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SOCIAL ENTREPRENEURSHIP AND INSTITUTIONAL CONTEXT: A QUANTITATIVE ANALYSIS

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PREFACE

PREFACE

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ABSTRACT

ABSTRACT

Social entrepreneurship is increasingly recognized as a crucial element for the progress of societies. Consequently, both governments and researchers have shown particular interest in understanding this phenomenon.

The main objective of this dissertation is to analyse the influence of institutions on social entrepreneurial activity using the institutional economics perspective as the theoretical framework. Thus, specifically, the current research: Exploring the trends in the social entrepreneurship literature (theoretical and methodological issues) with emphasis on institutional context (SO1); determining the influence of institutional context (formal and informal) on social entrepreneurial activity (SO2); and analysing the role of institutional context on two varieties of social entrepreneurship (by founder profile –female/male- and by enterprise’s purpose –social/commercial-) (SO3).

The methodology used is quantitative and fundamentally based on data collected from the Global Entrepreneurship Monitor (GEM) and the World Value Survey (WVS). The current investigation provides evidences about the role of institutional factors that influence social entrepreneurial activity in Spain, as well as, in an international context. In this sense, the thesis also aims to counter the lack of quantitative research in the field, testing hypotheses by using statistical techniques such as logistic regression, hierarchical regression, ReLogit and panel data.

The main findings of this dissertation reveal that informal institutional factors (e.g., beliefs and societal attitudes, risk-taking, perceptions of entrepreneurial skills, social image, post-materialism and role models) affect social entrepreneurial activity to a greater degree than formal institutions (e.g., regulations, laws or government policies) do. Likewise, these results support the importance of institutional factors to social entrepreneurial activity.

Finally, from an academic perspective, the current research contributes to the literature by applying institutional economics as an appropriate conceptual framework for the analysis of the environmental conditions that foster or inhibit social entrepreneurial activity in different contexts. Thus, we propose institutional economic theory as a conceptual framework for studying this phenomenon which can further serve as a broad research agenda for the field. On the other hand, from a managerial and policy maker’s perspective, the research could be useful for the design of policies to support social entrepreneurship in different environments by considering the influence of institutions on the creation of new social initiatives.

Keywords: social entrepreneurship, social entrepreneurial activity, institutions, institutional economics, quantitative.

JEL: B52, L26, M13, O35.

CHAPTER 1.

INTRODUCTION

1.1. SOCIAL ENTREPRENEURSHIP: PROBLEM STATEMENT

The key role of entrepreneurship in boosting economic activity and social development is widely recognized (Audretsch, 2003). On the one hand, policy-makers have emphasized the importance of entrepreneurs in contributing to the generation of higher levels of economic activity (European Commission, 2003). Moreover, governments have designed support programs to help entrepreneurs, such as loan guarantees, tax incentives, research credit designed to boost innovation, or systems to encourage self-employment. On the other hand, researchers have focused on the role of entrepreneurship in the economy (Shane & Venkataraman, 2000). New entrepreneurial organizations increase employment and socio economic development, stimulate innovation and enhance material well-being¹ (Audretsch & Keilbach, 2004; Wennekers & Thurik, 1999; Wennekers et al., 2005). In this context, a new type of entrepreneurship is emerging around the world, based on social wealth creation as the main objective, in detriment to the maximization of one's own economic benefit. This new phenomenon is called social entrepreneurship.

Social entrepreneurship is increasingly recognized as an element of the economic, social and environmental contribution to society (see, for example, Alvord et al., 2004; Anderson et al., 2006; Borzaga & Defourny, 2001; Dees, 2007; Seelos et al., 2006). For the current thesis, we adopt a holistic perspective of social entrepreneurship, following other studies such as Mair and Marti (2006), who define this phenomenon as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (p.40). In recent years, researchers and policy-makers have been more interested in the idea that social entrepreneurs are important for societies (Dees, 2007). Particularly, some researchers note that social entrepreneurial activities affect both economic growth and social development, through reducing poverty and improving large-scale economic development (McMullen, 2011; Zahra et al., 2009). At the same time, relevant foundations have been created, such as the Schwab Foundation, the Skoll Foundation or Ashoka, which encourage and promote social entrepreneurial activities around the world by highlighting the achievements of successful social entrepreneurs (Dacin et al., 2010; Drayton, 2002).

¹ The concept 'well-being' is defined by OECD (2013, P.27) based on three pillars:

- (1) Material living conditions, (or economic well-being), which determine people's consumption possibilities and their command over resources;
- (2) Quality of life, which is defined as the set of non-monetary attributes of individuals that shapes their opportunities and life chances, and has intrinsic value under different cultures and contexts;
- (3) The sustainability of the socio-economic and natural systems where people live and work, which is important for well-being to last over time. Sustainability depends on how current human activities impact on the stocks of different types of capital (natural, economic, human and social) that underpin well-being.

Many researchers in this area recognize three decisive macro-dynamics in the emergence of social entrepreneurial activities around the world. First is the slowdown of the public offering of products and social services, which has contributed to increased unmet needs (Light, 2008; Mair & Marti, 2006). This is especially true for social welfare, in which public sector involvement is rather limited (Sharir & Lerner, 2006). Secondly, the existence of disequilibrium in the distribution of income levels in both developing and developed countries has increased the need for new paradigms and new business strategies (Bornstein, 2004). Finally, the increased competition within the non-profit sector organizations to receive donations and grants has led to the need to professionalize the activities undertaken with the objective of reducing financial dependence, thus ensuring their economic stability for the development of their social mission (Fowler, 2000; Perrini, 2006).

The increasing dynamism and vitality of social entrepreneurship inquiry is apparent in the appearance of new themes and ideas, as well as new books and special issues of the best international journals around the world (Chell et al., 2010). Within entrepreneurship research, the number of articles and special issues in the social entrepreneurship area has increased significantly (e.g. *Journal of Business Venturing*, 2009; *Entrepreneurship Theory and Practice*, 2010; *Entrepreneurship & Regional Development*, 2011; *Academy of Management Learning & Education*, 2012; *International Small Business Journal*, 2013; *International Journal of Entrepreneurial Venturing*, 2014), which, together with the emergence of new international journals on this phenomenon (e.g. *Journal of Social Entrepreneurship*, *International Journal of Social Entrepreneurship and Innovation* or *Social Enterprise Journal*), demonstrate the new dynamic of research in social entrepreneurship. Likewise, specific books about social entrepreneurship (e.g. Brooks, 2009; Elkington & Hartigan, 2008; Hockerts et al., 2010; Kickul & Lyons, 2012; Leadbeater, 1997; Light, 2008; Mair et al., 2006; Nicholls, 2006a; Seymour, 2012) and international conferences have appeared (*Annual Social Entrepreneurship Conference*; *International Research Conference on Social Enterprise*; *Skoll World Forum on Social Entrepreneurship*).

Regarding investigations in this field, most literature on social entrepreneurship has tended to focus on renowned social entrepreneurs' experiences and personal characteristics, as well as leadership and success factors (Short et al., 2009). Particularly, two concepts have been frequently discussed in the literature. On the one hand, there are an important quantity of studies that are focused on the meaning of social entrepreneurship, social entrepreneurs and social enterprises (e.g. Dees, 2001; Drayton, 2002; Mair & Marti, 2006; Nicholls, 2006b; Peredo & McLean, 2006). On the other hand, there are vast numbers of investigations (e.g. Anderson et al., 2006; Austin et al., 2006; Sharir & Lerner, 2006) with the aim to describe the existing social entrepreneurs around the world using case study methodology. According to Short et al. (2009) the current situation of the social entrepreneurship area is characterized by the lack of formal

hypotheses and rigorous methods and the predominant presence of conceptual studies in comparison to empirical articles.

At the same time, despite the efforts to understand this phenomenon, there is no solid evidence about one of the most interesting aspects of social entrepreneurship: i.e. how the institutional factors affect (promote or inhibit) the emergence of social entrepreneurial activities (Urbano et al., 2010). While the identification of the main institutional factors that affect new entrepreneurial activities, applying the institutional economics perspective, represents a topic of growing interest in the entrepreneurship field, until now little attention has been devoted to these relationships in the social entrepreneurship area (Bruton et al., 2010). Some of them are Aidis (2005), Alvarez et al. (2011), Guerrero et al. (2014); Kirby et al. (2011); Lerner and Haber (2001). For instance, Urbano et al. (2011) explained, through four case studies of transnational entrepreneurs with different ethnicities (Ecuadorian, Latin American; Moroccan, North African; Chinese, Asian; and Romanian, Eastern European), what and how different socio-cultural factors influence the emergence and development of transnational entrepreneurship in Catalonia (north-east Spain).

Institutional economics is especially applicable to social entrepreneurship for several reasons. Firstly, social entrepreneurship literature has pointed out that social entrepreneurs have aimed at alleviating the social problems of their institutional framework, and on many occasions local problems that persist, despite the efforts of traditional public, voluntary or community mechanisms (Yunus & Weber, 2008). Therefore, the institutional context² is for them the key element that they would like to change in order to have a positive impact on their society's development (Busenitz et al., 2014). The second reason is related with the process of becoming a social entrepreneur. It is well known that the institutional economics approach argues that the role of the environment in (social) entrepreneurial activity is critical. Thus, public policies or support services as well as the socio-cultural context (such as beliefs and attitudes of a society) determine the behaviour of its members and these can significantly affect the decision to become an entrepreneur (Shapiro & Sokol, 1982). In this sense, we can affirm that the institutional environment, which defines, creates and limits entrepreneurial opportunities, could influence social entrepreneurial activity rates (Desa, 2012; Dorado & Ventresca, 2013; Mair & Marti, 2009; Urbano et al., 2010).

With respect to research about the conditioning factors of social entrepreneurial activities, an important number of both theoretical and cases studies can be found (e.g. Bacq & Janssen, 2011; Desa, 2012; Dhési, 2010; Estrin et al., 2013; Mair & Marti, 2009; McMullen, 2011; Sud et al., 2009; Townsend & Hart, 2008). Additionally, despite the importance of the application of the

² The terms 'institutional framework', 'institutional context' and 'institutional environment' are used interchangeably because they mean the same. Also, in the same line, we use the terms 'institutional factors', 'conditioning factors' or 'environmental factors' in the same way.

institutional economics perspective to explain the behaviour of social entrepreneurs, very few studies make use of this approach in the specific area of social entrepreneurship to research the institutional factors that affect social entrepreneurial activities (Bacq & Janssen, 2011; Mair & Marti, 2009; Urbano et al., 2010). In order to overcome this lack of studies and to expand our knowledge about the social entrepreneurship area, we present the following research objectives.

1.2. RESEARCH OBJECTIVES AND MAIN CONTRIBUTIONS

Taking into account the preceding considerations, the main purpose of this thesis is to analyse the influence of institutions on social entrepreneurial activity, applying the institutional economics perspective, and in particular the considerations of North (1990, 2005), who divided the institutional factors into formal (laws, regulations and government procedures) and informal (beliefs, values and attitudes) institutional factors.

The specific objectives of this research are the following.

SO1. To explore the trends in the social entrepreneurship literature (theoretical and methodological issues) with emphasis on institutional context

SO2. To determinate the influence of institutional context (formal and informal) on social entrepreneurial activity.

SO3. To analyse the role of institutional context on two varieties of social entrepreneurship (by founder profile –female/male- and by enterprise's purpose –social/commercial-).

The contribution of this research can be explained from three different, but complementary, points of view: academic, entrepreneurial, governmental and societal views.

At an academic level, there is a real lack of studies which analyse both formal and informal institutional factors as conditioners of social entrepreneurial activities. Despite the existence of many studies which have dealt with the analysis of the context in which social entrepreneurs are operating, the majority of these have done so in a fragmented and excessively descriptive way. Additionally, this investigation contributes to answering the call for more quantitative research. Quantitative works centred on the analysis of institutional factors as determinants of social entrepreneurial activities across countries are noticeably absent. In this sense, the necessity of rigorous empirical studies suggests new research opportunities. Additionally, the current dissertation extends our current knowledge of social entrepreneurial activities by comparing social entrepreneurship organizations with their commercial counterparts. Moreover, we explore the role of women entrepreneurs in the social entrepreneurial process.

On the other hand, from the entrepreneurial point of view, the increase in new social organizations and support programs for these new projects has demonstrated the dynamism of this phenomenon. However, little is still known about the limitations or obstacles faced by social entrepreneurs along their entrepreneurial process. Thus, having a clear idea about the institutional framework for new social entrepreneurial activities can have a positive effect for the entrepreneurs or managers of these projects.

At the governmental level, in-depth analysis of the institutional environment of social entrepreneurial activities will probably help policy makers to review the support programs which aid this phenomenon. This premise is based on the idea that knowledge of the institutional factors, both formal and informal, which surround the social entrepreneurial process may also be of great use in the design of these governmental policies. An understanding of what causes some countries or regions to have more social entrepreneurial activity than others is in particular highly relevant for policy-makers. Thus, the existence of support programs suitable for the needs of new social entrepreneurs can positively affect the social entrepreneurial activities.

Finally, at societal point of view, social entrepreneurial organizations have the aim to modify the status quo of the society making changes by social innovation or making social responsibility actions. Thus the presence of this type of entrepreneurial actions in the society is welcome, and the main institutions should be interested to reinforce their presence. The current thesis helps to them identifying the main barriers or limitations that they suffer. Moreover, the study of this phenomenon in different countries (Spain and an international context) could be useful to understand the development of social entrepreneurship. Additionally, we should take into account that there are several informal factors such as post-materialism or altruism attitudes that governments and civil society might be considered if they would like to increase the social entrepreneurship rate in our societies.

1.3. LINKING SOCIAL ENTREPRENEURSHIP AND INSTITUTIONAL ECONOMICS

As mentioned in Section 1.1., social entrepreneurship is riding the crest, supported by the long debate on the role and responsibility of business in society that has been taking place in recent decades (Elkington & Hartigan, 2008). The amount of literature has grown, as has the number of social entrepreneurial organizations, but there is no clear definition of the domain of social entrepreneurship, and its research remains fragmented (Hill et al., 2010; Short et al., 2009).

Despite the growing attention paid to social entrepreneurship, there is no agreement on what it actually is (Light, 2008). It is an interdisciplinary concept, and although the use of the term is widespread, its meaning often varies. Social entrepreneurial activities mean different things to

people in different places because the geographical and cultural contexts in which they appear are different (Amin et al., 2002; Bacq & Janssen, 2011; Chell et al., 2010; Dees, 2001; Smith & Stevens, 2010). Under the 'umbrella construct' of social entrepreneurship, other types of social entrepreneurial activities are discussed, such as social venturing, non-profit organizations adopting business tools, hybrid organizations or social cooperative enterprises (Perrini, 2006).

In this context, there are several research lines in the social entrepreneurship area. Firstly, a huge amount of research is focused on describing the key concepts of this area: social entrepreneur, social enterprise and the social entrepreneurship phenomenon (e.g. Alvord et al., 2004; Bacq & Janssen, 2011; Certo & Miller, 2008; Choi & Majumdar, 2014; Dees, 2001; Drayton, 2002; Mair & Marti, 2006; Peredo & McLean, 2006). Secondly, a considerable amount of scholarly effort is devoted to study the social entrepreneurial process in order to identify the key elements in this process (Chalmers & Balan-Vnuk, 2013; Corner & Ho, 2010; Dhesi, 2010; Di Domenico et al., 2010; Dorado & Ventresca, 2013; Gras & Mendoza-Abarca, 2014; Harris, 2009; Mair & Marti, 2009; McMullen, 2011; Nga & Shamuganathan, 2010; Nicholls, 2010a; Shaw & Carter, 2007; Urbano et al., 2010; Weerawardena & Mort, 2006; Zahra et al., 2009). Finally, a number of studies are dedicated to describing the similarities and distinctions between social and commercial entrepreneurs (Austin et al., 2006; Spear, 2006), non-profit enterprises (Fowler, 2000) and corporate social responsibility (Seelos & Mair, 2005; Sharir & Lerner, 2006). In this thesis we focus on the de second dimension, and more concretely on research into the environmental factors that influence (positive or negatively) the emergence of new social entrepreneurial organizations.

In order to make progress in this field of study, the present dissertation has taken a theoretical framework of the institutional perspective (as mentioned in Section 1.1), and specifically considers the contributions of economist Douglass C. North (1990, 2005). The selection of institutional economics as the theoretical approach for this dissertation was mainly made because, in general, this theory can be adapted to the study of the determinants of social entrepreneurship and, in more specific terms, North's approaches (1990, 2005) can assist in considering formal and informal institutions in the analysis of environmental factors as determinants of social entrepreneurial activities. Furthermore, some researchers (e.g. Mair & Marti, 2006; Townsend & Hart, 2008) have placed an emphasis on the need to develop a theoretical basis in order to understand the varieties of social entrepreneurial activities.

The field of institutional economics develops a broad concept of institutions, understood as implicit or explicit rules governing decision-making by individuals and limited, whether through voluntarily or involuntarily choice, in how they relate to the people of a society in search of greater benefits for their own groups. North (1990) distinguishes between two types of institutions: formal (laws, regulations and government procedures) and informal (beliefs, values

and attitudes). According to this author, firms set up by entrepreneurs, will adapt their activities and strategic models to fit the opportunities and limitations provided through the formal and informal institutional framework. Thus, the institutional environment enables and limits entrepreneurial opportunities (social or economic); hence it affects the rates of (social) entrepreneurial activities (Gnyawali & Fogel, 1994). Social entrepreneurs are most effective when they create entrepreneurial organizations that interact with their environment in an innovative way.

From the institutional perspective, it is now generally accepted that institutions determine the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction (North, 1990). Therefore, the institutional context affects the performance of economies, particularly through its influence on entrepreneurs' behaviour, and therefore it should be explored and analysed closely. Specifically, this approach suggests that the decision to start up a (social) venture is determined by the institutions in which it occurs (Welter, 2005). Likewise, some researchers note that social enterprises are extremely sensitive to changes in public policy (Thompson et al., 2000), especially regarding the types of services eligible for public subsidies, at the same time as these changes generate new social opportunities (Corner & Ho, 2010; Gras & Mendoza-Abarca, 2014). From the institutional economics perspective, it is important to note that the main function of institutions is to reduce uncertainty by establishing stable structures for positive human interaction in a society. In this sense, social entrepreneurs are most effective when they create entrepreneurial organizations which interact with their environment in an innovative way.

In the entrepreneurship field, some scholars propose the application of North's view (1990, 2005) to analysis of the creation of new ventures within the institutional approach (e.g. Aidis, 2005; Aidis et al., 2008; Alvarez et al., 2011; Thornton et al., 2011; Urbano & Guerrero, 2013; Veciana & Urbano, 2008; Welter, 2005). In this way, researchers note that entrepreneurs, in their role as leaders and catalysts in the process of enterprise creation, will be conditioned by environmental factors, both formal and informal; they are also in charge of implementing both the rules and regulations related to entrepreneurial activity and the informal norms resulting from their learning and socialization processes, having the added impact of other political, economic, social and educational norms.

Several investigations suggest that environmental factors are very important to the emergence and implementation of social initiatives (Mair & Marti, 2009; Nicholls, 2010a; Urbano et al., 2010). For instance, Borzaga and Defourny (2001) conducted a comparative research project on social enterprise activity in 15 European countries. They suggest three factors to explain country variations in Europe: the level of development of the economic and social systems; the characteristics of the welfare systems and of the traditional third sector; and the

nature of the underpinning legal systems. Likewise, social entrepreneurs typically address areas of unsatisfied social needs or the creation of new social opportunities that the public or private sectors have failed to address (Corner & Ho, 2010; Gras & Mendoza-Abarca, 2014; Sun & Cai, 2013). Thereby, social opportunities and institutional factors are related (Zahra et al., 2008). Additionally, the lack of funding for the development of social capital is one of the main constraints that social entrepreneurs encounter in fulfilling their social mission (Choi & Majumdar, 2014; Mair & Marti, 2006).

Despite these results, most studies deal with the issue in a fragmented and excessively descriptive way. Social entrepreneurs, then, are most effective when they create entrepreneurial organizations that interact with their environment in an innovative way. In this way, as noted by Mair and Marti (2009) and Townsend and Hart (2008), understanding the relation between the social entrepreneur, the organization and the environment is vital for enhancing our comprehension of this phenomenon.

With reference to the formal factors, the most relevant studies deal with governmental policies. For example, Sharir and Lerner (2006) show that laws and states are factors that influence the environment of organizations and therefore their social success. The importance of economic support measures to the emergence of new social enterprises is analysed by some academics (Spear, 2006; Thompson, 2002), who identify a lack of finance for the development of social capital as one of the major factors that prevent the implementation of new social projects.

Finally, with respect to the informal factors, social needs and values are analysed in a number of different types of case studies (e.g. Anderson et al., 2006; Harris, 2009; Tan et al., 2005). For instance, Friedman and Desivilya (2010) and Smith and Stevens (2010) focus on how location and differences in geography influence the types of social networks in which social enterprises are embedded. They note, in particular, that different types of social entrepreneurs emerge in different types of spaces, from local or regional through to transnational or global.

1.4. STRUCTURE OF THE RESEARCH

This section presents a more detailed overview of the contents of the chapters of this dissertation and offers an insight into how the studies analysed in the current thesis contribute to the advancement of knowledge relating to social entrepreneurship research.

The present investigation starts with a literature review around the main key concepts of the social entrepreneurship phenomenon, in order to identify (from previous literature) the main institutional factors that could influence social entrepreneurial activity. After this exploration of the current literature, we focus on testing several hypotheses in order to identify the main

institutional factors (both formal and informal) that may affect social initiatives. Then, we focus on the Spanish context (in Chapter 3 and Chapter 4), and after that we move on to expand our geographical focus to analysis of other countries around the world (in Chapter 5 and Chapter 6). Finally, in order to have a global picture of the social entrepreneurial phenomenon we explore two key topics: the difference between social and commercial entrepreneurship in terms of institutional environment and the role of women entrepreneurs in social initiatives.

Therefore, this thesis is divided into three phases and seven chapters. In the following, we highlight the main objectives and methodology used in order to test our hypotheses for each chapter.

Phase 1: Literature review

According to the specific objectives 1, Chapter 2 gives a theoretical overview of possible determinants of social entrepreneurship, and discusses in which ways the institutional context (formal and informal institutions) may impact on social entrepreneurial activity. In particular, we identify the main contents and methodologies used in previous years.

The methodology used for this part of the research is based on exploratory analysis. The literature review focuses on articles published in the main academic journals in the areas of business, economics and management, especially those articles included in the *Social Sciences Citation Index* (SSCI). We conducted the search according to the following keywords in the title, abstract and/or text of the articles: 'social entrepreneurship', 'social entrepreneur', 'social enterprise', 'institutions' and 'institutional factors'. Regarding the time frame, we chose journals published from the late 1990s to the present. The literature review was also based on articles published in other international journals which specialize in the topic of social entrepreneurship. Finally, we included specific books on social entrepreneurship.

The main findings suggest that social entrepreneurship literature has tended to focus on describing the experiences of the most popular social entrepreneurs, their personal characteristics and their key success factors. Additionally, the vast majority of the literature is classified as conceptual research. Likewise, empirical research is characterized by the use of case study methodology. Taking account all of these findings, our research highlight that there is no solid evidence regarding one of the most interesting aspects of social entrepreneurship: the study of how the environmental factors affect (promote or inhibit) the emergence of social entrepreneurial activities.

These results confirm that social entrepreneurship research is in its infancy stage and the boundaries of the paradigm remain fuzzy. After our exploratory analysis of social

entrepreneurship research, we conclude that in general there is a lack of empirical studies that use multivariate analysis, due to the vast amount of literature characterized as conceptual studies, and that fewer empirical researchers are focused on case study methodology. Moreover, the research is based on small sample sizes, which limits the capability to generalize results. However, the evolution of articles published about social entrepreneurship is ongoing, showing the interest of academia in this topic.

Based on this literature review, we have identified the key institutional factors that could influence social entrepreneurship. As formal institutions: public spending; access funding; education; and minimum capital requirements. And as informal ones: self-perceived capabilities; entrepreneurial attitudes; social orientation; and innovativeness.

Phase 2: Analysing formal and informal institutions

According to the specific objectives 2, in this second phase of the dissertation, we focus on the identification of the main institutional factors, as well as, the study of the influence of formal and informal institutions on social entrepreneurial activity. Firstly, we focus on the Spanish context (Chapter 3 and Chapter 4). Secondly, we expand our geographical focus to analysis of other countries around the world (Chapter 5 and Chapter 6).

In Chapter 3, we analyse the relationship between social entrepreneurship and institutional factors, focusing on Spain. To achieve this objective, we use models of logistic regression analysis, and specifically rare events logistic regression (ReLogit), based on data from the Global Entrepreneurship Monitor (GEM). The main findings demonstrate that informal institutions, such as fear of failure and perception of entrepreneurial skills, and formal institutions, such as access to funding, influence social entrepreneurial activity in Spain. Likewise, our data supports the contention that informal institutions are more important than formal ones for promoting social entrepreneurship.

In Chapter 4 we focus on the recent financial and economic crisis in order to identify the main institutional factors, in particular informal factors, of social entrepreneurship in Spain and examine the impact of the economic downturn on them. For our analysis, we used the GEM Report dataset collected from 2005 to 2010. Specifically, we applied a longitudinal panel data framework to study the effect of institutional factors on the rate of social entrepreneurship before and during the economic crisis. Our results suggest that the crisis had a statistically significant impact on social entrepreneurial behaviour, and we find that perceived opportunities to create a start-up, as well as entrepreneurship's social image, were key drivers of social entrepreneurial activity during the depression period. Contrary to the expected results, entrepreneurial culture and the effect of media systems were not statistically significant institutional factors before and

during the economic crisis. Finally, these results suggest again (and in the same line of the previous Chapter 3) that socio-cultural environment determine the decision to start-up a new social initiative.

The main objective in Chapter 5 is to analyse the environmental factors that influence social entrepreneurial activity, but using more countries (from different continents) in order to determine the main environmental factors which affect the social entrepreneurial process. Using hierarchical regression analysis for a sample of 49 countries, we study the impact of formal (public spending and access to funding) and informal (being a member of a social organization and post-materialism) factors on social entrepreneurship. The main findings of this chapter suggest that while being a member of a social organization and having post-materialism values increase the rate of social entrepreneurial activity, public spending has a negative relationship with this phenomenon. Finally, we find again, the importance of informal or socio-cultural factors in detrimental to formal ones on the development of social entrepreneurial initiatives across countries.

In Chapter 6 we focus on the impact of cultural factors on the relationship between post-materialism and social entrepreneurship. Through a logistic regression model and based on a large sample from the World Value Survey (WVS), we find that innovativeness, altruism and risk-taking have positive moderating effects on the relationship between post-materialism and social entrepreneurship. Furthermore, we show that a greater emphasis on immaterial values may affect the social entrepreneurship rate across countries. Our findings have important implications for design policies that foster social entrepreneurial attitudes.

Phase 3: Varieties of social entrepreneurships

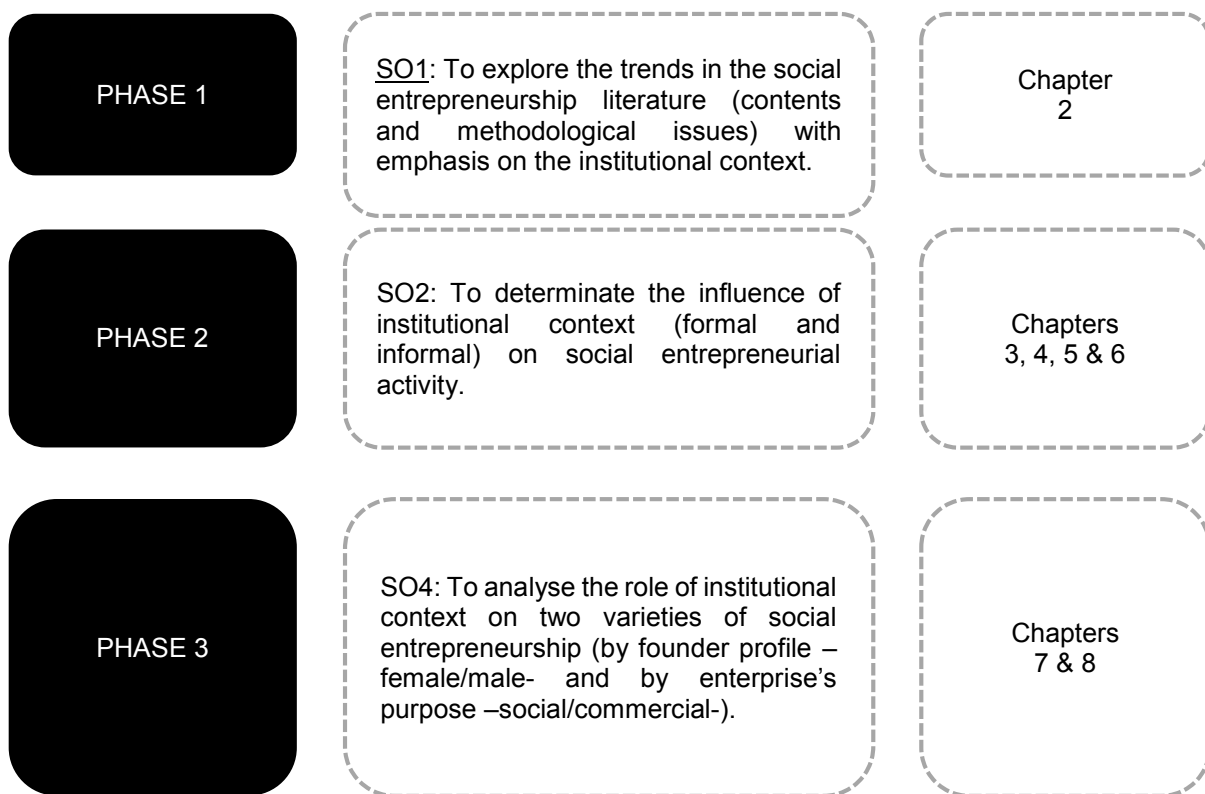
In the final phase, we analyse the role of institutions on two varieties of social entrepreneurship. On the one hand, by social founder profile, the differences in terms of gender (Chapter 7), and on the other hand, by enterprise's purpose, the differences between commercial and social purposes (Chapter 8).

In Chapter 7, we focus on the role of women in social entrepreneurship. In this context, the aim is to analyse the socio-cultural factors which influence the likelihood of women becoming social entrepreneurs, using institutional economics as the theoretical approach. To test our hypotheses, we apply logistic regression models, using data from the WVS and the World Bank (WB). The main findings of this chapter reaffirm the relevance of socio-cultural factors to social entrepreneurship. Particularly, we have found that altruistic attitudes and being a member of a social organization are the most relevant socio-cultural factors for female social entrepreneurship.

