2016

Blended Value Accounting and Social Enterprise Success

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Abstract

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MS, University of California at Davis, 1989

BA, Tufts University, Massachusetts, 1982

Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Public Policy and Administration

Walden University

January 2016

Abstract

Social enterprises (SEs) are businesses managed by entrepreneurs who seek to improve society, and they represent an important trend in social change work. However, there is little empirical knowledge about which blended value accounting (BVA) methods are used by SE managers, and whether the use of BVA is perceived by SE managers as a critical success factor. Blended value accounting is a conceptual framework for measuring combined social and financial outcomes in SEs, and some believe that the use of BVA may be a critical success factor for SEs. This research was based on Covin and Slevin's conceptualization of entrepreneurial orientation. The main research question was whether the use of BVA methods was correlated with SE success from the perception of the SE managers. Surveys were sent to 3,682 SE managers in North America, the United Kingdom, Asia, and Africa (n = 280). Data were analyzed using multiple regression, with the dependent variable SE success, and the independent variables: the use of BVA method, number of employees, length of time in business, economic sector, and country of registration. Findings indicated no statistically significant correlation between the use of BVA method and SE success, though most SE managers, 73% of 280 respondents, were using BVA methods for other reasons, including complying with state laws. The BVA method B-Impact Rating System was used by 59% of survey respondents who used any method of BVA. These findings suggest that SE managers should select a BVA method that is inexpensive to implement, aligns with industry standards, and provides them with management information. Supporting agencies should create a global registry of SEs, report on the social change impact they create through their businesses, and encourage all businesses to adopt the social-change orientation of SEs.

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Acknowledgments

Of all the blessings I have been given, none is greater than the boundless love of my family. To my wife of 26 years, Devora; my three incredible daughters, Eva, Zelie, and Sophia; my parents, John and Rosemarie; and my siblings, Catherine, Mark, Marianne, and Amy. My life is unimaginable without you.

To my dissertation committee, Dr. Mark Gordon and Dr. Anne Fetter, my deepest appreciation for your steadfast guidance, rigorous review, and relentless attention to detail. The discipline you taught me has made me a better scientist.

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Chapter 1: Introduction to the Study

Background to the Study

In Chapter 1, I explore the meaning of blended value accounting (BVA), provide a statement of the research problem, indicate the purpose of my quantitative study, and outline a brief history of social enterprise (SE). I provide justification for this research by defining an existing gap in the literature, and then introduce the variables, define the research questions, and state the null and alternate hypotheses. In Chapter 1, I also explain the theoretical framework of the study and the nature of the study; provide definitions of commonly used terms; identify assumptions of the study; examine the scope, delimitations, and limitations; and describe the significance of the study. The purpose of this quantitative study was to determine whether the use of impact measurement tools in the context of a for-profit company can predict the success of that business from the perspective of the SE managers.

In Chapter 2, I include the introduction to the literature relevant to BVA and Social Enterprises (SEs), the literature search strategy, and a synthesis of theoretical approaches to distinguish SEs from other forms of business. In Chapter 2, I explain how SEs can be seen as a blend of non-profit organizations and *small and medium enterprises* (SMEs), and therefore how using measurement tools associated with those two sectors can help clarify the nature and definition of an SE. In Chapter 2, I explore various efforts to measure what is commonly called social impact or performance, referring to positive social change created by SEs.

In Chapter 2, I introduce two theoretical concepts, *entrepreneurial orientation* (EO) and *social orientation* (SO) and show how the two can be combined to better

understand how to measure the performance of the SE sector. I suggest that using a framework that combines *social and entrepreneurial orientation* (S/EO) allows researchers to draw clear boundaries around the SE phenomenon, distinguish an SE from a standard business (SB), and measure the degree to which a given business is more or less close to being an SE. In addition, in Chapter 2, I address the important question of what constitutes "success." In Chapter 3, I present the research plan. In Chapter 4 I present the results of the data analysis, and in Chapter 5, I discuss the meaning of the results, and provide some recommendations for future research.

Social Enterprise and Blended Value Accounting

In most societies, responsibility for the general good of society falls on the government, but there is also a large civil sector made up of voluntary organizations seeking to improve society in ways that accord with the values, visions, and ideologies of the leaders and members of these organizations. Organizations that are founded outside of governments in order to better the social welfare are typically not-for-profit organizations (NPOs), also known as nongovernmental organizations (NGOs). NPOs are long-standing and legally registered in the United States and other countries under a separate section of the tax code and official business registration regulations, while in some countries like China NPOs are only just emerging as a sector separate from the government and private business (Keping, 2006). Businesses are for-profit organizations that are expected to generate positive revenue for their owners and shareholders. The purpose of business is to make money, not improve social conditions, even though many private companies see it as a distinct advantage to be viewed as contributing to society (Aguinis & Glavas, 2012). Academicians and practitioners alike refer to private

enterprise as the first sector, to government as the second sector, and to NPOs as the third sector (Jiménez Escobar & Morales Gutiérrez, 2012).

In recent years, however, a new form of hybrid organization, the SE, is transforming the landscape for social change work, with a particular application to developing countries (Develtere & De Bruyn, 2009). An SE is a for-profit business founded and managed to both generate revenue and improve social conditions, and over the past decade there has been a large increase in both the number of SEs in operation around the world and in the academic literature analyzing this new form of organization (Defourny & Nyssens, 2010b). Some observers see a particular role for SEs in countries where the government is too ineffective to provide essential services to many communities (Di John, 2010), or in wealthier countries where government budget cuts have left gaps in the provision of key assistance to low-income communities and individuals (Defourny & Nyssens). All SEs, regardless of the geography or sector in which they operate, are expected (and in many cases required) to measure the social impact they generate. Impact measurement in SEs, while widely discussed in the literature, suffers from a lack of empirical study, and this is the gap that I addressed in this quantitative study.

A few academic researchers began paying attention to SEs and impact measurement 15-20 years ago, and have been working to define, describe, and document the SE sector since the mid-1990s (Dart, 2004). One of the pioneers in the field, Emerson (2003), created the term *blended value* to describe the combined financial and social results generated by SEs; a generic name for the methods used to measure blended value is blended value accounting (Nicholls, 2009). The use of the term blended value signals

the unusual nature of an SE; the most common definition of an SE is that it is a hybrid or blend of the functional approach of a business engaged in trading with the normative approach of a mission-driven non-profit organization (Dacin, Dacin, & Tracey, 2011).

However, the academic field of study of blended value in SEs in particular, and the field of SE in general, is unexplored from an empirical perspective, and undertheorized. There have been few quantitative studies that have addressed key issues in the field of SE; most of the academic work has been qualitative case studies, conceptual or descriptive. One group of researchers (Di Domenico, Haugh, & Tracey, 2010) called theorizing about SEs "social bricolage" (creating something new from diverse sources), and perhaps the same term can be used for the academic study of SEs in general. The word in French means "tinkering," and the study of SEs has a do-it-yourself feel to it, with few rigorous academic attempts at definition, analysis, and creating generalizable knowledge. This research project was designed to fill some of the gaps in the field, both empirical and theoretical, in part by offering a new way to contextualize and define SEs.

A significant gap in the literature and general understanding of SEs has to do with the way that they measure their nonfinancial performance. As I demonstrate in Chapter 2, there is substantial literature on performance measurement for both SEs and NPOs. This literature, however, is almost universally qualitative and descriptive. SEs are expected or even mandated to use BVA to report on both the financial and social value they create, but BVA is little studied, despite calls in the literature going back at least a decade for more empirical and quantitative work to be carried out (Neely, 2005; Nicholls, 2009). With the findings from my research, I have added to the knowledge in the field by

conducting an empirical study of BVA in SEs and, by using inferential statistics, determining whether the use of BVA predicts the success of SEs. I found that it does not.

Problem Statement

The problem I addressed in this research is that very little is known about the use of BVA in SEs, despite the rapid growth of SE as a sector and the importance of measuring social outcomes. It is not known how many methods are currently in active use by SEs, which methods are used by successful SEs, and whether the use of certain methods is linked to the success of the SE. This lack of knowledge may be hampering the development of social enterprise as a social change phenomenon. Advocates believe that SEs offer a powerful new way to reduce poverty, save the planet from climate change, improve public health, and otherwise make the world a better place by engaging the large amounts of available private investment capital in the service of positive social change (Bugg-Levine & Goldstein, 2011). Without a better understanding of how SEs use BVA, however, it may be difficult to attract these funds.

NPOs are funded primarily through philanthropy, from both individuals and foundations. SEs obtain their funds from investors. The investors for SEs typically demand that their portfolio companies report on their nonfinancial (or social) performance as well as their financial returns (Mendell & Barbosa, 2013). Being able to measure social performance is important to SEs not only so that they can demonstrate their impact on society, but because impact measurement is a key way of attracting investors (Flockhart, 2005). In addition, new statutory forms of SEs called benefit corporations or limited low-level profit corporations (L3Cs) are springing up in many states in the United States; in almost all states, the laws allowing the formation of these

companies also require them to report on their social impact (Sabeti, 2011). Other countries have similar rules, with the United Kingdom having the most well-developed and organized SE sector in the world. Impact measurement, therefore, is critical to the future of the social enterprise sector, and deserves greater attention from researchers.

Purpose of this Research

In this study my purpose was to document and evaluate the use of BVA methods in SEs, and analyze using inferential statistics whether the type of BVA can predict the success of SEs. For the rapidly growing group of scholars studying SEs and the many variants, the findings from this research help fill some of the empirical gaps in the current knowledge about this field. Although I discovered that there is no positive correlation between using BVA methods and SE success (the 1st or 2nd null hypothesis), this knowledge is useful to other researchers who may find new and better ways to study SEs as a result. I therefore provide a small but important contribution to the study of social change as effected by SEs.

My larger goal was to help SE managers, impact investors (IIs; investors who finance SEs), government administrators, and others develop a better understanding of impact measurement in SEs. There are several BVA methods for SE managers, investors, administrators, and philanthropists to choose from. Selecting and using a BVA method is often time consuming and challenging to implement, and it can be costly as well (Esteves, Franks, & Vanclay, 2012). By showing through the results of this study that no particular BVA method is more predictive of success than any other, and at the same time finding that it is important to use BVA methods for other reasons, I have provided SE managers some guidance in making decisions about whether to use BVA and under what

conditions. This may also make it easier for investors to compare opportunities, potentially freeing up more private capital to be used by SEs to solve social problems.

Nature of the Study

Inferential statistics were used to answer the research question addressing whether the use of BVA methods predicts the success of the firm, with the dependent variable success defined along a Likert-scale continuum ranging from 1 = not successful to 5 = very successful. Data on the dependent variable were converted into a dichotomous categorical variable, success/not success, to see if that affected the results. Data were collected using online surveys. Data sources included directories, conference registration catalogs, membership rolls, and other published lists. The results did not show that the use of one BVA method is a stronger predictor of firm success than the use of other methods or customized methods, but the results also indicated that successful SEs are generally using BVA methods.

The nature of this study was quantitative using inferential statistics with one independent variable and four control (predictor) variables. Quantitative analysis is useful for creating generalizable results. For this study, the dependent variable was defined by taking the mean of answers to a set of survey questions organized in chart form with standard deviations and scored by a 5-point Likert scale. In the study I sought to determine whether there was a linear relationship between the independent variables and the dependent variable, which called for multiple regression analysis. Multiple regression is used to determine the extent to which the presence of a particular variable is related to the observed phenomenon.

Another approach was to transform the Likert interval scale data into binary data by removing any neutral responses and grouping the remaining responses, resulting in a categorical dependent variable: successful/not successful. There is some controversy in the literature about whether Likert scale data is truly interval level (Jamieson, 2004), but for this study I assumed that the results were interval level, which allowed the use of parametric tests like multiple regression. I used logistic and ordinal regression as another dimension of the regression analysis.

Significance of the Study for Social Change

The results of this study contribute to an important field of social change by improving the ability of SE managers to document the kinds and amounts of social change they are creating. This in turn may help them find the capital they need to expand their services and deliver even greater social outcomes. This assumes that it is indeed true, as claimed by most observers and advocates in the field, that an improved ability to measure, document, and report on social outcomes will result in greater confidence on the part of investors, both private and public, to deliver far greater financial resources to SEs (Bugg-Levine & Emerson, 2011). This growth capital, in turn, can lead to SEs delivering superior positive impacts on society.

It is part of the current thinking of SE advocates that the expansion of social business will provide solutions to seemingly intractable problems like poverty, lack of essential services, climate change, and the degradation of the environment (Yunus, 2007). Serious thought leaders in the sector point to the failures of nonprofits and governments to solve these problems, and propose that only the private sector can mobilize the necessary resources (Bugg-Levine & Goldstein, 2011). However, this is far from

established as factual. Bugg-Levine and Goldstein's (2011) logic model draws a neat line between the large potential pools of capital and seemingly inevitable social impact, but to date there have not been any large-scale studies comparing SE work to the efforts of nonprofits or government agencies.

Bugg-Levine and Emerson (2011) reported that industry analysts believed that the total investment capital available for SEs is already in the range of $50 billion or more, while the possible total investment assets over the next 10 years could be as high as $400 billion, or even $1 trillion. By comparison, total U. S. foreign assistance in fiscal year 2014 was only $23 billion, while the combined international NPO sector received around $19 billion from private donations in an average year (Giving USA, 2013).

It is quite rare to find any study in the literature, popular or academic, demonstrating the social impact created by all this investing except for case studies and anecdotes. This does not mean that the impact does not exist, and the sector is of course quite new, but the lack of literature is also a function of how difficult it is to quantify and report on the social change created by SE activities. In an interesting piece of recent research, a Walden University PhD candidate (Poore, 2014) recently wrote a dissertation on statutory for-benefit companies, and found that the majority of the managers of these companies were ignoring the requirement to publish their social impact data on their Web sites.

It was beyond the scope of this study to determine whether the SE sector is actually delivering the social change impact advocates believe it is having (or will have). My goal was to help advance the field of study of SE, and by so doing make it more likely that SEs will manage to create positive social change. I do not believe that business

will save the world; there will always be a role for nonprofit organizations, and it is unimaginable that large-scale social services and utilities can be universally delivered without the engagement of government. However, to the extent that SEs can model a new way of doing business in which social change is one of the key organizational priorities, positive social change for even the most disadvantaged and remote people in the world can be accelerated.

In fact, the biggest impact of SEs might not be the influence these hybrid businesses have on the problems they identify, but instead the stimulus they have on SBs, which vastly outnumber SEs in number, size, geographic reach, and annual revenues. For example, there are probably no more than four or five thousand self-identified SEs in the United States, but there are approximately 28 million small and medium SMEs (Business Insider, 2013). If a larger proportion of these SBs begins to pay more attention to the impact (positive and negative) that they have on society, the social change that could result would be profound.

