The reverse causality of social entrepreneurship and organisational performance

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Abstract

The study examined the effect of social entrepreneurship (SE) on organisational performance. The study is premised on the idea there could be a two-directional flow between these two constructs due to their interactions. Employing the survey research design approach, 1,495 questionnaires were distributed to respondents in the service and manufacturing sectors. The PLS_SEM statistical tool for analysis was utilised in the study. The study reveals that a firm’s profitability is a significant predictor of SE while entrepreneurship is a driver of organisational performance. The implication of this is that SE drives organisational performance to the extent to which the firm embarks on entrepreneurial activities. The study recommends that firms invest in research and development to enhance their entrepreneurial capacity while acting as social entrepreneurs to increase their performance through increased market share.

Keywords: Entrepreneurship, organisational performance, entrepreneurial capacity, social entrepreneurs

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1. Introduction

Social entrepreneurship (SE) is not a recent phenomenon and is gradually becoming more critical in existing and future literature. SE has also become more self-sufficient and imaginative, although it takes more effort to improve the theory of creativity related to SE (Certo & Miller, 2008; Harding, 2004; Johnson, 2000; Mulgan, 2006). SE has a distinct emphasis on changing society, building social impact, solving social issues and developing society as an entrepreneurial discipline (Oladimeji, Worimegbe & Worimegbe, 2017). The process of SE is aimed at generating social change and establishing a social purpose powered by social enterprises. Mahto and Mcdowell (2018) note that social entrepreneurs’ motivation is all about achieving social objectives. Fulfilment for social entrepreneurs is a sense of immense pleasure and excitement when they can solve social challenges that arise along with their stakeholders. While the existing literature has looked into how SE has aided organisational performance (Irawan & Suryanto, 2019; Madanoglu, 2018; Oladimeji et al. 2017), there is a dart of literature on how profit-making organisations become social entrepreneurs and how such as in turn affected their performance. This is premised on the idea that entrepreneurs setting up social enterprises include the commitment to build and preserve social good, the continuous quest for positive ways to benefit society, lifelong learning, creativity and a sense of greater responsibility for stakeholders. In that sense, as long as social ends prevail in organisational strategies and systems, making profit is allowed and is appropriate in social ventures (Sengupta & Sahay, 2017; Hoque & Nahid, 2015; Reiser & Dean, 2013). While there are often profits that they channel to charitable activities, much of the company’s profits are intended to help their families’ economic resilience. An exchange between economic and social needs definitely occurs in this situation (Madanoglu, 2018). SE, however, is not only interpreted as a fusion of economic and social values. In the world of social entrepreneurs, there is no need for social practices focused on economic values, such as the sale of goods or services, to obtain financial support from societies outside their environment. Hence, the study aims to understand if there is causality between profit-making organisations and SE and how such SE activities affect such an organisation’s performance. The study also seeks to establish the most significant dimension of SE affecting organisational performance and in which industries are more common. Based on the objective mentioned above, the following research questions were raised:

RQ1: What is the most prevalent type of SE in the service and manufacturing industries?

RQ2: To what degree do the activities of profit-making organisations influence the drive for SE?

RQ3: Do SE activities influence organisational performance?