Finally, in Chapter 8, the purpose of the research is to explore the main differences between social and commercial entrepreneurship using institutional theory as the conceptual framework. We mainly use the GEM Report surveys from 43 countries for 2009, and we statistically test our hypotheses through linear regression models. Compared with commercial entrepreneurship, we find that the entrepreneurial education level is an important institutional factor, whereas minimum capital requirements have no effect on social entrepreneurship. In addition, the results suggest that role models and fear of failure influence social entrepreneurship.

To summary, Figure 1.1 shows the different phases of this dissertation.

Figure 1.1. Main phases of the thesis



CHAPTER 2.

SOCIAL ENTREPRENEURSHIP AND

INSTITUTIONAL CONTEXT: A LITERATURE

REVIEW

2.1. INTRODUCTION

As mentioned above, social entrepreneurship is a new concept, but it is not a new phenomenon (Dees, 2001). Although the term is relatively new, social entrepreneurs, such as Florence Nightingale and Robert Owen, among others, can be found throughout history³ (Banks, 1972; Drucker, 1979). According to Nicholls (2006a) the concept of social entrepreneurship was first used between the 1970s and the 1980s. However, it was not until the 1990s that the term came into widespread use as a result of increased global social problems (Bornstein, 2004). Thus, although organizations with a social purpose have existed for many years, they have recently received increasing attention at a scholarly and governmental level (Dees, 2001; Leadbeater, 1997).

Research on social entrepreneurship has been a topic of increasing interest since the 1990s (e.g. Dees, 2001; Mair & Marti, 2006). In general terms, most of the articles on social entrepreneurship are based on the description of the phenomenon (Choi & Majumdar, 2014). Their aim is to describe the main characteristics, motivations and success factors of social entrepreneurs. Based on the literature review provided by Short et al. (2009), it can be highlighted that the current situation of the social entrepreneurship area is characterized by the lack of formal hypotheses and rigorous methods and the predominant presence of conceptual studies in comparison to empirical articles.

According to the above, the main purpose of this chapter is to explore the content and methodology of social entrepreneurship research focusing on the institutional approach and to identify the main traits of these studies (e.g. streams of the field, methodological techniques, and main institutional factors, among others). The literature review was based on articles published in the top journals and special issues related to social entrepreneurship, especially those included in the *Social Sciences Citation Index* (SSCI)⁴ that consider this phenomenon. Moreover, we included articles published in specific social entrepreneurship journals and books. We conducted the search according to the following keywords: 'social entrepreneurship', 'social entrepreneur', 'social enterprise', 'institutions' and 'institutional factors'.

The main findings suggest that the social entrepreneurship literature has tended to focus on renowned social entrepreneurs' experiences and personal characteristics, as well as leadership and success factors. However, there is no solid evidence regarding one of the most interesting aspects of social entrepreneurship: the study of how the environmental factors affect (promote or inhibit) the emergence of social entrepreneurial activities (Urbano et al., 2010). In this sense,

³ In the past, social entrepreneurs were called visionaries, humanitarians, philanthropists, reformers or activists (Bornstein & Davis, 2010).

⁴The SSCI is part of Thomson Reuters' Web of Knowledge (formerly ISI Web of Knowledge), which is a unified research platform for finding, analyzing and sharing information in the sciences, social sciences, arts and humanities.

an important number of both theoretical and case studies can be found (Bacq & Janssen, 2011; Desa, 2012; Dhesi, 2010; Estrin et al., 2013; Mair & Marti, 2009; McMullen, 2011; Sud et al., 2009; Townsend & Hart, 2008). Despite this, most studies deal with the issue in a fragmented and excessively descriptive way. This lack of empirical studies places limits on our understanding of social entrepreneurial activities, so it is important to direct efforts in this direction (Mair & Marti, 2006; Short et al., 2009).

The contributions of the research are made in terms of identifying the main issues and traits that have been discussed in the academic area so far and the development in the field of social entrepreneurship from an institutional perspective. Having a clear idea about the institutional framework for social enterprise creation can help to guide public policies relating to social enterprise creation.

Following this introduction, this chapter is organized as follows. Firstly, the state of the research on social entrepreneurship is discussed, identifying knowledge gaps based upon under-studied themes and insufficient or inadequate methodological development. Following this, we present the framework of the study: institutional economics. Next, based on the literature review and in the light of the institutional approach, we present theoretical propositions and a conceptual model.

2.2. SOCIAL ENTREPRENEURSHIP: CURRENT STATE OF THE ART

As mentioned in Chapter 1, the first specific objective of this dissertation is “to explore the content of research as well as methodological issues on social entrepreneurship in the context of institutional economics”. In this way, with the aim to provide an overview of the many studies undertaken in the social entrepreneurship area, we conducted a literature review. The methodology used for this part of the research was based on exploratory analysis. The literature review focuses on articles published in the main academic journals in the area of business, economics and management, especially those articles included in the SSCI. We conducted the search according to the following keywords in the title, abstract and/or text of the articles: ‘social entrepreneurship’, ‘social entrepreneur’, ‘social enterprise’, ‘institutions’ and ‘institutional factors’. Regarding the time frame, we chose journals published from the late 1990s to the present. The literature review was also based on articles published in other international journals which specialize in the topic of social entrepreneurship. Finally, we included specific books on social entrepreneurship (e.g. Brooks, 2009; Elkington & Hartigan, 2008; Hockerts et al., 2010; Kickul & Lyons, 2012; Leadbeater, 1997; Light, 2008; Mair et al., 2006; Nicholls, 2006a; Seymour, 2012).

The first stage of the analysis involved studying the contents of the existing research; after, in a second stage, we examined the methodology used in previous research. In the following, we present the main findings.

2.2.1 Contents of existing research on social entrepreneurship

As with any newly emerging field, the literature on social entrepreneurship has grown and there have been several attempts to define the main concepts such as social entrepreneurship, social entrepreneur and social innovation, among others. Table 2.1 illustrates the broad range of possible interpretations of the concept. In this sense, and in line with previous studies (Choi & Majumdar, 2014; Hill et al., 2010; Mair & Marti, 2006; Short et al., 2009) there is no clear definition of its domain and it remains fragmented. Hence, at the moment, the literature has not provided clear-cut answers to these questions.

The interest in social entrepreneurship is not only reflected in the growing literature on the topic but also in the proliferation of terms used to identify the concept itself. As can be seen in Table 2.1, the number of definitions used to describe social entrepreneurship has increased in the articles of international journals and in books. As mentioned by Chell et al. (2010) and Bacq and Janssen (2011), social entrepreneurship means different things to people in different places because of the different geographical and cultural contexts in which it takes place, as well as differences in welfare and labour markets. According to Friedman and Desivilya (2010), there are at least two major contexts in which the notion takes on different meanings: the Anglo-Saxon and European traditions. Likewise, under the concept of social entrepreneurship, other types of social entrepreneurial activities are discussed, such as social venturing, non-profit organizations adopting business tools, hybrid organizations or social cooperative enterprises (Smallbone et al., 2001).

Despite the different meanings, a key distinction that can be found in all the definitions is a social mission as the central driving force of social entrepreneurs (Leadbeater, 1997). The decision regarding the particular organizational form a social enterprise takes should be based on whichever format would most effectively mobilize the resources needed to address the problem in order to produce a social impact on the current social institutions (Austin et al., 2006; Chell et al., 2010; Peredo & McLean, 2006).

Table 2.1. Main definitions of social entrepreneurship

| Year | Author | Definition |
|------|--|---|
| 2001 | Dees | <i>"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) Recognizing 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."</i> (p.4) |
| 2000 | Fowler | <i>"Social entrepreneurship is the creation of viable (socio-) economic structures, relations, institutions, organisations and practices that yield and sustain social benefits."</i> (p.649) |
| 2003 | Lasprogata and Cotten | <i>"Social entrepreneurship means nonprofit organizations that apply entrepreneurial strategies to sustain themselves financially while having a greater impact on their social mission."</i> (p.69) |
| 2004 | Alvord, Brown and Letts | <i>"Social entrepreneurship that creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations."</i> (p.262) |
| 2006 | Austin, Stevenson and Wei-Skillern | <i>"We define social entrepreneurship as innovative, social value creating activity that can occur within or across the non-profit, business, or government sectors."</i> (p.2) |
| | Mair and Marti | <i>"We view social entrepreneurship broadly, as a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs."</i> (p.37) |
| | Nicholls | <i>"Social entrepreneurship represents an umbrella term for a considerable range of innovative and dynamic international praxis and discourse in the social and environmental sector"</i> (p.5) |
| | Peredo and McLean | <i>"Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value ("envision"); (3) employ(s) innovation, ranging from outright invention to adapting someone else's novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture."</i> (p.64) |
| | Sharir and Lerner | <i>"To apply business strategies for the purpose of more effective confrontation with complex social problems."</i> (p.16) |
| | Weerawardena and Mort | <i>"We define social entrepreneurship as a behavioural phenomenon expressed in a NFP organization context aimed at delivering social value through the exploitation of perceived opportunities."</i> (p.25) |
| 2009 | Zahra, Gedajlovic, Neubaum and Shulman | <i>"Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner."</i> (p.522) |
| 2011 | Bacq and Janssen | <i>"We define social entrepreneurship as the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources."</i> (p.376) |
| 2014 | Choi and Majumdar | <i>"We propose the conceptualization of social entrepreneurship as a cluster concept (...). Conceptualizing social entrepreneurship as a cluster concept implies that social entrepreneurship is a representation of the combined quality of certain sub-concepts, i.e., social value creation, the social entrepreneur, the SE organization, market orientation, and social innovation."</i> (p.372) |

For the sake of our cross-country perspective, which includes these diverse contexts and meanings, we needed to apply a definition of social entrepreneurship at a high level of abstraction. Therefore, we sought a definition entailing three dimensions: entrepreneurial and innovative activities, social mission (social wealth creation) and social impact. Thus, for the current dissertation, and as mentioned in Chapter 1, we define this phenomenon as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (Mair & Marti, 2006, p.40). As outlined in Table 2.2, a considerable amount of scholarly effort has been devoted to defining the key concepts of the field: ‘social entrepreneur’, ‘social entrepreneurship’ and ‘social enterprise’.

Table 2.2. Main research lines

| Domains | Research questions | Articles |
|---|---|--|
| Defining the phenomenon | What is social entrepreneurship? | Alvord et al. (2004); Anderson et al. (2006); Bacq & Janssen (2011); Certo & Miller (2008); Chell et al. (2010); Choi & Majumdar (2014); Dees (2001); Drayton (2002); Ebrashi (2013); Mair & Marti (2006); Mort et al. (2003); Nicholls (2006a); Peredo & McLean (2006); Short et al. (2009); Tan et al. (2005); Thompson (2002); Thompson et al. (2000); Wallace (1999); Zahra et al. (2014) |
| | What does a social entrepreneur do? | |
| | What are social enterprises like? | |
| Comparison between social entrepreneurship and others forms of organization | What are the differences between social and commercial entrepreneurship? | Almarri et al. (2013); Austin et al. (2006); Bacq et al. (2013); Bargsted et al. (2013); Fowler (2000); Gimmon & Spiro (2013); Luke & Chu (2013); Lumpkin et al. (2013); Seelos & Mair (2005); Spear (2006); Thompson & Doherty (2006); Williams & Nadin (2012) |
| | What are the differences between social entrepreneurship and government, NGO's, activism? | |
| Study the core elements of social entrepreneurial process | How is the social entrepreneurial process? | Chalmers & Balan-Vnuk (2013); Corner & Ho (2010); Cornwall (1998); Dhesi, (2010); Gras & Mendoza-Abarca (2014); Harris (2009); Kaneko (2013); Lasprogata & Cotton (2003); Meyskens et al. (2010); Özdemir (2013); Renko (2013); Rotheroe (2007); Salamzadeh et al. (2013); Shaw & Carter (2007); Tobias et al. (2013); Weerawardena & Mort (2006); Zahra et al. (2008) |
| | What are social opportunities? | |
| | How do social entrepreneurs evaluate their impact? | |
| Identify predictors of social entrepreneurship | Which are the main environmental factors that could affect the social entrepreneurship process? | Amin et al. (2002); Bhatt & Altinay (2013); Bjerregaard & Luring (2012); Campin et al. (2013); Desa (2012); Di Domenico et al. (2010); Dorado & Ventresca (2013); Felício et al. (2013); Ladeira & Machado (2013); Maclean et al. (2013); Mair & Marti (2009); McMullen (2011); Neck et al. (2009); Nga & Shamuganathan (2010); Nicholls (2010a); Nicholls (2010b); O'Connor (2013); Roy et al. (2014); Sharir & Lerner (2006); Smith & Stevens (2010); Smith et al., (2012); Sud et al. (2009); Townsend & Hart (2008); Urbano et al. (2010); Weber & Kratzer (2013); Wilson & Post (2013); Zahra et al. (2009) |
| | How social entrepreneurs interplay with their context? | |
| | Which are the main antecedent factors in the social entrepreneurial process? | |

The previously mentioned lack of consensus regarding the definition of the main parameters that configure the paradigm of social entrepreneurship (e.g. social entrepreneur, social enterprise or social innovation) is a limitation for the development of future research and in particular for the development of empirical studies (Bacq & Janssen, 2011; Choi & Majumdar, 2014; Mair & Marti, 2006; Short et al., 2009).

In another stream of research, a number of studies have been dedicated to describing the similarities and distinctions between social and commercial entrepreneurs (Austin et al., 2006; Gimmon & Spiro, 2013; Spear, 2006; Williams & Nadin, 2012), non-profit enterprises (Fowler, 2000) and corporate social responsibility (Seelos & Mair, 2005; Sharir & Lerner, 2006). As Austin et al. (2006) noted, the main difference between social and commercial entrepreneurship has to do with purpose, or what the enterprise is trying to maximize. The study undertaken by Bacq et al. (2103), in which social and commercial entrepreneurship is compared in Belgium and the Netherlands, highlights that social entrepreneurship organizations are younger when compared with commercial ones, as well as noting the infancy stage of the entrepreneurial process that they are in. Additionally, Bacq et al. (2013, p. 54) suggest that social entrepreneurs are less ambitious in terms of employment growth than commercial ones.

In the same line of research, Thompson & Doherty (2006) note that social enterprises are distinctive from many non-profit organizations in their entrepreneurial approach to strategy, their innovation in the pursuit of social goals and their engagement in training. Moreover, social venturing is best understood more broadly. In this sense, Fowler (2000) produced the most complex social entrepreneurship typology to date, highlighting three broad categories of social entrepreneurial activities. In discussing these three models of social entrepreneurship, the author highlights the difference between the economic activities that simultaneously provide social benefits and those that do not (as in the third model), and notes that the former place more complex and stringent demands on an organization than the latter.

As in the social entrepreneurship area, another stream of research is concerned with building knowledge about how social opportunities are discovered, created and exploited (e.g. Corner & Ho, 2010; Gras & Mendoza-Abarca, 2014; Zahra et al., 2008). Weerawardena and Mort (2006) define the process of the identification and evaluation of social opportunities as a separate activity in which social entrepreneurs seek opportunities to create social value. Moreover, the authors conclude that this process is simultaneously influenced by different elements: social mission, organizational sustainability and context. In the same line, Dees (2001) suggests that the entrepreneurship components of social entrepreneurial activities include the recognition and pursuit of social opportunities to create social value. Furthermore, according to Mort et al. (2003, p.82), social entrepreneurs have the “ability to recognise opportunities to create better social

value for their clients". Hence, social entrepreneurs are motivated to address the issue that markets value social improvements and public goods ineffectively (Austin et al., 2006).

Finally, another key area of interest in social entrepreneurship research focuses on environmental sustainability (e.g. Di Domenico et al., 2010). As presented in the entrepreneurship field, new (social) organizations are affected by specific factors often associated with cultural, economic or market factors (Gnyawali & Fogel, 1994). This issue, in social entrepreneurship inquiry, is raised by Neck et al. (2009) in a discussion of the complex, shifting and often unpredictable environment that social entrepreneurs face in trying to fulfil their social and economic goals simultaneously. Moreover, Amin et al. (2002) stress the idea that cross-country differences in social entrepreneurial activities reflect the differences in welfare systems and in political and institutional contexts. The research in this domain focuses on the context in which social ventures operate which has a direct bearing on their ability to meet the dual target of creating social value while also creating a business model that is financially stable.

In this way, several researchers suggest that environmental factors are very important for the emergence and implementation of social actions (e.g. Mair & Marti, 2009; Nicholls, 2010b; Nissan et al., 2012)⁵. For example, social entrepreneurs typically address areas of unsatisfied social needs or the creation of new social opportunities that the public or private sectors have failed to address (Corner & Ho, 2010). Thereby, social opportunities and institutional factors are related (Zahra et al., 2008). Furthermore, the lack of finance available for the development of social capital is one of the main constraints that social entrepreneurs encounter in fulfilling their social mission (Sharir & Lerner, 2006).

In order to make progress in this field of study, and as advanced previously in Chapter 1, we propose the institutional approach as a theoretical framework (North, 1990, 2005). The main factors that led to this decision are varied. The first is related to the analysis of the most important articles published in journals of impact in the last decade. It was observed that most of them base their explanations on two elements: formal institutions and/or informal institutions. Secondly, several articles on entrepreneurship have established its efficacy as a useful theory for understanding environmental factors (e.g. Aidis, 2005; Aidis et al., 2008; Alvarez et al., 2011; Thornton et al., 2011; Veciana & Urbano, 2008; Welter, 2005). More specifically, related to the area of social entrepreneurship, some authors are beginning to point out its viability as a valid theoretical framework (Desa, 2012; Dorado & Ventresca, 2013; Mair & Marti, 2006, 2009; McMullen, 2011; Nicholls, 2010b; Townsend & Hart, 2008; Urbano et al., 2010).

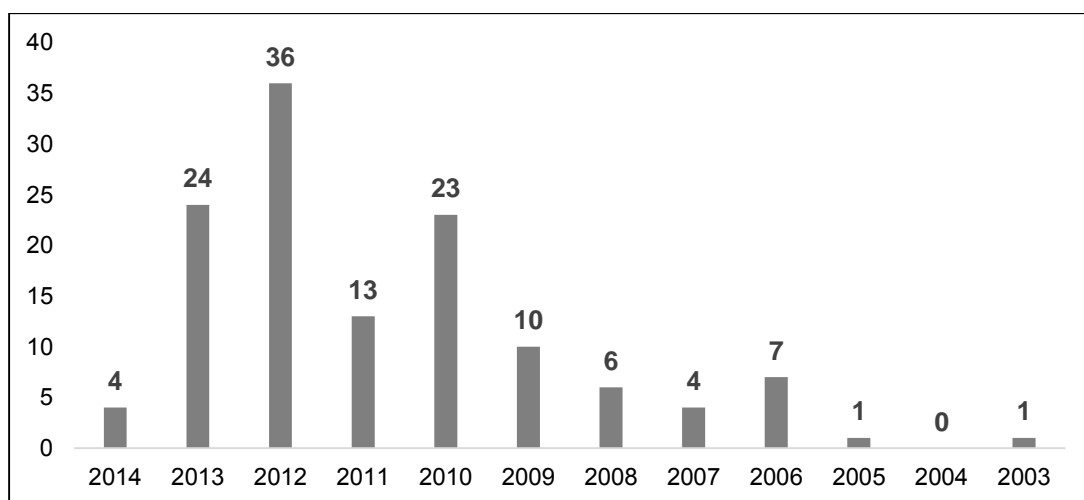
⁵ In Appendix 1, we present the main articles published in the intersection of these two areas: social entrepreneurship and institutional context. As it can be seen, there are few studies that use the institutional theory as a conceptual framework.

2.2.2 Methodological issues on social entrepreneurship research

Although social entrepreneurship is a new field of inquiry, the literature on social issues in the business, economics and management areas has in the last 10 years paid increasing attention to social entrepreneurship. With regard to the evolution of such publications, since 2006 articles and special issues on social entrepreneurship have appeared in well-recognized scholarly journals (within *Journal Citation Reports*) such as the *Journal of World Business* (2006), *Journal of Business Venturing* (2009), *Entrepreneurship Theory and Practice* (2010), *Entrepreneurship & Regional Development* (2011), *Academy of Management Learning & Education* (2012) and *International Small Business Journal* (2013).

As it can be seen in Figure 2.1, since year 2003 it has been publishing literature on social entrepreneurship. In particular, 85% of articles have been published from 2009 to present. If we analyse by journal, the results highlight that the 36% of social entrepreneurship literature has been published by the following journals: *Journal of Business Ethics*, *Entrepreneurship and Regional Development*, as well as, *Entrepreneurship Theory and Practice*.

Figure 2.1. Evolution of the social entrepreneurship publications



Despite this growing attention to social entrepreneurial activities as a scholarly field of research, it is still in a stage of infancy (Short et al., 2009). The research in the past decade has been dedicated primarily to establishing a conceptual foundation, which has resulted in a considerable stream of conceptual papers. According to our review, most publications consist of a conceptual setup with an intuitive touch and aim to define the key constructs and explore why and how these constructs are related.

As can be seen in Table 2.3 the majority of empirical studies are qualitative articles (96.9%) and in particular case-based studies that introduce powerful and inspiring stories of various types of social entrepreneurs (90.3%). Another method found in our review is the grounded theory methodology (9.7%). The quantitative papers only use descriptive statistics (100%), and

the sample size of the qualitative studies is small, with a large proportion based on between two and five case studies (87.1%). A very small proportion of the studies had a sample size of either more than 10 cases or a single case (3.2%). These studies are characterized by rich descriptions and are suitable, once again, for descriptive and explanatory purposes. Secondly, the samples used are very diverse in terms of their scope.

Table 2.3. Main traits of empirical studies

| | | % |
|--|------------------------|-------|
| Type of research | Qualitative | 96.9 |
| | Quantitative | 3.1 |
| Method of qualitative articles | Case study | 90.3 |
| | Grounded theory | 9,7 |
| Method of quantitative articles | Descriptive Statistics | 100.0 |
| Case study sample size | Single case | 3.2 |
| | 2 - 5 cases | 87.1 |
| | 6 - 10 cases | 6.5 |
| | More than 10 cases | 3.2 |

It is noteworthy that much of the literature on social entrepreneurship lacks substantial empirical analysis. The theoretical debate that has emerged during the last few years due to the growing interest in the topic has undoubtedly contributed to a better understanding of the phenomenon. In conclusion, these findings confirm the stage of infancy of social entrepreneurship research. The findings can be summarized as follows: there are a limited number of empirical studies with a limited quantitative research approach, mainly of an exploratory type; rigorous hypothesis testing is lacking; little variety of research design is applied; and the research is based on relatively small sample sizes. The case studies may be accurate and specific, but they often lack the ability to offer generalizable findings. Additionally, our data indicate that social entrepreneurship research needs to incorporate specific hypotheses to be tested and the use of multivariate research methods.

2.3. SOCIAL ENTREPRENEURSHIP AND INSTITUTIONAL ECONOMICS

Based on this literature review, we have identified several key institutional factors that could influence social entrepreneurship. The selection of variables is by no means exhaustive. We are well aware that the process of new social venture creation is highly complex and that no one institutional factor can determine the evolution of this process.

Before starting the analysis of the environmental factors that could influence social entrepreneurship, it is important to mention that a clear distinction between formal and informal institutions is often difficult to achieve because both institutional factors are mutually dependent.

While formal institutions provide the legal framework and create new opportunities for social entrepreneurs; informal institutions legitimate the social entrepreneurial activities within a society, fostering a positive attitude towards this phenomenon.

Therefore we identify such as formal institutions: public spending; access to funding, education, and minimum capital requirements; and such as informal institutions: self-perceived capabilities, entrepreneurial attitudes, social orientation and innovativeness. Following, we describe in-depth all of these set of institutional factors.

2.3.1 Formal institutions

Public spending

Regarding the formal institutions, we highlight the importance of public spending. In many countries, both developed and developing, there has been a systematic retreat by governments from the provision of public goods in the face of new political ideologies that stress citizen self-sufficiency and give primacy to market-driven models of welfare (Leadbeater, 1997). As a result, in many territories, the 'supply side' of the resources available for public goods has remained static or diminished (Sharir & Lerner, 2006). In the same way, Cornwall (1998) states that in countries where the provision of social services (health, cultural, leisure and welfare) is scarce and mainly undertaken by public institutions, the emergence of social entrepreneurs is significant. However, Friedman and Desivilya (2010) argue that the work carried out by governments and social entrepreneurs is complementary, due to the public sector having been able to mobilize massive efforts in several periods, but having been unable to choose models that incorporate and maintain their efficiency and effectiveness. For their part, social entrepreneurs' efforts provide efficient and effective models in performance. Despite this, the recent empirical evidence indicates the negative impact of the percentage of public expenditure on the emergence of new social enterprises (Alvord et al., 2004; Austin et al., 2006; Cornwall, 1998; Harris, 2009). Therefore, it is expected that low levels of public spending increase the rate of social entrepreneurial activities.

Access to funding

The availability of capital is important to social entrepreneurs as it lays the foundation for the social organization (Grimes, 2010). Studies conducted in several countries show that individuals are sensitive to capital constraints in their decision to take entrepreneurial positions – in particular, self-employment (Blanchflower & Oswald, 1998; Holtz-Eakin et al., 1994). In the present literature, there is no difference between the importance of access to funding to social

entrepreneurs and the importance to commercial counterparts (Alvord et al., 2004). However, the literature on the emergence and development of social entrepreneurial activities highlights the existence of specific barriers relating to the financial constraints that social entrepreneurs must cope with in order to carry out their social mission (Bacq & Janssen, 2011; Certo & Miller, 2008; Di Domenico et al., 2010). Hence, many non-profit organizations see social enterprise as a way to reduce their dependence on charitable donations and grants, while others view the business itself as the vehicle for social change (Borzaga & Defourny, 2001). Therefore, as mentioned in relation to entrepreneurship firms with economics goals (e.g. Gnyawali & Fogel, 1994), we suggest that a reduction of the barriers to access to finance, with greater access to credit, will positively promote the emergence of new social enterprise projects, thus reducing the risks of budget uncertainty and dependence on public grants or aid.

Education

The entrepreneurship literature states that people's behaviour is usually guided by their knowledge and skills. Specifically, recent research studies show that, in general, higher levels of education have a positive effect on the probability of an individual creating a firm (Arenius & Minniti, 2005; Davidsson & Honig, 2003; Delmar & Davidsson, 2000). Similarly, several authors in the social entrepreneurship field note that high levels of education are common denominators between the social environments. However, there is no evidence that this knowledge should focus on the field of business management (e.g. Nga & Shamuganathan, 2010; Shaw & Carter, 2007). In short, the background of social entrepreneurs is critical for triggering the desire to launch a social enterprise. Thus, this takes into account that individuals may be more inclined to make a decision to start a business if they believe they have the skills to carry out the activity successfully (Arenius & Minniti, 2005; Chen et al., 1998; Davidsson & Honig, 2003; De Pablo, 2013; Nga & Shamuganathan, 2010).

Minimum capital requirements

Finally, the last formal institution that could influence social entrepreneurship is the minimum capital requirements. In this sense, potential social and commercial entrepreneurs may be discouraged from starting a new initiative if they are faced by many financial barriers. In fact, previous studies have reached the consensus that larger minimum capital requirements are detrimental to entrepreneurship (Dreher & Gassebner, 2013). This is why some governments and institutions focus attention upon lowering the entry barriers to the formation of new firms, including cutting the statutory minimum capital (Van Stel et al., 2007). As noted by Braun et al. (2013) and Becht et al. (2008), the amount of equity funding that owners must pay or promise

to pay when they establish a firm leads to opportunity costs as well as increased financial constraints for entrepreneurs. Thus, the cost of starting a new business (capital requirements) has been shown to be negatively correlated with the prevalence of entrepreneurship (Armour & Cumming, 2008; Klapper et al., 2006). For these reason we take into account in our model to study the relationship between social entrepreneurship and the institutional framework.

2.3.2 Informal institutions

Self-perceived capabilities

Regarding to informal institutions we start with the self-perceived capabilities which refer to the belief in one's ability or competence to bring about intended results. This category is composed by several variables such as, fear of failure, perception of entrepreneurial skills, and opportunity to start-up, risk-taking and role model. According to previous literature, it is expected that a lack of this attribute could influence social entrepreneurial activities. In this sense, self-perceived capabilities are also an important factor explaining social entrepreneur participation (Mair et al., 2006; Thompson, 2002). Harding and Cowling (2004) find that social entrepreneurs on average are less confident about their own skills to start a business than their commercial counterparts. Hence, if a country's population possesses more entrepreneurial capabilities, it is likely to have a higher rate of entrepreneurship. Hence, we expect, in accordance with commercial entrepreneurship, a positive association between self-perceived capabilities and social entrepreneurship.

Entrepreneurial attitudes

Another informal institutional factor that could affect social entrepreneurship is the entrepreneurial attitudes which include: the entrepreneurial culture, entrepreneurial social image and the media impact. As noted by the OECD (2010), promoting entrepreneurial awareness and positive attitudes towards commercial and social entrepreneurship are high on the policy agenda of several economies. Their study suggests that the formation of different cultural values in different societies influences the decision to create new businesses (Bruton et al., 2010); therefore, not all societies foster entrepreneurial activity (social and commercial) with equal effectiveness. Shapero and Sokol (1982) observed how business formation rates vary from society to society. They argue that these differences occur due to different cultures holding different beliefs about the desirability and feasibility of beginning a new project or organization. Positive views on these measures can influence the willingness of individuals to become entrepreneurs. Consequently, this positive social image could foster more people to start new

social organizations. However, it is important to note that differences in the socio-cultural context may influence, among other things, the status and social recognition of social entrepreneurs, promoting or inhibiting entrepreneurial career choice (Jaén & Liñán, 2013). Finally, another institutional factor that could affect social entrepreneurial activity relates to media attention paid to social entrepreneurs. Stories reported by the media can play a critical role in the processes that enable new businesses to emerge. Therefore, the intention to start a new social entrepreneurial project is underpinned by the perceptions society holds of entrepreneurs; consequently, if the media positively represents social entrepreneurship's role in society it could foster more people to desire to become social entrepreneurs.

Social orientation

As has already been noted, the primacy of the social mission over all the other organizational objectives is the first key determinant of a potential social entrepreneurial venture (Dees, 2001). Despite the differences between the various definitions of social entrepreneurship, there is agreement on the emphasis on the social mission as the reason for the emergence of a social enterprise. In this sense, the social orientation dimension includes being a member of a social organization, post-materialism values, and altruism. In this sense, the social mission focus equates to the identification of an unmet social need or a new social value creation opportunity (Mair & Marti, 2006). In this sense, Cornwall (1998) and Wallace (1999) define social entrepreneurs as entrepreneurs who take on the social responsibility to improve their communities. On the other hand, the current resurgence of social entrepreneurship is a renewal of spirit that promotes the foundations of the non-profit sector, is independent and is built by individuals who see it as their responsibility to act to ameliorate social problems (Mair et al., 2006). Thus, their involvement with the social sector allows social entrepreneurs to recognize new opportunities as well as to turn themselves into altruistic and more sensitive citizens who are dissatisfied with the status quo and are motivated to act with social responsibility (Corner & Ho, 2010; Zahra et al., 2008). In sum, it is claimed that social attitudes represent an important informal factor in the social entrepreneurship process, affecting the perception of social ventures as a good way to achieve social missions.

