender gap is smaller than compared with entrepreneurial activity in general. Also, better educated individuals are positively associated with starting a social venture.

cannot be appropriated by the economic agents that create, control or finance them" (Chavez & Monzón, 2007: 20). According to data published by the European Commission, social economy enterprises[6] represent 2 million entities (i.e. 10% of all European businesses). Moreover, these enterprises comprise over 11 million paid employees, equivalent to 6% of the working population of the EU[7]. Out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutuals[8]. Social economy enterprises operate in various sectors of the economy, such as banking, insurance, agriculture, various commercial services as well as health and social services[9].

In the UK, the most recent government data released by the Department for Business Innovation and Skills (BIS) in February 2010 counts an average of 61,800 social enterprises in the UK between 2005 and 2008 (IFF Research Ltd., 2010). In terms of economic value, the social enterprise sector generated a turnover of GBP 27 billion and contributed GBP 8.4 billion to the UK GDP in 2005. In 2007/2008, 540,000 people were employed by this sector as a whole in the UK (Cabinet Office, 2009) – social enterprises account for 5% of all businesses with employees (BIS, 2010; Irwin, 2010). According to the recent official report on the state of the social economy in Spain, the social enterprise sector in 2010 comprised 45,000 entities providing a total of 2.4 million jobs (CEPES, 2011). Between the first quarter of 2008 and the first quarter of 2012, about 110,000 new jobs were created in the social economy, whereas the Spanish economy as a whole lost 3 million in the same period (CEPES, 2012). Spain also has one of Europe's largest social enterprises, the "Mondragon Corporación Cooperativa", a worker cooperative, which employs over 83,000 people and has

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[6] The common characteristics of social economy enterprises are: 1.They contribute to a more efficient market competition and encourage solidarity and cohesion; 2. Their primary purpose is not to obtain a return on capital. They are, by nature, part of a stakeholder economy, whose enterprises are created by and for those with common needs, and accountable to those they are meant to serve; 3. They are run generally in accordance with the principle of solidarity and mutuality and managed by the members on the basis of the rule of "one man, one vote" and 4. They are flexible and innovative (they meet changing social and economic circumstances). They are based on active membership and commitment and very frequently on voluntary participation. See: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/ [Accessed: 21 January 2013].
[7] See: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/ [Accessed: 21 January 2013].
[8] According to Borzaga et al. (2008), mutual societies were launched in the early 19th century to handle the problems of work disability, sickness and old age, on the basis of solidarity principles, by organising the members of a profession, branch or locality in a group. For more information on mutual societies in Europe, see: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/mutuals/index_en.htm [Accessed: 03 February 2013].
[9]See: http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/ [Accessed: 21 January 2013].

a turnover of more than EUR 4.53 billion[10]. Not only in the UK and in Spain, but also in all EU27 countries, paid employment in the social economy made up 6.53% of total employment during 2009 and 2010 (Chavez & Monzón, 2012). It can be firmly concluded that the development and growth of social entrepreneurship in Europe has become paramount in both human and economic terms due to its social and economic contribution and impact.

Nevertheless, care should be taken when analysing putatively official statistics regarding the size of the social enterprise sector. Data on the number of social enterprises per country or region can vary considerably when comparing data sources. This is due to the fact that the collected numbers are based on different working definitions and all those social enterprises that do not meet the criteria are excluded from the data set. For example, some data sources exclude social enterprises that pay more than 50% of profits to owners/shareholders, others exclude enterprises that generate less than 75% of income from traded goods/services (or receive less than 20% of income from grants and donations) and other data sources include self-employed sole traders[11]. Some data sources even include those enterprises that think they are a very good fit with the government definition of a social enterprise or that self-identify their organisation as social enterprise (albeit within certain criteria), thereby leaving the definition of social and environmental objectives to the discretion of the respondent. It is therefore difficult to disaggregate changes in the population of social enterprise from changes in the popularity and usage of the term itself (Buckingham et al., 2010).

In current research, the question about the geographical scale of social entrepreneurial activities has been frequently raised (Mair & Ganly, 2010; OECD, 2010a; Santos, 2009). Is social entrepreneurship a local phenomenon or a global one? The answer may vary because it is actually both. Many social entrepreneurs usually target problems of a local expression which at the same time have global relevance. According to Zahra, Rawhouser, Bhawe, Neubaum and Hayton (2008), the innovative solutions that social entrepreneurs provide in their local context often get replicated in other geographies. One example is the growth of the

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[10] Mondragon Corporación Cooperativa is a worker cooperative that was established in 1956 in the Spanish province of Gipuzkoa. Its business philosophy is contained in its Corporate Values: Cooperation, participation, social responsibility and innovation. The Corporation's mission combines the core goals of a business organisation with the use of democratic methods in its business organisation, the creation of jobs, the human and professional development of its workers and a pledge to development with its social environment.
In terms of organisation, it is divided into four areas: Finance, Industry, Distribution and Knowledge. See: http://www.mondragon-corporation.com/language/en-US/ENG/Economic-Data/Most-relevant-data.aspx [Accessed: 21 January 2013].
[11] See: http://www.socialenterpriselive.com/section/news/policy/20090728/complex-calculations-reveal-62000-uk-social-enterprises [Accessed: 21 January 2013].

microfinance industry throughout the world: Following its inception in the Indian subcontinent, microfinance can now be found in almost all third world economies. Furthermore, while many initiatives take place at local level, the repercussions that flow from that impact cannot be isolated, as there are ultimately global links. The clearest example for this is the increasing supply of venture philanthropy[12] in Europe, North America and Japan to support local entrepreneurs at local level (OECD, 2010a). Social entrepreneurship is thus having important knock on effects on the economic system by challenging existing business models and allocating resources to neglected problems in society.

2.4 Sources of Social Entrepreneurship in the Society

Societies and economies around the world can be classified into three sectors: the public sector, the private sector and the non-profit, voluntary or civil society sector (Salamon & Anheier, 1997)[13]. Much of the difficulty in defining social entrepreneurship stems from the fact that social entrepreneurship activities emerge from different points across the junctions of the three sectors (Borgaza et al., 2008). As examples will show in the course of this chapter, social entrepreneurial activities can take the form of not-for-profits, for-profits or governmental programmes. However, unlike any traditional organisation in the public, private or non-profit sector, social entrepreneurial initiatives exhibit characteristics of each of the sectors (Hoogendoorn & Hartog, 2011).

2.4.1 The Private Sector

The private sector is defined as all corporations, small businesses and entrepreneurs utilising markets in order to exchange goods and services to maximise profit, whilst driving increased innovation and productivity in the economy. The private sector contributes to the societal well-being by developing and distributing products and services in order to meet consumers'

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[12] According to John (2006), venture philanthropy is an active approach to philanthropy, which involves giving skills as well as money to high-potential charities and social enterprises. The impetus model of venture philanthropy uses the principles of venture capital, with the investee organisation receiving management support, specialist expertise and financial backing.
[13] For a discussion on different terms for the Third Sector, see Salamon & Anheier (1997). Among others, the organisation Ashoka argues for a positive labelling of the voluntary sector, naming it the citizen sector rather than the non-profit or non-governmental sector: See: http://www.ashoka.org/citizensector [Accessed: 21 January 2013].

needs, by creating jobs and increasing innovation and by building wealth for the nation (Sampson, 2011). However, this sector is ill-suited to address social problems and therefore societal challenges have been left to the government and the civil society.

2.4.2 The Public Sector

The public sector represents that part of the economy which is concerned with providing basic government services. The composition of the public sector varies by country, but in most countries the public sector is responsible for two major tasks: 1. the provision of public goods, e.g. public education, national defence, policing and healthcare for the poor, and 2. addressing inequalities produced by markets through redistribution, e.g. in the form of employment benefits or benefits to families living in poverty and giving disaster assistance (Besley & Coate, 1991). It is possible to discuss these roles by thinking of it in terms of market failure, i.e. that which occurs when the private sector is unable to meet societal needs – for instance in the case of the provision of public goods. While private goods can be offered in markets, the provision of public goods suffers from market failure. This phenomenon is caused by the different incentive effects of private and public goods (Homann & Blome-Drees, 1992). The characteristic of non-excludability of public goods leads to free riding behaviour in society. As every person has an identical benefit from the public good once it has been provided, there is an incentive to contribute as little as possible. It is virtually impossible to exclude free riders from using the good and therefore no one is willing to pay for it (Sommerrock, 2010). By providing public goods or by addressing other inequalities in markets, government complements the private sector by filling the gaps left by market failures. Nevertheless, governments face tough choices in resource-allocation to meet ever-evolving social needs. As it is often ill-suited to meet all those needs, the public sector often seeks the support of citizens, who tend to organise their initiatives within the citizen sector.

2.4.3 The Citizen Sector (Third Sector)

The civil society sector, or the 'Third Sector', occupies a distinctive space outside of both the market and the state (Salamon & Anheier, 1997). In most developed countries, the civil society sector is characterised by large non-profit institutions with strong economic and

employment relevance and by smaller, more local initiatives and projects. Typical examples of the local initiatives include neighbourhood associations, religious organisations and social service providers (Evers & Schulze-Böning, 2001). Organisations located in the Third Sector generally differ from the public and the private sector in terms of the functions that are carried out. Firstly, the citizen sector undertakes those tasks which neither the market nor the state have been able to initiate in order to meet a particular social need in society (Amin et al., 2002). Secondly, as non-profit organisations are subject to the "*non-distribution constraint*" (Lasprogata & Cotton, 2003: 74), they must use their profits to sustain and grow their organisations.

Despite a decline in traditional sources of finance, such as grants and donations from the government, the number of non-profit organisations has grown significantly (Schöning, 2003). In economic terms, the importance of the civil society sector has increased, as it offers a significant contribution to national GDP (Salamon & Anheier, 1997). According to the John Hopkins University Report, 'Measuring Civil Society and Volunteering', the non-profit sector in 2007 accounted for 5-7% of the GDP in the surveyed countries (Australia, Belgium, Canada, the Czech Republic, France, Japan, New Zealand and the United States)[14]. Nevertheless, the increase of the number of non-profits leads to a larger number of organisations competing for fewer available funds. On the positive side, scarce resources have unleashed creativity to mobilise financial resources among those organisations committed to have a positive social impact (Schöning, 2003). Overall, the citizen sector is becoming a market economy for social ideas, characterised by a large institutional variety and dynamic entrepreneurial personalities. As stated by Drayton (2006: 46), "*[…] the citizen sector became structurally entrepreneurial and competitive across the continents with a speed and energy that is probably historically unparalleled*". The growth of the civil society sector attracted an equally fast-growing share of resources in society (Drayton, 2006).

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[14] According to the John Hopkins University Report, the non-profit sector contributed about as much to gross domestic product in a wide range of countries as the construction industry and finance sector and twice as much as the utilities industry. This means that it accounted for 5-7% of the GDP in the countries surveyed. See: European Parliament, 2008: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A6-2008-0070+0+DOC+XML+V0//EN [Accessed: 21 January 2013].

2.4.4 Positioning of Social Entrepreneurship

The civil society sector has evolved in response to pressing social problems which could not be solved by the states and it has particularly benefited from the emergence of the social entrepreneurship phenomenon (Sommerrock, 2010). Social entrepreneurship is located mainly, but not exclusively, in the civil society sector and it exhibits characteristics from all three sectors (Grenier, 2002). Economic and historic trends have blurred the traditional roles of the three sectors and their intersection has provided a "*fertile ground*" for the growth of social entrepreneurship (Sampson, 2011: 37). By blending some of the social and economic responsibilities traditionally associated with each of the three sectors, social entrepreneurship may take the form of a not-for-profit, business or government initiative. Furthermore, regardless of the organisational form social entrepreneurship takes, is also tends to exhibit all three (Figure 1).

Social enterprises share with private sector organisations the application of business techniques and the market mechanisms to achieve their objectives. They adopt professional management, performance measurement and efficiency focus from the business sector to increase their efficiency. With institutions in the public sector, social enterprises share some areas they engage in, such as unemployment, education, care for the elderly or people who have a high risk of being socially excluded. Like public institutions, social entrepreneurship responds to market failures by providing public goods and services. Social enterprises often share their mission for social value creation with institutions in the citizen sector. Social enterprises' engagement in the (local) civil society sector is facilitated by the fact that they are deeply embedded in the communities in which they operate (Amin et al., 2002). Social entrepreneurs often mobilise support needed to address social issues, thereby stimulating government involvement (Young, 2000). Clearly, the boundaries of social entrepreneurship, with its related fields are ambiguous (Figure 1). The concept of social entrepreneurship comprises a mixture of formal and informal (Becker, 2004)[15], public and private, and non-profit and profit activities. Consequently, a range of closely related concepts make the definition of social entrepreneurship difficult (Hoogendoorn & Hartog, 2011).

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[15] According to the Becker (2004), the informal sector or informal economy is a broad term that refers to that part of an economy that is not taxed, monitored by any form of government, or included in any gross national product.

Figure 1 Social entrepreneurship at the intersection of the market, state and civil society. Source: Adapted from Borzaga, Galera and Nogales, 2008.
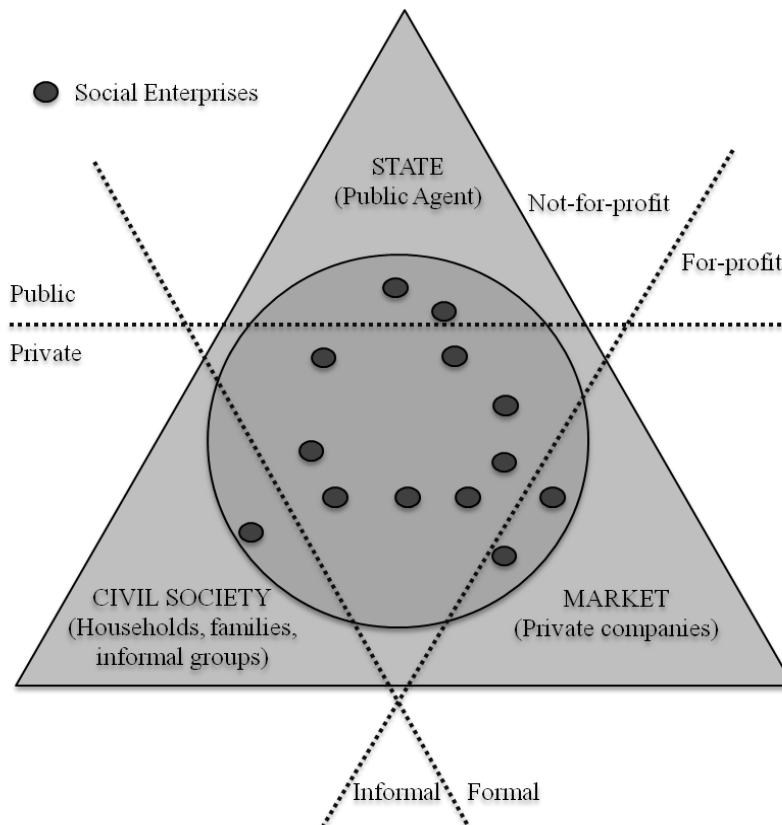
2.5. Terminological Clarification: The Challenge of Defining Social Entrepreneurship

Despite the growing scholarly interest in socially entrepreneurial organisations, there is no clear definition of its domain and so far the definition remains quite fuzzy (Scarlatta, 2010). The literature is fragmented and lacks a unified definition (Short et al., 2009). "*This task has been complicated by social entrepreneurship's numerous manifestations across the three sectors of society as well as the breadth of academic disciplines studying the subject*" (Zahra et al., 2009: 520). Table 1 provides an overview of the definitions of (i) social entrepreneurship, (ii) the individual, the social entrepreneur and (iii) the organisational unit, the social enterprise in the pertinent literature. Most definitions are kept very general, focussing on defining the boundaries of the concept. While some of them differ partially, alternative definitions, on the other hand, have common features such that definitional categories of social entrepreneurship may be deduced. The definitions which are gathered from different scholars and entrepreneurship centres at some leading business schools have

the "*double bottom line*" in common, i.e. social and economic impact targets are pursued equally (Emerson & Twersky, 1996: 3). Current research typically considers social entrepreneurship as entrepreneurial activity with an embedded social purpose (Austin et al., 2006). In general, definitions are derived from the integration of these two concepts – entrepreneurship and social (Mair & Marti, 2006; Martin & Osberg, 2007). The inflationary increase in the number of definitions over time is striking and can be interpreted as a reflection of the cumulative importance and increasing recognition of the research field (Weber et al. 2011): In 2004, Seelos and Mair identified 14 definitions, Weerawardena and Mort followed with 6 additional definitions in 2006. Similarly, Zahra, Gedajlovic, Neubaum and Shulman (2009), presented 20 definitions in 2009. Dacin, Dacin and Matear (2010) even list 37 definitions for social entrepreneurship / social entrepreneur.

Table 1 Definitions and descriptions of social entrepreneurship, social entrepreneurs and social enterprise.

Source	Definition
Social Entrepreneurship	
Leadbeater (1997)	The use of entrepreneurial behaviour for social ends rather than for profit objectives, or alternatively, that the profits generated from market activities are used for the benefit of a specific disadvantaged group.
Fuqua School of Business (1998) / Dees (1998a)	The art of simultaneously pursuing both a financial and a social return on investment ('double bottom line').
Fowler (2000)	Social Entrepreneurship is the creation of viable socio-economic structures, relations, institutions, organizations and practices that yield and sustain social benefits.
Mort et al. (2002)	A multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission...the ability to recognise social value creating opportunities and key decision-making characteristics of innovation, pro-activeness and risk-taking.
MacMillan (2003) (Wharton Center)	Process through which the creation of new business enterprises leads to social wealth enhancement so that both society and the entrepreneur benefit.
Alvord et al. (2004)	Creates innovative solutions to immediate social problems and mobilises the ideas, capacities, resources and social arrangements required for social transformations.
Shaw (2004)	The work of community, voluntary and public organisations as well as private firms working for social rather than only profit objectives.
Tan et al. (2005)	Making profits by innovation in the face of risk with the involvement of a segment of society and where all or part of the benefits accrue to that same segment of society.

Austin et al. (2006)	Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth [...], and that the activity is characterised by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices.
Mair & Marti (2006)	…a process of creating value by combining resources in new ways […] intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs.
Nicholls (2006)	Innovative and effective activities that focus strategically on resolving social market failures and creating new opportunities to add social value systematically by using a range of resources and organisational formats to maximise social impacts and bring about changes.
Peredo & McLean (2006)	Social entrepreneurship is exercised where some person or group […] aim(s) at creating social value […] shows a capacity to recognize and take advantage of opportunities […] employ innovation…accept an above average degree of risk […] and are unusually resourceful […] in pursuing their social venture.
Martin & Osberg (2007)	Social entrepreneurship is the: 1) identification of a stable yet unjust equilibrium which excludes, marginalises or causes suffering to a group which lacks the means to transform the equilibrium; 2) identification of an opportunity and developing a new social value proposition to challenge the equilibrium, and 3) forging a new, stable equilibrium to alleviate the suffering of the targeted group through imitation and creation of a stable ecosystem around the new equilibrium to ensure a better future for the group and society.
Said Business School (2009)	A professional, innovative and sustainable approach to systematic change that resolves social market failures and grasps opportunities.
Schwab Foundation (2013)	Applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalised and poor.
Social Entrepreneur	
Thake & Zadek (1997)	Social entrepreneurs are driven by a desire for social justice. They seek a direct link between their actions and an improvement in the quality of life for the people with whom they work and those that they seek to serve. They aim to produce solutions which are sustainable financially, organisationally, socially and environmentally.
Dees (1998a)	Social entrepreneurs play the role of change agents in the social sector, by: 1) Adopting a mission to create and sustain social value (not just private value), 2) Recognising and relentlessly pursuing new opportunities to serve that mission, 3) Engaging in a process of continuous innovation, adaptation, and learning, 4) Acting boldly without being limited by resources currently in hand, and 5) Exhibiting heightened accountability to the constituencies served and for the outcomes created.
Reis (1999) (Kellog Foundation)	Social entrepreneurs create social value through innovation and leveraging financial resources for social, economic and community development.

Brinckerhoff (2001)	Individuals constantly looking for new ways to serve their constituencies and add value to existing services.
Drayton (2002)	A major change agent, one whose core values centre on identifying, addressing and solving societal problems.
Harding (2004)	Entrepreneurs motivated by social objectives to instigate some form of new activity or venture.
Santos (2009)	Social entrepreneurs are in pursuit of sustainable solutions to problems of neglected positive externalities.
Social Enterprise	
Campbell (1997)	Social purpose ventures provide communities with needed products or services and generate profit to support activities that cannot generate revenue.
Prabhu (1999)	Entrepreneurial organisations whose primary mission is social change and the development of their client group.
Hibbert et al. (2001)	The use of entrepreneurial behaviour for social ends rather than for profit objectives; or an enterprise that generates profits that benefit a specific disadvantaged group.
Smallbone et al. (2001)	Social enterprises defined as competitive firms that are owned and trade for a social purpose (includes not-for-profits, worker-owned collectives, credit unions, etc.).
Dart (2004)	Social enterprise differs from the traditional understanding of the nonprofit organisation in terms of strategy, structure, norms, and values and represents a radical innovation in the nonprofit sector.
Haugh (2006)	Social enterprise is a collective term for a range of organisations that trade for a social purpose. They adopt one of a variety of different legal formats but have in common the principles of pursuing business-led solutions to achieve social aims, and the reinvestment of surplus for community benefit. Their objectives focus on socially desired, nonfinancial goals and their outcomes are the nonfinancial measures of the implied demand for and supply of services.
Stephan (2010)	A defining feature of social businesses is that they are cause- or mission-driven. The cause or mission they pursue is to create social value. Their second defining feature is that they are businesses or enterprises, i.e. they engage in revenue generating activities through which they earn at least part of their income, and they act 'entrepreneurially' as businesses, i.e. adopt innovative business models, products, services or processes.

Deviations in the definitions on social entrepreneurship are primarily due to differences of the approaches on how to typologise and structure multiple dimensions within the complex field of social entrepreneurship research. It is noteworthy that a large part of the definitions refer to the aspect of 'innovativeness' (e.g. Dees, 1998a; Reis, 1999; Mort et al., 2002; Austin et al., 2006; Tan et al., 2006; Peredo and McLean, 2006; Alter, 2007). As social entrepreneurs seek to provide solutions to unsolved social problems, it goes hand in hand with social innovation processes, aimed at promoting social changes (OECD, 2010a). In addition, a major issue

when defining the concept of social entrepreneurship lies in understanding the boundaries between social entrepreneurs and commercial ones. Social entrepreneurship has its core foundation in the field of entrepreneurship and it unites the traditional attitude towards opportunity exploitation with social objectives (Scarlatta, 2010). The shared term entrepreneurship implies common aspects, including an innovative, risk-taking approach to a challenge, the ability to seize opportunities and to mobilise scarce resources toward that objective (Linklaters, 2006). The economist Schumpeter referred to entrepreneurs as the *"change agents in the economy"* who develop in a creative drive *"new combinations"* of goods, services and organisational forms (Schumpeter, 1947: 150). Despite many commonalities, a social entrepreneur differs from a commercial entrepreneur in two important ways: Firstly, even though traditional entrepreneurs generally tend to act in a socially responsible manner, their efforts are only indirectly dealing with social problems (Boschee, 2006). Social entrepreneurs are different because their income strategies are tied to their mission. The function of social enterprises is to serve social needs and to create positive social change. Insodoing, they are managed as traditional businesses to generate profits in order to cover their own costs. They can take action as "*affirmative businesses*" (Boschee, 2006: 361) (known as 'social firms' in the UK) which employ people with mental or physical disabilities or people who are otherwise disadvantaged. Also, they may do business by selling products and services with a direct impact on a specific social problem (e.g. delivering hospice care, manufacturing assistive devices for people who are physically challenged, etc.) (Boschee, 2006). Secondly, commercial entrepreneurs aim at creating economic value, as they are ultimately measured by financial results. Hence, the creation of economic value is seen as a synonym for social value as the exploitation of business opportunities leading to higher profits is considered a source of social change per se (Scarlatta, 2010). Consequently, social entrepreneurs understand profitability as a goal but not the only goal and profits, rather than being distributed to shareholders, are re-invested in the organisation, which is in keeping with the social mission (Stephan, 2010).

According to Borzaga, Galera and Nogales (2008), the concepts of 'social entrepreneurship', 'social entrepreneur', and 'social enterprise' used to be understood as a continuum, in which social entrepreneurship represents the process through which social entrepreneurs create social enterprises. However, it is striking that the literature in the US and in Europe has produced distinct approaches to these concepts. American foundations and organisations such as Ashoka have emphasised the term 'social entrepreneur' since the mid 1990s. They strongly

support individuals who pursue a specific social mission while acting as entrepreneurs whose behaviour is marked by dynamism (Borzaga et al., 2008). In the European literature on social entrepreneurship, on the other hand, the unit of observation is the enterprise. This view is influenced by the Emergence of Social Entrepreneurship in Europe Research Network (EMES), which underlines the institutional character of social enterprises (Thurik et al., 2011)[16]. Social enterprises are viewed as "*long-standing legal entities which provide goods and services with a public orientation and which succeed in combining the pursuit of a social aim and the adoption of entrepreneurial behaviours. They rely on a mix of resources, including public subsidies [...], commercial income, private donations and / or volunteering.*" (Borzaga et al., 2008: 19). Consequently, the positioning of European social enterprises is described as being at the crossroads of market, public policies and civil society (Nyssens, 2006)[17].

Careful analysis of current literature reveals the risk that the term social entrepreneurship has become a large tent into which all kinds of socially beneficial activities fit (Martin & Osberg, 2007). Hence, many authors have attempted to refine their definitions (e.g. Light, 2008), while others have instead focused on the organisational landscape of social entrepreneurship to categorise entrepreneurial ventures in order to identify those that could be included in the field of social enterprises (e.g. Neck et al., 2009). Others have identified sets of primary and secondary characteristics of social entrepreneurship (Brouard & Larivet, 2009).

2.6. The Social Enterprise Spectrum and Categories of Social Enterprises

A first description of the concept of social entrepreneurship, albeit in very broad terms, can be found in an article by Dees (1998b) in the Harvard Business Review. When exploring the meaning of social entrepreneurship, it is crucial to understand the full range of available options. A social enterprise is commercial to the extent of how pronounced the for-profit mentality is when acquiring resources and distributing goods and services (Dees, 1998b). Consequently, the more commercial it is, the less it depends on philanthropy. According to Dees (1998b: 60) "*few social enterprises can or should be purely philanthropic or purely*

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[16] The EMES Network began in 1996 and consists of scholars who cooperate in order to investigate the social enterprise phenomenon and establish a broad definition that allows for the national differences within the European Union. The main objective of the research of the EMES network is the emergence and growth of social enterprises within the European Union. See: http://www.emes.net/index.php?id=2 [Accessed: 21 January 2013].

[17] See Figure 1 of this present chapter.

commercial; most combine commercial and philanthropic elements in a productive balance".

Figure 2 shows the range of commercialisation in terms of an organisation's relationship with its key stakeholders (beneficiaries, capital, workforce, suppliers). While the simplicity of a continuum approach is advantageous when comparing traditional organisational forms belonging to a particular sector, it turns into a weakness when trying to contextualise newly emerging organisational forms, such as social entrepreneurship. Consequently, a continuum approach does not sufficiently differentiate between traditional and newly emerging types of enterprises (Mair & Noboa, 2003). Moreover, a typification of social enterprises still needs to be carried out. The continuum approach demonstrates that social entrepreneurship exploits traditional organisational forms - often unique hybrids – from not-for profit to commercial ventures in order to maximise social value creation. The literature on social entrepreneurship reveals that the term can have different meanings to different authors (Weerawardena & Mort, 2006). The spectrum of social entrepreneurial organisations can be roughly characterised in three different categories: 1. Socially committed business, 2. Not-for-profit social enterprise and 3. For-profit social enterprise (Mair & Noboa, 2003).

Table 2 The social enterprise spectrum. Source: Adapted from Dees, 1998b.

	Purely Philanthropic ←——————→ Purely Commercial Social Enterprise Spectrum		
Motives, Methods and Goals	Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Beneficiaries	Pay nothing	Subsidised rates, or mix of full payers and those who pay nothing	Market-rate prices
Capital	Donations and grants	Below-market capital rate, or mix of donations and market-rate capital	Market-rate capital
Workforce	Unpaid volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
Suppliers	Make in-kind donations	Special discounts or mix of in-kind and full-price donations	Market-rate prices

2.6.1. Socially Committed Business

A socially committed business achieves economic success in ways that respect ethical values, people, communities and its environment (White, 2006). These businesses may provide resources to and even actively engage with public and non-profit organisations in order to support a specific social mission. This category also included the frequently quoted concept of "*Corporate Social Responsibility (CSR)*"[18]. However, unlike social enterprises, the final objective of socially committed businesses is the creation of economic value. In socially committed businesses, social entrepreneurship constitutes or is part of the social engagement that serves their for-profit value addition (Hackl, 2009). The label 'social entrepreneurship' has been applied (often reflexively) to a startling range of organisations and activities from grass-roots campaigns to the social actions of multi-national corporations (Nicholls, 2006).

> **Practical Example: Ben&Jerry's**
>
> Ben&Jerry's Homemade Inc., a manufacturer of ice cream, frozen yoghurt and sorbet, was founded in 1978 in Vermont, USA and was acquired by Unilever in 2000. The company distinguishes itself through its social and environmental responsible goals when doing business. The ingredients are sourced from producers and suppliers that share the company's values of social responsibility. This means anything from free-range eggs to sustainably produced dairy, to fair-trade certified ingredients. Furthermore, Ben&Jerry's developed an ecological footprint including measurement and management of water, energy use, waste, emissions and recycling[19]. However, it is important to stress that even though the company pursues socially responsible goals, Ben&Jerry's is primarily a classically economic-oriented business. The main goal is the generation of profits and the promotion of sustainable values, as desirable as it may seem, is merely part of a strategy of portraying itself as a responsible company and thus contribute to achieving economic benefits.

2.6.2. Not-For-Profit Social Enterprise

Not-for-profit social enterprises are primarily characterised by the non-distribution of their profits (Borzaga et al., 2008) as they are subject to the "*private inurement doctrine*" (Jones,

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[18] For further information on CSR, see: http://ec.europa.eu/social/main.jsp?catId=331&langId=en [Accessed: 03 February 2013].

[19] See: http://www.benjerry.co.uk/ [Accessed: 21 January 2013].

2003: 6)[20] or "*non-distribution constraint*" (Lasprogata & Cotton, 2003: 74), while at the same time they are "*barred from re-distributing net earnings, if any, to individuals who exercise control over it, such as members, officers, directors or trustees*" (Hansmann, 1980: 838). Therefore, not-for-profits must reinvest any surpluses in the organisation. In the literature, not-for-profit social entrepreneurship is often associated with the application of entrepreneurial skills into non-profit organisations (Seelos & Mair, 2004; Eikenberry & Drapal Kluver, 2004; Lee, 2002)[21]. This includes the introduction of business expertise and market-based skills (Hockerts, 2006; Johnson, 2000) so that non-profit enterprises develop innovative approaches to sustain themselves financially in order to operate more efficiently. These strategies include the commercialisation of existing goods and services (Lasprogata & Cotton, 2003), which supports the non-profit operations with its revenues and reduces the dependency on donations and government grants (Davis, 2002; Grenier, 2002; Seelos & Mair, 2004). Some not-for-profits cross-subsidise one programme or client group from another (Dees, 1998b). All strategies aim at generating revenues. The idea is that market orientation and the introduction of business skills are means that social enterprises exploit in order to increase their efficiency and - ceteris paribus - their social impact (Scarlatta, 2010). However, the decision to apply market based skills is a long term investment strategy and under no circumstances a quick fix for organisations experiencing systematic funding problems (Dees, 1998b). Boshee is a famous scholar who supports the interpretation of social entrepreneurship as the efficient management of non-profit organisations. He describes social entrepreneurs as "*[...] typically non-profit executives who pay increasing attention to market forces without losing sight of their underlying missions*" (Boshee, 1995: 4).

Practical Example: City College & O School, Singapore

National statistics in Singapore indicate that for approximately 3,500 ordinary-level (equivalent to UK's GCSE) private candidates each year, only about 70% receive certificates. The students that fail have to grapple with a system where mainstream schools will no longer accept them. Targeting dropouts, City College was founded in 2002 to provide an alternative path for high school education in Singapore. It uses innovative teaching methods to help

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[20] The "private inurement doctrine" states that an organization is not operated for a charitable purpose and is therefore not entitled to tax exemption if it distributes its net earnings to managers or other persons in a position analogous to owners of for-profit organizations. Clearly, this doctrine relates to the idea that tax exemption is appropriate only to the extent that there are no gains in individual wealth.
[21] Definition by the Canadian Center for Social Entrepreneurship – University of Alberta School of Business. Similarly, Eikenberry & Drapal Kluver (2004) and Lee (2002) understand social entrepreneurship as the introduction of management tools into the non-profit sector.

students to complete tertiary education. To finance lower income youths for the programme, another enterprise, O School, was set up in 2006. O School is a performing arts school that offers street dance training to the public, primarily youths. The school is able to offer employment for youths and also generate profits that are channelled into City College's bursary fund. Hence, a by-youths-for-youths financing model is created[22].

2.6.3. For-Profit Social Enterprise

Social entrepreneurship can occur as social-purpose commercial enterprise (for-profit status) by blending social and economic motives (Dees & Anderson, 2003). The social mission is the cornerstone of the social enterprise's operation and the choice of the set-up is strongly related to the social needs addressed, the amount of required resources, the extent of capital raised and the ability to create economic value (Mair & Marti, 2004). Their success is primarily measured by their social impact. However, given their for-profit structure, they must achieve economic profitability in order to be at least financially self-sustainable. Consequently, they have dual social and financial objectives which determine their managerial decision-making as well as their success. Emerson and Twersky (1996: 3) refer to this dual goal as the "*double bottom line*". Also, it can merge social, economic and environmental values as described by Elkington (1994: 94), namely a "*triple bottom line*". The financial viability of social enterprises depends on the management of the financial resources, e.g. ensuring adequate financial capital. Therefore, unlike most public institutions, for-profit social enterprises involve a significant level of economic risk (Babos et al., 2006). The main critique of for-profit social enterprises is related to the potential conflict between pursuing profit and following a social and / or environmental mission. The following practical example presents a social enterprise with a for-profit set-up.

Practical Example: Triodos Bank

Triodos Bank Group is a European banking group operating in the Netherlands, Belgium, Spain, the United Kingdom and Germany with a balance sheet size of EUR 4.3 billion. It is the only specialist bank to offer integrated lending and investment opportunities for sustainable sectors in a number of European countries. Triodos Bank lends out to and invests

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[22] See: http://www.schwabfound.org/sf/SocialEntrepreneurs/Profiles/index.htm?sname=199528 [Accessed: 21 January 2013].

in sustainable businesses and projects such as renewable energy companies, new developments in biomass, socio-ethical and cultural projects and over 100 microfinance institutions in 40 developing countries. In short, Triodos Bank is a for-profit social enterprise and a major financier of social enterprises[23].

2.6.4 Interpretation

Based on the literature review, social entrepreneurship can be divided into three different categories: Socially committed businesses, not-for-profit social enterprise and for-profit social enterprise. The spectrum of social entrepreneurial categories can be roughly characterised as depicted in Table 3.

Social entrepreneurial organisations differentiate themselves from socially committed businesses in terms of the final objective towards which the whole business model is aligned. The final objective is an explicitly social one – for example the enhancement of social inclusion, regeneration of deprived communities and the creation of social welfare – to which the wealth creation becomes subordinated. Therefore "*profit maximisation and wealth creation – two generalised company final objectives in classical economic theory – become the means through which socially entrepreneurial innovators pursue their social mission*" (Perrino & Vurro, 2006: 60). Corporate social responsibility mainly entails the introduction of sustainable (marketing) campaigns and programmes of existing companies and does not describe the activities of social entrepreneurs. In other words, it is not about achieving social change. The main objective of socially committed businesses is to maximise profitability for the shareholders. While some claim that the business case for CSR is unproven (Barnett, 2007), other studies show a positive relationship between CSR and financial performance (Orlitzky et al., 2003). In contrast to socially committed businesses, the creation and maximisation of shareholder value is clearly not the main focus of social enterprises. Surpluses are typically reinvested in the enterprise as a means to create social value. However, some for-profit social enterprises may also pay out a dividend to shareholders (Stephan, 2010).

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[23] See: http://www.triodos.co.uk/en/personal/ [Accessed: 21 January 2013].

Table 3 Categories of social entrepreneurship. Source: Adapted from Stephan, 2010.

NGO	Social Enterprise Spectrum			For-Profit	
Traditional Non-Profit Organisation	Not-For-Profit Social Enterprise	Hybrid Social Enterprise	For-Profit Social Enterprise	Traditional For-Profit engaging in social activity (Socially Committed Business)	Traditional For-Profit
* Focus on social/environmental goals * Not-for-profit status * If applicable, adoption of entrepreneurial skills	* Focus on social/environmental goals * Non-for-profit status *Application of entrepreneurial skills * Adoption of business skills * Drawing on innovative practices to maximise social value creation * Economic risk (up to a certain degree)	* Focus on social/environmental goals * Earned income strategies integrated or complementary to the mission *Application of entrepreneurial skills * Market-orientation * Drawing on innovative practices to maximise social value creation * Economic risk	* High, but not exclusively social/environmental goals *Affirmative/mission-driven * Earned income strategy *Application of entrepreneurial skills * Market-orientation * Drawing on innovative practices to maximise social value creation * Economic risk	* E.g. Corporate Social Responsibility initiatives * Social entrepreneurial processes within for-profit companies * Socially affirmative businesses * Strong market-orientation * Economic risk	* Exclusively economic goals * Maximising, shareholder value/economic return to owners * Strong market-orientation * Economic risk

Social entrepreneurship does not emerge as a one-way phenomenon exclusive to the either not-for-profit or for-profit sector (Mair & Noboa, 2003). It rather implies an "*intersectoral dynamic*": Social enterprises tend to break up boundary lines among organisational forms, configuring themselves as hybrid organisational forms (Mair & Noboa: 1). According to Dees and Anderson (2003), hybrid social enterprises are defined as formal organisations which embrace both for-profit and not-for-profit components. Social entrepreneurs might exploit a range of organisational forms to maximise social value creation. Also, social entrepreneurs move across sectors with ease, often diversifying from their core mission to expand overall social impact and increase resource flows (Nicholls, 2006). The examination of not-for-profit and for-profit social entrepreneurial initiatives suggests that the choice of the set-up typically depends on the "*nature of the social needs addressed and the amount of resources needed*" (Mair & Marti, 2006: 7). Thus, the operation and the funding strategies[24] of social enterprises are a direct function of their social mission.

In general, definitions on social entrepreneurship range from broad to narrow (Austin et al., 2006). In the latter, some scholars define social entrepreneurship as a phenomenon which is characterised by the application of business expertise and market-based skills in the non-profit sector, e.g. when non-profit entities develop innovative approaches to earn income (Boshee, 1995; Reis, 1999; Thompson, 2002). In fact, there is contention in the literature on social entrepreneurship as to whether social enterprises can be understood as the management of public or non-profit identities. Perrini and Vurro (2006), for example, argue that the introduction of managerial techniques to render the management of non-profit entities more efficient is not enough to call it social entrepreneurship. Similarly, Dees (2003) claims that "*despite efforts to spread an innovation-based definition, far too many people still think of social entrepreneurship in terms of nonprofits generating earned income. This is a dangerously narrow view. It shifts attention away from the ultimate goal of any self-respecting social entrepreneur, namely social impact, and focuses it on one particular method of generating resources*"[25]. Eikenberry, Drapal and Kluver (2004), on the other hand, understand social entrepreneurship to be a management technique for non-profit organisations. These examples reflect the definitional debate in the literature and the problem of where to draw the line between non-profit entities and not-for-profit social enterprises.

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[24] According to Nicholls (2006), social entrepreneurs may consider strategic moves into new markets to subsidise their social activities either through exploiting profitable opportunities in the core activities of their non-profit venture or via for-profit subsidiary ventures and cross-sector partnerships with commercial corporations.

[25] Dees (2003). See: http://www.caseatduke.org/articles/1004/corner.htm [Accessed: 24 January 2013].

According to Austin, Stevenson and Wei-Skillern (2006), the broad view of social entrepreneurship refers to innovative activity with an underlying social target/mission in either the for-profit sector, such as in social purpose commercial ventures (Dees & Anderson, 2002), in corporate entrepreneurship (e.g. Austin et al., 2004), in the non-profit sector or across sectors such as hybrid entities which mix and combine for-profit and non-profit approaches.

Following Light (2006), this thesis shall argue that social entrepreneurship should not be merely seen as a funding strategy and it should not be tied to the idea of business ventures, as "*social entrepreneurship is about establishing new and better ways to create value*" (Light, 2006: 31). Some social enterprises may only generate a small percentage of revenue, others may self-generate all their income, thus operating like a traditional business. The emphasis and central driver of social enterprises is to address social issues. The particular organisational form a social enterprise takes should primarily be based on the most effective ways to mobilise resources to address that problem (Austin et al., 2006). In this context, social entrepreneurship does not have to be bound to a certain legal organisational form (Lyons & Lichtenstein, 2010; Mair, 2010; Stephan, 2010).

In the context of this thesis, the definition of social entrepreneurship in sensu stricto is confined by the second and third definition, namely not-for-profit and for-profit social enterprises. Alternatively this definition embraces all three categories within the social enterprise spectrum as shown in Figure 3: 1. Not-for-profit social enterprise, 2. Hybrid social enterprise and 3. For-profit social enterprise.

Unlike traditional non-profit organisations, not-for-profit and for-profit social enterprises are directly engaged in the production and/or sale of goods and services. Also, social enterprises require a minimum number of paid workers to carry out their activities – even if they combine voluntary and paid workers (Babos et al., 2006). The first category (socially committed businesses) is excluded from the definition of social entrepreneurship and social enterprise in the narrow sense. Subsuming either the companies' environmentally and socially responsible goals under the term 'social entrepreneurship' leads to a blurred definition and to further confusion.

2.7 Conclusion: Adoption of a Working Definition

The present chapter suggests that any discussion of social entrepreneurship must begin by understanding the concept and the boundaries of the phenomenon. It presents an approach to understand what social entrepreneurship entails by analysing the spectrum of its categories. It can be summarised that social entrepreneurship in the strict sense shows three constitutive elements – sociality, innovation and market orientation.

2.7.1 Sociality

"*For social entrepreneurs the social mission is explicit and central. This obviously affects how social entrepreneurs perceive and assess opportunities. Mission-related impact becomes the central criterion, not wealth creation*" (Dees, 1998a: 2).

Social entrepreneurs creatively combine resources to address unmet social needs or a new social value creation opportunity (Thompson et al., 2000). The analysis of several successful cases of social entrepreneurship reveals commonalities in the objectives, for example the provision of goods and services which the market or public sector is unwilling or unable to provide, the creation of employment and the integration of socially excluded people (Smallbone et al., 2001). The creative combination of resources to address social problems is also significant in the second key characteristic of social entrepreneurship: innovation.

2.7.2 Innovation

Thinking about entrepreneurship as innovation suggests that the creation of new models and techniques, as Schumpeter pointed out, is a critical driver of social change (Schumpeter, 1950). Social entrepreneurs dynamically evolve in the social contexts that produce them and which they seek to influence through new concepts. Innovation creates social value by allowing people to achieve more for less, or to solve problems that otherwise would be insoluble (Young, 2006). Some social innovations are based on new concepts, others are driven by novel applications and combinations of old concepts. In social entrepreneurship literature, most articles state the existence of numerous loci of social innovation (Mair & Marti, 2004). On the one hand, the business concept of social ventures can be innovative per

se since the major aim of most social enterprises is the creation of innovative approaches to address critical social needs (Dees & Anderson, 2006). On the other hand, the aspect of innovation becomes obvious when mobilising resources. Social entrepreneurs creatively combine resources – resources that they themselves often do not possess – to address pressing social problems and in the process change existing social structures (Mair & Marti, 2004).