2. Literature review

2.1. Dimensions of SE

With respect to the definition of SE, Peredo and McLean (2006) believe that the concept of SE applies to a number of different uses spanning two continuums; one relating to the social aspect in the idea and the other relating to the entrepreneurial portion to discover what features of an operation are considered explicitly or indirectly crucial to the application official entrepreneurship. Among the personal characteristics of SE, Nga and Shamuganathan (2010) emphasise extroversion, agreeability and conscientiousness, while Peris-Ortiz, Rueda-Armengot, and Osorio (2010) highlight the presence of ethical elements in their strategy and the social essence of some of their goals in relation to the actions or practices of SE. A fruitful issue, however, as described by Peredo and McLean (2006), is what makes SE social and, in line with this research, what is the broader sense of SE in a combination of an economic and social objective. Unlike other types of entrepreneurs whose economic target can have a social effect by generating jobs, services and useful products to contribute to economic growth only, a social entrepreneur transcends these by producing total wealth that includes tangible results. According to Irawan and Suryanto (2019), there have been a significant
number of studies on the concept of SE. This is induced by the changes in contexts, performers and phenomena in a specific place in each of their lives. There have been more emphases on learning, adaptation, transparency, creativity, intervention, social transformation (ST) and social missions (SMs) as the elements of SE revealed by previous research by Biggeri, Testi and Bellucci (2018), Oladimeji et al., Guclu, Dees and Anderson (2002) and Bouchard (2012). These studies have become a guide for research on SE. Rey-Marti, Ribeiro-Soriano and Sanchez-Garcia (2016a) research reveals dimensions that concentrate on social responsibilities, social business and social awareness. The discoveries of these dimensions suggest that the notion of SE continues to evolve and grow. SE is just an area of science that, through fundamental practice and research, is still finding self-definition in order to develop and explore the concept. To address the identified gap, this study aims to utilise the four dimensions of innovation (IN), social networks (SNs), ST and SMs as measures of SE as a basis to influence the decision to create a social enterprise. According to Irawan and Suryanto (2019), these dimensions affect all organisations involved in forming a new generation of leaders with a social vision and fostering social enterprises.

2.2. Organisational performance and measurements

The competitive market has become increasingly complex, forcing businesses to respond at the same rate, making the requisite adjustments and modifications. This race for consumer participation calls for businesses to be closely involved. Quality metrics should be tracked in such a way that it is possible to determine whether procedures and operations are carried out satisfactorily to the extent of being passed on as a benefit over rivals, which has a significant effect on the firms’ profitability (da Silva & Borsata, 2017). Organisations are based on developing success metrics for each business field to assess this success, which is planned and used in isolation. Thus, it is considered that the key performance measures are not compatible, and it is also likely that they even disagree with each other. According to Richard, Devinney, Yip, and Johnson (2009), the organisational performance includes three basic aspects of business performance: (a) return on shareholders (added economic value and total return on shareholders); (b) performance of the product market (market share and sales); and (c) financial performance (profits, return on assets and return on investment). However, what has been established in the extant literature is that organisational performance is a one-dimensional theoretical construct, even with a smaller domain, nor is it expected to be measured by a single operational metric. While in accounting (Callen, 1991) and finance (Henri, 2004), the multidimensionality of performance is recognised theoretically in the management literature (Venkatraman & Ramanujam, 1986) and empirically in the lack of clarity in assessing organisational performance in research especially in the manufacturing sector. Performance itself is firm-specific, since a company’s strategic choices will determine the performance metrics (Steers, 1975). Hence, in this study, a mix of financial performance and market measures will be adopted. According to Richard et al. (2009), the benefit of the mixed model of financial and market measures is that they are better able to balance risk (which is largely ignored by accounting measures) against problems of operational performance which are sometimes encountered in market measures.