Innovativeness

According to Lumpkin and Dess (2001) the concept of innovativeness can be defined as the predisposition to engage in creativity and experimentation through the introduction of new products and services as well as new processes. The entrepreneurship literature suggests that entrepreneurs are more creative than others (Kirby, 2004; Timmons, 1989; Whiting, 1988), tend

to think in non-conventional ways, challenge existing assumptions, and are flexible and adaptable in their problem solving (Kirby, 2004; Solomon & Winslow, 1988). In the social entrepreneurship field, some authors (Chell et al., 2010; Mair & Marti, 2006; Peredo & McLean, 2006) noticed that due to the multidimensional origin of social problems, social entrepreneurs have various potential ways to exercise innovativeness tools or strategies to achieve their social mission. In particular, Alvord et al. (2004) note that scarce resources can also stimulate social entrepreneurs to become more creative, and think better ways to tackle their social problems; thus producing more innovativeness. Thus, we can regard innovativeness as an important dimension in the process of studying social entrepreneurship behaviour (Lepoutre et al., 2013; Lumpkin et al., 2013; Nga & Shamuganathan, 2010).

2.4. CONCLUSIONS

Social entrepreneurship is no longer just a topic within business studies or economics but is in many ways an academic discipline in its own right, with university courses, academic journals and specialist conferences acting as evidence to support this claim. The academics specializing in social entrepreneurship research come from a wide variety of perspectives and backgrounds; some have been entrepreneurs, policy-makers or advisors or they have been engaged in other forms of entrepreneurship practice.

In this chapter, we have explored and analysed the main social entrepreneurship research, and, in more detail, the literature related to the institutional approach (SO1). To accomplish this objective we analysed articles published in journals indexed by the SSCI, as well as international journals and specialized books on the social entrepreneurship phenomenon.

The main findings of the current research confirm that social entrepreneurship research is in its infancy stage and the boundaries of the paradigm remain fuzzy. After our exploratory analysis of social entrepreneurship inquiry, we conclude that in general there is a lack of empirical studies that use multivariate analysis, due to the vast amount of literature characterized as conceptual studies, and that fewer empirical researchers are focused on case study methodology. Moreover, these previous studies are based on small sample sizes, which limit the capability to generalize their results. However, the evolution of articles published about social entrepreneurship is ongoing, showing the interest of academia in this topic.

On the other hand, the impossibility of offering a unique theoretical framework leads to disorientation in governments' establishment of efficient social policies, at the same time as not allowing the progress of this discipline to advance. In order to make progress in this field of study, we propose institutional economics as a theoretical framework. In this sense, our findings indicate the important articles published in journals of impact during the last decade, in which

we observed that most base their explanation on two elements: formal institutions and/or informal institutions.

In this context, the present chapter proposes several variables to analyse the institutional factors that influence social entrepreneurial activity: 1) public spending; 2) access funding; 3) education; 4) minimum capital requirements; 5) self-perceived capabilities; 6) entrepreneurial attitudes; 7) social orientation; and 8) innovativeness. In the following chapter, we will use some of these variables in order to test our conceptual models. These contributions constitute the first step in enhancing the current situation in this field, and they are the first step related to institutional factors and the process of creation and development of social entrepreneurship.

Finally, we acknowledge that this literature review is not without limitations that could be a interesting future research lines. First, regarding the methodology adopted it could be useful to adopt a “bibliometric analysis” as in the study conducted by Busenitz et al. (2014). This analysis represents a set of methods used to analyse academic literature (in this case, the content analysis). Second, the the difficulty in employing a singular definition for the formal and informal institutions may also imply problems in identifying institutional factors that could affect the social entrepreneurial process. Third, it could be interesting to study the interception of the social entrepreneurship in other investigation areas such as Marketing, Finance or Sociology (Short et al., 2009).

Thus, the next step is to analyse in depth this framework. From this point of view, an empirical study to identify these factors and measure their impact is a necessary endeavour. In this sense, in the following chapters we will test all of these variables in different geographical contexts, using different proxies to measure both dimensions, i.e. formal and informal institutions. Specifically, in Chapter 3 and 4 we study this relationship in Spain, and in Chapter 5 and 6 we expand our study using different countries around the world. Moreover, we test formal and informal institutions in order to determine which institutional factors affect the creation and development of social entrepreneurial activity, as well as, to compare the influence of both formal and informal factors on social entrepreneurship.

CHAPTER 3.

SOCIAL ENTREPRENEURSHIP AND INSTITUTIONAL FACTORS: AN EMPIRICAL ANALYSIS IN SPAIN

3.1. INTRODUCTION

As stated in Chapter 1, the second objective of this thesis is to determine the institutional factors (formal and informal) that affect social entrepreneurial activity. With this aim, we developed this chapter. In particular, the objective of the current chapter is to analyse the relationship between social entrepreneurship and institutional factors, focusing on Spain and using institutional economics as the conceptual framework. To achieve this objective, we used models of logistic regression analysis from the Global Entrepreneurship Monitor (GEM), specifically from the Spanish National Expert Survey (NES) for environmental factors and the GEM Adult Population Survey (APS).

One of the recurring debates in economics and politics revolves around the ability of markets to generate wealth and development in the world. Likewise, the recent economic fluctuations have highlighted the weaknesses of an accelerated growth-based economy and the short-term benefit. Moreover, in the past few decades we have observed the limited action taken by governments and the public sector to tackle social problems which are increasing and becoming complex and structural problems in the development of our societies. Consequently, around the world new private initiatives have emerged, with varying degrees of public support, with the aim to develop organizations capable of coping with these social issues. Therefore, social entrepreneurs do not measure their success based on economic profit, but rather by their capacity to affect social changes in their community.

In Spain, where the level of commercial entrepreneurship is relatively low, the rate of social entrepreneurial activity is less than 1%. GEM experts do not venture to draw conclusions from this data, since 2009 was the first year in which this phenomenon was discussed at the international level. The most recent figures indicate how institutional factors have an impact on social entrepreneurship. With greater or lesser intensity, almost all advanced countries, and certainly all of the European Union countries, have assumed the need to support small and medium enterprises and entrepreneurs. Spain has joined this political and economic action to promote entrepreneurship in the various fields of public action, whether at the local, educational, labour or industrial development levels. Within this context, we believe that the effect that environmental factors have on social entrepreneurs is understudied, in spite of the significant contributions these initiatives have made to all economies.

The main findings suggest the importance of institutional factors on social entrepreneurship. In particular, our results show that informal institutions (fear of failure and perception of entrepreneurial skills) are more important than formal institutions (access to funding) in Spain.

Regarding its contributions, the current research could be useful in several ways. On the one hand, the results of this study may be helpful in the design of governmental policies and

strategies to promote social entrepreneurial initiatives. On the other hand, we have tried to fill the gap related to development of quantitative studies. In this way, we provide quantitative results that offer new information about the institutional factors that influence social entrepreneurship based on an institutional economics perspective, using a robust methodology to test our hypotheses.

Following the introduction, this chapter is structured as follows. Firstly, we analyse the relevant literature on social entrepreneurial activity and institutional factors. Secondly, the methodology and data used is described. Next, the results are presented and discussed. Finally, the conclusions and future research directions are presented.

3.2. CONCEPTUAL FRAMEWORK

Despite the lack of a unifying paradigm to study social entrepreneurship, some scholars suggest the application of an institutional approach to examine this phenomenon (among others Mair & Marti, 2006, 2009; McMullen, 2011; Nicholls, 2010a; Sud et al. 2009). As mentioned in previous chapters, the institutional perspective notes that the role of institutions in social entrepreneurial activity is vital. More specifically, following the results of Chapter 2, the regulatory and legal environment, as well as the socio-cultural context, can significantly influence the decision to become a social entrepreneur (Urbano et al., 2010). Then, we propose the following institutional factors as key variables to be tested in an empirical analysis.

The first formal institution considered in this chapter is access to funding. The availability of capital is important for entrepreneurs as it lays the foundation for the social organization (Grimes, 2010). Studies conducted in several countries show that individuals are sensitive to capital constraints in their decision to take entrepreneurial positions – in particular, self-employment (Blanchflower & Oswald, 1998; Holtz-Eakin et al., 1994). In the current literature, there is no difference between the importance of access to funding for social and for commercial entrepreneurs (Alvord et al., 2004). However, the literature on the emergence and development of social entrepreneurial activities highlights the existence of specific barriers relating to financial constraints that social entrepreneurs must cope with in order to carry out their social mission (Bacq & Janssen, 2011; Certo & Miller, 2008; Di Domenico et al., 2010). Hence, many non-profit organizations see social enterprise as a way to reduce their dependence on charitable donations and grants, while others view the business itself as the vehicle for social change (Borzaga & Defourny, 2001).

Therefore, we suggest that a reduction of the barriers to access to funding, with greater access to credit, will positively promote the emergence of new social enterprise projects, thus

reducing the risks of budget uncertainty and dependence on public grants or aid. We thus propose the first hypothesis:

Hypothesis 1: Access to funding is positively related to social entrepreneurial activity.

The second formal factor analysed in the current chapter is education. The literature reports that people's behaviour will be guided by their knowledge and skills. Specifically, empirical evidence (Davidsson & Honig, 2003) shows that a higher level of education has a positive effect on the likelihood of an individual starting a business. Along the same line, several authors in the social entrepreneurship field (e.g. Chell et al., 2007; Glunk & Van Gils, 2010; Kirby & Ibrahim, 2011; Nga & Shamuganathan, 2010; Shaw & Carter, 2007) note that a high level of education is a common denominator between different social environments. Additionally, Light (2008) suggests that colleges and universities can prepare students to think and behave like innovators. Moreover, to develop social entrepreneurs, universities could establish innovation funds to encourage students to make change and stimulate collaborations with leading social organizations. Thus, the background of social entrepreneurs is critical to triggering the desire to launch a social enterprise. In this context, we formulate the following hypothesis:

Hypothesis 2: Education is positively related to social entrepreneurial activity.

Regarding the informal institutions, and according to previous studies, fear of failure is identified as an informal institution which has an effect on social entrepreneurship (Harding, 2006; Hoogendoorn, 2011; Shaw & Carter, 2007; Weerawardena & Mort, 2006). The perceived possibility of failure determines individuals' decisions to start a new social organization (Bornstein, 2004). These individuals have a high degree of risk aversion and a lower probability of becoming entrepreneurs (Arenius & Minniti, 2005; Weber & Milliman, 1997). This aversion to risk behaviour cannot be changed by exogenous interventions such as government programs, but could be modified through cultural factors that mould attitudes, perceptions and risk profiles (Minniti & Nardone, 2007). According to Hoogendoorn (2011), social entrepreneurs perceive different kinds of risk: particularly, they fear personal failure and bankruptcy. The author finds that fear of bankruptcy and personal failure is more common among social entrepreneurs than commercial ones. Therefore, we hypothesize:

Hypothesis 3: Fear of failure is negatively related to social entrepreneurial activity.

The final informal institution analysed in this research is the perception of entrepreneurial skills. The literature highlights the importance of skill perceptions for social entrepreneurs. Specifically, the literature on social entrepreneurship states that people's behaviour is usually guided by their knowledge and skills (e.g. Kirby & Ibrahim, 2011; Nga & Shamuganathan, 2010; Peredo & McLean, 2006). In this sense, Austin et al. (2006) suggest that a sufficient set of skills seems indispensable to undertaking social entrepreneurial activities. Such skills include community management practices and previous occupational or technical skills, among others. In this regard, other studies (Chen et al., 1998; Scott & Twomey, 1988) suggest that the lack of business management skills can be a barrier to all those who want to start any entrepreneurial initiative. Finally, Light (2008) states that individuals may be more inclined to make the decision to start a new organization if they believe they have the skills to successfully carry out the activity. Thus, we propose the following hypothesis:

Hypothesis 4: Perception of entrepreneurial skills is positively related to social entrepreneurial activity.

3.3. METHODOLOGY

As we noted earlier, this investigation analyses the relationship between social entrepreneurial activity and institutional factors using data from Spanish regions. These factors are divided into two types: formal (access to funding and education) and informal (fear of failure and perception of entrepreneurial skills).

We use data from the GEM, specifically from the Spanish NES and the GEM APS. The sample size is composed by 27.837 observations. Table 3.1 presents a list of dependent and independent variables used in this study, including their sources.

Given the binary nature of the dependent variables, we tested the hypotheses using models of logistic regression, also known as probabilities models, so that the probability of an event occurring could be estimated. The model includes formal and informal institutions as well as a control variable, and may be expressed as:

$$P(SEA_i = 1) = \beta_1 FF_i + \beta_2 IF_i + \beta_3 CV_i + \varepsilon_i$$

$$H_0: \beta_{1, 2, 3} \neq 0$$

Where FF_i is a vector about the formal factors, IF_i is a vector about the informal factors, CV_i is a vector about the control variables, and ε_i is the random disturbance.

However, social entrepreneurial activity is a rare event: around 5% of all persons included in the sample are commercial entrepreneurs and 0.5% are social entrepreneurs. Application of standard probit or logit methods to estimate the empirical models is not appropriate here. Therefore we estimated the ReLogit (King & Zeng, 2001), which estimates the same logit model but uses an estimator that gives lower mean square error in the presence of rare events data for coefficients, probabilities and other quantities of interest. We conducted a diagnostic test of multicollinearity (examining the variance inflation factor [VIF] of all variables in the analyses) and found that it was not likely to be a problem in this dataset. The possibility of heteroskedasticity and autocorrelation among observations pertaining to the same region was controlled for using robust standard errors, clustered by Spanish region (White, 1980).

Table 3.1. Description of variables

| | Variable | Description | Source* |
|---|-------------------------|---|------------|
| Dependent variable | Social entrepreneurship | Dummy variable equal to 1 if individuals who are in the process of starting a business or company with social purposes; it is equal to 0 otherwise. | APS (2009) |
| Independent variable: Formal factors | Access to funding | Availability of sufficient equity funding for new and growing business. | NES (2009) |
| | Education | Highest education level into six levels. | APS (2009) |
| Independent variable: Informal factors | Fear of failure | Dummy variable which indicate if the respondent agreed with a statement "Fear of failure would prevent to start a business". | APS (2009) |
| | Skills perceived | Dummy variable which indicate if the respondent agreed with a statement "You have the knowledge, skill, and experience required to start a new business". | APS (2009) |
| Control variables | Gender | Respondents were asked to provide their gender. | APS (2009) |
| | Age | Respondents were asked to provide their year of birth. | APS (2009) |
| | Age-squared | It represents the square of age. | APS (2009) |
| | GDP | Natural logarithm of gross domestic product (GDP) of Spanish regions. | INE (2009) |

*GEM Adult Population Survey (APS). GEM Spanish National Expert Survey (NES). Spanish Statistical Office (INE).

3.4. RESULTS AND DISCUSSION

In Table 3.2, the descriptive statistics and correlation coefficients for all the variables used in the current research are reported. As can be seen, the average social entrepreneurial activity (SEA) in Spain is 0.53%, meaning that the percentage of the adult population (18-64 years) in Spain who have created some sort of social organization in the past 42 months amounts to less than 1%. If we analyse by Spanish region, the social entrepreneurial activity rate ranges from 0% (Rioja and Ceuta) to 1.09% (Balears), showing the disparity of this index inside the country.

Regarding correlations, Table 3.2 shows that six variables (access to funding, education, fear of failure, perception of entrepreneurial skills, gender and age) have a statistically significant relationship with the dependent variable (social entrepreneurial activity).

Table 3.2. Descriptive statistics and correlation matrix

| Variables | Mean | Std. Dev. | 1. | 2. | 3. |
|----------------------------|----------|-----------|----------|----------|----------|
| 1. Social entrepreneurship | 0,005 | 0,07 | 1,00 | | |
| 2. Access to funding | 2,403 | 0,2 | 0,02*** | 1,00 | |
| 3. Education | 5,699 | 2,1 | 0,04*** | 0,05*** | 1,00 |
| 4. Fear of failure | 0,526 | 0,5 | -0,03*** | 0,02*** | -0,06*** |
| 5. Skills perceived | 0,486 | 0,5 | 0,06*** | 0,01 | 0,19*** |
| 6. Gender | 0,493 | 0,5 | 0,01* | 0,00 | 0,06*** |
| 7. Age | 43,661 | 12,29 | -0,02*** | -0,02*** | -0,21*** |
| 8. GDP | 17,667 | 0,95 | 0,01 | -0,06*** | 0,02*** |
| Variables | 4. | 5. | 6. | 7. | 8. |
| 4. Fear of failure | 1,00 | | | | |
| 5. Skills perceived | -0,12*** | 1,00 | | | |
| 6. Gender | -0,08*** | 0,12*** | 1,00 | | |
| 7. Age | -0,01** | -0,05*** | -0,03*** | 1,00 | |
| 8. GDP | -0,03*** | 0,04*** | 0,00 | -0,01 | 1,00 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

On the other hand, Table 3.3 presents the results of ReLogit regression for institutional factors, distinguishing between formal, informal and both factors. For all models, the percentage correctly predicted is greater than 99%. Model 1 presents the ReLogit results with the formal factors and the control variables; Model 2 shows the results for the informal factors and the control variable; and Model 3 is the full model with formal and informal institutional factors.

As mentioned, Model 1 includes the formal factors and the control variables. Thus, following Arenius and Minniti (2005), we entered variables measuring the socio-demographic characteristics of the individuals (gender, age, age squared) and macro-variables (natural logarithm of gross domestic product [GDP] for regions in Spain). Consistent with the existing

literature, the results suggest that an individual's socio-demographic characteristics are quite important in understanding the likelihood of becoming a social entrepreneur.

Most coefficients are significant and have the expected sign. Thus, access to funding increases the probability of becoming a social entrepreneur. However, education is not statistically significant. With respect to the control variables, according to the existing empirical research (Arenius & Minniti, 2005, p.234), being a man increases the probability of becoming a social entrepreneur. The coefficient of age indicates that the probability of becoming a social entrepreneur increases; however, given that the age squared coefficient is negative and statistically significant, the relationship between age and the likelihood of becoming a social entrepreneur peaks at a relatively early age and decreases thereafter (Levesque & Minniti, 2006). Also, GDP coefficient is not significant, contrary to previous literature (i.e. Wennekers et al., 2005) suggesting a negative relationship between social entrepreneurship and natural logarithm of GDP.

Table 3.3. Results of the rare events logit models

| | Model 1 | | Model 2 | | Model 3 | |
|--------------------------|----------|------------------|----------|------------------|----------|------------------|
| | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err |
| Formal Factors | | | | | | |
| Access to funding | 1,32*** | (0,41) | | | 1,41*** | (0,26) |
| Education | 0,20 | (0,37) | | | 0,13 | (0,08) |
| Informal Factors | | | | | | |
| Fear of failure | | | -0,59*** | (0,20) | -0,57*** | (0,20) |
| Skills perceived | | | 1,91*** | (0,24) | 1,82*** | (0,24) |
| Control Variables | | | | | | |
| Gender | 0,29* | (0,17) | 0,08 | (0,15) | 0,36* | (0,18) |
| Age | 0,14*** | (0,05) | 0,11** | (0,05) | 0,09* | (0,05) |
| Age ² | -0,00*** | (0,00) | -0,00*** | (0,00) | -0,00** | (0,00) |
| GDP | 0,07 | (0,07) | 0,02 | (0,13) | 0,04 | (0,09) |
| Number of obs. | 27.837 | | 26.564 | | 26.359 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$.

Likewise, Model 2 shows the impact of informal factors on social entrepreneurial activity. The coefficients for fear of failure and perception of entrepreneurial skills are significant – the first negative and the other positive – as we expected. Also, we observe that gender and GDP are not significant and the coefficient of age is lower than in Model 1.

Finally, Model 3 shows the coefficients for the formal and informal factors, controlling for gender, age, age squared and GDP. Regarding formal factors, we found support for Hypothesis 1, in that more access to funding increases the probability of being a social entrepreneur. This result is in line with Alvord et al. (2004) and Bacq and Janssen (2011), who highlight the

existence of financial constraints in social entrepreneurial activities. The main cause of this is the aim of social entrepreneurial activities: social wealth creation is detrimental to economic wealth creation and for this reason social entrepreneurs find it more difficult to access financial credit and take on debt (Austin et al., 2006). In contrast, we found no support for Hypothesis 2 regarding to education, which assumes that higher levels of education and knowledge have a positive impact on the likelihood of social entrepreneurial activities. However, this relationship is not statically significant we found a positive sign, as we expected before.

Regarding informal factors, we found support for Hypothesis 3 in that fear of failure has a negative influence on the likelihood of being a social entrepreneur. In line with the literature, the possibility of failure determines social entrepreneurs' intentions (Hoogendoorn, 2011), decreasing the likelihood of starting up a new social initiative. Taking account of both this and the current situation of global crisis is important to stimulate a change in this kind of perception. As has been noted by Minniti and Nardone (2007), this change cannot be effected by governmental programs but must be done through socio-cultural factors such as attitudes, perception and risk profiles. Also, Hypothesis 4 is supported; hence, perception of entrepreneurial skills is positively related to being a social entrepreneur. According to this, we can suggest that people's behaviour is conditioned by their knowledge and skills, along the lines of Light (2008) and Salamzadeh et al. (2013).

Finally, the marginal effects for selected variables at median values are shown in Table 3.4. The baseline probability of being a social entrepreneur is 0.28%. Change in access to funding and education level, of minimum to maximum value, only adds 0.05% and 0.07% respectively to this. By comparison, fear of failure decreases by 0.56% and skills perceived adds 0.75% to the probability of being a social entrepreneur. Along the same line as Urbano et al. (2010), these results could suggest that informal factors are more significant than formal ones for social entrepreneurship.

Table 3.4. Marginal effects for selected variables

| Pr (SEA=1) at median values | | 0,28% |
|-----------------------------|--------------------------|--|
| Variable | Change in variable* | Additional change in predicted probability |
| Access to funding | Minimum to maximum value | 0,05% |
| Fear of failure | Zero to one (dummy) | -0,56% |
| Skills perceived | Zero to one (dummy) | 0,75% |

Note: * All other variables are held at their median. Calculations are based on estimates of Model 3 in Table 3.3.

3.5. CONCLUSIONS

Social entrepreneurs move in highly complex environments. Usually they have several troubles in accessing financial and human resources (Dees, 2001). So they have to adapt in this situation. Greater knowledge about the main constraints will enhance the amount of social entrepreneurs there are, as well as their development. With this in mind, the main objective of this chapter is to provide evidence through empirical testing of the importance of formal institutions (access to funding and education) and informal institutions (fear of failure and perception of entrepreneurial skills) to social entrepreneurial activity. To achieve this, we have used models of logistic regression analysis fundamentally based on data from the GEM Report for Spain in 2009.

This chapter generates several key results. On the one hand, there is evidence about the influence of fear of failure and perception of entrepreneurial skills on social entrepreneurial activities. In this sense, cultural factors such as modification of attitudes and perceptions are vital in increasing social entrepreneurial rates in Spain. In turn, an active program oriented toward enhancing entrepreneurial capabilities related to setting up new social initiatives will be important in the coming years. On the other hand, regarding the formal factor, it is important to eliminate the current barriers to access of funding for this type of entrepreneurial initiative. In this case, creating new tools or strategies to access to funding could help, together with other variables, to increase the rate of social entrepreneurs in Spain, which is low at only 0.5%.

Thus, the main findings reveal that both formal (access to funding) and informal factors (fear of failure and perception of entrepreneurial skills) influence social entrepreneurship. However, based on marginal effects, it seems that informal factors have a greater impact on social entrepreneurial activity than formal factors.

Finally, this research does have some limitations to be noted. First, the lack of database availability to measure the social entrepreneurship process is a limitation to research; a task for future research is to identify another new proxies to measure this phenomenon (e.g. social entrepreneurship, access to funding, among others). Second, our study is based on an only country (Spain), and inquiries in other contexts might have different results. For this reason in the following chapter, we are going to test the effect of institutional factors on social entrepreneurship across countries.

Therefore, and taking into account all of these results, in the following chapter, we analyse specifically the relationship between informal factors and social entrepreneurship, taking account a long period (from 2005 to 2010), in order to understand if the economic and financial downturn that started in 2008 had some effect on social entrepreneurial activity in Spain.

CHAPTER 4.

SOCIAL ENTREPRENEURSHIP AND INFORMAL FACTORS: THE IMPACT OF THE ECONOMIC DOWNTURN IN SPAIN

4.1. INTRODUCTION

The first great economic downturn of the 21st century produced a considerable global impact, not only because of its scale (mainly in developed countries such as the United States [US] and in Europe) but also because of the fact that it caused many to question the basic premises of the current economic system. The deepening economic crisis profoundly impacted children, youth and families, and was characterized by high unemployment, falling average incomes, increased inequality, higher government borrowing and changes in public policies (particularly social policies). As a consequence of this negative economic outlook, high expectations were placed on social entrepreneurs as key agents to tackle social challenges and to respond to them when private companies and the public sector could not (Bornstein, 2004; Dees, 2001; Drayton, 2002; Weerawardena & Mort, 2006). However, there are few studies on the relationship between the economic crisis and social entrepreneurship.

The Global Entrepreneurship Monitor (GEM) Report of 2010 provides an initial analysis of the impact of the 2008–2009 global recession on entrepreneurship initiatives. The main results point out that more than half of the entrepreneurs questioned stated that it was more difficult to start a new business in 2009 than in 2008, and a majority of entrepreneurs saw fewer opportunities for their businesses. In the case of established entrepreneurs, they tended to be the most pessimistic. On the other hand, the GEM Report (2010) points out that characteristics and sentiments also changed; in many countries the recession prompted an increase in ‘necessity-driven’ start-up entrepreneurs and a decrease in the proportion of people who saw good opportunities for new start-ups. Hence, we can expect that this global economic downturn also affected social entrepreneurship.

As mentioned before, social entrepreneurs are focused on social problems. They create innovative initiatives, build new social arrangements and mobilize resources in response to problems rather than market criteria (Desa, 2012; Mair & Marti, 2006). From this perspective, social entrepreneurship could be part of the solution to economic crisis, as it explicitly aims to provide innovative solutions to unsolved social problems, putting social value creation at the heart of its mission in order to enhance communities and improve individuals’ lives and increase their well-being. The current research focuses on the institutional determinants of social entrepreneurship, in both periods before and during the recent economic crisis.

According to the results obtained in Chapter 3, we can highlight that informal institutions are more important than formal institutions in the encouragement of social entrepreneurship. Taking account of these findings, the aim of this chapter is to examine the effect of institutional factors, and in particular informal ones, on the rate of social entrepreneurship and evaluate the influence of the economic crisis on this relationship. The period under examination extends from 2005 to 2010. Moreover, panel data is applied to explore the evolution of social entrepreneurial

behaviour before and during the crisis, based on data from Global Entrepreneurship Monitor (GEM) and Spanish Statistics Institute (INE). The main findings suggest that the crisis had a statistically significant impact on social entrepreneurship phenomena. In particular, if we compare the periods before and during the crisis, we find that perceived opportunities to create start-ups as well as entrepreneurship's social image were key drivers of social entrepreneurial activity during the depression period; only perceived opportunities to create start-ups were found as significant in the period before the economic downturn.

The main contributions of the study are the following: firstly, we applied panel data methodology to estimate the institutional factors that influence social entrepreneurship in Spain. This methodology had been scarcely used in previous empirical literature (Short et al., 2009). Secondly, we analysed the effects of the crisis on social entrepreneurial initiatives. The results may help national policy-makers in their efforts to alleviate the main bottlenecks in their attempts to foster different kinds of entrepreneurial initiatives.

The rest of this chapter is organized as follows: below we give an overview of the relevant literature and empirical evidence on the institutional determinants of social entrepreneurial activity. After, we present the data, variables and methods applied in our study. Following, we discuss the main empirical findings for this research. Finally, we show the conclusions of the analysis, as well as, we discuss the implications of our study by offering recommendations for further research within this domain.

4.2. CONCEPTUAL FRAMEWORK

As mentioned in the introduction, our research uses the institutional theory as a conceptual framework. As stated in Chapter 1, North (1990, 2005) distinguishes between formal institutions (political rules, economic rules and contracts) and informal institutions (codes of conduct, attitudes, values and behavioural norms). Consequently, the impact of the economic crisis on social entrepreneurship may depend on how countries support social entrepreneurship, through both informal and formal institutions. In this sense, in countries where institutions encourage any kind of entrepreneurial activity, it is expected that becoming a social entrepreneur will be a more attractive option and the rate of social entrepreneurship will increase during economic crisis. We focus our research on four informal factors making use of North's perspective (1990, 2005): perceived opportunities to create start-ups, entrepreneurial culture, entrepreneurial social image and media impact.

Literature on entrepreneurship considers the relevance of perceived opportunities to create start-ups in entrepreneurial processes. In the social entrepreneurship literature, Perrini et al.

(2010) describe how social entrepreneurial opportunities are identified, evaluated, exploited and scaled up. According to the study conducted by Roy et al. (2014), perceived opportunity is negatively correlated with social entrepreneurship at country level. Additionally, several authors point out the relevance of the ability to embrace opportunities in the social entrepreneurial process (Austin et al., 2006; Corner & Ho, 2010; Dorado & Ventresca, 2013; Haugh, 2005; Mair & Marti, 2006; Zahra et al., 2008). As noted by Lehner and Kaniskas (2012, p.25), perception is vital in finding opportunities. Accordingly, patterns can be negative (not-feasible opportunity) or positive (suggesting that this opportunity can be a business opportunity). Hence, it is important to note that these perceived opportunities are related to entrepreneurial intentions (Reed et al., 2012), and are vital in the decision to start a new entrepreneurial project (Tominc & Rebernik, 2007). Thus, we expected that the economic downturn increased the impact of perceived opportunities for business creation on social entrepreneurship. Therefore, the following hypothesis is proposed:

Hypothesis 1: The impact of opportunities to create start-ups on social entrepreneurship is positive, but higher during the economic crisis.

As noted by the OECD (2010), promoting entrepreneurial awareness and positive attitudes towards (social and commercial) entrepreneurship are high on the policy agenda of several economies. Their study suggests that the formation of different cultural values in different societies influences the decision to create new businesses (Bruton et al., 2010); therefore, not all societies foster entrepreneurial activity (social and commercial) with equal effectiveness. Shapero and Sokol (1982) observed how business formation rates vary from society to society. They argue that these differences occur due to different cultures holding different beliefs about the desirability and feasibility of beginning a new project or organization. Similarly, Freytag and Thurik (2007) and Hayton and Cacciotti (2013) suggest that beliefs, values and attitudes of a society determine the behaviour of individuals and that these can significantly affect the decision to become an entrepreneur. In contrast, Stuetzer et al. (2013) do not find a direct relationship between an entrepreneurial culture, individual business start-up intentions and entrepreneurial activity. However, their findings point to the importance of an indirect effect between these factors. Hence, in economic crises, characterized by higher levels of unemployment and lower employment opportunities, the transition of employable people to entrepreneurship could be facilitated by an entrepreneurial culture. Therefore, we posit the following hypothesis:

Hypothesis 2: The impact of entrepreneurial culture on social entrepreneurship is positive, but higher during the economic crisis.