2.7.3 Market orientation

Market orientation is the third feature that distinguishes social enterprises from other social organisations and it is defined as *"the dimension of entrepreneurship that entails rationalising strategic operations in response to exogenous variables traditionally conceived as competitive market pressures."* (Nicholls & Cho, 2006: 107). Many social purpose organisations operate in non-existent or dysfunctional markets, whereas social entrepreneurs are market oriented in order to achieve the most effective deployment of resources towards achieving social targets (Nicholls & Cho, 2006). All definitions of social entrepreneurship that describe a *"double or triple bottom line"*, *"some-cost or full-cost recovery"* (Yunus, 2006: 40)[26], or the development of independent profit making ventures are associated with market orientation. Market orientation implicitly focuses on efficiency when effectively using resources. Therefore, it distinguishes many social enterprises from traditional models of non-profits, as well as from much of the public sector (Nicholls & Cho, 2006).

According to Bartlett & Le Grand (1993), market orientation can resolve many problems associated with traditional social service delivery operations by encouraging accountability, economy and innovation (Bartlett & LeGrand, 1993). But even in the case of a *"monological social agenda setting"* (Nicholls & Cho, 2006: 107), market orientation should not be left out. Particularly in the case of social enterprises with a mixed social and economic strategic agenda, focussing on creating economic as well as social value can prevent conflicts with other final social goals (e.g. Dart, 2004; Foster & Bradach, 2005).

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[26] According to Yunus (2006), some social entrepreneurs use money to achieve their objectives; some just give away their time, labour, talent, skill, or such other contributions that are useful to others. Those who use money may or may not try to recover part or all of the money they put into their work by charging a fee or a price. Yunus classifies social entrepreneurs who use money into four types: 1. No cost recovery, 2. Some cost recovery, 3. Full cost recovery, 4. More than full cost recovery.

2.7.4 Working Definition

While being aware of the conceptual diversity of social entrepreneurship, the working definition of this thesis will be derived on the basis of the listed key aspects of social entrepreneurship in sensu stricto.

Working Definition:

Social enterprises are defined as hybrid organisations which strive to create positive social change. They have a social mission and insodoing act entrepreneurially, i.e. they generate revenue through selling products or services in the market. Social entrepreneurship can occur within or across the public, private, and civil society sector. Thus, social entrepreneurship is not defined by a legal form as it can be pursued through various organisational forms.

Social Entrepreneurship is the process of using entrepreneurial and business skills to create innovative approaches to generate social value by addressing areas of unmet social need or by creating social opportunities that the public or private sector has failed to deliver. This goes hand in hand with social innovation processes, aimed at promoting social change. The defining purpose of social enterprises, regardless of the financial model, is to effect change by altering the social, economic and political realities (Mair, 2010). The key to social entrepreneurship is therefore an explicit or implicit theory of change, e.g. manifested in strategies such as the configuration of resources and activities (Mair, 2010).

Examples of social entrepreneurs are the Grameen Bank, founded by Nobel Peace Prize winner Yunus in 2006, The Big Issue Foundation, founded by Gordon and Bird in 1991 or Ashoka, founded by Drayton in 1980. Due to the variety of terms used in the literature when describing the concept of social entrepreneurship, it is important to stress that all notions of social enterprises within this study only refer to the working definition as adopted in this chapter.

CHAPTER III. OUTLINING THE DRIVERS OF SOCIAL ENTERPRISE GROWTH

3.1 Introduction

After having provided an overview of the concept of social entrepreneurship and elaborated a working definition, the objective of this chapter is to increase the understanding of the drivers of social entrepreneurial activities at different impact levels. The regional context as well as firm-specific attributes influence not just the role of social enterprises, but also their performance and development. This chapter specifically aims at identifying socio-economic factors causing regional heterogeneity in terms of social enterprise growth. In the absence of hypotheses on the variation of social enterprise growth across regions, this study will help to draw assumptions and insights from commercial entrepreneurship literature as well as from existing studies on the determinants of emerging social enterprises. Based on the eclectic theoretical framework provided, eight different hypotheses are postulated with regards to the drivers of social enterprise growth.

3.2 The Concept of Social Enterprise Growth in the Regional Context

Firm growth constitutes one of the central topics of entrepreneurship research (e.g. McKelvie & Wiklund, 2010), particularly in the regional context. Some studies test the influence of regional economic structures on firm growth (Audretsch & Dohse, 2007; Barbosa & Eiriz, 2011), concluding that the geographic location influences firm performance. In the case of social entrepreneurship, remarkably little is known about the relationship between the regional context and social enterprise growth. In the literature, social entrepreneurship is commonly defined as "*entrepreneurial activity with an embedded social purpose*" (Santos, 2009: 2). It represents a dynamic phenomenon that evolves in reaction to its immediate environment.

Recent reviews on the social enterprise literature reveal that the existing empirical research is predominantly characterised by a micro-level perspective, focussing on cases of specific social entrepreneurs or social enterprise projects (e.g. Short et al., 2009; Dacin et al., 2010). Macro-level and regional-level analyses are scarce and mainly qualitative in nature (Kerlin, 2009). Hence, the literature lacks quantitative analyses to study regional factors that may provide a supportive environment for the development of social enterprises (Muñoz, 2010).

Examples of studies investigating social entrepreneurship with a regional focus include the work by Borgaza and Defourny (2001), who review future prospects of European social enterprises by comparing and analysing social enterprises across 15 different countries. Nyssens (2006) compares public policies and government issues between several European countries. Kerlin (2009) provides an extensive analysis on the social origins of social enterprises in seven regions around the world. In the pertinent literature, there are only two macro-level quantitative studies investigating country level determinants of social entrepreneurial activity. The point of departure for both studies is the observation of substantial cross-national variation in social enterprise activity (Lepoutre et al., 2011). Hoogendoorn and Hartog (2011) study the macroeconomic drivers of social enterprise start-up activity across 49 countries, using internationally comparable data from The Global Entrepreneurship Monitor (GEM) 2009. Estrin, Mickiewicz and Stephan (2011) also analyse the 2009 GEM dataset, but use multilevel analysis. They explain the individual choice to launch a social venture through individual characteristics, formal and informal national institutions and spillover effects of commercial entrepreneurial activity.

Even though these studies provide first valuable information on the micro (individual) and macro (regional, national) drivers of social entrepreneurship, they focus on emergence (entry rates) and / or prevalence rates and do not consider the role that regional context plays in the (post-entry) performance, such as the growth of social enterprises. The analysis of social enterprise growth is particularly relevant as growth is important to ensure that the venture moves out of the gestation period and becomes sustainable (Phillips, 2006). Not all enterprises once created survive and indeed the survival chances of firms increase with firm size (Geroski, 1995; Phillips & Maksimovic, 2006). There is no reason why social enterprises should be different. Phillips (2006) explores barriers to social enterprise growth based on a qualitative research design in which semi-structured interviews are conducted with the founders of 30 social enterprises from the Bristol area in the UK. She finds that for social entrepreneurs, barriers to growth, while apparently similar to those of mainstream small businesses, are harder to overcome as social enterprises' operations are based on the emphasis on values and mission rather than personal interests.

When analysing the regional context of social enterprise dynamics, it is important to work within a smaller geographical scope than on the country level, as social entrepreneurship activities might be heterogeneously distributed within a country (Peattie & Morley, 2009). This applies particularly to countries characterised by large regional social and economic

disparities. Indeed, recent research on commercial entrepreneurship highlights the locally and regionally embedded nature of entrepreneurship (e.g. Brixy et al., 2012; Stephan & Hopp, 2012), further emphasising the importance of regional variation within countries. In spite of the scarcity of quantitative cross-regional studies in the current literature, the following factors have been suggested to influence the regional heterogeneity of social entrepreneurial activities: 1. The prevailing entrepreneurial culture (Elkington & Hartigan, 2008; Estrin et al., 2011), 2. The availability of funding (Blanchflower & Oswald, 1998; Townsend, 2008; Urbano et al., 2010), 3. The prevalence of social problems (Elkington & Hartigan, 2008; Zahra et al. 2009), 4. An 'institutional void' (weak institutions) (Mair & Marti, 2009; Dacin et al., 2010) and 5. Limited state provision of social services (Dacin et al., 2010; Estrin et al., 2011).

Growth is an organisational outcome resulting from the combination of firm-specific resources, capabilities and routines (Zhou & De Wit, 2009). In this context, environmental conditions such as the relationship and interaction between supply- and demand-side factors determine the regional growth context[27]. Moreover, social enterprises' growth is a phenomenon that necessarily happens over time, thus, it should be researched longitudinally at least in the sense that assessment of the predictors precedes assessment of the outcome, i.e. changes in size or social impact. From a 'change-in-amount' perspective, growth can be measured with a range of different indicators, the most frequently suggested in entrepreneurship literature being sales, employment, physical output and profit (Weinzimmer et al., 1998; Parker, 2009). Additionally, in the case of social enterprises, the assessment of social impact development is a major objective. The assumption is that organisational growth facilitates the scalability of social impact (Lyon & Fernandez, 2012). Based on the business life cycle, social enterprises can be characterised according to their level of growth, whereby entrepreneurial embeddedness affects social enterprises at each of these various stages of operation: In the "*pre-venture stage*" (interest or desire to start a business), in the "*existence stage*" (from business launch to breakeven), in the "*early growth stage*" (from breakeven to healthy or marginal profits), in the "*expansion stage*" (from healthy profits and a clear indication of growth potential to business growth, e.g. the capability to serve many customers and to deliver a variety of products and services grows quickly), in "*the maturity stage*" (company has successfully achieved advantages of size and stability, growth, however, has slowed) and in the "*decline stage*" (profitability and sustainability declines and the company

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[27] See: Section 3.3.2 of this thesis.

begins to feed off its accumulated assets until the company is either sold or closed) (Lyons & Lichtenstein, 2010: 256/257). In this present work, particular attention is paid to the impact of contextual factors on various life cycle stages of the enterprise – from the 'existence stage' to the 'decline stage'. As social enterprises in the 'pre-venture stage' do not experience any growth yet, this phase will not be taken into consideration.

Policy makers attach high hopes on social enterprises' large scale of social and environmental impact. The growth of the social enterprise sector and of individual social enterprises is one important way to achieve and enhance social impact creation (Leadbeater, 2007; Lyon & Fernandez, 2012)[28]. Therefore, in social entrepreneurship research, it is of interest to capture dynamic social entrepreneurship development, such as its growth and consolidation.

3.3 Determinants of Social Enterprise Growth at a Glance

3.3.1 First Distinguishing Mark: The Level of Influence

The concept of social entrepreneurship represents a multidimensional construct that is highly influenced and shaped by the proximate environmental dynamics (Weerawardena & Mort, 2006). This is even more valid in the case of social enterprises which aim at fostering innovative social solutions at a local level. In this sense, social entrepreneurs are most effective when creating social enterprises that interact with their environment in an innovative way (Ferri & Urbano, 2010).

'Context' is defined as those elements outside the control of the social entrepreneur that will influence the success or failure of the social enterprise (Karlsson & Dahlberg, 2003). It comprises a number of closely intertwined micro- and macro-economic as well as socio-political factors (Austin et al., 2006). People have individual values, preferences and make decisions with respect to entrepreneurship (Bosma & Schutjens, 2011). The economic environment at the macro-level is shaped by, among other things, employment levels, purchasing power and the degree of economic development and growth. Changes in social policies, for instance the reduction of welfare entitlements in developed countries, have led to a growing demand for social entrepreneurship. Social enterprises provide alternative or complementary solutions to societal problems and are thus innovative providers of former

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[28] Lyon & Fernandez (2012) analyse further strategies to scale social impact, for instance, through building networks, sharing concepts and supporting other organisations to replicate, develop and adapt approaches.

welfare services (Leadbeater, 1997)[29]. In this context, the quality of government, e.g. the effectiveness of delivering its policies in an impartial way and without corruption (Nicholas et al., 2011), plays a significant role, as social entrepreneurial activities are influenced by institutional capacities (Mair & Marti, 2009; Dacin et al., 2010; Estrin et al., 2011). Thus, external contextual factors can function as sources of opportunity for social entrepreneurial activities (Buckingham et al., 2012). Additionally, the influence of internal organisational factors has to be taken equally into consideration (Storey, 1994; Zhou & De Wit, 2009). Social enterprises need to develop a range of strategies to be able to grow and to maximise their social impact. In this context, firm attributes (age and size), firm strategies (geographical scope of operation and degree of embeddedness), firm resources (social networks and human capital) and organisational structures (management strategy and operational business models) are important growth predictors.

The regional context and the determinants of social enterprise growth may be studied according to the level of analysis. Distinction ought to be made between micro, meso, and macro-level of social entrepreneurship. Standard analytical research approaches to explore entrepreneurship in social sciences (e.g. in economics, sociology and management), examine the objects of study tied to these levels of analysis by distinguishing between the individual entrepreneur or business, sectors of industry and the national economy (Bergmann, 2003). Analyses at the micro-level focus on the decision-making process by individuals (potential entrepreneurs) and the different motives for launching a venture (Blanchflower, 2000). Studies at the meso-level of entrepreneurship often analyse market-specific determinants, such as profit opportunities and opportunities for entry and exit (Bosma et al. 1999; Carree & Thurik, 1996). The macro-level perspective helps to study a range of environmental factors, such as technological, economical and cultural variables as well as government regulations (Noorderhaven at al., 1999; Carree et al., 2002; Verheul et al., 2002).

The present thesis focuses on social entrepreneurship drivers at the micro-, regional and macro-level. Firms' characteristics exert an influence at the micro-level (or firm level) and external context factors affect social enterprises at the macro-level, e.g. the national and regional level. As it is of interest to examine differences in social entrepreneurial dynamism at a smaller geographical scale than between countries, it appears plausible to define a regional level (sub-national level) as a separate unit of observation. An extensive analysis of

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[29] See: Part 2, section 2.3.

the different levels of impact with the associated social entrepreneurship drivers will be carried out in sections 3.4 and 3.5 of this present chapter.

3.3.2 Second Distinguishing Mark: Supply and Demand Factors of Social Entrepreneurship

Apart from studying the determinants of social entrepreneurship in a multilevel setting (firm level, regional level, national level), social enterprise growth in a particular region or country can be explained by making a distinction between the supply-side and demand-side factors. In the body of literature on traditional entrepreneurship, the supply-side is associated with the labour market perspective and the demand-side is related to the product market context and the general carrying capacity of the market[30] (Verheul et al., 2002). In some studies this distinction is referred to as the distinction between push and pull factors (Vivarelli, 1991). Opportunities of entrepreneurship are represented by the demand-side and it can be viewed from a customer and a firm's perspective (Verheul et al., 2002). The rationale behind the consumer perspective is that a high diversity in terms of consumer demand offers more opportunities for potential entrepreneurs. Moreover, the opportunities are influenced by technological developments and government regulation (Wennekers & Thurik, 1999). The supply-side of entrepreneurship is determined by population characteristics, such as demographics and population growth (Verheul et al., 2002). Key aspects are the resources and abilities of the individuals as well as their attitudes (e.g. risk affinity) towards entrepreneurship. Additionally, the cultural (Reynolds et al., 1999) and institutional environment (Henrekson & Johansson, 1999; Verheul et al., 2002) influence the supply-side of entrepreneurship.

In the body of literature on social entrepreneurship there is much debate over the extent to which social entrepreneurship and associated social entrepreneurial activities should be explored and treated as a separate research field from entrepreneurship and business development in general (Dacin et al., 2010). However, irrespective of all the controversy, a broad consensus prevails regarding the main purpose of social enterprises: Social entrepreneurship is primarily about leveraging resources to deal with persistent social

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[30] According to Carree & Thurik (1999), the number of firms in the market is said to have attained the equilibrium value when all entrepreneurs earn some critical level of profits. This equilibrium number of firms is called the "*carrying capacity*".

problems and often this process involves the creation of new institutional forms with innovative investment logics that combine economic with social and environmental goals (Nicholls, 2010). Even though some social enterprises engage in activities that appeal particularly to 'elite' or neo-Bohemian groups, in general, social entrepreneurship can be seen as a response to pressing societal problems affecting the more disadvantaged members of society (Buckingham et al., 2012).

Buckingham, Pinch and Sunley (2012) offer an exploratory theoretical framework for understanding the causes of regional variations of social entrepreneurship. In the context of this eclectic theory, the incidence of social enterprise growth in a certain geographical space will depend on two sets of basic processes: The relationship between 'demand', i.e. the need and opportunity for social entrepreneurship activities in a region, and 'supply', i.e. the ambition and capability of local actors and institutions to set up social enterprises and to manage them. In the context of this thesis, the theoretical framework by Buckingham, Pinch and Sunley (2012) will be adapted and extended to explain the determinants of social enterprise growth as well as the causes for growth variations across regions and nations. On the *demand-side*, social enterprises grow in response to unmet social needs, such as poverty, social exclusion, unemployment, education, and care for families, the elderly or sick people. Social enterprises' objectives also include the provision of goods and services which the market or the public sector (at regional level or at national level) are either not willing or not able to deliver (Smallbone et al., 2001). In this context, social entrepreneurship addresses unmet social needs associated with an ineffective or lacking provision of social services and bad governance. These failures are perceived as an opportunity and source of demand. Further opportunities are created by the market demand for goods and services. Hence, the "*regional opportunity structure*" (Stuetzer et al., 2011: 917) affects social enterprises' business success as well as the ability to carry out their social mission. On the *supply-side* of the equation, the capacity to meet social and environmental needs depends, among other things, on the social enterprises' ability to develop business skills and to access financial resources. In this context, the entrepreneurial culture (Hoogendoorn & Hartog, 2011; Elkington, 2008), the availability of financial funding (Estrin et al., 2011) and social capital (Myers & Nelson, 2010) are crucial factors which enable social enterprise growth. Moreover, infrastructural support is vital for social enterprise dynamism (Sharir & Lerner, 2006), as the supply of cooperation and voluntary involvement within a local society determines the ability of social enterprises to function (Peattie & Morley, 2009).

Figure 2 A diagrammatic representation of the interaction of supply and demand factors affecting social enterprise growth at the regional and national level across Europe. Source: Adapted from Buckingham, Pinch and Sunley, 2012.
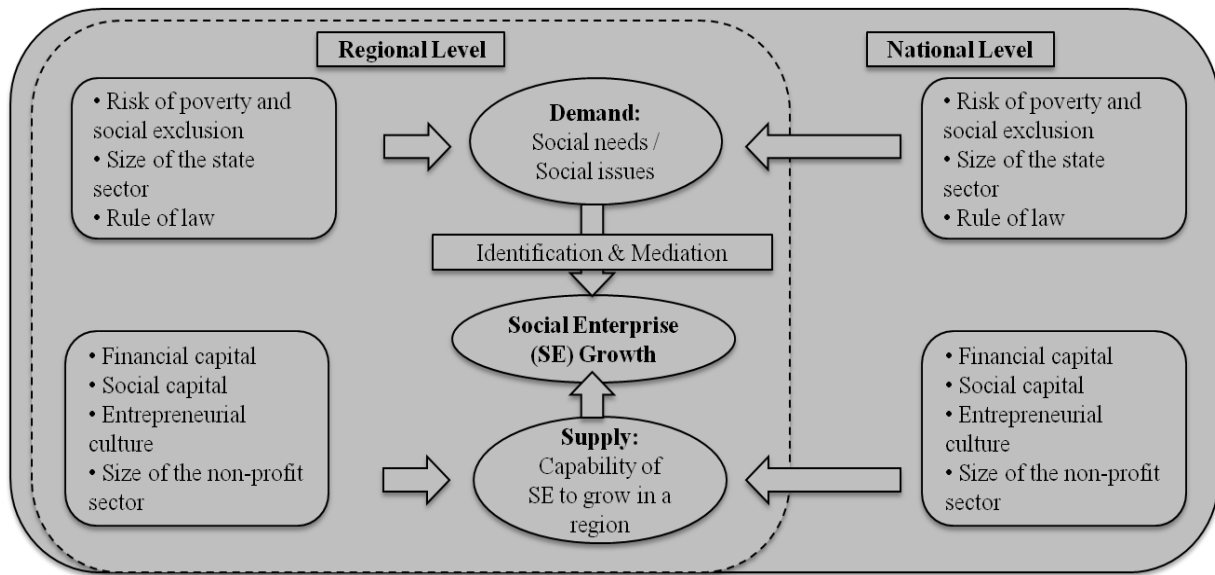
3.4 Outlining the Drivers of Social Enterprise Development at the Firm Level

3.4.1 The Operational Business Model as Unit of Analysis

When analysing social entrepreneurial activities, it is crucial to understand the underlying social organisational strategies that ultimately lead to the creation of social and economic values. Social enterprises are driven by two forces. First, the desired social objective which benefits from an innovative, entrepreneurial or enterprise-based solution. Second, the financial sustainability of the organisation, which implies the introduction of earned income opportunities (Reis, 1999). Social entrepreneurship is driven by pragmatic and innovative ideas to reconfigure solutions to societal problems. Therefore, the variety of innovative solutions provided has produced a diverse landscape of social enterprises. Nonetheless, distinct patterns are emerging, which allow the classification of social enterprise models. According to Alter (2006), social enterprise models impart prototypes for replication, inspire innovative approaches for value generation, shape design by establishing operational conceptions and motivate new methodologies for social enterprise mission accomplishment. Social enterprises deliberately adopt an 'uncomfortable' position: They are in the market and yet against it at the same time. This ambiguous position is based on the recognition that solutions to many problems, e.g. poverty and employment, environment and fair-trade development, depend on changing the way markets function (Leadbeater, 2007). In this

context, a social enterprise's mission drives *social* value creation, which is generated by non-profit programmes. Financial need and market opportunities drive *economic* value creation, which is delivered through business models. As a result, money and mission are intertwined (Alter, 2006). Operational business models illustrate configurations of how organisations create social value (social impact) and economic value (earned income). They are designed in accordance with the social enterprise's financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment. Fundamental models can obviously be combined and enhanced to achieve maximum value creation (Alter, 2006).

Different operational prototypes of social enterprises are evidenced and emulated by practitioners in the field of social entrepreneurship around the world. However, not all social entrepreneurship models are in line with the definition of social entrepreneurship in the narrow sense, as provided in Chapter 2 of this thesis. According to this definition, the hallmark of a social enterprise is to create social value, i.e. they have a social mission, and insodoing act entrepreneurially (Alter et al., 2006; Mair et al., 2012). In the following, an overview on those operational business models will be provided, which meet the criteria of the definition of social entrepreneurship in sensu stricto. Seven different models will be discussed in order to increase the understanding of social enterprises strategy. The specific features of each social enterprise model are described from an operational perspective. The subsequent diagrams illustrate how social and economic value is created within the different models. However, as Alter (2006) points out, insofar as distinct social enterprise models have been identified, it is equally important to recognise that these models do not represent neatly labelled examples. The models do not intend to constrain practitioners into a prescribed formula, but rather guide the reader through the social enterprise landscape. It is important to understand the underlying operational business model, which ultimately may affect a social enterprise's growth. The model mechanics in the examples show that business activities can serve to strengthen an enterprise's social mission and social activities. Hence, it is crucial to understand the enterprise's underlying operational strategy, which may influence its development and growth. The funding strategy is an essential element of the social enterprise, as a social mission alone is not sustainable. Both literature and practice suggest that social enterprises achieve success when they are executed first to achieve their mission and second to earn income (Alter, 2006).

Figure 3 Legend for interpreting social enterprise diagrams.
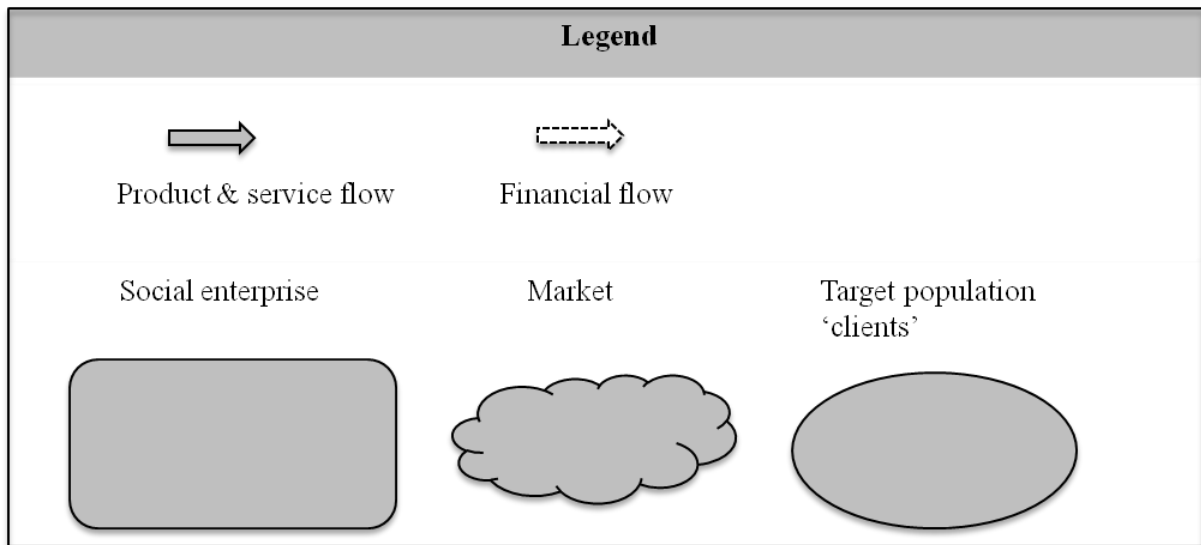
3.4.1.1. Entrepreneur Support Model

The social enterprise sells business support and financial services to its target population or 'clients', which are self-employed individuals or firms. Its mission centres on facilitating the financial security of its clients by supporting their entrepreneurial activities. Economic development organisations, including microfinance institutions, and business development programmes use the entrepreneur support model. Common types of businesses that apply this model are financial institutions, management consultancies, professional services (accounting, legal and market information), as well as any technology or product providing support entrepreneurs.

Figure 4 Entrepreneur support model. Source: Adapted from Alter, 2006.

3.4.1.2 Market Intermediary Model

The organisation provides services to its target population or 'clients', small producers (individuals, small firms or cooperatives), to help them access markets. The services add

value to client-made products and typically these services include product development, production and marketing assistance and credit. The market intermediary either purchases the client-made products outright or takes them on consignment and then sells the products at a mark-up to cover operating expenses. Common types of businesses that apply this model are marketing organisations, consumer product firms or those selling processed foods or agricultural products. An example would be a craft marketing cooperative creating economic opportunities for rural artisans by purchasing their handmade rugs, baskets, and sculptures and then marketing them overseas.

Figure 5 Market intermediary model. Source: Adapted from Alter, 2006.

3.4.1.3 Employment Model

The organisation provides employment opportunities and job training to its target populations or "*people with high barriers of employment*" (Alter, 2006: 216), such as disabled, homeless, at-risk youth and ex-offenders. The organisation operates an enterprise employing its clients and sells its products or services in the open market. Common types of business that apply this model are, among others, janitorial and landscape companies, cafes, bookstores, thrift shops, messenger services, bakeries, woodworking or mechanical repair. An example would be a handicraft manufacturing social enterprise run by 'clients-victims' of landmine accidents, who face discrimination and marginalisation in the open market.

Figure 6 Employment model. Source: Adapted from Alter, 2006.

3.4.1.4. Fee-For-Service and/or Product Model and Low Income Client Model

The fee-for-service model commercialises social services and/or products and then sells them directly to the target populations or 'clients', which are individual firms, communities, or third party players. Membership organisations and trade associations, educational institutes, parks and recreational facilities, museums, hospitals and clinics are typical examples of organisations that use this model. A variation of the fee-for-service model is the low income client model. The emphasis of this model is to provide poor and low income clients access to products and services at a subsidised rate. Common types of business that apply this model are: healthcare (vaccinations, prescription drugs, eye surgery) as well as health and hygiene products (iodised salt, soap, eyeglasses, hearing aids) and utility services (electricity, biomass, and water).

Figure 7 Fee-for-service and/or product model & Low income client model. Source: Adapted from Alter, 2006.
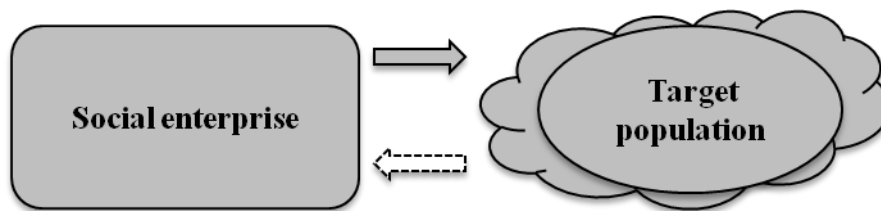
3.4.1.5. Service Subsidisation Model

The service subsidisation social enterprise model sells products or services to an external market and uses the income it generates to fund its social programmes. Furthermore, this model is an integrated model: business activities and social programmes overlap, sharing costs, assets, operations and often programme attributes. Common examples of service subsidisation models that commercialise services or intangible assets are consulting, counselling, logistics, employment training or marketing agencies.
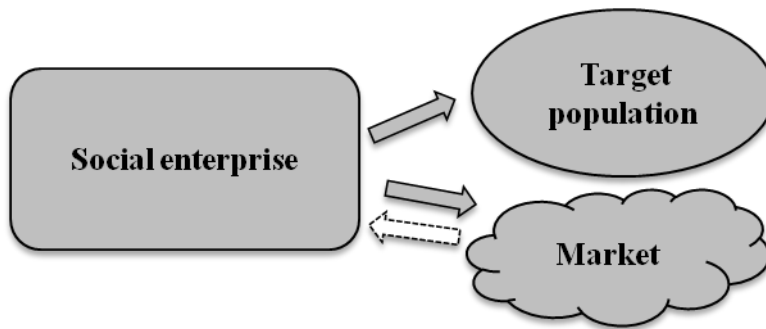
3.4.1.6 Cooperative Model

In the cooperative model, target population or 'clients' are associated cooperative members. The social enterprise provides direct benefit through member services, such as market information, technical assistance, collective bargaining power, access to products and services, and access to external markets for member-produced products and services. The cooperative membership base is often comprised of small-scale producers in the same product group or a community with common needs, for instance access to capital or healthcare. In this model, the social programme is the business. The cooperative's mission centres on providing member services. Financial self-sufficiency is achieved through the sale of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members. Common types of business that apply this model are agricultural marketing cooperatives, which market and sell its members' products, or agricultural supply cooperatives, which provide inputs into the agricultural process.
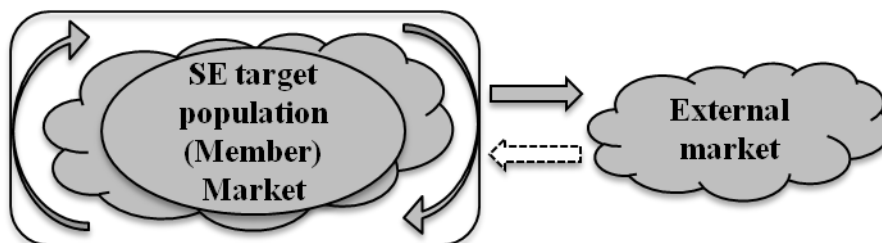
3.4.2 Geographical Scope of Operation

Given the multitude of social opportunities on a global scale, social enterprises pursue different geographical scopes of operation. The scope of a social enterprise determines the number of social needs it meets and the breadth of its geographical reach. Based on their capabilities and the social problems to be tackled, some social entrepreneurs might find it advantageous to focus on a specific region or to operate at a national level to increase the enterprise's impact. Other social enterprises pursue opportunities on a broader international scale. Variations in terms of geographic scope of operation are likely to reflect the social enterprise's preferences and motivations, the resources it owns or which could be accessed, the operational business models it uses and its ability to coordinate across intranational and international borders (Zahra et al., 2008).

Some social enterprises have a global orientation from inception. This could be due to the proposition that firms provide an efficient mechanism for cultivating the benefits of internationalisation through internalisation (Hennart, 2001). According to the transaction cost economic perspective (Williamson, 1975), internalisation theory explains that firms usually have distinct internalisation advantages that can be exploited by expanding their operational activities on an international scale. These advantages include, among other factors, access to networks, innovative business models or important assets, such as skilled entrepreneurs and workforce (Zahra et al., 2008). Following the internalisation theory, social enterprises are likely to internationalise once they possess or can develop particular capabilities that could be applied to meet unique social needs. Social enterprises can organise their operations differently, thus being able to find quick solutions to pressing needs. These capabilities are the internalisation advantages of social enterprises. Internalisation facilitates the efficient transfer of these capabilities, thereby helping affected individuals and groups in other regions or in other countries (Zahra et al., 2008). This mechanism takes social enterprises closer to where their specific skill sets are most needed. Further, it enables the replication of the experiences of social enterprises in one region or in one specific market and their transfer to other social enterprises (Zahra et al., 2008).

The discussion of the drivers of social enterprise growth on the firm level requires the analysis of the geographical scope of operation. A social enterprise that possesses distinct internalisation advantages, will likely exploit these capabilities to tackle social issues on a broader geographical scale. This in turn may affect the social enterprise's growth.

3.4.3 Social Entrepreneurship and Networks

Although studies on social entrepreneurship often portray key individuals to be the driving force behind social enterprises, these enterprises are rarely the product of one single individual (Seanor & Meaton, 2007; Amin, 2009). Empirical research shows that (local) social networks are *"commonly asserted to be vital"* to a social firm's dynamism (Buckingham et al., 2010: 3). Social relationships are crucial for social entrepreneurs, as they provide them with ideas, information, advice, business opportunities and other resources. In general, social entrepreneurs hold some of these resources themselves, but they often complement their assets by accessing their contacts (Hansen, 1995). Social networks are the key to gaining access to other resources, as they facilitate communication between people with network ties (Anderson et al., 2007). Further, social enterprises go into partnership with each other to provide the missing societal services identified. Through networking, social enterprises manage to fill the gaps that could have diminished the value of social impact to the target group they aim to help (Anderson et al., 2007).

Social entrepreneurs are also proactive in the development of their networks (Mair & Schoen, 2007)[31]. Research shows that social enterprise network building creates social and economic value, especially, because of the appropriation of these networks by the target groups of the initiative. By simultaneously empowering the target group, they do not merely become the recipient of charitable contributions, but proactive actors in the solution (Hervieux & Turcotte, 2010). According to Ridley-Duff (2007: 390), *"the most enduring impacts are likely to come from organisations that tackle social exclusion on both fronts – embracing a trading purpose that addresses the perceived needs of socially excluded groups, and allowing participation by them in decision-making and wealth creation processes. This will promote solutions more closely matched to actual (rather than imagined) needs while encouraging sustainability"*.

Networks are often informal work and non-work connections, provided by extended family, community-based, or organisational relationships. These contacts are theorised to supplement the effects of education, experience and financial capital (Davidsson & Honig, 2003). One important implication of social firms being embedded in social networks is the enhanced trust between (social) actors that can in turn mitigate moral hazard. Trust between organisations

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[31] Mair & Schoen (2007) introduce the term 'value networks', as they argue that network building facilitates the creation of social and economic value.

refers to the confidence that a partner will not exploit the vulnerabilities of the other (Barney & Hansen, 1994). Social networks promote trust and reduce transaction costs in different ways. First, network ties function as source of referral that allows prospective partners to be better informed about each other's capabilities. Hence, networks can significantly reduce information asymmetries that increase transaction costs (Gulati et al., 2000). Second, networks can also mitigate opportunistic behaviour by making it more likely that such behaviour will be discovered and that the information will spread promptly through the network. While reputation takes a long time to be established, it can be destroyed quickly. Therefore, networks create disincentives for opportunistic behaviour (Gulati et al., 2000). Social networks can also enhance the value created in alliances by improving coordination between the firms involved in an alliance (Davidsson & Honig, 2003).

The active participation in social networks, as well as its proactive development, represents an important organisational strategy for social enterprise growth. To some extent, social enterprises depend on their infrastructural collaboration resources and networks of personal relationships, especially informal networks, when making decisions and solving problems (Buckingham et al., 2012).

3.4.4 Embeddedness of Social Entrepreneurship

One of the key features of social entrepreneurship lies in the discovery and exploitation of opportunities (Zahra et al., 2008). The existence of social and environmental needs indicates an important opportunity space (Austin et al., 2006) that relates to social, economic, health and / or environmental aspects of human welfare (Seelos et al., 2010). It is challenging for social entrepreneurs to realise an opportunity space by accessing social and economic resources in order to build and to effectively run a social enterprise. This undertaking is often hampered, as the environment of socio-economically deprived regions provides limited resources for establishing efficient organisations (Seelos et al., 2010). Social entrepreneurs discover social opportunities at a local level by being part of the spatial context and the local social structures, or in other words, by being embedded in the local community. Embeddedness is important for social entrepreneurs, as it helps them to understand local rules to access resources and to create value (Jack & Anderson, 2002). The local community is characterised by individuals living in a geographic territory who share some part of their identity, expectations and interests (Marquis & Battilana, 2009). Furthermore, according to

Seelos, Mair, Battilana and Dacin (2010), local communities constitute the sphere in which social enterprises act to develop their business models (Seelos et al., 2010). Embeddedness also allows social entrepreneurial organisations to become part of the local structure and thus to also have access to latent and readily accessible resources and opportunities (Jack & Anderson, 2002). Thus, entrepreneurial embedding creates a link between economic and social realms.

When conceptualising the spatial context of social enterprises, the organisation's embeddedness within the local structures can be regarded as an enabling entrepreneurial action (Seelos et al., 2010). However, in order to achieve growth and sustainability, social entrepreneurs need to balance sufficient embeddedness within local communities with a degree of 'disembeddedness' or 'connectivity', that is: relationships and connections which allow them to draw on resources and ideas from beyond the localities in which they operate (Buckingham et al., 2012). According to Uzzi (1997: 36), social firms should avoid "*over-embeddedness*" – a stage in which firms in networks are connected primarily through specific embedded bonds as opposed to impersonal arm's length ties and transactions. As a result, over-embeddedness tends to stifle economic action within the local community. Networks that include people who are not well-acquainted with each other usually provide a wider variety of resources, ideas and information than less diverse networks composed mostly of family and friends who know each other well. Without any connection to outside actors, the community may not be able to access new ideas and could become localised into inefficient practices, thereby making change virtually impossible, such as preventing the emergence and growth of social enterprises (Seelos et al., 2010). Social entrepreneurs with varied networks of contacts are in a better position to gain information to help them surmount business development problems, thus shaping their own survival and growth (Robinson & Stubberud, 2010).

In conclusion, the existence of social and environmental problems indicates an important opportunity space for social enterprises to exploit. Embeddedness in the local and regional structures allows firms to access social and economic resources, however, it has to be complemented by sufficient connectivity, e.g. social networks and connections in order to draw from resources beyond the localities in which the social entrepreneurial organisation operates. In this context, social enterprises often function as "*boundary spanning actors*", linking the regional community they are trying to help to outside networks (Seelos et al., 2010: 8). These linkages provide social enterprises with valuable new sources of information

and capital (Alvord et al., 2004). Consequently, the level of entrepreneurial embeddedness represents an important survival and growth strategy of social enterprises.

3.5 Outlining the Drivers of Social Enterprise Development at a Regional level

3.5.1 Supply-Side Factors

3.5.1.1 Entrepreneurial Culture

National culture can exert an influence on the level of entrepreneurship (Verheul et al., 2002). Studies on entrepreneurship activities in a regional context found that a higher prevalence of business ventures has a positive effect on the likelihood of individuals starting a business themselves (e.g. Wagner & Sternberg, 2004; Mueller, 2006). Individual preferences for self-employment are likely to be influenced by cultural domains, as they are shaped by the region's attitude towards entrepreneurship (Wennekers et al., 2005). According to Etzioni (1987: 182), the level of entrepreneurship within a region depends on "*legitimation*" or "*moral approval*" by the society. Legitimation could be reflected in more attention to entrepreneurship, for example, in the media and the educational system as well as in public policies promoting self employment (e.g. Verheul et al., 2002; Freytag & Thurik, 2007; Hoogendoorn & Hartog, 2011).

Elkington (2008) suggests that social entrepreneurship activities are positively influenced by a culture encouraging entrepreneurship. The assumption is that social entrepreneurship is not merely a social trend of finding solutions to societal problems, but also a cultural phenomenon. It may depend on traditions and habits. Therefore, regions with a pronounced entrepreneurial culture might stimulate social entrepreneurial activities. Estrin, Michiewicz and Stephan (2011) analyse the individual choice to launch a social venture through various micro and macro-level factors as well as the spillover effects of commercial entrepreneurial activity. They find that higher levels of commercial entrepreneurship support the prevalence of social enterprises at a regional level. One might therefore expect a positive impact of the regional commercial entrepreneurship rate on social entrepreneurial activities. This is because a high prevalence of commercial entrepreneurship might signal that entrepreneurship is a "*legitimate occupational choice*" (Estrin et al., 2011: 7). As a consequence, social

entrepreneurs might pursue their social mission through entrepreneurship instead of looking for employment in social organisations created by the government.

3.5.1.2 Access to Finance

As for any growing business, access to appropriate sources of finance is crucial for an enterprise's development (Wiklund et al., 2009). Especially in the case of young ventures, the acquisition of sufficient financial capital is one of the main challenges entrepreneurs face (Zhou & De Wit, 2009). In the same way, the literature on the emergence and development of social entrepreneurship activities emphasises the existence of financial constraints that social entrepreneurs must cope with in order to carry out their mission (Scarlatta, 2010). With sufficient resources, social enterprises are able to experiment with new processes and products, which increase their innovation potential.

The single most important source of equity capital for SMEs is the informal market, which is comprised of two main segments: business angels and friends and family of entrepreneurs ('love money'), whereby the latter tend to be one-off investors (Berger & Udell, 1998; Elkington, 2008; Reynolds, 2011). Nevertheless, they account collectively for the vast majority of the flow and stock of informal investment (Bygrave & Hunt, 2004) – especially in the case of social entrepreneurship (Meyskens et al., 2010). This applies particularly to the process of social enterprise establishment and expansion stages.

As outlined in several reports on the financing conditions of social entrepreneurship, social enterprises face difficulties in finding sources of funds and the inability to get finance constitutes the biggest barrier of their development (Phillips, 2006; Muñoz, 2010). It seems that there is also a lack of demand for debt and equity finance by social firms. According to a report by the Bank of England (2003), social enterprises are reluctant to borrow. This reluctance appears to stem from three main factors. First, there is a cultural risk-aversion associated with borrowing, as many organisations are concerned about putting community or family assets at risk by using them as security on a loan. Also, objections are raised to the terms of borrowing, especially the requirement to pay interests that could be put to what is perceived to be a better use. The second problem is the lack of business experience among management and trustees. Thus, they are not confident about assessing the costs and benefits

associated with debt or equity finance. Third, the availability of risk-free grants is a disincentive to borrowing (Scarlatta, 2010).

It should be noted, however, that the grant funding landscape is changing and it has become an increasingly competitive and demanding marketplace (Nicholls & Cho, 2006). Therefore, it is important to find ways to reduce the dependence on charitable donations and grants. In terms of traditional equity finance, demand and supply for this type of finance, e.g. venture capital, is low due to the difficulty of social businesses in providing timely financial return (Elkington, 2008). There is evidence of demand among social entrepreneurial organisations for some type of "*patient*" finance, particularly in the expansion stages (Scarlatta, 2010: 1). In this context, social venture capital is becoming increasingly popular. These innovative funds provide grants, loans and equity to social entrepreneurs, as well as non-financial support, such as consulting and networking contacts. While traditional venture capital funds focus on financial return only, social venture capital funds place equal or even more emphasis on the social impact of an undertaking, i.e. the degree of societal change caused by the social enterprise (John, 2006)[32]. In June 2012, European venture philanthropy investment hit the EUR 1 billion mark[33]. According to a survey by the European Venture Philanthropy Association (EVPA) in 2012, firms working in venture philanthropy have invested a combined sum of EUR 1.04 billion since they began. Moreover, the poll of 50 venture philanthropy firms found the industry had reached the landmark number even though the firms involved tend to be small, with a median size of EUR 11 million (EVPA, 2012). Nevertheless, despite the rapid growth of venture philanthropy over the last decade, it still remains a small percentage of total grant-making[34].