2.3. Theoretical review

2.3.1. Flow theory

The flow theory, developed by Csikszentmihalyi (1997), explains an optimal scenario with intrinsic motivation where an individual is fully imbued and has the capacity to inspire and change the behaviour of another in an inspirational and challenging activity, thereby balancing the skills and potential of the latter in achieving organisational objectives (Valamis, 2019). The theory is premised on the idea that the subjective reality of the mentee provides a unique experience, which is influenced by the new knowledge given by the mentor, the realignment of the intentions of the mentee and how the mentee feels about changing their conditions and state (Leonard, 2018). The relevance of this theory is that it provides the framework, which shows how a mentor or coach strives to support the
mentee in achieving a ‘flow state’. The flow state describes the balance between the potentials of the mentee, the challenges faced and how the mentee can apply the skills into achieving the purpose. Pelan (2018) explains that the flow theory requires the mentor or coach to invest time, increase the knowledge of the mentee through sharing of experiences and pay attention to the mentee while helping the mentee to develop the capacity to face issues. Claxton (1999) argues that the flow theory equips the mentee with positive learning capabilities for future, challenge, complex and uncertain realities. This theory provides a powerful tool for the mentee on their journey to creating value in society. However, this theory has been criticised for increasing anxiety in mentees with low skill levels and whose capacities cannot take care of the task ahead (Kutsyrubu & Godden, 2019). This resonates with Miller (2019), who asserts that mentees who experience and stay in a volatile and complex environment might be confused and find it challenging to achieve the flow state. In that same vein, Pelan (2018) opines that achieving a flow state in a mentee could be problematic if such mentees are self-centred and lack the inherent motivation and tenacity needed to pursue and complete their goals. Although these contradictions sound genuine, Valamis (2019) believes that applying the flow theory to the mentor–mentee relationship will increase the capacity of the mentee to learn faster, be more confident in the face of challenges, be more robust in approach to issues and bring out better results in the organisation’s endeavours. The flow model provides the right framework to build the businesses into becoming that of more excellent value (Claxton, 1999).

2.3.2. Empirical evidence

Irawan and Suryanto (2019) developed the dimensions of SE through a systematic approach to the study. Grounded analysis with a qualitative approach is the mode of study. Coding techniques achieve the analysis of data. In Papua Province, Indonesia, this research was carried out. The findings showed that the aspects of SE are focused on calling for knowledge, humanity, faith, trustworthiness and social learning to support people and what they see around them. In addition, the aspects of SE relate to HRD, shaping the characteristics of people with a stronger sense of empathy, social knowledge, responsibility, imagination and IN.

Mthembu and Bernard’s (2020) study explores SE from the viewpoint of objectives and theory (why social entrepreneurs are social entrepreneurs), recognition of opportunities (how social entrepreneurs identify opportunities), implementation (how SE is implemented) and contribution to entrepreneurship by SE. The dual-target (some benefit, social impact) and the introduction of SE include micro- and macro-level implementation. It applies to both the individual application of SE and the overall extent and complexity of opportunities and practice of SE at a more comprehensive level. For a social entrepreneur, sustainability is a very significant factor. Focus on self-sufficiency and financial security has changed. There are marked similarities between the social entrepreneur’s start-up and the entrepreneur, mainly because social enterprises are run just as enterprises. The different contributions made to entrepreneurship through SE are illustrated. It is clear that SE and entrepreneurship, including the degree of risk and the level of complexity, can be contrasted for many reasons.

It highlights a strong emphasis on the social effects of social entrepreneurs. Opportunities are encountered and experienced, although undoubtedly possible, and are therefore known, rather than actively pursued. There are both strong similarities and distinctions between opportunities for SE and entrepreneurship. IN is a part of SE as well. Also, important factors and principles are the proactiveness and creativity of SE. It can also be radical and disruptive to SE.

Nga et al. (2019) investigated the effect of the personality traits on the dimensions of SE (social vision, sustainability, SNs, creativity and financial returns) in the sense of social enterprises in Argentina and Peru. The study provides a rare sample of entrepreneurs working in countries where SE has not been extensively studied but is deemed potentially crucial to bridge the gap between the state and the free market by creating sustainable tools for the development of the social sector. Data were collected via online questionnaires from 109 Peruvian and Argentine social entrepreneurs and analysed using exploratory factor analysis for independent and dependent variables. The findings
show conscientiousness in the dimensions of social entrepreneurs as the most influential personality trait, impacting everything but financial returns. Openness has a substantially favourable effect on SE.