The high level of status and the respect for the entrepreneurial career (Alvarez et al., 2011; Guerrero & Urbano, 2012; Lévesque et al., 2002; Pihie, 2009) is also important on the decision to be entrepreneur. These perceptions assess the visibility and attractiveness of entrepreneurship. Positive views on these measures can influence the willingness of individuals to become entrepreneurs. In the case of social entrepreneurship, perceptions tend to be associated with economic development and the wellbeing of society. The social image of social entrepreneurs is relevant to decide to launch a firm; usually they are considered heroes and resourceful people that can cope with complex problems, aiming to benefit society rather than their individual goals (Dees, 2001; Dhesi, 2010). Consequently, this positive social image could foster more people to start new social organizations, even more during economic downturns. However, it is important to note that differences in the socio-cultural context may influence, among other things, the status and social recognition of social entrepreneurs, promoting or inhibiting entrepreneurial career choice (Jaén & Liñán, 2013). Then, we state:

Hypothesis 3: The impact of entrepreneurial social image on social entrepreneurship is positive, but higher during the economic crisis.

Media also could affect entrepreneurial activity. Stories reported by the media can play a critical role in the processes that enable new businesses to emerge. Stories that are told by or about entrepreneurs define a new venture in ways that can lead to favourable interpretations of the wealth-creating possibilities of the venture; this enables resource flows to the new enterprise. In countries with ample media attention for successful business activities we expect to find a more positive attitude towards entrepreneurship. A similar assumption can be made for those countries where individuals starting a business receive a high level of respect and where it is considered a desirable career choice to start a business. Therefore, the intention to start a new entrepreneurial project is underpinned by the perceptions society holds of entrepreneurs; consequently, if the media positively represents entrepreneurship's role in society it could foster more people to desire to become social entrepreneurs. According to Maclean et al. (2013), these stories can be helpful to potential social entrepreneurs, venture capitalists and other institutional actors (such as investment banks, foundations, innovative organizations, etc.) and these are more relevant during economic downturns. Therefore, we posit:

Hypothesis 4: The impact of the media on social entrepreneurship is positive, but higher during the economic crisis.

4.3.METHODOLOGY

While empirical evidence shows that social entrepreneurship is growing in many countries, measuring it – like measuring the social economy, the third sector and the non-profit sector – is difficult (Mair & Marti, 2006; Short et al., 2009). This is due not only to the variety of entities belonging to the field, but also to the fact that these entities vary according to geographical context and that countries recognize social entrepreneurship differently (Smith & Stevens, 2010). Additionally, different kinds of ventures have started in a variety of areas, notably education, health, culture, economic development and the environment.

The study of the impact of economic crisis on the social entrepreneurship process is crucial to our research. To empirically establish differences between two periods (before and during the economic crisis), we have used data from two databases: the Global Entrepreneurship Monitor (GEM) and the Spanish Statistical Office (INE), for the period 2005-2010. As is known, the economic and financial crisis started in the US in September 2007, and quickly spread out to the European region at the end of 2008, especially in Portugal, Italy, Greece and Spain. For this reason, we divide our sample into two phases: before the economic crisis (2005-2007) and during the economic crisis (2008-2010).

We used panel data to estimate our model in order to control regional heterogeneity in Spain. This issue is very important in our analysis since it is clear that regions are heterogeneous; each has its own particular behaviour and entrepreneurial culture. Our analytic approach was to conduct panel regression on explanatory variables. Usually, either a fixed-effects model or a random-effects model is appropriate depending on the match between strength and situational factors. We opted to use a random-effects model as the Hausman test revealed a non-significant difference between the fixed-effects and random-effects models. In this situation, a random-effects model produced unbiased estimates that were more efficient than those produced using a fixed-effects model (Hausman, 1978).

Table 4.1 presents a list of dependent and independent variables used in this study, including their sources. Our final sample consisted of an unbalanced panel with data on 106 observations and 18 regions.⁶

⁶ Regions: Andalusia, Aragon, Principality of Asturias, Balearic Islands, Basque Country, Canary Islands, Cantabria, Castile-La Mancha, Castile and León, Catalonia, Extremadura, Galicia, La Rioja, Madrid, Region of Murcia, Navarre, Valencian Community and Ceuta and Melilla.

Table 4.1. Description of variables

| Variables | Description | Source* | |
|--|---------------------------|--|--|
| Dependent variable | Social entrepreneurship | Number of cooperative and non-governmental organization. | INE (2005-2010) |
| Independent variables: Informal factors | Opportunities to start up | Percentage of the 18–64 population who agree with the statement that in the next six months, there will be good opportunities for starting a business in the area where they live. | GEM (2005-2010) |
| | Entrepreneurial culture | Percentage of the 18–64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice. | GEM (2005-2010) |
| | Entrepreneur social image | Percentage of the 18–64 population who agree with the statement that in their country, those successful at starting a new business have a high level of status and respect. | GEM (2005-2010) |
| | Media impact | Percentage of the 18–64 population who agree with the statement that in their country, it will often see stories in the public media about successful new businesses. | GEM (2005-2010) |
| | Control variables | Total enterprises | Number of enterprise in Spain (all legal forms). |
| | GDP-PPP | Natural Logarithm of Gross Domestic Product (GDP) per capita in the Spanish regions. | INE (2005-2010) |

* Global Entrepreneurship Monitor (GEM). Spanish Statistical Office (INE)

As noted previously, social entrepreneurial activity is influenced by informal institutions, measured through perceived opportunities to create start-ups, entrepreneurial culture, entrepreneurial social image and media impact. Therefore, we proposed the following general model:

$$SEA_{it} = \alpha + \beta_1 I_{it} + \beta_2 CV_{it} + \varepsilon_{it}$$

Where $i = 1, 2, \dots, 18$ identifies the region and $t = 1, 2, \dots, 6$ refers to a given time period between 2005 and 2010. The dependent variable is the social entrepreneurial activity of each region. The I_{it} represents each explanatory variable corresponding to our informal institutions and CV_{it} represents our control variables. β_j are the coefficients. Finally, ε_{it} is a random disturbance, which is assumed to have zero mean and constant variance.

4.4. RESULTS AND DISCUSSION

Table 4.2 reports the descriptive statistics for the variables included, divided by the different periods that we wanted to test: a) all periods (2005–2010); b) before the crisis period (2005–2007); and c) during the economic downturn period (2008–2010). As it can be seen, all variables started to decrease in 2008 except GDP at purchasing power parity (PPP), which reduced in the following years (GDP-PPP growth 2009 vs. 2008, -5%).

In Table 4.2, the descriptive statistics indicated that, on average and for all periods (2005–2010), there were 9.899 social entrepreneurs: 27% saw good opportunities to start a firm in the area in which they lived; 68% considered starting a business as a desirable career choice; 60% considered that successful entrepreneurs who start a new business have a high level of status and respect; and 43% stated that often they see stories in the public media about successful new businesses. Also, the average total enterprise number was 185.186 and average GDP-PPP was 22.414 Euros. Finally, the results suggest that social entrepreneurial activity was lower before the economic crisis (mean = 9.369) than during it (mean = 10.765).

Table 4.2. Descriptive statistics

| Variables | Mean | | | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Social entrepreneurship | 8.512 | 9.492 | 10.153 | 10.180 | 10.432 | 10.615 |
| Opportunities to start up | 0,336 | 0,34 | 0,338 | 0,274 | 0,158 | 0,17 |
| Entrepreneurial culture | 0,717 | 0,704 | 0,703 | 0,68 | 0,612 | 0,643 |
| Entrepreneur social image | 0,601 | 0,608 | 0,609 | 0,589 | 0,54 | 0,638 |
| Media impact | 0,39 | 0,459 | 0,466 | 0,444 | 0,368 | 0,424 |
| Total enterprises | 170.229 | 186.296 | 195.836 | 190.124 | 186.435 | 182.848 |
| GDP-PPP | 20.605 | 22.096 | 23.312 | 23.557 | 22.487 | 22.457 |

| Variables | All period (2005-2010) | | Before the crisis (2005-2007) | | During the crisis (2008-2010) | |
|---------------------------|------------------------|-----------|-------------------------------|-----------|-------------------------------|-----------|
| | Mean | Std. Dev. | Mean | Std. Dev. | Mean | Std. Dev. |
| Social entrepreneurship | 9.899 | 11.567 | 9.369 | 10.765 | 10.409 | 12.370 |
| Opportunities to start up | 0,268 | 0,090 | 0,338 | 0,054 | 0,201 | 0,063 |
| Entrepreneurial culture | 0,676 | 0,057 | 0,708 | 0,044 | 0,645 | 0,050 |
| Entrepreneur social image | 0,597 | 0,051 | 0,606 | 0,046 | 0,589 | 0,055 |
| Media impact | 0,425 | 0,060 | 0,438 | 0,055 | 0,412 | 0,063 |
| Total enterprises | 185.186 | 177.047 | 183.853 | 172.946 | 186.469 | 182.524 |
| GDP-PPP | 22.414 | 4.267 | 21.978 | 4.265 | 22.834 | 4.266 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Table 4.3 presents the correlations matrix where it can be seen that some variables may be highly correlated. We conducted a multicollinearity diagnostic test, examining the VIF of all variables in the analysis, and found that multicollinearity is not likely to be a problem for our

dataset.

Table 4.3. Correlation matrix

| Variables | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|------------------------------|--------|---------|---------|----------|-------|-------|------|
| 1. Social entrepreneurship | 1,00 | | | | | | |
| 2. Opportunities to start up | 0,01 | 1,00 | | | | | |
| 3. Entrepreneurial culture | -0,19* | 0,69*** | 1,00 | | | | |
| 4. Entrepreneur social image | -0,14 | 0,20** | 0,40*** | 1,00 | | | |
| 5. Media impact | -0,15 | 0,45*** | 0,41*** | 0,41*** | 1,00 | | |
| 6. Total enterprises | 0,92** | 0,06 | -0,12 | -0,10 | -0,09 | 1,00 | |
| 7. GDP-PPP | 0,27** | -0,11 | -0,23** | -0,28*** | -0,02 | 0,18* | 1,00 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

The results of the panel regression explaining social entrepreneurship are presented in Table 4.4. For this chapter, given the availability of data from 2005 to 2010 (18 Spanish regions), we started with the simplest approach to analysing the data panel, a pooled regression, which omits the dimensions of space and time in the data, calculating an ordinary least squares regression. Later, we estimated random- and fixed-effects models and used the Hausman specification test in order to verify the choice of the fixed- or random-effects model. As mentioned previously, the test revealed a non-significant difference between fixed-effects and random-effects models but more efficient unbiased estimates using random-effects. Thus we decided to adopt a random-effects model.

In Table 4.4, Model 1 presents the results for all the years in the sample (2005–2010); Model 2 includes information corresponding to the period before the crisis (2005–2007); and Model 3 provides information for the economic crisis period (2008–2010). Model 1 shows that only the variable that measures perceived opportunities has a significant and positive impact on social entrepreneurial activity. Other informal institutions, namely entrepreneurial culture, entrepreneurial social image and media impact, do not have a significant influence on social entrepreneurship. Finally, control variables (total enterprise number and per capita income) have a positive significant impact on social entrepreneurial activity.

Model 2 and Model 3 empirically assess the impact of institutional factors on the rate of social entrepreneurship, evaluating the influence of the economic crisis on that relationship: before (2005–2007) and during the economic downturn (2008–2010). Table 4.4 shows that in the period before the crisis there is no significant institutional factor which could affect social entrepreneurial activity (see Model 2). In contrast, during the economic crisis, the coefficient of opportunities to start new business is positive and statistically significant ($p \leq 0.05$), as is the entrepreneur social image variable.

Table 4.4. Results of the panel data analysis

| | All Period | | Before the crisis (2005-2007) | | During the crisis (2008-2010) | |
|---------------------------|------------|-----------|-------------------------------|-----------|-------------------------------|-----------|
| | Model 1. | | Model 2 | | Model 3 | |
| | Coef. | Std. Err. | Coef. | Std. Err. | Coef. | Std. Err. |
| Informal Factors | | | | | | |
| Opportunities to start up | 0,518*** | 0,098 | 0,053 | 0,170 | 0,424** | 0,199 |
| Entrepreneurial culture | -0,125 | 0,155 | -0,057 | 0,188 | 0,043 | 0,262 |
| Entrepreneur social image | 0,151 | 0,129 | -0,140 | 0,200 | 0,350** | 0,170 |
| Media impact | 0,117 | 0,124 | 0,079 | 0,180 | 0,052 | 0,244 |
| Control Variables | | | | | | |
| Total enterprises | 0,000*** | 0,000 | 0,000*** | 0,000 | 0,000** | 0,000 |
| GDP-PPP | 0,509*** | 0,139 | 0,555 | 0,173 | -0,443 | 0,339 |
| Constant | 3,085** | 1,358 | 2,511 | 1,648 | 12,127*** | 3,350 |
| Number of obs. | 106 | | 52 | | 54 | |
| Number of groups | 18 | | 18 | | 18 | |
| Prob > chi2 | 0,000 | | 0,000 | | 0,000 | |
| R-squared | 0,684 | | 0,694 | | 0,679 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Regarding hypothesis testing: Hypothesis 1 posited that the impact of opportunities to create new start-ups on social entrepreneurship is positive, but higher during the economic crisis. In all models the coefficient estimate for the opportunity to create start-ups is positive, however is significant in Models 1 and 3. Likewise, the coefficient is higher in Model 3 (during crisis period). Hypothesis 1, then, is partially supported. According to our results, during the crisis the influence of perceived opportunities on social entrepreneurship increased 37% compared with the period before the crisis. Similar to previous results (Lehner & Kaniskas, 2012; Roy et al., 2014; Tominc & Rebernik, 2007), perceived opportunities are found to be related to entrepreneurial intentions and are a key driver in the decision to start a new business.

Hypothesis 2 predicted that entrepreneurial culture has a positive effect on social entrepreneurship, but higher during the economic crisis. Contrary to expectations, the coefficient is negative in Model 1 and Model 2, and is only positive in Model 3. Likewise, there is no statistical significance in any of the models. As such, our data do not support Hypothesis 2. Our results are in line with Stuetzer et al. (2013), who found no direct relationship between an entrepreneurial culture and entrepreneurial activity.

Hypothesis 3 posited that entrepreneurship's social image has a positive influence on social entrepreneurship, but that this impact was higher during the economic crisis. We found a weak support for Hypothesis 3, due to the fact that only during the economic crisis (Model 3) is the coefficient positive and significant ($p \leq 0.05$). As we expected, for all years (Model 1) we found

a positive effect; however there is no statistical relationship. In addition, and contrary to our own predictions, before the economic downturn the coefficient is negative and non-significant. A possible explanation for this result could be that before the economic crisis, and in particular in Spain, the social image of the business class was not well received. People linked entrepreneurship with personal enrichment, and those who perhaps do not focus on their contribution to society. However, this situation changes when unemployment rates increase and socially complex problems appear in our societies, pointing out the importance of social entrepreneurs as key agents in the process of economic recovery (Bornstein & Davis, 2010; Maclean et al., 2013).

Finally, Hypothesis 4 proposed that media has a positive impact on social entrepreneurship, but higher during the economic crisis. The coefficients are positive; however they are not significant in any models. Therefore, Hypothesis 4 is not supported. Regarding control variables, the number of total enterprises has a positive effect and is statistically significant ($p \leq 0.001$) in all models. In contrast, per capita income only has a positive effect in Model 1, and during the crisis period (Model 3) the coefficient is negative but is a non-significant variable.

Overall, these results contribute to social entrepreneurship literature that explores the effect of institutional factors, and specifically informal institutions (e.g. beliefs, attitudes, values, among others). In general terms, the findings indicate that informal institutions have an influence on social entrepreneurship, especially during economic crisis. We highlighted the role of the perceived opportunity to create start-ups and the importance of the social image that entrepreneurs have. Alternately, the fact that entrepreneurial culture and the impact of media on social entrepreneurship do not appear as significant issues do not mean that they are not important. In fact, other studies such as Felício et al. (2013) and Stuetzer et al. (2013) show the influence that institutional contexts may have on social entrepreneurship through indirect relationships. In any case, the outcome of the study supports the importance of institutional factors for the study of social entrepreneurship phenomena (Estrin et al., 2013; Mair & Marti, 2009; Urbano et al., 2010).

4.5. CONCLUSIONS

At the turn of the 21st century, the Spanish economy experienced a period of rapid growth followed, in 2008, by a period of recession, as in other European countries. According to data from the Spanish Statistical Office (INE), during the period of economic prosperity leading up to the financial crisis, the annual growth rate of Spanish household disposable income was approximately 6-7% (in nominal terms), whereas in 2010 Spanish households experienced an average decrease in their disposable income of approximately 4.8%.

Using GEM and INE sources of information for Spain (18 regions) for the period 2005–2010 and applying panel data analysis, this chapter studies the influence of cultural factors on social entrepreneurship in the context of the economic crisis. Through the lens of institutional economics, the results show that informal factors such as opportunities to start new businesses and entrepreneurship's social image played an important role during the economic crisis. On the other hand, entrepreneurial culture and the effect of the media were not significant factors before and during the crisis.

Implications of the study are theoretically for the development of the literature on the social entrepreneurship from the institutional perspective and practically, for the design of policies to foster social entrepreneurial activity.

We notice several limitations to our study. First, the study deals with one country, in our case Spain. In this sense, in the future research we should increase the sample used, as well as, the countries incorporated in the research. Second, the results show that the distinction between social and commercial entrepreneurship is sometimes blurred. Hence, we need to achieve a clear definition of social entrepreneurship (Weerawardena & Mort, 2006) and adapt in the different contexts in which it is applied. Third, when we posed a direct relationship between institutional factors and social entrepreneurship, we found a non-significant relationship. The effect of the institutional factors on social entrepreneurial activity could be studied differently in further research, as it could act as a moderator between social entrepreneurship and other variables (e.g. opportunities to create start-ups). Maybe the use of other techniques (e.g. OLS) and introduce other control variables (unemployment rates or variation of GDP / unemployment) could be useful. Forth, the retarded effect of economic crisis that it is difficult to capture in the same year or second year after the beginning of financial crisis. A task as future research is to develop in the following years the same analysis in order to capture this retarded effect.

Implications for further research are obvious since both replicating and extending this exploratory investigation may be a fruitful approach. While there is a general lack of research on institutional entrepreneurship in the developing world, comparison of different types of settings could be investigated to assess possible differences and similarities between modern market economies and developing countries (Mair & Marti, 2009), particularly in relation to the ways in which institutions interact with the social entrepreneurial process.

In the next chapter, and in order to further analyse the relationship between formal and informal institutions and social entrepreneurship, we extend the sample used, i.e. not only focusing on one country (Spain). It should then be possible to reach more generalizable conclusions regarding the influence of institutional factors on social entrepreneurship.

CHAPTER 5.

SOCIAL ENTREPRENEURSHIP AND ENVIRONMENTAL FACTORS: AN INTERNATIONAL ANALYSIS

5.1. INTRODUCTION

As discussed earlier, as a result of the effects of globalization, the increasing disparity in wealth distribution, and the rise of social and environmental problems in both developed and developing countries, researchers and politicians have seen social entrepreneurs as key agents for changing this situation by offering innovative and entrepreneurial solutions (Bornstein, 2004; Dees, 2001; Zahra et al., 2009). Moreover, the need for social organizations to achieve financial independence, along with increased competition for funding, has highlighted the need for change in the management of these entities (Fowler, 2000).

After analysing the relationship between institutional factors and social entrepreneurial activity in Spain (Chapter 3 and 4) and, specifically, during economic crisis (Chapter 4), this chapter focuses on the international context. Again, institutional economics is adopted for an analysis of the environmental factors that affect social entrepreneurship. In the case of social entrepreneurial activity, recent studies have pointed to a relationship between social entrepreneurship and institutions in different international contexts (e.g. Mair & Marti, 2006, 2009; Nicholls, 2010a; Robinson, 2006; Urbano et al., 2010), so that institutional economics can be considered an appropriate theoretical framework for the analysis of the environmental factors that affect social entrepreneurship.

According to the above, and in order to overcome the lack of research on how environmental factors affect social entrepreneurial activities in an international context, the main purpose of the current chapter is to analyse the relationship between environmental factors and social entrepreneurial activity, as seen through an analysis across countries and in the light of institutional economics (North, 1990, 2005). With regard to the methodology, a hierarchical regression analysis is applied, looking at 49 countries and using data from different databases produced by the Global Entrepreneurship Monitor (GEM), the World Value Survey (WVS), the World Bank (WB), and the International Monetary Fund (IMF). The main findings of this research suggest that while being a member of a social organization and having post-materialism values increase the rate of social entrepreneurial activity, public spending has a negative relationship with this phenomenon.

After this brief introduction, the chapter is structured as follows. Firstly, the relevant literature is discussed and the hypotheses are stated. Secondly, we elaborate on the research method and the main data used to test the hypotheses. Next, the results of the hierarchical regressions are presented and discussed. The study ends with conclusions as well as ideas for future research.

5.2. CONCEPTUAL FRAMEWORK

As we mentioned before, the institutional economics literature notes that institutions are the ultimate determinants of economic performance (North, 1990, 2005). The following paragraphs explain the main institutions (formal and informal) chosen in order to analyse the relationship between social entrepreneurship and the institutional environment. Regarding the formal institutions, we present the public spending and access to funding. In other side, being a member of a social organizations and post-materialism are classified as informal institutions that could impact on the social entrepreneurial activity in an international context.

In many countries, both developed and developing, there has been a systematic retreat by governments from the provision of public goods in the face of new political ideologies that stress the self-sufficiency of citizens and that give primacy to market-driven models of welfare (Bornstein, 2004). As a result, in many territories the 'supply side' of resources available for public goods has remained static or has diminished (Hoogendoorn et al., 2011). In the same way, Cornwall (2008) notes that in countries where the provision of social services (health, cultural, leisure and welfare services) is scanty and is mainly undertaken by public institutions, the emergence of social entrepreneurs is significant. However, Friedman and Desivilya (2010) argue that the work carried out by governments and by social entrepreneurs is complementary, because the public sector has been able to mobilize massive efforts at certain times, but has been unable to choose models that incorporate and maintain efficiency and effectiveness. For their part, social entrepreneurs' efforts provide efficient and effective models of performance. Despite this, recent empirical evidence indicates a negative impact of the amount of public spending on the emergence of new social enterprises (Alvord et al., 2004; Austin et al., 2006; Cornwall, 1998; Harris, 2009). It is expected that low levels of public spending increase the rate of social entrepreneurial activities, so the following hypothesis is advanced:

Hypothesis 1: Public spending is negatively related to social entrepreneurial activity.

Another formal factor considered in the present work is access to funding. The availability of capital is important for social entrepreneurs, as it lays the foundation for a social organization (Grimes, 2010). Studies conducted in several countries show that individuals are sensitive to capital constraints in their decisions to take entrepreneurial positions – in particular, to become self-employed (Blanchflower & Oswald, 1998; Holtz-Eakin et al., 1994). In the present literature, there is no difference between the importance of access to finance for social entrepreneurs and access for traditional entrepreneurs (Alvord et al., 2004). However, the literature on the emergence and development of social entrepreneurial activities highlights the existence of specific barriers relating to financial constraints that social entrepreneurs must cope with in order

to carry out their social mission (Bacq & Janssen, 2011; Certo & Miller, 2008; Di Domenico et al., 2010). Hence, many non-profit organizations see social enterprise as a way to reduce their dependence on charitable donations and grants, while others view the business itself as the vehicle for social change (Borzaga & Defourny, 2001). Therefore, as mentioned in relation to entrepreneurial firms with economic objectives (e.g. Gnyawali & Fogel, 1994), we suggest that a lowering of the barriers to accessing funding, with greater access to credit, will positively promote the emergence of new social enterprise projects, thus reducing the risks of budget uncertainty and dependence on public grants or aid. Therefore, the following hypothesis is suggested:

Hypothesis 2: Access to funding is positively related to social entrepreneurial activity.

Regarding the informal institutions, the current resurgence of social entrepreneurship is a renewal of spirit that promotes the foundations of the non-profit sector, is independent and is built by individuals who see it as their responsibility to act to ameliorate social problems (Mair et al., 2006). Thus their involvement with the social sector allows social entrepreneurs to recognize new opportunities, as well as to turn themselves into altruistic and more sensitive citizens dissatisfied with the status quo and motivated to act with social responsibility (Corner & Ho, 2010; Zahra et al., 2008). Similarly, specific works on social entrepreneurship indicate that sensitivity to others' feelings motivates social entrepreneurs to create social enterprises (Hair, 2009). In addition, as shown by many researchers, previous social experience is an important aspect for understanding social entrepreneurship as a process (Alvord et al., 2004; Austin et al., 2006; Certo & Miller, 2008; Cornwall, 1998; Leadbeater, 1997). In summary, it is claimed that social attitudes represent an important informal factor in the social entrepreneurship process, affecting the perception of social ventures as a good way to achieve social missions. Accordingly, we propose:

Hypothesis 3: Being a member of a social organization is positively related to social entrepreneurial activity.

On the other hand, the primacy of the social mission over all other organizational objectives is the first key determinant of a potential social entrepreneurial venture (Dees, 2001). Despite the differences between the various definitions of social entrepreneurship, there is agreement on the emphasis on the social mission as the reason for the emergence of a social enterprise. The focus on social mission equates to the identification of an unmet social need or a new opportunity for the creation of social value (Mair & Marti, 2006). In this sense, Cornwall (1998) and Wallace (1999) define social entrepreneurs as entrepreneurs who take the social

responsibility to improve their communities. Additionally, Weerawardena and Mort (2006), and a report by the OECD (2010), offer a comparison of various definitions of social entrepreneurship and social entrepreneur, showing that all authors include the term 'social' in their definition. While some authors explicitly refer to the social 'outcome' of entrepreneurial behaviour, such as social change (Mair & Marti, 2006), social value (Dees, 2001), social capital (Zahra et al., 2009), or social return on investment (Grimes, 2010; Nicholls, 2009), others refer to social problems and the issues that trigger entrepreneurial behaviour (Hair, 2009). Following the previous studies by Inglehart (1997, 1999, 2000), post-materialism is defined as the degree to which a society places immaterial life-goals such as personal development and self-esteem above material security. In the entrepreneurship literature, the work conducted by Uhlaner & Thurik (2007) confirm the significance of post-materialism in predicting total entrepreneurial activity and more particularly, new business formation rates. Thus, these arguments suggest the following hypothesis:

Hypothesis 4: Post-materialism is positively related to social entrepreneurial activity.

5.3.METHODOLOGY

Previous studies have recognized the difficulties of collecting secondary data on the main traits of social enterprises (Mair & Marti, 2006; Peredo & McLean, 2006). In order to overcome these problems we have used different sources to obtain rigorous information: the GEM, the WVS, the WB and the IMF.

We used, as a dependent variable, social entrepreneurial activity from the GEM APS for 2009. In this year, in the context of growing interest from politicians and academics in measuring social entrepreneurial activity, the GEM project introduced a new battery of specific questions about social activities within the global arena. It is noteworthy that the same institution, the GEM, had conducted another survey including questions about social entrepreneurial activity in previous editions for the United Kingdom, or UK (e.g. Harding & Cowling, 2004). However, this was the first time that such an exercise had ever been attempted across so many countries. Thus, from surveys conducted in 49⁷ countries around the world, the GEM was able to estimate the percentage of individuals between 18 and 64 who were in the process of starting a business or company; who partly or wholly owned a new business or social enterprise (defined as activities carried out less than 42 months before the survey), including self-employment; or who were expected to fall into these categories (Lepoutre et al., 2013). The use of the profit or revenues of these businesses and companies is for community or social purposes.

⁷ For more details, see the Appendix.

Regarding independent variables, in Table 5.1 more details about the variables for this empirical study can be seen. Finally, we control for possible confounding effects by including a relevant control variable, GDP. As already mentioned, given that the level of economic development of countries, and specifically the per capita income, is a key factor in explaining entrepreneurial activity in general, the natural logarithm of GDP per capita, adjusted for PPP in US dollars, is used as the control. This information was obtained from the database of the IMF, specifically from the World Economic Outlook database for 2009.

Table 5.1. Description of variables

| Variables | | Description | Source* |
|---|---------------------------------|---|-----------------|
| Dependent variable | Social entrepreneurship | Natural logarithm of the percentage of individuals between 18 and 64 who are in the process of starting a business or company with social purposes. | GEM (2009) |
| Independent variables: Formal factors | Public spending | Natural logarithm of the cash payments for operating activities of the government in providing goods and services (% of GDP). | WB (2009) |
| | Access to funding | Natural logarithm of the maximum value between the public registry coverage and the private bureau coverage (% of adults). | WB (2009) |
| Independent variables: Informal factors | Member of a social organization | Percentage of individuals between 18 and 64 who are members (active or inactive) of voluntary social organizations. | WVS (2005-2008) |
| | Post-materialism | Post-Materialist Index 12-item. Index from 0 to 5. | WVS (2005-2008) |
| Control variable | Gross Domestic Product | Natural logarithm of the Gross Domestic Product per capita adjusted for purchasing power parity in U.S. dollars (billions). | IMF (2009) |

* Global Entrepreneurship Monitor (GEM). World Bank (WB).World Value Survey (WVS). International Monetary Fund (IMF)

Hierarchical stepwise multiple regression analysis was used to test the relationship between institutional factors (formal and informal) and social entrepreneurial activity in the 49 countries. This analysis is based on blocks of predictors, and on changes in R^2 with the addition of each block. Significant changes provide support for the hypotheses when the regression coefficient (β) of the independent variables is significant and has the predicted sign. This procedure compares betas, measuring the importance of the independent variables. Two stages for all of the variables were entered in the following way: (a) formal factors: public spending and access to funding; and (b) informal factors: being a member of a social organization and post-materialism.

The specification of the full model used was as follows:

$$SEA_i = \alpha + \beta_1 FI_i + \beta_2 II_i + \beta_3 CV_i + \varepsilon_i$$

Where $i = 1, 2, \dots, 49$ identifies the country. The dependent variable is the social entrepreneurial activity of each country. The FI_i and II_i represent each explanatory variable

corresponding to our formal and informal institutions, respectively. CV_{it} represents our control variables. β_j are the coefficients. Finally, ε_{it} is a random disturbance, which is assumed to have zero mean and constant variance.