3.5.1.3 Social Capital

Various studies have highlighted the importance of social capital in the concept of entrepreneurship (e.g. Seelos et al., 2010). Social capital refers to informal norms of cooperation (Stephan & Uhlaner, 2010), or more broadly, it can be conceptualised as "*stock of active connections among people, the trust, mutual understanding and shared values and*

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[32] According to Lawaldt (2011), there are currently approximately 25 larger social investment and venture philanthropy funds in Europe as well as several funds in the making, most of which are presented through the European Venture Philanthropy Association (EVPA).

[33] See: http://www.efinancialnews.com/story/2012-06-07/venture-philanthropy-investments-1bn [Accessed: 24 January 2013].

[34] See: http://www.philanthropyuk.org/resources/venture-philanthropy [Accessed: 24 January 2013].

behaviours that bind the members of human networks and communities and make cooperative action possible" (Kent & Anderson, 2002: 28). Social capital is a valuable asset that can produce advantage for individuals and firms as a function of their location within a network of relationships. In this way, it shapes a social entrepreneur's ability to coordinate between and among partners of his venture (Myers & Nelson, 2010). In order to be measured, social capital can be assessed in various ways, inter alia, as the level of generalised trust within a population. Generally, 'trust' is commonly seen as a decisive component of social capital in the literature (Coleman, 1988; Putnam et al., 1993; Fukuyama 1995).

Whatever impulse compels social entrepreneurs to create and develop a social venture, each social entrepreneur has to mobilise resources to pursue his social, rather than private, objectives at either the local or national level. Social enterprises require voluntary activity to operate, therefore, one might expect them to flourish in areas with strong degrees of social capital (Buckingham et al., 2012). Social capital enables social enterprises to reduce transaction costs with stakeholders, in particular those resulting from low levels of trust, and to reduce production costs by gaining access to volunteers, donations and partnerships (Laville & Nyssens, 2001). Similar to other types of resources, social capital needs investment in order to become useful. Social firms have to invest in their social relations by communicating and transacting continuously with other actors. Obviously, this consumes time and thus, directly or indirectly, financial resources (Sommerrock, 2010). Consequently, social enterprises need to invest financial and human resources in order to use the accumulated social capital, which gives social entrepreneurs certain advantages that serve to create social value (Evers, 2001).

In order for social enterprises to achieve their social goals, they often need to bridge gaps across regions, organisations, industries and societal sectors. Social capital provides social entrepreneurs with this brokerage by tapping the resources of their network. While a social enterprise's stock of financial and human capital may be largely fixed at its infancy or early growth stage, it can be assumed that the enterprise's social capital is shapeable on application and regenerative through use (Myers & Nelson, 2010). The type of application of social capital and its value creation become the key factors that influence a social enterprise's sustained growth. As resource needs increase with the enterprise's expansion stage, social entrepreneurs can look to bridging social capital to generate the resources needed to survive and grow. Under such conditions, diverse networks provide critical advantage (Myers & Nelson, 2010).

According to Leadbeater (1997), social capital is a direct result of the way social enterprises operate, as they work by bringing people together. Through the creation of social initiatives that aim to benefit others, social entrepreneurs signal that it is good to care about others, leading to a reinforcement of the norms of cooperation (Estrin et al., 2011).

3.5.1.4 The Size of the Non-Profit Sector

During recent years, there has been a considerable surge of interest in those institutions that operate outside the confines of the market and state (Sampson, 2011). Typical examples include neighbourhood associations, private hospitals and schools as well as social service providers. These organisations and activities constitute the non-profit sector, which is also known as the voluntary sector, the citizen sector, the civil society or the independent sector (Salamon et al., 1999). According to the body of literature, social entrepreneurship is located mainly within the citizen sector, but integrates features from other sectors as well (Somerrock, 2010)[35]. Over the last two decades, with the rise of the civil society sector, the popularity of social entrepreneurship has exponentially increased (Davis, 2002). In this context, the dimension of the civil society sector has influenced the development of social entrepreneurial activities.

With organisations from the civil society sector, social enterprises often share their mission for social value creation and the fact that they are deeply embedded in the communities in which they operate. As social enterprises require cooperation and voluntary activity to operate, one might expect them to be predominantly present in those areas with a pronounced citizen sector (Buckingham et al., 2012). Therefore, the size of the civil society sector is an important framework condition of social entrepreneurship and it may also serve as a good indicator for social enterprise growth.

3.5.1.5 Population Density

Research shows a positive impact of population density, expressed through the urbanisation rate, on commercial entrepreneurship activities (e.g. Brixy & Grotz, 2002; Bergmann, 2003; Parker, 2009). Agglomeration areas are able to support the growth of entrepreneurial activity

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[35] See Chapter 2.4 of this present thesis for further explanation.

because of market proximity and business infrastructure (Bergmann, 2003). Research centres and universities, often located within urban areas, can offer an educated workforce and access to innovational processes and products (Verheul et al., 2001). Moreover, the establishment of businesses in a certain area is likely to attract other business because of the opportunities of cooperation. A geographic concentration of ventures reduces average transaction costs for each entrepreneur while facilitating efficient transfers of knowledge and skills (Parker, 2009). Hence, high population density in urban regions may be an important trigger for the existence and development of entrepreneurial activities (Audretsch & Keilbach, 2004).

In the case of social entrepreneurship, no hypothesis exists regarding the relationship between population density and social entrepreneurial activities, such as social enterprise growth. Even though Haugh (2005) and other scholars highlight the link between the operational environment of social enterprises and their ability to pursue certain social goals, these studies have failed to examine the impact of agglomeration effects in the generation and operation of social entrepreneurship. Research on the geography of social entrepreneurship suggests that there are more social enterprises located in rural areas, but more studies are needed to interrogate why these patterns emerge (Harding, 2006). Social enterprises strongly depend on cooperation and voluntary activity to operate. Hence, it could very well be that the level of volunteering in small villages is very stable and in some cases even higher than in urban areas, meaning that the citizen sector is particularly pronounced in rural areas. Civic participation may be on average higher, as citizens in rural areas feel committed to cooperate in the local social activities (Neu, 2007).

3.5.2 Demand-Side Factors

3.5.2.1 Social Entrepreneurship and Regional Opportunity Structure

According to the theoretical framework of the drivers of social enterprise development (Buckingham et al., 2012), the demand-side is characterised by the contextual conditions, i.e. the capability to set up a social enterprise and the potential for social firms to grow. In the body of social entrepreneurship literature, the market oriented dimension of social entrepreneurial activities is a defining feature of the concept. In this context, market orientation involves the rationalised search for financial returns in order to support the advancement of social objectives (Nicholls & Cho, 2006). Working toward financial

sustainability is essential if an approach to a social problem caused by market failure is to be successful enough to have transformative potential (Sampson, 2011). Therefore, social entrepreneurs recognise the value of market orientation, as the effective deployment of resources gives primacy to the achievement of its social goals (Nicholls & Cho, 2006).

The general regional economic framework conditions, e.g. the regional opportunity structure (Stuetzer et al., 2011), have an influence on the extent of the sustainability and growth of social enterprises. Regional economic factors, such as the level of economic development, the average purchasing power and population density, exert an impact on social enterprise commercial income streams. Social enterprises that are in the infancy or early growth stage of existence often operate exclusively on a local scale and thus particularly depend on the market conditions of the region in which they are engaged. The impact of regional market conditions becomes obvious when studying the various operational business models suitable for social enterprises. Each social enterprise has to find a model responsive to the unique character of the social problem addressed. At the same time, it depends on the economic market conditions, as it has to sell its products and services in the open market in order to fulfil its social mission.

Nevertheless, care should be taken with widely-held popular beliefs that unfulfilled societal needs and a low level of economic development are only present in low-income or developing countries (Mair, 2010), thus leading to high demand for social enterprise activities. Various indices published by national and international organisations as well as barometers, such as the Human Development Index (HDI) and GDP indices, are supposed to provide information on the economic, social and political conditions in a country. However, these indices reflect only the average performances of countries and are a poor basis to make reliable statements on the realities at a regional and local level (Mair, 2010).

3.5.2.1.1 Economic Development and Entrepreneurship

There are many concepts of economic development. A well-known operational notion of economic development is the so-called 'structural transformation' concept, which focuses on the accompanying, interrelated processes of structural change (Syrquin, 1988). The core components of this transformation are represented by the accumulation of physical and human capital as well as shifts in the sectoral composition of economic activity (production,

employment and consumption). In this context, related socio-economic changes are urbanisation, demographic transitions, a growing level of education and changes in the distribution of income (Wennekers, 2006). In a modern perspective of economic development, as propagated by Porter, Sachs and McArthur (2002), economic development is related to increasingly sophisticated ways of producing and competing and it implies the evolution from a resource-based to a knowledge-based economy. The transition to a knowledge-based economy requires the ability to generate as well as to commercialise knowledge. A critical mass of knowledge, technologies, skills and purchasing power has to be built up so that innovation can achieve increasing returns of scale. This will trigger a self-perpetuating process of continuing innovation and long-term economic growth (Sachs, 2000).

Empirical studies on entrepreneurship have reported a negative relationship between the level of economic development and entrepreneurial activities (business ownership) in the labour force (Carree et al., 2002). Economic development is usually measured by per capita income, but it is also reflected in the average wage rate. A low level of prosperity usually goes along with lower levels of wages. Subsequently, economic development leads to a rise, which increases the opportunity cost of self-employment (Lucas, 1978). Furthermore, with economic development "safe" professional earnings rise and fewer individuals will be willing to take risks and launch their own venture (Iyigun & Owen, 1998; Wennekers et al., 2007). Some authors refine this argument and claim that entrepreneurship does not show a simple monotonic decreasing relationship within per capita GDP, but is U-shaped, falling as per capita GDP rises and then levelling off or rising at high levels, because advances in technology are complementary with entrepreneurship (Parker, 2009). Wennekers, Thurik, Van Stel and Noorderhaven (2005) estimate that entrepreneurship is inversely related to national income but positively related to its square. They interpret their findings in terms of 'necessity' entrepreneurship declining as GDP rises from low levels and 'opportunity' entrepreneurship increasing as GDP rises at high levels (Wennekers et al., 2005).

In the pertinent body of literature, there is no hypothesis on the relationship between the level of economic development, in terms of GDP per capita, and social enterprise growth. Hence, any hypothesis has to be drawn from assumptions and insights from entrepreneurship literature. According to the findings from the GEM of social entrepreneurship in 2009, Bosma and Levie suggest that individuals in richer countries, having satisfied their own basic needs, may be more likely to focus on the needs of others. As a consequence, the opportunity costs of social entrepreneurship in developing countries may be higher (Bosma & Levie,

2010). Hoogendoorn and Hartog (2011) study the prevalence and macroeconomic drivers of social entrepreneurship across 49 countries by drawing from the GEM 2009 data set. Their regression results imply that social entrepreneurship is a phenomenon strongly driven by a country's level of wealth. The association between per capita GDP and social entrepreneurship is positive, whereas the opposite holds for commercial entrepreneurship. Their results further suggest an inverted U-shape for the case of social entrepreneurship (Hoogendoorn & Hartog, 2011). Hence, social enterprises can flourish in those areas where people can actually afford to be involved in social entrepreneurial activities – either by running a social venture or by consuming 'social' products. Furthermore, social entrepreneurship benefits from the positive effect of social trust on economic development (Nissan et al., 2012)[36].

3.5.2.2 Population at Risk of Social Exclusion

Social exclusion, as conceptualised by the European Union, encompasses a range and depth of mutually-reinforcing problems and it does not simply describe the static condition of poverty or deprivation (Silver & Miller, 2003). Poverty is a distributional outcome, whereas exclusion is a relational process of declining participation, solidarity and access (Amin et al., 2002). Therefore, exclusion reflects the processes by which aspects of social marginalisation are intensified over time. Moreover, social exclusion is generally seen as multidimensional, as it can manifest itself in numerous ways. The key dimensions of exclusion are outlined as 1. Consumption: The capacity to purchase goods and services; 2. Production: Participation in socially valuable activities; 3. Political Engagement: Involvement in local or national decision making and 4. Social interaction: Integration with family, friends and community (Teasdale, 2009). The lack of participation in any one dimension is sufficient for social exclusion. Nevertheless, the most commonly cited source of poverty and social exclusion remains unemployment. This is because the resultant denial of access to economic resources has been the most frequently quoted cause of social exclusion in those regions in which unemployment has been a persistent problem (Amin et al, 2002). Even though there are other dimensions of social exclusion than the lack of paid work, there is no doubt that this aspect is

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[36] According to Birch & Whittam (2008) and Buckingham et al. (2012), although the concept of social trust and social capital is contentious, and organising abilities are sometimes found in strong measure in poorer communities, there is some consensus that in general both business skills and social capital are stronger in more affluent areas.

often linked to it. Hence, this view is prevalent in the United States and in the European Union, as their policy circles define social exclusion in terms of economic exclusion (Levitas, 1996).

Social exclusion is also understood to be spatially dependent. Geddes (2000: 783) emphasises the spatiality of social exclusion and refers to a "*new geography of deprivation and problems of disorder associated with economic, physical and social degradation in many urban neighbourhoods. [...] These include those concentrations of the poor in large public (Fordist) housing estates, but also in other urban locations that are frequently cheek by jowl with affluence, including neighbourhoods with large migrant and/or ethnic populations or 'racial ghettos' and remoter rural regions*". In this context, Amin, Cameron and Hudson (2002) emphasise that even though socially excluded individuals are excluded from the national, and by extension global, labour market, re-entry is understood to be local. This is due to the fact that the standard representation of social exclusion is linked to a specific spatial scale – commonly that of the local community. Therefore, the compounded forms of social and material deprivation that the term of social exclusion is used to describe tend to be concentrated in particular marginalised geographical areas (Amin et al, 2002). Consequently, the debate on the causes and locations of social exclusion has become cast in terms of geographically-defined regions. The growing policy interest lies on localised solutions via local social initiatives (Geddes, 2000).

According to the latest data on population and social conditions from Eurostat, a total of 23% of EU citizens were considered to be at risk of poverty or social exclusion in 2010 (Eurostat, 2012) (based on the definition adopted for the Europe 2020 strategy[37]). 'People at-risk-of-poverty or social exclusion' is the headline indicator to monitor the EU 2020 strategy poverty target. It reflects the share of the population which is either at risk of poverty, or severely deprived or lives in a household with low work intensity. Furthermore, the at-risk-of-poverty rate reflects the percentage of people with an equivalised disposable income below the poverty threshold, which is set for each country at 60% of the national median equivalised disposable income. According to this definition, in 2010 around 16% of the European population was suffering from poverty (Eurostat, 2012). Moreover, European researchers and policy makers have realised that social exclusion is a much broader concept than just income

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[37] Europe 2020 is the EU's growth strategy for the coming decade. This strategy aims at transforming the EU into a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion. See: http://ec.europa.eu/europe2020/index_en.htm [Accessed: 24 January 2013].

poverty, in so far as there may be many other factors that leave groups of society isolated. These include such wide ranging factors as access to education, childcare and healthcare facilities, living conditions, as well as social participation (Eurostat, 2010a).

3.5.2.3 Can Social Enterprises Address Social Exclusion?

A key determinant of a social entrepreneurial organisation is the primacy of the social mission over all other organisational objectives (Dees, 1998a). The social mission represents identification of unmet social need and the opportunity to create social value (Ferri & Urbano, 2010). Hence, social entrepreneurs bear responsibility for ameliorating social conditions within the regions in which they operate. The general policy rationale for supporting social enterprises as means of tackling exclusion is based on the claims that social enterprises are effective at providing social solutions for excluded groups and creating just and inclusive communities (Amin et al., 2002). The experience of social entrepreneurs is relevant to the delivery of a wide range of social services. If the processes were better understood, it could help in the fulfilment of the Europe 2020 targets (European Commission, 2010).

Social enterprises provide real opportunities for work experience and jobs for people within their own communities. Hence, social entrepreneurs have the potential to directly impact on poverty. Some scholars state that social enterprises can revitalise 'depleted communities' through strong and active networks of social relations (e.g. Johnstone & Lionais; 2004; Teasdale, 2009). The social impacts provided in this way are thus linked to the ability of social enterprises to mobilise and reproduce social capital (Teasdale, 2009), e.g. networks, norms and trust, which enable the participants to act together more effectively to pursue shared objectives (Putnam, 1995). According to Estrin, Mickiewicz and Stephan (2011), social entrepreneurship can be perceived as a dynamic form of social capital. Social enterprises undertake entrepreneurial activity to pursue their social rather than private objectives at the regional level, building voluntary structures that support group needs and thereby building and enhancing levels of trust. The dynamic aspect of social entrepreneurship lies in social self-organisation, e.g. the introduction of innovation and changes in social structures (Olson, 1982). This helps prevent social enterprises becoming over embedded in the existing structures of the social and political establishment and adoption of para-state

characteristics that have little in common with building societal norms of cooperation (Estrin et al., 2011).

3.5.2.4 Size of Government

Entrepreneurial theory related to macro-level factors posits that government activism, proxied by the size of the state sector, is a key determinant of entrepreneurship (Fogel et al., 2006). Empirical research confirms that a small state sector is positively associated with commercial entrepreneurial activity (Aidis et al., 2012). Aidis, Estrin and Mickiewicz (2012) argue that a greater level of state expenditure implies weaker budget constraints on government spending, thus leading to a more extensive welfare system. Moreover, the fact that a larger state sector has to be financed by higher levels of taxation may also militate against commercial entrepreneurship because of the associated higher opportunity costs (Aidis et al., 2012). Increasing the marginal level of taxes weakens incentives for entrepreneurship by reducing potential profits. Moreover, high levels of social welfare and state-sector employment provide alternative sources of income, by increasing alternative wages and thus deterring entrepreneurs from hiring labour and reducing the net expected return on entrepreneurship (Parker, 2009).

The literature contains a counterargument with respect to government activism and social entrepreneurship. In regions where the state provision of social services remains limited, there is more demand for self-organisation responding to social needs (Estrin et al., 2011). Particularly in liberal economies many social needs are not taken care of by either the state or the public sector. For example, in traditional liberal economies such as the US, the plight of Native Americans or the poverty in inner cities have been ignored to a certain extent by the public social systems and are therefore at the centre of social entrepreneurship activities (Mair, 2010). Needs may also emerge as traditional ways of approaching certain existing realities or conditions clash with modern practices, as the following example points out: In contrast to the US, Germany is a country which is characterised by an extended social welfare system, where societal needs are catered for by the state or the public sector. However, needs emerge as the traditional shared belief that women with children under four should stay at home to look after them clashed with new career models for women (Mair, 2010). The insufficient infrastructure to take care of young children during working hours thus provides demand for social entrepreneurship (Mair, 2010). Social enterprises typically address unmet

social problems or new social opportunity creation that the public sector has not been able to tackle (Hoogendoorn & Hartog, 2011). For instance, in countries where the provision of social services (health, cultural leisure and welfare) is scarce, the emergence and development of social entrepreneurial activities is significant (Cornwall, 1998). Thus, social entrepreneurs operate in areas where government-based support structures for allocating resources and power have failed. They perceive these failures as a source of opportunity, leading to the creation of innovative solutions and social value in order to address them.

The nature of the relationship between the state sector and social enterprises is regionally bound. In Europe, for instance, some scholars argue that the situation is characterised by a relationship of partnership and interdependence (Borzaga & Defourny, 2001; Nyssens, 2006), e.g. social enterprises and the government complement each other. According to Young (2008), a relationship of interdependence or a contractual relationship occurs frequently in the US, but for different reasons (Hoogendoorn & Hartog, 2011). The resource scarcity in the US drives social enterprises to seek preferred and non-preferred service offerings. Therefore, it can be expected that part of the government budget favours the development of social enterprise activities (Hoogendorn & Hartog, 2011).

It is hard to determine the direction of the relationship between the size of the state sector and social enterprise growth. On the one hand, it can be concluded that less extensive welfare systems create opportunity spaces for social enterprises so that public spending and the development of social entrepreneurial activities are inversely related. On the other hand, social enterprises do not necessarily have to function as a residual of unsatisfied social provision by the state, as social entrepreneurship can be more flexible and proactive in responding to societal needs (Hoogendoorn & Hartog, 2011). Social entrepreneurs tend to mobilise political support needed to stimulate government involvement (Salamon & da Costa Nuñez, 1995; Salamon et al., 2000; Young, 2000; Hoogendoorn & Hartog, 2011). It should also be noted that the boundaries of public social models, e.g. cooperative economies (social welfare state) versus liberal economies, are blurring. For example, some cooperative economies in Europe are adopting elements from liberal economic models, such as presented in the US (Mair, 2010). This overcomplicates the situation when predicting the influence of the size of the state sector on social enterprise growth.

3.5.2.5 Quality of Governance

According to the definition provided by the World Bank, government is "*the traditions and institutions by which authority in a country is exercised. This includes 1. The process by which governments are selected, monitored and replaced; 2. The capacity of the government to effectively formulate and implement sound policies and 3. The respect of citizens and the state for the institutions that govern economic and social interactions among them*" (Kaufmann et al., 2004: 3). Many economists tend to narrow the concept of good governance by defining it as "*good-for-economic development*" (La Porta et al., 1998: 223). Yet in these definitions, a major problem persists with regards to its measurement. In the field of development economics and comparative politics, there is a high degree of consensus on how, conceptionally, to approach the topic of quality of governance. When trying to quantify the quality of governance, it is generally disaggregated into categories such as corruption, rule of law, bureaucratic effectiveness and strength of democratic and electoral institutions (Quality of Government Institute, 2010). These indicators aim at capturing performance in the public sector.

It is unanimously acknowledged that the institutional system plays a fundamental role in economic development (Iacobuta et al., 2009). Only with a high quality of governance can a country reap the benefits of economic growth and social development (Holmerg et al., 2008). Therefore, good governance is a necessary requirement for countries to foster economic growth. According to Gupta, Davoodi and Alonso-Terme (2002), corruption affects income inequalities and poverty through various channels, including overall growth, biased tax systems, and poor targeting of social programs. In addition, lower levels of quality of governance have a negative impact on development, measured in terms of life expectancy, educational attainment and standard of living, in a given society (Quality of Government Institute, 2010).

Research frequently applies institutional theory in studies on the impact of the quality of governance on entrepreneurship (e.g. Baumol, 1990; Johnson et al., 1997; Glaeser et al., 2003; Aidis et al., 2008; Hodler, 2009; Aidis et al., 2012;). Entrepreneurs adapt their activities and strategic models to fit the opportunities and limitations provided by the institutional environment. According to the literature, in those regions where the institutional environment is weak, entrepreneurs are less likely to undertake new projects (Aidis et al., 2012). High levels of corruption and a weak rule of law impairs entrepreneurial activities in

three different ways. Firstly, it may discourage potential entrepreneurs who are unwilling to engage in corrupt behaviour when starting a business (Aidis et al., 2008) and similarly, it may encourage unproductive and destructive forms of entrepreneurship (Baumol, 1990; Iacobuta et al., 2009)[38]. Secondly, corruption can lead to negative societal attitudes towards entrepreneurship and thirdly, weak rule of law may prevent businesses from growing, as they prefer to avoid expropriation by corrupt tax officials (Estrin et al., 2011; Aidis et al., 2012). Moreover, a corrupt environment may distort entrepreneurial activities. It enables the development of those entrepreneurs who are willing to engage in corrupt practices while hindering the growth of businesses by entrepreneurs who respect the law (Aidis et al., 2012).

While the argument of linking good governance to commercial entrepreneurial entry is well established in the literature, research indicates different reasoning with respect to social entrepreneurship. The 'institutional void' theory (Mair & Marti, 2009; Dacin et al., 2010) suggests a reverse relationship, namely that lack of strong informal institutions leads to a higher demand for social entrepreneurship (Estrin et al., 2011). According to this theory, weak institutions create a 'void' that social entrepreneurs use as an opportunity to create new organisations (Mair & Marti, 2009). Consequently, weak institutions lead to greater demand for social enterprise activities and thus to social enterprise growth. Hence, social entrepreneurship emerges in response to adverse social conditions, such as government corruption.

3.5.2.6 Social Entrepreneurship and Clustering

Clusters are geographically agglomerated industries resulting in ideas pooling and both cooperation and competition between businesses (Verheul at al., 2002). According to the literature, there are many advantages in the geographic concentration of ventures, such as the reduction of average transaction costs for each entrepreneur while facilitating efficient and rapid transfer of knowledge and skills (Parker, 2009). Even though it is not uncommon that pioneering social entrepreneurs act individually and are isolated (Tanimoto, 2008), there are

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[38] According to Baumol (1990), the quality of institutions channels entrepreneurship in different activities: productive, evasive and destructive. Productive entrepreneurship develops when the formal rules (laws, regulations, institutional constraints) are compatible with the informal norms (values, traditions, conventions, behavioural norms) and together they allow the exploitation of profit opportunities. Evasive entrepreneurial activities correspond to the situation where formal institutions fail to provide incentives for entrepreneurs – they prefer to ignore them and to go underground. Destructive (predatory) entrepreneurship occurs when the institutional framework encourages wasteful, unproductive, rent-seeking behaviour.

also many examples of social enterprises clustering in particular regions. Due to geographic proximity to other social enterprises, social entrepreneurs influence each other – they launch social ventures and promote social innovation (Tanimoto, 2008).

According to Tanimoto and Doi (2007), a social enterprise cluster is defined as an organisational accumulation of various actors and entities, such as social enterprises, support organisations, funding agencies, universities and research institutions. In this context, new solutions to diverse societal issues are developed and new social value is created by relationships between the actors. While a social entrepreneurship cluster is located within a specific geographical area, however, it is meant to be an open space and even accessible from the outside. Consequently, suggestions from outside have an influence on concepts and approaches developed within the cluster. Stimuli from outside may "*sometimes destroy a conventional idea*" (Tanimoto, 2008: 13). Social innovations can therefore spill over given geographic restrictions.

The 'Industrial Cluster Theory' by Porter (1990; 1998) lays the groundwork for the idea of social entrepreneurship clusters. According to Porter (1998), the concept of a cluster comprises several entities and actors, such as customers, distribution channels, public and private infrastructure support, economic organisations, research institutions and universities. Although industrial clusters and social entrepreneurship clusters have common characteristics, there are, however, three fundamental differences. Firstly, an industrial cluster primarily consists of one specific industry sector, whereas a social enterprise cluster comprises various sectors. This mix particularly fosters the creation of social innovation (Tanimoto, 2008). Secondly, while a social entrepreneurship cluster is formed in a specific region, it is constructed as an open space allowing other entities from the outside to access it. Thirdly, the interaction between a social enterprise and other stakeholders in the community is crucial. Social entrepreneurship exerts an influence on society's awareness of social problems through business activities (Tanimoto & Doi, 2007).

Social enterprises within a cluster exhibit strong inter-relationships. Due to geographic proximity, social entrepreneurs are able to acquire information, communicate and share inputs in a way that contributes to a collective advantage in solving social issues that could not otherwise be achieved alone. Regarding the promotion of social impact, clustering facilitates collaboration to overcome shared problems. Hence, interrelated social organisations within a social enterprise cluster are able to generate synergetic effects,

whereby the relationship between them can either be cooperative or competitive (Tanimoto & Doi, 2007). Social entrepreneurship clusters are particularly characterised by their social networks that tie the different entities together in a geographic space.

Therefore, social enterprise clusters have an impact on social entrepreneurship growth through the creation of opportunities for enterprises. It also enhances informal and formal relationships and cooperation between the actors, leading to advantages when producing and implementing new products, services and processes which have a social impact.

3.6 Hypotheses Formulation

The theoretical analysis of this present thesis explores the drivers of social enterprise growth at different levels of impact. Based on the eclectic theoretical framework provided, determinants are differentiated between supply and demand factors of social entrepreneurship. In the following, eight different hypotheses are postulated with regards to the factors influencing social enterprise growth. In the absence of hypotheses on the variation of social enterprise growth across-countries as well as across regions on a sub-national level, this study helps to draw assumptions and insights from both entrepreneurship and social entrepreneurship literature. The formulated hypotheses are classified according to the level of impact and are divided into demand and supply-side factors at the regional level. In the subsequent empirical part of this work, the hypotheses will be tested quantitatively. Even though the theoretical review in this chapter includes additional aspects to those captured in the hypotheses, these factors will be later included as control variables in the econometric specification.

3.6.1 Supply-Side Drivers of Social Enterprise Growth

The *supply* of social entrepreneurship is determined by the socio-economic environment in the region in which the enterprise operates. The capacity of social enterprises to respond to unsolved social needs depends on favourable (economic) conditions in the region, which allow social entrepreneurs to draw on essential resources, such as an entrepreneurial culture, funding, social capital and voluntary activities within the society (Sharir & Lerner, 2006; Hynes, 2009; OECD, 2010a; Estrin et al., 2011; Buckingham, et al., 2012).

According to Etzioni (1987: 175), the level of entrepreneurship within a region depends on its "*legitimation*" and "*moral approval*" by the society. Elkington (2008) suggests that social entrepreneurial activities are positively influenced by a culture encouraging entrepreneurship. The assumption is that social entrepreneurship is neither merely a social trend of finding solutions to social problems nor solely an economic approach to achieving commercial sustainability, but also a cultural phenomenon. It may depend on traditions and habits. Therefore, regions with a pronounced entrepreneurial culture might stimulate social enterprise growth (Estrin et al., 2011). The following hypothesis can thus be postulated:

Hypothesis 1: *Social enterprise growth is positively associated with the prevalence of commercial entrepreneurial activity at the regional level.*

The acquisition of sufficient financial resources is one of the key challenges entrepreneurs of young ventures face (Baron, 2008). In the same way, the literature on social entrepreneurship highlights the existence of financial constraints that social enterprises must cope with in order to carry out their social mission (Ferri & Urbano, 2010). Therefore, it can be assumed that the reduction of this growth barrier, e.g. by reducing the risks of budget uncertainty and the dependence on public grants or aid, will positively promote social entrepreneurship. Hence, the supply of financial funding, especially equity finance, is an important social entrepreneurial framework condition.

Hypothesis 2: *Social enterprise growth is positively related to greater access to social capital at the regional level.*

Social capital is the network of relationships that underpins economic partnerships and alliances. These networks depend upon a culture of cooperation, fostered by shared values and trust (Leadbeater, 1997). For social enterprises, social capital is both a result of their activity and a necessary condition for their operation. Social enterprises build voluntary structures that support societal needs, thereby creating levels of generalised trust (Estrin et al., 2011). Since social enterprises require cooperation and voluntary activity to operate, one might expect them to flourish, particularly in those areas with a high supply of social capital (i.e. bonds of mutuality and trust) (Buckingham et al., 2012). In this context, the dimension of the civil society sector (non-profit sector) and the supply of voluntary activities play an important role in the development of social enterprises. This leads to the following assumptions:

Hypothesis 3: *Social enterprise growth is positively associated with the degree of social capital at the regional level.*

Hypothesis 4: *Social enterprise growth is positively associated with the size of the non-profit sector at the regional level.*

3.6.2 Demand-Side Drivers of Social Enterprise Growth

The *demand*-side creates social entrepreneurial opportunities through specific market or social demand for goods and services. It is determined by a combination of factors, including the stage of economic development and social conditions. According to a generalised understanding of the mission social enterprise seek to fulfil, social entrepreneurs bear responsibility for improving social conditions within their geographical scope of operation in order to prevent poverty and social exclusion. For instance, social enterprises employ disadvantaged people, such as disabled, homeless, elderly or former drug-addicts, in the entrepreneurial organisation. By giving them meaningful work and training, social entrepreneurs aim to (re-)integrate these people into society and give them development perspectives (Sommerrock, 2010). Therefore, the demand for innovative solutions to social needs represents an important framework condition of social entrepreneurial activities.

Hypothesis 5: *Social enterprise growth at the regional level is positively associated with the existence of poverty and individuals at risk of being socially excluded.*

In many countries, there has been a systematic retreat by government from the provision of public services. New political ideologies stress citizen self-sufficiency and give primacy to market-driven models of welfare (Leadbeater, 1997). As a consequence, social public spending is reduced and the resources for social services are scarce. In this context, if the state provision of social services remains limited, social entrepreneurship emerges as a response to unmet social needs. Recent studies indicate that a smaller state sector creates demand for social entrepreneurship (Elkington & Hartigan, 2008; Nicholls, 2006; Nyssens, 2006; Zahra et al., 2008). In those countries that are characterised by a less extensive welfare state, the development and growth of social entrepreneurship is significantly higher. This begs the suggestion that there might be a similar dynamic at the regional level.

Hypothesis 6: *Social enterprise growth is negatively associated to the size of the government and the provision of social services.*

The quality of governance comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences (World Bank, 2011)[39]. It is widely acknowledged that good governance is essential for sustainable development. Well-functioning legal and government institutions bound by the rule of law are vital to good governance. Weak legal and judicial systems, where laws are not enforced and corruption is the norm, undermine respect for the rule of law and also progress towards sustainable development (Sachiko & Durwood, 2007). While the argument linking the quality of governance, proxied by strong institutions bound by the rule of law, to commercial entrepreneurship is well established in the literature, nevertheless there also exists a counterargument with respect to social entrepreneurship. In particular, the line of reasoning represented by the 'institutional void' theory (Dacin et al., 2010; Mair & Marti, 2009) suggests a reverse relationship, namely the lack of strong formal institutions leads to a higher demand for social entrepreneurial activities and thus higher social enterprise growth (Elkington, 2007). Weak institutions create 'void' that social entrepreneurs use as an opportunity to develop their enterprises (Estrin et al., 2011). It can therefore be postulated:

Hypothesis 7: *Social enterprise growth is negatively associated with good governance in terms of low levels of corruption and institutions bound by the rule of law.*

3.6.3 Firm Level Determinants

Even though the main emphasis of this study focuses on external contextual factors driving social enterprise growth, firm level characteristics have to be equally considered in the assessment. Organisational strategies, the availability of sufficient business resources and organisational structures determine a social enterprise's performance and sustainability. In particular, the operational strategy, the geographical scope of operation and a social enterprise's networks are considered to be growth predictors. Social enterprises may have to

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[39] See:
http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/MENAEXT/EXTMNAREGTOPGOVERNAN
CE/0,,contentMDK:20513159~pagePK:34004173~piPK:34003707~theSitePK:497024,00.html [Accessed: 24
January 2013].

deploy several and different operational business models, by diversifying (adopting more than one business model) and applying complex operational strategies (adopting several and different business models), to achieve greater social and economic business success.

The choice as regards to the geographical scope of operation has an impact on the scalability of social impact. If a social business decides to operate on a national or international level, it can increase its scale and augment social impact (Lyon & Fernandez, 2012). In addition, the expansion of the territory of a social enterprise's operations can extend the overall market penetration, thus, driving forward the growth of the enterprise (Grossman & Rangan, 2001). Furthermore, in order to meet societal needs which emerge in different regions, social enterprises may have to expand their infrastructural capacities, for instance in terms of social networks. Networks typically include informal connections (family, friends, intimates) as well as formal connections (associations, work colleagues, institutions, state) (Stone, 2001). They provide social entrepreneurs with new ideas, information, advice and other resources and they reduce transaction costs by promoting trust between the network partners. Moreover, network building by social enterprises facilitates the appropriation of these networks by the target groups envisaged in their social missions (Hervieux & Turcotte, 2010). Hence, the reliance on social networks as well as its proactive development presents a crucial organisational strategy that triggers social enterprise growth at the regional level. Thus, the following hypotheses are suggested:

Hypothesis 8a*: Social enterprise growth is positively related to complexity and diversity strategies.*

Hypothesis 8b*: In particular, social enterprise growth is positively related to a broader geographical scope of operation, e.g. on a national or on international level,* as well as

Hypothesis 8c*: The extent of its participation in formal and informal social networks.*

The following diagram shows the different connections between organisational and regional level factors and social enterprise growth, as captured in the eight hypotheses. Also, it shows the nature of the relationships between the factors of influence and social enterprise growth (positive or negative relation). On a regional level, a distinction is made between determinants on the supply and demand side. The supply and demand create conditions for social entrepreneurship and specifically social enterprise growth. Factors on the demand side create social entrepreneurial opportunities through the societal demand for goods and

services, whereas the supply side provides resources which are vital for social enterprise sustainability. Moreover, the influence of the regional factors in firm growth can be modelled and examined across countries or across sub-national regions.

Figure 10 Firm level (abilities and strategies) and regional level factors (resources and opportunities) affecting social enterprise growth.
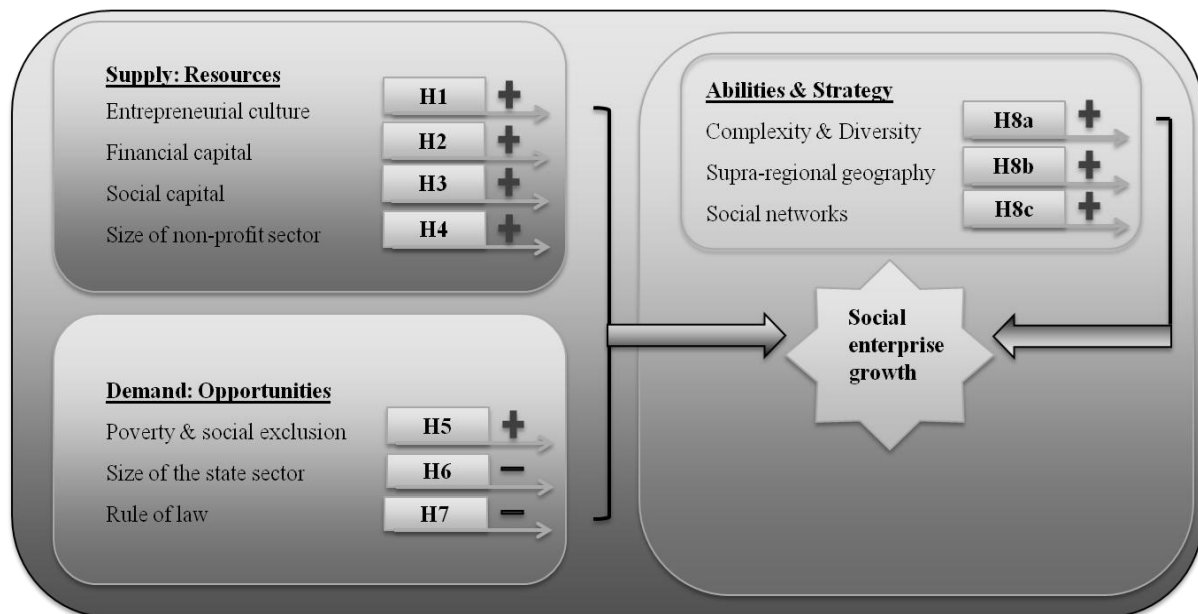
3.7 Conclusion

Social entrepreneurship attracts attention from practitioners, academics and increasingly from policy makers. A growing number of cases showing the potential of social entrepreneurs to alleviate society's troubles are subject to scholarly and media attention. However, the general understanding of the drivers of social entrepreneurial activities at the regional level and of the factors that influence them are limited. Therefore, the main objective of this present chapter is to explore the socio-economic drivers of social enterprise growth at a regional level by analysing organisational and regional level factors. With respect to the regional level drivers, eight hypotheses are postulated by drawing on various theoretical perspectives. It can be concluded that for understanding the geography of social enterprise development, one should focus on the relation between demand or need and the regional capacity to supply social entrepreneurship, including the resources available. As social entrepreneurship determinants are unequally distributed across regional units, this may lead to spatial heterogeneity of social enterprise growth within and across countries.

Part III of this thesis explores the organisational strategies and socio-economic drivers of social enterprise growth by merging unique social firm-level data with regional-level indicators and empirically testing the elaborated hypotheses.

PART III. EMPIRICAL APPROACH AND METHODOLOGY

CHAPTER IV: RESEARCH SAMPLE

4.1 Introduction

Chapter IV introduces the empirical part of this thesis, thereby providing information on the data sample. The first four sections give an insight into the EU-funded research project 'SELUSI', which initiated data collection on social enterprises across five European countries in 2009/2010. Furthermore, it explains the specific data collection methods applied to overcome the problem of gathering information on 'hidden populations', as no exhaustive list or register of social enterprises exists in Europe. Last, a brief overview on key firm-level characteristics in the SELUSI sample will be given.

4.2 The SELUSI Project

The EU-funded project SELUSI[40] is a partnership between several academic institutions (Catholic University of Leuven, IESE Business School, Harvard Business School, The London School of Economics and Stockholm School of Economics) aiming at studying the market and organisational behaviours of social enterprises across Europe. The overall objective is to gain knowledge on how to leverage social enterprise expertise to help boost the competitiveness of Europe's service sector[41]. The SELUSI project was initiated within the framework of the Europe 2020 growth strategy[42], which aims at making the EU a more sustainable and inclusive economy (European Commission, 2010)[43]. To meet these targets, the EU and the Member States must ensure high levels of employment, productivity and social cohesion by 2020 (European Commission, 2010). In this context, social entrepreneurship has proved to be an effective tool for solving social problems and societal needs, thereby contributing towards sustainable regional development (OECD, 2010a). Thus, policy makers have a high interest in implementing accurate support to promote social entrepreneurship and particularly social enterprises.

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[40] See: http://www.selusi.eu/ [Accessed: 24 January 2013].
[41] The project is funded by the European Commission FP7 programme (Socio-Economic Sciences and Humanities) focussing on social innovation and addressing innovation in services.
[42] See: http://ec.europa.eu/europe2020/index_en.htm [Accessed: 24 January 2013].
[43] In the Europe 2020 strategy, the European Union set out the advances that it wanted to make by 2020. They were gathered together in a small number of integrated guidelines:
i) 75 % of the population aged from 20 to 64 should have a job; ii) 3 % of the EU's GDP should be invested in R&D; iii) The school drop-out rate should be brought back to less than 10 % and at least 40 % of young people should obtain a higher education qualification; iv) The number of people threatened by poverty should be cut by 20 million.

In general, there is a lack of systematic, rigorous and reliable data on social entrepreneurship activities in Europe. Social enterprise researchers only have access to insufficient information regarding the number and exact location of social enterprises currently operating at a (sub-) regional level (Peattie & Morley, 2009). Researchers and policy makers emphasise the need for comprehensive studies to establish the degree of social enterprise activity, thus providing a picture of how this varies across countries (Peattie & Morley, 2009). Therefore, it is necessary for the EU to initiate a wide-scale mapping of social enterprise activity to facilitate the planned distribution and targeting of social enterprise support – just as a population census is used for public service planning (Muñoz, 2010).

The SELUSI dataset is unique in that it offers the first detailed, population-representative overview of social enterprise locations and related geographical scale. SELUSI provides insights to the regional variation of social entrepreneurial activities (across European countries and across sub-national regions). This knowledge allows conclusions to be drawn for EU and state level policy making geared towards realising the Europe 2020 strategy. Specifically, research insights can be channelled to help inform policy initiatives targeted at responding to the specific needs of social enterprises (European Commission, 2011a).

Over a two-year period a panel dataset was constructed, including information on over 550 social enterprises in the early phase of firm-maturity across Hungary, Romania, Spain, Sweden and the UK. The first data wave was initiated in 2009/2010 (November 2009 until March 2010), the second wave took place between February 2011 and April 2011. In order to explore a wide range of research areas with the panel, the survey modules conjoin established measurements from psychology, economics and management science[44]. The survey questions are a combination of open-ended, closed and rating questions, ranging from the social value orientation of the director[45], innovation behaviour and financing structure to the resource configuration of the enterprise.

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[44] The research areas explored with the SELUSI panel include, among other aspects, social enterprise organisation designs, including operational and business model adaptation and management practices, e.g. strategic management and human resources management. Also, the panel provides information on the measurement of social performance and social impact as well as the (social) innovation creation processes.

[45] The director does not necessarily have to be the founder or owner of the organisation. Some directors were appointed as managing director. Also, in some social enterprises there are several founders.

4.3 The Respondent-Driven Sampling Method – An Approach to the Study of Hidden Populations

When contacting social entrepreneurs, researchers are confronted with two challenges: Firstly, no exhaustive list or registry of social enterprises exists in any European country to date. Secondly, relative to a country's adult population, social entrepreneurs are rare. According to The Global Entrepreneurship Monitor (GEM), an annual population-representative survey focused on entrepreneurship identified an average social entrepreneurship activity rate of 1.8% across 49 countries (Bosma & Levie, 2010). Given these constraints, the Respondent-Driven Sampling (RDS) method was applied to identify the sample of the SELUSI project.