Theoretical Framework

I find the current theoretical perspective on SE to be insufficiently precise and too vague for use by social scientists. As Dacin, Dacin, and Matear (2010) noted in a seminal article, there is a

> lack of agreement on the domain, boundaries, forms, and meanings of social entrepreneurship [and this] results in a field of study characterized by no unified definition, imprecision, and largely idiosyncratic approaches. This current state of conceptual confusion serves as a barrier to cross-disciplinary dialogue and theory-based advances in the field. (p. 38)

Social entrepreneurship is the larger field in which SE is located. From a more practical standpoint, if researchers cannot agree on how to define an SE, how can they find a population of SEs to study? For this research on SEs, I used the theoretical constructs known by researchers in psychology and entrepreneurship as S/EO to help describe the degree to which a business can be seen as truly an SE. Entrepreneurial orientation was developed in the 1970s by the business theorist Mintzberg (1973), who evaluated the degree to which businesses (especially small businesses) were likely to be entrepreneurial. The construct has turned out to be durable and powerful, with later researchers like Miller and Friesen (1983) creating scales and other measurement tools that allowed them to evaluate the degree to which the leaders of a set of private small and medium businesses were entrepreneurial, and later applying these tools to study SMEs in the international context (Carraher, 2005). The use of the EO scale to measure the degree to which SMEs are entrepreneurial has been repeatedly validated by Carraher (2005), Knight (1997), and others (Zhang, Zhang, Cai, & Li, 2014). In Chapter 2, I show how the EO scale can be expanded to indicate the degree to which a given SE is more or less focused on positive social change. My contention is that businesses that are defined as SEs are best seen as a subset of the larger category of SMEs, which are themselves a subset of SBs.

My goal for this research project was to determine whether there was a predictive relationship between the use of impact measurement (BVA) and the success of SEs. In entrepreneurial orientation research, scientists use the EO scale to measure the degree to which greater entrepreneurial orientation values are associated with SME success (Covin & Miller, 2014). EO researchers use a variety of quantitative tools, and one of the

conventions in the field is to define success on the basis of what the firm itself deems to be its accomplishments (Zhang et al., 2014). This can change quite dramatically during the lifecycle of the SME. In the start-up phase, for example, finding angel investors to allow the SME to launch might be considered the primary definition of success. At later points, reaching breakeven, achieving a certain percentage of market share, reaching a benchmark for the number of customers, hitting the predicted profit level, and doing a second-round or Series A equity raise might all be places where the SME managers feel that they are (or are not) successful. Survey questions have to be worded carefully, but entrepreneurial orientation researchers have found that defining success in this way allows for a robust exploration of the statistically significant correlation between higher scale values for entrepreneurial orientation categories and SME success (Covin & Miller, 2014).

Research Questions and Hypotheses

Regression research question 1. Does the use of BVA (the independent variable, measured nominally), statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale). The dependent variable was analyzed using parametric statistical methods. The survey data were tested using multiple linear regression, with the dependent variable the mean of responses, in which I assumed an interval scale.

$H_0$1. The use of BVA (the independent variable, measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and all beta (β) coefficient values are not significantly statistically different from zero.

H_A1. The use of BVA (the independent variable, measured nominally), does statistically significantly predict the positive direction of the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and at least one beta (β) coefficient value is significantly statistically different from zero.

The data were also analyzed by converting the dependent variable responses into binary (dichotomous) data, with the two possible results being either success or failure. Success is defined by the point of view of the senior executive of the firm in response to a survey question asking if the firm is successful or not, following standard practice in entrepreneurial orientation research (Carraher, 2005). In this form of the data, logistic regression was used, since this is required when the dependent variable is categorical (Osborne, 2014). Therefore there are two versions of the research question, with the second version as follows.

> Regression research question 2 (alternative). Does the use of BVA (the independent variable measured nominally), statistically significantly predict the SE managers' perception of firm success, (the dependent variable, measured dichotomously). The dependent variable is based on data collected using a Likert scale, which was analyzed using parametric statistical methods. The survey data were tested using logistic regression, with the dependent variable converted into binary form, either success or not success.

$H_0$2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and all beta (β) coefficient values are not statistically significantly different from zero.

H_A2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and at least one beta (β) coefficient value is statistically significantly different from zero.

Ethical Considerations

While some of the basic data for this research was collected from public online sources, I also surveyed individual businesses about private matters, specifically the degree to which they consider themselves to be successful. This information may be viewed by the SEs as confidential. Therefore, I needed to ensure that the data would be held securely and in confidence. I assigned alphanumeric codes to individual SE cases to ensure confidentiality and anonymity. Further, I specifically elected not to collect Internet Protocol (IP) addresses.

Ethical research requires that participants in a survey are protected from any damage that might occur if the information were made public. All participants need to be treated respectfully and give their informed consent. As an ethical researcher, I needed to maintain the privacy of participants and be truthful and forthcoming about the use of the research and the methods by which I was keeping the information confidential (Frankfort-Nachmias & Nachmias, 2007). While human subjects are not themselves the object of this study, the managers of SEs make their livelihoods from the work they do, and anything that might undermine or damage that work is an ethical issue. Frankfort-Nachmias and Nachmias (2007) recommend getting informed consent for all research activities, following the guidelines for "reasonably informed consent" p. 75).

Survey data collected for this study was kept confidential, and the privacy of the participants was protected. There are three dimensions to privacy: the sensitivity of the information collected, the way in which it is collected, and the dissemination of the information. To safeguard the privacy of the participants, I needed to ensure that the survey company I hired to send the electronic surveys was compliant with ethical research standards. I also had to publish the research in a way that protected the identity of the participants. To do this, I coded the respondents so as to make them anonymous when I provided the data to the survey company. Any data that I collected from public sources that identified the participants was kept on a secure computer storage disk protected by a password.

Universities like Walden University require compliance with a personal and professional code of ethics for social scientists as well as ethical research practices. At Walden, as at other universities, an Institutional Review Board (IRB) monitors research projects to guarantee that students and faculty comply with ethical research methods. I followed the Walden IRB guidelines at all times. One consideration is conflict of interest. I had no material interest in any of the SEs studied in this research. Another is retrieving sensitive or private data. I used only public sources or information provided by participants who had given their informed consent. I considered the possible harm versus the social benefit to be gained from this research, and I affirmed that the benefits far outweighed any possible costs. In terms of privacy and confidentiality, all of the surveyed SEs were coded for anonymity. To allow for the participants to share in the insights gained, when my dissertation was approved, I made the results available to all of the SEs I contacted for this research, even if they did not reply to the survey, and made great

efforts to disseminate it widely to those SEs I was not able to invite to participate. Finally, I am currently storing all data collected for this research on a secure removable hard drive that is not connected to my computer or to the internet for a period of five years, as required by IRB, with a storage device locked in a safe box to which only I have the key. All paper documentation is currently stored in a secured file cabinet and will be destroyed following IRB polices once the waiting period of five years is over.

The Hybrid Nature of Social Enterprise

In the past few years, the rapid development of SEs around the world has given rise to a new framework for understanding these hybrid organizations. Society is traditionally understood to have three broad sectors. The first is the business sector, composed of entities both small and large that are privately owned and motivated by the lure of profits. The second is the state sector, which can own vast parts of the national assets such as land and minerals as well as engage in large-scale service delivery but is normally constituted to safeguard the national interest, not generate profits. The state sector is, in most societies, understood to be concerned with the welfare of all and the protection of the general welfare; “failed states” are those in which all government has broken down, leaving people to fend for themselves (Di John, 2010). The third sector is the large array of NPOs (or NGOs), civil society groups, neighborhood associations, religious congregations and other voluntary enterprises, often referred to as the nonprofit sector in the United States and going by a bewildering variety of names in other countries: voluntary sector, nongovernmental organizations (and their many variants), civil society, and others (Salamon & Anheier, 1992).

Over the past few years, the rise of hybrid organizations that combine the nonprofit emphasis on positive social change with the for-profit focus on generating revenue has led some researchers and advocates like Archer (2011) to propose that there is a rise of a new sector (the fourth sector) although this terminology is not yet in wide use in academic journals (Archer's article appears in a legal journal). While there have long been NPOs that generate revenue through trading activities, there has been a rapid growth in private socially motivated companies in the fourth sector in the past 5 years, enabled by legislative changes that allow private companies to self-declare as being "for benefit," meaning intended not only to benefit the owners, but society as well (Gaffney, 2011). This development has dismayed some traditionalists in the legal and business worlds, who argue that "you cannot serve both God and Mammon" and find the fourth sector to be "a questionable solution to a non-existent problem" (Blount & Offei-Danso, 2013, p. 618).

This dismay and hostility notwithstanding, SEs are sprouting everywhere, with over 1,000 new "benefit corporations" certified by B-Lab (a nonprofit certification agency) in 36 countries in the past 4 years (B-Lab, 2014, p. 1). Social Enterprise United Kingdom (SEUK), a leading industry support center, estimates that there are now over 70,000 SEs in the United Kingdom (Villeneuve-Smith, 2013). A plethora of supporting companies have sprung up specifically oriented toward this emerging fourth sector, and there are new organizations like the Fourth Sector Network (FSN, 2014), B-Lab, and many others that are devoted to advocating for and supporting SEs.

Efforts are underway in the United States to map the sector, with some ad-hoc attempts by organizations that have nominated themselves, like the Great Social

Enterprise Census by Pacific Community Ventures (PCV, 2013) and a more ambitious, academic, cross-disciplinary program started by the Urban Institute (Urban Institute, 2014). To date, however, there does not exist in the United States anything equivalent to the directory of SEs collected by SEUK. Indeed, it is not known at present how many SEs there are in the United States (Thornley, 2012). One of the goals of this research was to develop, to the extent possible, a large database of SEs from around the world.

Impact Investors

To achieve their goals, the owners and managers of SEs will need to raise large amounts of capital from investors. There is a special class of investor called impact investors made up of individuals and institutions seeking to invest their money in ways that offer both a financial and social return. As the Global Impact Investing Network (GIIN, 2014) noted on their website, "impact investing has the potential to unlock significant sums of private investment capital to complement public resources and philanthropy to address pressing social problems" (p. 1). The founders of GIIN and similar organizations claim that there are large amounts of investment capital waiting to be deployed into this emerging sector, but agree that this hoped-for result will not come to pass unless investors can readily identify the most promising projects.

To do this, SE theorists and practitioners need to know how to identify and measure blended value. Blended value is the key to the difference between SEs and regular businesses; without a clear analysis of blended value, it is difficult to justify investing large amounts of time and money into SEs. There is a lack of research into how blended value is generated, how it is measured, and how it can be understood by SE owners, staff, customers, and investors. There have been few studies that addressed SEs

and how to calculate their blended value. Without a clear way to measure and understand blended value, as Dacin et al. (2011) noted, it is difficult to determine exactly what makes an SE different from any other business, which delivers valuable goods and services even if the only intention on the part of the owners and managers is to make money. If the field of SE is to succeed, the individual firms will need to adequately document the total value they create by using BVA. Otherwise, SE owners will not find the capital they need to reach significant scale (Bagnoli & Megali, 2011). Failure to find growth capital means that SEs will also fail to achieve their social change goals.

SEs, like SBs, need capital in order to grow, and this capital is normally provided by equity investors, meaning investors who purchase shares in the company in order to benefit from the revenue generated by the company if and when it succeeds. Impact investors are guided by an overall belief that it is possible to identify SEs that have a double or triple bottom line, meaning companies that seek to maximize positive externalities such as improving some aspect of society, reducing poverty, or protecting the environment, along with maximizing return on investment. Impact investors need to be able to correctly evaluate investment opportunities, and therefore are highly interested in measuring the social impact generated by their investments or their potential investments.

However, the use of BVA has not been documented in the literature except in case studies and other pre-experimental research. Information on which firms use which methods of BVA is not currently being collected in a systematic way, thus creating a space that the results from this quantitative study has in part filled. There are

nonacademic studies available that offer some data on the use of BVA, but these tend to be characterized by selection bias, small sample sizes, and nongeneralizable results.

It is also not currently understood whether there is a relationship between the use of BVA methods and firm success. This is becoming a question of intense interest to both SE managers and equity investors. Without a clear understanding of how BVA is used to measure performance across numerous SEs, IIs will not be able to find the investment opportunities they seek, leading to a restriction in the amount of capital flowing to this potential high-impact field.

The Emergence of the Fourth Sector

In contrast to the first (private enterprise), second (government) and third (NPOs) sectors, the latest terminology to describe the broad phenomenon of social entrepreneurship—seen as a unique blend of for-profit practices and nonprofit norms—is the fourth sector. Although hybrid organizations have been in existence for many years, the emergence of the fourth sector can be traced to the 1990s, when the first wave of companies and supporting organizations were created. The fourth sector draws on a number of trends, including socially responsible investing (SRI), social entrepreneurship, corporate social responsibility (CSR), venture philanthropy, and other efforts to marry private enterprise and progressive social change. SEs are a subset of the broader field of social entrepreneurship, which encompasses fourth sector organizations. Social entrepreneurs can work in any sort of organization, from private business to religion, the arts, government, and nonprofits. As Figure 1 shows, SEs are the broadest definition of a private company that seeks to improve society. SBs are outside of this definition. A certified for-benefit company is a status conferred by B-Lab once an SE has passed

muster with B-Lab's social impact criteria, and B-Corp and L3C are designations applied to companies that register under regulations that vary from state to state. Fourth sector organizations can be either nonprofit or for-profit, and indeed there is no formal restriction on government agencies being included either. Figure 1 presents the field of social entrepreneurship, which encompasses the fourth sector and the various permutations of SE.

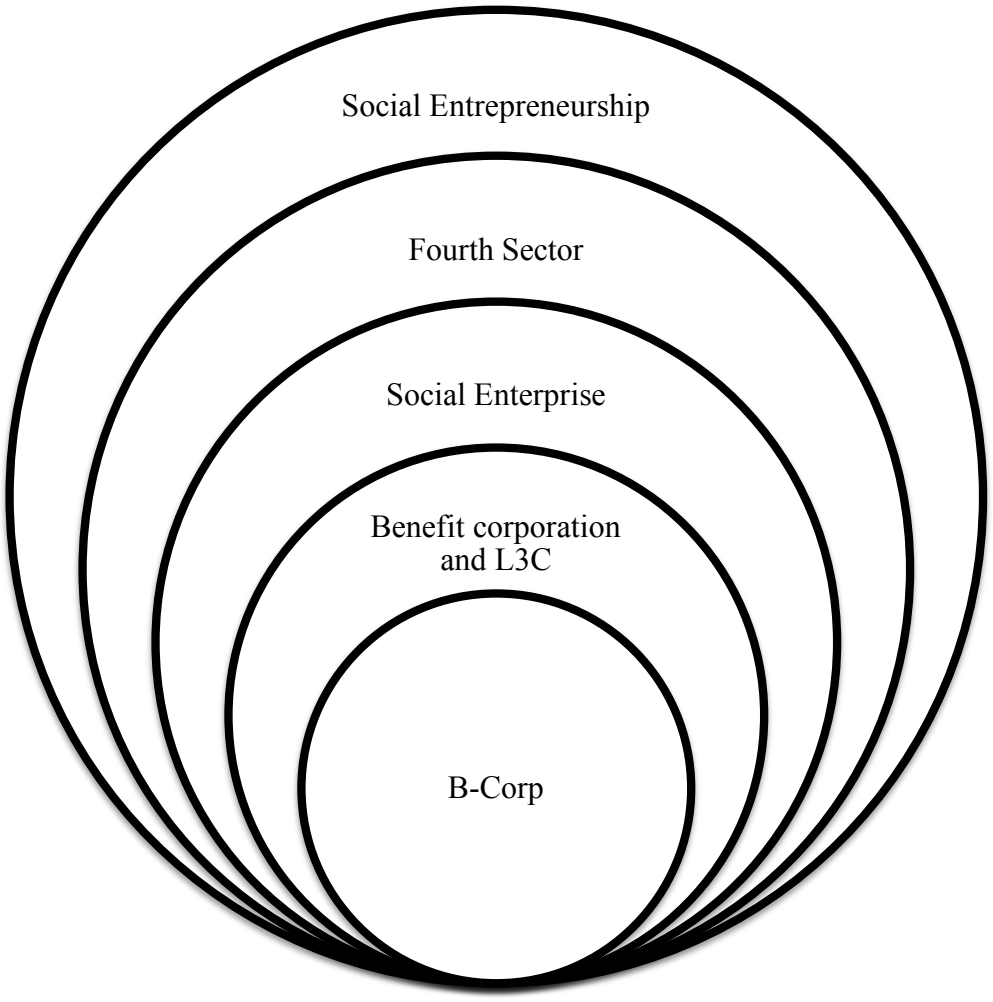

Figure 1. Diagram of the fourth sector.