Oladimeji et al. (2017) explore the impact of various dimensions of social capital on the success of micro-entreprises. In investigating the impact of social capital on micro-enterprise efficiency, the survey research design was used. Customer satisfaction has been used in assessing efficiency, which is a non-financial metric. Among 248 micro-entrepreneurs and their clients, the questionnaires were distributed. The study determined, using the structural equation model, that the cognitive dimension, relational dimension and structural dimension of social capital affect the satisfaction of the customers. The study also shows that the structural dimension is the most important among the dimensions for the success of micro-entreprises. The study recommends that micro-businesses should explore social capital as a driving force for improved performance.

Jan (2012) further provided an understanding of how to assess the development of social value in the field of SE and to disclose factors that connect with companies with either high or low impact. A commercial company’s success assessment is measured by the amount of profit it produces. Such a standard strategy helps entrepreneurs to maintain leverage over their business ventures and to handle profit maximisation activities strategically. Social entrepreneurs, on the other hand, aim to optimise their social impact. There is no specific approach that measures the effectiveness of a social project, and it is, therefore, difficult to operate a social enterprise against a SM-related target effectively and efficiently. The study follows two approaches to research.

On the one hand, based on a comprehensive literature review, it aims to establish an alternative social value measurement model. On the other hand, an exploratory analysis of 300 social enterprises based upon a second measurement model derived from the dataset discloses factors that correlate with either high- or low-impact social enterprises. A social value creation measurement model that was constructively developed upon Sen’s capability theory is easy to use and quickly implemented by social entrepreneurs. The idea of the model is to assess social value creation from the perspective of the capability set of a beneficiary. A capability set is described as the individual’s well-being freedom and implies the de facto opportunities someone possesses to do and to be what is most valuable for the person. This model enables social entrepreneurs to assess the individual and total impact creation, as well as the financial effectiveness of the social enterprise.

Peris-Ortiz et al. (2010) defined, by validating a measurement scale for it, the definition of SE in its broadest dimension. An explanation that combines the quest for a profit with the aim of a social nature is the broad dimension of SE. The empirical research focuses on a sample of 120 four- and five-star hotels in Spain, allowing us to validate the measurement scale for this systematic dimension of SE. The scale meets all the sociometric requirements appropriate for social science measurement scales: dimensionality, reliability and validity.

Based on the objectives and the gaps identified in the exiting literature, the following hypotheses are formulated:

HA1: Activities of profit-making organisations influence the drive for SE
HA2: SE activities have a significant influence on organisational performance.

3. Methodology

The survey research design was adopted in this study. Authors with similar objectives (Adelekan & Eze, 2020; Irawan & Suryanto, 2019; Oladimeji et al., 2017) employed this design accessing information from the service sector. Dangote group of companies would be used as our theatre of study. According to Odusanya (2020), the Dangote group is the most capitalised and biggest group with both service and manufacturing companies in Nigeria with branches abroad. According to the Dangote group’s 2019 socio-economic impact assessment study, the group has 54,005 employees, and it is the highest employer of labour in Nigeria, outside the Federal Government. A multistage sampling
technique would be adopted in the study. This enables the researcher to reach the desired group. Utilising the raosoft sample size estimator at 95% confidence level and 2.5% margin of error, the estimated sample size is 1,495. Based on the opinion of Hair, Anderson, Tatham and Black (2010), the study considered the sample size sufficient enough for this study. According to them, a sample size ≥400 is adequate in order to reduce sampling error component in such a way that small differences are regarded as statistically significant. The primary source of data was employed through the distribution of questionnaires to the employees of the Dangote group. The study was carried out in Lagos State, Nigeria.