Pioneered by a group of sociologists at Cornell and Columbia universities, e.g. Heckathorn, (1997, 2002), Salganik and Heckathorn (2004), the RDS method allows researchers to obtain data on what is essentially a 'hidden population'[46]. RDS combines so called 'snowball sampling' (getting individuals to refer to those they know, these individuals in turn refer those they know and so on) with a mathematical model that uses weights in the sample to compensate for the facts that the sample was collected in a non-random way[47]. Moreover, RDS represents an advance in sampling methodology, as it makes it possible to sample hard-to-reach groups, e.g. groups that are small relative to the general population and for which no exhaustive list of population members is available[48], as it is the case when sampling social enterprises. According to Heckathorn (1997), even the most socially isolated individuals can be reached by the sixth wave of referral chain. Even though sampling begins with an arbitrarily chosen set of initial subjects, as in most chain-referral samples, the composition of the ultimate sample is wholly independent of the initial subjects. This is actually the distinctive feature of RDS in comparison with other snowball and chain-referral sampling methods (Heckathorn, 1997), as it provides a solution to the central problem of sampling methods, namely the possibility of drawing random initial samples (Spreen, 1992). Therefore, RDS reduces biases resulting from 'voluntarism' (chain-referral samples tend to be biased towards the more cooperative subjects who agree to participate and this problem is

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[46] According to Heckathorn (1997), a population is 'hidden' when no sampling frame exists and public acknowledgement of membership in the population is potentially threatening. Accessing such populations is difficult because standard probability sampling methods produce low response rates and responses that lack candour.

[47] This mathematical model is based on a synthesis and extension of two areas of mathematics, Marcov chain theory and biased network theory, which were not part of the standard tool kit of mathematical sampling theory.

[48] See: http://www.respondentdrivensampling.org/ [Accessed: 24 January 2013].

aggravated when the initial subjects are volunteers, because in terms of cooperation they are outliers) and 'masking' (protecting friends by not referring them) and it further provides means for controlling the biases resulting from differences in the sizes of personal networks. Hence, RDS offers a new approach to resolving the principal problems affecting chain-referral samples.

4.4 Building a Representative Sample of Social Enterprises

In the SELUSI project RDS methodology was applied to extract nationally representative samples. Hence, at the beginning of the project a set of so called 'seed social enterprises' was chosen to stratify according to industry sector, enterprise age, company size, geographical location as well as source of information from which the name of the seed enterprise was obtained. After selecting seeds across regions and industries, each seed social entrepreneur (director of the social enterprise) was asked to nominate three peers in his country (first referral wave). Subsequently, in the second referral wave, the referral companies of the first wave were contacted and interviewed and, in turn, asked for another three referrals (Figure 11). Peer recruiting represents the network-based sampling approach (Huysentruyt et al., 2011). As mentioned above, if referral chains are long enough (six waves), seeds have no significant impact on the ultimate sample composition (Heckathorn, 2002). To work out the network density, the percentage of referral repetition has to be calculated[49].

Overall, thanks to the RDS approach, SELUSI was able to build a longitudinal panel and to consistently collect nationally representative data on 546 social enterprises (after applying the screening protocol) across five European countries in 2010[50].

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[49] At the beginning of the survey, respondents were also asked to report their network size.
[50] During the first wave (2009/2010), a total sample of 581 social enterprises across five countries was collected. In the second wave (2011), 406 social enterprises across four countries participated in the survey, whereby 367 had also participated in the first wave and 39 were added to the panel.

Figure 11 Chain referral procedure (RDS method) in the SELUSI project.
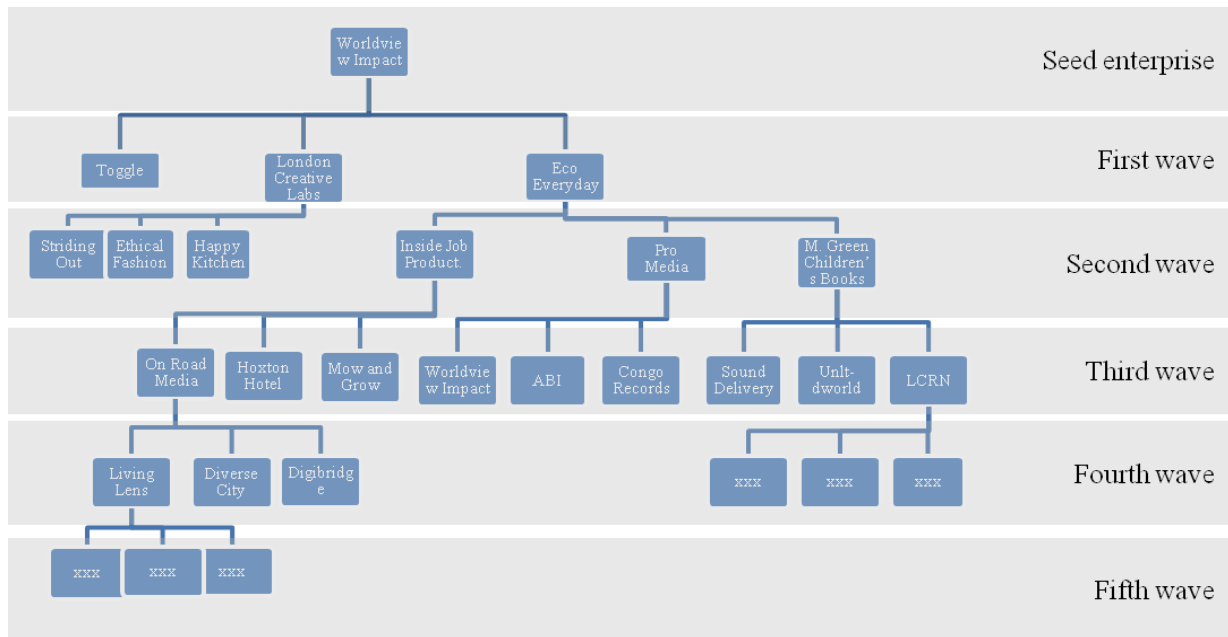
4.5 Data Collection Procedure

Since no single definition exists for social entrepreneurship, SELUSI created specific criteria to frame the population. A screening protocol was introduced at the beginning of the questionnaire in order to exclusively cover social enterprises that meet the definition of a social entrepreneurship in the narrow sense ('working definition'), as provided in Chapter II of this study. To meet the screening criteria, the enterprise's main mission (mission rationale) has to be social (social criterion)[51]. Here, social mission characteristics were interviewer-rated, rather than entrepreneur-reported. In addition, enterprises must employ at least one full time employee (FTE)[52] (excluding self-employed and volunteer-only organisations) and at least 5% of the social enterprise's revenue has to be self-generated, e.g. through trading in the market, i.e. revenues stemming from fees for services or sales of products (entrepreneurial/market-oriented criterion). It is crucial to fully comprehend whether a social enterprise's operational activities result directly from its social mission.

Not-for-profits that are actively trading in the market and are self-generating revenue as well as hybrid and for-profit enterprises with an integrated social mission are part of the sample.

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[51] According to Nicholls & Cho (2006), "[...] *Social entrepreneurship can only be considered a discrete focus of inquiry on the basis of the unique features of its social dimension*".
[52] Full time employees (FTE) work 35 hours per week, whereby neither the owners of the organisation nor volunteers are included.

This is in line with the dominant view that no one legal form solely and adequately represents social enterprises (Austin et al., 2006). Examples of social entrepreneurship can be found in the non-profit, business or governmental sectors (Austin et al., 2006). The project's data collection took place in two different ways: It was acquired by telephone interview with the director and an online survey module to be filled-in by the social enterprise's director. To ensure data accuracy, every telephone interview was recorded and 30% of all interviews were double-scored[53]. This double blinded interview strategy is helpful to avoid biased answers and thus inconsistencies in the data. To provide an incentive for social entrepreneurs to participate, personalised immediate feedback on the online survey was provided, which mostly contains information on the director's performance in terms of management choices, decision-making, risk affinity and on his values. Also, additional feedback reports in the form of individualised peer group benchmarks were made available online[54].

4.6 Sample Characteristics

Based on SELUSI's first data collection between November 2009 and March 2010, the final data set [55] comprises a total of 546 social ventures which are located across the UK, Spain, Hungary, Romania and Sweden. In the following, relevant information on social enterprises' characteristics will be provided in order to advance the understanding of the market and firm level behaviour of social enterprises in the sample – which is important when testing for firm level factors in a multilevel setup.

According to Zhou and De Wit (2009), growth is an organisational outcome resulting from the combination of firm-specific resources, capabilities and routines. Therefore, specific firm level features, such as the firm's maturity, organisational strategies and structures, application of collaboration resources and social impact creation, determine a social enterprise's viability and growth. With regards to firm maturity[56] (Figure 12), social enterprises were on average 14.81 years old (median age (Mdn) 11.00; standard deviation (SD) 20.19 years; range 0–318 years). However, social enterprise maturity varies across countries: In Spain, Hungary and

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[53] Meaning that one analyst interviews the director and another one listens in. Both analysts, the interviewer and the listener, fill out the questionnaire and rate the director's answers independently. Afterwards the answers are compared and discussed.

[54] See: http://www.selusi.eu/index.php?page=business-platform [Accessed: 24 January 2013].

[55] The final data set comprises those social enterprises that met the selection criteria.

[56] In the survey, social entrepreneurs were asked for the year of the social enterprise's formal establishment by registering the enterprise with the appropriate government agency.

Romania, more than half of the social enterprises in the sample were between 12 and 14 years old[57]. Social enterprises in the UK and Sweden were less mature – more than half of the sample was younger than 8.5 years.

Figure 12 Organisational age distribution in the SELUSI dataset.
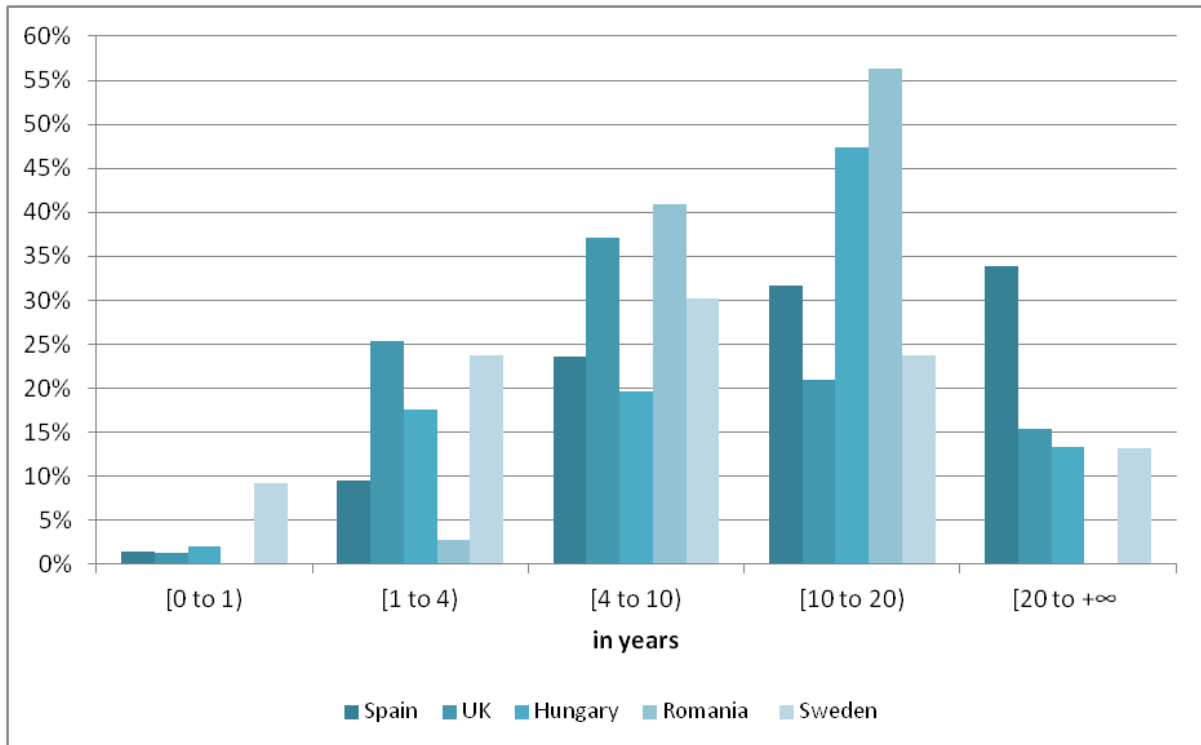
In 2009/2010, the average number of FTEs was 92.12 (not counting owners or volunteers) (Mdn 10.00; SD 397.39; range 1–5000) – although 46% employed less than 10 FTEs. It is notable that 40% of the enterprises interviewed in Spain employed 50 or more FTEs. Only 7.88% of the total sample had a workforce larger than 250 employees. Figure 13 depicts information on the samples' workforce characteristics.

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[57] In Spain, half of the organisations interviewed were 14 years old or younger, in Hungary half of the organisations interviewed were established 13 years ago and in Romania, half of the sample was registered 12 years ago.

Figure 13 Number of FTEs in 2009/2010 in the SELUSI dataset.
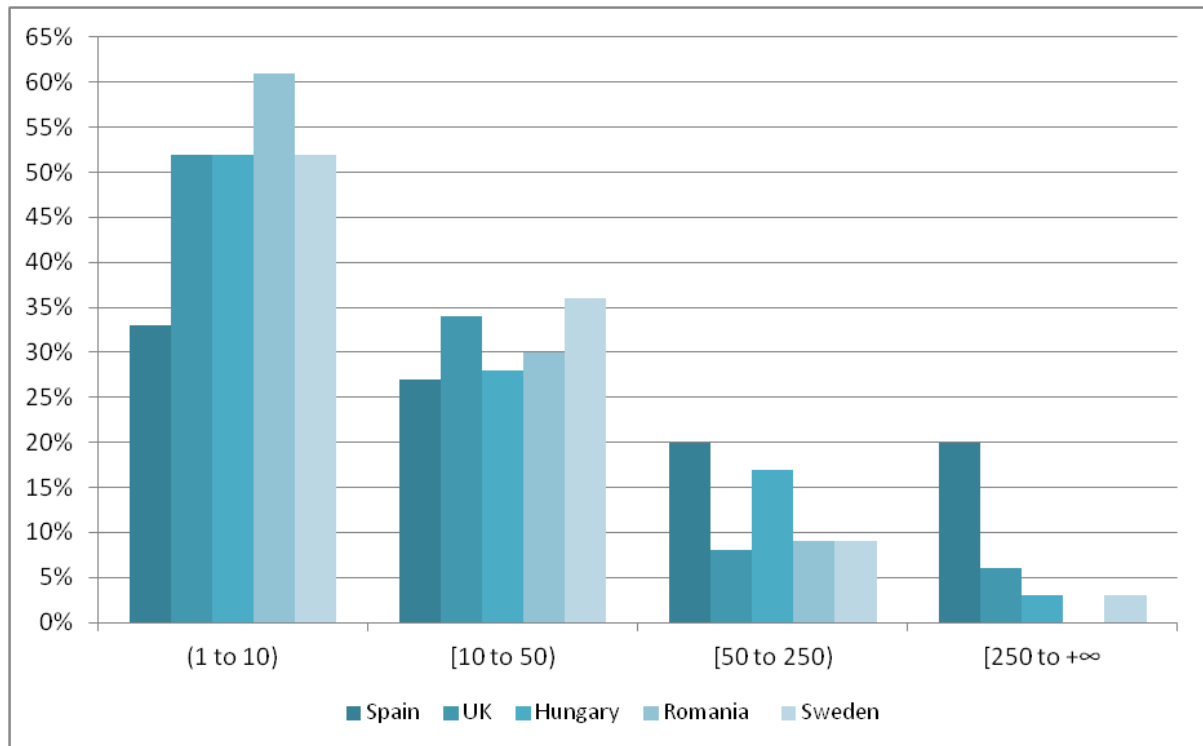
With regards to the revenue situation (Figure 14), the turnover generated by social enterprises was on average EUR 7.78 million in 2009/2010 (Mdn 249,571; SD 37.47; range EUR -1.27 million – EUR 313.00 million). In Spain, the majority of social enterprises interviewed belong to the highest revenue category, above EUR 1 million (54%). The data reveals large national differences: In Hungary, one third of social enterprises generated revenues below EUR 80,000 and about 43% reported revenues between EUR 80,000 and EUR 500,000. Similarly, 41% of social enterprises in the Romanian sample generated revenues below EUR 80,000 and 45% of social enterprises between EUR 80,000 and EUR 500,000. In contrast, 40% of Swedish social enterprises reported revenues of EUR 1 million or more. At the same time, there is a sizeable proportion of enterprises with revenues of less than EUR 80,000. It is striking that UK social enterprises are neither predominantly small nor large in terms of revenues. Nearly 20% of social enterprises in the UK reported annual revenues of EUR 1 million.

Figure 14 Total revenue in 2009/2010 in the SELUSI dataset.
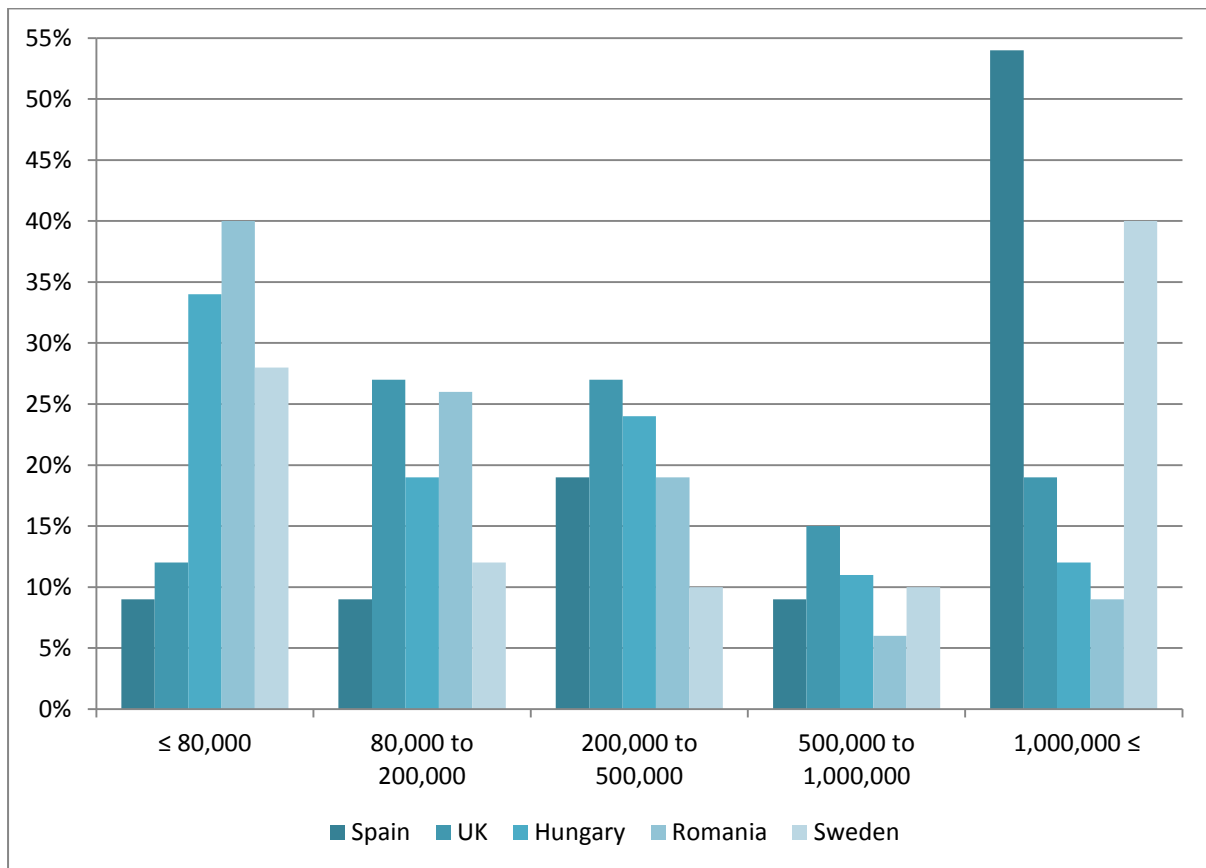
Despite the economic downturn in 2008, social enterprise activities remained stable. Based on the SELUSI survey results, the median number of FTEs working at social enterprises between 2008/2009 and 2009/2010 remained unchanged (average 21.55; SD 64.96; range -75.00 – 400.00) (Figure 15) while social enterprises were able to increase their revenues by 10% (Mdn) (average 28.62; SD 74.67; range -38.00% – 459.40%) (Figure 16). Moreover, social entrepreneurs also self-reported that their social performance, as tracked by their main social performance indicator, was 'better' in 2009/2010 than in 2008/2009 (average .85; Mdn 1.00; SD .91; range -2 – 2)[58] (Figure 17) and only 7% of all social entrepreneurs perceive economic risk or the economic crisis as a barrier to their innovation activities.

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[58] The development of social impact is based on a scale from -2 to +2, meaning that '0 = social impact remained the same in comparison with last year'; '1 = social impact is better in comparison with last year'; '2 = social impact is much better in comparison with last year'; '-1= social impact is lower in comparison with last year'; '-2 = social impact is much lower in comparison with last year'.

Figure 15 Employment growth between 2008/2009 and 2009/2010 (in %) in the SELUSI dataset.
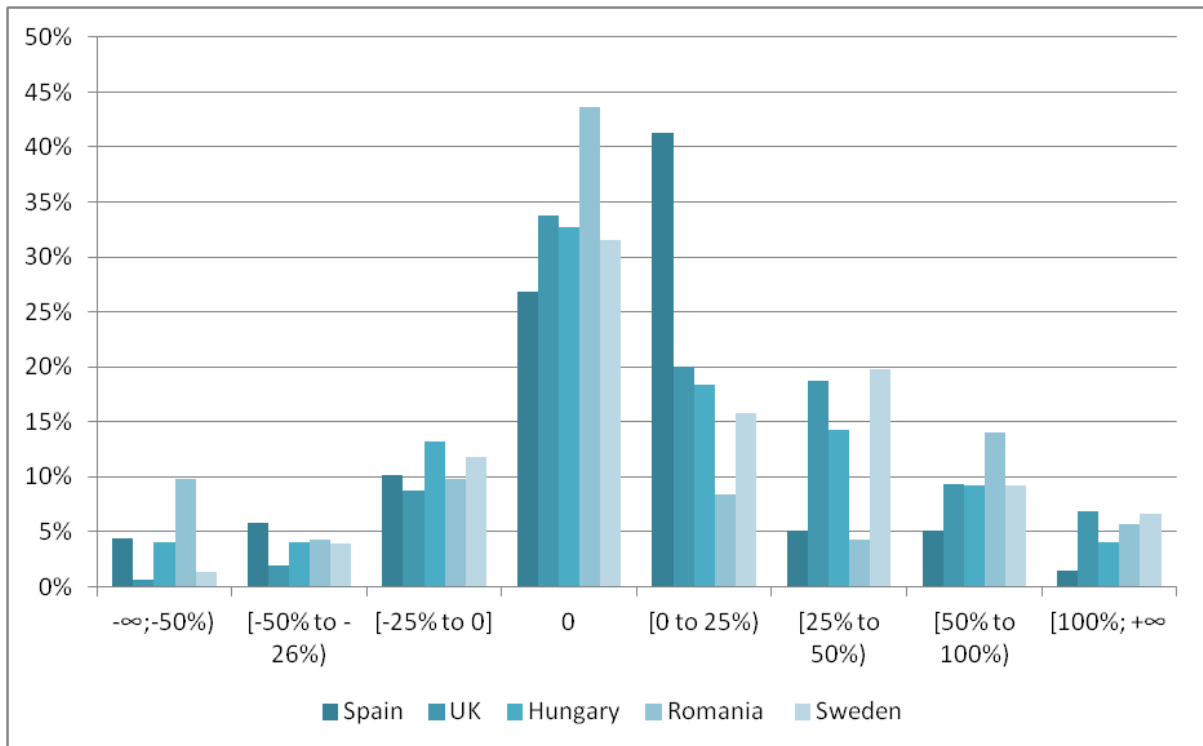
Figure 16 Revenue growth between 2008/2009 and 2009/2010 (in %) in the SELUSI dataset.
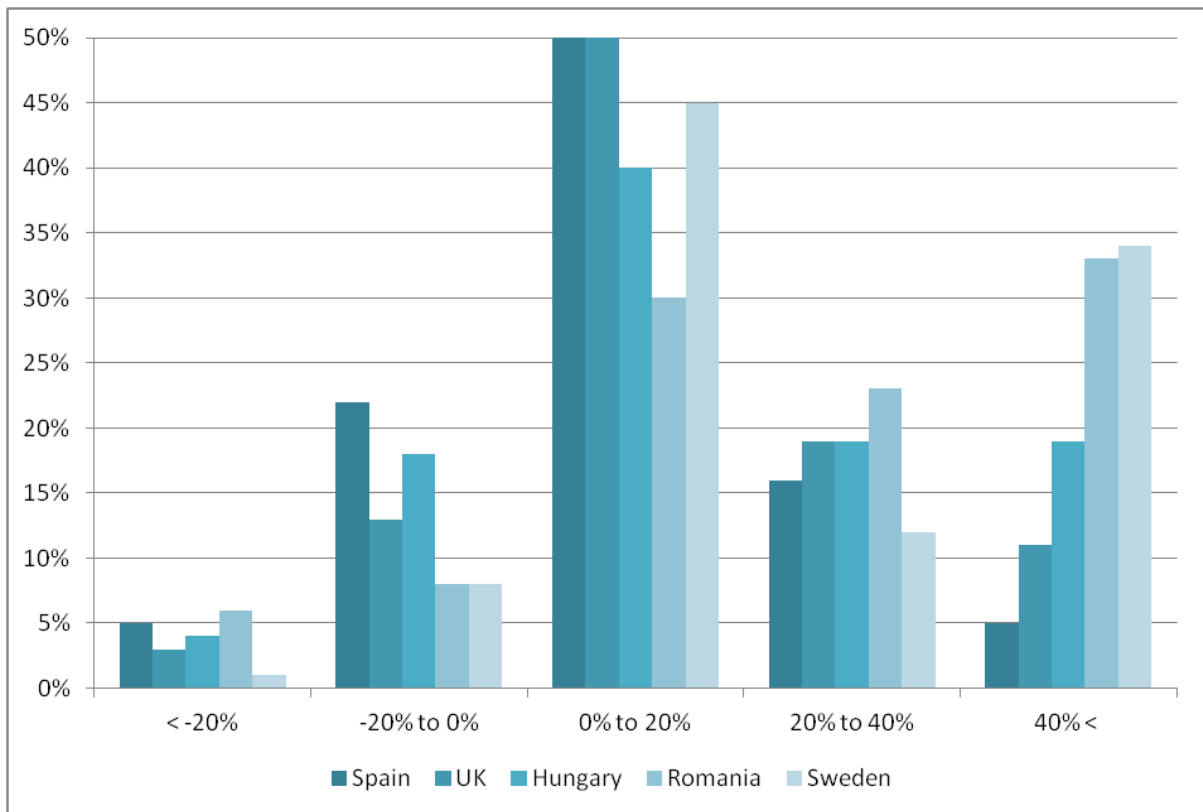
Figure 17 Social impact development between 2008/2009 and 2009/2010 in the SELUSI dataset.
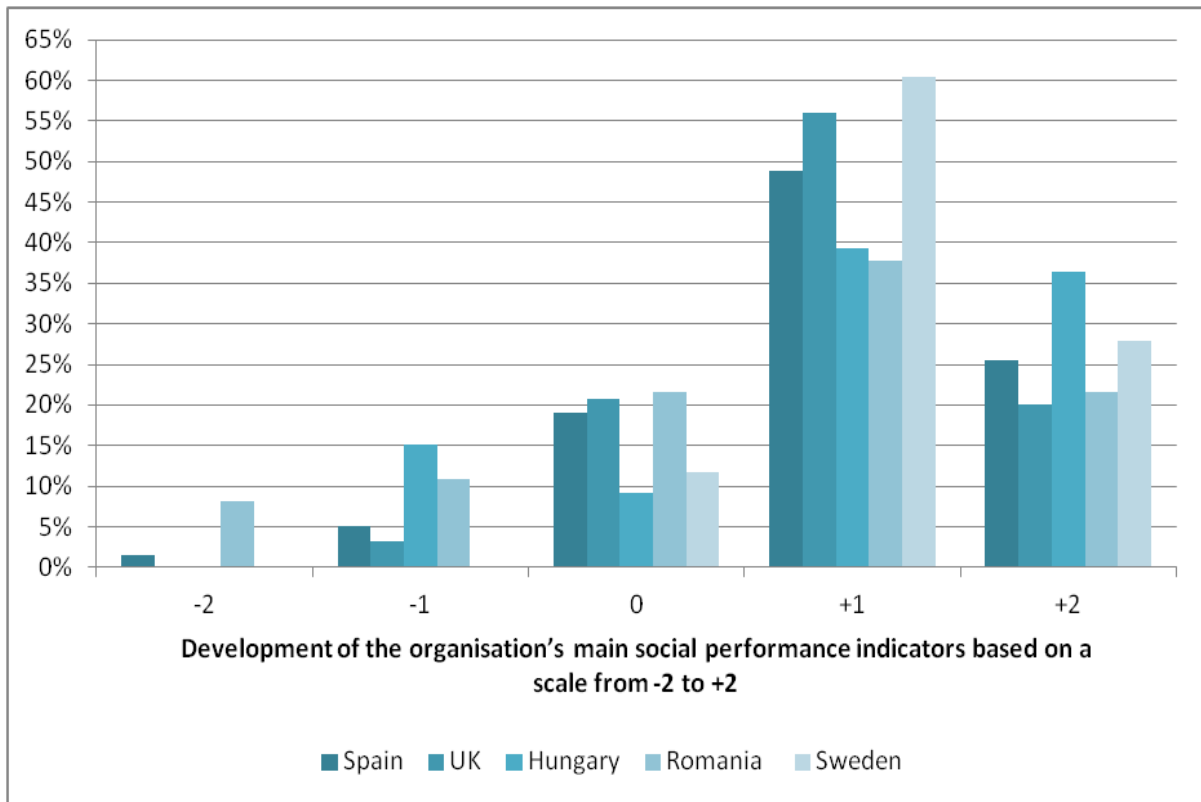
To increase the understanding of the role of collaboration resources, social entrepreneurs were asked about their enterprise's dependence on social networks. Networks typically include informal connections (family, friends, intimates) as well as formal ones (associations, work colleagues, institutions, state) (Stone, 2001). On a scale from 1 to 7, the interviewee had to report the extent to which the social enterprise relied on informal/formal social networks between 2008/2009 and 2009/2010 (Figure 18)[59]. It is notable that social enterprises heavily rely on informal social networks, particularly in Sweden (59.2%) and in Hungary (57.9%).

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[59] Respondent had to rate the degree of reliance on a scale from 1 to 7, whereby 7= highest degree of reliance on formal/informal networks.

Figure 18 Collaboration resources: Reliance on informal social networks in the SELUSI dataset.
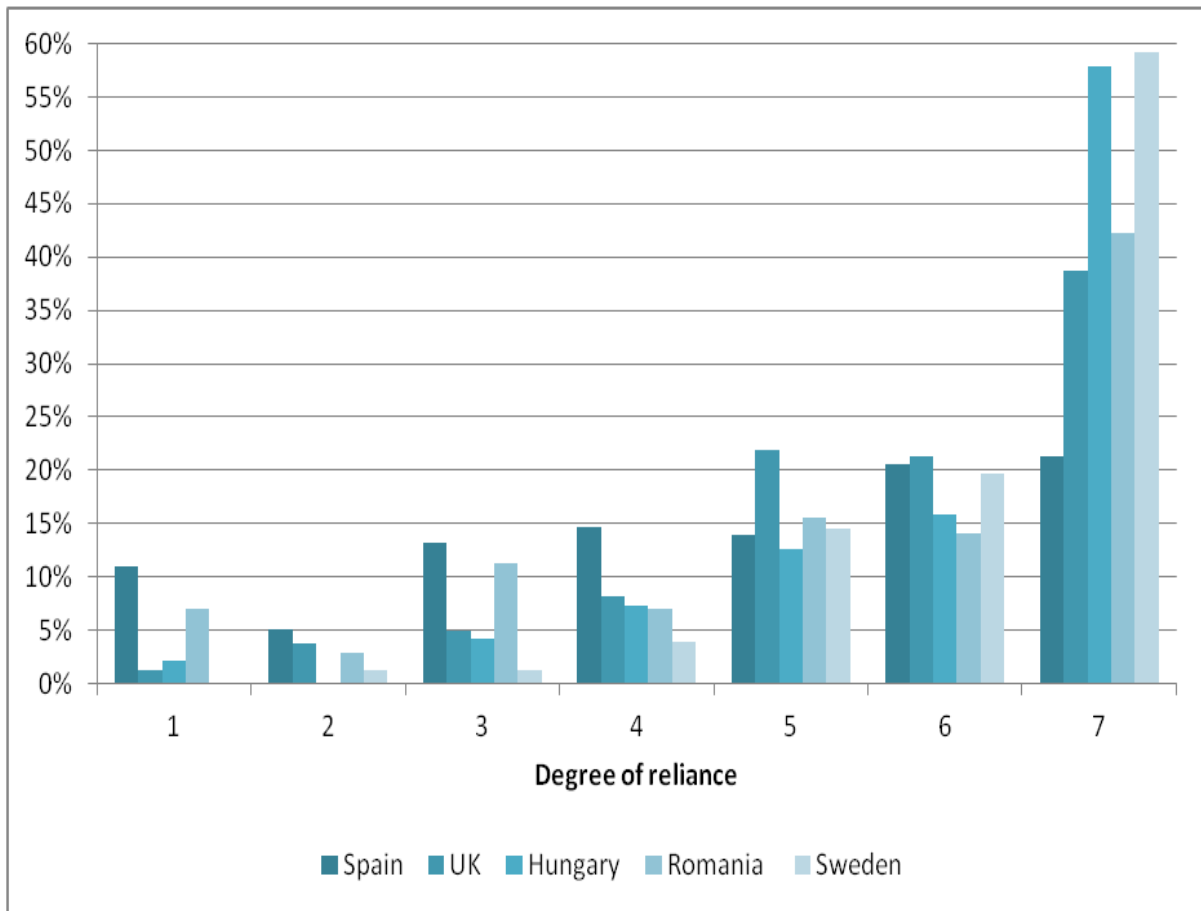
The geographical scope of operation of a social enterprise is an integral part of its operational strategy as has an impact on the scalability of its social impact (Lyon & Fernandez, 2012). Figure 19 provides an overview of the geographical scale of operation of social enterprises in the SELUSI sample. Here, the answer by respondents on the enterprise's focus on social change was rated on a scale from 1 to 3, whereby 1 = addressing target regionally, e.g. providing solutions to communities or to a segment of population on a regional scope; 2 = nationally, e.g. addressing social issues across the country and 3 = internationally, e.g. addressing social need 'worldwide'. It is notable that social enterprises mainly operate on a local and regional level. Over 60% of the social enterprises in each country sample predominantly address local needs or a local target group. However, in the Swedish sample, there is a remarkably balanced split between social enterprises operating on different geographical scales: 30% of the sample address local needs, 30% operate internationally and 40% report a national scope of organisation.

Figure 19 Geographical scope of operation in the SELUSI dataset.
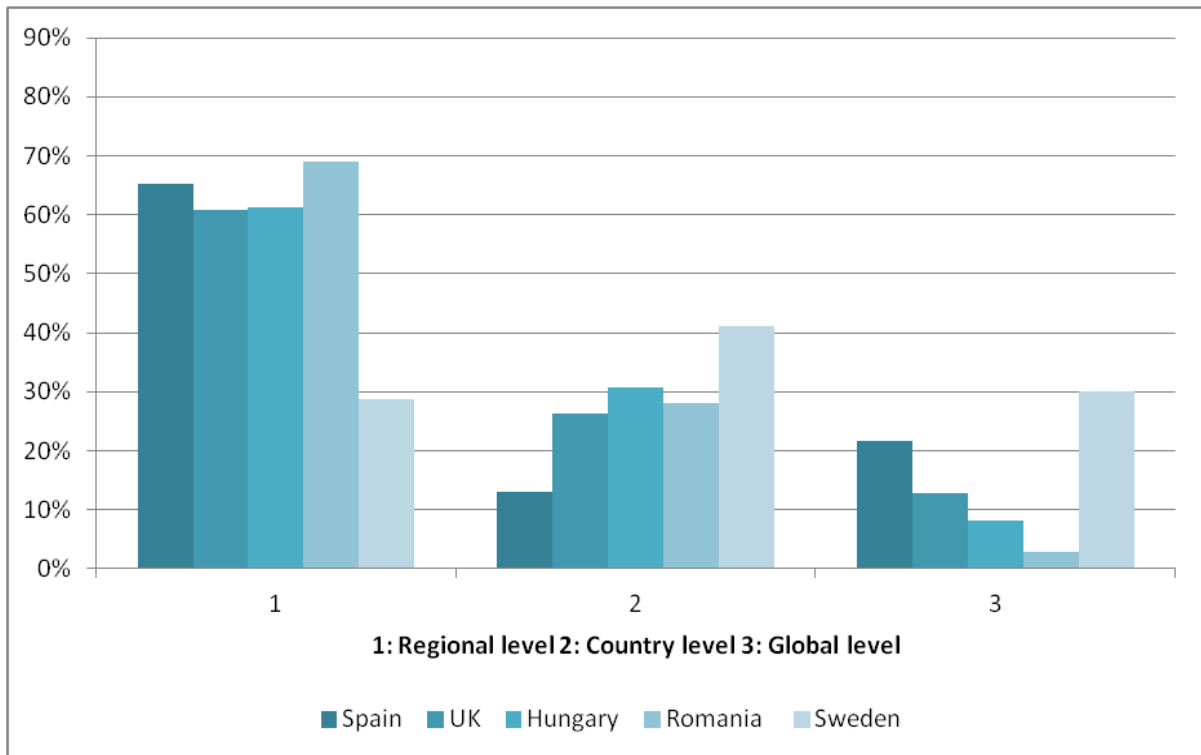
With regard to the operational strategy, social enterprises in the SELUSI dataset tend to experiment with alternative business models to self-sustain their activity through selling services or products in the market. In this context, social enterprises penetrate different industry sectors to enhance their sustainability and also bring social and economic rewards in the long term. In Spain, a total of 78% of social enterprises offer services and products belonging to either one of the following three industry sectors: 'education', 'business activities' or 'community, social and related services'. The three main operational models are 'employment', 'service subsidisation' and 'fee-for-service and/or product'. Similar to the Spanish sample, the three main industry sectors in the UK are 'business activities', 'education' or 'community, social and related services' (67%), the 'community and social sector' being the dominant one (30%). Furthermore, the 'fee-for-service and / or product model' is mostly adopted (59%) when commercialising social services (Figure 20). 81% of the interviewed social enterprises in Hungary reveal primary business activities belonging to the 'education sector', the 'health and social work sector' or the 'business activities sector' ('health and social work sector' being the dominant one – 32%). The most adopted business model is the 'fee-for-service / product model' (44%) (Figure 20). Social enterprises in Romania tend to mainly operate in the 'health and social work sector' (39%), followed by the

'education Sector' (34%). With regard to the operational model, it has to be noted that for a large share of the sample, the reported model is coded as 'unclassified', meaning that it does not match any of the operational prototypes for social enterprises as provided by Alter (2006). At this point it becomes clear that the research field of social enterprise business models is still immature, as many innovative examples defy neatly labelled models. In the Swedish sample, 34% primary business activity of the social enterprises belongs to the 'agriculture, hunting, forestry and fishing industry', followed by 'construction' (18%) and 'community, social and related services' (17%). Hence, the composition of the dominant industry sectors is somewhat different in comparison with main sectors observed across the five countries. Moreover, 'fee-for-service / product model' is dominantly adopted (44%) by Swedish social enterprises. Figure 20 below presents the most frequently adopted operational business models[60] as well as the top main industrial sectors[61] in which social enterprises are active, sorted by country.

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[60] For a description of operational business models, see Chapter III, 3.4.1.
[61] The General Industrial Classification of Economic Activities (NACE) is taken as the basis.

Figure 20 Operational business models and industrial sectors in the SELUSI sample.
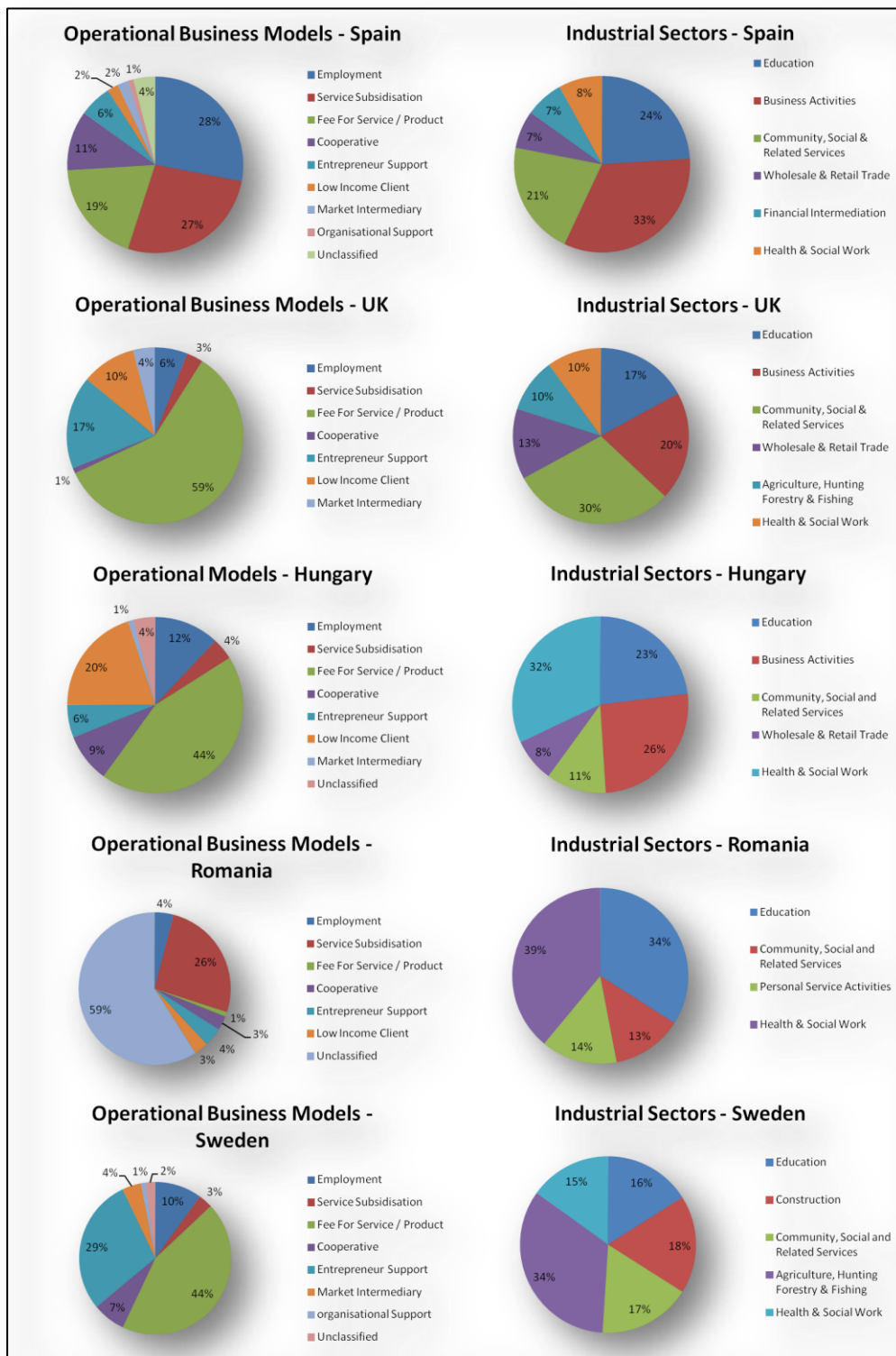
Based on the SELUSI survey, the implementation of diversification strategies represents an essential component with regards to social enterprise operational strategies. Social enterprises tend to deploy several and different operational business models, by diversifying (adopting

more than one business model) and applying complex operational strategies (adopting several and different business models), to achieve greater social and economic business success. 94% of the Spanish and Romanian, 87% of the UK and 71% of the Hungarian social enterprises use diversified business models. Complexity strategies are used by around one third of the Spanish and the UK sample, one fifth of the Hungarian and almost four fifths in the Romanian one. Social enterprises in Sweden apply different operational strategies, as only one third of the sample introduces several models (diversification) and merely 5% apply a complex organisational strategy (Figure 21).