The concept of a business that pays as much attention to the social good as it does to the generation of profit is not new, nor is an organizational form that marries nonprofit

work and business techniques. Goodwill Industries, for example, was founded in 1902, has revenues exceeding $5 billion a year, and runs thousands of businesses in practically every city in the United States (Le Ber & Branzei, 2011). It is a good business model. U.S. residents donate items that are then sold to others, thereby turning free goods into a source of revenue and jobs for the disadvantaged.

Goodwill is an NPO, but there is an equally long history of companies whose owners and managers explicitly claim to be always conscious of the greater good, like the Kellogg Cereal Company, whose motto is "nourishing families so they can flourish and thrive" (Nestle, 2013, p. 115). The founders of Ben and Jerry's Ice Cream, despite making a product that could be viewed as a particularly unhealthy combination of fat and sugar, built a company on an ethos of sourcing local and organic products, treating employees well, giving back to the community, and engaging in progressive politics, at least until the company was sold to Unilever in 2000 (Page & Katz, 2010). Corporate social responsibility (CSR) activities are now expected of major corporations, due to the observation that both employees and customers prefer to engage with private companies that are seen as good corporate citizens. Pepsico, for example, proclaims that its guiding mission is "performance with purpose" (Pepsico, 2012, p. 1) and invests heavily in CSR activities like reducing the use of local water supplies near bottling plants (Alter, 2009).

These movements and trends have started to coalesce into a common perception that private companies, both big and small, should be concerned with their social impacts and not just with profits. In large corporations, this is now accepted, if not universally (Apple Computers has been notoriously uninterested in philanthropy) then nearly so. It is rare to find a big private company that lacks a companion philanthropic foundation these

days, and private companies are often in the forefront of stepping up to help in the aftermath of natural disasters like Hurricane Sandy (Schmeltz et al., 2013). Coca-Cola has its own foundation, as does General Electric, Johnson & Johnson, AT&T (tagline: "People, Planet, Possibilities"), and even Goldman Sachs, which, despite being dubbed the "vampire squid" by critics (Taibibi, 2014, p. 1) managed to support 900 NPOs in 2013, according to its self-reported website (Goldman Sachs, 2014).

As a relatively new phenomena, it remains to be seen whether SEs in particular, and the fourth sector in general, will fulfill the dreams of its protagonists. However, advocates believe that these SEs, which combine a focus on social outcomes with the methodologies of private enterprise, will be able to solve social problems such as poverty, lack of access to basic services, and limited educational options that have proven intractable to government and traditional NGO programs (Bloom & Chatterji, 2009). Promoters like the Nobel Prize-winning founder of the Grameen Bank, Yunus (2007), see business as inherently more respectful of the poor than nonprofit charity work, and therefore claim both a practical and ethical superiority for what Yunus calls the social business sector. Yunus is a both a public advocate for social business and a successful SE entrepreneur, with Grameen Bank now managing large-scale business in not only banking for the poor, but mobile phones, housing, and a joint venture with the French yogurt company Dannone. Although Grameen is now a giant venture in Bangladesh, it is uncertain whether it has had any impact on the incomes of the poor (Rashid, 2012), despite Yunus's belief that social business will eliminate poverty in the near future.

In social change work, in both developed countries in Europe and the Americas and in the developing world, the emergence of the fourth sector is both a challenge and

an opportunity. Traditional NPOs, SBs, investors, government, and policymakers are all seeking ways to adapt. More NPOs are acclimating by creating their own for-profit ventures, governments are creating new support mechanisms and funding streams, and investors are setting up specialized investment funds for SEs (Jones, 2011). In some countries like the United States, new state government policies allow SEs to register as a special class of business. At the same time, traditional private businesses are being pulled toward the SE model of using business to advance social goals. For example, a group of corporate CEOs led by Huffington of the Huffington Post, Branson of Virgin Atlantic, Tata of Tata Enterprises, and a dozen others in 2013 formed something they call the "B-Team" whose mission is "to catalyze a better way of doing business for the wellbeing of people and the planet" (Huffington, 2013, p. 1). This research study focused on businesses that are founded and managed specifically to advance a social change agenda (the B-Team are private companies adopting a social change ethos after the fact), but regardless of the form, all of these various blended organizations are tasked with measuring the kind and amount of social change that they create.

Measuring Impact

The issues and controversies surrounding the measurement of social impact are a matter of intense discussion in both academic and practitioner circles, with some researchers wondering if the point of measuring impact has more to do with legitimatization rather than evaluating the effects of the organization on society (Luke, Barraket, & Eversole, 2013). Nonprofits are also under pressure to demonstrate their impact (Carnochan, Samples, Myers, & Austin, 2013). In Luke et al.'s view, being seen as measuring impact is really a way of signaling that the organization, whether for-profit

or nonprofit, is serious and credible. Since investors in SEs are seeking social returns in addition to financial gain, they have to be led to believe that their investment is making a difference, even if the methods used are ad-hoc and fall far short of academic standards for scientifically demonstrating that a given intervention had the intended result.

The debate about measuring impact is often framed around "metrics," a word used as shorthand for a broad debate over the practice, meaning, goals, and results of investing in various tools for measuring the social change created by businesses. This debate is currently happening largely in the serious business press, with frequent articles in the *Harvard Business Review* (Ebrahim, 2013) and the *Stanford Social Innovation Review* (McCreless, Fonzi, Edens, & Lall, 2014). Most discussants, however they may disagree on approaches, are in full agreement that SEs do need to measure their social impact. Advocates believe that effective measurement of impacts will lead to the emergence of a large new capital market for IIs, defined as private investors equally concerned with improving society and making money from their investments.

For these investors, the key to a successful SE is the generation of blended value, a term theorists use to describe the combined social and financial value achieved by SEs (Emerson, 2003). BVA is a catchall term to describe the various methods of measuring combined financial and nonfinancial performance; it is used by some researchers (Nicholls, 2009), but by no means all of them. Academics use many other terms as well, often with a particular method in mind. These include social accounting (Gray, 2013), impact measurement (Gibbon & Dey, 2011), performance evaluation (Luke et al., 2013), and impact assessment (Esteves et al., 2012). BVA is much less commonly used, but I have employed the term in this study for two reasons. First, the other terms for measuring

nonfinancial performance include common words that are employed to exhaustion in this field. Second, the term blended value clearly signals that the goal is to combine both financial and nonfinancial returns. Regardless of the terminology, the methods for measuring impact are varied, and the relationship between good impact measurement and SE success is currently poorly understood (Cordery & Sinclair, 2013).

BVA Methods

Emerson (2003) developed a BVA tool called the social return on investment (SROI), which was the first major attempt to quantify social impacts in SEs. The SROI, often criticized for being unwieldy and difficult to use (Arvidson, Lyon, McKay, & Moro, 2013), represents one end of the spectrum of BVA methods, which range from efforts to assign numerical values to social outcomes to other methods that are primarily qualitative and descriptive, such as impact evaluation. Nichols (2009) reviewed the various BVA models along this continuum. In recent years, there has been a concerted effort by practitioners, academics, foundations, and network organizations to coalesce the field around an agreed-on standardized BVA method. This effort has met with limited success; many SEs create their own way of measuring impact, and there are still many other methods in use. For example, the Foundation Center has compiled an online database of "tools and resources for assessing social impact" (Foundation Center, 2014, p. 1). TRASI lists 13 specific tools and 16 distinct methods, specifically for SEs and NPOs. This list is not comprehensive, although it probably does contain most of the most commonly used BVA methods. In addition to these standardized BVA methods, there are also ad-hoc forms of BVA, with many investors, companies, and NPOs choosing to develop their own forms of BVA.

In 2006, the Acumen Fund developed a tool called Pulse to evaluate social impact that was further enhanced and developed with support from the Rockefeller Foundation and Deloitte, and the engagement of a number of organizations such as B-Lab, the Aspen Network of Development Professionals (ANDE), and GIIN. This method is a different approach to impact measurement; instead of calculating the total social returns for a given amount of investment like the SROI, Pulse and its variants are an index that ranks a company as being more or less socially positive. GIIN (2013) put together something called the Impact Investing and Reporting Standards (IRIS) that provides categories of social impact that SEs can use to describe and benchmark their impact. Working together, these groups have developed a sophisticated tool that can be used by virtually any size firm, whether the company self-identifies as an SE or not, and this tool has quickly become one of the leading BVA methods. There is no recent survey of SEs to see which tools and methods are in the widest use, in part because the rapid development of the SE sector is a recent phenomenon.

The number of SEs has grown rapidly in recent years; a survey done in the United Kingdom showed that there are over 70,000 SEs in the United Kingdom employing over a million people. Of these, 30% were founded in the period 2011 through 2013 (Villeneuve-Smith, 2013). Unfortunately, there is no similar census in the United States, although efforts are underway. As the SE sector is growing, the pressure to adopt standardized methods for reporting impact is also increasing, with groups like ANDE and B-Lab pushing for the adoption of a common set of metrics to be used by all SEs.

However, at the moment, there is neither a standard definition of an SE nor anything equivalent to the generally accepted accounting principles (GAAP) that applies

to performance measurement. GAAP offers guidance for financial measurement so that traditional businesses, SEs, NPOs, and government agencies can all produce mutually intelligible financial reports. The balance sheet of an SE, with some differences, can be compared easily to the balance sheet of any other business or NPO. The field of impact measurement is far from this sort of standardization. The biggest step in this direction has been taken by B-Lab, which offers a certification for an SE that wants to call itself a for-benefit corporation and get a seal of approval from B-Lab, but this certification does not in itself measure impact.

Importance of Measuring Impact

Researchers have found that SEs use BVA for many purposes. These include making a strong business case to IIs (Arvidson et al., 2013); demonstrating the SE's social commitments to its customers, the media, and the public (Bagnoli & Megali, 2011); fulfilling statutory obligations (Millar & Hall, 2013); and distinguishing the SE from competitors (Cocca & Alberti, 2010) in order to provide information to improve performance (Esteves et al., 2012). BVA has become standard operating procedure (Luke et al., 2013). However, as Cordery and Sinclair (2013) and many others have noted, "the academic literature is dominated by conceptual papers and quantitative studies into performance measurement and management, hence there is a need for empirical studies on the implementation of... performance measurement, management and reporting" (p. 195).

Definitions

Benefit corporation: Those companies that have selected the legal entity type of benefit corporation; in some states the option is called an L3C (Sabeti, 2011).

B Corporation: There is a designation created by the nonprofit B Lab, called a B Corporation (or B Corp), to certify companies that self-report that they have met certain standards set forth by B Lab. The certification is independent of the legal status of the company and does not include official registration in states that allow benefit corporation and L3Cs (Poore, 2014).

Blended value accounting: The use of combined methods for measuring social impact and financial performance (Nicholls, 2009).

Entrepreneurial orientation: The quantifiable degree to which a private business is more or less entrepreneurial; EO allows for comparisons between individual companies and across geographies and sectors. EO researchers often seek to discover the degree to which EO scores are correlated with firm success (Covin & Wales, 2012).

Fourth sector: A broad categorization of all SEs and revenue-generating nonprofits, with the first sector being private enterprise, the second government, and the third civil society (Archer, 2011).

Impact: "The portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway" (Clark & Ucak, 2006, p. 7). Clark and Ucak have a helpful (and often borrowed) diagram in their 2006 study of SEs that separates inputs, activities, outputs (measureable results), and impact (the change to society once "what would have happened anyway" is subtracted – otherwise known as the counterfactual; (Clark, Rosenzweig, Long, and Olsen, 2004, p. 7).

Impact investing/impact investors: Investment into SEs and the investors who make these investments; IIs by definition seek both social and financial returns,

and look for good BVA results to show them where to invest (Bugg-Levine & Goldstein, 2011).

Performance (or impact) measurement: Measuring social change through one or more of various methods (Hadad & Găucă, 2014).

Social enterprise: The exact definition of this term is hotly contested, but the commonly accepted one is a company or organization that strives for social change through commercial activities. This definition is broad enough to apply to virtually any business, government agency, or nonprofit, and some popular writers advocate for such a definition, arguing that "all business is social" (Mills-Scofield, 2013, p. 1). Unfortunately for researchers, if all businesses are social businesses, then studying SEs is moot, because by definition there is no separate category of business called SE.

Social entrepreneurship: The application of entrepreneurial energy, in any organization, company, government agency, field, or practice, to addressing social problems (Zahra et al., 2014).

Assumptions and Limitations

There were four assumptions for this research study. First, I assumed that a representative population of SEs could be identified and surveyed. Second, I assumed that SE managers would answer the survey questions accurately and return the online surveys within the allotted time frame. Third, I assumed that the time and cost of compiling the population and developing and administering the survey would not be prohibitive. Fourth, I assumed that the selected control variables (described in Chapter 3) captured the full range of important moderators of SE success.

There were inherent limitations in the research conducted in this study. These included the lack of a comprehensive global directory of SEs, the likelihood that the representative sample was not truly a random sample because of the large gap between the number of SEs to whom the survey was sent and the much smaller subset who actually returned the survey, and the inherent noisiness of the data. Another limitation was that SEs in the developing world may not have been accustomed to returning online surveys, or may not have been as comfortable filling them out, resulting in poor data from nondeveloped countries. In addition, the SE sector is growing and changing very rapidly at the present time. Results obtained in 2014 and 2015 may not be fully valid in 2016 when the research results are published.

Delimitations

The most important delimitation of this study was the population, *N*, from which the representative sample, *n*, was taken. In this study, SEs from English-speaking countries including the United States, Canada, the United Kingdom, Australia, India, and Nigeria were contacted. These countries were chosen because of language, the development of their SE sector, and the availability of lists of SEs. Another delimitation was that the SEs published at least some basic information online. In the case of the registered SEs like B-Corps and L3Cs, they are required to publish online as a statutory condition; for certified B-Corps, the registration company B-Lab publishes limited information on its website. There may well be SEs that operate successfully, especially in the developing world, but do not advertise themselves online.