5.4. RESULTS AND DISCUSSION

Before presenting the hierarchical regression results, we show descriptive statistics and correlations in Table 5.2. As can be seen, the descriptive statistics indicate that the average natural logarithm of social entrepreneurial activity for the countries analysed is 0.31. Looking at the formal factors, the average natural logarithms of public spending and access to funding are 3.18 and 3.04 respectively. For the informal factors, we highlight that on average, 53% of adults across the 49 countries in our sample are active or inactive members of some social organization and 3.8% of individuals have reached tertiary education. Finally, the average natural logarithm of GDP is 2.76.

Table 5.2 also presents the correlation matrix of the variables. As we show in this table, the majority of informal factors (member of a social organization and post-materialism) are correlated with social entrepreneurial activity. On the other hand, the independent variable post-materialism shows a significant and positive relationship with being a member of a social organization. Additionally, the results show a significant relationship between public spending and being a member of a social organization. As might be expected from previous studies, such as that of Sharir and Lerner (2006), in countries with lower public spending there are more unsatisfied social needs and a worse perception of the capacity of government to formulate and implement effective policies. For example, countries like Uganda and Argentina have indicators of public spending of below 20% and, in turn, the percentage of adults who prioritize social goals as national objectives is over 50%. These countries are characterized by rates showing the negative ability of governments.

Table 5.2. Descriptive statistics and correlation matrix

| | Mean | Std. Dev | 1. | 2. | 3. | 4. | 5. | 6. |
|-------------------------------|--------|----------|----------|---------|---------|----------|----------|------|
| 1. Social entrepreneurship | 0,310 | 0,892 | 1,00 | | | | | |
| 2. Public spending | 3,178 | 0,409 | -0,093 | 1,00 | | | | |
| 3. Access to funding | 3,040 | 1,507 | -0,015 | 0,210 | 1,00 | | | |
| 4. Member social organization | 53,389 | 23,048 | 0,673*** | 0,165** | 0,280 | 1,00 | | |
| 5. Post-materialism | 2,324 | 0,007 | 0,184** | 0,072* | 0,167 | 0,008*** | 1,00 | |
| 6. GDP | 2,761 | 0,800 | 0,183 | 0,351 | 0,400** | 0,296* | 0,662*** | 1,00 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Also, in relation to the correlation matrix (Table 5.2), we noted that some correlation coefficients between the independent variables are over 0.5, indicating possible multicollinearity

problems, especially between societal attitudes and per capita income. Thus, we tested for the problem of multicollinearity, which might affect the significance of the main parameters in the regressions, through VIF computation. The VIF values were low (lower than 4.58). Also, the Breusch–Pagan/Cook–Weisberg test suggested the possible presence of heteroskedasticity (p-value = 0.0309), so we estimated heteroskedasticity-robust standard errors for the coefficients. Finally, the Ramsey regression specification-error test for omitted variables indicated no specification problems (p-value = 0.8483).

Table 5.3 summarizes the results of the regression analysis. In the final rows, we also report the coefficient of determination (R^2), the F statistic, the Akaike criterion (AIC) and the Schwarz criterion (BIC). Reading, from left to right across the table, Model 1 explores the effects of formal factors (public spending and access to funding) and a control variable on social entrepreneurial activity. In Model 2 we show only the effects of informal factors (member of a social organization and post-materialism). And finally, Model 3 presents all the institutional factors, formal and informal, as well as control variables in our study.

Table 5.3. Results of the regression analysis

| | Model 1 | | Model 2 | | Model 3 | |
|---------------------------------|-----------|------------------|----------|------------------|-----------|------------------|
| | Coef. | Robust. Std. Err | Coef. | Robust. Std. Err | Coef. | Robust. Std. Err |
| Formal Factors | | | | | | |
| Public spending | -1,306*** | -0,475 | | | -1,154*** | -0,248 |
| Access to funding | -0,085 | -0,107 | | | -0,097 | -0,085 |
| Informal Factors | | | | | | |
| Member of a social organization | | | 0,23*** | -0,035 | 0,25*** | -0,037 |
| Post-materialism | | | 0,45** | -0,068 | 0,51** | -0,078 |
| Control Variable | | | | | | |
| Ln GDP | 0,266 | -0,287 | -0,512** | -0,232 | -0,553*** | -0,145 |
| Constant | 5,331*** | -1,513 | 3,791*** | -0,918 | 3,705*** | 0,799 |
| Number of Obs. | 49 | | 49 | | 49 | |
| R^2 | 0,2148 | | 0,6125 | | 0,7146 | |
| F | 2,612** | | 12,09*** | | 21,82*** | |
| AIC | 160,45 | | 132,27 | | 105,73 | |
| BIC | 169,91 | | 138,40 | | 114,08 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Thus, the first column in Table 5.3, Model 1, shows that formal factors explain 21.48% of the variation across countries in social entrepreneurial activity. Moreover, these results suggest that low levels of public spending are more favourable to social entrepreneurship than the levels of

other formal factors. While the previous literature proposed a significant correlation between entrepreneurial activity and income level (Carree et al., 2007; Wennekers et al., 2005), in this model the coefficient of Ln GDP is not significant, possibly because of the high correlation (0.793) with governance effectiveness shown in Table 5.3. Model 2 presents the result of adding informal factors to the explanatory variables. The addition of these two variables raises the proportion of the variation of the dependent variable which is explained as 61,25%. Both the AIC and BIC confirm that the explanatory potential of the informal factors increases the fitness of the model significantly.

Finally, in Model 3 we include all the institutional variables, both formal and informal. Here, we see that almost 72% of the variation in social entrepreneurial activity across countries in 2009 is explained by the public spending, being a member of a social organization and post-materialism variables. Compared with Model 1 and Model 2 the AIC and BIC measures are reduced, suggesting that Model 3 is better than Model 1 and Model 2 at explaining the phenomenon of social entrepreneurship. Thus, Model 3 shows that the coefficients of public spending, participation in social organizations (member of a social organization), and post-materialism are statistically significant and that they have the expected sign, supporting the Hypotheses 1, 3 and 4. The result of Hypothesis 1 is in accordance with studies by Leadbeater (1997), Sharir and Lerner (2006) and Weerawardena and Mort (2006), which suggest a negative relationship between public spending and social entrepreneurship.

Also, the estimation shows that, as we expected the relationship between participation in social organizations and social entrepreneurial activity is positive and significant ($p \leq 0.01$) for two models, 2 and 3, and therefore we do not reject Hypothesis 3. These results are in line with previous literature which states that people who have had contact with social entrepreneurs or who have been socialized within social movements are more likely to start a social project (Anderson et al., 2006; Dhesi, 2010; Mair & Marti, 2006; Neck et al., 2009).

Likewise, the literature on social entrepreneurship has highlighted the role of post-materialism attitudes in the process to start-up a new entrepreneurial initiative (Uhlener & Thurik, 2007). As can be seen in Model 2 and Model 3, possess a non-materialistic values seem to be associated with the rate of social entrepreneurial activity of countries. As such, Hypothesis 4 is not rejected. Most of the work in this area, social entrepreneurship inquiry, confirms the insights that identify values such as work ethic, social attitudes, non-materialistic values as the prime beliefs and values of social entrepreneurs (e.g. Dacin et al., 2010; Dees, 2001; Mair & Marti, 2006, Nga & Shamuganathan, 2010; Peredo & McLean, 2006; among others).

Likewise, the coefficient of access to funding is not significant (Hypotheses 2). Although initially based on the theory (e.g. Di Domenico et al., 2010; Smith et al., 2012) proposing a positive relationship between access to funding and social entrepreneurial activity, this

hypothesis (Hypothesis 2) is rejected. We should highlight that the great majority of entrepreneurial initiatives (social and commercial), in their early days, are highly resource constrained and must rely on personal savings or credit card financing to launch (Lumpkin et al., 2013). However, in our case and for social entrepreneurship it seems that this institutional factor is not a determinant in the process to start a new social organization. These results are in contrast to those studies that highlight those social entrepreneurs to access to fewer resources than in commercial initiatives (Austin et al., 2006). Specifically, these authors note that although social entrepreneurs have access to a wider variety of funding sources, they likely have limited access to unrestricted financial resources because funders and granters place different restrictions the usage of their funding. In our research, the results obtained could be explained by the personal attitude of these social entrepreneurs who fight with all of their energy in order to achieve their social mission against of the economic barriers that they can encounter in the middle of the process (Sharir & Lerner, 2006).

5.5. CONCLUSIONS

In this chapter we have analysed, in the light of institutional economics and by hierarchical regression analysis, the influence of environmental factors on social entrepreneurship. Specifically, following the approach of North (1990, 2005), we studied the impact that formal (public spending and access to funding) and informal (being a member of a social organization and post-materialism) factors have on social entrepreneurial activities, using a final sample comprised of 49 countries.

As mentioned in previous chapters of the current thesis, the lack of rigorous and consistent principles is causing stagnation in the evolution of social entrepreneurship, as researchers cannot take the next step, which would be to contrast hypotheses (Mair & Marti, 2006). Hence, academics remain stuck in a pluralistic debate about defining the basic concepts of social entrepreneurship. On the other hand, if there is no unique and consistent definition, policy measures will be inconsistent and we cannot calculate or evaluate the impact of this phenomenon on society.

In this context, by identifying a number of factors that increase social entrepreneurial activity, our analysis suggests that governments have a role to play in enhancing the entrepreneurial dynamism of the economy. This conclusion is consistent with a number of social entrepreneurship authors who have argued that public spending has a negative impact on social entrepreneurship indicates that lower levels of public expenditure may discourage individuals from even considering a social entrepreneurial activity and thus stifle the economy's entrepreneurial potential. Additionally, more participation by citizens in 'social purpose'

organizations, whether actively or inactively, as well as, having post-materialism values, promote the creation of social enterprises. Indeed, we believe that an important contribution of the current chapter to this strand of empirical literature lies in the analysis and discussion of the possible links between potential obstacles, such as administrative complexities, access to finance and entrepreneurial drive.

In turn, access to funding has no statistically significant relationship with social entrepreneurial activity. Strikingly, although an overwhelming majority of the population identifies lack of financial support as an obstacle to starting a new business, this does not seem to have a significant impact on the revealed preference towards social entrepreneurship. Probably, the resources and funding that are available to social enterprises are likely to affect social entrepreneurial processes, but the impact will vary across different types of entities. For this reason we could not conclude that access to funding is a formal institutional factor that impact on the social entrepreneurial process. At the end, future research should be designed to overcome some of the limitations of this analysis.

Finally, with the objective to expand our knowledge about the impact of informal institutions, in the next chapter we examine the relationship between socio-cultural factors and social entrepreneurship in an international context, and we take into account the moderating effect of post-materialism in this relationship.

CHAPTER 6.

THE MODERATING EFFECT OF CULTURE ON THE RELATIONSHIP BETWEEN POST- MATERIALISM AND SOCIAL ENTREPRENEURSHIP: AN INTERNATIONAL STUDY

6.1. INTRODUCTION

The previous results, in Chapter 3 and 4 (for the Spanish context) and Chapter 5 (international perspective), have highlighted the importance role of the socio-cultural factors or informal institutions on the social entrepreneurial process. In the same line, several authors (Austin et al., 2006; Bacq & Janssen, 2011; Sharir & Lerner, 2006) have noted that there are some key elements in the social entrepreneurial process that determine (in terms of fostering or limiting) the emergence of social entrepreneurial activity such as the environment, the entrepreneur or team foundation, the mission/opportunity and the organization, among others. As we mentioned before, in this chapter we specifically consider that the process of creating a new social organization is influenced by the existing institutional framework, which conditions the actions of different agents that participate in society through a structure of incentives and opportunities (Dacin et al., 2010; Dorado & Ventresca, 2013; Mair et al., 2012; McMullen, 2011; Urbano et al., 2010).

Within this institutional framework, Uhlaner and Thurik (2007) highlight the power of post-materialism in the emergence of entrepreneurial activity across countries. They identify a negative relationship between post-materialism and entrepreneurial activity across countries. The authors argue that post-materialistic societies, which put less emphasis on economic growth, are likely to be less entrepreneurial due to their material gains being crucial to commercial entrepreneurship. In contrast, in the social entrepreneurship field, Hartog and Hoogendoorn (2011) hypothesize that a higher level of post-materialism in a country could be an expression of different types of social activities such as volunteering, environmental protection, cultural issues and social entrepreneurship. Thus, post-materialism may influence the emergence of social entrepreneurial activities, and can be considered to be a driver of the social entrepreneurs' starting up process.

Likewise, the effectiveness of post-materialism on the emergence of social entrepreneurial activities could be influenced by the favourability of their cultural context (Hartog & Hoogendoorn, 2011). According to previous researchers (Dorado & Ventresca, 2013; Nga & Shamuganathan, 2010; Urbano et al., 2010), some cultural factors might be more appropriate than others for stimulating social entrepreneurs and generating social value. In this chapter we considered the following cultural values: innovativeness, altruism and risk-taking, analysed in the context of the institutional economics as a theoretical framework (North, 1990, 2005) that states that the role of the environment in entrepreneurial spirit is critical, not only with regard to legal aspects, public policy and support services, but also in a cultural context. The beliefs, values and attitudes of a society determine the behaviour of individuals and these can significantly affect the decision to become an entrepreneur (Freytag & Thurik, 2007).

Taking into account these considerations, the purpose of this chapter is to analyse the moderating effect of cultural factors on the relationship between post-materialism and social entrepreneurial activity across countries, in the light of institutional economics (North, 1990, 2005). Through data obtained from the World Value Survey (WVS) for the period 2005–2008, we have statistically demonstrated through logistic regression analysis that post-materialism has a positive and significant impact on social entrepreneurial activity. Also, this study shows that favourable attitudes toward innovation, altruism and risk-taking can have a moderating effect on the relationship between post-materialism and social entrepreneurial spirit. The main results show advances in the application of the institutional approach, specifically regarding the importance of cultural factors in fostering social entrepreneurial behaviour. This also reinforces the finding that cultural context does influence social entrepreneurship.

This chapter is structured in the following way. Firstly, based on institutional economics theory, we explain why the level of post-materialism in countries should relate positively to its level of social entrepreneurship. Also, we argue that the strength of the relationship between post-materialism and social entrepreneurship depends on the cultural context that fosters social entrepreneurial spirit. Secondly, the methodology used is described. Next, the results are presented and discussed. Finally, the conclusions and suggestions for future research are presented.

6.2. CONCEPTUAL FRAMEWORK

In the social entrepreneurship field some researchers, in both theoretical and case studies, have drawn on institutional framework to illustrate how new social initiatives for organizations emerge in different contexts (Anderson et al., 2006; Dhesi, 2010; Di Domenico et al., 2010; Mair & Marti, 2009; McMullen, 2011; Townsend & Hart, 2008). In particular, the relationship between cultural factors – informal institutions from North’s (1990) perspective – and social entrepreneurial activity have received increasing research attention (Anderson et al., 2006; Austin et al., 2006; Kistruck & Beamish, 2010; Mair & Marti, 2006; Mair et al., 2006; Smith & Stevens, 2010; Urbano et al., 2010). These authors suggest that social entrepreneurship is embedded in a social context, as its main purpose is achieving social change. In this sense, Peredo and McLean (2006) identify collective cultural settings as having significant implications in the social entrepreneurial phenomenon. In the current chapter, we focus on a post-materialist approach, which may help in contrasting and explaining the relationship between cultural values and social entrepreneurship.

As mentioned in the previous section, post-materialism may influence the emergence of social entrepreneurial activities, and can be considered to be a driver of social entrepreneurs’

starting up processes (Hartog & Hoogendoorn, 2011). Additionally, the effect of post-materialism on the emergence of social entrepreneurial activities could be influenced by the favourability of their cultural context. Thus, in this chapter, we focus on cultural factors which can moderate the direct relationship between the degree of post-materialism and the level of social entrepreneurship across countries.

Post-materialism and social entrepreneurship

The underlying premise of this research is that post-materialistic values are crucial to social entrepreneurs' starting up process. As noted by several authors (Short et al., 2009), a wide variety of definitions are related to the concept of social entrepreneurship: it means different things to people in different places because the geographical and cultural contexts in which they appear is different (Bacq & Janssen, 2011; Defourny & Nyssens, 2010; Mair & Marti, 2006). Despite this, a key distinction can be established in terms of primary objectives. Also, they pretend to position a social mission as the central driving force of social entrepreneurs, over an economic one (Dacin et al., 2010; Peredo & McLean, 2006). Thus, the primary objective of the entrepreneurial process is vital in differentiating them from commercial entrepreneurial organizations.

These primary objectives are influenced by the motivation of the entrepreneur who starts an activity. If this motivation is based on economic and financial goals, the entrepreneurs will probably start a commercial organization. In contrast, if they are motivated by social goals, they are likely to set up their own social organization. In this context, the motivation to start a new business, project or organization is determined by the values and beliefs of the entrepreneurs who create a new entrepreneurial initiative. According to this, post-materialism can be an important element in the process, due to it reflecting the degree to which the population of a society values non-materialistic life-goals, such as self-expression, freedom of choice, solidarity or quality of life, rather than materialistic life-goals such as consumption, wealth and income (Inglehart, 1997, 1999).

Taking these considerations into account, some researchers have studied the relationship between both post-materialism and (social) entrepreneurship. In examining entrepreneurship, Uhlaner and Thurik (2007) identified the existence of a negative relationship between post-materialism and entrepreneurial activity across countries. They concluded that material gains are central or crucial to entrepreneurship and, hence, that a society that is more post-materialist is likely to be less entrepreneurial. These results can be related to our previous analysis of entrepreneur motivation. If entrepreneurs are focused on materialist goals (financial), they will set up a commercial organization where the main objective is to achieve economic benefits over

social ones. In contrast, in the social entrepreneurship field, Hartog and Hoogendoorn (2011) hypothesized that a higher level of post-materialism can be related to a higher level of social entrepreneurial activities. However, they could not find statistical support to confirm this. Thus, in this chapter we argue that the rise of post-materialism may also affect the level of social entrepreneurship. Therefore, we propose:

Hypothesis 1. Post-materialism has a positive influence on social entrepreneurship.

Interaction effect between cultural factors and post-materialism

Evidence from previous studies has given rise to three key cultural factors, as important determinants of the emergence as social entrepreneurial activity: innovativeness, altruism and risk-taking. Due to post-materialism being embedded in society as a cultural value, some cultural factors could modify the direct relationship between post-materialism and social entrepreneurship. We will discuss these aspects below.

According to Lumpkin and Dess (2001) the concept of innovativeness can be defined as the predisposition to engage in creativity and experimentation through the introduction of new products and services as well as new processes. The entrepreneurship literature suggests that entrepreneurs are more creative than others (Kirby, 2004; Timmons, 1989; Whiting, 1988), tend to think in non-conventional ways, challenge existing assumptions, and are flexible and adaptable in their problem solving (Kirby, 2004; Solomon & Winslow, 1988). In the social entrepreneurship field, some authors (Chell et al., 2010; Mair & Marti, 2006; Peredo & McLean, 2006) noticed that due to the multidimensional origin of social problems, social entrepreneurs have various potential ways to exercise innovativeness tools or strategies to achieve their social mission. In particular, Alvord et al. (2004) note that scarce resources can also stimulate social entrepreneurs to become creative and think of better ways to tackle social problems, thus producing more innovativeness. Thus, we can regard innovativeness as an important dimension in the process of studying social entrepreneurship behaviour (Lepoutre et al., 2013; Lumpkin et al., 2013; Nga & Shamuganathan, 2010). Therefore, we hypothesize:

Hypothesis 2. The relationship between the level post-materialism and social entrepreneurship is moderated by innovativeness.

Previous researchers have determined that one of the main traits of social entrepreneurs is the motivation to help and address social problems or basic human needs in the community (Austin et al., 2006; Brooks, 2009; Dacin et al., 2010; Short et al., 2009). As mentioned earlier, most scholars agree that having a social mission is the key differentiating element of social entrepreneurs (Dacin et al., 2010; Peredo & McLean, 2006). Such a social mission is usually

related to activities such as helping a disadvantaged group in society, reducing environmental degradation, or confronting higher levels of state failure in areas such as education or health provision. In line with this perspective, Renko (2013) affirms that social entrepreneurs have a pro-social motivation, which is a desire to expend effort to benefit other people. In this context, disinterested behaviour, i.e. for the well-being of others, may be a key element in the process of developing new forms of social organization (Miller et al., 2012). Along the same lines, Nga and Shamuganathan (2010) and Tan et al. (2005) note that a commitment to social issues is usually accompanied by a sense of responsibility and an altruistic attitude. In contrast, Mair and Marti (2006) note that social entrepreneurship can be an expression of altruism, but that it may also include less altruistic motivations such as personal fulfilment. Thus, it can be claimed that altruism represents an important cultural factor in the social entrepreneurial process, affecting the perception of social ventures as a good way to achieve social missions (Short et al., 2009). Accordingly, it is proposed that:

Hypothesis 3. The relationship between the level post-materialism and social entrepreneurship is moderated by altruism.

Following the definition proposed by Lumpkin et al. (2013, p.769), the term risk-taking “involves taking bold actions by venturing into the unknown, borrowing heavily, and/or committing significant resources to ventures in uncertain environments”. Prior research (Austin et al., 2006; Brooks, 2009; Dorado & Ventresca, 2013; Nga & Shamuganathan, 2010; Sharir & Lerner, 2006) has shown that limitations on resources and the uncertainty associated with new venture creation in a social entrepreneurship context may also require a willingness to take risks. In particular, Hoogendoorn et al. (2011) found that people who are defined as risk-tolerant are more likely to be social entrepreneurs, and that social entrepreneurs are often afraid of personal failure and bankruptcy, confirming that these kinds of entrepreneurs perceive different types of risk. Harding and Cowling (2006) reveal that social entrepreneurs are significantly more likely to fear failure. Weerawardena and Mort (2006) suggest that risky behaviour is usually highly constrained in social enterprises when the objective is to build a sustainable organization. Thus, higher levels of risk-taking may also lead to successful scaling by offering services and products to people outside the original context or location of a social enterprise, which could thus reinforce the link between post-materialism and social entrepreneurship. Therefore, we hypothesize that:

Hypothesis 4. The relationship between the level post-materialism and social entrepreneurship is moderated by risk-taking.

6.3.METHODOLOGY

In this section, we describe the database and variables included in the analysis, and provide an overview of the analytical method we have employed in order to study the moderating effect of cultural factors on the relationship between post-materialism and social entrepreneurship.

Most of the data has been taken from the WVS, the largest investigation of attitudes, values and beliefs around the world, which is a compendium of surveys administered in five multi-year waves beginning in the early 1980s. For the present study we used the fifth wave corresponding to the period 2005–2008, which was based on a sample of 82,992 individuals from 57 countries⁸. This data set was chosen because it allows the construction of different measures of individuals' basic values and attitudes across a broad range of issues (such as politics, economics, family and gender issues) which can be very useful in order to measure a complex cultural context. All the variables used in the analysis are described in Table 6.1.

In addition to previous variables, other factors may also influence the emergence of social entrepreneurial activities. In this sense, in order to give an explanation of entrepreneurial behaviour across countries, two terms were identified as vital: socio-demographic factors (Arenius & Minniti, 2005; Langowitz & Minniti, 2007) and the level of development of countries (Carree et al., 2007; Wennekers et al., 2005). Thus, we included several control variables to ensure that the results were not unjustifiably influenced by such factors: gender and age as socio-demographics characteristics of the individuals and GDP-PPP at the macro-level.

Finally, regarding the data analysis and model, we tested the previous hypotheses using binary logistic regression. The model can express as follow:

$$P(SEA_i = 1) = \beta_1 CF_i + \beta_2 PM_i * CF_i + \beta_3 CV_i + \varepsilon_i$$

$$H_0: \beta_{1, 2, 3} \neq 0$$

Where CF_i is a vector about the cultural factors, $PM_i * CF_i$ is a vector corresponding the moderating effect of post-materialism to cultural factors; and CV_i is a vector about the control variables, and ε_i is the random disturbance.

⁸For more details, see the Appendix.

Table 6.1. Definition of variables

| Variables | Description | Source* | |
|---|-------------------------|---|--------------------|
| Dependent variable | Social entrepreneurship | Dummy variable takes the value 1 if the individual is an active member of voluntary organization and self-employed and 0 otherwise. | WVS (2005-2008) |
| Independent variables: Cultural factors | Innovativeness | Dummy variable which indicate if the respondent agreed with a statement "It is important to this person to think up new ideas and be creative; to do things one's own way". | WVS (2005-2008) |
| | Altruism | Dummy variable which indicate if the respondent agreed with a statement "It is important to this person to help the people nearby; to care for their well-being". | WVS (2005-2008) |
| | Risk-taking | Dummy variable which indicate if the respondent agreed with a statement "Adventure and taking risks are important to this person; to have an exciting life". | WVS (2005-2008) |
| | Post-materialism | Post-Materialist Index 12-item. Index from 0 to 5. | WVS (2005-2008) |
| Control variables | Gender | Respondents were asked to provide their gender. | WVS (2005-2008) |
| | Age | Respondents were asked to provide their age. | WVS (2005-2008) |
| | Age-squared | It represents the square of age. | WVS (2005-2008) |
| | GDP | Gross domestic product (GDP) at purchasing power parity (PPP). | WB (2005-2008) |

* World Value Survey (WVS). World Bank (WB).

6.4. RESULTS AND DISCUSSION

Descriptive statistics and correlation coefficients for all the variables used in this analysis are reported in Table 6.2. On the one hand, descriptive statistics indicate that, on average, 7% of people are social entrepreneurs, 52% show a favourable attitude towards innovation, 62% have an altruistic spirit and 25% look toward taking risk; the post-materialism index is situated close to 2; and GDP-PPP is 15.801,37 current international dollars. Additionally, our data is composed by men (49%), who average 41 years of age.

On the other hand, almost all the variables considered were correlated with social entrepreneurship. Given the correlations among the several independent and control variables shown in Table 6.2, we tested for the problem of multicollinearity, one that might affect the significance of the main parameters in the regressions through VIF computations. The VIF

values were low (lower than 1.13). Also, to address the possibility of heteroskedasticity and autocorrelation among observations pertaining to the same country, robust standard errors were estimated (White, 1980).

Table 6.2. Descriptive statistics and correlation matrix

| Variables | Mean | Std. Dev. | 1. | 2. | 3. | 4. |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. Social entrepreneurship | 0,070 | 0,001 | 1,000 | | | |
| 2. Innovativeness | 0,516 | 0,002 | 0,053*** | 1,000 | | |
| 3. Altruism | 0,656 | 0,002 | 0,037*** | 0,206*** | 1,000 | |
| 4. Risk-taking | 0,245 | 0,002 | 0,053*** | 0,233*** | 0,123*** | 1,000 |
| 5. Post-materialism | 2,016 | 0,006 | 0,015*** | 0,049*** | 0,004*** | 0,030*** |
| 6. Gender | 0,492 | 0,002 | 0,080*** | 0,053*** | -0,049*** | 0,090*** |
| 7. Age | 41,144 | 0,077 | -0,005 | -0,104*** | 0,020*** | -0,174*** |
| 8. Age-squared | 1.963,859 | 7,151 | -0,022*** | -0,101*** | 0,017*** | -0,162*** |
| 9. Ln GDP | 9,158 | 0,005 | -0,139*** | -0,101*** | -0,058*** | -0,149*** |
| Variables | 5. | 6. | 7. | 8. | 9. | |
| 5. Post-materialism | 1,000 | | | | | |
| 6. Gender | -0,002 | 1,000 | | | | |
| 7. Age | -0,035*** | 0,007** | 1,000 | | | |
| 8. Age-squared | -0,034*** | 0,008** | 0,982*** | 1,000 | | |
| 9. Ln GDP | 0,188*** | -0,022*** | 0,242*** | 0,239*** | 1,000 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Table 6.3 provides the results of the logistic regression models for social cultural factors and the interception with post-materialism and social entrepreneurial activity. Model 1 presents logistic regression results as regards innovativeness, altruism, risk-taking and control variables. Model 2 adds the direct relationship between post-materialism and social entrepreneurship, in order to test Hypothesis 1. Models 3, 4 and 5 separately introduce the moderating effect of cultural factors so that we can test Hypotheses 2, 3 and 4, respectively.

As mentioned before, Model 1 includes the cultural factors and control variables. All coefficients are significant with a p-value of ≤ 0.001 and they have the expected sign (positive in all cases). Consistent with the existing literature (Dorado & Ventresca, 2013; Nga & Shamuganathan, 2010; Urbano et al., 2010), our results suggest that cultural factors, and in particular, innovativeness, altruism and risk-taking are quite important for understanding the likelihood of an individual becoming a social entrepreneur. Thus, our findings generally support our key theoretical arguments, where we point out that social entrepreneurs are pushed into finding innovative ways of using existing resources and taking some risks in order to generate social outcomes (Di Domenico et al., 2010; Sharir & Lerner, 2006; Weerawardena & Mort, 2006). These findings reaffirm the culturally embedded character of social entrepreneurial activity in societies (Kistruck & Beamish, 2010; Smith & Stevens, 2010) as well as confirming the vital role of cultural factors, which configure a society's attitudes towards social value creation (Urbano et al., 2010).

Table 6.3. Results of the logistic regression models

| | Model 1 | | Model 2 | | Model 3 | | Model 4 | | Model 5 | |
|-----------------------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err |
| Cultural Factors | | | | | | | | | | |
| Innovativeness | 0,286*** | (0,040) | 0,258*** | (0,041) | 0,409*** | (0,079) | 0,258*** | (0,041) | 0,258*** | (0,041) |
| Altruism | 0,207*** | (0,042) | 0,256*** | (0,044) | 0,256*** | (0,044) | 0,166* | (0,086) | 0,256*** | (0,044) |
| Risk taking | 0,166*** | (0,042) | 0,134*** | (0,043) | 0,134*** | (0,043) | 0,134*** | (0,043) | 0,149*** | (0,084) |
| Post-materialism | | | 0,119*** | (0,017) | 0,165*** | (0,026) | 0,086*** | (0,031) | 0,122*** | (0,020) |
| Post-materialism x Innovativeness | | | | | 0,074*** | (0,033) | | | | |
| Post-materialism x Altruism | | | | | | | 0,044*** | (0,037) | | |
| Post-materialism x Risk taking | | | | | | | | | 0,007** | (0,036) |
| Control Variables | | | | | | | | | | |
| Gender | 0,636*** | (0,039) | 0,616*** | (0,039) | 0,616*** | (0,039) | 0,616*** | (0,039) | 0,616*** | (0,039) |
| Age | 0,142*** | (0,008) | 0,149*** | (0,008) | 0,149*** | (0,008) | 0,149*** | (0,008) | 0,149*** | (0,008) |
| Age ² | -0,002*** | (0,000) | -0,002*** | (0,000) | -0,002*** | (0,000) | -0,002*** | (0,000) | -0,002*** | (0,000) |
| Ln GDP | -0,533*** | (0,017) | -0,561*** | (0,017) | -0,560*** | (0,017) | -0,562*** | (0,017) | -0,561*** | (0,017) |
| Constant | -1,511*** | (0,213) | -1,660*** | (0,218) | -1,759*** | (0,223) | -1,589*** | (0,227) | -1,662*** | (0,219) |
| Number of obs | 48.260 | | 45.323 | | 45.323 | | 45.323 | | 45.323 | |
| Pseudo R-squared | 0,0909 | | 0,0956 | | 0,0958 | | 0,0957 | | 0,0956 | |
| Log pseudolikelihood | -11.098,726 | | -10.409,273 | | -10.406,751 | | -10.408,523 | | -10.409,251 | |
| Percent correctly predicted | 93,03% | | 92,99% | | 92,99% | | 92,99% | | 92,99% | |
| AIC | 22.213,45 | | 20.036,55 | | 20.033,50 | | 20.037,05 | | 20.838,50 | |
| BIC | 22.283,73 | | 20.115,04 | | 20.120,72 | | 20.124,26 | | 20.925,72 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$.