Figure 21 Diversity and complexity strategies applied in the SELUSI sample.
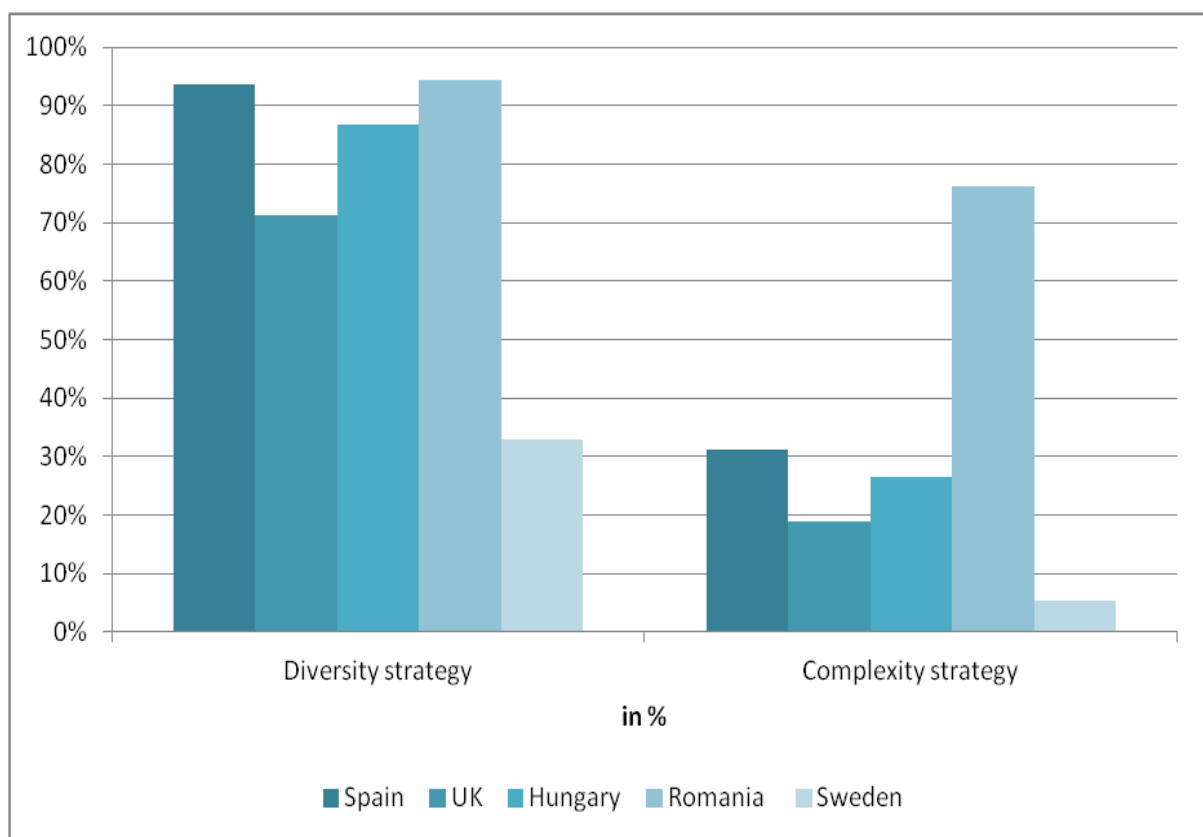
4.7 Conclusion: Central Findings and Interpretation

This present thesis draws on survey data collected on social enterprises in the EU-funded SELUSI project. The aim of this chapter was to provide an insight into the systematic data collection procedure, the RDS methodology and key sample characteristics.

In reviewing social enterprise business activities several alternative ways of self-sustaining operational strategies can be observed. Firstly, social enterprises adopt several and different

business models to achieve greater social and economic business success. Secondly, social enterprises predominantly operate on a smaller geographical scale – at a local or regional level[62]. Swedish social enterprises, however, are an exception and pursue an alternative approach: They address social need on a broader geographical scale by operating equally at regional, national and global levels. It is also striking that only two fifths of the interviewed Swedish enterprises adopt diverse or complex business model strategies. Consequently, Swedish enterprises tend to take action on a broader geographical level while focusing on one single operational business model.

Thirdly, social enterprises heavily depend on collaborational resources in their daily business, primarily on informal ones (family, friends, intimates). Over 50% of the interviewed social entrepreneurs (in Sweden approximately 80%) rely to a great extent on informal social networks. The analysis of the main sectors of activity of social enterprises makes it clear that context matters greatly. The data argue against any blueprint conceptualisation of social enterprises in Europe. Rather, the data show that the operational and strategic behaviours of social enterprises differ, depending on the regional context. When considering the industrial sectors in Romania and Hungary in which social enterprises operate, there is a predominance of activities in 'health and social work' as well as in 'education'. In the other three countries (Spain, Sweden and the UK), a more diverse picture emerges, though with a common, significant presence of social enterprises providing 'community, social and related services' (European Commission, 2011b).

With regards to the financial crisis, it is striking that social enterprises were able to increase revenues (by 10%) and profits (by 4%) while the number of employees remained stable. Despite the economic disruption, the subsequent changes in the financial and labour markets created many opportunities for the social enterprise sector. The shortage of traditional funding sources has meant that social enterprises need greater innovation in seeking and securing self-sustaining strategies whilst also opening up new sources of capital that have moved out of the mainstream sector. Social enterprises could also attract skilled labour made redundant during the financial crisis (Chong & Kleemann, 2011).

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[62] Two thirds of the sample operates on a local or regional level.

CHAPTER V: THE GEOGRAPHICAL LOCATION OF THE RESEARCH SAMPLE – ANALYSIS OF THE SOCIO-ECONOMIC FRAMEWORK CONDITIONS IN THE STUDY REGIONS

5.1 Introduction

The objective of this present chapter is to put the survey observations, i.e. social enterprise locations, into their regional and temporal context to provide information on the prevailing socio-economic framework conditions in the respective locations. It is striking that some regions within the five European countries surveyed exhibit a particularly high concentration of social enterprise locations in comparison with the other regions surveyed. The idea is to identify under and over represented areas in the research sample and to determine possible reasons behind this particular phenomenon. Since the emphasis of this thesis is on regional differences in social enterprise growth, this chapter will also elaborate on sub-national variations in the study regions – UK, Spain, Hungary, Romania and Sweden – with regards to socio-economic framework conditions.

To obtain a good overview on the location of the sampled social enterprises and to exhibit potential geographical concentrations of social enterprise activities, a number of maps were created with ArcGis[63]. For each observation, information on a social enterprise's location, i.e. postal code or information on the latitude and longitude, was geocodified. Geocoding is the process of assigning locations to addresses so that they can be placed as points on a map and analysed with other spatial data. The process assigns geographic coordinates to the original data[64]. The following sections provide a map for each country surveyed to spatially display the sample social enterprise locations.

5.2 The SELUSI Sample in the UK

Out of 163 social enterprises interviewed across the UK, almost one third of the sample (29%) is based in London, 21% is located in Scotland, 16% in Wales. The rest of the sample is fairly evenly distributed within the UK. It seems reasonable to find a large part of the

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[63] See: http://www.esri.com/ [Accessed: 24 January 2013].
[64] GIS has detailed regional-level data for any country in the world, i.e. administrative boundaries, roads, railroads, altitude, land cover, population density, etc. This geospatial data is the 'original data' that has to be matched with the address data one wishes to place on a map.

sample located in Greater London, as 13% of the British population lives in this area and around 750,000 people commute into the city every day. London is the leading economic area in the UK and it offers by far the largest contributor to the economy among the English regions and counties of the UK. The economy is very diverse, but for the last two decades, high-value added business services have been the driver of London's economic growth[65]. As already analysed in various studies, London has a disproportionate share of social enterprise activity, (e.g. Amin et al., 2002; Buckingham et al., 2010; IFF Research Ltd., 2005). This is likely to reflect the distribution of the national headquarters of many social enterprises, plus the fact that London offers a dynamic and innovative environment (Buckingham et al., 2010). In the SELUSI sample, most of the enterprises located in London belong to either the business, financial, education or social service sectors: 21% operate within the business activity sector (including business-related entrepreneurial activities, e.g. consulting, legal advice and advertisement). Another 21% offer services in the education sector, e.g. nurseries, kindergartens, schools and other venues of education, and 17% are involved in the community and social service sector, e.g. associations, political parties, churches, museums and libraries. 10% are banks, insurance companies and related financial service providers. Similar to commercial businesses, social enterprises in London benefit from the dynamic business environment as well as access to markets and clients in order to sell their services and products.

Another reason for social enterprises being predominantly located in London is the extent of socio-economic deprivation leading to high demand for solutions to social problems. In the period between 2007 and 2010, 28% of the people in London lived in households with incomes below the poverty threshold[66], which is the highest proportion in the UK. London also has the highest proportion of socially rented housing in England[67]. Moreover, according to Amin, Cameron and Hudson (2002: 121), London provides a context which is favourable to social entrepreneurship activities as there are "*minority cultures expressing non-mainstream values and needs*" (e.g. ethnic minority interest groups, religious and other ethical organisations). Social enterprises tend to act as advocates and mediators to support these groups. Obviously, it is helpful when social enterprises operate in regions characterised

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[65] http://www.healthktn.org/capabilitymap/london.html#3_regional_economy [Accessed: 24 January 2013].
[66] http://www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/social-indicators/social-indicators---london.html [Accessed: 24 January 2013].
[67] Ibidem.

by a culture which is open for minority interests and handling things in different ways (Buckingham et al., 2010).

Two further overrepresented areas in the sample are Scotland and Wales. In comparison with Greater London, these regions are characterised by low population density[68]. In Scotland, social enterprises in the sample primarily operate in the community and social service sector (35%) as well as in the business activity sector (21%). In Wales, 23% of the sample also offers services in the community and social service sector and another majority of 23% are active in the wholesale and retail trade sector, e.g. repairing motor vehicles and personal household goods. It is conceivable that there is a positive correlation between social enterprise activities and areas of deprivation (Fyfe & Miligan, 2003). UK poverty reports show that 16% of the young adult population in Wales was unemployed in 2009 (at the time when SELUSI data was collected). Obviously, unemployment is a major risk factor for low income: Official statistics show that risk rises from 5% for a full-working family to over 60% for a jobless one (Joseph Rowntree Foundation, 2009).

Similarly, unemployment is a major issue in Scotland. The effects of the economic crisis have caused a steady rise of unemployment. In the first half of 2010 the unemployment rate stood at 6.7 % − higher than in England. The last time unemployment in Scotland exceeded this value was in early 1996 (Joseph Rowntree Foundation, 2010). As a consequence, a majority of unemployed working-age adults is in poverty while child poverty rose to 26%, especially in non-working households. According to the Joseph Rowntree Foundation (2010), there are major gaps in the Scottish government's anti-poverty programme, such as the provision of essential services to low-income and other disadvantaged households. The extent to which education and training institutions are focused on outcomes for those from poor and disadvantaged backgrounds, the living standards of unemployed, working-age adults and what working households need to allow them to escape from poverty is marked. If social needs are not taken care of by the public sector, the volume of needs not catered for grows. Consequently, the likelihood of social enterprise activities in this context is higher.

The UK has started a civil society programme, the so called 'Big Society' agenda to foster community and voluntary organisations. The Big Society agenda supports people throughout the country to come together in order to find solutions to specific social problems so that they

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[68] A total of 8.4% of UK's population lives in Scotland and 5% of UK's total population lives in Wales. See: http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database [Accessed: 24 January 2013].

can improve their lives, for example by making it easier to run a charity, a social enterprise or a voluntary organisation, to get more resources into the sector and to strengthen its independence and resilience. Moreover, it aims at improving exchanges of communication between civil society organisations and the state. It is basically about shifting power from the central government to local communities. Community empowerment replaces top-down planning systems with decision-making power for neighbourhoods to decide the future of their area[69]. In the coming years, this movement might influence the growth of social enterprise activities throughout the UK. Also, there are plans to increase the social investment market, e.g. in terms of increasing Big Society capital and enhancing social impact bonds[70].

Figure 22 gives an overview of the geographical locations of the SELUSI survey within the UK.

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[69] http://www.cabinetoffice.gov.uk/content/big-society-overview [Accessed: 24 January 2013].
[70] Ibidem.

Figure 22 Geographical location of the SELUSI dataset in the UK.
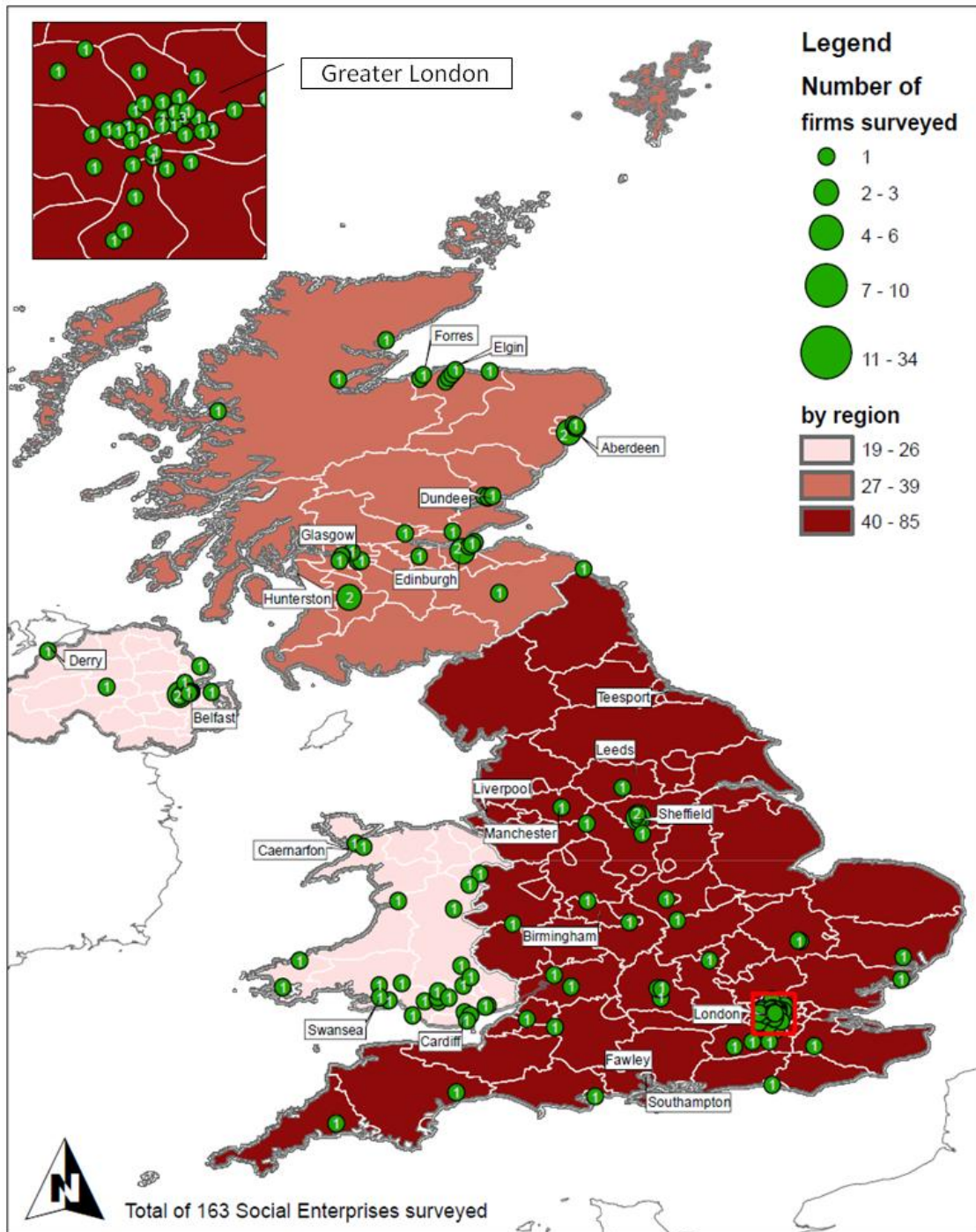
5.3 The SELUSI Sample in Spain

The Spanish sample includes information on 138 social enterprises, which are concentrated in the Autonomous Community of Catalonia (33% of the sample); particularly in Barcelona (26% of the sample). A total of 23 social enterprises are based in Madrid and another 21 offer

their services in the centre of Spain, primarily in the Autonomous Communities Castilla La Mancha and Castilla y León. Figure 23 displays the distribution of the SELUSI sample in Spain.

With respect to the size of the population and economic activity, it seems reasonable that over one third of the sample operates in Catalonia. With more than 7.5 million inhabitants, Catalonia is the second most populous region in Spain, representing 16% of the country's total population. In 2009, Catalonia was a major contributor to the Spanish economy with nearly 19% of Spain's GDP. The GDP per capita was higher than the European Union average (EU27) (OECD, 2010b). The economy is diverse: Manufacturing and market-related production services account for more than half of the region's employment and gross value added (GVA), 66.8% of employment is in the tertiary sector, 26% in manufacturing and 10.2% in construction (OECD, 2010b). The engine of Catalonia's development is Barcelona, which has transformed itself from a declining industrial city into a global gateway and one of Europe's centres for design and biotechnology. Barcelona is an attractive location for students, researchers and artists from Europe and abroad, directly impacting on the regional economy. The diverse economy and the presence of a variety of cultures and creative individuals offer a wide range of opportunities for social enterprise operations. In the SELUSI sample 30% of the social enterprises based in Catalonia operate in the business sector, offering consulting services, legal advice or they are active in the advertising sector. Almost 20% are involved in the education sector and a further 13% offer community and social services.

Despite Catalonia's economic power, 19% of the population suffers from poverty[71]. Since 2008 onwards, Spain has been heavily affected by the global economic crisis. Significant imbalances during the expansion stage, e.g. an oversized housing sector, a growing current deficit, record levels of indebtedness of households and firms, hurt the competitiveness of the economy. As a consequence, unemployment increased and in particular youth unemployment reached 43.4% in the third quarter of 2010 (OECD, 2010b). Almost 30% of Catalans are at risk of social exclusion. The immigrant population represents a great part of this[72]. Obviously, the extent of socio-economic deprivation influences social enterprise activities across Spain. Another reason for high social enterprise activity in Catalonia is the prevalence

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[71] http://www.catalannewsagency.com/news/society-science/1-5-catalans-live-poverty [Accessed: 24 January 2013].

[72]http://www.catalannewsagency.com/news/society-science/almost-30-catalans-are-risk-social-exclusion [Accessed: 24 January 2013].

of third sector organisations, such as non-profits, as they act as advocates for and supporters of local social enterprises (Amin et al., 2002). In view of their mission and social objectives the non-profit sector boasts a high level of acceptance in Catalan society (Vidal et al., 2006).

Madrid has 3.3 million inhabitants, double that of Spain's second largest city, Barcelona. Madrid's population has experienced growth over recent years due to the considerable influx of foreigners (Observatorio Económico, 2009). Madrid stands out in the fields of innovation and technology. It is the area in Spain that invests most in research and development, surpassing the national and European average in percentage of GDP (Observatorio Económico, 2012). 26% of the sample located in Madrid is active in the education sector, 13% offer business services and another 13% is involved in health and social work. Out of 138 social enterprises in the SELUSI sample, only 23 (17%) are based in Madrid, e.g. half of the amount of social enterprises that are located in Barcelona. This distribution, e.g. the underrepresentation of the Madrid region, is striking. A possible reason could be that in fact a higher number of social enterprises in the sample operate in Madrid but have their head offices in neighbouring regions. For example, 15% of the SELUSI sample is located in the Autonomous Communities Castilla La Mancha (2.1 million inhabitants) and Castilla y León (2.6 million inhabitants), which are located close to Madrid but are possibly also active in the region of Madrid. It is further noticeable that three social enterprise locations can be found on the Canary Islands as well as five on the Balearic Islands.

Figure 23 Geographical location of the SELUSI dataset in Spain.
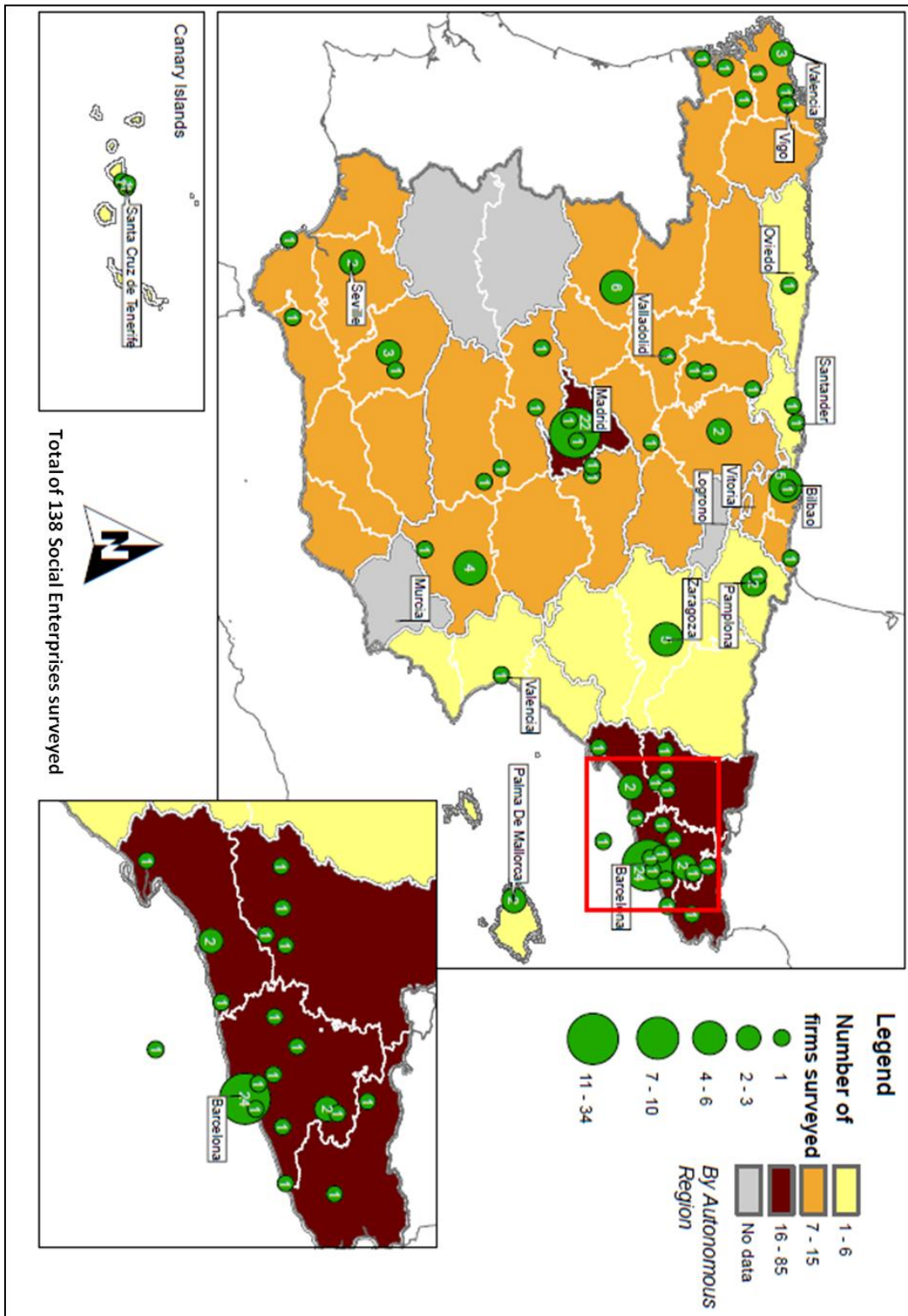
5.4 The SELUSI Sample in Hungary

Out of the 98 social enterprises interviewed during the research project, 34 enterprises are located in Budapest, and another 12 are located in the county of Pest (or region of central Hungary), which seems reasonable, since almost 30% of the Hungarian population lives in this area[73]. Budapest is the economic centre of the country. All branches of its economy, except agriculture, have national significance. The economic structure in Budapest has undergone a fundamental transformation. The changes in the sectoral structure of the economy are characterised by a decreasing importance of manufacturing segments (especially industry and the building industry) in favour of services[74]. Most social enterprises that operate across the country or are internationally active but have Hungarian headquarters opt for an office in Budapest for a number of reasons: Budapest has a more developed infrastructure compared with the rest of the country. It is from here that the rail and road networks branch out, linking the counties and Europe's larger cities to Hungary. Moreover, Budapest offers dynamic business, financial services and trade sectors, with foreign investments being mainly directed to the services sector[75]. With regards to enterprise support, Budapest gives priority to the promotion of small and medium-sized enterprises. There are several foundations based in Budapest which were established in order to encourage the formation and development of small and medium-sized enterprises. Also, there are special financing facilities for enterprises in Budapest[76].

Based on the research sample, the social enterprises located in Budapest have a variety of social goals: 26% of the companies in the sample operate in the business activities sector, e.g. green companies or promoting sustainable development, 24% work in the education sector and a further 13% offer services in the health and social work sector – helping children or the underprivileged as a whole. Other social enterprises based in Budapest aim to promote democracy, tolerance and individual responsibility or liberal ideas. This is important, because most social enterprises in Hungary that are located in less fortunate parts of the country usually concentrate on more tangible social goals, such as helping the poor, the underprivileged and the elderly.

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[73] http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database [Accessed: 24 January 2013].

[74] http://circa.europa.eu/irc/dsis/regportraits/info/data/en/hu011_eco.htm [Accessed: 24 January 2013].

[75] Ibidem.

[76] There are different loan programmes offered for enterprises based in Budapest. See: http://www.bvk.hu/en/financing-facilities/loan-programmes/ [Accessed: 24 January 2013].

Among all Eastern and Central European countries, Hungary suffered one of the worst consequences of the global economic slowdown set off by the financial crisis of 2008 (Bocian & Sadowski, 2008). Economic activity in Hungary started to contract at the end of 2008. This was mainly due to Hungary's high foreign debt, which deepened the country's dependence on the situation of markets worldwide and to the crisis in public finances which has been ongoing since 2006 (CESifo, 2012). The worsening economic situation and the austerity measures introduced by the Hungarian government led to an increasing unemployment rate (from 7.5% at the beginning of 2007 to 11.8% by April 2010). The cuts in public spending worsened the social situation of vulnerable groups in Hungary, e.g. permanently unemployed and Roma population, and led to a significant impoverishment of a considerable proportion of the population (Farkas, 2010). Due to the socio-economic circumstances, there is a high demand for new solutions to social problems.

However, so far the concept of social enterprise is still unfamiliar to most Hungarians. According to Toth et al. (2011), the sustainability of the Hungarian civil society is at risk, as most civil society organisations focusing on employing people with disabilities or people from other marginalised groups are dependent on one or very few financial resources. This hinders their ability to sustainably solve critical social problems. Non-profit organisations realise the need to diversify their funding resources, but only a few accomplish this, especially by means of carefully planned and deliberately implemented entrepreneurial activities. The main problem of most organisations and individuals planning to launch a social enterprise is the absence of an enabling environment or a well established support infrastructure (Toth et al., 2011).

Another overrepresented area in the survey is the county of Szabolcs-Szatmár-Bereg. 16% of the sample is based in this region, whereby most social enterprises are located in the centre of the county, namely in the city Nyíregyháza. Nyíregyháza is the 7th largest city in the country, with a population of approximately 118,000 inhabitants and is the centre of the eastern county that is home to just 5.7% of the Hungarian population. Szabolcs-Szatmár-Bereg county is the poorest in Hungary, with many social problems including high unemployment, lack of a well-trained workforce and insufficient investment in the region. The population in this region strongly depends on aid and subsidies from the central government. Due to the various socio-economic problems, this specific region has a high demand for social enterprises and non-profit organisations, in particular those offering services to help the poor, providing job opportunities (or helping to find jobs) and educating the very disadvantaged

children, especially those of the Roma minority. 62% of social enterprises based in Szabolcs-Szatmár-Bereg operate either in the health and social work sector or offer education services.

All the other social enterprises in the survey are scattered evenly across the country, but there are a few smaller differences. The southern city of Pécs is home to 6 social enterprises, the county of Somogy (with the county capital Kaposvár) also hosts 4 social enterprises, which seems a bit more than average. However, this small anomaly is most likely due to the method of RDS. Since most companies in the region know other near-by companies best (also, because their work is closely related), they sometimes tend to refer to social enterprises in the same region, mostly in the same city.

Figure 24 Geographical location of the SELUSI dataset in Hungary.
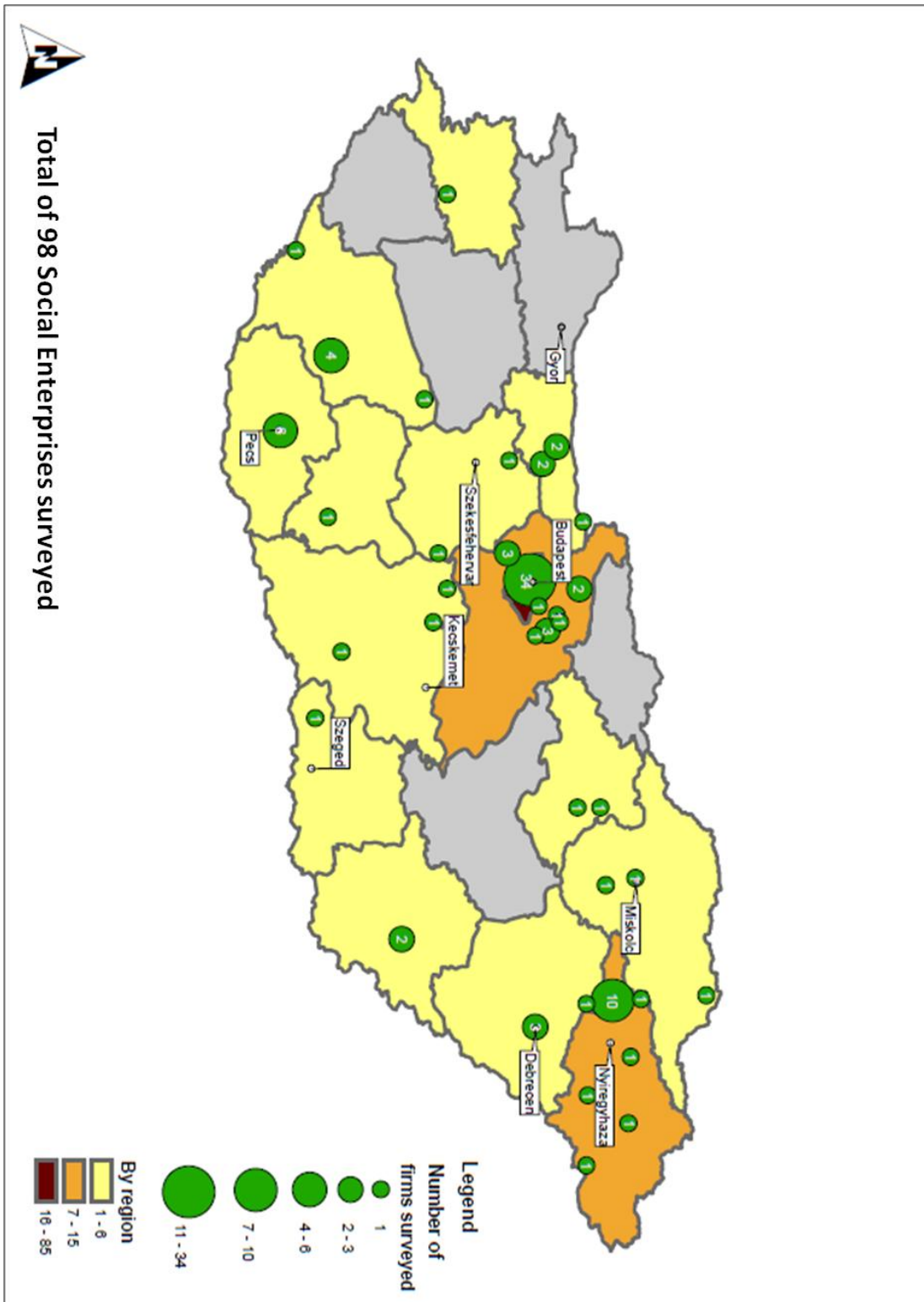
5.5 The SELUSI Sample in Romania

The Romanian sample comprises information on 71 social enterprises, which are predominantly distributed in the country's central region, north-west region and Bucharest-Ilfov region. 27% of the sample operate in Bucharest and 21% are located in the counties of Bihor, Salumare, Naramures and Cluj in Romania's north-west region. Another 10 enterprises are based in Alba which is part of the central region. Figure 25 gives an overview of the geographical locations of the survey in Romania.

The Bucharest-Ilfov region encompasses the national capital, Bucharest, as well as the surrounding Ilfov County. 2.5 million inhabitants live in this area, e.g. 11% of the Romanian population[77]. This region is the economic powerhouse of the country in terms of GDP per capita, which is double the national average[78]. The higher GDP per capita mainly stems from higher productivity compared with the rest of the regions. Moreover, high numbers of commuters travelling from neighbouring provinces into the capital region and back increase productivity levels (Goschin et al., 2008). Bucharest-Ilfov grew faster than other regions of the country as it adapted more quickly to the economic and social changes of the economic transition[79] and attracted the highest level of direct foreign investments. Moreover, this region is characterised by various activities, especially by the dominance of the secondary and tertiary sectors. The economic domain of the capital is attractive for foreign and Romanian investors, due largely to the existing institutional structure, a trained labour force, and a well developed infrastructure compared with other regions of the country[80]. Those social enterprises in the research sample which operate in Bucharest-Ilfov are almost exclusively active in two fields: the education sector as well as the health and social work sector. They particularly focus on taking care of the marginalised living in Bucharest. Many Romanians that came to Bucharest to find a job or to study over the recent years ended up in marginalised areas of the city – particularly unqualified labour. This aspect refers to poverty and urban segregation. Social segregation caused by poverty is present in many areas of Bucharest (Mionel & Negut, 2011).

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[77] http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tgs00096&plugin=1 [Accessed: 24 January 2013].

[78] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_r_e2gdp&lang=en [Accessed: 24 January 2013].

[79] Following the collapse of communist rule in 1989, Romania underwent a period of economic transition to a market economy.

[80] http://circa.europa.eu/irc/dsis/regportraits/info/data/en/ro08_eco.htm [Accessed: 24 January 2013].

The socio-economic disparities inside and between Romania's regions diverge almost as widely as among regions in different countries. For example, the so-called Bucharest ghettos are situated just a few kilometres outside Romania's capital. These are the poverty zones of the regions (Mionel & Negut, 2011)[81]. But also within the country, there are wide gaps in terms of economic development: GDP per inhabitant increased six times faster in the most developed region, Bucharest-Ilfov, compared with the least developed one, the north-east (Goschin et al., 2008). Another region which is overrepresented in the sample is the north-west region, in particular the counties of Bihor, Satu Mare, Maramures and Cluj, where 14% of the sample is based. Most social enterprises operating in this region are involved in offering health and social work related services. The north-west region is more polarised that other regions in Romania. Cluj and Bihor counties are well developed, Satu Mare also stands above the average in terms high employment rates, while Bistrita Nasaud, Maramures and Salaj are clearly underdeveloped, all having low levels of GDP per capita (Goschin et al., 2008).

The third most represented region in the sample is Alba County, which is located in the central region of the country – 14% of the sample is based in this area. This region has average values for GDP per capita, but serious problems with unemployment. In 2009/2010, when the SELUSI data were collected, the unemployment rates were 30.2% in 2009 and 32.7% in 2010 (country average was 20.8% in 2009)[82]. With the exception of one social enterprise which is active in the health and social work sector, the remaining sample offers education related services, clearly targeting unemployment related issues, such as helping to find jobs and educating disadvantaged children and adolescents, especially those of the Roma population. The north-east region encompasses some of the poorest counties in Romania with the lowest GDP per capita in comparison with the rest of the country[83]. Even though the extent of socio-economic deprivation is high, the number of social enterprises is underrepresented in this area – only five operate in this area.

It is notable that no data were gathered in a number of counties throughout Romania, such as in the south region (apart from Bucharest-Ilfov County), in some counties in the central region, such as Brasov and Covasna, in Botsani County in the north-east of the country as

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[81] The ghetto connotation in the Bucharest area was born as a consequence of the spatial concentration of poor Roma population in zones with precarious technical and urban infrastructure.
[82] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfst_r_lfu3rt&lang=en [Accessed: 24 January 2013].
[83] In 2009, GDP per capita in the north-east region was euro 4,000. See: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_r_e2gdp&lang=en [Accessed: 24 January 2013].

well as in the south-west region, such as Dolj County, Mehedinti County and Olt County. This could either be due to the fact that no social enterprises exist in these areas or that there is low connectivity between social enterprises or insufficient network resources, which might hinder their potential for collaboration within or across a given geographical area. As RDS methodology is based on references, some social enterprises in particular areas with low connectivity can remain undetected.

It should also be mentioned that the civil society sector in Romania is significant. There is a large number of non-profit organisations promoting the well-being of society. However, sustainability is the major challenge facing many organisations (Comolli et al., 2007)[84]. An important form of support from the Romanian government is, however, non-financial. Many non-profit organisations request the collaboration of municipalities in obtaining facilities to enable them to carry out their activities. Common forms of support include the provision of office space, equipment and no-cost construction licenses (Saulean & Epure, 1998).

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[84] According to Comolli et al. (2007), after the fall of communism in 1989, the number of officially registered non-profit organisations in Romania grew to 45,000 in 2007. However, the actual number of active organisations is lower, as most of the organisations are homeowner associations, mutual associations or sports associations.

Figure 25 Geographical location of the SELUSI dataset in Romania.
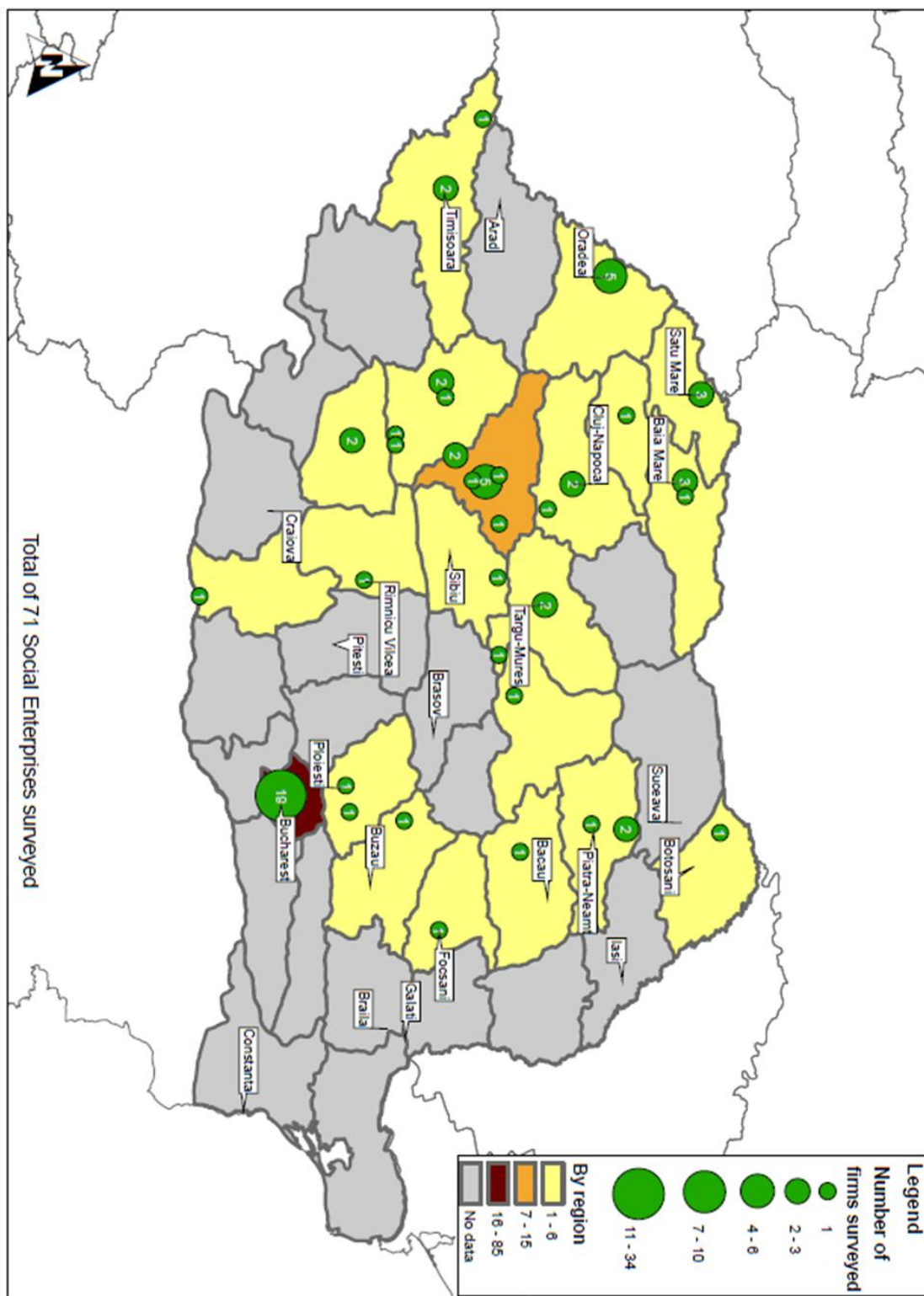
5.6 The SELUSI Sample in Sweden

It is striking that almost 80% of the Swedish sample is clustered within three regions: Out of 77 social enterprises interviewed, 35 are located in Stockholm, 17 operate in West Sweden (particularly in Gothenburg) and 7 are based in Malmö, in South Sweden. The remaining sample is based in North Central Sweden (9 social enterprises) as well as in Middle and Upper Norrland (4 social enterprises)[85]. The distribution of the Swedish survey is displayed in Figure 26.

It seems reasonable to find most social enterprise locations in the capital of Sweden, since the Stockholm metropolitan region represents the most populated area in the country with 2.1 million inhabitants (in 2011)[86] [87]. Moreover, the Stockholm metropolitan region boasts almost half of the country's population growth, with significant levels of inward-migration from the rest of Sweden and abroad[88]. The Stockholm metropolitan region is also the major location of multinationals and hosts most of Sweden's research and development talent, universities and research centres (OECD, 2006). With higher labour productivity, employment and activity rates than in the rest of Sweden, Stockholm's GDP per capita surpassed the national average by 34% in 2009, suggesting the existence of significant economies of agglomeration[89]. With regard to the sample in the Stockholm metropolitan region, over one fifth of the social enterprises are engaged in culture and recreation activities, e.g. museums, libraries, sport clubs and churches. This finding is in line with the John Hopkins Institute studies, which state that the civil society sector in Nordic countries are substantially dominated by sports, recreation and culture activities as well as interest representation (Einarsson, 2010). The rest of the sample predominantly provides services in the health and social work sector and in the education sector, e.g. offering child day-care and care for disabled persons.

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[85] It seems reasonable to find only few social enterprises located in Middle and Upper Norrland, since these regions have a very low population density of 5.2 and 3.3 inhabitants per km^2r, respectively. See: http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tgs00024&plugin=1 [Accessed: 24 January 2013].

[86] http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=met_pjanaggr3&lang=en [Accessed: 28 January 2013].

[87] OECD (2006): The Stockholm metropolitan area is defined by the labour market area covering Stockholm and Uppsala counties.

[88] http://international.stockholm.se/Press-and-media/Stockholm-facts/General-facts-and-numbers/Population/ [Accessed: 24 January 2013].

[89] http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tgs00003&plugin=1 [Accessed: 24 January 2013].