The total SE population size in the English-speaking countries included in this survey might be over 100,000, with one estimate of 70,000 SEs in the United Kingdom

alone (Villeneuve-Smith, 2013). The total in the United States is not known; unlike in the United Kingdom, there has never been a census although efforts are now underway. India might also have as many as 10,000 (Allen, Bhatt, Ganesh, & Kulkarni, 2012). In reality, these estimates are no better than guesses, but the larger problem was how to find these elusive SEs. I eventually hired a team of part-time researchers to assist me in this task, with one each located in Africa, the Caribbean, Canada, and Asia. Thanks to online tools, this can now be done inexpensively.

My broad research interests focus on social change in the developing world, and I was originally hoping to identify and survey a few thousand SEs in countries in Asia, Africa, and other developing regions. There are not, at present, enough SEs in these countries that can easily be found and surveyed so I included North America and Great Britain in my survey. My goal was originally to have at least 250 returned and completed surveys from English-speaking countries around the world, and by the time I closed the survey I was able to get 280 completed surveys from a total population of 3,662 SEs.

The most important membership organizations of SEs in the United States (the Social Venture Network, B-Lab, and the Social Enterprise Alliance) have only around 2,000 members, with a substantial but unknown amount of overlap. There are no easily accessible datasets for SEs in any country; membership organizations tend to guard their lists as proprietary information. Requests to borrow lists for the purposes of this research were either ignored or turned down.

However, these organizations do publish lists of their members, and another important source of basic information on SEs is the state registries for B-Corps and L3Cs. Although contact information is not published, most of these SEs do have Web sites, and

therefore basic information on the location, address, names of key personnel, and sector (e.g., agriculture, energy, water, etc.) can easily (if tediously) be found. With this information, online tools can be used to obtain the most important information: the email addresses of the potential respondents.

Another important delimiter was the theoretical framework. There are arguably many different ways to evaluate firm success, but after a review of the literature I used the theories of social orientation and entrepreneurial orientation to set the critical boundaries of what makes an SE different from an SB. I explain this research and how it applies to SEs in the literature review in Chapter 2.

Summary

This completed study contains five Chapters. In Chapter 1, I provided a description of the background for this study, the gap in the existing literature, the problem statement, the purpose of the study, the two research questions and hypotheses, the conceptual frameworks, the nature of the study, definitions of key terms and concepts, and assumptions. In Chapter 1, I summarized the scope, delimitations, and limitations of the study, and explored the significance of the study to social change. I also introduced the theoretical constructs that are explored in depth in Chapter 2.

Chapter 2: Literature Review

In Chapter 2 I include the introduction to the literature relevant to BVA and social enterprise, the literature search strategy, the definition of social enterprise, and a synthesis of theoretical approaches to distinguish SEs from other forms of business. In this literature review, I show that while the conceptual issues related to measuring the social impact side of the blended value equation have been substantially addressed by academic researchers and practitioners, there remains a major empirical and theoretical gap that the current research project was designed to partially fill. The theoretical gap is a definition of SE that allows for the various dimensions of SE to be measured and evaluated. The empirical gap is a dearth of quantitative studies on SEs, particularly studies that offer generalizable results about the ways in which the various dimensions of SEs relate to the performance of the firm.

The Knowledge Gap

Researchers have identified the key reasons why SE managers measure their companies' social impact and have documented many of the ways in which they do so through case studies and qualitative analysis. However, this research has left many empirical and quantitative questions unanswered. It is not currently known, for example, how many SEs are in fact measuring their social impact, which BVA tools are in widest use, and whether there is any statistically valid positive correlation between the use of BVA methods and the success of the SE in reaching its goals. Researchers in the United Kingdom have been conducting a census and surveys of SEs for the past 7 years (Villeneuve-Smith, 2013). In the United States and other countries, by contrast, there is a

large gap in the empirical knowledge about SEs; even the number of entities cannot be estimated with anything approaching accuracy.

In this literature review I make a contribution to the research on SE by helping define SEs in a way that creates new opportunities for quantitative studies. The definition of an SE is surprisingly controversial, with numerous competing definitions that range from the highly specific and legalistic to broad generalizations that would seem to imply that virtually any business is an SE, even ones that are illegal or produce things like nuclear weapons and land mines. The Coca-Cola company, for example, a major producer of food products known for their lack of high-quality nutrition, has made a significant investment in measuring the company's positive impact on society (Wind-Cowie & Wood, 2012), but few observers would label Coca-Cola an SE. In order to evaluate the impact of SEs on society and social change, I explored the differences between an SE and a traditional business.

I demonstrate in this literature review that there is no clear dividing line between an SE and an SB—or between an SE and an NPO for that matter. SEs and SBs cannot be distinguished on the basis of social impact. All businesses have impacts on society, both positive and negative. Coca-Cola products, for example, may contribute to obesity, diabetes, and heart disease, but at the same time the company is a contributor to social change by investing in organized youth physical activities. By the same logic, even the most conscientious SE also has negative effects on society. Husk Power Systems, a well-known SE in India that builds small-scale generators burning rice husks, provides electricity to rural households, creating many positive impacts (Husk, 2014). Burning rice husks and straw, on the other hand, is a serious source of air pollution in rice-growing

countries (Gadde, Bonnet, Menke, & Garivait, 2009). Ironically, a new SE called Fargreen was founded in 2013 to offer rice farmers an alternative to burning husks and straw in order to reduce the resulting pollution (Fargreen, 2014). SEs and SBs, in terms of their social impact, exist along a continuum, with some producing a great deal of impact and others not very much. It is possible, however, to draw some boundaries that allow SEs to be more sharply defined.

Definition of Social Enterprise

My definition of an SE is as follows: a type of small and medium enterprise (SME) with both a prosocial orientation and an entrepreneurial orientation. As will be explored below, an SME is understood to be a private company (not a nonprofit) with fewer than 250 employees and under $67 million in annual revenue. Prosocial orientation is a well-researched theoretical construct used to explain altruistic behavior under varied conditions, and in the case of SE it fits neatly with another important theoretical construct called entrepreneurial orientation. SMEs are well defined and frequently surveyed, so many data sets are available to researchers.

Entrepreneurial orientation can be used to help describe an important dimension of SE by evaluating the degree to which an SE is proactive in solving business problems, and this construct locates SEs firmly in the intellectual work being done on social entrepreneurship (Zahra, Newey, & Li, 2014). Entrepreneurial orientation as a construct for studying small businesses dates from the 1970s (Mintzberg, 1973). The construct has been developed over time to apply to SMEs in both developed and developing countries (Carraher, 2005). In my definition of an SE, one dimension is that the business is proactive in solving both business and social problems; this is a common understanding

in the field (Defourny & Nyssens, 2010b). However, little work has been done applying the concepts of entrepreneurial orientation specifically to SEs, with some notable recent exception such as the work done in Australia (Miles, Verreynne, & Luke, 2014). Using the Likert-type scales developed by EO scholars, researchers can determine the degree to which any SME is more or less entrepreneurial, which—combined with a prosocial orientation—implies that there may be many more SEs than are currently registered officially as such. My contention is that businesses that are defined as SEs are a subset of the larger category of SMEs, and that the degree to which they are prosocial can be measured in the same way that the degree to which they are entrepreneurial can be measured using the scalar techniques of EO research.

Entrepreneurial orientation researchers determine the degree to which businesses are more or less entrepreneurial by using some variation on the questions presented in Figure 2. Some ask more questions, some fewer, and the responses are coded along a 5- or 7-point continuum ranging from “strongly disagree” to “strongly agree.” This is a common methodology in the social sciences. The results are then analyzed based on the means of the responses, as shown in Figure 2.

Question
In general our organization has a strong emphasis on developing new and innovative services and/or products to better meet the needs of our beneficiaries and other stakeholders.
We have introduced many new types of services and products over the past few years.
Changes in our services have usually been quite dramatic.
We typically initiate actions that other social enterprises copy.
Our organization is very often the first to introduce new services or initiatives.
Our organization adopts a very competitive, assertive business posture.
In general our organization has a proclivity to accept risks that often accompany an initiative that has high potential social or economic returns.
In general our organization tends to be very bold in pursuing new opportunities.
When faced with uncertainty we tend to adopt a bold proactive posture to enhance our chance of success.

Source: Miles et al., 2014

Figure 2. Entrepreneurial orientation scale using Likert questions.

An SME is a private business, and as such the owners and managers are motivated primarily by profits, just like any other business, and they stay in business by generating revenue from the sales of goods and services. A nonprofit, by contrast, is an organization created for the express purpose of improving human society or the natural environment in one way or another. However, NPOs cannot be distinguished from SEs solely on the basis of earning revenue, because many NPOs also generate revenue. The majority of hospitals in the United States are nonprofits, for example, as is Harvard University, which has an endowment of over $30 billion—a few billion dollars more than the gross domestic product of Nicaragua.

An SE contains elements of both SMEs and NPOs (Florin & Schmidt, 2011). All SEs generate revenue by definition. All SEs are also oriented towards improving society; on this there is universal agreement in the literature. This is what advocates say makes them different from SBs. Theoretically speaking, there is no practical reason for a

standard private business, no matter how big or small, to measure its social and environmental impact. As I explore in the next section, however, many private companies do feel obligated to assess their social impact. At the same time, there is increasing pressure on NPOs to become "more sustainable" by generating revenue, and at the same time do a better job of measuring the change they purport to create (Bagnoli & Megali, 2011). Therefore, many of the issues facing SEs are also of concern to NPOs and private businesses, and the literature review includes research relevant to impact measurement in all three categories of organization. As I described in Chapter 1, in this study I am using the term blended value to refer to the specific situation faced by SEs, whose managers seek to maximize both social change and revenue generation. For NPOs, impact measurement is the preferred terminology.

In this literature review, I combine insights from four separate sets of literature: impact measurement in NPOs, social impact measurement issues in the private sector, prosocial orientation, and entrepreneurial orientation. This synthesis allows me to more fully describe the nature of SEs, draw boundaries around the SE category to allow for a more precise definition, and offer a way to measure the degree to which an SE is more like the classic NPO (focused entirely on social change) or more like a classic SB (focused entirely on profits). This culminates in an exploration of the research question, which asks the following: Is there any relationship between the attempt to measure social impact and the success of an SE?

The Literature Search Strategy

The literature review started with a general exploration of the phenomenon of SE, which is a subset of the literature on social entrepreneurship. The results of that

exploration are summarized in Chapter 1. All searches started in Google Scholar, and were then refined in order to find specific articles or to narrow or widen the search horizons. I also used Thoreau extensively, as well as three other databases: Business Source Complete, Sage Premier, and ProQuest. ProQuest in particular returned many results in all categories. Finally, I reviewed the dissertation database and found several students working on issues related to SE and performance measurement. Because dissertations are published by Walden University soon after being approved, they sometimes contained very up-to-date knowledge and lists of references.

An effective strategy was to print out the list of references for an important article from the period 2010 to 2014 to find the most recent additions to the literature, and then search for each relevant article cited. This quickly led the search in many different directions, some of them more useful than others. Part of this strategy involved selecting the most-cited articles from this period, assuming that articles that were frequently cited had made an important contribution to the knowledge in the fields of interest.

Selecting search terms generally involved pairing two relevant terms. These included *social* + *enterprise*, *benefit* + *corporation*, *impact* + *measurement*, *performance* + *measurement*, *social* + *accounting*, and so on. The following key search terms were employed in this search: *social enterprise*, *entrepreneurial orientation*, *benefit corporation*, *social accounting*, *blended value*, *performance measurement*, *impact investing*, *impact measurement*, *prosocial*, and *SME.* The grey literature was also searched, as there are many think tanks and trade organizations that publish useful guides, directories and analysis, such as SEUK. All articles were loaded into the

reference management software Bookends, and when possible the full-text PDF (or at least the abstract) was loaded into Bookends as well.

Theory and Practice in Social Enterprise

SE as a phenomenon is undertheorized, as has been noted by many researchers (Dacin et al., 2011; Haugh, 2012; Nicholls, 2009). This is partly due to the recent and rapidly evolving nature of the field, partly due to the lack of empirical studies from which to generalize, and perhaps mostly due to the failure of practitioners and researchers to draw boundaries in order to enable a clearer picture to emerge. Unless scholars can define with some precision what makes an SE a social enterprise, it is difficult to know how to study it. Unfortunately, there are almost as many definitions as there are researchers, many of whom devise their own terms to describe social enterprise. Haugh and Hoffman (2012), for example, list seven descriptive names for SEs, and then go on to propose yet another one, *hybrid organizations*.

Despite the profusion of names, the essential nature of an SE is fairly well accepted. As Florin and Schmidt (2011) put it, SEs "uniquely blend organizational and structural elements of for-profits and nonprofits" (p. 166). Miller, Grimes, McMullen, and Vogus (2012), who started from the perspective of the entrepreneur who creates an SE, offered another way to frame the definition: "The individuals whom we now call 'social entrepreneurs' use innovative and market-based methods to address social problems while simultaneously performing against financial objectives as a means of avoiding dependence upon donor markets" (p. 349).

For many researchers and practitioners, this means that an SE can be either a nonprofit or a for-profit; the legal form matters less than the mission of the company or

organization. An early attempt at a unified theory of SE defined SEs as business units created and owned by nonprofits as a way of diversifying their revenue (Young, 2007). Unfortunately, while all of the different names and definitions offer insight into the nature of the SE phenomenon, few provide enough rigor to allow a theory of SE to fully emerge. Most offer no limits on what kind of organization might be defined as an SE. As one of many possible examples, writing in the popular journal for practitioners the *Stanford Social Innovation Review,* Martin and Osberg (2007) created a theory of social entrepreneurship as follows:

> We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large. (p. 29)

While this theory has been influential, and to this day guides the grantmaking philosophy of the Skoll Foundation where Osberg is the president, the problem is that it is hard to think of an example that falls outside of definition. An artist who travels to the *favelas* of Brazil to teach poor children to paint, thus releasing their potential, is by this

definition a social entrepreneur, and if she starts a small non-profit to do so then that organization is an SE. The same holds true for Unilever, one of the world's largest corporations (and also holds true for nearly every other major corporation in the world). All over the developing world, even the poorest consumers can afford the small packets of shampoo, soap, toothpaste and other personal hygiene products sold by one of the 1,000 Unilever brands, thus improving their health and well-being. A definition that easily spans the smallest non-profit to the largest private corporation does not offer an exacting academic researcher a model to work from; to whom would you send a survey? Every private company and NPO in the world? This may be one reason why, in the literature on SEs, there are so few empirical studies based on surveying the population of SEs.

Theories cannot be built on constructs that lack specificity; the "garden of entrepreneurial theories" (Gartner, Bird, & Starr, 1992) needs a bit of pruning before we can appreciate the beauty of the SE phenomenon. Many researchers have turned to theory borrowing to explain SE (Haugh, 2012), bringing in insights from numerous fields including bricolage in entrepreneurship studies (Di Domenico et al., 2010), social capital embedded in networks (or *structuration*) (Seelos, Mair, Battilana, & Dacin, 2011), institutional theory (Dacin et al., 2010), and many others. All of this, while certainly a rich source of insights, has unfortunately led to the current situation where "scholars have yet to agree [on] a universal and distinctive definition of social enterprise" (Haugh, 2012, p. 9). Without a universal and distinctive definition, how can SE be studied? Besides the general problem this creates for the field, the lack of specificity poses a particular

challenge for this research, which seeks to discover how SEs measure their social impact. If Coca-Cola and my local food cooperative are both SEs, how do I delimit my research?