With the aim of testing Hypothesis 1, Model 2 adds a post-materialism variable. The results indicate that the level of post-materialism has a statistically and positive impact on social entrepreneurship ($p \leq 0.001$), as well as on innovation, altruism and risk-taking. We find support for Hypothesis 1, confirming the direct relationship between post-materialism and social entrepreneurial activities. In this model, pseudo R^2 increases with respect to Model 1, indicating that in terms of pseudo R^2 , it is a better model. In the same vein of previous studies (Hartog & Hoogendoorn, 2011) we can provide empirical support for the argument that higher levels of post-materialism can play a paramount role in fostering social entrepreneurship. Likewise, and in contrast with the entrepreneurship field, we can identify a positive relationship, whereas regular entrepreneurship has a negative relationship (Uhlaner & Thurik, 2007).

In Model 3 we include the interaction between post-materialism and innovativeness with respect to Model 2. As we expected, the results show a significant influence ($p \leq 0.001$) of Hypothesis 2. Additionally, the rest of the variables included (cultural factors, post-materialism and control variables) are statically significant ($p \leq 0.001$). These results are similar to those reported by Lumpkin et al. (2013) and Weerawardena and Mort (2006), confirming the importance of innovativeness in the social entrepreneurial process. Social entrepreneurs search for innovative solutions to solve persistent and complex problems (Chell et al., 2010; Light, 2008; Mair & Marti, 2006) by basing their ideas within innovative organizational structures or innovative business models (Zahra et al., 2008). Thus, the present results suggest that the relationship between the level of post-materialism and social entrepreneurship is stronger in countries in which people consider it important to think up new ideas and be creative or people that prefer to do things in their own way.

Model 4 includes the moderating effect of altruism in the relationship between post-materialism and social entrepreneurship. The results of this model show that all the variables considered are significant. In particular, and in order to test Hypothesis 3, we find that altruism has a positive and significant impact ($p \leq 0.001$) on the relationship between post-materialism and social entrepreneurial activity. The results thus support Hypothesis 3 and are in line with the authors who propose that pro-social or altruistic motivation is central or crucial to social entrepreneurs and detrimental to economic ones (Renko, 2013; Tan et al., 2005). Altruism may serve as a powerful motivator of action, compelling individuals to alleviate others' suffering (Dees, 2001; Miller et al., 2012). Hence, our findings point out that in countries where altruism is seen as a key trait, the relationship between post-materialism and social entrepreneurship is stronger and therefore fosters higher levels of social entrepreneurial initiatives.

Finally, Model 5 shows that risk-taking has a significant ($p \leq 0.001$) and positive effect on social entrepreneurship. This data supports Hypothesis 4. Accordingly to previous studies (Austin et al., 2006; Hoogendoorn et al., 2011; Peredo & McLean, 2006; Weerawardena & Mort, 2006), these results suggest that social entrepreneurs cannot be averse to risk, and thus should be willing to take risks as well as being open-minded to complexity. Thus, social entrepreneurs are people who make decisions under conditions of uncertainty, and hence they are risk-takers (Lumpkin et al., 2013). In this context, the institutional framework can reduce the risks for individuals starting up a new company and can facilitate entrepreneurs' efforts to acquire resources (Alvarez et al., 2011; Bruton et al., 2010; Thornton et al., 2011). Likewise, these findings contribute to confirming that the positive relationship between post-materialism and social entrepreneurship is stronger for higher risk-taking levels.

6.5. CONCLUSIONS

The current chapter has sought to enhance our understanding of the moderating effect of cultural factors (innovativeness, altruism and risk-taking) that influence the relationship between post-materialism and social entrepreneurial activity, in the light of institutional economics. Using this framework and the WVS data, we applied logistic regression to test our hypotheses.

The main results of the research indicate that post-materialism has a direct and positive effect on social entrepreneurship. This chapter suggests that post-materialist attitudes in the population are a potential way of promoting the social entrepreneurial spirit. In this sense, it seems that the relative importance people attribute to immaterial values relative to material goods is a key factor in fostering social entrepreneurial activities. Thus, our results show the importance of the concept of embeddedness in studying the phenomenon of social entrepreneurship (Mair & Marti, 2006).

In the current chapter we have found that cultural factors such as innovativeness, altruism and risk-taking can have a moderating effect on this direct relationship. The findings are in line with several studies which highlight the key role played by the environment in promoting or hindering social entrepreneurship (Austin et al., 2006; Weerawardena & Mort, 2006). The results of this study show the need for a change in public policy, shifting the focus to long-term orientation, promoting an altruistic spirit and favourable attitudes toward social entrepreneurship over issues such as regulation. Additionally, this investigation highlights the importance of educational policies in

increasing the number of potential social entrepreneurs, through the training of individuals with favourable attitudes to risk-taking and innovation.

This chapter contributes to the existing literature in the following ways. Firstly, we add empirical insights applying a rigorous methodology, responding to the growing demand to use econometric techniques in order to analyse social entrepreneurial behaviour (Short et al., 2009). The majority of previous studies have focused on using case study methodology (Mair & Marti, 2006). Secondly, we have looked in detail at cultural factors that influence the probability of an individual becoming a social entrepreneur. In particular, we have analysed their moderating effect on social entrepreneurial activity. Thirdly, we propose that post-materialism is a key factor in the emergence of social entrepreneurship. Fourthly, this study helps to advance the application of institutional economics (North, 1990, 2005) in the analysis of the conditioning factors on social entrepreneurial activity, specifically using informal institutional factors, as well as reaffirming institutional economics as an ideal framework to study social entrepreneurship.

Finally, the results of this research should be interpreted carefully because the availability of data constrained our analysis. Specifically, one of the main drawbacks in this research was the lack of aggregate data, which allowed testing of which cultural factors have an effect on social entrepreneurship. Therefore, an important direction for future research would be to use a larger sample from the WVS by augmenting the period of time being analysed. However, this sample would also be conditioned by the availability of the variables used in this study. Also, future longitudinal studies developed within an institutional framework can possibly improve our understanding of these issues. At the end, it could be interesting to add some additional control variables at country level such as the economic stage (factor, efficiency, innovation driven).

CHAPTER 7.

FEMALE SOCIAL ENTREPRENEURSHIP AND SOCIO-CULTURAL CONTEXT: AN INTERNATIONAL ANALYSIS

7.1. INTRODUCTION

As it was stated before, in order to achieve the third specific objective, we focus our attention on two important varieties of entrepreneurship in Chapter 7 and Chapter 8: the role of women in the development of social entrepreneurial activities, and the comparison between social and commercial entrepreneurship in terms of institutional framework, respectively. In this chapter we analyse the variety of social entrepreneurship by gender.

Previous studies have highlighted the important role of women in (social/commercial) entrepreneurial activities (Harding & Cowling, 2006; Noguera et al., 2013; Verheul et al., 2006). According to Wilson and Kickul (2006), women who are interested in becoming entrepreneurs do so due to social motives, while men show more focus on economic goals than on the social aspects of entrepreneurship. Similarly, Handy et al. (2002) highlight the significant contribution that women make on social issues. Additionally, Harding and Cowling (2006) suggest that both females and individuals who are inactive in the labour market are more likely to choose social entrepreneurship than commercial entrepreneurship.

Likewise, the role of women in social entrepreneurship and their participation in business creation has increased in recent decades (Brush et al., 2009; Langowitz & Minniti, 2007). Based on that, different levels of governments, both regional and local, have been developing and implementing several tools to foster female entrepreneurial activity. In 2009, the Spanish Ministry for Equality, together with the Spanish Confederation of Savings Banks, provided micro-credits for women entrepreneurs. Also, in 2012, the OECD's Middle East and North Africa (MENA) Women's Business Forum worked with governments to improve policies and legislation which impact women's economic integration in the MENA regions, with the aim of overcoming the specific gender difficulties that exist when creating a business. Hence, given the lack of research on women's contribution as social entrepreneurs, the current chapter seeks to improve our knowledge of the role of women in social entrepreneurship phenomena.

Several theoretical approaches have been proposed to study the processes of business creation by women (Brush, 1992; Greene et al., 2003) and social entrepreneurship (Choi & Majumdar, 2014; Dacin et al., 2010; Mair & Marti, 2006; Short et al., 2009). Among them, an emerging body of literature, discussed below, suggests the suitability of institutional economics (North, 1990, 2005), used as the theoretical framework of this research, for the analysis of environmental factors that

influence business creation by women (Alvarez et al., 2012; Baughn et al., 2006; Brush et al., 2009) and the development of social entrepreneurial activities (Mair & Marti, 2009; Urbano et al., 2010).

In this framework, the aim of this chapter is to analyse the socio-cultural factors which influence the likelihood of women becoming social entrepreneurs, using institutional economics (North, 1990, 2005) as the theoretical framework. To test our hypotheses, we apply logistic regression models, using data from the World Value Survey (WVS) and the World Bank (WB). The main findings of the study reaffirm the relevance of socio-cultural factors to social entrepreneurship. Particularly, we have found that altruistic attitudes and being a member of a social organization are the most relevant socio-cultural factors for social female entrepreneurship.

This chapter has both theoretical and practical implications. Firstly, this work may be very useful for the progress of studies on social entrepreneurial activity carried out by women, especially using the institutional approach, where gender variables can be crucial. Secondly, this research contributes theoretically to the literature on social entrepreneurship, with the creation of knowledge related to how socio-cultural factors affect female social entrepreneurship in Spain. Finally, our results may help in the process of designing government policies to foster female social entrepreneurship.

This chapter is structured as follows. After this brief introduction, the conceptual framework is explained; later the methodology of the research is presented; in the next section we discuss the main results; and finally, we include the conclusions and implications of the research.

7.2. CONCEPTUAL FRAMEWORK

In the extant literature, the focus of a significant number of articles in the field of female entrepreneurship and social entrepreneurship falls within the context of developing and developed economies (e.g. Carr et al., 1996; Gimmon & Spiro, 2013; Kirby & Ibrahim, 2011; Mair & Shoen, 2007; Salamzadeh et al., 2013). In this way, several authors noted the role of females in the social entrepreneurial process. For instance, Van Ryzin et al. (2009) suggest that social entrepreneurs are more likely to be non-white, young, college-educated females who live in major cities and who have some business experience. The results of this study highlight that women are more likely to be social entrepreneurs, in contrast to their male counterparts. Another example we found is a study conducted by the National Foundation for Women

Business Owners (2000) where it was established that women entrepreneurs usually take on leadership roles in volunteer organizations and are highly motivated philanthropists.

On the other hand, there has been a growing recognition that socio-cultural factors have a significant effect on the entrepreneurial process (e.g. Coduras et al., 2008; Knörr et al., 2013; Liñán et al., 2011; Noguera et al., 2013; Thornton et al., 2011) as well as on the social entrepreneurial process (Dorado & Ventresca, 2013; Hartog & Hoogendoorn, 2011; Nga & Shamuganathan, 2010; Urbano et al., 2010). Also, these processes can be differentiated according to the gender of the entrepreneur (BarNir, 2012; BarNir et al., 2011; Díaz-García & Jiménez-Moreno, 2010; Langowitz & Minniti, 2007; Marlow & Patton, 2005); relevant differences have been identified between female and male entrepreneurship. In this sense, Griffiths et al. (2013) highlight the role of socio-cultural factors and their influence on gender patterns in entrepreneurial activity. These authors affirm that cultural value could influence the types of work and career opportunities acceptable for women. Additionally, although the rate of female entrepreneurship continues to grow, gender issues and cultural stereotypes persist in some regions, becoming limitations to business growth (Gatewood et al., 2009). Hence, as noted by Baughn et al. (2006), countries that foster and support women entrepreneurs, encouraging this kind of attitude through respect along with gender equality, are likely to observe a higher level of female entrepreneurship.

Research has shown that social ties which are not related to material needs are an important resource for overcoming existing problems when starting and developing a business (Davidsson & Honig, 2003; Greve & Salaff, 2003) and also provide opportunities and resources for social ventures (Haugh, 2007). Cultural values are also important for women entrepreneurs in developed countries (Caputo & Dolinsky, 1998; Manolova et al., 2007; Manolova et al., 2012) and for entrepreneurs developing businesses in turbulent environments, such as in former Soviet Bloc countries (Smallbone & Welter, 2001; Welter & Smallbone, 2008). In their study, Welter and Smallbone (2008) indicate that entrepreneurship may have represented one way for Uzbek women to gain independence and self-expression, especially during the years of political transition, when Islamic ideas were gaining political ground (Hanks, 2007).

There are also a growing number of entrepreneurship researchers who, in their investigations, emphasize the family context (Aldrich & Cliff, 2003; Bruni et al., 2004; Brush et al., 2009) and its link to work–life balance (Jennings & McDougald, 2007). Jennings and McDougald (2007) find that family or household contexts may have a greater impact on women than on men. In the most recent studies carried out in this

area, the quality of family life is presented as a key element in female entrepreneurship (Aldrich & Cliff, 2003; Brush et al., 2009). The higher the level of post-materialism in a country, the more likely it is that the population will consider the well-being of others, finding its expression in activities such as social entrepreneurship (Hartog & Hoogendoorn, 2011). In contrast, in the entrepreneurship field, Uhlaner and Thurik (2007) find a negative relationship between post-materialism and total early-stage entrepreneurial activity across countries. They argue that material gains, which are less valuable to post-materialist individuals, are crucial to commercial entrepreneurship. From this perspective, post-materialism is expected to have a larger impact on social entrepreneurs than on traditional entrepreneurs. This leads us to query the following propositions:

Hypothesis 1a: Post-materialism has a positive effect on the probability to become a social entrepreneur.

Hypothesis 1b: Post-materialism has a more positive effect on the probability of females becoming social entrepreneurs than their male counterparts.

Studies such as that conducted by Van Ryzin et al. (2009) provide some explanation regarding the individual characteristics that might describe or explain which individuals in society are likely to be social entrepreneurs. Their results suggest that women residing in large cities are more likely to be social entrepreneurs within the American context. These women tend to show more solidarity towards less fortunate members of society and regularly contribute to charity. These results are consistent with the findings arrived at by Korosec and Berman (2006). In the same vein, this study added that when the entrepreneurs in question are non-white women, they are more likely to become social entrepreneurs, since they may be motivated to some extent by their own life experiences or by a historical awareness of social injustice and inequality. A social entrepreneur's involvement with the social sector allows them to recognize new opportunities as well as to turn themselves into altruistic and more sensitive citizens who are dissatisfied with the status quo and are motivated to act with social responsibility (Corner & Ho, 2010; Zahra et al., 2008). Accordingly, the following is proposed:

Hypothesis 2a: Altruism has a positive effect on the probability to become a social entrepreneur.

Hypothesis 2b: Altruism has a more positive effect on the probability of females becoming social entrepreneurs than their male counterparts.

Women may consider an entrepreneurial career to be desirable if they observe management to be a participative, communicative, empathetic and flexible activity, within an environment in which information is shared and members work together as a team (Brush, 1992; Eddleston & Powell, 2008). The investigation also reveals the importance of prior experience and collaborative networks and reveals that women use their contacts at a business level to obtain more personal support, rather than operational support (Díaz & Carter, 2009; Noguera et al., 2013; Sorenson et al., 2008). In the same vein, The National Foundation for Women Business Owners (2000) found that 92% of female entrepreneurs supported charitable and community organizations. Furthermore, recent studies demonstrate that female entrepreneurs prefer using collaborative networks in which the proportion of friends and family members tends to be high (Brush et al., 2009; Greve & Salaff, 2003; Ogunrinola, 2011; Sorenson et al., 2008).

Meanwhile, those people who have been members of associations or foundations and have socialized with other entrepreneurs are more likely to start a new business venture (Busch, 2014; Davidsson & Honig, 2003; Dufays & Huybrechts, 2014). The presence of entrepreneurs with experience and of successful role models can reduce the ambiguity associated with starting a business (Gnyawali & Fogel, 1994; Minniti & Nardone, 2007); these role models are particularly appreciated by women and have a stronger positive effect for women than for men (BarNir et al., 2011; Langowitz et al., 2006). Consequently, the following hypotheses are proposed:

Hypothesis 3a: Being a member of a social organization has a positive effect on the probability to become a social entrepreneur.

Hypothesis 3b: Being a member of a social organization has a more positive effect on the probability of females becoming social entrepreneurs than their male counterparts.

7.3. METHODOLOGY

At the present, not many databases exist that measure social entrepreneurship phenomena. Many researchers alert to difficulties in completing quantitative studies as well as the necessity to find new ways to establish global databases. Even though these limitations have to be acknowledged, some international databases could be useful to overcome this situation. In this chapter we used several questions from the WVS, a global network of social scientists focused on the study of changing values. The WVS carried out surveys in 97 countries representing about 90% of the world's population (see Inglehart, 2000, 2004). Five waves of the WVS have been published (1981–1984; 1989–1993; 1994–1999; 1999–2004; 2005–2008) in order to enquire into individuals' basic values and attitudes across a broad range of issues, including politics and economics, family and religious values, gender issues and environmental awareness.

This database has been widely used by researchers, for example to analyse economic and political change (Inglehart, 1997); trust in large organizations; trust and well-being across nations (Inglehart, 1999); post-materialism (Abramson & Inglehart, 1999); values and cultural change (Inglehart & Baker, 2000). Specifically, we used data from the 1999–2004 wave, based on 82,992 respondents from 57 countries across five continents. The final sample size in this chapter is smaller (40 countries⁹ and 56,875 individuals) because we eliminated those countries that were not included in the survey data of the variables of interest for our research. A summary of the variables used is presented in Table 7.1.

Given the binary nature of the dependent variables, we tested the above-noted hypotheses using models of binary logistic regression, also known as probabilities models, so that the probability of the event occurring can be estimated. The model includes informal institutions as well as control variables, and may be expressed as:

$$P(SEA_i = 1) = \alpha + \beta_1 IF_i + \beta_2 CV_i + \varepsilon_i$$

$$H_0: \beta_1, 2 \neq 0$$

Where IF_i is a vector about the informal factors and CV_i is a vector about the control variables, and ε_i is the random disturbance.

⁹For more details, see the Appendix.

Table 7.1. Definition of variables

| | Variable | Description | Source* |
|--|---------------------------------|---|---------------------|
| Dependent variables | Social entrepreneurship | Dummy variable takes the value 1 if the individual is an unpaid worker for voluntary organisations and self-employed and 0 otherwise. | WVS (1999-2004) |
| | Female social entrepreneurship | Dummy variable takes the value 1 if the individual is a female unpaid worker for voluntary organisations and self-employed and 0 otherwise. | WVS (1999-2004) |
| | Male social entrepreneurship | Dummy variable takes the value 1 if the individual is a male unpaid worker for voluntary organisations and self-employed and 0 otherwise. | WVS (1999-2004) |
| Independent variables: Informal factors | Post-materialism | Post-Materialist Index 12-item. Index from 0 to 5. | WVS (1999-2004) |
| | Altruism | Dummy variable which indicate if the respondent agreed with a statement “how important it is in your life: Service to others”. | WVS (1999-2004) |
| | Member of a social organization | Dummy variable takes the value 1 if the individual belongs to voluntary organization and 0 otherwise. | WVS (1999-2004) |
| Control variables | Age | Respondents were asked to provide their age. | WVS (1999-2004)) |
| | Age-squared | It represents the square of age. | WVS (1999-2004) |
| | Income level | Classification of countries in three level of income, according to the WVS: 1) Low, 2) Medium and 3) High. | WVS (1999-2004) |
| | GDP | Natural logarithm of gross domestic product (GDP) at purchasing power parity (PPP). | WB (1999-2004) |

* World Value Survey (WVS). World Bank (WB).

7.4. RESULTS AND DISCUSSION

Table 7.2 presents the mean, standard deviation and correlation matrix for the variables of the econometric model presented previously. The table shows that in our sample the average of social entrepreneurial activity is 2% across the countries. As expected, the level of male entrepreneurial activity is higher than that of female entrepreneurial activity (2% and 1%, respectively).

Table 7.2. Descriptive statistics and correlation matrix

| Variables | Mean | Std. Dev. | 1. | 2. | 3. | 4. | 5. |
|------------------------------------|----------|-----------|----------|----------|----------|----------|---------|
| 1. SE | 0,03 | 0,00 | 1,00 | | | | |
| 2. Female SE | 0,01 | 0,00 | 0,55*** | 1,00 | | | |
| 3. Male SE | 0,02 | 0,00 | 0,83*** | -0,01** | 1,00 | | |
| 4. Post-materialism | 0,02 | 0,00 | 0,01** | 0,01 | 0,01* | 1,00 | |
| 5. Altruism | 0,83 | 0,00 | 0,02*** | 0,02*** | 0,01* | 0,02*** | 1,00 |
| 6. Member of a social organization | 0,28 | 0,00 | 0,21*** | 0,11*** | 0,18*** | 0,06*** | 0,05*** |
| 7. Age | 39,53 | 0,10 | 0,00 | 0,00 | 0,00 | -0,01*** | 0,00 |
| 8. Age-squared | 1.796,20 | 8,95 | -0,01 | 0,00 | 0,00 | -0,01*** | 0,00 |
| 9. Middle income | 0,37 | 0,00 | -0,02*** | -0,01* | -0,01** | -0,01** | -0,01 |
| 10. Higher income | 0,31 | 0,00 | 0,04*** | 0,01** | 0,04*** | 0,04*** | 0,00 |
| 11. Ln GDP | 7,80 | 0,01 | -0,07*** | -0,02*** | -0,07*** | 0,10*** | -0,01* |

| Variables | 6. | 7. | 8. | 9. | 10. | 11. |
|------------------------------------|----------|----------|----------|----------|---------|------|
| 6. Member of a social organization | 1,00 | | | | | |
| 7. Age | -0,03*** | 1,00 | | | | |
| 8. Age-squared | -0,02*** | 0,98*** | 1,00 | | | |
| 9. Middle income | -0,02*** | -0,04*** | -0,04*** | 1,00 | | |
| 10. Higher income | 0,10*** | -0,04*** | -0,05*** | -0,48*** | 1,00 | |
| 11. Ln GDP | 0,02*** | 0,16*** | 0,13*** | -0,02*** | 0,01*** | 1,00 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

Additionally, the correlation analysis shows several significant correlations which met our expectations. In order to test for the problem of multicollinearity, we calculated the VIF for each individual predictor and found that they were low (lower than 1.64), except for the cases of age and age squared. Additionally, to address the possibility of heteroskedasticity and autocorrelation among observations pertaining to the same country, robust standard errors, clustered by country, were estimated (White, 1980). The logistic regression analysis is presented in Table 7.3, where we report the estimated coefficients and robust standard errors in parentheses for all models. All the models are highly significant ($p \leq 0.000$). Models 1 presents the logistic regression results for socio-cultural factors and social entrepreneurship, and Models 2 shows the results for female entrepreneurship. Also, for the purposes of comparison, Model 3 presents the results for male entrepreneurship. Finally, following Arenius and Minniti (2005), and Langowitz and Minniti (2007), we include control variables related to socio-demographic factors in all models estimated, both individual (age, age squared) and country level (income level of country and Ln GDP) in order to analyse the probability of becoming a social entrepreneur.

With regards to the first hypotheses, where we proposed that post-materialism has a positive effect on one's probability of becoming a social entrepreneur, we found support of Hypothesis 1a (due to the marginal effect of this variable) as positive and significant in Model 1 ($p \leq 0.001$). This result is in accordance with evidence that a higher level of post-materialism can be related to a higher level of social entrepreneurial activity (Hartog & Hoogendoorn, 2011). In contrast, as we expected, our results suggest that post-materialism has a more positive influence on male social entrepreneurship rather than their female counterparts (see Model 3, $p \leq 0.001$). However, if female social entrepreneurship is positively affected by post-materialism, as we expected and according to previous studies (Manolova et al., 2012), this effect is not statistically significant (see Model 2). Note that these findings are in contradiction with Hypothesis 1b. These results could be explained by the fact that, as compared to men, women are less impacted by the non-materialistic values of their society, as they tend to be more driven by social projects; however, their society is characterized by materialistic values. Then, for women the decision to start a social organization may be less dependent on their societies' values.

Regarding the second set of hypotheses, which refer to the importance of altruistic attitudes on social entrepreneurship (Harris, 2009), particularly for female social entrepreneurs (Van Ryzin et al, 2009), the coefficient of this variable in the Models 1 and 2 is statistically significant ($p \leq 0.1$ and $p \leq 0.001$) and constant for all models. Thus, Hypothesis 2a and Hypothesis 2b are not rejected. Thus, the results show the positive influence of altruistic attitudes on female social entrepreneurship, in contrast to their male counterparts.

On the other hand, Hypothesis 3a and Hypothesis 3b, regarding membership of a social organization, are supported by our data. All models show that each is significant at the 99% level and with the sign expected. Therefore, according to the results, those entrepreneurs who participate in social organizations have a significant impact on social entrepreneurship (Model 1), female social entrepreneurship (Model 2), and on male social entrepreneurship (Model 3). This findings are in line with previous studies (Alvord et al., 2004; Austin et al., 2006; Certo & Miller, 2008), which assert the importance of the fact that being a member of social organizations could encourage and stimulate social entrepreneurs to start their own social projects. The fact of being part of a social organization can probably help individuals to perceive more feasibility and ease the possibility of taking in a social setting. In addition, previous social experience is an important aspect for understanding social entrepreneurship as a process.

Table 7.3. Results of logistic regression models

| | Model 1. | | Model 2. | | Model 3. | |
|-----------------------------|-------------------------|---------------------|--------------------------------|---------------------|------------------------------|---------------------|
| | Social entrepreneurship | | Female Social Entrepreneurship | | Male Social Entrepreneurship | |
| | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err | dF/dx | Robust. Std. Err |
| Informal Factors | | | | | | |
| Post-materialism | 0,621*** | -0,231 | 0,309 | -0,392 | 0,761*** | -0,276 |
| Altruism | 0,229* | -0,122 | 0,707*** | -0,264 | 0,046 | -0,137 |
| Member social organization | 2,995*** | -0,119 | 2,736*** | -0,196 | 3,062*** | -0,149 |
| Control Variables | | | | | | |
| Age | 0,112*** | -0,018 | 0,145*** | -0,03 | 0,094*** | -0,021 |
| Age ² | -0,001*** | 0,000 | -0,002*** | 0,00 | -0,001*** | 0,000 |
| Income Level | | | | | | |
| Middle income | -0,121 | -0,108 | -0,335* | -0,182 | 0,005 | -0,132 |
| Higher income | 0,201* | -0,106 | -0,108 | -0,176 | 0,349*** | -0,130 |
| Ln (GDP) | -0,252*** | -0,027 | -0,026 | -0,045 | -0,355*** | -0,033 |
| Constant | -5,771*** | -0,455 | -9,212*** | -0,756 | -5,157*** | -0,556 |
| Number of obs. | 24.013 | | 24.001 | | 24.001 | |
| Pseudo R-squared | 0,211 | | 0,145 | | 0,213 | |
| Log pseudolikelihood | -2.457,12 | | -1.021,25 | | -1.838,91 | |
| Percent correctly predicted | 97,14% | | 99,13% | | 98,02% | |
| AIC | 4.940,24 | | 2.068,49 | | 3.703,82 | |
| BIC | 5.045,36 | | 2.173,61 | | 3.808,94 | |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

With respect to the controls we see that both age and age squared have a positive effect in all models. In contrast, the impact of income levels and GDP is not supported in all models.

In general terms, our main findings indicate that socio-cultural factors have a significant impact on social entrepreneurship (Model 1). However, their influence on gender issues is not clear (Model 2 and 3). As we mentioned, we found that post-materialism affects male social entrepreneurship more than for females, and in contrast, the altruistic attitude is more important in female social entrepreneurship. Also, being a member of a social organization can influence both female and male social entrepreneurs.

7.5. CONCLUSIONS

The main objective of this chapter was to explore the socio-cultural factors influencing female and male entrepreneurship at a country level. Using the WVS data for 41 countries we tested hypotheses concerning the impact of socio-cultural factors on female and male social entrepreneurship.

We find that female and male social entrepreneurial activity rates are influenced by the same factors in the same direction. Hence, conditions for female entrepreneurship in a country tend to be similar to those for social entrepreneurship in general. However, for some factors we find a significant differential impact on female and male social entrepreneurship.

Regarding the determinants of social entrepreneurship in general, we find positive effects from being a member of a social organization and from age. With respect to the differential impact of factors on female and male social entrepreneurial activity, we find a significant positive impact of altruism on the probability of women becoming social entrepreneurs. More specifically, the positive effect of altruism is higher for women. In contrast, the effects of post-materialism and higher income levels on social entrepreneurial activity are positive for men and non-existent for women. Furthermore, we find evidence of a negative relationship between male social entrepreneurial activity and per capita income.

On the one hand, these results may help advance the analysis of social entrepreneurial activity from an institutional point of view, giving greater robustness to environmental factors as determinants of the creation of social organizations. The results suggest a series of implications at the academic level as well as the policy level

with respect to the development of a field of study of the most relevant socio-cultural factors. In the first case, and from the policy point of view, this could be accomplished by increasing the number of courses and support programs (at all educational levels) aimed at fostering a more positive perception of social entrepreneurial skills and increasing the visibility of female role models, with the ultimate objective of increasing the levels of female social entrepreneurship.

On the other hand, it would perhaps be necessary to confirm our results with samples that might permit the period of analysis to be widened; in the current study we only use one wave (1999–2004) from the WVS. Moreover, we believe that a study on the influence of socio-cultural factors, not independently but in terms of their overall effects, would be a very worthwhile endeavour. In this sense, future research should focus on including more countries in the analysis and investigate more explanatory factors, as well as, to include other control variables at country level (e.g. economic stage: factor, efficiency, innovation driven). Institutional factors, both formal and informal, should be included to rule out country differences in these areas, following the views of North (1990, 2005).

CHAPTER 8.

EXPLORING HOW INSTITUTIONAL CONTEXTS INFLUENCE SOCIAL AND COMMERCIAL ENTREPRENEURSHIP: AN INTERNATIONAL STUDY

8.1. INTRODUCTION

As discussed above, it is widely accepted that the entrepreneurship phenomenon is an important element of socio economic development across countries (Van Stel et al., 2005). Lately, a new kind of entrepreneurship focused on social wealth creation has attracted attention from governments and scholars, and become an active inquiry of research. It is called social entrepreneurship. Specifically, social entrepreneurs combine their social passion (producing social change, satisfy social needs or/and developing social goods and services) with using innovative solutions and business or strategy tools in order to achieve financial sustainability and independence from private donations or public grants (Dees, 2001; Mair & Marti, 2006).