The second overrepresented region in the SELUSI sample is West Sweden, in particular the Gothenburg metropolitan region. This region has a total of 1.9 million inhabitants[90] and it includes the municipalities of Gothenburg and its closest neighbours – the municipalities of Partille and Molndal – constituting part of the inner and outer ring of the urban centre. The urban centre is surrounded by the coastal municipalities of Öckerö and Kungälv towards the north, and by Kungsbacka to the south, forming the outer ring. The city of Gothenburg is Sweden's second largest city with approximately 500,000 inhabitants[91]. An increasing number of companies are based in the Gothenburg region, e.g. it is home to more than 2,000 foreign-owned companies. It is notable that most social enterprises in the Gothenburg region sample are engaged in the wholesale and retail trade sectors, e.g. offering services for motor vehicle repair as well as personal and household goods. This is evident as the automotive industry is located in the Gothenburg region (led by Volvo Cars and Volvo Trucks) as well as many major chemical companies. These companies attract subcontractors, which in turn has a positive effect on the region[92].

A third cluster of social enterprise location in the sample can be found in the Malmö metropolitan region, which is located in South Sweden. This area has 1.2 million inhabitants[93] and it includes the municipalities of Malmö, Burlöv, Lomma,Vellinge on the coast. The city of Malmö, a port with almost 300,000 inhabitants, is located in the south-western tip of Sweden on the Öresund strait. Malmö has undergone a major transformation in recent years. After the collapse of its heavy industries in the 1970s and 80s, the city has managed to successfully reinvent itself as a city of knowledge, and at the same time turn population decline into population growth (Guidoum, 2010). However, despite this economic progress, the city's regeneration has not been able to successfully address certain social problems. These problems are linked to specific areas which are affected by poverty and social exclusion. For example, there are large numbers of asylum seekers in Malmö, as the city has become one of their principle ports of entry. As a consequence, in certain affected parts of the metropolitan area, where residents live on income support and unemployment levels range from 45% to 80%. There is also a chronic shortage of social housing. Moreover, up to 70% of children in these affected areas leave school without sufficient grades to make

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[90] http://appsso.eurostat.ec.europa.eu/nui/show.do [Accessed: 24 January 2013].
[91] http://www.projectsecoa.eu/index.php?option=com_content&view=article&id=121&Itemid=73 [Accessed: 24 January 2013].
[92] http://www.businessregion.se/huvudmeny/whygothenburg/aregionofgrowth.4.42d895c410678a3d6138000798 1.html [Accessed: 24 January 2013].
[93] http://appsso.eurostat.ec.europa.eu/nui/show.do [Accessed: 24 January 2013].

them eligible for college. This results in high numbers of disaffected youths in the Malmö region (Guidoum, 2010). Most social enterprises in the Malmö metropolitan region sample are engaged in the hotel and restaurant sector, thereby offering jobs through the employment model. The remaining sample focuses on offering community and social services.

Despite an extensive welfare state in Sweden, the civil society sector is very developed (Lundström & Wijkström, 1998). It consists of 200,000 civil society organisations, a volume that is comparable with that of other larger European countries (Stryjan, 2002). However, the non-profit sector's profile as well as the organisations which characterise it, differ from their European counterparts. There is a sizeable volunteer and low-paid staff presence working in organisations which are engaged primarily in the fields of culture, leisure, adult education and interest representation (Stryjan & Wijkström, 1996). Since the crisis and transformation of the 'Swedish model' from the 1980s onwards (Styjan, 2002)[94], a number of Third Sector organisations emerged, which account for a significant part of service provision within child day-care (Pestoff, 1998), care for seriously handicapped as well as organisations focusing on job integration of the long-term unemployed (Styjan, 2002). The presence of a developed citizen sector tends to positively affect social enterprise activity. The presence of local welfare intermediaries, e.g. non-profit organisations, provides advocates for and supporters of local social enterprises (Amin et al., 2002).

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[94] Stryjan (2002): The 'Swedish model' is a general label traditionally applied to Swedish social and economic policies in the post-war period. It comprised several features, such as an interventionist welfare state, high tax high spend policy, a strong centralised union system, and a relatively equal distribution of income. For a long period this model was regarded as a model of social democracy. However, Sweden's intense economic recession during the 1990s lead to the downfall of the model. The core problem was the large government and high expenditure for the welfare system. These policies were beneficial for workers, but at the same time devastating to firms. Firms were heavily regulated in terms of health, safety, and environmental laws, which made it harder to earn profits. Firms faced increases in the cost of labour as well as increased work benefit costs as a result of the tax contributions to fund the welfare state.

Figure 26 Geographical location of the SELUSI dataset in Sweden.
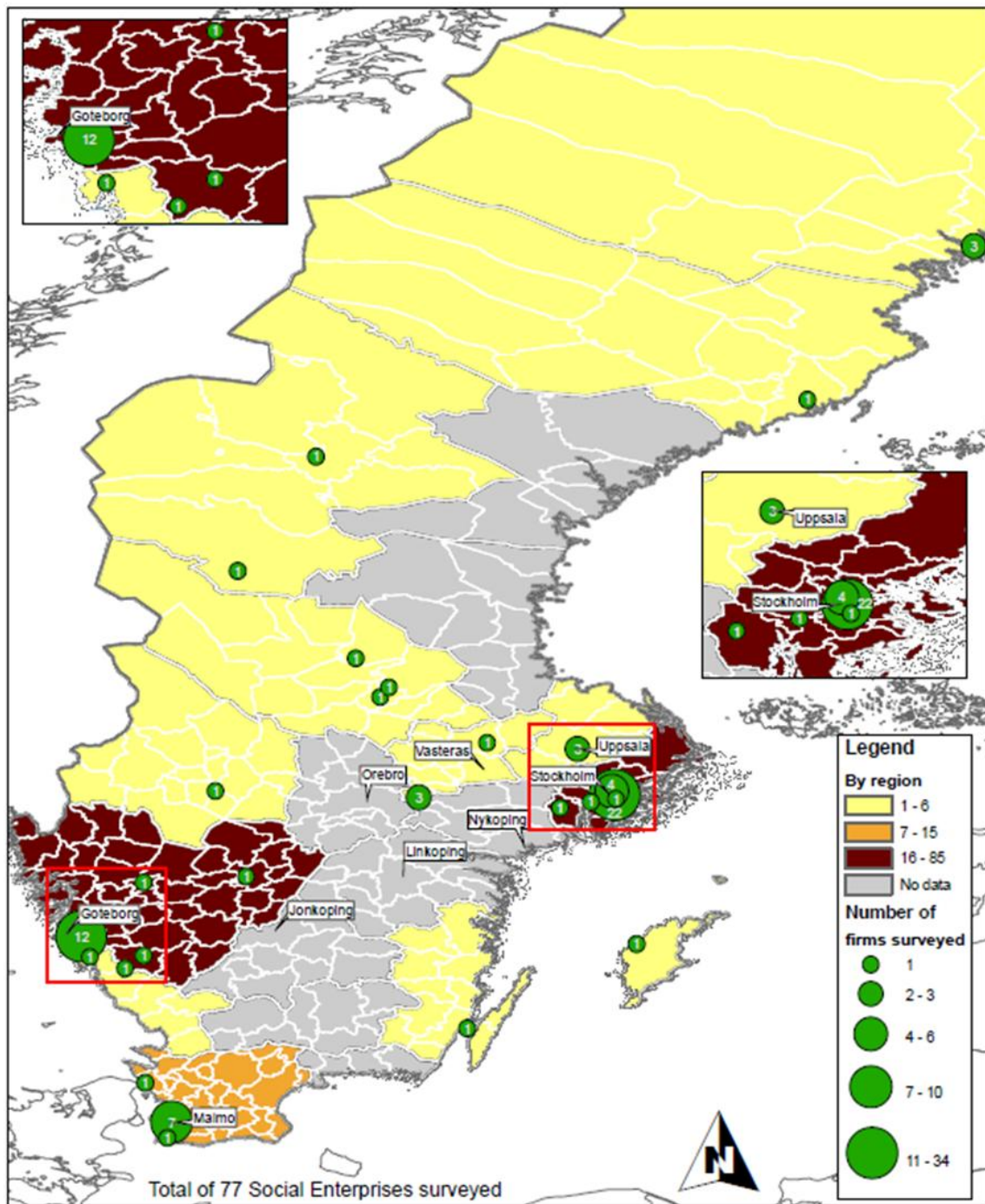
5.7 Conclusion

This present chapter provided information on the geographical location of the research sample as well as on the specific socio-economic framework conditions of the study regions. The sample shows several overrepresented regions: In the UK most of the social enterprises

surveyed are located in Greater London, Scotland or Wales. Most of the social enterprises surveyed in Spain are based in the Autonomous Community of Catalonia, particularly in the Barcelona Metropolitan Region, in Madrid and its neighbouring regions Castilla La Mancha and Castilla y León. The survey in Hungary is predominantly situated in Budapest, in Pest County (Central Hungary) as well as in the city of Nyiregyhaza (county of Szalbocs-Szatmar-Bereg) in East Hungary. In the case of Romania, the Bucharest-Ilfov area is the most represented region in the survey, followed by the counties of Bihor, Salumare, Naramures and Cluj in Romania's north-west region. The Swedish sample is mainly allocated in three metropolitan regions: Stockholm, Gothenburg and Malmö.

Analysis of the socio-economic structures within and across the study countries indicates manifold underlying reasons for the distribution of the sample. Basically, according to Amin, Cameron and Hudson (2002), there are six attributes which make a particular local context pre-disposed to social enterprise activity. These include 1. "*The presence of voiced minority cultures expressing non-mainstream values and needs*" (Amin et al., 2002: 121), such as environmentalists, ethnic minority groups, religious and other ethical organisations (Buckingham et al., 2010). Also, the presence of a variety of cultures and creative individuals offers a wide range of opportunities for social enterprise operations, for instance, the Barcelona Metropolitan Region; 2. The associational presence of local welfare intermediaries, such as non-profit organisations, who act as supporters of local social enterprises; 3. A local authority which encourages a social economy and in particular social enterprises; 4. A culture favourably disposed towards political agonism, which is open to minority interests and doing things in different ways (Buckingham et al., 2010; Mouffe, 2000); 5. Connectivity and network resources between actors and 6. The extent and nature of socio-economic deprivation. As each of the factors mentioned is place-specific it is highly probable to encounter significant territorial variations in the distribution and nature of social enterprises.

Apart from the factors mentioned above, it is possible that RDS methodology, which was applied to collect the research sample, affects the overrepresentation of certain regions. Since most social enterprises know other local social enterprises best, they tend to refer to enterprises in the same region, mostly in the same city (or island, as in the case of the Canary Islands and Balearic Islands in Spain). This is also due to the high connectivity between social enterprises, influenced by closely related work and geographical proximity.

It shall also be mentioned that the data was collected during an economic recession. External shocks obviously have to be taken into account, as they influence where social enterprise activities are located. The onset of the financial crisis in 2008 caused a sharp slowdown of economic activity in Europe, leading to a drop in GDP of 2.5% in the EU27[95] during the first quarter of 2009 compared with the previous quarter (Eurostat, 2009). Some countries were more vulnerable than others, reflecting differences in current account positions, exposure to real estate bubbles or the presence of a large financial centre (European Commission, 2009a). The impact on economic growth and unemployment was felt almost immediately. However, the social impact of the crisis, which is feeding through more indirect channels, began to appear with a time-lag (European Commission, 2011c). Many people who have been worst hit by the crisis come from distinct vulnerable groups in society, in particular people already experiencing poverty before the crisis, young people (Eurostat, 2009)[96] as well as people who are educationally disadvantaged (EAPN, 2011). Consequently, most non-profit institutions and social enterprises report an increase in demand because public authorities are disengaging and public services are being cut (EAPN, 2009).

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[95] The euro area consists of Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland. The EU27 includes Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).
[96] Between 2008 and 2009, the youth unemployment rate (persons under 25 years old) in the EU27 countries increased from 15.4% to 19.6%.

CHAPTER VI: MULTILEVEL ANALYSIS

6.1 Introduction

The objective of Chapter VI is to increase the understanding of the firm-specific and contextual socio-economic factors causing regional heterogeneity in terms of social enterprise growth across the five European countries of the SELUSI research project: Hungary, Romania, Spain, Sweden and the UK. The theoretical part of this present thesis has identified several potential determinants of social enterprise growth. Particularly the contextual determinants of social enterprise activities are highly location-specific. This raises the likelihood of significant regional variations in the distribution and nature of social enterprise development. However, even though most of these ideas have found acceptance in the literature on social enterprises, there is a lack of empirical evidence attesting to their validity. This chapter will provide a set of different models to test these hypotheses quantitatively by using social enterprise data from the research project. Moreover, detailed information on the research sample as well as on the socio-economic framework conditions within the study regions, as provided in Chapter IV and V, will be included when examining the research results.

As this present study conceptualises social enterprise activity as nested within regional and national contexts, the multilevel analysis approach is employed (Raudenbush & Bryk, 2002). This makes it possible to assess the joint impact of micro variables, such as enterprise characteristics, and macro variables, i.e. regional and national determinants, on social enterprise growth. This study will apply a three-level hierarchical mixed model approach, in which social enterprises are modelled as nested within regions and countries. The aim here is to analyse the different estimation results of the fixed effects and random effects treatments which give further insights on the causes of regional heterogeneity of social enterprises' sustainability and growth.

This chapter is organised as follows: The next section provides information on the modelling strategy applied to test the study's hypotheses. First, fundamentals of hierarchical linear modelling are given, followed by a discussion on the rationale for applying multilevel analysis within the framework of this study. Section 6.3 gives an overview of the measures and variables to be included in the regression model and section 6.4 includes a detailed model specification. The estimation procedures and results are presented in section 6.5, followed by

information on robustness checks of the analyses (6.6). The discussion of the results can be found in section 6.7.

6.2 Modelling Strategy: Multilevel Analysis

6.2.1 Fundamentals of Linear Mixed Models

Multilevel models as well as hierarchical linear models are variant terms for what are called 'linear mixed models'. These models adjust data where observations are not independent by correctly modelling correlated error structures (Garson, 2012). For example, multilevel modelling can be used to specify a hierarchical system of regression equations by taking into account clustered data structures (Farmer, 2000). In the general linear model family, which includes analysis of variances, correlation, regression and factor analysis, uncorrelated error is an important but often violated assumption in statistical procedures. Violations occur when error terms are not independent because they cluster around one or more grouping variables. When clustering occurs due to a grouping factor, which is actually the rule and not the exception, then standard errors computed for predicted parameters will be erroneus, i.e. erroneous coefficients in regressions (Garson, 2012).

Multilevel analysis is consequently fast becoming the standard analytical approach for examining data in many fields, e.g. economics, sociology, psychology, management, due to its applicability to a broad range of research designs and data structures (Heck et al., 2010). However, the versatility of multilevel models has led to a variety of terms for the models it makes possible. Different research fields favour one or another label and different research targets determine the selection of terminology as well (Garson, 2012). For example, in economics the term 'random coefficient regression models' is commonly used, whereas in sociology, 'multilevel modelling' is more common, alluding to the fact that regression intercepts and slopes at the individual level may be treated as random effects of a higher level, e.g. at organisational level. In statistics, the label 'covariance component models' is used, as linear mixed models may decompose the covariance into components attributable to within-groups versus between-groups effects. Despite the variety of different terms, all linear mixed models adjust observation-level predictions based on the clustering of measures at some higher level or by some grouping variable (Garson, 2012).

In single-level datasets, individuals are typically selected through random sampling[97]. Each individual is assumed to have an equal chance of selection and the participants do not belong to any groups that might influence their responses – at least in theory. For example, individuals can be differentiated by variables such as gender, socio-economic status, participation in a treatment or control group but, in practice, in single-level analyses individual variation within and between these types of subgroups cannot be considered across a large number of groups simultaneously (Heck et al., 2010). The number of subgroups quickly reaches the limits of the capacity of the analytic technique. In contrast, in multilevel (or clustered) datasets the groupings of individuals or entities that result from the overall sampling scheme applied to select participants in large studies, e.g. a specific region is selected first, enterprises are selected second, is the focus of the theory. This conceptual model is proposed in the study (Kreft & Leeuw, 1998).

Failure to control for clustering of the data leads to biased results: For example, treating social enterprise development as if it were independent of its spatial context ignores complexity inherent in the data and introduces a potentially important source of distortion into the analysis. This is because social firms in a certain region or context tend to experience a more similar development, e.g. by growing faster compared to firms located in other contexts. With hierarchical data, therefore, a more complex error structure must be added to the model to account for the dependence of observations within regions (Hox, 2010). Such dependencies violate key assumptions of single-level multiple regression models (e.g. simple random sampling that provides independent errors) and leads to underestimated variances and standard errors that in turn may result in faulty conclusions. In other words, researchers may come up with many 'significant' results that are actually spurious (Thomas & Heck, 2001). If the results are not interpreted carefully, the wrong level fallacy may occur, i.e. which consists of analysing data at one level but formulating conclusions at another level (Thomas & Heck, 2001). The probably best-known fallacy is the 'ecological fallacy', i.e. interpreting aggregated data at the individual level (Freedman, 1999).

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[97] University of Yale Statistics Glossary. See: http://www.stat.yale.edu/Courses/1997-98/101/sample.htm [Accessed: 28 January 2013].

6.2.2 Multilevel Analysis in Social Science Research and in the Framework of this Study

Social research usually deals with problems that investigate the relationship between individuals and society. The general concept is that individuals are embedded in a given regional socio-economic environment, thereby constantly interacting with their social contexts (Autio & Acs, 2009). Hence, social science represents an opportunity to study phenomena that are multilevel or hierarchical in nature (Heck et al., 2010). For example in the field of entrepreneurship, where entrepreneurs are nested in organisations within regions clustered within states. On the premise that entrepreneurship is the creation and extraction of value from an environment (Jack & Anderson, 2002; Ferri & Urbano, 2010), entrepreneurial behaviour, or the general business process, is influenced by the regional social, economic and political environment. Due to the multidimensional nature of the study of entrepreneurial bahaviour, multilevel modelling is gradually becoming an increasingly widespread methodological approach (Autio & Acs, 2009). Studies in the past have often examined individual differences (Begley & Boyd, 1987), strategic management concepts (McDougall et al., 1992) and organisational theory concepts (Aldrich & Wiedenmayer, 1993) as isolated causes of enterprise performance (Baum et al., 2001). More recent investigations apply an extensive analysis by combining individual, organisational and environmental dimensions. Thus, the prediction of entrepreneurial activities and enterprise development is more comprehensive than any one dimension in isolation (Hitt et al., 2007).

From a methodological perspective, research by Autio and Acs (2009, 2010), Estrin, Mickiewicz and Stephan (2011), Sanditov and Verspagen (2011) as well as Shepherd (2011), among others, support the often cited need for multilevel research designs in order to address complexities and context-dependent organisational behaviour. In addition to providing a way of re-introducing context into the study of entrepreneurial phenomena, multilevel designs also represent a mechanism for traversing levels among specialised subfields (Hitt et al., 2007), e.g. by allowing the bridging of micro and macro effects (Sanditov & Verspagen, 2011). In the case of social enterprises which aim to achieve meaningful social change, the influence of the environment and community in which they operate is of particular interest (Ruvio & Shoham, 2011). Based on several social enterprise case-studies, Weerawardena and Mort (2006), for example, find that current requirements of the environment, e.g. the need to build a social organisation and to achieve a social mission, deeply affect social entrepreneurship activities. In this context, the authors refer to social entrepreneurship as a "*multi-dimensional*

construct", as it comprises a number of "*interrelated attributes and dimensions and exists in multidimensional domains*" (Weerawardena & Mort, 2006: 33). As social enterprises' development shows a strong location-specific character, environmental attributes can influence the strength or the direction of the relation between factors shaping the extent of social enterprise growth. Thus, regional socio-economic factors may also function as a source of heterogeneity with regard to social enterprise behaviour across regional contexts. Multilevel modelling is a means of addressing issues of unobserved heterogeneity within the context of a cross-regional multilevel setting (Estrin et al., 2011).

As mentioned above, the central argument of multilevel thinking is that organisational entities function as nested arrangements. In this present study, the primary interest lies in analysing how regional socio-economic factors affect social enterprise development and growth. To test the hypotheses elaborated in Chapter III of this thesis, different levels of analysis have to be considered at the same time. The SELUSI data represents a hierarchical structure, whereby 546 social enterprises are nested within 79 nuts2[98] regions in 5 different countries (nuts0). Figure 27 illustrates this nesting arrangement.

This leads to research into the relationships between variables describing social enterprises and variables characterising regional and / or national socio-economic contexts (Raudenbush & Bryk, 2002). The interactions between social enterprises and their social groupings within various settings therefore lend themselves to numerous investigations (Heck & Thomas, 2009). Hence, in social science, multilevel modelling is an attractive tool to examine relationships between individuals and their social groupings, as it allows the incorporation of substantive theory about individual and group processes into the clustered sampling schemes of many existing datasets (Heck et al., 2010).

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[98] The 'nuts' classification (nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU for the purpose of the collection, development and harmonisation of EU regional statistics. The nuts classification serves as a geocode standard for referencing the administrative divisions of countries for statistical purposes. Socio-economic analyses usually take place in four regional levels: nuts0 (the whole country), nuts1 (major socio-economic-regions), nuts2 (basic regions for the application of regional policies) and nuts3 (small regions for specific diagnoses). For more information see: http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction [Accessed: 28 January 2013].

Figure 27 Multilevel nesting arrangement. Source: Adapted from Hitt et al., 2007.
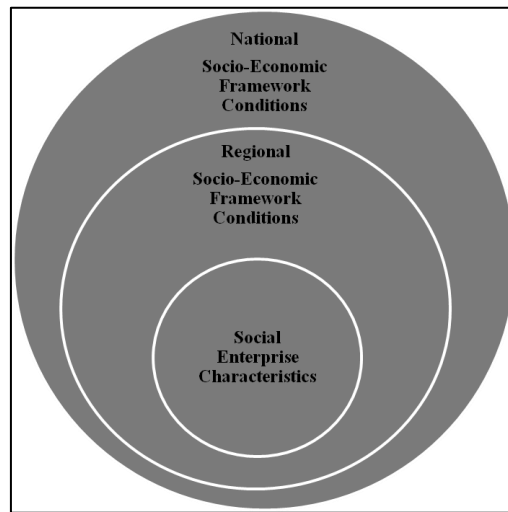
6.2.3 Types of Linear Mixed Models

Linear mixed modelling offers a wide variety of models. In this section, the most common types of models are defined, and which are also applied to test the hypotheses of this present study. The types of models refer to various combinations of that which is being predicted and that which is doing the predicting. There are three broad classes of models: Fixed effects, random effects and mixed. Many empirical analyses deal with mixed models, hence the term 'linear mixed modelling' (Garson, 2012). In the framework of this thesis, all three models are relevant to examining fixed and random effects of the selected explanatory variables.

The Null Model: The first step of a multilevel analysis is to develop a null model, which is also called 'no predictors model' or 'unconditional model', to partition the variance of the outcome into its within- and between groups components or other classification units (Heck et al., 2010). The null model is also used to calculate the so called 'Intra Class Correlation (ICC)'. The ICC describes the proportion of variance that is common to each unit, as opposed to variation that is associated with, for example, individuals within their units (Garson, 2012). It can be thought of as the population estimate of the amount of variance in the outcome explained by the grouping structure (Hox, 2002).

Fixed Effects Models: In mixed models, effects that have an impact on the intercept are modelled as fixed effects. However, purely fixed effects models such as ordinary regression models may also be adapted. These are models with only fixed explanatory variables (Garson, 2012). An example could be an analysis of enterprise performance score by revenue

growth rate, controlling for enterprise age. In comparison to an OLS regression model, a fixed effects treatment implemented by linear mixed models is likely to generate very similar if not identical estimates (Bickel, 2007).

Random Effects Models: In random effects models, differences across groups, or other classification systems, are treated as random rather than fixed (Brown & Prescott, 2000; Raudenbush & Bryk, 2002). For example, in the case involving individuals nested within regions, a model treating regional differences as fixed would include all regions represented in the sample as a set of dummy variables in a regression equation with individuals as the units of analysis (fixed effects model). In contrast, a random effects model would treat regional differences as realisations from a probability distribution – that is, regional slopes would be allowed to vary randomly across regions following a probability distribution (Roux, 2002), thereby inducing a potential source of heterogeneity. In general, effects that are modelled as random factors will influence the variance and covariance structure.

Mixed Models: Mixed models include both fixed and random effects. A given effect may be both fixed and random if it affects the intercept and the covariance structure of the model (Garson, 2012). Independent variables at any level of the research construct are included as fixed effects. Slopes of variables, for example at higher-level, may vary across regions, or other classification systems. The aim is to disentangle the sources of variability by estimating the model's variance-covariance matrix.

6.3 Sample and Measures

6.3.1 Data

This present study draws on survey data of social enterprises collected in the SELUSI project. In total, the sample includes data from 546 interviews and surveys covering 79 European (nuts2) regions and 5 countries.

A better understanding about social enterprises' sustainability and growth can be achieved by combining aggregated data at regional level with individual firm level data. To test the hypotheses elaborated in Chapter III of this present thesis, firm level data (SELUSI data) will be merged with a variety of regional level indicators and macroeconomic controls. The regional level data sources are The Global Entrepreneurship Monitor (GEM), Eurostat, The

World Values Survey and The Quality of Government Institute at University of Gothenburg. Tables 4 and 5 provide an overview on the variables' definitions and data sources.

6.3.2 Dependent Variables: Social Entrepreneurship Sustainability and Growth

In order to capture social enterprises' dynamics, three different indicators of social enterprise growth will be introduced, namely: 1. *Employment growth*, 2. *Revenue growth* and 3. *Social impact development*. Based on the SELUSI survey, the values of employment growth and revenue growth are measured as the percentage of change in relation to the previous year, i.e. the year before the data was collected. In the case of social impact development, changes are proxied through a performance scale from (-1) to (+2). This is due to the fact that the interviewee was asked to express social impact development according to the stated scale. Moreover, the geographical scope of social enterprises' locations (and social enterprises' growth) in the SELUSI database are nuts2 regions which are nested within countries (nuts0) (Hungary, Romania, Spain, Sweden and the UK)[99].

6.3.3 Firm Level Predictor Variables (Level1)

Operational strategy (complexity and diversity strategies) (Hypothesis 8a), *geographical scope of operation* (Hypothesis 8b) and *social networks* (informal and formal) (Hypothesis 8c) are captured through the SELUSI survey. The predictor *social networks* is proxied trough the SELUSI-question "*Please indicate on a scale from 1 to 7 how much your organisation relied on informal and on formal social networks during the past 12 months (7 = highest degree of reliance)*". Social enterprises' operational strategy is indicated by two dummy variables, namely *diversity*, e.g. if social enterprise adopts any two or more operational business models, and *complexity*, e.g. the social enterprise combines several *and* diverse business models. Based on the respondent's explanation of the social enterprise's focus of social change, the dummy variable *geography* gives information on the enterprises' geographical scope of operation: Addressing the target group locally (in the local community), regionally (providing solutions to communities or to a segment of population on

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[99] Information on the three social enterprise indicators of this study (dependent variables) per country as well as per nuts2 and nuts1 regions is provided in the Appendix1 (Tables 1.6 - 1.11).

a broader regional scope), nationally (addressing social issues across the country) or internationally (addressing social need 'worldwide').

6.3.4 Firm Level Control Variables (Level1)

In the literature on SMEs growth determinants, empirical studies show that firm age and firm size, among other firm attributes, are systematically related to growth (Davidsson et al., 2005). The discussion on the relationship between firm age/size and firm growth has its origin in Gibrat's Law, which states that a firm's growth rate is independent of its initial size and that there is no difference between firms in the probability of a given growth rate during a specific time interval within the same industry (Audretsch et al., 2004). However, empirical studies do not find supporting evidence (Becchetti & Trovato, 2002). Several studies show that younger firms show higher growth rates than firms that have existed for many years. The negative effect of age on firm growth is consistent among various countries and industries (e.g. Fariñas & Moreno, 2000; Shane & Venkataraman, 2000; Geroski & Gugler, 2004; Reichstein & Dahl, 2004; Yasuda, 2005).

In line with the empirical studies on SME growth, several firm level control variables shall be included in this present analysis: To control for social enterprises' maturity the term *age* is added to the analysis. Additionally, the factor *assets in 2008* is used to control for the enterprise's total amount of assets in 2008. When analysing the determinants of social enterprises' employment growth, the model includes a control factor for the number of full-time equivalent employees in 2008 (*employment 2008*). Similarly, the examination of social enterprises' revenue growth requires controlling for the enterprise's total *revenues in 2008*. The three control variables, the amount of assets, the number of full-time equivalent employees as well as the level of revenues generated, are useful indicators to measure the size of the social enterprise and to control for the relationship between firm size and firm growth. Further variables are introduced to control for the enterprises' choice of operational business model (*opmo*) by using dummy variables for the correspondent models (*opmo1, opmo2, opmo3, opmo4*) as well as a dummy variable to test for the enterprises' industrial sector of operating activities (*nace*). All control variables are gathered from the SELUSI database.

Table 4 Variable definitions of Level1 SELUSI data.

Variable Name	Definition
	Dependent Variables
employment growth	Change of the number of employees between 2008/2009 and 2009/2010 (in percentage).
revenue growth	Revenue development between 2008/2009 and 2009/2010 (in percentage).
social impact growth	Social impact development between 2008/2009 and 2009/2010. This variable represents the average development of the enterprise's three main social performance indicators based on a scale from -2 to +2: 0 = average social impact remained the same in comparison to last year; 1 = average social impact is better in comparison to last year; 2 = average social impact is much better in comparison to last year; -1 = average social impact is lower in comparison to last year; -2 = average social impact is much lower in comparison to last year.
revenue growth future	Revenue development between 2009/2010 and 2010/2011 (in percentage). Relevant variable for the robustness check.
	Explanatory Variables: Firm Level
age	Enterprise's age in years.
informal social networks	Extent on which the social enterprise relied on informal social networks between 2008/2009 and 2009/2010. Respondent rates the degree of reliance on a scale from 1 to 7, whereby 7 = highest degree of reliance.
formal social networks	Extent on which the social enterprise relied on formal social networks (e.g. membership in associations) between 2008/2009 and 2009/2010. Respondent rates the degree of reliance on a scale from 1 to 7, whereby 7 = highest degree of reliance.
employment in 2008	Number of people who worked for the social enterprise either as wage employees or as subcontractors during 2008, whereby neither the owners of the social enterprise nor volunteers are included (full-time equivalents – 35 working hrs per week).
revenues in 2008	Social enterprise's total revenues in 2008 (in EUR).
assets in 2008	Total value of social enterprise's assets in 2008 (in EUR).
operational models	Organisation's operational business models: **opmo1**: Dummy variable to control for opmo1 = entrepreneur support model & market intermediary model. 1 = opmo1, if social enterprise adopts opmo1, zero otherwise. **opmo2**: Dummy variable to control for opmo2 = employment model & cooperative model. 1 = opmo2, if social enterprise adopts opmo2, zero otherwise. **opmo3**: Dummy variable to control for opmo3 = fee for service and/or product model and low income client model. 1 = opmo3, if social enterprise adopts opmo3, zero otherwise. **opmo4**: Dummy variable to control for opmo4 = service subsidisation model & organisational support model. 1 = opmo4, if social enterprise adopts opmo4, zero otherwise. **opmo5**: Dummy variable to control for opmo5 = other operational business model. This category applies in case none of the models on the list were suitable to describe the social enterprise's particular business model. 1 = opmo5, if social enterprise adopts opmo5, zero otherwise.
diversity	Dummy variable to control for the enterprise's diversity strategy of business model application. 1 = diversity, if social enterprise adopts more than one business models, zero otherwise.

complexity	Dummy variable to control for the enterprise's complexity strategy of business model application. 1 = complexity, if social enterprise adopts several and diverse business models, zero otherwise.
geography	Based on the interviewee's explanation of the social enterprise's focus of social change, his response was classified according to the social enterprise's geographical scope of operation. The social business may address social needs either on regional-level (nuts2), on national-level (nuts0) or internationally. geo nuts2: Dummy variable to control for the social enterprise's geographical scope on nuts2-level. 1 = geo nuts2, if social enterprise operates on nuts2-level, zero otherwise. geo nuts0: Dummy variable to control for the social enterprise's geographical scope on nuts0-level. 1 = geo nuts0, if social enterprise operates on nuts0-level, zero otherwise.
nace	Dummy variable to control for the social enterprise's industry sector of operation. 1 = nace, if social enterprise operates in the service sector, zero otherwise.

6.3.5 Regional Level Predictor Variables (Level2 and Level3)

The set of predictor variables at Level2 (regional level) and Level3 (country level) concerns the measurement of the socio-economic framework conditions of the region in which social enterprises in the SELUSI dataset operate. This study may be subject to potential endogeneity which may arise because the growth rates (employment growth, revenue growth and / or social impact growth) of social enterprises per region are likely to be affected by some of the regional variables, for instance changes in the level of GDP per capita or an increase in the poverty rate. This issue will be addressed by lagging the socio-economic and institutional variables at regional and country level by one year.

Determinants of social enterprise growth are differentiated between supply and demand factors: The *supply* of social entrepreneurship is characterised by the regional socio-economic context. In other words, the capacity of social enterprises to respond to unsolved social needs depends on favourable (economic) conditions in the region which allow social enterprises to draw on essential resources, such as funding, an entrepreneurial culture, social capital and voluntary activities within society (Sharir & Lerner, 2006; Hynes, 2009; Estrin et al., 2011; Buckingham et al., 2012). In order to capture a culture which encourages entrepreneurship at regional level and national level, the variable *commercial entrepreneurship* rates in 2008 is introduced (Hypothesis 1). This data collected from GEM is based on the Adult Population

Survey (APS)[100]. Moreover, as access to informal capital is essential in the process of social enterprise expansion (Scarlata, 2010), *informal capital* rates in 2008 at regional and national level are added to the analysis (Hypothesis 2). The source of this term is GEM and it is also based on the APS. Social capital is the network of relationships that underpins economic partnerships and alliances. These networks depend upon a culture of cooperation, fostered by trust (Colemann, 1988; Putnam, 1996). Hence, social capital will be proxied by the indicator *social trust* at regional level (Hypothesis 3), obtained from The World Values Survey[101]. In addition, social enterprises require cooperation and voluntary activity to operate. In this context, the supply of voluntary activities, e.g. the dimension of the non-profit sector, plays an important role in the development of social entrepreneurship. Therefore, the *size of the non-profit sector* is included in the analysis, and is measured as the percentage of GDP generated by non-profit institutions (e.g. associations and charities) in 2008 at country level (Hypothesis 4). This information is provided by Eurostat.

However, it should be stressed at this point that the measurement of the size and economic value of the non-profit sector constititues a major challenge (Salamon et al., 2011). Based on its role in society and its impact it is clear that voluntary activity makes an essential contribution to an economy's output. However, this contribution is often overlooked in national statistics. Government statistical offices rarely gather data on the non-profit sector and when they do, they often do not report it separately (Salamon & Anheier, 1996). In 2003, the United Nations Statistics Division introduced a handbook on Non-Profit Institutions (NPI) in the system of national accounts calling on national statistical agencies to incorporate data on volunteer work (United Nations, 2003). So far, 31 countries have agreed to implement the handbook and to develop accounts on non-profit institutions and volunteering. According to Salamon (2010), one of the initial findings of the United Nations NPI handbook is the fact that the civil society sector accounts on average for 5% of the GDP in the countries covered, and exceeds 7% in some countries, such as Canada and the United States.

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[100] To be precise, this present study uses commercial entrepreneurship rates which comprise the 'new business rate' (business has been paying income, such as salaries or drawings, for more than 3, but not more than 42 months) as well as the 'established businesses rate' (business has been paying income for more than 42 months).
[101]: The variable 'social trust' reflects the percentage of respondents who answer that "Most people can be trusted" (alternatives being "Need to be very careful" and "Don't know") to the question: "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?". See: http://www.wvsevsdb.com/wvs/WVSData.jsp?Idioma=I [Accessed: 14 February 2013].

Eurostat reports the net value added of non-profit institutions to national GDP in the European sector accounts[102]. Non-profit transactions are disclosed in the account "*Non-Profit Institutions Serving Households*" (NPISH). NPISH makes up an institutional sector in the context of national accounts consisting of non-profit institutions which are not mainly financed and controlled by the government and which provide goods or services to households for free or at prices that are not economically significant. Examples include churches and religious societies, sports and other clubs, trade unions and political parties. NPISH are private, non-market producers which are separate legal entities. Their main resources, apart from those derived from occasional sales, are those from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general governments and from property income. Nevertheless, up to now there is no data available for the sub-national level. Hence, this analysis will only include data at country level.

Demand for social entrepreneurship is determined by a combination of factors, including characteristics of the welfare state and adverse societal conditions. Social enterprises bear the responsibility of responding to social needs by addressing poverty and (potential) social exclusion. Thus, the regional indicator *risk of poverty* (Hypothesis 5) is used, which corresponds to the sum of citizens whose income was below the annual national at-risk-of poverty threshold in 2008[103]. Often, adverse social conditions emerge as a consequence of diminishing public social services. In this context, recent studies indicate that a smaller state sector creates demand for social entrepreneurship (Leadbeater, 1997; Mair & Marti, 2009; Estrin et al., 2011). To proxy the size of the public sector the regional factor *expenditure of public health* (Hypothesis 6) is introduced, derived from Eurostat's information on governments' spending on health per capita in 2008. Not only the size of government but also the quality of government, proxied by strong institutions bound by the rule of law, affect social enterprise behaviour. According to the literature, weak institutions create a 'void' that social entrepreneurs use as an opportunity to develop their enterprises (Mair & Marti, 2009; Dacin et al., 2010; Estrin et al., 2011). To test the institutional void theory, the variable *rule*

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[102] See: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Non-profit_institutions_serving_households_(NPISH) [Accessed: 28 January 2013].

[103] Eurostat (2010): The annual national at-risk-of poverty threshold is set at 60% of the national median income per equivalent adult.

of law (Hypothesis 7) shall be added to the analysis at regional and country level, which is amassed from The Quality of Government Institute at University of Gothenburg[104].

6.3.6 Regional Level Control Variables (Level2 and Level3)

In the literature on entrepreneurship in the regional context, it has been argued that geographical proximity and access to customers enhance entrepreneurial activity (e.g. Verheul et al., 2002; Bosma et al., 2008) – an argument often related to agglomeration effects. Similarly, it can be assumed that *population density* may influence the supply of social entrepreneurship activities, as social enterprises need a critical mass of customers in the population to expand their business activities. In this connection, the populations' purchasing power (*GDP per capita*) is vital in creating demand for social enterprises' products and services. Data on both regional control variables, *population density* and *GDP per capita* at regional- and national-level, is gathered from Eurostat.

Table 5 Variable definitions of Level2 & Level3 data.

Variable	Definition
Explanatory Variables: Regional Level & Country Level	
commercial entrepreneurship: regional / national	Based on the Adult Population Survey, 2008. Percentage of population aged 18-64 at **nuts2- (regional)** and **nuts0-level (national)** – For the contries Hungary, Romania and Sweden, only nuts1-level data was available: * New business owner-managers: Those whose business has been paying income, such as salaries or drawings, for more than three, but not more than 42, months and * Established business owner-managers: Those whose business has been paying income, such as salaries or drawings, for more than 42 months. Source: GEM.
informal capital: regional / national	Adult Population Survey (APS), 2008. Percentage of population aged 18-64 involved in informal investment at **nuts2- (regional)** and **nuts0**-level **(national)** – For the contries Hungary, Romania and Sweden, only nuts1-level data was available: In the APS 2008, the respondents' answer to the following question had to be in the affirmative: "Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?" Source: GEM.
social trust: regional / national	The percentage of respondents who answer that: "Most people can be trusted" (alternatives being "Need to be very careful" and "Don't know") to the question "Generally speaking, would you say that most people can be trusted or that you can't be too careful in dealing with people?" **nuts2 (regional)** and **nuts0 (national)** data available for 2008. Source: The World Values Survey.
size of non-profit sector: national	Percentage of GDP generated by non-profit institutions (e.g. associations and charities) in 2008. Only **nuts0 (national)** data available. Source: Eurostat.

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[104] The Quality of Government Institute at University of Gothenburg provides data on the quality of governments in the EU at national and regional level (nuts0 and nuts2). See: http://www.qog.pol.gu.se/data/datadownloads/qogeuregionaldata/ [Accessed: 28 January 2013].

rule of law: regional / national	In the framework of the EU Project 2010 by The Quality of Government (QOG) Institute at University of Gothenburg: in 2009, data on the quality of government was collected at country (nuts0) and at sub-national level (nuts1 and nuts2) across Europe. High QOG is understood as low levels of corruption, protection of the rule of law, government effectiveness and accountability – for the national and regional level in the EU27 countries. QOG is measured as the region's aggregated score from survey questions on quality of law enforcement in a region. Data on **nuts0**-level **(national)** is available for the EU27 countries and sub-national-level data (**nuts2 – regional**) is presented for 172 EU regions based on a survey of 34,000 residents across 18 countries. Source: The QOG Institute, University of Gothenburg, Sweden. For further information see: http://www.qog.pol.gu.se/data/datadownloads/qogeuregionaldata/.
expenditure of public health: regional / national	Government expenditure on health per capita in 2008 on **nuts2- (regional)** and **nuts0**-level **(national)**. Source: Eurostat.
risk of poverty: regional / national	The Europe 2020 strategy promotes social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and social exclusion. This indicator corresponds to the sum of persons whose income was below the poverty threshold[*1] (after social transfers) on **nuts2- (regional)** and **nuts0**-level **(national)** in 2008. Source: Eurostat.
gdp per capita: regional / national	Mean value of GDP per capita at purchasing power parity at **nuts2-** and **nuts0** level in 2008. Source: Eurostat.
population density: regional / national	Inhabitants per km². The ratio of the mid-year population of a territory on a given date to the size of the territory. Size of population at **nuts2-** and **nuts0**-level in 2008. Source: Eurostat.

[*1] The annual national at-risk-of poverty threshold is set at 60% of the national median income per equivalent adult. In order to allow comparisons between countries the threshold is expressed in this table in Purchasing Power Standards (PPS), which is an artificial reference currency unit that eliminates price level differences between countries. Poverty threshold (PPS) in 2008: UK=11600 Euro; Spain=8400 Euro.

The following diagram provides an overview of the variables included in the multilevel model at regional and at national level[105].

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[105] An overview of the descriptive and correlation statistics of the variables included in the analysis can be found in the Appendix1 (Tables 1.1 – 1.5).

Figure 28 Firm level (abilities and strategies) and regional level factors (resources and opportunities) affecting social enterprise growth.
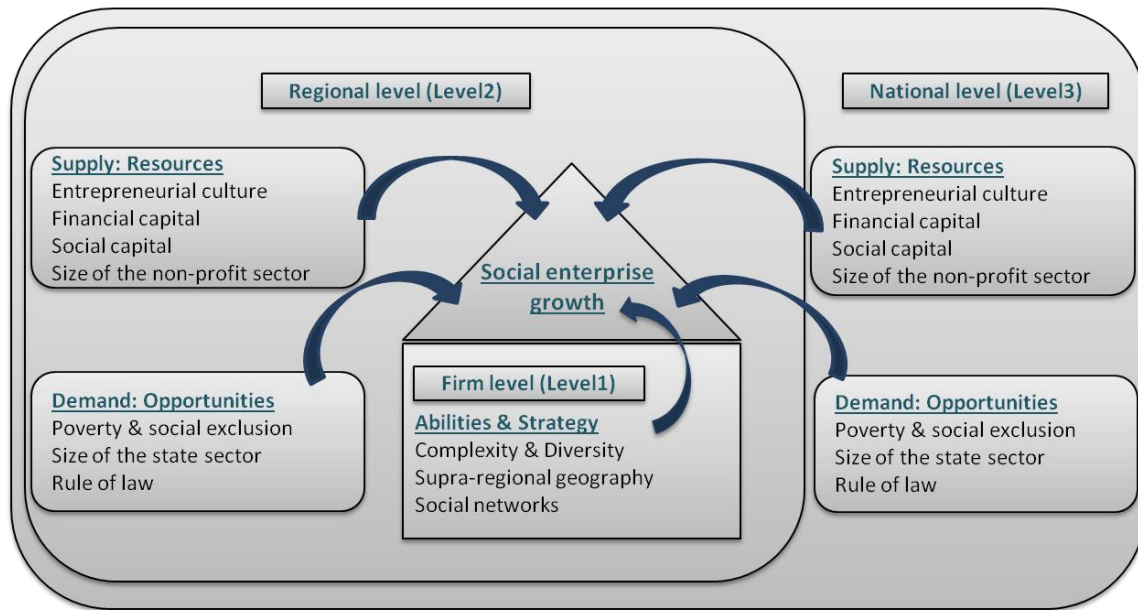
6.4. Model Specification: Defining the Three-Level Multilevel Model

Given the specific data structure of this analysis, a three-level model will be applied. In this context, cross-sectional data consists of social enterprises (Level1) nested within regions (Level2) in countries (Level3).