The choice of Lagos was influenced by the fact that the headquarters of the company is sited there. The research instrument would be self-administered with the aid of trained research assistants and employees of the company. The questionnaire administered was designed in a 7-point Likert-type scale instrument. The questionnaires were divided equally among the staff of the service firms and the manufacturing firms. 1,212 questionnaires were returned and were considered good for analysis. A paired 28-items measure, grouped into five dimensions of SE (IN, SNs, ST and SMs), was adopted in measuring mentoring based on previous studies (Irawan & Suryanto, 2019). Sixteen items adopted from the studies of da Silva and Borsata (2017) and Richard et al. (2009), modified by the researcher, were employed in measuring organisational performance grouped into accounting and financial market. Face and construct validity would be ensured in the study. The research instrument would be tested by independent evaluators who are experts in the field of finance and business administration in establishing face validity. The confirmatory factor analysis (CFA) would be employed in ensuring the construct validity on each item in the research. The test–re-test method was applied by administering the research instrument twice on a selected set of respondents at different times.

3.1. Model specification

Anchored on the theoretical review, it is expected that SE will be a direct antecedent of organisational performance. Based on the above, the following models were formulated;

\[
\text{Organisational Performance} = \beta_0 + \beta_1 (\text{Social Entrepreneurship}) \quad \text{Eq 1}
\]

\[
\text{Organisational performance} = \beta_0 + \beta_1 (IN) + \beta_2 (SN) + \beta_3 (ST) + \beta_4 (SM) \mu \quad \text{Eq 2}
\]

Organisational Performance = (financial and market measures)

Where

IN = Innovation;
SN = Social network;
ST = Social transformation;
SM = Social mission;
\( \beta_0 \) is the constant;
\( \beta_1, \beta_2 \) and \( \beta_3 \) are the coefficient estimators;
\( \mu \) is the error term.

3.1.1. A priori expectation

From the above discussion, it is expected that all the dimensions of SE will exhibit a positive relationship with the dimensions of organisational measures. Hence, there will be directly proportionate relationship between SE and organisational performance in the above model.
In the assessment of psychometric properties as shown in Table 1, CFA was used. The dimensions of the explanatory variable (coopetition) and the explained variable (creation of value) were checked, and the objectives in the model were limited to Fornell and Larcker’s (1981) conditions. The exogenous constructs and convergent validity of the items, in other words, were >0.5. The results obtained indicate reasonable reliability of the build and average variance. In developing content and building authenticity, this is important. The researchers adopted the methods used by previous ones to ensure face validity while changing it to represent local dynamics. In order to measure what it was supposed to measure, the questionnaire was distributed twice with an interval of 2 weeks to the respondents.

4. Results and discussions

Figure 1. Prevalent type of SE in the service and manufacturing industries. Source: Author’s conceptualization

Figure 1 shows the most prevalent type of SE in the service and manufacturing firms. The result indicates that 41% of service firms are involved in SE, while 39% of manufacturing firms are involved in ST. The findings show that the most prevalent type of entrepreneurship among service and manufacturing firms is the ST dimension. That is profit-making organisations become social entrepreneurs in order to make the environment in which they operate better. Profit-making organisations are involved in SE to build capacity. It can be implied here that profit-making organisations. This is in tandem with the works of Madanoglu (2018). While there are often profits that they channel to charitable activities, much of the company’s profits are intended to help their
families’ economic resilience. An exchange between economic and social needs definitely occurs in this situation.

Hypothesis 1: HA1: Activities of profit-making organisations influence the drive for SE

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>B</th>
<th>t-stat</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>0.734</td>
<td>0.066</td>
<td>0.701</td>
<td>10.564</td>
<td>0.00</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>0.492</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>13.6** (p = 0.000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collinearity Statistics</td>
<td>1.831</td>
<td></td>
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</tbody>
</table>

The results in Table 2 reveal the interaction between profitability and SE. The result shows that 49.2% ($R^2 = 0.572$) of variation in SE is brought about by profitability, while 50.8% of variation is determined by other factors. The unstandardised $\beta$ reveals that for every unit increase in trade profitability, SE increases by 0.734 units. The standardised $\beta$ (-0.701) reveals that there is a direct and positive relationship between profitability and SE. The t-statistics value ($t = 10.564, p = 0.000$) reveals that profitability is a statistically significant predictor in the model. The F-stats ($F = 13.6***$) reveal that the model is a good fit. Therefore, the null hypothesis (H0) is rejected and the alternative is accepted, i.e., profitability is a significant driver of SE.