In this sense, governments have recently started supporting social entrepreneurial activity by designing specific policies with the aim to encourage the formation of new social entrepreneurial initiatives. However, the boundaries between social and commercial entrepreneurship and 'for-profit' initiatives are not clear (Austin et al., 2006; Lumpkin et al., 2013; Shaw & Carter, 2007). There is no accepted universal definition of social entrepreneurship due to the diversity and heterogeneity of social enterprises in terms of organizational types, structures that they adopt, the social mission and their potential clients (Christie & Honig, 2006; Weerawardena & Mort, 2006). Hence, it is important to determine the key differences between social and commercial entrepreneurship using quantitative techniques that allow researchers and policy makers to acquire better knowledge. In the same as the previous chapters of this doctoral dissertation, our approach is built on the work of North (1990, 2005), who highlighted the relationship between the institutional incentives and structures and entrepreneurial development.

A growing body of research suggests that entrepreneurship is influenced by the institutional context. According to this, the institutional environment defines, creates and limits entrepreneurial opportunities, thus affecting entrepreneurial activity rates (Aidis et al., 2012; Alvarez et al., 2011; Gnyawali & Fogel, 1994; Thornton et al., 2011). In spite of these developments, little is known about whether institutions (formal - regulations, procedures, etc.- and informal –attitudes, values, etc.-) affect differently social and commercial entrepreneurship.

The purpose of this chapter is to analyse the institutional factors that condition entrepreneurial activity, distinguishing between social and commercial entrepreneurship and using institutional theory as conceptual framework (North, 1990, 2005). We statistically test our hypotheses through linear regression models in a global

setting using a sample of 43 countries and country-level data from Global Entrepreneurship Monitor, Doing Business Report and Worldwide Governance Indicators from the World Bank Group.

The main findings reveal that compared with commercial entrepreneurship, social entrepreneurship is positively influenced by education level (formal factor) whereas the minimum capital requirements (formal factor) do not affect the social entrepreneurial process in contrast to commercial entrepreneurship. In addition, the results suggest that role models and fear of failure (informal factors) has a significant relationship with social entrepreneurship, whereas fear of failure does not impact on commercial entrepreneurship.

The contribution of this study is twofold. Firstly, we advance in the literature proposing an integrated model that relates institutions and entrepreneurial activity considering the relationship between social and commercial entrepreneurial activity. Secondly, for practitioners, our study provides a rigorous examination that identifies significant heterogeneity between social and commercial entrepreneurship through the theoretical lens of the institutional approach. These findings could be very useful for the design of policies to foster both social and commercial entrepreneurship, taking in account their different conditioning factors.

After this introduction, the organization of the chapter is as follows. In the second section, we analyse the previous literature on social and commercial entrepreneurship in the context of institutional theory, proposing our hypotheses. Next, we describe the data, the variables and the statistical techniques used. Then, we discuss the empirical results. Finally, we present the main conclusions as well as implications of our research.

8.2. CONCEPTUAL FRAMEWORK

As with any newly emerging field, the literature on social entrepreneurship has grown, but there is no clear definition of its domain and it remains fragmented (Mair & Marti, 2006). Likewise, under the concept of social entrepreneurship, other types of social entrepreneurial activities are included, such as social venturing, non-profit organizations adopting business tools, hybrid organizations and social cooperative enterprises (Smallbone et al., 2001). Therefore, “the distinction between social and commercial entrepreneurship is not dichotomous, but rather more accurately conceptualized as a continuum ranging from purely social to purely economic” (Austin et al., 2006, p.3). As mentioned in Chapter 1, we define social entrepreneurship

following other studies such as Mair and Marti (2006) who define this phenomenon as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (p.40).

Some investigations in the social entrepreneurship field have assessed the main differences between commercial and social entrepreneurial activity. There seems to be consensus that motivation and the importance of social value creation (in contrast to economic value creation) distinguishes social entrepreneurs from commercial entrepreneurs (Dacin et al., 2010; Zahra et al., 2009). In a detailed discussion, Austin et al. (2006) suggest several conceptual boundaries between two forms of entrepreneurial activity in terms of entrepreneurial opportunities, mission, resource mobilization, and performance measurement. Weerawardena and Mort (2006) highlight the existence of differences in the risk propensities of social and commercial entrepreneurs. Gimmon and Spiro (2013) explore the common and different aspects of sustainability, in terms of survival and growth, between social and commercial ventures. Additionally, in terms of female participation in entrepreneurial activities, Hartog and Hoogendoorn (2011) find that women are proportionally more likely to become social entrepreneurs than commercial entrepreneurs. In spite of these results, few studies focus on the comparison between social and commercial entrepreneurship in an institutional environment.

A complex economic, political and social environment influences the entrepreneurial process and the subsequent results, forcing entrepreneurs to pursue innovative methods of sustainability (Weerawardena & Mort, 2006). Due to the fact that social entrepreneurs are especially oriented by the unmet social needs that exist in their environment, the importance of the institutional environment becomes a key issue (Urbano et al., 2010).

Institutional approach states that the role of the environment in the decision to create a company is critical (Bruton et al., 2010). It has become increasingly clear that issues such as culture, society attitudes, legal environment, and economic incentives determine the behaviour of its society members. Also, it might impact on entrepreneurial development (Urbano et al., 2010). Thus, the adoption of institutional perspectives is especially helpful in entrepreneurial research. According to North (1990, p.3), institutions represent “the rules of the game in a society, or, more formally, are the humanly devised constraints that shape human interactions”, including “formal constraints—such as rules that human beings devise—and informal constraints—such as conventions and codes of behaviour” (North, 1990, p. 4). Thus, the main function of institutions in a society is to reduce uncertainty by establishing a stable structure for

human interaction. As a consequence, we can state that the institutional environment influences human behaviour.

Applying this theory to the field of entrepreneurship, several studies suggest that formal institutions might include the support schemes and procedures referring to new business activity, and informal institutional factors embrace society's culture towards entrepreneurial activity (Aidis et al., 2008; Thornton et al., 2011; Toledano & Urbano, 2008; Welter & Smallbone, 2011; among others). In this chapter we propose education and minimum capital required as formal factors, and fear of failure and role models as informal factors (Alvarez & Urbano, 2011 and De Clercq et al., 2013 –concerning commercial entrepreneurship- and Estrin et al., 2013 and Sud et al., 2009 –concerning social entrepreneurship).

Regarding formal institutions, the formal education may assist in the accumulation of explicit knowledge. Education could provide social and commercial entrepreneurs with useful skills, which constitute guidelines for people's behaviour. Empirical evidence shows positive effects on the likelihood of an individual creating a firm if they have the necessary skills (Arenius & Minniti, 2005; Davidsson & Honig, 2003; Levie & Autio, 2008). Hence, education and training are considered some of the main factors in fostering entrepreneurship. In this sense, Coduras et al. (2008) highlight "the necessity to integrate the skills development and the capabilities required to start a business into specific educational and vocational training programs at all educational levels" (p.405).

This argument could be valid for social entrepreneurship. Several studies point out that the background of social entrepreneurs is critical for triggering the desire to launch a social enterprise (e.g. Chell et al., 2007; Shaw & Carter, 2007). Due to social entrepreneurs usually having to face double objectives – social value creation and financial sustainability – Mair and Marti (2006) and Zahra et al. (2009) emphasize that social entrepreneurs need higher levels of entrepreneurial ability as well as leadership skills in order to cope with management. According to Austin et al. (2006), the skills and knowledge that social entrepreneurs possess might contribute to success.

In the light of this evidence, the current study posits that the education of social entrepreneurs becomes a key factor in driving social entrepreneurial decision choices. Therefore, we pose the following hypothesis:

Hypothesis 1: Education has a positive effect in both commercial and social entrepreneurship. However, the positive effect is higher for social than for commercial entrepreneurship.

Potential entrepreneurs may be discouraged from starting a new initiative if they are faced by many financial barriers. In fact, previous studies have reached the consensus that larger minimum capital requirements are detrimental to entrepreneurship (Dreher & Gassebner, 2013). This is why some governments and institutions focus attention upon lowering the entry barriers to the formation of new firms, including cutting the statutory minimum capital (Van Stel et al., 2007). As noted by Braun et al. (2013) and Becht et al. (2008), the amount of equity funding that owners must pay or promise to pay when they establish a firm leads to opportunity costs as well as increased financial constraints for entrepreneurs. Thus, the cost of starting a new business (capital requirements) has been shown to be negatively correlated with the prevalence of entrepreneurship (Armour & Cumming, 2008; Klapper et al., 2006). However, the impact may be motivating because social entrepreneurs have objectives in addition to personal enrichment and, therefore, may be less affected by fiscal incentives (Dees, 2001; Nga & Shamuganathan, 2010). Hence, the following hypothesis is posed:

Hypothesis 2: The larger minimum capital requirements have a negative effect in both commercial and social entrepreneurship. However, the negative effect is higher for commercial than for social entrepreneurship.

Regarding the informal institutions, a substantial amount of theoretical and empirical literature from the entrepreneurship field supports the importance of the presence of role models and their effect on entrepreneurial processes (Arenius & Minniti, 2005; Krueger, 1993; Shapero & Sokol, 1982). The presence of successful role models offers optimism to potential entrepreneurs (Gnyawali & Fogel, 1994), as well as reducing ambiguity in the starting up process as entrepreneurs with experience could provide important information and advice about this process. Therefore, people socialized among entrepreneurs have a higher likelihood of being entrepreneurs (Davidsson & Honig, 2003). In social entrepreneurship inquiry, Harding and Cowling (2006) conclude that an individual's perceptions with regard to a number of factors are what make social entrepreneurs a distinct group compared with commercial entrepreneurs and the general adult population: namely, personal skills; knowledge and abilities to start a business; relationships with other entrepreneurs; opportunity recognition; and fear of failure. Nevertheless, the study of Bacq et al. (2013) suggested that commercial and social entrepreneurs do not differ significantly in terms of knowing other entrepreneurs. Consequently, we propose:

Hypothesis 3: Role models have a positive effect in both commercial and social entrepreneurship. However, the positive effect is higher for commercial than for social entrepreneurship.

According to the literature, the perceived possibility of failure determines an individual's decision to start a business, and the fear of failure has a negative effect on entrepreneurship. Since most individuals are risk averse, and the perceived fear of failure (rather than the objective likelihood of failure) is an important component of the risk attached to starting a new business, a reduced perception of the likelihood of failure should increase the probability that an individual will start a new business (Arenius & Minniti, 2005). Researchers in the social entrepreneurship field have shown that limitations on resources and the uncertainty associated with new venture creation in a social entrepreneurship context may also require a willingness to take risks (Austin et al., 2006; Dorado & Ventresca, 2013; Nga & Shamuganathan, 2010; Sharir & Lerner, 2006). In particular, Hoogendoorn et al. (2011) note that people defined as risk-tolerant are more likely to be social entrepreneurs. In contrast, Harding and Cowling (2006) reveal that social entrepreneurs are significantly less likely to fear failure, in contrast to the general population, although they perceived more fear of failure than their commercial counterparts. However, Weerawardena and Mort (2006) suggest that social entrepreneurs are more risk-taking than commercial entrepreneurs due to their focus on the survival of the organization and their relative lack of funding options. Therefore, we hypothesize:

Hypothesis 4: Fear of failure has a negative effect in both commercial and social entrepreneurship. However, the negative effect is higher for social than for commercial entrepreneurship.

8.3. METHODOLOGY

The current chapter uses a database from the GEM, specifically data from 2009 which focuses on a special topic: social entrepreneurship activity. This is the first dataset that allows for a quantitative, detailed empirical analysis of social entrepreneurship behaviour.

Our database contains information from the following 43 countries: the US, Russia, South Africa, Greece, the Netherlands, Belgium, Spain, Hungary, Italy, Switzerland,

the UK, Denmark, Norway, Germany, Peru, Argentina, Brazil, Chile, Colombia, Malaysia, South Korea, Tunisia, Uganda, Iceland, Finland, Latvia, Serbia, Croatia, Slovenia, Bosnia and Herzegovina, Guatemala, Panama, Venezuela, Ecuador, Uruguay, Tonga, the Dominican Republic, Hong Kong, Jamaica, Syria, Saudi Arabia, the United Arab Emirates and Israel. In order to test our previous hypotheses, we apply both GEM methodologies: the Adult Population Survey (APS), which tracks the entrepreneurial attitudes, activity, and aspirations of individuals, and The National Expert Survey (NES), which monitors Entrepreneurial Framework Conditions (EFCs). Finally, the research complements the GEM data with data from the Worldwide Governance Indicators, the World Bank, and, specifically, the Doing Business project.

In order to compare social entrepreneurship and commercial entrepreneurship, in this chapter we use two dependent variables. The first, social entrepreneurship, is based on a set of questions about starting and managing “any kind of activity, organization or initiative that has a particularly social, environmental or community objective” (Estrin et al., 2013). As regards the second type of entrepreneurship, namely commercial, respondents answered affirmatively that: (1) They alone, or with others, were currently trying to start a new business; (2) They had actively taken action to start the new business over the past 12 months; and (3) They will at least partly own this business. Both variables are binary variables, with a value of 1 for social/ commercial entrepreneurs and 0 otherwise, respectively. These two variables are based on the GEM project.

Concerning the dependent variables used in this research, social and commercial entrepreneurship is considered to be conditioned by both formal (education and minimum capital required) and informal institutions (role models and fear of failure). Table 8.1 provides a summary of these variables. Finally, given that the level of economic development of countries has a significant effect on explaining entrepreneurial activity (Carree et al., 2007; Wennekers et al., 2005), we use GDP-PPP per capita (in US dollars) to control for regional development.

To test the hypotheses, we ran separate linear regression analyses for commercial and social entrepreneurship. The analyses tested six models. Firstly, in models 1 and 2, social and commercial entrepreneurship was regressed against formal institutions. Next, in models 3 and 4, we regressed social and commercial entrepreneurship using informal institutions. Finally, in models 5 and 6, we ran linear regression using both formal and informal institutions for social and commercial entrepreneurship, separately.

Table 8.1. Description of variables

| Variables | | Description | Source* |
|-------------------------------|---|--|------------|
| Dependent variables | Social entrepreneurship | Percentage of individuals between 18 and 64 who are in the process of starting a business or company with social purposes. | APS (2009) |
| | Commercial entrepreneurship | Percentage of adults aged 18–64 setting up a business or owning–managing a young firm (up to 3.5 years old), including self-employment. | APS (2009) |
| Independent variables: | Education | The extent to which training in creating or managing SMEs is incorporated within the education and training system at all levels (primary and secondary). | NES (2009) |
| | Formal institutions Minimum capital required | Reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita. | DB (2009) |
| Independent variables: | Role model | Percentage of individuals who know someone personally who started a business in the past 2 years. | APS (2009) |
| | Informal institutions Fear of failure | Percentage of individuals who fear of failure would prevent starting a business. | APS (2009) |
| Control variable | GDP | Natural logarithm of gross domestic product at purchasing power parity per capita (U.S. dollar). | WDI (2009) |

* GEM Adult Population Survey (APS). GEM Spanish National Expert Survey (NES). Doing Business (DB). World Development Indicators (WDI).

8.4. RESULTS AND DISCUSSION

In Table 8.2 we present the means and standard deviations for the study's variables. Descriptive statistics indicate that, on average, 2% of people are social entrepreneurs, while 10% of people are commercial entrepreneurs.

We also display the correlations among the variables. The correlation matrix in Table 8.2 shows interesting and significant correlations between some independent variables. For instance, formal institutions such as education have a positive and significant correlation with social entrepreneurship. Likewise, we find a positive and significant correlation between role model and fear of failure and social entrepreneurship. Additionally, commercial and social entrepreneurship has a positive and significant correlation. Given these correlations among the several independent and control variables, we tested for the problem of multicollinearity, which might affect the significance of the main parameters in the regressions through VIF computations. The VIF values were low (lower than 3.77).

Table 8.2. Descriptive statistics and correlation matrix

| Variables | Mean | Std. Dev. | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|-------------------------|-------|-----------|---------|----------|--------|-------|---------|------|------|
| 1. SE | 2,10 | 1,97 | 1,00 | | | | | | |
| 2. CE | 10,21 | 6,72 | 0,33** | 1,00 | | | | | |
| 3. Education | 2,04 | 0,34 | 0,28* | -0,24 | 1,00 | | | | |
| 4. Min.capital required | 11,38 | 22,12 | -0,11 | -0,13** | -0,08 | 1,00 | | | |
| 5. Role model | 42,26 | 10,44 | 0,41*** | 0,49*** | 0,27* | -0,13 | 1,00 | | |
| 6. Fear of failure | 36,12 | 9,42 | 0,36** | -0,15 | 0,10 | -0,21 | 0,14 | 1,00 | |
| 7. Ln GDP | 9,74 | 0,78 | -0,03 | -0,68*** | 0,31** | -0,11 | -0,37** | 0,13 | 1,00 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$

The results of linear regression analysis for social and commercial entrepreneurship are presented in Table 8.3. As mentioned before, the first model analyses the effect of formal institutions (education and minimum capital required) on social entrepreneurship, controlling for Ln GDP per capita. It was significant ($p \leq 0.01$), explaining 24.5% of the variance. Our results indicate that the education coefficients are highly significant and of the expected sign (positive). In contrast, the minimum capital required is not significant and has a negative relationship with social entrepreneurship.

Table 8.3. Results of the regression analysis

| | SE Model 1 | CE Model 2 | SE Model 3 | CE Model 4 | SE Model 5 | CE Model 6 |
|-------------------------|---------------------|-----------------------|--------------------|-----------------------|--------------------|----------------------|
| Formal factors | | | | | | |
| Education | 2,154** (0,852) | 0,489 (2,367) | | | 1,819** (0,769) | 0,015 (2,374) |
| Min. capital required | -0,013 (0,012) | -0,071** (0,034) | | | -0,009 (0,013) | -0,069* (0,041) |
| Informal factors | | | | | | |
| Role model | | | 0,075** (0,028) | 0,193** (0,076) | 0,098** (0,041) | 0,261* (0,103) |
| Fear of failure | | | -0,059* (0,030) | -0,096 (0,079) | -0,097* (0,049) | -0,087 (0,055) |
| Control Variable | | | | | | |
| Ln GDP | -1,128** (0,427) | -7,246*** (1,187) | 0,201 (0,382) | -4,751*** (1,024) | -0,77* (0,429) | -7,895*** (1,324) |
| Constant | 14,239** (5,303) | 91,722*** (14,740) | -5,134 (4,242) | 51,907*** (11,372) | 9,509* (5,222) | 23,458*** (5,236) |
| Adj. R ² | 0,245 | 0,499 | 0,201 | 0,507 | 0,407 | 0,515 |
| F-statistic | 4,398 | 11,46 | 4,529 | 15,424 | 5,114 | 7,366 |

Note: *** significant at $p \leq 0.01$; ** significant at $p \leq 0.05$; *significant at $p \leq 0.10$. In parentheses there are standard errors, which all of them are robust standard errors adjusted for clustering.

Next, we ran the same model as in Model 1, but in this case we analysed the effect of formal institutions on commercial entrepreneurship (see Model 2). It was also significant ($p \leq 0.01$) and explained 49.9% of the variance in commercial entrepreneurship. In this case, and in contrast to Model 1, minimum capital variable was significant ($p \leq 0.05$) and education was not significant.

The third model shows the relationship between informal institutions and social entrepreneurship including Ln GDP per capita as a control variable. The results indicate that both of the informal institutions (role model and fear of failure) have a statistically significant impact on social entrepreneurial activity. However, the coefficient of the control variable, GDP per capita, was not significant. Model 3 explains 20.1% of the social entrepreneurship variation across countries. We then repeat the same model for commercial entrepreneurship. In this case, Model 4 shows that role model was the only significant informal institution ($p \leq 0.05$), while fear of failure are not significantly associated with commercial entrepreneurship. Regarding the control variable, we can observe that Ln GDP is significant. This model explained 50.7% of variance.

Likewise, in order to explain the impact of both, informal and formal institutions on the entrepreneurship (social and commercial), in Model 5 and 6 all institutional factors are added: education, minimum capital required, role model and fear of failure. The Model 5 is significant and explains 40.7% of the social entrepreneurship variation across countries. In this case, and according to the previous models (1 and 3), we confirm the significant impact of education (as formal institution) and role models and fear of failure (as informal ones) related to being a social entrepreneur. Corresponding to the commercial entrepreneurship, Model 6 shows the formal institution (minimum capital required) and the informal ones (role models) are statically significant to explain the commercial entrepreneurship. These results are in the same line as Model 2 and 4. Again, we found that the control variable represented by Ln GDP is negatively and significant related to commercial entrepreneurial activities.

With respect to the study's four hypotheses, we find support and partial support for all of them. Hypothesis1 proposed that education is positively correlated with social and commercial entrepreneurship. However, only for social entrepreneurial initiative do we find a statistically significant relationship (see models 1 and 5). Therefore, our findings illustrate the importance of an entrepreneurial education system which enhances and fosters innovative attitude, creativity and risk-taking (Austin et al., 2006; Chell et al., 2007; Nga & Shamuganathan, 2010; Pache & Chowdhury, 2012).

Particularly, we find that this relationship is more marked for social than commercial entrepreneurship (Harding & Cowling, 2006).

An interesting insight that arises from this study is the different effect of minimum capital required on social and commercial entrepreneurship. In line with our third hypothesis, we find that social entrepreneurial activities are less influenced by minimum capital requirements than commercial ones. As can be seen in models 2 and 6 commercial entrepreneurship is negatively and statistically significant in relation to the cost of starting a new business (capital requirements). This result is in line with other empirical findings which confirm that the cost of starting a new business is negatively correlated with the prevalence of entrepreneurship (Armour & Cumming, 2008; Klapper et al., 2006). For social entrepreneurship, we do not find a statistical relationship. Thus, Hypothesis 2 is partially supported by the data.

Regarding to informal factors, Models 3-6 include the variables of role model and fear of failure in order to test Hypothesis 3 and Hypothesis 4. We find that role model have a statistically significant impact on social and commercial entrepreneurship, including the expected signs, i.e. a positive relationship. Likewise, our results support the premise that the positive effect will be more marked for commercial than for social entrepreneurship. As can be seen in Model 4, the estimated coefficient is 0.193 for commercial, which is greater than 0.075 for social entrepreneurial activity. Thus, Hypothesis 3 is supported. In terms of fear of failure, we find a statistical relationship with social entrepreneurship and the sign that we find is negative, in the same line of our hypothesis. In contrast, we do not find a statistical relationship for commercial entrepreneurship. Thus, Hypothesis 4 is not supported by our data.

8.5. CONCLUSIONS

Despite the importance of entrepreneurship for social and economic growth, there are very few empirical articles using an integrated theoretical framework such as institutional theory for the study of the social entrepreneurship phenomenon. In this chapter, a large worldwide dataset is used to examine determinants of entrepreneurial activity, distinguishing between social entrepreneurship and commercial or 'for-profit' initiatives.

Compared with commercial entrepreneurship, we find that social entrepreneurship is positively influenced by education level (Elmes et al., 2012; Salamzadeh et al., 2013; Vungkhanching & Black, 2012), whereas the minimum capital requirements do not affect the social entrepreneurial process in contrast to commercial entrepreneurship.

Hence, our findings underline the importance of entrepreneurial education, especially among the social entrepreneurs, for increasing the probability of starting up a new social organization (Pache & Chowdhury, 2012). In addition, the results suggest that role models and fear of failure influence social entrepreneurship. With regard to the negative relationship between GDP per capita and new business activity (social and commercial), this suggests that as emerging economies become more prosperous, the prevalence of new business activity may decrease in tandem with the expansion of established firms. In a similar vein, as countries progress to higher levels of economic development, their business activities tend to require more advanced manufacturing techniques and economies of scale, which may function as barriers to the entry of new organizations (Spencer & Gomez, 2004). For social entrepreneurial activities, the institutional voids and the presence of underdeveloped markets, characterized by emerging economies, increase the necessity for social entrepreneurship (Mair & Marti, 2009).

These results may help advance the analysis of social entrepreneurial activity from an institutional perspective (Estrin et al., 2013; McMullen, 2011; Sud et al., 2009; Urbano et al., 2010), giving greater robustness to institutional factors as determinants of the social entrepreneurial initiatives. However, as with all research, our study has several limitations that we point out as future research avenues. First, it would perhaps be necessary to compare our results with samples that permit the period of analysis to be widened. Second, with the aim of improving the explanatory power of the model, we could include some other independent variables (such as post-materialism), which might contribute more information to future studies.

CHAPTER 9.

CONCLUSIONS

9.1. MAIN CONCLUSIONS

Social entrepreneurship has emerged as an important research topic in the literature. Researchers, governments and media increasingly recognize the importance of social entrepreneurial perspective to the problems which the world is facing today (Christie & Honig, 2006). Several scholars have begun to pay particular attention to this phenomenon (Austin et al., 2006; Lehner & Kansikas, 2012; Short et al., 2009, among others). In this context, social entrepreneurship literature has tended to focus on renowned social entrepreneurs' experiences and personal characteristics, as well as leadership and success factors. An important number of both theoretical and case studies can be found (Bacq & Janssen, 2011; Desa, 2012; Dhesi, 2010; Estrin et al., 2013; Mair & Marti, 2009; McMullen, 2011; Sud et al., 2009; Townsend & Hart, 2008).

Unfortunately, researchers have not so far devoted sufficient attention to understanding how institutional factors, whether formal or informal, affect (promote or inhibit) the emergence of social entrepreneurial initiatives (Urbano et al., 2010). Hence, the main objective of this dissertation has been to analyse the influence of institutions on social entrepreneurial activity, using the institutional approach (North, 1990, 2005) as a theoretical framework.

Drawing from institutional theory, we introduced and tested a measure that has both theoretical and practical importance. In this sense, the current investigation has shown that institutional factors are more relevant to promoting social entrepreneurship. By exploring the formal and informal institutions (North, 1990, 2005), our investigation responds to calls for a more systematic approach and a methodology for measuring the rate of social entrepreneurship across regions (Mair & Marti, 2006). We tested our hypotheses in both global settings and on regional cases, from international data sources such as the Global Entrepreneurship Monitor (GEM), the Spanish INE, the World Value Survey (WVS) and the Doing Business Report from the World Bank (WB), among others. As can be seen in Table 9.1, the main findings obtained indicate that informal institutional factors, such as beliefs and societal attitudes, risk-taking, perceptions of entrepreneurial skills, social image, post-materialism and role models affect social entrepreneurial activity to a greater degree than formal institutions (regulations, laws or government policies).

From a conceptual perspective, the results of this thesis support the importance of institutional factors to social entrepreneurial activity. This thesis advances the understanding of the institutional factors that influence social entrepreneurship as well

as the combination of more than one methodology for the study of the same phenomenon, based on statistical techniques such as linear regression, logit regression and panel data.

In Chapter 2, we explore the content and methodology used in the previous social entrepreneurship research, focusing on the institutional economics perspective. The literature review was based on articles published in the top journals, especially those included in the *Social Sciences Citation Index (SSCI)*. The main findings suggest that social entrepreneurship literature has tended to focus on describing experiences of the most popular social entrepreneurs, their personal characteristics and their key success factors. Additionally, the vast majority of the literature is classified as conceptual research. Likewise, empirical research is characterized by the use of case study methodology. From this literature review, we identified several key institutional factors that could influence social entrepreneurship: for formal institutions, public spending, access funding, education and minimum capital requirements; and for informal ones, self-perceived capabilities, entrepreneurial attitudes, social orientation, and innovativeness.

In Chapter 3, we analyse the relationship between social entrepreneurship and institutional factors (formal and informal), focusing on Spain and using institutional economics as the conceptual framework. To achieve this objective, we use models of logistic regression analysis, specifically ReLogit, based on data from the GEM. The main findings demonstrate that informal institutions, such as fear of failure and perception of entrepreneurial skills, and formal institutions, such as access to funding, influence social entrepreneurial activity in Spain. Likewise, based on marginal effects, we support the premise that informal institutions are more important than formal ones in promoting social entrepreneurship.

In Chapter 4, we identify the main institutional factors of social entrepreneurship in Spain and examine the impact of the recent financial and economic crisis on them. For our analysis, we use the GEM dataset collected from 2005 to 2010. Specifically, we have applied a panel data framework to study the effect of institutional factors on the rate of social entrepreneurship before and during the economic crisis. Our results suggest that the crisis had a statistically significant impact on entrepreneurial behaviour, and we found that perceived opportunities to create a start-up, as well as entrepreneurship's social image, were key drivers of social entrepreneurial activity during the depression period.

Table 9.1. Summary of the main results of the research

| Chapter | Institutions type | Independent variables | Methodology | Main results |
|---------|-------------------|---|---|---|
| 3 | Formal | Access to funding Education | Logistic regression analysis from 2009. Sample 28.137 observations. Spain. | Both informal and formal institutions influence social entrepreneurship, but it seems that informal factors (fear of failure and perception of entrepreneurial skills) have a greater impact on social entrepreneurial activity than formal factors (access to funding). |
| | Informal | Fear of failure Skills perceived | | |
| 4 | Informal | Opportunities to start-up | Data panel from 2005 to 2010. Sample of 106 observations and 18 Spanish regions. | Informal institutions (opportunities to start up and entrepreneur social image) are key drivers of social entrepreneurial activity during the depression period. |
| | | Entrepreneurial culture | | |
| | | Entrepreneur social image | | |
| | | Media impact | | |
| 5 | Formal | Public spending Access to funding | Hierarchical regression analysis from 2009. Sample 49 countries. | While being a member of a social organization and post-materialism increase the rate of social entrepreneurial activity, public spending has a negative relationship with this phenomenon. |
| | Informal | Member of a social organization Post-materialism | | |
| 6 | Informal | Innovativeness | Binary logistic regression (2005-2008). Sample of 82.992 individuals from 57 countries. | We find that innovativeness, altruism and risk-taking have positive moderating effects on the relationship between post-materialism and social entrepreneurship. |
| | | Altruism | | |
| | | Risk-taking | | |
| | | Post-materialism | | |
| 7 | Informal | Post-materialism | Binary logistic regression (1999-2004). Sample of 56.875 individuals from 40 countries. | There are some informal institutions (post-materialism and altruism) that have a differential impact on female and male social entrepreneurship. In contrast, being a member of a social organization has the same impact in both, female and male social entrepreneur. |
| | | Altruism | | |
| | | Member of a social organization | | |
| 8 | Formal | Education | Linear regression analysis from 2009. Sample 43 countries. | Compared with commercial entrepreneurship, we find that social entrepreneurship is positively influenced by entrepreneurial education level, whereas the minimum capital requirements do not affect the social entrepreneurial process in contrast to commercial entrepreneurship |
| | | Minimum capital | | |
| | Informal | Role model | | |
| | | Fear of failure | | |

Later, the main objective of Chapter 5 is to study the environmental factors that influence social entrepreneurial activity in the light of institutional economics as a conceptual framework. Using hierarchical regression analysis for a sample of 49 countries, we study the impact of formal (public spending, access to funding) and informal (being a member of a social organization and post-materialism) factors on social entrepreneurship. The main findings of this research suggest that although being a member of a social organization and having post-materialism values increases the rate of social entrepreneurial activity, public spending has a negative relationship with this phenomenon. Again, our results support the thesis that informal institutions or socio-cultural factors have a key role in the process to start-up a new social initiative.