In the following, multilevel analysis is carried out in three-step regressions: Firstly, the unconditional models are provided, which give information on the variability of the dependent variable at each level of specification (Table 6). Secondly, the fixed effects are estimated (Table 7) after having added covariates at each level of specification and thirdly, the random effects treatment models are assessed (Tables 8-11) which, in addition to the fixed effects estimations, include randomly varying slopes across regions.

Unconditional Models

The first step in a multilevel analysis usually develops an unconditional model to partition the variance of the outcome variable into its within- and between-groups components (Heck et al., 2010). This is helpful to determine how much of the variance in the outcome variable lies between the regions in the sample. Moreover, the first unconditional model does not specify

independent variables at any level. The unconditional model for social enterprise i in region j in country k is described by (notation follows the one used by Raudenbush & Bryk, 2002):

$$Y_{ijk} = \pi_{0jk} + \varepsilon_{ijk} \,, \qquad\qquad\qquad\qquad (i)$$

The unconditional model examines social enterprise growth Y_{ijk} as a function of the regional mean π_{0jk}, e.g. the mean growth rate in region j in country k, plus a random error ε_{ijk}, that is the deviation of social enterprise ijk's growth rate from the regional mean. The random effects are supposed to be normally distributed with a mean equal to 0 and a variance σ^2. Between regions, variation in intercepts can be viewed as an outcome varying randomly around some country mean β_{00k}. It can be represented as:

$$\pi_{0jk} = \beta_{00k} + r_{0jk} \,, \qquad\qquad\qquad\qquad (ii)$$

where the deviation of a region jk's mean from the country mean β_{00k} is represented by r_{0jk}. The random effects are assumed to be normally distributed with a mean equal to 0 and a variance τ_{π}. Within each of the k countries, the variability among regions is supposed to be the same (Raudenbush and Bryk, 2002). The country mean β_{00k}, on the other hand, is modelled as randomly varying around a grand mean γ_{000}:

$$\beta_{00k} = \gamma_{000} + \mu_{00k}. \qquad\qquad\qquad\qquad (iii)$$

where μ_{00k} is the random country effect, i.e. the deviation of country k's mean from the sample's grand mean. These effects are also assumed to be normally distributed with a mean of 0 and a variance of τ_{β}.

For the unconditional models, it is possible to examine the decomposition of variance of the outcome Y_{ijk} into its three components: Among social enterprises within regions (Level1), σ^2, among regions within countries (Level2), τ_{π}, and among countries (Level3), τ_{β}.

This model provides a measure of dependence within each Level2 and Level3 unit by way of the interclass correlation (ICC). The ICC describes the proportion of variance that is common to each unit, as opposed to variation that is associated with social enterprises within their units (Heck et al., 2010). According to Hox (2002), it can be thought of as the population estimate of the amount of variance explained by the grouping structure. The ICC is represented as:

$$ICC: \frac{\sigma_B^2}{(\sigma_B^2 + \sigma_W^2)}, \tag{iv}$$

where σ^2 represents the variance and the subscripts B and W stand for between regions and within regions. The higher the ICC, the more homogeneous are the units, i.e. there exists substantial variability between regions and countries. The level of ICC is a guideline on whether the choice of multilevel modelling with regional- and country-effects is justified on the present dataset (Heck et al., 2010). If ICC is too small, researchers often use 0.05 as a rough cut-off point, the higher level grouping does not affect the estimates in any meaningful way. In these cases, a single-level analysis would suffice.

For a three-level model the proportion of variability (ICC) in outcomes at Level3 is defined as:

$$ICC \ (Level3): \frac{\sigma_{level3}^2}{\sigma_{level1}^2 + \sigma_{level2}^2 + \sigma_{level3}^2}, \tag{v}$$

For Level2 the ICC is defined as:

$$ICC \ (Level2): \frac{\sigma_{level2}^2}{\sigma_{level1}^2 + \sigma_{level2}^2 + \sigma_{level3}^2}, \tag{vi}$$

And for Level1 the ICC is equal to:

$$ICC \ (Level1): \frac{\sigma_{level1}^2}{\sigma_{level1}^2 + \sigma_{level2}^2 + \sigma_{level3}^2}. \tag{vii}$$

Conditional Models

For three-level models, coefficients at Level1 are captured by π coefficients. Level2 and Level3 coefficients are captured by β and γ respectively. For a social enterprise i in region j in country k, the general Level1 model is described by (notation follows the one used by Raudenbush & Bryk, 2002):

$$Y_{ijk} = \pi_{0jk} + \sum_{p=1}^{P} \pi_{Pjk} * \alpha_{Pijk} + \varepsilon_{ijk}, \tag{viii}$$

where dependent variable Y_{ijk} is represented by either: 1. *Employment growth*, 2. *Revenue growth* or 3. S*ocial impact development*. Further, π_{0jk} is an intercept for region j in country k, α_{Pijk} represents Level1 predictors ($p = 1, ..., P$), such as *social networks* (*informal and*

formal), operational strategies (*operational models, diversity, complexity*), *geography*, enterprise maturity (*age*), *employment in 2008*, *revenues in 2008*, *assets in 2008* and industrial sector (*nace*). For social enterprise i in Level2 (unit j) and Level3 (unit k), the term π_{Pjk} represents the corresponding Level1 coefficients. Level1 variance ε_{ijk} is assumed to be normally distributed with a mean equal to 0 and a variance σ^2.

At Level2, the general regional model is defined as:

$$\pi_{Pjk} = \beta_{p0k} + \sum_{q=1}^{Q_p} \beta_{pqk} * x_{qjk} + r_{pjk}, \tag{ix}$$

where β_{p0k} is the intercept for country k in modelling the regional effect π_{Pjk}. In addition, x_{qjk} are Level2 characteristics ($q = 1, \dots, Q$), such as *entrepreneurial culture*, *informal capital*, *social trust*, *population density*, *GDP per capita*, *expenditure on public health* and *risk of poverty*. Moreover, β_{pqk} are corresponding Level2 coefficients which represent the direction and strength of association between regional characteristics x_{qjk} and π_{Pjk}. The random effects on Level2 are represented by r_{pjk}.

There are $p + 1$ equations in the Level2 model, depending on the number of Level1 coefficients. The random effects in these equations are assumed to be correlated (Raudenbush & Bryk, 2002). Formally, it can be assumed that the set of r_{pjk} are multivariate normally distributed each within a mean of 0, variance $\tau_{\rho\rho}$ and covariance between elements r_{pjk} and $r_{p'jk}$ of $\tau_{\rho\rho'}$ (Raudenbush et al., 2004). All these variances and covariances are collected in a matrix labelled $\boldsymbol{T}_\pi$ whose dimensionality depends on the number of coefficients specified as random in the Level2 model.

A similar modelling process is replicated at the country level. Level3 random effects depend on the number of randomly varying effects in the model. Between countries, a general model can be defined as:

$$\beta_{pqk} = \gamma_{pq0} + \sum_{s=1}^{S_{pq}} \gamma_{pqs} * W_{sk} + u_{pqk}, \tag{x}$$

where γ_{pq0} is the intercept, W_{sk} are Level3 predictors ($s = 1, \dots, S_{pq}$), γ_{pqs} represents the corresponding Level3 coefficients and it further provides information on the direction and strength of association between country characteristic W_{sk} and β_{pqk}. Level3 random effects are captured by u_{pqk} and are comprised in the corresponding variance-covariance matrix. For

each country there are $\sum_{p=1}^{P} Q_p + 1$ equations in the Level3 model. Here too, the variances and covariances are collected in matrix $\boldsymbol{T}_\beta$. The dimensionality of $\boldsymbol{T}_\beta$ depends on the number of Level2 coefficients that are formulated as random (Raudenbush & Bryk, 2002; Raudenbush et al., 2004). According to Raudenbush & Bryk (2002), there are many alternative modelling possibilities. Based on the theoretical framework and the hypotheses of this thesis, the present analysis will include randomly varying Level2 coefficients. The fixed effects and random treatment estimation outcomes will be discussed in detail in the subsequent section.

6.5 Estimation and Results

6.5.1 First Step: Intra Class Correlation

Table 6 presents the results of the unconditional specifications in order to examine the proportion of variability (ICC). As already mentioned, the higher the ICC, the more homogeneous are the units which indicated that substantial variability between regions and countries exists. Moreover, the analysis of ICC is important to ensure that the application of multilevel modelling is warranted (Heck et al., 2010).

Table 6 Unconditional models and intra class correlation (ICC).

Unconditional models	Model 1a: Log employment growth	Model 2a: Log revenue growth	Model 3a: Social impact development
Fixed part			
Intercept	3.38***	3.40***	0.87**
	(0.06)	(0.08)	(0.10)
Random part			
Residual	0.52***	0.64 ***	0.80***
	(0.03)	(0.04)	(0.07)
Intercept (regional)	0.05**	0.06**	0.05**
	(0.04)	(0.02)	(0.04)
Intercept (national)	0.03**	0.04**	0.01
	(0.03)	(0.02)	(0.01)
ICC[+] Level2 (regional)	8.33%	8.12%	5.81%
ICC[+] Level3 (national)	5.01%	5.41%	1.16%

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05
[+] ICC = Intra-Class-Correlation

In order to avoid instability in the estimates of regression coefficients, e.g. triggered by a high Type I error rate, the dependent variables *employment growth* and *revenue growth* are

logarithmised by taking the natural logarithm[106]. Due to the log transformations, the intercept estimates for *log employment growth* and *log revenue growth* should to be interpreted as follows: The unconditional geometric mean for employment growth is estimated to be equal to exp (3.38) = 29.37% (Model 1a), the geometric mean of revenue growth is exp (3.40) = 29.96% (Model 2a). Since the dependent variable *social impact development* is not logarithmised, the geometric mean is 0.87 (Model 3a).

The variance components indicate the proportion of variance in Model 1a, Model 2a and Model 3a associated with countries, regions and enterprises. It is striking that variance components at regional-level are higher compared to the variability at country-level in every model specification (Model 1a: 0.05** > 0.03**; Model 2a: 0.06** > 0.04** and Model 3a: 0.05** > 0.01). The decomposition of the variance components allows one to calculate the proportion of variability at each level (ICC Level2 and Level3). In the case of employment growth, the proportion of variance between countries is equal to 5.01%; between regions it is equal to 8.33%. This suggests there is adequate variability at each level to conduct multilevel analysis. In the revenue growth model specification, ICC at national- and at regional-level is equal to 5.41% and 8.12%, respectively. Likewise, these results encourage us to carry out multilevel estimation. The third specification, social impact development, accounts for 5.81% variability at regional-level, but only 1.16% at Level3. Consequently, social impact development differs across regions, however, variability at country-level is close to zero implying that countries do not represent homogenous units in terms of social impact development rates.

Unconditional models in particular serve as baseline models for purposes of comparison with more complex models in terms of the models' overall goodness of fit (Raudenbush & Bryk, 2002; Garson, 2012). An extensive analysis of the fit of successive multilevel models will be performed in section 6.6 of this present chapter.

6.5.2 Second Step: Fixed Effects Estimation

The following Table 7 illustrates the estimation results of the fixed effects treatment for a three-level set-up. Before embarking on fully fledged multilevel models, it is worth

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[106] For more information on the analysis of the data distribution and the completion of outlier analyses and data transformations, see section 6.6 of this present chapter.

examining the data by carefully inspecting the correlation matrix for all variables at each level of analysis. Due to multicollinearity issues, the variable *rule of law* is removed at regional and at national level. Based on studying measures such as variance inflation factors, additional multicollinearity issues are detected which can be ascribed to some Level3 covariates, namely *commercial entrepreneurship: national*, *informal capital: national* and *social trust: national*. As a result, these national-level covariates are dropped. An extensive description on the robustness checks and the rationale behind dropping certain Level3 covariates can be found in section 6.6 below.

Table 7 Fixed effects estimations.

Conditional Models	Model 1b: Log employment growth	Model 2b: Log revenue growth	Model 3b: Social impact development
Fixed part			
Intercept	2.05** (0.65)	4.64** (1.18)	0.44* (0.56)
log age	-0.01* (0.01)	-0.07* (0.06)	0.13** (0.09)
informal social networks	0.04* (0.02)	0.05* (0.02)	0.06** (0.01)
formal social networks	0.01 (0.01)	0.01 (0.01)	0.05* (0.04)
log employment in 2008	-0.06** (0.03)		
log revenue in 2008		-0.13*** (0.01)	
log assets in 2008	0.01* (0.02)	0.03** (0.02)	0.02* (0.01)
opmo1	-0.01 (0.02)	0.15* (0.09)	0.03 (0.03)
opmo2	0.09* (0.01)	0.16** (0.12)	0.03 (0.03)
opmo3	-0.01 (0.03)	0.11 (0.17)	0.03 (0.03)
opmo4	-0.01 (0.01)	0.18 (0.22)	0.07 (0.17)
diversity	-0.02 (0.03)	0.01 (0.01)	0.07 (0.17)
complexity	0.09* (0.06)	0.16* (0.10)	0.07* (0.05)
nace	0.12 (0.10)	0.25* (0.10)	0.08 (0.16)
geography: regional	0.06 (0.09)	0.05 (0.11)	0.02 (0.17)
geography: national	0.02 (0.10)	0.03 (0.13)	0.03 (0.19)
informal capital: regional	0.13** (0.08)	0.14** (0.12)	0.06** (0.03)
commercial entrepreneurship: regional	0.07* (0.05)	0.17 (0.10)	0.07 (0.11)
social trust: regional	0.03* (0.01)	0.02** (0.01)	0.05** (0.01)
size of non-profit sector: national	0.03 (0.09)	0.04** (0.02)	0.09** (0.02)
log population density: regional	0.01 (0.01)	0.03 * (0.05)	0.01 (0.01)

population density: national	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
expenditure public health: regional	-0.13** (0.07)	-0.18* (0.16)	-0.08 * (0.06)
expenditure public health: national	-0.12* (0.11)	-0.15* (0.12)	-0.04 (0.09)
risk poverty: regional	0.03** (0.01)	0.01 (0.01)	0.04* (0.03)
risk poverty: national	0.01* (0.01)	0.03 (0.02)	0.03 (0.03)
gdp per capita: regional	0.02** (0.01)	0.22** (0.09)	0.01 (0.01)
gdp per capita: national	0.02* (0.02)	0.06* (0.05)	0.01 (0.01)
Random part			
Residual	0.54*** (0.03)	0.64*** (0.05)	0.82*** (0.09)
Intercept (regional) Variance	0.07* (0.03)	0.07** (0.03)	0.03* (0.02)
Intercept (national) Variance	0.05* (0.02)	0.05** (0.03)	0.01 (0.01)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Overall, mixed support can be found when testing the hypotheses of this study. An established entrepreneurial culture at regional-level (**Hypothesis 1**) exerts a positively significant impact on social enterprises' employment growth (Model 1b: 0.07*)[107] but no significant association is observed between commercial entrepreneurship rates and an increase in either social impact rates (Model 3b: 0.07) or revenue growth (Model 2b: 0.17). Hence, Hypothesis 1 is only partly confirmed. Furthermore, it was tested whether access to financial resources (informal capital) positively influences social entrepreneurship growth (**Hypothesis 2**). In line with the prediction of this study, sufficient funding has a positive impact on employment growth (Model 1b: 0.13**), revenue growth (Model 2b: 0.14**) as well as on social impact development (Model 3b: 0.06**). For an increase of the regional funding supply by 1%, the estimated employment growth rates increase on average by 13.88%, in the case of revenue growth by 15.03% and it positively affects social impact development by 0.06 units. Next, the effect of social capital, using the instrumental variable *social trust*, is examined (**Hypothesis 3**). According to the results, social trust is positively related to social enterprises' employment growth (Model 1b: 0.03*), revenue growth (Model 2b: 0.02**) as well as social impact development (Model 3b: 0.05**), implying that mutual trust within society is a strong driver of social entrepreneurship development at regional

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[107] The estimation results have to be exponentiated as the dependent factors are log-transformed variables. Hence, if the regional commercial entrepreneurship rate increases by 1%, the expected employment growth rate is estimated to increase on average by 7.25%.

level. The supply-side Hypothesis 3 can thus be confirmed. Similarly, the size of the non-profit sector (**Hypothesis 4**) positively affects social enterprises' revenue growth (Model 2b: 0.04**) as well as their social impact development (Model 3b: 0.09**). In the employment growth model, a positive but insignificant effect is noted (Model 1b: 0.03). Hence, Hypothesis 4 needs to be partially confirmed, namely in Model 2b and 3b.

With regard to adverse societal conditions at regional level (**Hypothesis 5**), poverty rates affect social enterprises' development in terms of an increasing number of employees (Model 1b: 0.03*) and with respect to social impact development (Model 3b: 0.04*). No impact association can be found between high poverty rates and revenue growth (Model 2b: 0.01). Also, the impact of national poverty rates is only positively significant in the employment growth specification (Model 1b: 0.01*). In line with **Hypothesis 6**, public health expenditure at regional and at national level is negatively associated with social enterprises' employment growth (Model 1b: -0.13**; -0.12*), revenue growth (Model 2b: -0.18*; -0.15*) and social impact development (Model 3b: -0.08*; -0.04). Hence, Hypothesis 5 can be partially confirmed when testing it at regional level; Hypothesis 6 can be confirmed at both higher levels of analysis.

Two control variables are introduced at regional and at country level: Per capita GDP and population density. The estimates suggest that wealthy regions create significant demand for social entrepreneurial services and products, thus, inducing an increase in employment and revenue growth rates (Model 1b: 0.02**; 0.02* and Model 2b: 0.22**; 0.06*). However, GDP per capita has no effect on enterprises' creation of social impact. Population density is solely positively related to revenue growth at regional level (Model 2b: 0.03**), but shows no other effect on social enterprises' growth.

Turning to firm-level predictors, it can be observed that social enterprises' choice upon the geographical scope of operation (**Hypothesis 8b**) has no effect on their growth whatsoever. Social networks, on the other hand, are crucial for a social enterprise's dynamism (**Hypothesis 8c**): Informal social networks have a positive effect on social enterprises' employment (Model 1b: 0.04*) and revenue growth rates (Model 2b: 0.05*) as well as on their social impact development (Model 3b: 0.06**). Formal networks, however, only exert a positive and significant effect on social impact development (Model 3b: 0.05*). Furthermore, testing for operational strategies (**Hypothesis 8a**) leads to mixed results. Social enterprises that implement more than one business model (diversification strategy) do not experience

higher growth rates. However, the combination of several *and* different business models (complexity strategy) is expected to lead to higher employment (Model 1b: 0.09*) and revenue growth rates (Model 2b: 0.16*) as well as greater social impact development (Model 3b: 0.07*). Beyond the specific hypothesis at firm level, it is notable that some operational business models exert an influence on social enterprise growth. For example, social enterprises that adopt either the employment or the cooperative model (*opmo2*), experience on average 9.42%[108] higher employment growth rates (Model 1b: 0.09*) and they achieve on average a 17.35% higher revenue development (Model 2b: 0.16**) compared to social enterprises opting for a different model.

Control variables at firm level suggest a negative impact of enterprises' age on employment growth (Model 1b: -0.01*) and revenue growth (Model 2b: -0.07*), but a positive effect on social impact development (Model 3b: 0.13*). Thus, enterprise maturity and experience is a pivotal variable to scale social impact. Moreover, the amount of assets in 2008 is positively related to all types of social enterprise growth (employment, revenue and social impact) and social enterprises operating in the service sector (dummy variable: *nace*) are more likely to achieve higher revenue growth rates.

6.5.3 Third Step: Adding Random Effects

In the last step of multilevel modelling the following (Models 1c-3c) random effects treatment is introduced (in addition to fixed effects estimation) to investigate whether predictors at Level2 vary significantly across regions (random slopes), thereby inducing a potential source of heterogeneity. Therefore, variance-covariance matrices will be estimated in order to disentangle the sources of variability. This could help to identify regions that are more (or less) equitable in providing the adequate socio-economic conditions for successful social enterprises of varying business backgrounds. Moreover, in the case that the regional predictors' effects significantly vary across regions (random slopes), potential repercussions on the outcome variable ought to be studied in further detail.

In fact, there are two possible sources of variability in the dependent variable: The first one is caused by the varying intercept across regional units and the second one is due to cross-regional variation of the regional predictors' influence on the dependent variable. The

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[108] Number represents the inverse of the natural logarithm function.

thought is to identify the different sources of variability by estimating the model's variance-covariance matrix (Raudenbush & Bryk, 2002). To accommodate randomly varying slopes, the covariance matrix has to be modified in the respective model. Adding randomly varying slopes will change the number of random effects from one, i.e. the intercept in the fixed effects treatment, to four in the random effects specification. If only the randomly varying slopes are added, the result would be a simple diagonal covariance structure (Heck et al., 2010):

$$\begin{pmatrix} \delta_I^2 & 0 \\ 0 & \delta_S^2 \end{pmatrix}. \tag{xi}$$

where δ_I^2 represents the intercept variance and δ_S^2 represents the slope variance. However, in this present analysis, the covariance between the intercept and slope is additionally examined as it provides further interesting insights on the sources of potential heterogeneity of the outcome variables. This particular matrix is called 'unstructured covariance matrix' (UN) (Heck et al., 2010)[109]. Hence, as the covariance(s) between the intercept and slope(s) are also estimated (δ_{IS}^2), an additional parameter is added to the model:

$$\begin{pmatrix} \delta_I^2 & \delta_{IS}^2 \\ \delta_{IS}^2 & \delta_S^2 \end{pmatrix}. \tag{xii}$$

The fixed effects output for the three model specifications can be found in Table 8. Compared with the previous regressions (Models 1b-3b; Table 7), the inclusion of random slopes does not provoke any significant changes in the fixed effects estimates. The principal focus of this third step of analysis is the examination of the random treatment estimates which can be found in the unstructured matrices (Tables 9-11).

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[109] For more information on unstructured matrices see: http://www.theanalysisfactor.com/unstructured-covariance-matrix-when-it-does-and-doesn%E2%80%99t-work/ [Accessed: 28 January 2013].

Table 8 Random effects estimations.

Conditional Models: Random Effects Estimation	Model 1c: Log Employment Growth	Model 2c: Log Revenue Growth	Model 3c: Social Impact Development
Fixed part			
Intercept	3.27** (0.78)	5.46** (0.79)	0.59* (0.67)
log age	-0.01* (0.01)	-0.06* (0.06)	0.13** (0.09)
informal social networks	0.05** (0.03)	0.05* (0.02)	0.07** (0.01)
formal social networks	0.01 (0.01)	0.01 (0.01)	0.06* (0.04)
log employment in 2008	-0.07** (0.04)		
log revenue in 2008		-0.13*** (0.01)	
log assets in 2008	0.01* (0.02)	0.04** (0.02)	0.01** (0.01)
opmo1	-0.01* (0.01)	0.15* (0.10)	0.03 (0.04)
opmo2	0.07** (0.01)	0.14** (0.09)	0.02 (0.02)
opmo3	-0.01 (0.04)	0.10 (0.17)	0.03 (0.03)
opmo4	-0.01 (0.02)	0.19 (0.24)	0.08 (0.17)
diversity	-0.02 (0.03)	0.01 (0.01)	0.06 (0.18)
complexity	0.09* (0.06)	0.15* (0.11)	0.07* (0.05)
nace	0.12 (0.12)	0.24* (0.11)	0.07 (0.08)
geography: regional	0.05 (0.10)	0.05 (0.11)	0.01 (0.19)
geography: national	0.01 (0.10)	0.02 (0.13)	0.02 (0.18)
informal capital: regional	0.13** (0.09)	0.12** (0.10)	0.06** (0.03)
commercial entrepreneurship: regional	0.04* (.03)	0.15 (0.12)	0.05 (0.10)
social trust: regional	0.03* (0.01)	0.02** (0.01)	0.05** (0.01)
size of non-profit sector: national	0.03 (0.10)	0.05** (0.01)	0.09** (0.02)
log population density: regional	0.01 (0.01)	0.04* (0.05)	0.01 (0.01)
population density: national	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
expenditure public health: regional	-0.12** (0.07)	-0.18* (0.16)	-0.08 * (0.06)
expenditure public health: national	-0.10* (0.11)	-0.13* (0.13)	-0.03 (0.10)
risk poverty: regional	0.05** (0.01)	0.01 (0.01)	0.04* (0.03)
risk poverty: national	0.01* (0.01)	0.01 (0.01)	0.02 (0.04)
gdp per capita: regional	0.09** (0.03)	0.22** (0.09)	0.01 (0.01)
gdp per capita: national	0.01* (0.02)	0.05* (0.05)	0.01 (0.01)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Table 9 Covariance matrix employment growth model.

Model 1c with random slope	Employment Growth
Random part: Covariance Parameters	
Residual	0.38** (0.03)
Intercept + informal capital: regional + social trust: regional + risk poverty: regional [subject = regional] **UN (1,1)**	0.08** (0.03)
UN (2,1)	0.07* (0.04)
UN (2,2)	0.04* (0.02)
UN (3,1)	0.05* (0.02)
UN (3,2)	0.01 (0.01)
UN (3,3)	0.06** (0.02)
UN (4,1)	0.03 (0.06)
UN (4,2)	0.01 (0.01)
UN (4,3)	0.01 (0.01)
UN (4,4)	0.05* (0.02)
Intercept (national) Variance	0.02* (0.02)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Table 10 Covariance matrix revenue growth model.

Model 2c with random slope	Revenue Growth
Random part: Covariance Parameters	
Residual	0.43*** (0.02)
Intercept + informal capital: regional + social trust: regional + expenditure public health: regional [subject = regional] **UN (1,1)**	0.07** (0.03)
UN (2,1)	0.07* (0.03)
UN (2,2)	0.10** (0.03)
UN (3,1)	0.05** (0.01)
UN (3,2)	0.03 (0.04)
UN (3,3)	0.06** (0.04)
UN (4,1)	0.02 (0.03)
UN (4,2)	0.02 (0.04)
UN (4,3)	0.01 (0.01)
UN (4,4)	0.02 (0.05)
Intercept (national) Variance	0.02* (0.03)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Table 11 Covariance matrix social impact development.

Model 3c with random slope	Social Impact Development
Random part: Covariance Parameters	
Residual	0.49** (0.06)
Intercept + informal capital: regional + social trust: regional + risk poverty: regional [subject = regional] **UN (1,1)**	0.03** (0.01)
UN (2,1)	0.02 (0.04)

UN (2,2)	0.02* (0.02)
UN (3,1)	0.02* (0.02)
UN (3,2)	0.01 (0.01)
UN (3,3)	0.02** (0.01)
UN (4,1)	0.02 (0.04)
UN (4,2)	0.01 (0.01)
UN (4,3)	0.01 (0.01)
UN (4,4)	0.03 (0.05)
Intercept (national) Variance	0.01 (0.01)

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Based on the variance-covariance matrix of the employment growth model (Table 9), it is noteworthy that social enterprises' employment growth rates vary across regions to a great extent due to informal capital (UN (2,2): 0.04*), social trust (UN (3,3): 0.06**) and poverty rates (UN (4,4): 0.05*). Additionally, the off-diagonal elements show that financial funding exerts a particularly strong effect on social enterprises located in those regions where employment growth rates are high per se (UN (2,1): 0.07*). A similar effect is triggered by social trust (UN (3,1): 0.05*).

Results on random effects treatment in social enterprises' revenue growth model are provided in Table 10. Here, the main sources of variability are informal capital (UN (2,2): 0.10**) and social trust (UN (3,3): 0.06**). The random effects of the 'size of the state sector', proxied by public health expenditure, are positive but not significant. Likewise, in the social impact model variance-covariance matrix (Table 11), altering availability of funding (UN (2,2): 0.02*) and social capital (UN (3,3): 0.02**) across regions drives heterogeneity of social enterprises' development rates. The random slope of poverty risk is positive, but it does not significantly influence the variability of this model. Moreover, in those regions where enterprises' revenue and their social impact increased the most, the influence of social trust was particularly distinctive (Table 10: UN (3,1): 0.05**; Table 11: UN (3,1): 0.02*).

6.6 Robustness Checks and Goodness of Fit

The following section contains information on the quality of the multilevel models applied in the framework of this analysis. For each conditional and unconditional model a number of goodness of fit indicators will be provided as well as information on additional robustness verifications. This information also allows the comparison of model-fitting evidence between

models in order to verify whether the inclusion of additional variables effectively improves the model's goodness of fit.

Data distribution of both dependent and independent variables is first carefully analysed by completing outlier analyses and then its influence is reduced, if necessary. Preliminary evaluation of data requires the inspection of so called 'out-of range values' (outliers). When outliers are present, statistical problems may occur if they are not eliminated due to alteration of the sample (Wooldridge, 2009). Common sources of outliers are 'data entry errors', e.g. when the SELUSI dataset was collected[110], 'implausible values', e.g. values that make no sense when considering the expected range of the data and / or 'rare events', which are extreme observations that for some legitimate reason are just fine, but do not fit within the typical range of other data values[111]. Nevertheless, care should be taken when eliminating outliers from the sample: Moral problems can be reduced if the search for outliers is viewed as a screening procedure for exclusively locating those cases that are not part of the population to begin with (Tabachnik & Fidell, 2007). Therefore, when cleaning the SELUSI sample, the data was simply purified, and no cases were rejected.

Afterwards, the data is screened with respect to the sampling distribution in order to identify potential sources of skewness. The shape of the distribution of data points for each variable is important for multivariate solutions. The assumption of normality can refer either to the variables themselves or to the sampling distribution of statistics calculated from the samples. Continuous variables can be a potential source of skewness if they are badly distributed, or skewed, meaning that there is a concentration of scores at one end or other of the distribution with just a few scores thinly spaced along the opposite tail (Tabachnick & Fidell, 2007). Discrete and dichotomous variables are skewed if too many scores (80-90%) fall in the same category (e.g. Mardia, 1970; Tabachnick & Fidell, 2007). Skewed distributions tend to cause distortion of Type I error rate[112] as well as instability in estimates of regression coefficients for variables (Tabachnick & Fidell, 2007). Tests of normality of the variables of the SELUSI research sample are conducted through the SPSS packages by using descriptive programmes

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[110] When the SELUSI dataset was collected, errors may have occurred while recording or entering the data which was provided by the interviewees via phone interviews or via online surveys.

[111] Extensive information on potential sources of outliers is provided on the University of Oregon's statistical research and development homepage. See: http://rfd.uoregon.edu/files/rfd/StatisticalResources/outl.txt [Accessed: 21 January 2013]. Additional information on how to reduce the influence of outliers is provided by Tabachnick and Fidell (2007).

[112] According to Holmes (2004), Type I error means that a hypothesis is falsely rejected. In choosing a level of probability for a test, one decides how much to risk committing a Type I error which is rejecting the null hypothesis when it is, in fact, true.

in which measures of skewness are produced for distributions of variables[113]. Due to high skewness values, the dependent variables *employment growth*, *revenue growth* and *revenue growth future* (robustness check) as well as some control variables (*age, employment in 2008, revenue in 2008, assets in 2008, population density: regional*) are logarithmised by taking the natural logarithm[114].

To control for data integrity, an additional consistency test is conducted in the revenue growth specifications (Table 12): Based on the SELUSI-questionnaire, the interviewee (CEO) was asked to estimate the social enterprise's revenue development over the coming year. This information is used to provide an alternative measure for social enterprises' revenue growth, by using it as a dependent variable (*log revenue growth future – Model 2b'*). The robustness check regression is based on the same set of explanatory variables. Based on the estimates of both sets of regressions, it is possible to evaluate the consistency of the models. Most regression outputs are similar with regard to the strength and the direction of the effects. Differences in the estimates can be noted with some higher-level variables: Interestingly, regional commercial entrepreneurship rates are only significantly positive in the robustness check. Furthermore, public health expenditure at regional level is only significant in the *log revenue growth* model, but not in the robustness check. However, the same variable exerts a significant (negative) impact in both model specifications at national level. Also, there are some differences with a few firm-level controls: The factor *log age* has a much higher level of significance in the robustness check, the dummy variable which controls for the industry sector (*nace*) only exerts a significant effect in Model 2b and diversity strategies are only positively significant in the robustness check. These outcome variations might obviously be ascribed to the fact that the robustness checks include a dependent variable which is based on the CEO's personal assessment on the social enterprise's revenue

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[113] When running tests of normality of variables, the value reported for skewness equals zero if the distribution is normal. To determine whether or not the value of skewness for a variable differs significantly from zero, it has to be compared against the standard error for skewness, which is: $S_s = \sqrt{\frac{6}{N}}$, where N is the number of cases (Tabachnick & Fidell, 1983). The probability of rejecting the assumption of normality can be evaluated using the z distribution, where $z = \frac{S-0}{S_s}$ and S is the value reported for skewness. A z value in excess of $\pm$ 2.58 would lead to rejection of the assumption of normality of the distribution at $p \leq 0.01$ (Tabachnick & Fidell, 1983). For more information see Tabachnick & Fidell (2007).

[114] Transformation is undertaken because the distribution of the variables is skewed and the group mean is not a good indicator of the central tendency of the scores in the distribution. If a logarithmic transformation is employed, the test of mean differences may be interpreted as a test of differences between the geometric mean (Osborne, 2002).

development over the coming year. The other model reflects the enterprises' realised growth rate over the last 12 months.

Table 12 Data integrity tests for the log revenue growth models.

Conditional Models	Model 2b: Log revenue growth	Model 2b': Robustness check Log revenue growth future
Fixed part		
Intercept	4.64** (1.18)	*5.08** (1.58)*
log age	-0.07* (0.06)	*-0.13*** (0.03)*
informal social networks	0.05* (0.02)	*0.02* (0.03)*
formal social networks	0.01 (.01)	*0.01 (0.01)*
log employment in 2008		
log revenue in 2008	-0.13*** (0.01)	*-0.11** (0.01)*
log assets in 2008	0.03** (.02)	*0.01* (0.01)*
opmo1	0.16** (.09)	*0.15* (0.09)*
opmo2	0.15* (0.12)	*0.11* (0.08)*
opmo3	0.11 (0.17)	*0.10 (0.07)*
opmo4	0.18 (0.22)	*0.06 (0.07)*
diversity	0.01 (0.01)	*0.07* (0.05)*
complexity	0.16* (0.10)	*0.05* (0.05)*
nace	0.25* (0.10)	*0.19 (0.17)*
geography: regional	0.05 (0.11)	*0.04 (0.05)*
geography: national	0.03 (0.13)	*0.01 (0.06)*
informal capital: regional	0.14** (0.12)	*0.10* (0.11)*
commercial entrepreneurship: regional	0.17 (0.10)	*0.12* (0.05)*
social trust: regional	0.02** (0.01)	*0.01* (0.01)*
size of non-profit sector: national	0.04** (0.02)	*0.02* (0.01)*
log population density: regional	0.03 * (0.05)	*0.01 (0.01)*
population density: national	0.01 (0.01)	*0.01 (0.01)*
expenditure public health: regional	-0.18* (0.16)	*-0.15 (0.21)*
expenditure public health: national	-0.15* (0.12)	*-0.11* (0.12)*
risk poverty: regional	0.01 (0.01)	*0.01 (0.01)*
risk poverty: national	0.03 (0.02)	*-0.02 (0.04)*
gdp per capita: regional	0.22** (0.09)	*0.09* (0.11)*
gdp per capita: national	0.06* (0.05)	*0.02* (0.02)*
Random part		
Residual	0.64*** (0.05)	*0.19*** (0.02)*
Intercept (regional) Variance	0.07** (0.03)	*0.01* (0.01)*
Intercept (national) Variance	0.05** (0.03)	*0.02* (0.01)*

Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Several potential problems of multicollinearity, i.e. the perfect linear combination between regressors in a model (Stock & Watson, 2007), are noted when examining the data sample. Multicollinearity is usually identified by studying correlations between variables as well as by examining specific measures such as variance inflation factors (vif)[115]. However, the first method does not take into account that multicollinearity is always a specification-specific issue and the second does not provide further insights on the underlying correlation structure that causes problems (Estrin et al., 2011). Therefore, a battery of more detailed tests should be additionally performed.

The analysis of the correlation values (Tables 1.3 - 1.5 in the Appendix1) reveals high values between some regional and national predictors: The covariate *rule of law* is perfectly positively correlated with the variable *expenditure on public health* (correlation coefficient of 0.99** at regional level and 1.00** at national level). Also, there is high correlation between *rule of law* and the control variable *gdp per capita* at Level2 and Level3 (correlation coefficient of 0.73** at regional level and 0.98** at national level). Several tests are performed by removing potential variables causing multicollinearity and at the same time, the regression equations are compared to examine which one explains the most variance, e.g. model with the highest R squared, to determine which variable to remove. The analysis of the multicollinearity statistics, i.e. variance inflation factor, of the variable *rule of law* reveals unacceptably high values. Moreover, further tests are carried out by removing the factor *rule of law* (at regional and at national level) in order to verify the ways that the omission may affect the results. Based on the models' goodness of fit, such as the R squared values, the models seem to fit the data better than with *rule of law*. As a consequence, *rule of law*, at regional and at national level, and thus Hypothesis 7, is dropped. Moreover, numerous tests are carried out, running regression models based on all sets of explanatory variables, taking each covariate as a dependent in turn.

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[115] Some SPSS commands help to detect multicollinearity by displaying the 'tolerance' and 'vif' values for each predictor. The 'tolerance' is an indication of the percent of variance in the predictor that cannot be accounted for by the other predictors, hence very small values indicate that a predictor is redundant, and values that are less than 0.10 may merit further investigation. The variance inflation factor (vif) is a widely used measure to examine the degree of multicollinearity between independent variables in a regression model (O'Brien, 2007). As a rule of thumb, a variable whose vif value is greater than 10 may merit further investigation. See: http://www.ats.ucla.edu/stat/spss/webbooks/reg/chapter2/spssreg2.htm [Accessed: 22 January 2013]. Nevertheless, care should be taken when applying this rule of thumb. When vif reaches these threshold values researchers often attempt to reduce the multicollinearity by eliminating one or more variables from their analysis, but in some cases techniques for curing problems associated with multicollinearity can create problems more serious than those they solve (O'Brien, 2007).

Even though the initial idea was to introduce the identical set of higher-level predictors at both Level2 and Level3, some country level (Level3) effects, such as *commercial entrepreneurship: national*, *informal capital: national* and *social trust: national*, proved to be a source of multicollinearity, making the correspondent regional level estimates (Level2) (*commercial entrepreneurship: regional*, *informal capital: regional* and *social trust: regional*) marginally fewer significant. As the focus of this analysis lies primarily on regional level variation with regard to social enterprises' growth, sources of multicollinearity at Level3 are removed by excluding the corresponding covariates. Nevertheless, further tests are performed by re-running the same fixed effects regressions, thereby excluding regional-level effects and only including country level ones. As a result, multicollinearity issues are eliminated, although none of the national effects are significant.

It is possible to compare model-fitting evidence from the multilevel models, e.g. with and without predictors and with and without random treatment, to determine whether the addition of the covariates and other effects enhanced the fit of the model. Three criteria are presented which are useful for comparing multiple models with one another: The -2 Log Likelihood (-2LL), Akaike's Information Criterion (AIC) and Schwarz's Bayesian Criterion (BIC) (Singer, 1998). Since mixed models employ Maximum Likelihood (ML) estimation (e.g. Hox, 2002; Raudenbush & Bryk, 2002; Heck et al., 2010), it is common to use the -2LL indicator. With ML estimation, the probability of obtaining the observed results, given the parameter estimates, is referred to as the likelihood function. Since likelihood is less than 1.0, it is common to use -2 times the log likelihood as a measure of model fit to the data. Accordingly, good models result in a high likelihood of obtaining the observed results (which corresponds to a small value for -2LL). A perfect model would have a likelihood of 1, and the log of likelihood would be 0 (which when multiplying by -2 would also be 0) (Heck et al., 2010). The difference between the Log Likelihoods of two models can be tested if the models are nested, e.g. a specific model can be derived from a more general one, by comparing the parameter spread (Raudenbush and Bryk, 2002). The difference in -2 LL for two nested models has a chi^2 distribution, with degrees of freedom (df) equal to the difference in the number of parameters estimated in the two models (Heck et al., 2010).

The model fits evidenced from the unconditional models (Models 1a-3a in Table 13) can be compared with the fixed effects models (Models 1b-3b in Table 14) as well as with the random effects ones (Models 1c-3c in Table 15), assuming that the unconditional are more general than the fixed effects regression, as the latter ones include covariates, and the fixed

effects regressions are more general since fewer parameters have to be estimated as no random effects are included. In the case of the Log Employment Growth specification, Model 1a (4 parameters estimated) yields a model fit criteria of 1074.56 and Model 1b (30 parameters estimated) shows a -2LL of 740.50. The difference of the Log Likelihood values of 334.06 is higher than the chi^2 test value of 38.89 (26 df, 1-α = 0.95). Therefore, it can be concluded that the inclusion of the covariates significantly improves the model's fit. Similarly, the -2LL spread of 101.41 between Model 1b and Model 1c (639.09) is greater than the chi^2 test value of 16.91 (9 df, 1-α = 0.95) which indicates that the random effects specification fits the data better. The log revenue growth model as well as the social impact development specification show similar results with regard to the Log Likelihood values. The fixed effects models (Model 2b and Model 3b) improve the models' fit in comparison to the unconditional models (Model 2a and Model 3a) and the inclusion of random effects (Model 2c and Model 3c) enhances the models' quality even more. In general, the improvement is more significant between the unconditional and the conditional models. Adding random effects does increase the models' fit too, but to a lesser degree. Another way of comparing models is to use AIC, which provides information about the number of parameters to include in a model, whereby the model that produces the smallest deviance (AIC) is favoured (Akaike, 1987; Bozdogan, 2000). A fit similar to the AIC is BIC (Schwarz, 1978), which takes the model's sample size into account (Hox, 2010)[116]. Generally, the information criteria AIC and BIC penalise the log likelihood for the number of parameters estimated, taking a higher penalty in return for increased complexity (Singer, 1998; Bozdogan, 2000; Hox, 2010). For most sample sizes, the BIC takes a larger penalty on complex models, which leads to a preference for smaller models. Since multilevel data have a different sample size at different levels, the AIC is more straightforward than the BIC and is therefore the recommended choice (Hox, 2010). When comparing models, the lowest AIC and BIC value is considered most attractive. In the case of log employment growth model, AIC and BIC decreased by 405.42 and 354.03, respectively, after adding covariates to the regression (Model 1a, Table 13 versus Model 1b, Table 14). The AIC and BIC spread between the simpler fixed effects model (Model 1b) and the random effects one (Model 1c) is equal to 71.67 and 68.24, respectively. The results show that the inclusion of random effects enhances the model's fit less than the simple inclusion of independent variables at various levels of

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[116] In multilevel modelling, the information criterion BIC is ambiguous, because it is unclear whether the sample size refers to the one on the first-, second- or third-level of analysis. Most software uses the number of units at the highest level for the sample size. Given the strong interest in multilevel modelling in contextual effects, choosing the highest level sample size appears a sensible rule (Hox, 2010).

analysis. This evinces the fact that AIC and BIC penalise complex models as additional parameters have to be estimated. In the log revenue growth model as well as in the social impact development specifications, similar results are noted. The difference of the AIC and BIC values between the unconditional and conditional model (Model 2a, Table 13 versus Model 2b, Table 14) of 190.80 and 200.04, respectively is higher than the spread after estimating random effects (AIC = 54.21; BIC = 30.52). In the social impact development model, the addition of random effects has little effect on the model's goodness of fit enhancement. Particularly the BIC value places a larger penalty on the complex model, so that the difference is equal to 0.04 (Model 3b, Table 14 versus Model 3c, Table 15). Table 14 provides goodness of fit and information criteria for the robustness check which was performed for the log revenue growth model (*Model 2b'*). Interestingly, the AIC and BIC values are less than 50% smaller in the robustness check, implying that the log revenue growth future Model fits the data better.