The Small and Medium Enterprise

My contention is that SEs are a form of small and medium enterprise (SME). SMEs make up the vast majority of businesses in the world, and there is an enormous literature demonstrating their contribution to employment and economic development. In developing countries in particular, SMEs are the engine of the economy, making up more than 95% of the businesses in the formal economy and 70% of all employment (Daou & Karuranga, 2012). Businesses in low-income countries are often not formally registered; it is estimated that informal SMEs outnumber formal ones by a wide margin (Ahmed, 2013). Worldwide, 60% of all employment is in SMEs. A recent literature review of more than 50 empirical studies of SMEs in developing countries conducted by the International Labour Organization and German Cooperation showed that 80% of job creation in low-income countries came from SMEs, as opposed to the state sector and large businesses (Kok, Deijl, & Essen, 2013). In the European Union's 25 member countries, 23 million SMEs provide 75 million jobs and represent 99% of all registered businesses, while in the United States there are 28 million SMEs employing 50% of the workforce (Business Insider, 2013).

SMEs are typically defined by their annual revenue and number of employees, although this varies quite a bit from study to study. Gilmore, McAuley, Gallagher, Massiera, and Gamble, (2013) conducted a literature review for the *Journal of Research in Marketing and Entrepreneurship* (JRME) and found that across 94 papers in a number of peer-reviewed journals that publish on SMEs, a wide variety of definitions were used –

many of them focused on what SMEs lack as compared to large businesses. For example, SMEs are seen by many studies as lacking access to skilled management, to capital, to export markets, to government purchasing, and so on (Martins, Uribe, & Mesa, 2012). Actually, what the JRME study found is that, across 94 papers reviewed (using content analysis), "the vast majority" of the papers did not include a definition of SME (Gilmore et al., 2013). This is obviously problematic for social scientists hoping to build on the knowledge created by the existing literature, since it can be difficult to tell exactly who is in and who is out when it comes to the population. However, the most common definitions use a combination of the number of employees and the annual turnover as the dividing line between SME and large business.

In the United States, the Small Business Administration (SBA) defines an SME involved in manufacturing as a company having fewer than 500 employees, while the European Union sets the level at 250 employees and annual turnover of less than $67 million. The SBA, however, has different levels depending on the industry; using a national classification system for businesses, the SBA defines an SME differently depending on the industry, so that a company involved in services or wholesaling is an SME with under 100 employees, while in retail an SME is a company with under $6 million in annual revenue. Other countries around the world using similar guidelines with varying limits for employees and revenue to reflect local circumstances (Ahmed, 2013). What this means in theory is that an SME in the United States might be a much larger business than one in Europe, which in turn would tend to be much larger than one in India or Nigeria. However, in practice it turns out that most SMEs are quite small.

In the EU, for example, of the approximately 23 million SMEs, 92% are classified as "micro," and in the United States 22 million of the 28 million SMEs have no employees at all (Business Insider, 2013). Globally, while 99% of all businesses are SMEs, 95% of all SMEs employ fewer than 10 people (Kushnir, Mirumlstein, & Ramalho, 2010). The term "small and medium enterprises" in actual fact refers to a gigantic global ecosystem of very small businesses.

Definitional issues plague SME research, with different countries or regions employing other criteria, such as ownership structure or access to capital (Gilmore et al., 2013) and this can make statistical comparisons problematic, but generally speaking around the world a business can be considered an SME if it has fewer than 250 employees, and this is the definition employed in this study. Since SMEs in many countries enjoy preferential access to various government support programs, the definition is important to business owners as well as academic researchers, but in reality there are few SMEs that have anywhere near this number of workers.

Finding the dividing line is important; business researchers are in agreement that there are fundamental differences between large and small enterprises (Kushnir et al., 2010). On the one hand, SMEs are seen as being a source of innovation and new ideas, willing to take risks and leap into uncharted waters where larger corporations might be too slow to move or unwilling to take chances (Rosenbusch, Brinckmann, & Bausch, 2011). On the other, SMEs are widely acknowledged to face numerous constraints that affect decision-making; they lack the deep financial and intellectual resources of large companies, have a hard time keeping up with regulatory and statutory requirements, and struggle to keep track of what they have learned (Madhoushi, Sadati, Delavari,

Mehdivand, & Mihandost, 2011). As SMEs grow, they develop their capabilities, become stronger and more stable financially, and are better able to deal with the external environment, as has been known for many decades (Lewis & Churchill, 1983). The trade-off might be a decline in innovation, but for most business owners, this is probably a deal they would be willing to take.

What is true of SMEs is also true of SEs; they are mostly very small businesses, albeit often highly innovative ones. According to data collected by the Great Social Enterprise Census (GSEC), only 8% of SEs in America have more than 100 employees, while 40% have fewer than 5 employees (Thornley, 2012). Further muddying the definitional waters, the GSEC unfortunately defines SEs as being either for-profit or non-profit, and indeed allows SEs to self-define on the basis of what they do to improve society (i.e. making something that people need), how they do it (i.e. by paying workers well, buying local or organic goods), and why they do it (to make the world a better place). By this definition, every business in the world, every non-profit, and every government agency is an SE. Therefore, the data collected by the GSEC cannot be seen as precise with respect to the details on SE in the United States, but the picture of the overall landscape is probably fairly accurate with respect to the size of the average SE. In addition, the GSEC was only able to come up with an initial data set of 200 SEs, so the results should be taken as preliminary and in no way complete. A true picture of the SE sector in the United States awaits a more comprehensive effort, of the sort underway under the aegis of the Urban Institute through what they are calling the Fourth Sector Mapping Initiative (Urban Institute, 2014).

In the United Kingdom, a non-profit called SEUK conducts an annual survey of businesses that meet its criteria for being an SE (I was unable to obtain this list from them). SEUK defines SEs as "businesses that trade to tackle social problems, improving communities, people's life chances, or the environment. They reinvest their profits back into the business or the local community" (Villeneuve-Smith, 2013, p. 8). This definition excludes non-profits, and although in theory there is no upper limit on the size of an SE in fact nearly all the SEs in the survey of almost 900 enterprises would fall in the category of SME. Only 9% had annual revenues greater than $8 million (Villeneuve-Smith, 2013).

The norms that SEUK used to distinguish an SE from an SME, however, are too vague to be completely useful in academic research. The criteria of re-investing profits back into the business itself or into the community turns out not to be practical, because about half of SMEs either have no profits or use them to fuel business growth (Nunes, Viveiros, & Serrasqueiro, 2012). Similarly, according to the 2013 survey results, only 55% of SEs are profitable (Villeneuve-Smith, 2013, p. 30). Like other efforts to define an SE, the definition used by SEUK is too imprecise to adequately distinguish an SE from a garden-variety SME. As with Justice Potter Stewart's famous definition of obscenity, it seems that most attempts to define an SE fall along the lines of "I will know it when I see it."

The clear definition of an SE that I propose – that an SE is a type of SME with high scores on prosocial orientation and entrepreneurial orientation– is both simpler and more precise than other definitions. It also fits with the emerging set of practices used to understand and support small and growing businesses (SGBs), yet another effort to define

a branch of SE (Desa & Basu, 2013). In the definition used by ANDE, an SGB is a type of SME with under 250 employees that is both entrepreneurial and has a social impact (Murphy-Pack, 2014). The leaders of ANDE have created a model of SGB that has measuring social, economic and environmental impact as a key element in a cycle that leads to greater SGB growth (ANDE, 2014). While ANDE has made a laudable effort to develop a standardized taxonomy of metrics to be used to evaluate SGBs, there is much longer and richer history of measuring impact in the non-profit sector. The lessons of this work can be used to understand how to measure BVA in SEs.

Measuring NPO Social Change

Oxfam's website proclaims that its mission is "a just world without poverty" (Oxfam, 2014). Feeding America's mission (from their website) is to "feed America's hungry... and engage our country in the fight to end hunger" (Feeding America, 2014). The Ford Foundation (2014) posted on its website that the foundation "supports visionary leaders and organizations on the frontiers of social change worldwide" (p. 1). Hundreds of thousands of other NPOs proclaim their goals to save the environment, protect endangered species, lift up the downtrodden, end homelessness, and take on a myriad of other social and environmental issues. Does all this activity make a difference? As never before, NPOs are being challenged to prove that it does, as Luke et al. (2013) described the new "emphasis on quantifiable performance measures" (p. 234). One trend in the academic literature looks specifically at the ways in which NPOs measure their performance against social goals.

NPOs are under increasing pressure to document the results of their work, which has led to much recent soul-searching about the nature and meaning of measurement in a

social change context (Carnochan et al., 2013; Cordery & Sinclair, 2013; Luke et al. 2013). There is confusion and disagreement about what exactly is being measured, why it is being measured, and how best to measure incremental changes. While in the private sector standard methods of calculating revenues, profits, earnings per share and return on investment are widely understood and standardized, no such set of metrics exists for NPOs. For Ebrahim and Rangan (2010), writing in the serious popular press (*Harvard Business Review*) a primary purpose of impact measurement is to improve management control systems. In this view, impact measurement is done with respect to the goals of the NPO, to see whether the results of the work line up with what was expected when the work was started. Cordery and others point out that NPOs receive their revenues from donors and foundations, and therefore many NPOs have implemented impact measurement systems primarily to please donors so as to continue to receive funding (Cordery & Sinclair, 2013). In the field of international development major bilateral and multilateral donors like the United States Agency for International Development (USAID) and the British development agency (DFID) require NPOs to use sophisticated logframes to map inputs to results (Ebrahim, 2013).

NPOs that want to continue to receive major funding from large-scale funders are nowadays required to do impact measurement, but as critics have noted, this may lead to unforeseen consequences. NPOs may engage in measurement of outcomes simply to please donors, without actually improving their work as a result (Luke et al., 2013). Another risk is that NPOs start to switch to doing only activities that are measurable and, increasingly, quantifiable (Arvidson et al., 2013). But as Arvidson et al. (2013) and others point out, not all social change is easily reduced to a single “social return on investment”

or table of figures. It may be relatively easy, for example, to measure discrete service deliveries such as the percentage of school-aged children attending school. It is much harder to assess the impact of a single program on, for example, civil rights for minority populations or long-term goals like major environmental policy shifts.

Although there is a lot of recent attention on the issues of measuring impact in NPOs, in fact this is not a new phenomenon. In the 1970s, a movement started called social accounting and auditing (SAA) that in many respects mirrors the current debates (Gray, 2013). SAA is actually two processes. First, the NPO develops a system for evaluating the results of its work (the accounting), and second, an outside independent agency reviews that work to judge whether the NPO accurately reported the results (the audit). This is exactly the same process used in financial accounting, and nearly all larger NPOs have annual financial audits. In financial accounting the systems and procedures are highly codified and there is universal agreement, allowing for audits to be rigorously conducted, while in social accounting there is no such standardization. Standardization is the ultimate goal of impact measurement, and while some progress has been made in criteria certification for a category of SEs unfortunately the ways to actually measure social impact continue to proliferate.

SSA was developed in the first instance as a way to examine the performance of private corporations and government agencies, often without their acquiescence. The social movements of the time – unions, environmental groups, civil rights organizations, religious organizations and consumer rights NPOs – were seeking ways to hold large entities accountable for their actions. Social audits were conducted, therefore, as an exercise in democratization of information (Corson, Steiner, & Meehan, 1974). Needless

to say, this was not always appreciated, and pro-business writers of the time decried the political agenda of the social auditors hiding behind a cloak of academic respectability (Medawar, 1976). During the 1980s and 1990s, as the great social movements faded away, social audits of unwilling participants fell out of favor, and a "new wave" of social accounting coincided with an explosion of NPOs (Gray, 2001). These days, at least in the US, the discussion about metrics and measurement appears to be ignorant of the history of SAA, and the idea that social accounting must be paired with an independent social audit is not part of the current debate. As Gray (2001) said, this may lead to the use of social accounting simply as "an exercise in self-justification" (p. 11).

Types of Impact Measurement

NPOs are faced with a bewildering variety of approaches to impact measurement. Ebrahim (2013) outlined six general approaches, and within these broad categories are numerous tools and methods to choose from. In some cases, like the SROI, the use of the tool leads to a single number or set of numbers similar to the Economic Rate of Return, which is a method that gives the interest rate at which the costs and benefits of a project or investment are equal over a given time period. In others, like participatory poverty assessment (used by the World Bank), impact planning, assessment, accountability and learning (used by ActionAid), the result is a complicated set of documents replete with charts, graphs and narratives.

In the United States, the Foundation Center (2014) has compiled a database called TRASI, which lists thirteen tools, and sixteen distinct methods. This list is not comprehensive, although it probably does contain most of the most commonly used methods. In addition to these standardized methods, there are also ad-hoc forms of impact

measurement, with many foundations and NPOs choosing to develop their own techniques (Cordery & Sinclair, 2013). The profusion of social impact measurement tools and approaches has made comparisons between NPOs even more difficult, but the main point to be remembered here is that there are many ways to measure the social value created by an NPO, all of which (with some modifications) can be used by SEs.

Defining and Measuring Success

Once a manager figures out which tool to use to measure the impact of an NPO or SE, the question then becomes, "so what?" Just being able to measure the amount of social impact created by an organization does not educate us about whether this change was meaningful, and in relation to what framework. Impact only really matters in relation to the size of the problem the organization is intending to solve, and in an ideal world it would be calculated on a percentage-solved basis. For example, if an NPO or SE claims that its goal is to end homelessness in America and expects to be held accountable for that goal, success would be defined by examining the degree to which any progress in ending homelessness has occurred, and the amount attributable to the work done by the organization. The National Coalition for the Homeless (NCH) sets itself exactly this lofty goal on their website. "to prevent and end homelessness" (NCH, 2014). Therefore, success in achieving the NCH's mission would mean a measurable, attributable and substantial decline in homeless across the country.

In fact, this is almost impossible, as most observers as the sector would acknowledge. No one organization can accomplish social change on this scale. How then, do we define and measure success? This is important for this study, because the dependent variable is *firm success*. The first research question asks: Does the use of BVA

(the independent variable, measured nominally), statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale)?

Without a clear understanding of what constitutes success, it will be difficult to avoid errors in the data collection and analysis. (I will conduct a full exploration of potential problems with bias, validity, and errors in Chapter 3). Therefore, success needs to be defined. It may seem easy for the financial side of the equation, since goals for annual turnover or profit can be parsed in clear empirical terms, but it turns out that researchers have struggled to find comparable methods of evaluating success. For the social side of the equation it is even more complicated.

Framed in terms of achieving a social goal, the work of an organization dedicated to ending homelessness might state that the group intends to reduce the number of individuals homeless on any given night in a particular city by 25%, or something similar. This is sometimes called *mission achievement*, as when Rotary International says that its goal is to eliminate polio within a specific timeframe (Rotary, 2014). Success would therefore be defined as achieving that goal, which is clear and measurable.