HA2: SE activities have a significant influence on organisational performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>SE</th>
<th>B</th>
<th>t-stat</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE</td>
<td>0.575</td>
<td>0.042</td>
<td>0.528</td>
<td>13.45</td>
<td>0.00</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>0.279</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td></td>
<td>32.8** (p = 0.000)</td>
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</tr>
<tr>
<td>Collinearity Statistics</td>
<td>1.831</td>
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</tbody>
</table>

The results in Table 2 reveal the interaction between SE and organisational performance. The result shows that 27.9% ($R^2 = 0.279$) of variation in organisational performance is explained by SE, while 68.3% of variation is determined by other factors. The unstandardised $\beta$ reveals that for every unit increase in SE, organisational performance will increase by 0.575 units. The standardised $\beta$ ($0.528$) reveals that there is a direct and positive relationship between SE and organisational performance. The t-statistics value ($t = 13.45, p = 0.000$) reveals that SE is a statistically significant predictor in the model. The F-stats ($F = 32.8***$) reveals that the model is a good fit. The result corroborates with previous studies (Madanoglu, 2018; Oladimeji et al., 2017) which found a significant relationship between SE and organisational performance and asserts that SE is a driver of firm performance. Therefore, the null hypothesis (H0) is rejected and the alternative is accepted.

4.1. Path analysis

The path analysis reveals the interaction among the observed variable of SE and organisational performance. Figure 2 shows the error variance and all the freely estimated paths between joint consultation and perceived ability of government to pay. The structural equation model achieved a goodness of fit ($\chi^2 = 649.85$, df = 158, $p = 0.00$; GFI = 0.98, RMSEA = 0.04, IFI = 0.97, CFI = 0.97). The path analysis reveals that IN is the most significant construct of SE ($\beta = 0.884$) influencing organisational performance, while market share is the most significant construct of organisational performance affected by SE.
4.2. Discussion

The results show the interaction between SE and organisational performance. The findings show that ST is the most common form of SE among service and manufacturing firms. That is, organisations irrespective of the industry they operate are involved mostly in building capacity and infrastructures which would add more value to the people. The findings are consistent with the study of Madanoglu (2018) who believes that while there are often profits that they channel to charitable activities, much of the company’s profits are intended to help their families’ economic resilience. The analysis of hypothesis also reveals that the profit an organisation makes affects its capacity to be involved in SE. That is, the more the profits made, the higher the drive of the firm to be involved in SE. The findings support the positions of Oladimeji et al. (2017), who asserted that increasing value creation activities by a firm could lead to it allocating resources to build human capacity. The result also shows that there is a direct and reverse causality between SE and organisational performance. That is, as organisational performance increases, SE also increases. On the other hand, when SE increases, there is an improved performance among firms. The findings corroborate the assertions of Irawan and Suryanto (2019), Nga et al. (2019) and Jan (2017) that SE is crucial for better firm performance. The study also shows that SE affects market shares performance more than any other set of organisational performance.

5. Conclusion and recommendations

The study examined the effect of SE on organisational performance. Premised on the idea that there is a reverse causality between SE and organisational performance, the study employed the survey research design to achieve the study’s objectives. The study shows that there is a two-directional movement between SE and firm performance. SE influences organisational performance the same way organisational performance enhances SE. The study also establishes that most firms are involved in ST type of SE, while IN is the most significant construct of SE driving organisational performance in terms of market shares. The study recommends that organisations irrespective of the sector they operate in should invest in research and development which is a means of increasing IN capacity in order to harness the SE capacity. The firms should also pay attention to increasing their market shares through their entrepreneurship activities.

References