In addition, Tables 13-17 provide information on the adjusted R squared measure of fit for each model[117] of analysis.

Table 13 Goodness of fit and information criteria for the unconditional models.

Unconditional models	Model 1a: Log employment growth	Model 2a: Log revenue growth	Model 3a: Social impact development
-2 Log Likelihood	1074.56	1102.92	766.06
AIC	1180.56	1118.04	772.06
BIC	1196.38	1201.57	783.14
Groups (regions)	64[*]	64[*]	64[*]
Observations	546	546	546

* Regions excluded from total sample due to incomplete data: Navarra, La Rioja, Extremadura, Region Murcia, Ceuta/Melilla, Tees Valley and Durham, Cumbria, Lancashire, Cheshire, Merseyside, East Yorkshire and Northern Lincolnshire, North Yorkshire, Lincolnshire, Hampshire and Isle of Wight.

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[117] As in all statistical analyses, it is desirable to have statistics that will help a researcher to assess how well his model is performing. Multiple linear regression analysis has R^2, the proportional reduction in the single variance component of the model. Although it might be tempting to apply this idea to each in multilevel modelling, Snijders and Bosker (1994) warn that doing so can produce undesirable results. The complications arise from the fact that variation in the response variable of a two- or three-level model is assumed to come from multiple sources, namely the two or three levels underlying the data (Recchia, 2010). Descriptions of the variability at each level require both the random effects covariance matrix and the error variance, but estimates of these variance components do not necessarily behave as one might expect. Indeed, the addition of an explanatory variable to a multilevel model can simultaneously increase some of the variance components and decrease others. This means that examining the individual components of variance separately by way of a traditional R^2 can lead to surprising outcomes like negative values or values that decrease when a new regressor is added to the model (Recchia, 2010). Instead, Snijders and Bosker (1994) suggest separate examinations of the levels of variance. They show that the population values of the resulting measures possess the appealing properties that they are always non-negative and that additional explanatory variables will never cause them to decrease. However, to date, no software directly computes these multilevel analogues of the standard R^2 (Recchia, 2010).

Table 14 Goodness of fit and information criteria for the fixed effects treatment.

Conditional Models	Model 1b: Log employment growth	Model 2b: Log revenue growth *Robustness check*: *Log revenue growth future*	Model 3b: Social impact development
-2 Log Likelihood	740.50	881.06 *336.23*	593.88
AIC	775.14	927.24 *372.23*	629.88
BIC	842.35	1001.53 *443.29*	633.18
Groups (regions)	64[*]	64[*]	64[*]
Observations	546	546	546
R Squared (Adj.)	0.51	0.55 *0.57*	0.51

[*] Regions excluded from total sample due to incomplete data: Navarra, La Rioja, Extremadura, Region Murcia, Ceuta/Melilla, Tees Valley and Durham, Cumbria, Lancashire, Cheshire, Merseyside, East Yorkshire and Northern Lincolnshire, North Yorkshire, Lincolnshire, Hampshire and Isle of Wight.

Table 15 Goodness of fit and information criteria for the random effects treatment.

Conditional Models: Random Effects Estimation	Model 1c: Log Employment Growth	Model 2c: Log Revenue Growth	Model 3c: Social Impact Development
-2 Log Likelihood	639.09	664.87	555.53
AIC	703.47	873.03	575.53
BIC	774.11	971.01	633.14
Groups (regions)	64[*]	64[*]	64[*]
Observations	546	546	546
R Squared (Adj.)	0.50	0.53	0.50

[*] Regions excluded from total sample due to incomplete data: Navarra, La Rioja, Extremadura, Region Murcia, Ceuta/Melilla, Tees Valley and Durham, Cumbria, Lancashire, Cheshire, Merseyside, East Yorkshire and Northern Lincolnshire, North Yorkshire, Lincolnshire, Hampshire and Isle of Wight.

6.7 Conclusion: Discussion of the Results

This chapter discussed the rationale of applying multilevel analysis in the context of this study. Multilevel modelling proves to be an adequate statistical tool when studying social enterprises' dynamics in a given regional socio-economic context as it allows the assessment of the joint impact of firm level characteristics as well as regional level determinants on social enterprise growth. Given the specific data structure of the sample, i.e. 546 social enterprises nested in 29 regions and 5 countries across Europe, a three-level set-up was introduced to test the hypothesised impact of the regressors. Moreover, multilevel analysis was carried out in several steps to evaluate fixed effects and random effects outputs as well as to disentangle potential sources of heterogeneity with regard to social enterprises' sustainability and development. Finally, a battery of detailed robustness checks was performed to evaluate the models' goodness of fit.

With regard to Hypothesis 1, no significant association between regional commercial entrepreneurship rates and social enterprises' revenue growth rates was found. It is conceivable that social and commercial entrepreneurial activity compete for market share, especially when operating in the same industry sector (Austin et al., 2006), thus impeding a positively significant association between social and commercial ventures in terms of revenue prospects. An existing entrepreneurial mentality is, moreover, not significantly related to the fostering of social impact development. Here, a similar line of reasoning might apply: Social enterprises may have to compete with other enterprises for social and economic resources in order to enhance social value for its target clients (Weerawardena & Mort, 2006). Nevertheless, it is striking that social enterprises are more likely to hire new workers if they operate in a region characterised by a high level of commercial entrepreneurship. This positive (and significant) relationship can be explained in terms of cultural legitimacy. Regions that exhibit high entrepreneurship rates are very likely to foster a culture of entrepreneurial spirit. Even though commercial and social entrepreneurs might compete for resources and market share, a high prevalence rate of commercial entrepreneurship signals that entrepreneurship is a legitimate endeavour (Estrin et al., 2011), thereby encouraging social entrepreneurs to continue their activities, i.e. by seeking to recruit additional employees.

As funding is crucial for social enterprises to achieve scale (Seelos & Mair, 2005), social entrepreneurs have to assure access to financial capital in order to accomplish intended social impact (Estrin et al., 2011; Weerawardena & Mort, 2006; Meyskens et al., 2010). In line with Hypothesis 2, access to informal capital has a strong positive influence on social enterprises' employment, revenue and social impact development. Moreover, based on the random effects estimates, the supply of financial resources induces heterogeneity of social enterprise growth in all three model specifications.

Social trust, which represents the relational dimension of social capital (Nahapiet & Ghoshal, 1998), increases acceptance for social entrepreneurial activities and thus reinforces cooperative and voluntary activities, which is vital for social enterprises' existence (Peattie & Morley, 2009). In the literature, there is growing evidence that when trust is established within parties, they are more eager to participate in cooperative activity, which generates further trust (Liao & Welsh, 2003; Mair & Marti, 2006). This study finds that social enterprises are more likely to grow in regions where mutual trust prevails amongst the local society (Hypothesis 3). According to the outputs of the estimated unstructured matrices,

social trust is another source of increased variability in the models: Social enterprise growth across regions varies to a great extent due to the heterogeneous presence of social capital among regional societies. In this context, it is also reasonable that the size of the non-profit sector (Hypothesis 4) is positively related to social enterprises growth, contributing towards the multiplication of social impact development. In a region where non-profit organisations are proactive in terms of responding to social needs, they might act as advocates for, and supporters of, local social enterprises (Buckingham et al., 2010) thereby encouraging social enterprises' sustainability and development. This might foster an overall legitimacy for social entrepreneurship by the regional society.

In the literature, there is consensus that in general both business skills and social capital are stronger in rather affluent areas (Mohan & Mohan, 2002; Mohan et al., 2005) and that volunteering activities are negatively related to the incidence of deprivation (McCulloch et al, 2010). These considerations suggest that social enterprises predominantly flourish in regions with a favourable socio-economic structure. The empirical results of this study are only partly in line with this reasoning. Although social enterprise growth is positively driven by favourable regional structures, it also occurs in response to regional demand for social services, which are neither provided by the market nor the state. Results show that public health expenditure at both regional and national level is inversely related to social entrepreneurship development (Hypothesis 6). A significant negative association between social entrepreneurship and the size of the state sector is a novel result in comparison with existing social entrepreneurship literature. Some studies have found a significant positive association between governments' spending on welfare and the prevalence of social entrepreneurship (e.g. Borzaga & Defourny, 2001; Nyssens, 2006; Hoogendoorn & Hartog, 2011), assuming a relationship of interdependence or partnership between social enterprises and the state (Hoogendoorn & Hartog, 2011). Estrin, Stephan and Mickiewicz (2011), on the other hand, argue that in those regions where the state's provision of social services remains limited there is more demand for self-organisation responding to social needs. Thus, a smaller state sector creates demand for social entrepreneurship. However, their study does not find a significant result for this hypothesis. It is important to consider that the test results are influenced by the choice of the proxy and most studies use different ones, also depending upon data availability.

A diminishing provision of social services is associated with waning (economic) means to address adverse societal conditions, such as poverty and social exclusion. This study finds

that adverse social conditions implying a high risk of social exclusion are positively associated with social enterprise growth (Hypothesis 5). Hence, those regions characterised by high rates of poverty are in particular need of innovative social solutions provided by social entrepreneurship.

Whereas agglomeration effects enhance commercial entrepreneurial activity (e.g. Brüderl and Preisendörfer, 2000; Bosma et al., 2008), the results of this study suggest that population density only partly influences social enterprise dynamism – it exclusively exerts a positive effect on revenue growth. Similar to commercial ventures, the social enterprises' revenue generation process is pivotal with regard to covering operating costs and meeting financial objectives by for-profit standards. But the results also show that social enterprises characterised by higher employment and social impact growth rates are not necessarily located in densely populated cities – they also operate in rural areas. Similar to population density, GDP per capita serves as a proxy for local market size and thus potential demand for social entrepreneurial services and products. The results show that in general, GDP per capita is positively associated with social enterprises' growth, although it is not a decisive factor for the development of social impact. As stated by Bosma and Levie (2010), individuals in wealthy regions, having satisfied their own basic needs, may be more likely to turn to the needs of others, implying that opportunity costs of social entrepreneurship may be higher in structurally weak regions.

Apart from contextual factors, firm-specific characteristics are considered equally in the assessment. In line with Hypothesis 8c, social enterprises that actively engage in social networks (in particular in informal ones) and that are willing to implement complex business model strategies, i.e. combining several *and* different business models, (Hypothesis 8a) experience on average higher growth rates. Research on the larger entrepreneurship domain shows that social networks are beneficial for entrepreneurs to gain access to contacts and thus to the multiple resources needed (Hoang & Antoncic, 2003). Moreover, through social networks, actors share knowledge and create discussion arenas. By linking different actors, more adapted initiatives can be brought about (Hervieux & Turcotte, 2010). With regard to business model implementation, complex models are vehicles that help social enterprises to reach sustainability equilibrium, in particular when financial opportunity and social need do not neatly interlock (Alter, 2006). Moreover, the diversification of operational business models is a reliable way for social enterprises to maximise social impact and also secure market share. With regard to the geographical strategies of operation (Hypothesis 8b), it is

striking that no influence on social enterprises' growth is apparent. Most social enterprises in the SELUSI sample operating on a local level tend to tackle socio-economic issues that are prevalent in the immediate regional surroundings of the enterprise's location. Nonetheless, social enterprises can achieve social impact and experience growth even if they lack geographical scale.

The following Table 16 provides a summary of the multilevel analysis results.

Table 16 Summary of results.

Hypothesis	Variable Name	Effect	Result
Model 1: Employment growth			
1	commercial entrepreneurship	(+)	0.07*
2	informal capital	(+)	0.13**
3	social trust	(+)	0.03*
4	size of non-profit sector	(+)	0.03
5	risk poverty	(+)	0.03**
6	expenditure public health: regional	(-)	-0.13**
8a	diversity/complexity	(-)/(+)	-0.02/0.09*
8b	geography: regional/national	(+)/(+)	0.06/0.02
8c	social networks: informal/formal	(+)/(+)	0.04*/0.01
Model 2: Revenue growth			
1	commercial entrepreneurship	(+)	0.17
2	informal capital	(+)	0.14**
3	social trust	(+)	0.02**
4	size of non-profit sector	(+)	0.04**
5	risk poverty	(+)	0.01
6	expenditure public health: regional	(-)	-0.18*
8a	diversity/complexity	(+)/(+)	0.01/0.16*
8b	geography: regional/national	(+)/(+)	0.05/0.03
8c	social networks: informal/formal	(+)/(+)	0.05*/0.01
Model 3: Social impact development			
1	commercial entrepreneurship	(+)	0.07
2	informal capital	(+)	0.06**
3	social trust	(+)	0.05**
4	size of non-profit sector	(+)	0.09**
5	risk poverty	(+)	0.04*
6	expenditure public health: regional	(-)	-0.08*
8a	diversity/complexity	(+)/(+)	0.07/0.07*
8b	geography: regional/national	(+)/(+)	0.02/0.03
8c	social networks: informal/formal	(+)/(+)	0.06**/0.05*

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PART IV.CONCLUSION AND IMPLICATIONS

CHAPTER VII: CONCLUSION

7.1 Summary of Results

Social entrepreneurship is attracting attention from practitioners, academics and increasingly from policy-makers. However, the general understanding of the determinants of social enterprise dynamics at the regional level is limited. The main objective of this present study was to explore what drives regional heterogeneity of social enterprise growth by way of merging unique social firm-level data with regional level indicators and applying multilevel analysis in a research domain which is dominated by case-study designs. In the absence of hypotheses on the variation of social enterprise growth across regions, this study helped to draw assumptions and insights from commercial entrepreneurship literature as well as from existing studies on the determinants of emerging social enterprises. Based on the eclectic theoretical framework provided, eight different hypotheses were postulated and tested with regard to the drivers of social enterprise growth.

After having clarified the research objective and research strategy in Part I of this thesis, Part II investigated the theoretical fundamentals of the social entrepreneurship phenomenon as well as its origin, context and evolution. Much work in the pertinent social entrepreneurship research focuses on the definition of the concept. The difficulty to agree on a definition stems in large part from the variety of forms that social entrepreneurship can take as well as the breadth of academic disciplines studying this subject (Zahra et al., 2009). A working definition emerged as a result of this analysis, namely:

Social enterprises are defined as hybrid organisations which strive to create positive social change. They have a social mission and in doing so act entrepreneurially, i.e. they generate revenue through selling products or services in the market.

This analysis explored social enterprise development as an activity that comes into existence at the intersection of the private sector (market), the public sector (state) and the civil society. Blurring features from all three sectors, social entrepreneurship combines public sector tasks with private sector approaches and citizen sector private engagement (Sommerrock, 2010). Social enterprises have a peculiar entrepreneurial form which does not simply substitute either public or for-profit provision of public-benefit goods. Because of its institutional features, this form opens up new productive opportunities which are best suited to the supply of public and meritorious goods. Moreover, social enterprises create trust relationships with

their customers and other social organisations, thereby reducing the costs of contracts linked to asymmetric information.

With regard to the rapid development of social enterprises in recent decades, traditional economic literature primarily focuses on market failures as an explanation of this development (Noya, 2009). However, as expounded in Part II, social enterprise development cannot merely be explained by unmet societal needs which are neither solved by the public nor the private sector. This phenomenon is also determined by the availability of sufficient resources so that social enterprises can implement innovative production processes to create social and economic surplus value. For clarification purposes, Part II introduced a theoretical framework to study the various drivers of social enterprise growth. Sufficient supply of social and economic capital (funding) on the one hand and demand for innovative social solutions to meet societal needs on the other hand, represent the eclectic framework which allows an explanation for the regional heterogeneity of social enterprises' development. Additionally, the theoretical framework is extended by firm-level effects, e.g. social enterprises' operational strategies and abilities. These firm specific attributes determine a social enterprise's ability to grow in order to boost its success in both commercial markets and social sectors, thereby enhancing organisational growth potential. Based on the theoretical framework, Part II concluded by postulating eight different hypotheses with regard to the drivers of social enterprise growth.

The empirical part of this thesis (Part III) provided extensive information on the data sample and on the specific data collection methods, followed by an analysis of the socio-economic framework conditions in the five study regions (Hungary, Romania, Spain, Sweden and the UK), e.g. the sample's location. It is noteworthy that there are wide socio-economic disparities between and within these countries. Socio-economic inequality relates to disparities in both economic and social resources, linked to social class and includes earnings, income, education, poverty and health that contribute to a sense of well-being (European Commission, 2009b). In general, those countries and regions with low levels of income and high risk of poverty lack adequate solutions to threatening social difficulties and therefore the demand for social entrepreneurship is rather necessity-driven. On the other hand, needs may also emerge if traditional ways of approaching certain existing realities or conditions clash with modern practices and opinions. In this case, social enterprises typically address unmet social problems or new social opportunity creation that the public sector has not been able to tackle. Consequently, the nature of social entrepreneurship activities is influenced by the

regional socio-economic background conditions, making any blueprint conceptualisation of social enterprises' behaviour impossible. Social enterprises are a "*creature of social context*" (Amin et al., 2002: 121) which is why they vary so much from place to place.

To test the hypotheses of this study, multilevel regression was applied in Part III. The multilevel analysis builds novel insights into social enterprise activities by examining different forms of social enterprise growth as the organisational outcome. It further contributes to the empirics and theory of social entrepreneurship research by exploring national, regional and individual level prerequisites of social enterprise activities. This study identified five regional-level and two firm-level attributes which create particular contexts for social enterprises' economic and social success.

Based on the regression's estimates, access to appropriate *sources of finance* is crucial for an enterprise's development (Hypothesis 2). Greater availability of capital allows enterprises to expand their workforce and boost their revenue situation. With sufficient resources, social enterprises are also able to experiment with new processes and products, which improves their social impact potential. Moreover, a high level of *social trust* among the regional society proves to be a valuable asset for social enterprises' growth (Hypothesis 3). Social enterprises require voluntary activity to operate, therefore, they tend to flourish in areas with strong degrees of social capital. Based on the random effects results, both regressors − informal capital and social trust − induce heterogeneity of social enterprise growth in all three model specifications. Therefore, social enterprises' development across European regions varies to a great extent due to the heterogeneous availability of social and financial capital. According to the estimates, the prevalence of *commercial entrepreneurship* activities at regional level is solely positively associated with social enterprises expanding their workforces (Hypothesis 1). The existence of an entrepreneurial culture stimulates existing social enterprises to pursue their entrepreneurial activities by growing quantitatively in the number of employees. Furthermore, significant support was also found for the proposed negative impact of *public health expenditure*, e.g. the size of the state sector, on social enterprise development (Hypothesis 6). These results imply that social enterprises develop as a response to market failures and unmet societal need. Additional demand for social enterprise growth is created by adverse societal conditions at regional level, i.e. high *risk of poverty* (Hypothesis 5).

Turning to firm-level predictors, the analysis of social enterprises' inherent operational strategies concludes that *social networks* (Hypothesis 8c), in particular informal ones, are

crucial for a social enterprise's ability to grow. Social networks provide social entrepreneurs with indispensable resources, e.g. knowledge, skills, infrastructure and capital, and they reduce transaction costs by promoting trust between the network partners. Collaboration with other social ventures may also prove valuable as social enterprises can join forces to tackle specific social issues or to supply large companies. Moreover, social enterprises' network building facilitates the appropriation of these networks by the target groups of their social missions (Hervieux & Turcotte, 2010). In addition, social enterprise growth not only requires the implementation of a greater plurality of business models, but also a diversification of the models. The introduction of *complexity* strategies (Hypothesis 8a) proved to be a significant driver of a social enterprise's development.

Hence, social enterprise activities are not simply a wealth phenomenon to which individuals and enterprises can turn if they can afford to so do. Social enterprises simultaneously evolve and grow as a response to social needs, as their main purpose is to create positive social change. To achieve their social and economic objectives, social enterprises need to engage in social network building and they ought to develop their individual business strategies with regard to the implementation of the business model(s). The framework conditions in which social enterprises evolve reflect the eclectic nature of their development.

7.2. Implications

Social Entrepreneurship has proved to be an effective tool to solve social problems and needs and to contribute to sustainable regional development (European Commission, 2010; OECD, 2010a). The main contribution of this present research is to understand which specific regional conditions determine social enterprises' development. These findings have important implications for policy making which is instrumental in the implementation of accurate support for social enterprises across Europe.

If social enterprises are to approach meeting social and economic goals, they must be sustainable and empowered to reach their full potential and to maximise their impact, which implies that they should be encouraged to grow (Phillips, 2006). In this context, the provision of sound support is crucial, as social enterprises face tough challenges which are related to their multi-faceted targets as they must frequently compete with public sector, for-profit and traditional non-profit organisations (Young, 2000; Borzaga & Solari, 2001).

Based on the research findings of this thesis, there are four main ways of promoting social enterprise growth:

The first one is *to target financial assistance towards social enterprises*:

Social enterprises' capital requirements particularly increase in the early growth and expansion stage. The choice of growth strategy is obviously closely linked to financing. Self-financing is inherently difficult for some hybrid social enterprises, i.e. social enterprises with a mixed financing structure of external financing, like grants or subsidised loans, and revenue income from their own products and services. Since social enterprises are a new form, traditional banks and funding institutions still find them difficult to analyse and to interpret (Borzaga & Solari, 2001), consequently, their financial structure tends to be undercapitalised. It is therefore crucial to develop a collective structure to finance growth processes as this would greatly foster the whole social enterprise sector's development.

The financial landscape for social enterprises has undergone an evolutionary process and there are many new financial tools that are promising for social enterprise finance. All these financial instruments, such as social capital markets, venture philanthropy and community based investments generate blended value instead of an exclusive financial return and need to be measured by emerging measurement tools such as social accounting and social return on investment (SROI) (Noya, 2009). Nevertheless, for the area of social finance to become sustainable, enabling and integrated policy measures are needed. Governments need to encourage potential investors by enabling a tax legislation which offers concrete fiscal incentives including traditional tax credits and subsidies. Moreover, to enhance credit supply, governments could grant social investors loan guarantees in case of payment default. It is also important to closely monitor innovative institutional arrangements, e.g. public-private community partnerships between civil society, government and financial institutions. In particular, for emerging social finance intermediaries and the investor community as a whole, governments should ensure support and training systems including technical assistance, business development and participation in the co-construction of markets (Noya, 2009). With respect to social enterprises, governments at all levels should offer support services, financial advice and support for technical research on topics that might be crucial for social enterprises. Also, it is important to foster public capital procurement measures that include socio-environmental criteria. Social enterprises must be recognised by all potential funders for their ability to create socially inclusive wealth. Therefore, the issues related to financing

social enterprises should not be addressed from an isolated perspective but rather in the context of an integrated systematic approach (Noya, 2009).

The second way of promoting social enterprise growth is to *support the creation of and participation in social networks*:

Social network building enhances the creation of social capital, as it is about bringing people together. Moreover, social networks are voluntary structures that support societal needs, thereby creating levels of generalised trust, leading to a reinforcement of the norms of cooperation between the network partners (Estrin et al., 2011). The development of social enterprise networks therefore assists learning through mutual support and sharing of experiences and contacts.

Networks of social enterprises aim at supporting the development of the sector. One requisite is that the support structures work closely with other representative bodies, such as chambers of commerce, in particular at the local level. Furthermore, networks can boost social enterprises' impact development. Within these support structures, social enterprises can develop and share innovation in the quality of products and processes. As such activities are also of interest for public entities and private actors, governments should promote such joint work through cooperation agreements so that they can work out new ways of sustaining innovation and development and to adopt standards of quality as well as a model of social and economic accountability (Borzaga & Solari, 2001; Noya, 2009). Mainstream businesses could effectively benefit from the unique viewpoint of social enterprises by using them as 'informants' on social trends and by leveraging this knowledge into organisational patterns of behaviour change. Policy-makers should promote this transfer of unique insights by crowd-sourcing the intelligence from social enterprises, also to enhance the definition and evaluation of new policy reforms (European Commission, 2011b).

With regard to the provision of financial funding, the dissemination of networking and inter-sectoral collaborations can additionally facilitate the development of a social capital market place. Hence, governments ought to support the creation and participation in networks or federations at local, national and international level. Finally, social networks can contribute to policy making. Networks of social enterprises can be better supported by formally acknowledging their role in the decision-making process. On the other hand, these networks

serve as implementation structures for the management of social enterprise development processes at the regional level (Noya, 2009).

The third way is to *create an entrepreneurial climate*:

This can be achieved by promoting a commercial and social entrepreneurship culture at a regional level. Legitimation for an entrepreneurial culture could be supported by increasing the attention given to entrepreneurship, for example in the media and in the educational system as well as in public policies promoting self employment. Opening up the path for social entrepreneurship usually starts long before launching a social venture. It is important to encourage and to discuss different models of what constitutes a successful business, thereby encouraging social entrepreneurship, something that could be introduced in school and university curricula.

The fourth way policy makers could support social enterprises is by *securing management expertise*:

As the multilevel results showed, specific operational strategies influence social enterprises' ability to grow. For this reason, social enterprises require professional expertise and support to enhance their viability. Governments should offer sound support services such as labour market training for employees. A key aspect is the role of the managers or founders of social enterprises, who must improve their managerial competence or delegate control to more skilled individuals (Borzaga & Solari, 2001).

Compared to mainstream businesses, barriers to growth are harder to overcome for social enterprises. This is due to social enterprises' grounded emphasis on achieving positive social change over personal aspirations or financial interest. Therefore, policy designs orientated towards the promotion of social enterprise growth should be developed and implemented in a properly considered fashion. A greater emphasis on marketisation could be resisted by social entrepreneurs, as they do not want to damage the causes they serve. Achieving growth, whether of individual organisations or of the sector, by standard means such as aggressive marketing, increased efficiency, cutting costs and focusing on top revenue-earning activities would compromise qualities that distinguish social enterprises from mainstream ones (Philipps, 2006). Nevertheless, social enterprises need to generate wealth to reinvest, thereby ensuring the sustainability of the business. This requires the development of entrepreneurial

skills such as being able to pursue opportunities, drawing upon available social and financial resources and translating them into social value and economic outcomes (Chell et al., 2005). In doing so, social enterprises require support in balancing the three spheres of the economy, e.g. the private, the public and the civil society sector, rather than solely following a model predicated largely on growth. Hence, new or adapted operational business models are required to provide social enterprise managers with more finely attuned guidance (Phillips, 2006).

Policy-makers should provide support for social enterprise development by promoting the formation of formal and informal social networks by the social enterprises themselves. The dissemination of networking and inter-sectoral collaborations could additionally facilitate access to financial funding. A strategy encouraging growth by strongly emphasising the marketisation of the sector would probably damage the precisely that which it was intended to help. Regardless of the policy measures introduced, the real potential of social enterprises can only be realised if they are integrated into a systematic approach to tackle poverty and social exclusion, labour market transformation and territorial socio-economic development strategies – all of which requires enabling public policy.

7.3 Research Strengths and Limitations

Within the current body of social entrepreneurship literature, the regional context in which social enterprises operate has been omitted to a large degree. The objective of this research was to draw attention on the regional context of social enterprises by investigating why some regions provide a more fertile ground for social enterprises to prosper in order to assess their social impact. This study was able to gain new insights which contribute to the empirics and theory of social entrepreneurship. To carry out such an analysis, this thesis benefited from the SELUSI data, as it facilitated unique information on the operational behaviour of social enterprises across different regional contexts in Europe over time. Apart from being able to draw on population representative samples across a wide range of regions, one further strength of this study is the use of multilevel modelling, which allows the testing of individual-level relationships concurrently with regional and country effects by merging regional-level data with individual firm-level variables from the SELUSI project. Although a quantitative approach to study the drivers of social enterprise development at regional level may lack the depth of substance characteristic of case study research, it remains a useful way

of revealing explanatory factors. Especially in the case of social enterprise activities which cover a great variety of socio-economic contexts (Hoogendoorn & Hartog, 2011).

Nevertheless, some limitations of this research should be kept in mind. One concern is the lack of data availability for some variables at nuts2-level: For the countries Hungary, Romania and Sweden, there is no nuts2-level data for commercial entrepreneurship rates and informal capital rates available. Instead nuts1-level data was used for the regression analyses. The resulting problem is the reduced data comparability of the above countries with the UK and Spain, where nuts2 data was available.

Another concern relates to missing data in the social impact development model. Unfortunately, only 53% of the social enterprises interviewed provided complete information on their social impact situation. Furthermore, the SELUSI dataset does not include social enterprise data in some nuts2 regions in Spain, e.g. Navarra, La Rioja, Extremadura Region Murcia and Ceuta/Melilla, as well as in the UK, e.g. Tees Valley and Durham, Cumbria, Lancashire, Cheshire, Merseyside, East Yorkshire and Northern Lincolnshire, North Yorkshire, Lincolnshire, Hampshire and Isle of Wight. On the one hand, the 'missing' information relates to the RDS data collection method, meaning that none of the referral social enterprises was located in the aforementioned regions. On the other hand, some social enterprises had to be excluded from the dataset as they did not fulfil the screening criteria.

The reduced number of nuts2 regions can be problematic as it may induce estimation bias in the multilevel regressions. In multilevel analysis, it is crucial to include as many clusters or groups as possible in order to achieve a reasonable level of statistical power. In general, the power of statistical tests depends on sample size and other design aspects, on parameter values and on the level of significance. In multilevel models, however, there is a sample size for each level, defined as the total number of units observed for this level (Snijders, 2005). A primary qualitative issue is that when testing the effect of a Level1 variable, the Level1 sample size (in this study, 546 social enterprises) is of key importance, whereas when testing the effect of a Level2 variable it is the Level2 sample size (in this study, 64 nuts2 regions). This implies that the sample size at the highest level is the main limiting characteristic of the design (Snijders, 2005). Even though consensus has yet to be reached on the precise power calculations within multilevel models, Hox (2010) concludes that 50 groups with 5 cases per group may be sufficient. This advice is considered sound provided the interest is largely on the fixed parameters. Modification to this 'rule' is advised if the interest is in estimating

variance and covariance components. In this case more than 50 groups may be required. Hox (2010) suggest a minimum of 100 groups for random effects treatment with cross-level interactions. However, if this is the case, caution should be exercised when making region-specific predictions. It must be taken into account that there are costs attached to data collection, such that if the number of groups is increased, the number of individuals per region decreases (Snijders, 2001). Consequently, further research is needed to develop consensus on the effective sample size calculations. In this present study, the models' goodness of fit was tested by examining several criteria, such as the -2LL, the AIC, the BIC and the adjusted R squared. The results showed that the inclusion of covariates and random effects increased the models' overall fit; only the adjusted R squared decreased slightly.

There is one further limitation associated with multilevel analysis in general. One feature of multilevel models is their ability to separately estimate the predictive effects of individual predictors and on group or regional level ones. However, some researchers point out that a clear-cut division of variation components is hard to achieve. Gibbons et al. (2012) review a number of methods presented in the literature to decompose variance in wages into the contribution from individual and area specific effects. They highlight that whatever method a researcher chooses to decompose variance, assumptions and caveats will remain.

Some scholars argue that in the end supply and demand factors act as countervailing dimensions: Supply and demand conditions may be pronounced in differing regions, thus cancelling each other out in terms of the overall incidence of social entrepreneurship (Buckingham et al., 2012). However, this statement may hold for social enterprises that are bound at a broader regional scale (e.g. cross-country analyses), but the outcomes differ when examining enterprises linked to a smaller geographical spectrum. This study offers a more precise approach when exploring the drivers of social enterprises' growth by focusing on sub-regional (nuts2) units and thus circumventing hidden differences at a broader regional level.

7.4 Further Research

This study opens a wide field of future research opportunities. To begin with, the relationship between the size of the state sector, e.g. proxied by government expenditure on healthcare, and social enterprise activities should be researched in more detail. This present analysis evinced a significantly negative association, which is a novel result within existing

quantitative social entrepreneurship literature. Future research is needed to confirm the robustness of associations that were found in this study, in particular by reviewing and comparing several ways to proxy the size of the welfare state. One further important area for future research is the role of social capital in a social enterprise's growth process. It is of interest to explore in more detail the processes whereby social enterprises build social capital by establishing trust and long-term relationships with their customers and target groups. Research should also focus on social enterprises' network building and how it can be appropriated by the target group of their initiative. By empowering the target group, they do not merely become recipients of charitable contributions, but proactive actors in the solution. Understanding the empowerment process itself, e.g. empowerment of communities, is of particular relevance for policy design.

Another topic for future research is the growth strategy of social enterprises. So far, only little investigation has been done in this field. In the framework of this thesis, three different models of social enterprise development were introduced but obviously many more exist. Social enterprises can grow quantitatively in size, e.g. in terms of turnover, attracting investors, expanding into new markets and increasing the customer base. Alternatively, they can grow by replicating the business concept in other national or global regions, e.g. through systematic franchising or multiplication of small independent units. Furthermore, social enterprises can develop their specific concepts by selling parts of the entire social venture to a mainstream commercial business to increase the knowledge and impact of the concept so that is goes mainstream. On the other hand, some social enterprises are very reluctant to grow and wish to remain small in organisational size, thereby focussing on other growth parameters, such as employee happiness, environmental improvement. As many potential growth strategies exist, it is of interest to gain knowledge concerning that which actually impacts on the choice of the growth model and in turn on the optimal organisational size. Furthermore, it should be investigated how the choice with regards to the growth strategy is associated to financing the social enterprise, as financing can range from 100% external financing (donations, public funding and sponsorships) to a mix of external funding (grants and subsidised loans and revenue income from own products and services) to 100% self-financed with profits generated by the social enterprise.

Finally, a sound understanding of the different geographical and traditional contexts in which social enterprises operate is imperative. Therefore, policy-makers should endorse further research into the field of social entrepreneurship and its main influential local economic

factors. The acquired knowledge could help governmental support by way of shaping local policies to create more stimulating entrepreneurial environments for both established as well as emerging social businesses. The support of social enterprises at a regional level can produce real dividends by fostering the creation of new and secure jobs, social inclusion and better public services. In doing so, social enterprises can provide an impetus for economic growth and social regeneration.

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Appendix 1: Descriptive Statistics

Appendix 1.1 Descriptive statistics: Dependent variables and Level1 explanatory variables.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
employment growth (%)	531	-75.00	400.00	21.55	64.96
revenue growth (%)	502	-38.00	459.40	28.61	74.67
social impact development	290	-2.00	2.00	0.85	0.91
revenue in 2008 (EUR)	500	-1.27mn*[1]	313mn	7.78mn	37.47mn
revenue growth future (%)	526	0.00	9.22	4.59	0.55
nr employees in 2008	522	1.00	5000	92.95	399.51
assets in 2008 (EUR)	503	0.00	1.4bn*[2]	12.24mn	87.84mn
informal social networks	526	0.00	7.00	5.48	1.72
formal social networks	526	0.00	7.00	5.03	1.82
age	544	0.00	318.00	14.81	20.19
opmo1	546	0.00	1.00	0.01	0.03
opmo2	546	0.00	1.00	0.22	0.41
opmo3	546	0.00	1.00	0.44	0.5

opmo4	546	0.00	1.00	0.11	0.32
diversity	546	0.00	1.00	0.77	0.42
complexity	546	0.00	1.00	0.29	0.45
geography: nuts1	546	0.00	1.00	0.58	0.49
geography: nuts0	546	0.00	1.00	0.25	0.43
nace	546	0.00	1.00	0.81	0.40
ValidN (listwise)	259				

[1] mn = million in EUR; [2] bn = billion in EUR

Appendix 1.2: Descriptive statistics: Level1, Level2 and Level3 explanatory variables.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
gdp per capita (in EUR): regional	546	4600.00	50600.00	24532.78	12700.51
gdp per capita (in EUR): national	546	6550.00	35566.00	22141.98	9439.97
risk poverty: regional	546	8.00	30.30	17.63	6.33
risk poverty: national	546	11.73	22.63	18.44	4.56
expenditure public health: regional	546	-1.45	1.47	0.29	0.89
expenditure public health: national	546	-1.22	1.18	0.30	0.88
informal capital: regional	546	0.46	3.70	2.25	0.98
informal capital: national	546	1.10	3.70	2.14	0.94
commercial entrepreneurship: regional	546	3.70	15.90	7.99	3.03
commercial entrepreneurship: national	546	3.70	13.00	8.87	2.89
social trust: regional	448	10.09	68.08	32.41	17.15
social trust: national	448	19.21	65.00	31.03	16.08

population density: regional	546	5.90	4880.60	588.53	1329.49
population density: national	546	22.50	252.50	133.00	82.10
size of non-profit sector: national	546	1.49	1.97	1.67	0.17
rule of law: regional	546	-2.36	1.41	0.09	1.19
rule of law: national	546	-1.85	1.27	0.12	1.14
ValidN (listwise)	448				

Appendix 1.3 Correlation statistics: Dependent variables and Level1 explanatory variables.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. ln employment growth	1.00																	
2. ln revenue growth	0.23**	1.00																
3. social impact growth	0.04	0.12*	1.00															
4. ln revenues in 2008	-0.08	-0.29**	-0.01	1														
5. ln nr employees in 2008	-0.09	-0.054	-0.043	0.39**	1													
6. ln assets in 2008	0.00	-0.05	-0.06	0.29**	0.68**	1.00												
7. informal soc. networks	0.09*	0.13**	0.068	-0.12**	-0.16**	-0.18**	1											
8. formal soc. networks	0.02	0.02	0.08	0.00	-0.02	-0.01	0.48**	1.00										
9. ln age	-0.10*	-0.16**	-0.13*	0.23**	0.49**	0.46**	-0.15**	0.5	1									
10. opmo1	0.02	0.09	0.05	-0.04	-0.11*	-0.09*	0.10*	0.06	-0.07	1.00								
11. opmo2	0.00	-0.03	-0.03	0.14**	0.19**	0.11*	-0.10*	-0.04	0.08	-0.17**	1							
12. opmo3	0.05	0.02	0.05	-0.03	-0.09*	-0.10*	0.04	-0.05	-0.08	-0.29**	-0.47**	1.00						
13. opmo4	-0.07	-0.041	-0.071	0.078	0.063	0.15**	-0.04	0.02	0.11*	0.11*	-0.19**	-0.32**	1					
14. diversity	-0.70	-0.04	0.03	0.09*	0.07	-0.02	-0.08	0.02	0.14**	-0.03	0.01	-0.06	0.11**	1.00				
15. complexity	-0.02	0.05	-0.14	0	0.07	-0.01	-0.08	0.06	0.11**	0.02	-0.03	-0.24**	0.09*	0.34**	1			
16. geo: regional	0.06	-0.02	0.03	-0.02	-0.02	-0.04	-0.02	-0.05	-0.05	-0.05	-0.04	-0.04	0.14**	0.13**	0.14**	1		
17. geo: national	-0.08	-0.042	-0.03	-0.067	0.002	-0.04	0.03	0.02	0	0.03	0.04	0.01	-0.10*	-0.05	-0.05	-0.68**	1	
18. nace	0.05	0.12**	0.04	0.09*	0.07	0.01	0.02	0.05	0.00	0.05	0.03	0.07	0.03	0.15**	0.03	0.00	0.00	1.00

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

Appendix 1.4 Correlation statistics: Level2 explanatory variables.

	1	2	3	4	5	6	7	8	9
1. gdp per capita: regional	1.00								
2. risk poverty: regional	0.14**	1.00							
3. exp. public health: regional	0.74**	0.11*	1.00						
4. informal capital: regional	0.46**	-0.15**	0.44**	1.00					
5. commercial entrepren.: regional	0.07*	-0.48**	-0.14**	-0.35**	1.00				
6. social trust: regional	0.61**	-0.34**	0.52**	0.35**	0.35**	1.00			
7. pop density: regional	0.64**	0.47**	0.09**	0.01	0.03	0.10*	1.00		
8. size of the non-profit sector: national	0.54**	-0.14**	0.47**	0.03	0.23**	0.90**	0.14**	1.00	
9. rule of law: regional	0.73**	0.17**	0.99**	0.42**	-0.20**	0.55**	0.12**	0.47**	1.00

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

Appendix 1.5 Correlation statistics: Level3 explanatory variables.

	1	2	3	4	5	6	7	8	9
1. gdp per capita: national	1.00								
2. risk poverty: national	0.16	1.00							
3. exp. public health: national	0.98**	0.15**	1.00						
4. informal capital: national	0.49**	-0.18**	0.47**	1.00					
5. commercial entrepren.: national	0.39**	0.08	0.55**	0.27**	1.00				
6. social trust: national	0.70**	-0.84**	0.50**	0.46**	-0.30**	1.00			
7. population density: national	0.14**	0.62**	0.21**	-0.71**	0.06	-0.32**	1.00		
8. size of non-profit sector: national	0.63**	-0.40**	0.46**	0.04	-0.31**	0.90**	0.12**	1.00	
9. rule of law: national	0.98**	0.14**	1.00**	0.46*	0.54**	0.51**	0.22**	0.48*	1.00

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

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PROFESSIONAL EXPERIENCE

Since 03/ 2013	**Postdoctoral Researcher, Department of Management and Organizational Behaviour, University of Hannover, Germany** Research areas: Social entrepreneurship, entrepreneurship and regional development, entrepreneurship and innovation
02/ 2011 – 04 / 2011	**Research Assistant, Department of Management,** **The London School of Economics, UK** European Commission project on social enterprise behaviour in Europe (SELUSI Project)
06/ 2009 – 07/ 2011	**Research Assistant, Department of Economics, Chair of Economic Geography** **University of Mannheim, Germany** Researcher and economic consultant at the Chair of Economic Geography, Prof. Dr. Paul Gans

EDUCATION

06/2009 – 05/2013	**PhD in Economics, University of Mannheim, Germany** Thesis title: "What drives social enterprise activities in Europe on a regional level? A multilevel analysis of socio-economic factors influencing social enterprise growth" Supervisor: Prof. Dr. Paul Gans
09/2010 – 05/2013	**Visiting PhD, The London School of Economics, UK** Department of Economic Geography Supervisor: Prof. Dr. Simona Iammarino
09/ 2006 – 03/ 2009	**Diploma ("Diplom"; M.A. equivalent) in Economics** **University of Mannheim, Germany** Majors: regional economics, banking management Dissertation title: "The real estate bubble in Spain. Political measures for the housing industry"
09/ 2005 – 06/ 2006	**Studies abroad, University of Barcelona, Spain** Department of Economics
10/ 2003 – 08/ 2005	**Intermediate Diploma ("Vordiplom") in Economics,** **University of Göttingen, Germany**
08/ 1997 – 07/ 2003	**Abitur, St. Ursula Schule Hannover, Germany**

TEACHING EXPERIENCE

03/ 2013 – 07/ 2013	**Graduate Teaching Assistant, Department of Management,** **University of Hannover, Germany** Seminar: Entrepreneurship, Networks and Context
10/ 2012 – 02/ 2012	**Graduate Teaching Assistant, Department of Management,** **The London School of Economics, UK** Course teacher: Human resource management and employment relations
06/ 2009 – 07/ 2011	**Graduate Teaching Assistant, Department of Economics,** **University of Mannheim, Germany** Seminars: Venture Capital and Regional Development (08/ 2010 – 01/2011), Entrepreneurship in the Regional Context (02/ 2010 – 07/ 2010), Practical seminar: Topics in Real Estate Economics (08/ 2009 – 07/ 2010)

PRESENTATIONS AT CONFERENCES

10/ 2011	**Social Enterprise and Social Business Innovation in Europe –** **Final Project Conference, European Commission, Brussels** Poster presentation: "Social entrepreneurship and spatial heterogeneity – Why should policy-makers care?"
09/ 2012	**4th International Social Innovation Research Conference (ISIRC), University of Birmingham, UK** Presentation: "A multilevel analysis of socio-economic factors influencing social enterprise growth in Europe"

PUBLICATIONS AND AWARDS

01/ 2010	**"Werner Lehmann Prize"** **Best Dissertation Award in the Field of Real Estate Economics** Master dissertation was submitted to "Werner-Lehmann Competition" and was awarded first prize of young researchers of the Federation of Private Building Societies ("Werner Lehmann Preis")
11/ 2010	**Publication, "Geographical Review" ("Geographische Rundschau")** Title: "Spain: The problem child in Europe. Consequences of the real estate bubble". Vol. 62 (11), pp. 60-65

LANGUAGES

German (native), Spanish (native), English (fluent), French (intermediate)

IT SKILLS

MS-Office
Extensive working knowledge in Word, Powerpoint and Excel

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Dancing Classical and Modern Ballet, Flamenco

REFEREES AVAILABLE ON REQUEST

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