Examples like this are hard to find, however, and very few NPOs or SEs take mission achievement as their guiding goal (Newcomer, Baradei, & Garcia, 2013). Researchers interested in knowing what makes an SE successful, therefore, have to find another way to evaluate success. In entrepreneurial orientation studies, this is done by employing a methodology developed using Likert-type scales (Zhang et al., 2014). The important insight from Zhang and colleagues, and many other researchers is that SE success can be measured by asking the enterprise top manager whether the firm has been

successful, on what is normally a five or seven-point scale. EO studies ask this question in order to correlate a firm's financial performance with indicators of entrepreneurialism. In this study, I will adapt this methodology to ask these same managers if, in their view, they are achieving their performance goals, both social and financial.

In other words, the dependent variable in this study measures perceptual results. This has become standard practice in EO research, following the early pioneers in EO (Covin & Lumpkin, 2011), as well as SME researchers going back decades (Gupta, MacMillan, & Surie, 2004). There are many benefits to using this methodology, which has been validated in hundreds of studies. First, other more objective measures may not be understood in the same way from firm to firm (profitability is notoriously variable as a concept). Second, empirical data may be hard to come by or considered confidential. Third, a number of studies have found that the results are similar whether using objective measures or perceptual ones (Rauch, Wiklund, Lumpkin, & Frese, 2009). Fourth, perceptual data tends to reflect both a short-term and long-term perspective (Wiklund, Davidsson, & Delmar, 2003). Finally, as a large-scale study of EO as applied to SMEs found, "perceptual... measures are the most commonly utilized type of performance measure, and produce the highest levels of generalization" (Kreiser, Marino, Kuratko, & Weaver, 2013, p. 281).

In this quantitative study, I built on other examples in the literature that link firm performance to various SME characteristics. In EO research, the characteristics have to do with various dimensions of the theory of entrepreneurship, while in other studies researchers examine numerous other factors, including the influence of national culture (Chittithaworn, Islam, Keawchana, Yusuf, & Hasliza, 2011) and the amount of social

capital the SE possesses (Gedajlovic, Honig, Moore, Payne, & Wright, 2013). While the knowledge base using perceptual data to evaluate performance in SMEs is well-developed, the same is not also true in research on NPOs. Large companies, in turn, use different methods to measure their success in achieving social and environmental goals. For the purposes of this study, however, the methods used by researchers in entrepreneurial orientation are well-suited to studying SEs.

Corporate Social Impact

Private companies are also called upon to measure their impact on society and the environment. Classic economic theory holds that under capitalism economic value creation is the only job of private business, and that as rational economic actors the owners and managers of private companies are exclusively focused on generating revenue and profits. As Friedman (1990) famously and repeatedly argued, from this perspective "the social responsibility of business is to increase its profits" (p. 32). However, companies exist in a dynamic social milieu that increasingly favors businesses that are seen as being proactively socially responsible (Aguinis & Glavas, 2012). It is no longer about being a good corporate citizen; it is now accepted that public perceptions of higher levels of corporate social responsibility often leads to higher profits (Petez & del Bosque, 2013). Therefore, like SEs and NPOs, corporations need to figure out how to measure their social impact.

Corporate Social Responsibility

In the private sector, movements to hold corporations accountable for their impacts on society developed in the 1970s and led to a push for CSR. Thirty years ago, this often meant the creation of programs to provide benefits to communities in which

companies worked, or initiatives on environmental sustainability, public health or education, often through making donations to prominent NPOs (Aguinis & Glavas, 2012). In time, however, this ad-hoc effort was criticized as being more about public relations than real social impact, and pressure grew to force companies to do more than spread around corporate largess (Aaken, Splitter, & Seidl, 2013). Over the past decade, a host of rating agencies have been created to demand that large private companies measure, document and report on their social performance (Wood, 2010). There is another trend in the literature that examines the tools used by private companies to measure the results of their CSR activities.

Since the 1970s, activists have called on large private companies to act in socially-responsible ways, culminating in the global phenomenon of CSR, which is part of the business lexicon in many countries (King & McDonnell, 2015). CSR is now deeply entrenched as part of corporate practice in the fully industrialized countries, with strong support from top leadership and formal departments that create and report on corporate social impact (Gjølberg, 2009). Advocates for CSR, both internally and externally, have advanced a number of arguments articulating why business should be concerned with its impact on society, perhaps the foremost one being that savvy consumers will tend to select products from companies that are seen as having a social conscience. As many researchers have pointed out, providing evidence that acting in prosocial ways will improve corporate financial performance aligns the social and financial incentives of top managers (Calabrese, Costa, Menichini, & Rosati, 2013). It should be noted, however, that the exact definition of CSR is still not settled, and just as with research on SEs this

causes headaches for researchers seeking to quantify and measure various aspects of CSR (Petez & del Bosque, 2013).

Companies have multiple ways in which they can improve their impact on society while at the same time reducing their negative effects. They can pay higher wages and offer better benefits, for example, in the way that Costco does as contrasted with Walmart (Cascio, 2006). Companies can provide funding and volunteer help to NPOs, sometimes through a corporate CSR department and often by creating a foundation that is more or less independent. The foundations set up by the founders or heirs of the Ford Motor Company, Hewlett-Packard, Carnegie and others are now stand-alone institutions completely (with the possible exception of stock ownership) independent of the corporate entity. Others, like the Pepsico and Nike Foundations, are housed at corporate headquarters with a high degree of overlap and coordination with company executives. Indeed, one indicator of CSR is whether a company has a foundation, as most do these days (Apple famously does not, and therefore typically ranks lower on external CSR indices).

Just as NPOs are under pressure to measure their performance, so are corporations faced with both internal and external demands to measure the amount of CSR they produce (Menichini & Rosati, 2014). Corporate managers want to know the impact of their CSR on customer perceptions of the company, since research indicates that better CSR leads to a better public image, which can both enhance the bottom line and help the company in times of crisis (Petez & del Bosque, 2013). Activists, including socially-motivated shareholders, want to understand the scale and impact of CSR activities.

There are three broad approaches to measuring CSR. assessment by outside experts or reviewing agencies, self-reported indicators, and surveys of top management (Martínez García de Leaniz & del Bosque, 2013). Each method has its strengths and weaknesses, but they all benefit from the wide availability of the data (especially on public companies) and the helpful indices produced by business magazines like *Fortune* that rank companies according to percentage of the workforce that are women and minorities, work/life balance, impact on the environment, supply-chain policies and so on (Fortune, 2014). Other indices rank companies with respect to each other across a wide variety of metrics, including impact on the environment, treatment of workers, standards for outsourcing, and so on; the World Wildlife Fund (WWF; 2013) evaluated the impact of major paper companies on forests in this way. In 2008, one team of researchers found 37 ways in which CSR could be described (Dahlsrud, 2008).

In some cases, like the WWF paper company index, the report is prepared with the cooperation of the companies, and in others (as with SAA) it is done without their acquiescence. A new trend is for the active engagement of advocates and private companies in not only preparing the impact report, but also designing the social impact program itself. The Nature Conservancy, as one example, partners with Pepsico on a program to reduce the overall water withdrawal from communities where Pepsico has bottling plants. Pepsico and other soft-drink companies have come under increasing pressure from activists in water-stressed areas (Alter, 2009). The resulting CSR impact reports are written by the Nature Conservancy with the active participation of Pepsico executives (Pepsico, 2012).

Interestingly, the struggle to more clearly define and measure CSR has led to what I think is the right conclusion, that "CSR is a multidimensional concept" that needs to be understood from several perspectives simultaneously (Martínez García de Leaniz & del Bosque, 2013). These concepts are summarized by de Leaniz and del Bosque (2013) as the expectation that the company strives to be profitable and obtain market share, that they follow legal and ethical rules and standards, and that they voluntarily contribute to the betterment of society and the environment. Each of these dimensions has to be analyzed separately; there cannot be a measurement that captures both a company's ethical compliance, for example, and its impact on the environment. Therefore, a company's CSR score should be seen as a compilation of other scores leading to a composite grade.

Just as CSR is a multidimensional concept, so is social enterprise. In the definition proposed here, an SE is an entrepreneurial for-profit business of a certain size, and with a prosocial management. Once it graduates from being an SME to being a corporation, an SE's social impact is better understood using theories developed to understand and measure CSR (Russo & Perrini, 2010). Business researchers have found that there are fundamental differences between SMEs and larger corporations in terms of how they approach multiple aspects of their work, both social and financial (Baumann-Pauly, Wickert, Spence, & Scherer, 2013). The concept of creating a ranking system or CSR index, however, has carried over into the subset of SEs called Benefit Corporations.

Externalities

Another well-known definition of SE describes SEs as being private companies that seek to maximize what are known as *positive externalities* (Santos, 2009). In Santos'

(2009) pioneering attempt to bring some intellectual rigor to the study of social enterprise, he identifies the "distinctive domain" of social entrepreneurs as being focused on creating positive externalities. Externalities are the effects of a business on unrelated third parties; they can be either positive or negative (Helbling, 2010). The theory was developed in the 1920s by the economist Pigou (1924), and has been studied and expanded by economists in many fields.

Externality theory posits that the costs of negative externalities are borne by society as a whole, and are not included in the cost of the goods produced. As Vatn (1997) explains, externalities are what happens when "actions of one or more economic agents give rise to uncompensated physical and/or real economic effects for others" (p. 136). There is a robust literature on measuring externalities, which governments use to create regulations and tax policies to discourage (or outlaw) activities that lead to negative externalities, while encouraging positive ones (as when private real estate developers are required to build public parks).

An SE often collects data on the number of customers it has, and counts these service recipients as a proxy for the social value they create. However, this most likely misses the size of the true value created by SE activities. If an SE delivers electricity to a rural village in India that was previously energy-poor, for example, the benefits go far beyond the simple adding up of households that now have electricity in their homes. Children can now read and study at night, adults can work after dark, girls are safer moving around the village, indoor air pollution from kerosene lanterns is reduced, leading to improve health, and so on. These benefits are rarely calculated by SEs, although

economists often attempt to estimate the long-term benefits, for example, of providing clean water to low-income households (Birol, Karousakis, & Koundouri, 2006).

There are also negative externalities that should also be measured. The classic example of a negative externality is air pollution, a typical situation in which a business generates negative effects on society that are not captured in the cost of the good produced. When a factory pollutes the air and water, society in general bears a cost for the pollution in the form of increased disease and the need to pay for cleaning the water and air, among other things. To capture this effect, SEs often report on both the increase in positive externalities as well as the negatives ones avoided. A company providing clean water from wells, for example, may also report on their efforts to protect vital watersheds or recharge groundwater.

An SE, by definition having a prosocial orientation, should be concerned to maximize positive externalities and minimize negative ones, as should all businesses. Indeed, CSR is partly about encouraging large companies to care about externalities, as in the Pepsico example above. A focus on externalities, therefore, it not something unique to SEs, but figuring how to calculate the net value of positive versus negative externalities should be part of the research agenda on SEs. All companies generate both positive and negative effects on society.

Social and Entrepreneurial Orientation

For Emerson (2003), one of the pioneers in the field of measuring the impact created by an SE, the difference between an SE and an SB is the motivation of the founder and/or directors. Emerson called this “intentionality,” and describes this attribute as a something akin to a permanent characteristic of a social entrepreneur. In other words,

a social entrepreneur creates SEs because he or she cannot do otherwise; the immutable goal is to improve society or the environment. The challenge, according to Emerson, is to measure the social value created. To this end, Emerson and his organization developed the Social Return on Investment (SROI),one of the iconic tools for measuring impact. Like other practitioners, Emerson does not spend too much time on the definition of an SE, focusing instead on the potential social change that would result from a vast expansion of businesses with a social change orientation (Bugg-Levine & Emerson, 2011).

However, the insight that the intentions of the SE managers matter a lot is important for understanding the difference between an SE and an SB, as this helps us consider ways in which the degree to which a business can be said to be more or less prosocial. Researchers have used the phenomenon of prosocial behavior to help understand what prompts government employees to help people (Andersen & Kjeldsen, 2013; Gregg, Grout, Ratcliffe, Smith, & Windmeijer, 2011), the motivations of workers in NPOs who often work harder for less money than their private sector colleagues (Lee & Wilkins, 2011; Speckbacher, 2013), and the actions of community members in situations where they cannot rely on the government for basis service delivery (Kerr, Vardhan, & Jindal, 2012). Psychology researchers have developed mechanisms to measure the degree to which an individual is prosocial, and also to measure changes in prosocial behavior (Gentile et al., 2009).

Research based on measuring the factors that contribute to prosocial behavior (and the behaviors themselves) has a long history in psychological research (Penner, Fritzsche, Craiger, & Freifeld, 1995) This has been done successfully even for

preschoolers, as Gentile et al. demonstrate (Gentile et al., 2009). The same methods can be used for social entrepreneurs. One way to understand the difference between an SE and an SB is to examine the degree to which the founder or top managers are prosocial. This is what Miller et al. point to in their article, in which they identify characteristics like "empathy or compassion" and "ability to identify social problems," along with the essential "value social impact more than financial [returns]" as core competencies of social entrepreneurs (p. 617).

Prosocial Competencies

Miller and her collaborators conducted a survey of social entrepreneurs (i.e. people who found or run SEs), along with IIs; they were able to identify 1,170 possible respondents and achieved a 19.1% response rate, for a total of 223 completed surveys. Their goal was to figure out the core competencies needed for the managers of an SE to be successful. The meaning of success is not defined; this is an important question for my research that I will return to below. Nor do Miller et al. measure whether a particular competency is statistically correlated with success, however defined. Instead, Miller et al.'s goal was to measure the *perceptions* of respondents, specifically "practitioner perceptions of needed competencies" (Miller et al., 2012).

It may be that there is a problem with construct validity here, in that perceptions are not the same thing as reality, and that actual success factors for SEs differ from what managers perceive as the success factors, but what is more relevant for my research is the link between the orientation of managers and SE success. There is quite a lot of research on the success factors for SMEs, both in terms of growth and profitability (Ng & Kee, 2012), and terms of specific goals, such as creating an e-commerce platform or exporting

to other countries (Rowarth, Scott, Macdonald, Wilson, & Scrimgeour, 2013). There is also in some research a demonstrated correlation between the entrepreneurial competencies of SME managers and the financial success of the company (Ahmed, 2013). What Miller and colleagues have done that is particularly interesting is combine this business orientation with a prosocial orientation in the same research and link it to the success of the SE. Miller et al. don't refer to entrepreneurial orientation theory in the article, but they are describing many of the same characteristics examined by EO researchers looking for the ways in which a business can improve its chances of success.