In Chapter 6, we analyse the impact of cultural factors on the relationship between post-materialism and social entrepreneurship in the light of institutional economics. Through a logistic regression model and using a large sample from the WVS, we find that innovativeness, altruism and risk-taking have positive moderating effects on the relationship between post-materialism and social entrepreneurship. Furthermore, we show that a greater emphasis on immaterial values may affect the social entrepreneurship rate across countries.

Then, in Chapter 7, using institutional economics, we examine the socio-cultural factors which influence the likelihood of women becoming social entrepreneurs. Binary logistic regression is applied as the statistical method to test the hypotheses proposed, using data from the WVS and the WB. The main findings of this chapter reaffirm the relevance of socio-cultural factors to social entrepreneurship. Particularly, we have found that altruistic attitudes and being a member of a social organization are the most relevant socio-cultural factors for female social entrepreneurship. In contrast, the effects of post-materialism and higher income levels on social entrepreneurial activity are positive for men and non-existent for women.

Finally, the main purpose of Chapter 8 is to explore the main differences between social and commercial entrepreneurship by using institutional theory as the conceptual framework. We mainly use the GEM Report surveys from 43 countries for 2009. Compared with commercial entrepreneurship, we find that the entrepreneurial education level is an important institutional factor, whereas minimum capital requirements have no effect on social entrepreneurship in contrast to commercial entrepreneurship. Moreover, we find that role models and fear of failure influence social entrepreneurship.

9.2. IMPLICATIONS AND RECOMMENDATIONS

As mentioned in Chapter 1, the current thesis contributes to academic, entrepreneurial and practical perspectives. Regarding the academic implications, the main results of this dissertation derive from the application of the institutional perspective as an appropriate conceptual framework for the analysis of social entrepreneurship.

On the one hand, the research contributes to the creation of knowledge in an understudied area such as the institutional factors that affect social entrepreneurial activity in different countries. We have used North's institutional theory (1990, 2005) to propose an operationalization of the institutional factors, distinguishing between formal and informal institutions. The results obtained may help to advance the analysis of social entrepreneurial activity from an institutional perspective, providing greater robustness to environmental factors as determinants of the creation of social initiatives.

Taking account of these considerations, the thesis reaffirms and empirically validates the importance of environmental factors to the process of social entrepreneurship (Bacq & Janssen, 2011; Mair & Marti, 2009; Urbano et al., 2010), using quantitative methodology and testing different conceptual frameworks in order to understand the social entrepreneurial process. As a consequence, these results imply that the environmental factors in which social entrepreneurship emerged should not be ignored. Then, we advance the literature by proposing an integrated model that relates institutions and entrepreneurial activity by considering the relationship between social and commercial entrepreneurial activity. Additionally, we add to the literature that seeks to examine the moderating effects between institutional factors (i.e. De Clercq et al., 2013); we shed light on the role of institutions in social entrepreneurial processes. Thus, importantly, the thesis offers an alternative approach to case studies in terms of examining social entrepreneurial processes.

On the other hand, this investigation helps to answer the call for more quantitative research (Mair & Marti, 2006; Short et al., 2009). Quantitative works centred on the analysis of institutional factors as determinants of social entrepreneurial activities across countries are noticeably lacking. In this sense, the current dissertation covers this academic gap by using huge and reliable databases, as well as applying econometric techniques. Thus, in contrast to the majority of empirical research on social entrepreneurship, which mainly involves case studies (Short et al., 2009), we employ a well-defined sample of social entrepreneurs, in different contexts and

countries, to test our conceptual models and hypotheses through linear regression, panel data, logistic regression and empirical techniques, among others.

Concerning the entrepreneurial implications, the increase in new social organizations and support programmes for these new projects has demonstrated the dynamism of this phenomenon. However, little is still known about their limitations or obstacles in the process of beginning their entrepreneurial activities. Thus, having a clear idea about the institutional framework for new social entrepreneurial activities can have a positive effect on these projects. The evidence found can enable potential social entrepreneurs to identify the specific barriers or limitations which could affect their initiative.

Finally, at the government level, in-depth analysis of the institutional environment of social entrepreneurial activities will probably help public administrations to review the support programmes which aid this phenomenon. This premise is based on the idea that knowledge of the institutional factors, both formal and informal, which surround the social entrepreneurial process may also be of great use in the design of these government policies. An understanding of what causes some countries or regions to have more social entrepreneurial activity than others is in particular highly relevant for policy-makers. Thus, the existence of support programmes suitable for the needs of new social entrepreneurs can positively affect the social entrepreneurial activities. The results of the current investigation contribute to the definition of policies that increase the number of potential social entrepreneurs through the training of individuals with favourable attitudes to entrepreneurship who are oriented to pursue social wealth creation as their main objective.

A major implication for governments and institutions is, therefore, to learn from entrepreneurs' characteristics in order to potentiate a favourable scenario for innovation. According to the European Commission (2011), 'social enterprise is a key element of the European social model. It is closely linked to the EU2020 strategy and makes a significant contribution to society. It is crucial, therefore, to support and promote it so that we can make the most of its growth potential and capacity to create social value'. In this context, the European Commission (2011) suggests several recommendations which should be taken into account.

- (i) Better access to capital and tailored finance instruments are priorities for social enterprises.
- (ii) The emergence of specific support programmes for social enterprise development and the next generation of social entrepreneurs.

- (iii) Social enterprise must be included in research, innovation and development programmes. Furthermore, initiatives should be taken to collect and share statistics on social enterprise in Europe.

Therefore, public policies are required that foster and promote social entrepreneurship phenomena through the organization of integrated systems of financial support, adopting measures to increase the visibility of social entrepreneurial projects on TV, via radio, or in the press and studying the importance of these phenomena.

Overall, this thesis therefore offers the possibility for quantitative research that measures social entrepreneurial activity, providing insight into the distinctive institutional factors that may influence social entrepreneurs. Hence, the more we know about the key institutional factors that influence social entrepreneurship, the more it will be possible to design successful initiatives to support such entrepreneurial activities and move the literature forward.

9.3. LIMITATIONS AND FUTURE RESEARCH LINES

Academic and research interest in social entrepreneurship has increased and become an important research topic. A number of limitations were identified in this study in both the theoretical and the empirical parts.

At the theoretical level, we have applied North's institutional theory (1990, 2005), which, based on the concept of institutions, differentiates between formal and informal institutions. The first theoretical limitation is the problem of deciding what can be defined as formal and what can be defined as informal institutions.

Another theoretical limitation is related to the necessity to obtain a clear definition of social entrepreneurship and define the main boundaries between commercial and social entrepreneurship as well as non-governmental vs. social entrepreneurial activities (Mair & Marti, 2006; Short et al., 2009; Tan et al., 2005). In addition, there are other factors that need to be considered in the conceptual model proposed; for example, in-depth analysis needs to be focused on the influence of formal and informal factors such as support measures for social entrepreneurship, post-materialism, attitudes toward social entrepreneurship and barriers to individuals becoming more socially entrepreneurial.

Also, we could examine the relationship between institutional dimensions - regulative, normative and cultural-cognitive - (Scott, 1995) and social entrepreneurial

activity.

Concerning the empirical part, more accurate proxies for both our dependent and our independent variables could be used, as well as, control variables that include country level variables (e.g. unemployment rates; variation of GDP / unemployment; or economic stage: factor, efficiency, innovation driven). First, the limited number of databases that measure the social entrepreneurial phenomenon restricts the methodological options available to us to test our hypotheses. Second, another important direction for future research is the use of a bigger sample from a different database and increasing the period analysed. However, this sample would also be conditioned by the availability of the variables used in this dissertation. Third, an extended investigation comparing Spanish with other European or American regions would be worthwhile. Therefore, a geographical analysis of the different approaches of social entrepreneurship in Europe would be of prime interest in terms of advancing the field of social entrepreneurship.

Given these findings, several new research directions can be suggested. Although evidence has been provided that public spending, social attitudes and education influence social entrepreneurial activity, there is a need to understand the relative importance of social entrepreneurship in different countries (developed and developing) better. Thus, it is vital to increase the size of the sample used in the current thesis. In addition, further insights into the dynamic interactions of environmental factors with other variables thought to influence social entrepreneurial activity (volunteering, skills, experience, social networks, etc.) are needed. Richer insights are also needed into the relationship between particular formal factors and aspects of social entrepreneurship, such as financial structure and support measures.

Finally, another relevant research path would involve comparisons between social entrepreneurs who succeed and those who fail. It is also necessary to advance the operationalization of institutions, for example by specifying the variables of business and entrepreneurial skills, and access to credit. Finally, as mentioned before, it is important that longitudinal comparisons are made between different countries to find the corresponding implications for social entrepreneurship. Nevertheless, we believe that the study presented here might provide a starting point for future research aimed at analyzing the implications of different institutional frameworks in different contexts.

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APPENDIX

Appendix 1. Review articles that relate institutions and social entrepreneurship

| Author - year | Title | Objectives | Findings |
|-------------------------|--|--|---|
| Alvord et al. (2004) | Social entrepreneurship and societal transformation: An exploratory study | To study the links between social entrepreneurship and sustainable societal transformations. Also, this research has sought to identify common patterns across a small set of successful social entrepreneurship initiatives. | The authors generate propositions about core innovations, leadership and organization, and scaling up in social entrepreneurship that produces societal transformation. |
| Anderson et al. (2006) | Indigenous land rights, entrepreneurship, and economic development in Canada: "Opting-in" to the global economy | To explore business development activities that flow from the later aspect of indigenous land rights in a Canadian context. | The results suggest that the process is a particular and important instance of social entrepreneurship. |
| Austin et al. (2006) | Social and commercial entrepreneurship: Same, different or both? | To offer a comparative analysis that identifies common and differentiating features between commercial and social entrepreneurship. | The authors conclude that, the opportunity dimension, the impact of the context, the nature of the human and financial resources, and the terms of deals are fundamentally different for commercial and social entrepreneurs. |
| Bacq and Janssen (2011) | The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria | The objective of this paper is to clarify the concepts of 'social entrepreneurship', 'social entrepreneur' and 'social entrepreneurship organization' and to examine whether there is a transatlantic divide in the way these are conceived and defined. | The authors show that there is no clear-cut transatlantic divide, but that, even within the US, different conceptions coexist. |
| Campin et al. (2013). | micro-Business community responsibility in Australia: Approaches, motivations and barriers | This study sought to understand how the very small size of micro-businesses might be part of a phenomenon quite different to that created between larger businesses and their stakeholders. Accordingly, this research focused on micro-business owner-operators to examine the research question of 'What are the approaches, motivations and barriers of micro-business owner-operators to micro-Business Community Responsibility?' | The main findings revealed that the combination of doing business and doing good found amongst participants in this study suggests that many micro-business owner-operators are supporters of their local communities and, therefore, driven by more than profit. |
| Certo & Miller (2008) | Social entrepreneurship: Key issues and concepts | To review research in social entrepreneurship to better understand how this concept has developed over time. | Social entrepreneurs may face more difficulties in mobilizing financial and human resources. |

| Author - year | Title | Objectives | Findings |
|---------------------------|--|---|---|
| Choi & Majumdar (2014) | Social entrepreneurship as an essentially contested concept: Opening a new avenue for systematic future research | The purpose of this article is to shed light on the ongoing contestation of social entrepreneurship and to offer a novel conceptual understanding of the concept that can facilitate the development of systematic and structured future research. | The article proposes a conceptual understanding of social entrepreneurship as a cluster concept. According to this understanding, social entrepreneurship can be viewed as a conglomerate of several sub-concepts which are identified as (1) social value creation, (2) the social entrepreneur, (3) the social entrepreneurship organization, (4) market orientation and (5) social innovation. |
| Corner and Ho (2010) | How opportunities develop in social entrepreneurship | To explore how social entrepreneurship opportunities are recognized and exploited. | The findings highlighted four patterns that emerged across the innovation episodes that provided data. |
| Cornwall (1998) | The entrepreneur as building block for community | To examine the impact that entrepreneurship can have to foster the rebuilding of poor or low-income communities. | The main results highlight that the impact of recognizing and acting on the responsibilities entrepreneurs have back to their communities. |
| Dees (2001) | The meaning of social entrepreneurship | To define social entrepreneurship phenomenon. | The author defines social entrepreneurs who play the role of change agents in the social sector by: adopting social mission, pursuing new opportunities, with continuous innovation, acting boldly and exhibiting heightened accountability. |
| Desa (2012) | Resource mobilization in international social entrepreneurship: Bricolage as a mechanism of institutional transformation | This article examines how regulatory, political, and technological institutions affect resource-mobilization in 202 technology social ventures from 45 countries. | In the face of weak, uncertain, or emergent regulatory and technological institutions, the results indicate that social entrepreneurs move toward bricolage activity. |
| Dhesi (2010) | Diaspora, social entrepreneurs and community development | To identify attributes of social entrepreneurs and philanthropists among returning successful diaspora in North Indian villages. And, to ascertain key determinants and processes influencing outcomes of social entrepreneurial activity with a view to facilitate it. | There exist substantial factors, such as early socialization, experience in community work, education and health, that differentiate social entrepreneurs and philanthropists. Saliency of relationship between formal and informal institutions, personal traits and social skills of social entrepreneurs in influencing outcomes of social entrepreneurial activity is indicated. |
| Di Domenico et al. (2010) | Social bricolage: Theorizing social value creation in social enterprises | The study sought to address the following question: "How do social enterprises acquire resources in resource-scarce environments?". | Key constructs: making do, a refusal to be constrained by limitations, improvisation, social value creation, stakeholder participation, and persuasion. |

| Author - year | Title | Objectives | Findings |
|-------------------------------|--|--|--|
| Estrin et al. (2013) | Entrepreneurship, social capital, and institutions: Social and commercial entrepreneurship across nations | This paper models and tests the relationship between social and commercial entrepreneurship drawing on social capital theory. | They find evidence that the entrepreneurial process, independent of its goals, is facilitated by a strong rule of law, and argue that this is not inconsistent with the institutional void perspective; indeed they find evidence supporting the institutional void view with regard to social needs when governments are less active. |
| Felício et al. (2013) | Social value and organizational performance in non-profit social organizations: Social entrepreneurship, leadership, and socioeconomic context effects | This study has two main objectives. First, the study assesses the extent to which SE and transformational leadership (TL) contribute to the creation of SV and the improvement in organizational performance (OP). Second, the study evaluates the relation that SV has with OP and furthers the understanding of the extent to which the socioeconomic context affects these relations. | By evaluating the role of socioeconomic context as the moderating variable, the results confirm the strong influence of social entrepreneurship on social value and the effects of social entrepreneurship and transformational leadership on organizational performance. The socioeconomic context proves to be an important moderator of the hypothesized relations. In an unfavorable context, transformational leadership becomes relevant in explaining social value and organizational performance. However, in a favorable context, social entrepreneurship provides more significant support to social value and organizational performance, and social value itself also has an effect on organizational performance. |
| Friedman and Desivilya (2010) | Integrating social entrepreneurship and conflict engagement for regional development in divided societies. | To present a theoretical model for promoting regional development in 'divided' societies by integrating social entrepreneurship with conflict engagement. | This paper argues that, in divided societies, social entrepreneurship can be an effective strategy for regional development if it is integrated with conflict engagement. |
| Harris (2009) | Ethics and entrepreneurship | To review several streams of research at this nexus, broadly construed, and identify and integrate the key themes that emerge, offering suggestions for future research. | The author highlights six specific lines of inquiry within each broad area, summarizing the major findings and highlighting a host of remaining research questions. |
| Mair and Marti (2006) | Social entrepreneurship research: A source of explanation, prediction, and delight | To clarify and define the key concepts and constructs in order to guide future research | Social entrepreneurship is a process of creating social value by combining resource in new ways, and it can occur equally well in a new organization or in an established organization. |
| Mair and Marti (2009) | Entrepreneurship in and around institutional voids: A case study from Bangladesh | To bridge these literatures on entrepreneurship and institutions, and more specifically, to advance theory on institutional entrepreneurship and the emerging theory of bricolage. | The concept of institutional voids as opportunity spaces for institutional entrepreneurs becomes a key nexus between these two literatures |

| Author - year | Title | Objectives | Findings |
|------------------------------|---|--|---|
| McMullen (2011) | Delineating the domain of development entrepreneurship: A market-based Approach to facilitating inclusive economic growth | To explain why entrepreneurial transformation of formal institutions is needed and what differentiates development entrepreneurship from related concepts such as social entrepreneurship, social business entrepreneurship, and socio-political activism. | The author demonstrates how social entrepreneurship, in the form of development entrepreneurship, can expand trade by removing institutional barriers that exclude a population from participating as producers or consumers in global markets. |
| Nga and Shamuganathan (2010) | The influence of personality traits and demographic factors on social entrepreneurship start up intentions | To investigate the influence of the Big Five personality trait dimensions comprising openness, agreeableness, neuroticism and conscientiousness on social entrepreneurship | This study has found that personality traits such as agreeableness, openness and conscientiousness have generally a positive influence on social entrepreneurship dimensions. In particular, agreeableness has been found to have a positive influence across all social entrepreneurship dimensions investigated, namely social vision, innovation, sustainability, social networking and financial returns. |
| Nicholls (2010b) | Institutionalizing social entrepreneurship in regulatory space: Reporting and disclosure by community interest companies | To analyse the new landscape of social investment. | This paper identifies two ideal type investor rationalities that drive different institutional forms of social investment but also suggests that a third - systemic - rationality can be discerned that combines aspects of both in practice. |
| Nissan et al. (2012) | Drivers of non-profit activity: a cross-country analysis | The goal of this paper is to study which contextual forces foster social innovation and non-profit activity from an integrative perspective. | The results provide evidence of the strength of environmental factors such as trust, economic development and social care public expenditures in non-profit activity. The model doesn't confirm the existence of a positive relationship between entrepreneurship and non-profit activity. Nevertheless, the authors consider that the supply side theories and the idea of spatial production of entrepreneurship are quite consistent and find some signs evidencing a positive relationship between these variables. |
| O'Connor (2013) | A conceptual framework for entrepreneurship education policy: Meeting government and economic purposes | This article sets out an argument, extending from economic theory, to provide purpose for entrepreneurship education and proposes a policy framework supported by analysis of the Australian government policy context. | The paper outlines how distinctions in economic and social concepts can differentiate purposes for entrepreneurship education that fit within an economic and government policy frame of reference. |

| Author - year | Title | Objectives | Findings |
|--------------------------|---|---|---|
| Peredo and McLean (2006) | Social entrepreneurship: A critical review of the concept | Analytical, critical and synthetic examination of "social entrepreneurship" in its common use, considering both the "social" and the "entrepreneurship" elements in the concept. | The paper concludes with the proposal of a suitably flexible explication of the concept: social entrepreneurship is exercised where some person or persons (1) aim either exclusively or in some prominent way to create social value of some kind, and pursue that goal through some combination of (2) recognizing and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources. |
| Renko (2013) | Early challenges of nascent social entrepreneurs | This study focuses on how a nascent entrepreneur's prosocial motivation affects the progress in building a new venture. | Results show that prosocial motivation decreases the likelihood of firm emergence within a 4-year follow-up period, and even more so when the product offering of the emerging venture is new to the markets. |
| Rotheroe (2007) | Social return on investment and social enterprise: Transparent accountability for sustainable development | To apply the social return on investment (SROI) concept to a case study based on the Furniture Resource Centre Group (FRC Group), a social enterprise based in Liverpool, UK, to satisfy a need for quality affordable furniture for low-income households. | The results indicated that the SROI technique demonstrated many qualities of sustainability and, with stakeholder inclusiveness pivotal to the innovative process, it allows for truly connected thinking that reveals advancements in sustainable development. |
| Sharir and Lerner (2006) | Gauging the success of social ventures initiated by individual social entrepreneurs | To identify the factors affecting the success of social ventures operating in social settings in Israel. | Eight of the 15 variables were found to contribute to the social venture success: the social network; total dedication; the capital base at the establishment stage; the acceptance of the idea of the venture in the public discourse; the venturing team; long-term cooperation; the ability of the service to stand the market test; previous managerial experience. |
| Shaw and Carter (2007) | Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes | To explore the historical and theoretical antecedents of social enterprise and its contemporary practice. By exploring key theoretical concepts, the paper draws comparisons between "for-profit" and social entrepreneurs. | The practice of social entrepreneurship could be compared and contrasted with for-profit entrepreneurship by five key themes: the entrepreneurial process, in particular, opportunity recognition; network embeddedness; the nature of financial risk and profit; the role of individual versus collective action in managing and structuring enterprises; and creativity and innovation. |

| Author - year | Title | Objectives | Findings |
|--------------------------|---|---|---|
| Smith and Stevens (2010) | Different types of social entrepreneurship: The role of geography and embeddedness on the measurement and scaling of social value | To highlight the role of the geographic dimension of the different types of social entrepreneurship and highlight the importance of geography in shaping social entrepreneurial behaviour. | Entrepreneurs maintaining a more localized focus will maintain a more direct relationship with that community and its key stakeholders. In contrast, social entrepreneurs seeking to address problems on a more universal scale will reach out to a more varied and less individually involved group of stakeholders, in order to create the umbrella of impact they desire to achieve. |
| Spear (2006) | Social entrepreneurship: A different model? | To develop a framework which allows both economic and social entrepreneurship to be analysed. | There are strong similarities between social enterprise and SMEs institutional forms, but there are also significant differences (a collective nature of social entrepreneurs than individualistic, external support plays key roles (networking)). |
| Sud et al. (2009) | Social entrepreneurship: The role of institutions | To study the ability of SE, by itself, to provide solutions on a scope necessary to address large-scale social issues. | Interinstitutional collaboration is a necessary element in addressing our most serious social ills. |
| Thompson et al. (2000) | Social entrepreneurship – a new look at the people and the potential | To explore the current need of social entrepreneurship and to describe a number of contemporary examples in UK. | The social entrepreneurship growth is highly desirable, however a number of hurdles have to be overcome. |
| Thompson (2002) | The world of the social entrepreneur | To map effectively the scope of social entrepreneurship in both business and the voluntary sector in UK. | There are areas where social entrepreneurs need help and support, due to a number of hurdles remain to be overcome. |
| Townsend and Hart (2008) | Perceived institutional ambiguity and the choice of organizational form in social entrepreneurial ventures | To examine how the influence of an entrepreneur's perception of ambiguous institutional factors (e.g., resource acquisition, stakeholder alignment, and legitimacy) at the time of venture founding affects this choice of organizational form. | Perceptions regarding the ambiguity of the institutional environment specific to stakeholder alignment, resource acquisition, and legitimacy attainment substantially influence the social entrepreneur's choice of organizational form. However, depending on the relative values of an entrepreneur's social and economic motivations, the institutional environment may take on a greater or lesser role in determining the choice of organizational form. |

| Author - year | Title | Objectives | Findings |
|------------------------------|--|--|--|
| Urbano et al. (2010) | Analyzing social entrepreneurship from an institutional perspective: Evidence from Spain | To investigate how the institutional framework affects both the emergence and implementation of SE in a highly entrepreneurial Spanish region: Catalonia | Informal and formal institutions are important to the generation of SE in Catalonia. But informal institutions have greater importance than formal institutions due to the fact that they affect not only the implementation of SE, but also their emergence. |
| Wallace (1999) | Social entrepreneurship: The role of social purpose enterprises in facilitating community economic development | To examine the role of social and political cohesion in a community economic development context focusing on the emergence and dynamics of social purpose enterprises in facilitating community development and revitalization efforts | This paper argues the case for the recognition of and advocacy for the expansion of social purpose enterprises, often operating for-profit ventures, as an effective socio-political and economic link between government and free market enterprise |
| Weerawardena and Mort (2006) | Investigating social entrepreneurship: A multidimensional model | To advance the conceptualization of the social entrepreneurship construct based on empirical research by using grounded theory method. | Social entrepreneurship is a bounded multidimensional construct that is deeply rooted in an organization's social mission, its drive for sustainability and highly influenced and shaped by the environmental dynamics. |
| Wilson & Post (2013) | Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation | The goal of this research study was to describe and analyze the phenomenon of the social business, laying the foundations for the development of process theory related to how the form and practice of these hybrid organizations occurs through their design and key structural decisions. | The result suggests that clear intentionality around social purpose drives the design of these ventures and their associated missions and business models such that they can creatively synthesize competing paradigms (economic and social purpose) within one venture. The tight coupling of mission, method, and operationalization allows for the multi-stakeholder promise of the business model to be fulfilled. |
| Zahra et al. (2008) | Globalization of social entrepreneurship | To explain the forces contributing to the formation and rapid internationalization of social ventures. | Social entrepreneurs might be attracted to opportunities that lie outside their home countries and launch ventures that go international from inception, even when markets do not exist or where there are serious institutional failures. |
| Zahra et al. (2009) | A typology of social entrepreneurs: Motives, search processes and ethical challenges | To advance a typology that identifies three types of social entrepreneurs and to use the proposed typology of social entrepreneurs to explore various ethical issues encountered in practice | There are three types of social entrepreneurs: Social Bricoleurs, Social Constructionists and Social Engineers. Though these entrepreneurs share a passion for pursuing social issues, major differences exist among them in how they discover social needs (i.e., search processes), pursue social opportunities, and impact the broader social system. |

Appendix 2. List of countries used in the thesis

| Chapter 5 - Countries | | | |
|-----------------------|--------------------|----|------------------------|
| 1 | Algeria | 26 | Peru |
| 2 | Argentina | 27 | Romania |
| 3 | Belgium | 28 | Russia |
| 4 | Brazil | 29 | Saudi Arabia |
| 5 | Chile | 30 | Serbia |
| 6 | China | 31 | Slovenia |
| 7 | Colombia | 32 | South Africa |
| 8 | Croatia | 33 | Spain |
| 9 | Denmark | 34 | Switzerland |
| 10 | Dominican Republic | 35 | Syria |
| 11 | Finland | 36 | Uganda |
| 12 | France | 37 | United Arab Emirates |
| 13 | Germany | 38 | United Kingdom |
| 14 | Greece | 39 | United States |
| 15 | Guatemala | 40 | Uruguay |
| 16 | Hungary | 41 | Venezuela |
| 17 | Iceland | 42 | Malaysia |
| 18 | Israel | 43 | Bosnia and Herzegovina |
| 19 | Italy | 44 | Panama |
| 20 | Jamaica | 45 | Jordan |
| 21 | Japan | 46 | Iran |
| 22 | Latvia | 47 | Ecuador |
| 23 | Lebanon | 48 | Hong Kong |
| 24 | Netherlands | 49 | Republic of Korea |
| 25 | Norway | | |

| Chapter 6 - Countries | | | |
|------------------------------|-------------|----|---------------------|
| 1 | Andorra | 30 | Mexico |
| 2 | Argentina | 31 | Moldova |
| 3 | Australia | 32 | Morocco |
| 4 | Brazil | 33 | Netherlands |
| 5 | Bulgaria | 34 | New Zealand |
| 6 | Canada | 35 | Norway |
| 7 | Chile | 36 | Peru |
| 8 | China | 37 | Poland |
| 9 | Taiwan | 38 | Romania |
| 10 | Colombia | 39 | Russian Federation |
| 11 | Cyprus | 40 | Rwanda |
| 12 | Ethiopia | 41 | Viet Nam |
| 13 | Finland | 42 | Slovenia |
| 14 | France | 43 | South Africa |
| 15 | Georgia | 44 | Spain |
| 16 | Germany | 45 | Sweden |
| 17 | Ghana | 46 | Switzerland |
| 18 | Guatemala | 47 | Thailand |
| 19 | Hong Kong | 48 | Trinidad and Tobago |
| 20 | India | 49 | Turkey |
| 21 | Indonesia | 50 | Ukraine |
| 22 | Iran | 51 | Egypt |
| 23 | Iraq | 52 | Great Britain |
| 24 | Italy | 53 | United States |
| 25 | Japan | 54 | Burkina Faso |
| 26 | Jordan | 55 | Uruguay |
| 27 | South Korea | 56 | Zambia |
| 28 | Malaysia | 57 | Serbia |
| 29 | Mali | | |

| Chapter 7 - Countries | | | |
|-----------------------|------------------------|----|-----------------------|
| 1 | Albania | 21 | Nigeria |
| 2 | Algeria | 22 | Pakistan |
| 3 | Argentina | 23 | Peru |
| 4 | Bangladesh | 24 | Philippines |
| 5 | Bosnia and Herzegovina | 25 | Puerto Rico |
| 6 | Canada | 26 | Saudi Arabia |
| 7 | Chile | 27 | Singapore |
| 8 | China | 28 | Viet Nam |
| 9 | India | 29 | South Africa |
| 10 | Indonesia | 30 | Zimbabwe |
| 11 | Iran | 31 | Spain |
| 12 | Iraq | 32 | Sweden |
| 13 | Israel | 33 | Turkey |
| 14 | Japan | 34 | Uganda |
| 15 | Jordan | 35 | Macedonia |
| 16 | South Korea | 36 | Egypt |
| 17 | Kyrgyzstan | 37 | Tanzania |
| 18 | Mexico | 38 | United States |
| 19 | Moldova | 39 | Venezuela |
| 20 | Morocco | 40 | Serbia and Montenegro |

| Chapter 8 - Countries | | | |
|-----------------------|--------------|----|------------------------|
| 1 | USA | 23 | Uganda |
| 2 | Russia | 24 | Iceland |
| 3 | South Africa | 25 | Finland |
| 4 | Greece | 26 | Latvia |
| 5 | Netherlands | 27 | Serbia |
| 6 | Belgium | 28 | Croatia |
| 7 | Spain | 29 | Slovenia |
| 8 | Hungary | 30 | Bosnia and Herzegovina |
| 9 | Italy | 31 | Guatemala |
| 10 | Switzerland | 32 | Panama |
| 11 | UK | 33 | Venezuela |
| 12 | Denmark | 34 | Ecuador |
| 13 | Norway | 35 | Uruguay |
| 14 | Germany | 36 | Tonga |
| 15 | Peru | 37 | Dominican Republic |
| 16 | Argentina | 38 | Hong Kong |
| 17 | Brazil | 39 | Jamaica |
| 18 | Chile | 40 | Syria |
| 19 | Colombia | 41 | Saudi Arabia |
| 20 | Malaysia | 42 | United Arab Emirates |
| 21 | South Korea | 43 | Israel |
| 22 | Tunisia | | |