Entrepreneurial Orientation

Entrepreneurial orientation theory is typically defined as the degree to which a given firm is aggressively innovative; the reason it was created was to help researchers figure out the characteristics of successful businesses (Covin & Lumpkin, 2011). The theory is based on research in entrepreneurial studies that shows that firms that are more entrepreneurial are more likely to be successful (Kreiser et al., 2013). EO researchers have demonstrated that the degree of entrepreneurialism can be measured. In the original definition proposed by Miller and used by most EO researchers, entrepreneurial companies are those that are simultaneously proactive, risk taking, and innovative (Miller & Friesen, 1983). This definition therefore requires the opposite postulate, meaning that firms that have low EO ratings and are therefore conservative, slow to act, and unoriginal tend not to be very successful. EO can be viewed as the way in which managers at a given firm observe and react towards the external environment, and researchers have found that a greater entrepreneurial orientation has a positive association with the firm's profitability and growth (Zhang et al., 2014).

Over the past forty years since the construct was first mooted by Mintzberg (1973), it has been applied in numerous contexts and with many filters, including expanding the delimitation of the research to compare companies in different countries (Covin & Miller, 2014), firms that embed religious principles in their business model (Zulkifli & Rosli, 2013), to look at the public sector (Balan-Vnuk & Chalmers, 2012), and see if it applies to non-profits (Davis, Marino, Aaron, & Tolbert, 2011). Over time, researchers have followed in the footsteps of the early pioneers and developed scalar methods for measuring EO (Covin & Wales, 2012). However it is applied, the purpose of EO research is to link the degree to which a firm is entrepreneurial to its success, with the expectation that SMEs with higher EO scores are more successful.

EO researchers typically collect empirical data from a robust population set; while SE research is complicated by a lack of access to accessible populations to be surveyed, EO researchers generally have an easier time finding a population to survey. A study published in 2013 in *Small Business Economics*, for example, was able to generate a sample of 1,668 SMEs in nine countries, covering thirteen different industries (Kreiser et al., 2013). By contrast, a recent survey of SEs in Australia was only able to locate a small number of SEs, and received only 85 completed surveys (Miles et al., 2014). As Miles and her co-authors themselves note, this is too small a sample to allow for confident generalization (Miles, Verreynne, Luke, Eversole, & Barracket, 2013). EO research findings were summarized in 2009 in a review of 51 peer-reviewed published studies, with the finding that there was a generally consistent positive and statistically significant relationship (r =.242) between a higher level of EO and firm performance (Rauch et al., 2009).

Entrepreneurial orientation is typically measured using the three dimensions noted above, proactiveness, innovativeness and risk-taking, with each of the three dimensions having three aspects, leading to a nine-item model (Moss, Short, Payne, & Lumpkin, 2011). Measurement is done using a Likert-type scale, with variation in scale items and control variables depending on the research circumstances. Within each of these elements are descriptors that can be changed depending on the circumstances to apply in different contexts and geographies. This allows comparisons to be made both in particular countries far from the US origins of EO, such as South Africa (in a study of Black-owned SMEs; Fatoki, 2012), and between countries as well, as Carraher did in 2005 across 68 countries in Asia, Europe, North America and Africa . The result is a robust and flexible model that can be tested empirically and validated in numerous contexts, with some authors recommending adding new dimensions or items in order to capture the nature of EO in firms in different countries or contexts (Covin & Lumpkin, 2011).

However, as George and Marino (2011) pointed out, care must be taken to avoid introducing too much variation in the measurements, leading to a change in the definition of entrepreneurial orientation itself and thereby making comparisons difficult. Not having a clear and consistent definition of what makes a firm entrepreneurial makes it difficult to build on prior research, since the boundaries of that research would constantly be shifting. For example, is entrepreneurial orientation more applicable to a small and medium-sized enterprise with a single vertical leadership structure? Or can it be also applied to a larger entity with multiple departments? As Wales et al. note, it may well be the case that in large companies each division needs to be evaluated separately, since one

division might have a high EO score and another one a low score (Wales, Gupta, & Mousa, 2011). The boundaries have to be drawn clearly in order to ensure construct validity – making sure that when one researcher is discussing EO he or she means the same thing as another researcher.

The same problem exists to a much greater degree in research on SEs, with numerous researchers developing their own definitions that not only don't seem to describe the same phenomenon, but use different terminology. As Dacin et al. (2010) noted, the lack of a clear definition leads to "idiosyncratic approaches" and makes theory-based advances in the field nearly impossible (p. 38). Unlike in the field of SE, however, EO researchers have found a common definition, developed a workable means of measuring the construct, and built a long history of empirical research to draw on (Covin & Miller, 2014).

An added dimension of EO research examines EO in non-profits (Balan-Vnuk & Chalmers, 2012) and in the government sector (Meynhardt & Diefenbach, 2012). The contention of these researchers is that success (defined in various ways) in the public sector, whether government or NPO, can be measured as a function of EO in the same way that the market success of private companies is a function of their ability to be proactive, innovative and willing to take risks. This is a new area of research, with only a few studies published to date. Entrepreneurial orientation can also be measured between for-profit and non-profit firms in the same industry as a way of comparing their likelihood of success within a given market context; there are numerous sectors in which for-profits and non-profits compete, including education, health care delivery, international development assistance, and research.

Entrepreneurial Orientation in the Public Sector

Davis et al. (2011), in a study of nursing homes in Florida, measured the EO of private and non-profit nursing home administrators using the standard three dimensions, each of which contains three aspects (Davis et al., 2011). For example, the measurement of "proactiveness" is operationalized by asking questions designed to elicit response that discover whether the administrators "typically initiate actions, [are] the very first to introduce a new service, or adopt a competitive posture" (Davis et al., 2011, p. 202). The questions were answered along a seven-point Likert scale, ranging from "*never*" to "*always*." The use of a Likert-type scale is characteristic of EO research, although often a five or six-point scale is used. This approach has been repeatedly validated in over 200 studies (George & Marino, 2011).

There is little that is conceptually different between the EO of managers working for non-profits as compared to for-profit companies, although generally speaking the goal of a for-profit firm is to maximize revenue, while that of an NPO is to maximize the social impact – or is it? NPOs are businesses in search of revenue, after all. Their ability to do their work depends on their success in fundraising, since the money that pays not only for program work but for staff salaries and benefits comes from the same source – charitable donations and earned revenue. Private companies are not able to access philanthropic resources, but there is nothing that prohibits NPOs from generating revenue. The managers of NPOs are generally rewarded more on the basis of the revenue they generate from all sources then the social impact they help create (Morris, Webb, & Franklin, 2011).

A 2011 study by Davis et al. (2011) found that there was no difference in EO between for-profit and NPO nursing homes, although they noted that other research comparing for-profits and NPOs tended to find that NPOs were significantly more risk-adverse. Entrepreneurial orientation does not measure an orientation towards achieving financial success; it only measures the orientation of top managers towards the external environment. While NPOs and SMEs differ in a number of ways, including the link between the financial performance of the organization and compensation, the lack of a difference in EO ranking in the Davis et al. study is interesting, since it shows that an NPO can be entrepreneurial in pursuit of its mission goals, in the same way that an SME can be more or less entrepreneurial in achieving social impact goals. In other words, NPOs and SMEs alike can be more or less entrepreneurial, and the degree to which they rank higher in EO is correlated with their success, but generally speaking there is not much difference between NPOs and SMEs in their entrepreneurial orientation.

Entrepreneurial Orientation and Social Enterprise

This analysis of studies in entrepreneurial orientation provides an insight into a different way of understanding an SE. As we have seen, NPOs can be both entrepreneurial and generate revenue. SMEs, at the same time, although focused primarily on generating profits, are also concerned about their social impact, if only to improve their ability to attract customers. As I have shown in the review of EO, the degree to which an SME or NPO is entrepreneurial can be measured using Likert-type scales. Similarly, the degree to which an SME is prosocial can also be measured by using a survey with Likert-type scales. I call this combined scale social/entrepreneurial

orientation, or S/OE. My definition of an SE, then, is this. An SE is an SME that ranks highly on a scale that measures both prosocial orientation and entrepreneurial orientation.

Described this way, the definition of SE maps to the measurement construct of blended value. In other words, BVA is the way in which an SE measures the impact of its social/entrepreneurial orientation. What remains to be tested is the hypothesis that a higher S/OE score leads to better social and economic performance as compared to other SEs with lower scores. This could be part of a future research agenda.

This definition offers a number of advantages over extant definitions proposed by other researchers. First, it shows that an SE is size-limited; major corporations are fundamentally different entities no matter how good a job they do at improving society and measuring their impact. Second, it creates a way to measure the degree to which any company is prosocial, and compare that to any other company. Second, this allows for change in any direction over time. If it were possible, for example, to survey the same group of SEs over a period of ten years, we would be able to evaluate the degree to which any company was more or less prosocial and how this transformed over time. A change in leadership, for example, or a change in business strategy due to internal or external circumstances can radically change the degree to which a company focuses on its social impact versus its financial performance.

An SE, then, is a small or medium prosocial private business, and the degree to which it is more or less prosocial can be measured. In this definition, therefore, an SE is not a static entity; a private company can be an SE one year and an SB the next. An SE is a small business that ranks highly on a S/EO scale at the moment it is being measured. Just as a private company can be financially successful one year, and do poorly the next,

an SE in this definition can be highly prosocial at one point, and less so at others. This definition of SE is fluid and flexible, and describes an organizational state of being that can change over time. Seen this way, an SE can be described as a blend of private company and NPO, with the orientation towards generating revenue of a private company and the built-in prosocial orientation of an NPO. And just like a good NPO, an SE should measure the non-financial impact of its work.

Measuring the Social Value Created by B-Corps

Most of what passes for impact measurement by SEs and NPOs falls into two categories: simple counting and benchmarking. Counting is the arithmetic process of adding up outputs, such as the number of children who get scholarships in a year, or the number of households provided with solar power. Benchmarking refers to comparing the performance of a given enterprise against a standard created by a third party, in the same way that Leadership in Energy and Environmental and Design (LEED) certifies if a building meets its criteria for energy efficiency. LEED has nothing to say about whether the building is used for good purposes or not, or even if it is occupied; it only reflects how well the design and construction match current standards for energy efficiency. For SEs, the benchmarking standard has been created by an NPO called B-Lab (B-Lab, 2014) specifically to certify SEs, particularly Benefit Corporations.

The Benefit Corporation, as noted in Chapter 1, is a new form of corporate statute that allows companies with a social mission to register separately from SBs (Chen & Kelley, 2014). The premise is that by encouraging the growth of the SE sector we will see a lot more positive social change in places where government and NPOs have failed (in the view of advocates) to solve major problems. As the Nobel Peace Prize-winning

founder of the Grameen Bank Yunus (2007) put it, “social business can create a world without poverty” (p. 5). States across the United States and governments in other countries have created a special category of business that is designed to encourage the formation and registration of benefit corporations.

This does seem to be an idea whose time has come. Partly as a result of the new statutes, there has been a rapid increase in the sheer number of SEs, with SEUK estimating 70,000 in Great Britain and maybe 10,000 or more in the United States (Thornley, 2012). In the United States, the new statues (depending on the state) allow a private business to register as a benefit corporation or a *low-profit limited liability company*, or L3C. The nonprofit B-Lab reports that there are now around 1,121 Benefit Corporations registered in 27 states (B-Lab, 2014), while L3C registrations are at 1,073 signed up as of September 2014 (Intersector, 2014). B-Lab has certified 1,104 *B-Corps* in 34 countries that have passed their standards for complying with labor, environmental and social impact standards (B-Lab, 2014). (Note that a *certified* B-Corp is not the same thing as a *registered* Benefit Corporation.)

In most states, the law requires Benefit Corporations (including L3Cs) to publish online an annual benefit report that assesses their overall corporate social and environmental performance against a third party standard (Florin & Schmidt, 2011). In an ideal world, it would be therefore be easy to obtain this information and add it all up to say something about the social impact being created by Benefit Corporations. However, as it turns out, most of the registered Benefit Corporations are not publishing any impact data at all, never mind assessing it against a third-party standard. Recent survey work done by a professor at Columbus State Community College for her dissertation at Walden

University found that only 30% or so of Benefit Corporations provide impact information (Poore, 2014).

In addition, the certification provided by B-Labs is not impact measurement as it is usually defined. The *impact value chain* as developed by Clark et al. (2004) evaluated impact as moving from inputs and activities to outputs (measured results) and then to outcomes, defined as the difference between the collected results and what would have happened anyway. Others define impact as a significant and permanent change for an individual, family, or community (Ebrahim & Rangan, 2010). By these standards, very few Benefit Corporations are revealing what impact they have on the world, if any.

Certified B-Corps (which can be SEs, NPOs, SMEs or big corporations), publish their certification report from B-Labs either on their own website or on the B-Labs website, but this does not indicate how much social change has been created, only that the company ranks more or less well with respect to social, worker and environmental standards. It's a very laudable achievement for the Honest Company, for example, to use only organic products, pay its workers well, and avoid harming the environment; every company should follow their example and get certified by B-Labs. But this is a far cry from an impact assessment, even if it does comply with the Benefit Corporation legislation.

The Prosocial SME

In my definition, an SE is a prosocial, entrepreneurial SME. An SME is a private business with fewer than 250 employees and annual turnover of under $67 million. The degree to which an SME is prosocial can be measured and evaluated, and using the same methodology the degree to which an SME is entrepreneurial can be measured, using the

techniques developed for studying entrepreneurial orientation. Therefore, I propose combining the two constructs to create *social/entrepreneurial orientation* (S/EO), a construct that is specifically designed to measure the degree to which an SME can be said to also be an SE. The tools and methodologies of BVA are necessary to capture the totality of the impact an SE creates.

Prosocial behavior in business has been studied in myriad ways by researchers. There are studies looking at sustainable behavior, or actions taken by employees or groups of employees to reduce negative impacts on the environment (Lülfs & Hahn, 2014). Lulfs and Hanh (2014) pointed out, following other researchers, that there are complex forces that act together to catalyze prosocial behavior. These include pressure from outside organizations such as consumer groups or regulators, normative influences from trade associations and company or industry best practices, and imitating the behaviors and actions of other employees. The results can be easy accomplishments like company-wide recycling, or serious (and expensive) large-scale efforts like Pepsico's work to reduce its water footprint in communities with company bottling plants (Lambooy, 2011).

The level of commitment to prosocial behavior can be measured, as Cordano et al. (2011) showed in a study of pro-environmental attitudes and behaviors among business school students. As is commonly done in these types of studies, Cordano et al. used a 7-point Likert-type scale to measure the degree to which the students agreed with various statements designed to reveal attitudes, values and behaviors related to protecting the environment. While Cordano and co-authors were primarily interested in pro-environmental behavior, the theories they used to explain the source of these behaviors

can be applied to any social setting; they could just have easily tested how students felt about helping poor families get clean water or access healthcare, or attitudes towards programs to alleviate poverty or oppression. These theories, mapping to a large degree other studies of prosocial behavior, reflect various pressures and norms that inspire people to act for the benefit of society.

One of the pioneers in the field of studies related to prosocial behavior is Schwartz, who developed a theory of *helping behaviors* based on fundamental values that are formed early in life (Schwartz, 1973). Schwartz and many followers showed that these values could be measured and correlated with specific behaviors, and later researchers linked these same values to pro-environmental actions such as recycling (Cordano, Welcomer, Scherer, Pradenas, & Parada, 2011). The values-based theory of prosocial behavior has become part of the analysis of why and how individuals and teams in the business setting would engage in prosocial behavior, even if it not specifically referenced as such (Waddock & McIntosh, 2011). However, by now it is accepted that no matter how fundamental these values are, they are heavily influenced by institutional norms and outside pressures. An understanding of prosocial behavior must take into account both the values and attitudes of individuals, and the social and institutional norms and standards that create the organizational environment in which they operate.

Emerson's (2003) idea of intentionality as being the difference between an SE and any other business is part of the picture; clearly the goals and motivations of SE managers matter a lot. But this desire to create a prosocial business may not fit, for example, with the pressure put on a company by equity investors, who often seek significant financial returns on an aggressive timeline (Bull, 2007). In any business with

an expressed prosocial orientation, there will be an inherent tension between social and financial goals, and this may alter in either director over time as circumstances change. When things are going well financially, it is easier for managers to argue that paying attention to social goals will not have negative effects on financial performance.

Prosocial motivation has been defined by researchers in the field of psychology as the "desire to expend effort to benefit other people," and this motivation is seen as stemming from two emotional capacities, for empathy and for guilt (Grant, 2008). Agnihotri et al. (2012) found that, in a business context, these interpersonal factors were related to the ability of salespeople to assist their colleagues and connect with their customers. Agnihotri and colleagues are primarily interested in the unique interpersonal factors in Indian business, which are different from those in Western countries, and the research focus was not specifically SEs. However, their research findings are of interest because what they discovered was that prosocial motivation was not enough to change behavior. There needs to be encouragement, training, behavior modeling and other specific techniques to encourage prosocial behavior. In other words, it is not enough to simply be or feel prosocial, or to have some intrinsic motivation, there need to be institutional factors in place that allow for prosocial behavior to be expressed in the workplace.

The extent of identification with the organization's goals and strategies is also important for the expression of prosocial motivations. A study published in 2012 reviewed the degree to which 529 Korean hospital employees expressed prosocial attitudes and behaviors at work, and examined the ways in which this behavior was linked to a high degree of organizational identification, or *person-organization fit* (Cha,

Chang, & Kim, 2013). Person-organization fit (PO) is a construct that is used in business research to examine how individuals interact with their work environment. What Cha et al. discovered was that there is a complicated relationship between the prosocial identification of employees and the prosocial orientation of the business.

According to the results of the survey, which were analyzed using a Likert-type scale, prosocial behaviors increased when the PO was higher, in a linear relationship that is tied to the level of prosocial identification and motivation of the employees. Put another way, the best way for a business to encourage prosocial behavior is to ensure that the PO is high, and to start by hiring people with a high degree of prosocial motivation. Cha et al. also found that prosocial behaviors actually decreased if the prosocial goals of the organization exceeded the prosocial motivations of employees. The implication for SEs is that the amount of social impact they are able to create will be strongly influenced by the prosocial characteristics of the employees and the top managers.

A large-scale cross-national survey of over 19,000 employees from 17 countries found that "transformational leadership and professional altruism are key elements of a national business ideology's stimulation of employees' prosocial values" (Muethel, Hoegl, & Parboteeah, 2011, p. 183). As in the other studies cited, Muethel et al.'s study did not look specifically at SEs as a distinct form of business. Muethel et al. posited that encouraging prosocial behavior in a business is tied to long-term firm performance, with the assumption being that firms that are more successful in doing so will out-perform those that do not. Their results fit well with other research looking at the ways in which employees' prosocial behaviors are tied to the leaders' expressed goals and actions.

For SEs, the implications are profound. An SE is a private company with social goals, and what the research suggests is that a higher prosocial orientation in top leadership will lead to both more prosocial behavior on the part of employees, and improved firm financial performance. It should be possible, therefore, to correlate higher degrees of prosocial orientation with long-term firm success, with this success measured both in financial terms and in social terms. There are many studies showing how a higher EO is related to firm success (Ahmad et al., 2010; Baum & Locke, 2004; (Boso, Story, & Cadogan, 2013). There is a gap in the literature specifically demonstrating the connection between prosocial orientation and firm success, but the literature is not entirely silent on this question. A few studies in Australia, which I will cover below, have attempted to address this deficit.

S/OE and SE Performance

The final section of this literature review reviews the relationship between various characteristics of SEs and SMEs and their success (or performance, as success is sometimes identified). There is a long history of research into the factors that contribute to SME success, with reviews going back decades that span hundreds of studies (Chandler & Hanks, 1993). Most of them focus on critical success factors (Ng, 2012) such as the entrepreneurial abilities of the top managers (Ahmad et al., 2010), the degree to which the owners understand the competitive environment (Chittithaworn et al., 2011), the personalities and desires of the founders (Daou & Karuranga, 2012), and access to capital for expansion (Rowarth et al., 2013). There is a general agreement in the literature that SMEs that are more entrepreneurial tend to be more successful; indeed, this is one of the foundational insights of studies in entrepreneurial orientation (Bloom & Smith, 2010).

In the definition of an SE proposed for this research, i.e. that an SE is a type of SME characterized by a high social/entrepreneurial score, the critical difference between an SE and an SME is the prosocial orientation of the firm. Lacking this prosocial orientation, an SME is simply a smaller version of an SB. The firm may well generate positive social impacts in the course of doing business, either through its activities or through fostering positive externalities, but these impacts are not critically important to the leadership, who are focused on making money. In an SE, by contrast, the social and/or environmental impacts are as important, if not more so, than the financial returns. Therefore, measuring social impact is important. The question I have posed in this research study is whether or not using various forms of BVA to measure social impact is correlated with the success of the firm.

The dependent variable, therefore, is the success (or lack thereof) of the SE, from the point of view of the SE Managers. But how do we know how to calculate success? As I noted in Chapter 1, success is a slippery concept that can change substantially over time. For example, in the start-up phase an SE or SME might be primarily focused on raising enough capital to get started. Once this is accomplished, raising capital is suddenly no longer important (at least for a while), and the company's definition of success shifts to obtaining customers and sales, or gaining market share, or moving into new markets, or reaching profitability. For an SE, the firm's leaders may have set goals or targets for social, labor or environmental impacts as well. The definition of success (or performance) is therefore contingent on the lifecycle stage of the SE, company goals, and other factors; success is not a permanent construct in the same way that, for example, reaching profitability (revenues exceeding costs) would be.

In entrepreneurial orientation research and its variants, this problem is handled through surveys using Likert-type scale questions. The survey questions ask SME staff to respond to statements like "our organization is financially sustainable," with responses ranging along the typical five- to seven-point Likert scale from "strongly disagree" to "strongly agree." In this way, the nature of success is determined by the responses of SME managers, instead of through some objective measure such as profitability, as is often done in non-academic studies. The survey done for SEUK of SEs in Britain, for example, asks specific questions such as whether the SE made a profit or surplus in the past year (Villeneuve-Smith, 2013). This can change from year to year, but it may be that in the year of the survey profitability was less important to the SE managers than some other metric of success – like gaining market share. The giant online retailer Amazon, for example, rarely turns a profit in its pursuit of maximum global share of the market.

Stated another way, it is possible for a private business to be profitable but not successful in the opinion of the leaders of the company, if the goals were set differently. EO research gets around this problem by simply asking the managers, in a number of different ways, if the firm was successful in reaching its financial goals. The same methodology can be used to determine whether the firm was successful in reaching its social goals. In this way, a single survey can ask success questions across multiple dimension of the business. A study could then be fashioned to determine the overall S/EO score. A critical question for SE researchers is whether there is a positive correlation between a higher prosocial orientation and the economic performance of an SE. There is not much evidence to go on yet, and the results are mixed.

The Performance Advantage of a Prosocial Orientation

Two interesting studies that address this issue were published in 2013 and 2014 by a group of Australian researchers looking at the relationships between prosocial orientation, EO and SE performance (Miles et al., 2013; 2014). The first study sought to discover whether SEs with what they call a *social value orientation* (SVO) were more likely to be successful, with success defined along economic and social criteria. An SVO is identical with what I am referring to as a prosocial orientation. Miles et al. (2013) found that SEs with a higher SVO did see a positive impact on social performance, but that there was no correlation between a higher SVO and better economic performance (Miles et al., 2013, p. 100). In addition, a higher EO did not show a positive correlation to enhanced economic performance, contradicting other research that consistently shows a strong positive correlation between higher EO and SME performance. The researchers attribute this to "too much of a good thing," meaning that in an SE, unlike in an SME, higher EO actually reduces firm performance (Miles et al., 2013, p. 100).

Other studies have found that by disaggregating the components of EO, it is possible to demonstrate that there may be a U-shaped relationship between the three dimensions of EO and firm performance (Kreiser et al., 2013). For example, a certain amount of risk-taking is essential for the success of a private business (or NPO for that matter). But a chief executive who heedlessly takes on too much risk is likely to eventually crash the firm. The Miles et al. (2013) study from Australia may show that there is something different about an SE in the sense that the added dimension of a prosocial orientation actually detracts from the economic performance advantage of a higher EO.

However, the Miles et al. (2013) study suffers from a number of limitations, chief among them selection bias in the cases surveyed, and a sample size that is too small to allow for confident generalization. The authors collected a list of SEs primarily through personal networks, since there apparently does not yet exist a directory of SEs in Australia. Although the methodology is well-explained and robust, the results should be viewed as an interesting opportunity for further research, not as evidence conclusively supporting the idea that higher EO in an SE inhibits economic performance.

Interestingly, using the same dataset, Miles et al. (2014) then went on to create a new construct that they call a Vincentian Marketing Orientation (VMO). A VMO is the combination of a prosocial orientation with a marketing orientation, using the definition of marketing as a way of putting the intended beneficiaries first and foremost. A marketing orientation is measured using a Likert-type scale called MARKOR originally developed by Kohli et al. (Kohli, Jaworski, & Kumar, 1993). Looked at this way, the authors found that a VMO is "strongly and positively correlated with social, economic and environmental performance" (Miles et al., 2014, p. 549). The study employed a set of questions that taken together allowed the authors to construct the dimension of marketing as they define it.

The authors collect survey data where respondents rate themselves across three broad dimensions – their focus on serving the poor and marginalized, the efficiency of their business, and the adoption of a value-driven management ethos. The performance of the SE is likewise measured using survey questions from a Likert-type scale. A Likert scale measures perception, not objective data. The second Australian basically finds that the perception on the part of SE managers that their business rates highly on all the

dimensions of a successful SE is positively correlated with the perception that the firm is successful.

The two studies mark a big step forward in research on SEs. The first one is the only quantitative study I have been able to find that attempts to link SE success to a prosocial orientation, and the second looks at other critical success factors. Taken together, they contain a wealth of insights into what makes an SE different from an SME, and offer directions and tools for further research. Indeed, there are almost no studies that look at SEs using the techniques of inferential statistics, and the two studies by Miles and his co-authors therefore fill important theoretical, empirical and methodological gaps in the literature on SEs. To build on this knowledge, I will use their survey instruments in my research.

Conclusion

In this Chapter 2 literature review, I have proposed combining two theoretical constructs, as is done by Miles et al. (2013). I call this social/entrepreneurial orientation, or S/EO, and demonstrated how this can be used to better define and understand what makes an SE different from an SME. I also discussed how to understand S/EO as dimensions of success factors for SEs, and how to evaluate the meaning of success for an SE. I reviewed the literature on social impact measurement in NPOs, SMEs and large corporations, and looked at the many ways in which social impact can be understood and measured.

As defined, an SE is an SME that ranks highly on measures of prosocial and entrepreneurial orientation, with an SME defined by the number of employees and annual turnover. This construct allows researchers to measure and compare SEs on their S/EO

scores, and then evaluate whether, as proposed in the literature, higher S/EO scores lead to improved firm performance in generating both financial and social results. It is beyond the scope of this research, but another way to look at the impact of SE is to view it as a multidimensional concept that needs to be evaluated from a variety of perspectives. This will be explored in greater depth in Chapter 5 when I will outline a research agenda for the future based upon my findings from this study.

My view is that measuring blended value, while essential, does not capture the full value of an SE. Since an SE is a blend of NPO and private business, other aspects should be considered. Some of these include externalities, as noted above, as well as *social capital* and *intangible assets*, in addition to financial and social performance. Each of these dimensions has a well-developed body of literature, and can be measured. Externalities are the third-party effects of firm activities, and can be measured using *cost-benefit analysis* (Helbling, 2010). Social capital, defined as the value contained in social networks, is calculated using *position generator* methodology (Gedajlovic et al., 2013). Intangible assets, such as employee morale, the value of the brand and something called *goodwill*, are part of the valuation of firms (Edmans, 2011). The research agenda for SE should first seek to understand what makes an SE unique, which requires a precise definition, and then attempt to measure all aspects of SE value to arrive at a multidimensional methodology for valuing the contribution of SEs to society.

This is a large and ambitious research agenda, and far beyond the scope of this study. My present goals are to help define the phenomenon of SE, add incrementally to the body of literature, and bring some empirical rigor to the research on the use of BVA. To do that, I developed a research plan that I explain in the Chapter 3, where I describe

the methodology I used to conduct my research. My original research plan was to collect basic information on up to 3,500 SEs regarding their location, business sector (i.e. agriculture, energy, healthcare, etc.), the number of employees, and my final $N = 3,682$. I surveyed the SEs in the population, using online surveys, seeking to collect information on their use of BVA methods and the degree to which the managers of the SEs feel themselves to be successful in reaching their financial and social goals. The information collected was then evaluated using parametric statistical techniques. In Chapter 4, I present the results of my research.

Chapter 3: Methodology

Positive social change comes from many sources, including private enterprise. In the classic economics formulation, the invisible hand of the market improves society by generating wealth and increasing incomes, thus making everybody better off (Lie, 1993). Private companies should, under this theory, focus only on doing what they do best—generating profits—and stay away from efforts to improve society. Friedman (1970) proclaimed that "the social responsibility of business is to increase its profits," (p. 32). Friedman died in 2006, and by then there was already a strong and successful movement to compel the owners and managers of private businesses to concern themselves with their effects, both positive and negative, on society. The actions of private companies to limit negative externalities and increase positive ones are summarized by the concept of corporate social responsibility (Aguinis & Glavas, 2012). SE takes corporate social responsibility a major step further, by creating private companies with a mandate to improve society equal to or greater than the mandate to generate positive financial returns.

Over the past few decades, social change advocates have moved away from corporate social responsibility and started to create a legal and regulatory environment for private businesses that are motivated by the same social-change goals as nonprofits. An SE is a for-profit business founded and managed to both generate revenue and improve social conditions. The premise is that these businesses, which combine a focus on social outcomes with the methodologies of private enterprise, will be able to solve social problems such as poverty, lack of access to basic services, and limited educational options that have proven intractable to government and traditional NGO programs

(Defourny & Nyssens, 2010b). The key to a successful SE is the generation of blended value, a term theorists use to describe the combined social and financial results achieved by SEs (Emerson, 2003).

SEs are businesses managed by entrepreneurs who seek to improve society. SEs blend elements of nonprofits and standard for-profit businesses. In the definition used for this study, an SE is a type of small and medium enterprise (SME), with the dividing line between an SME and a large business set at 250 employees. There are several million SMEs in the world, but only a handful are true SEs. The difference between an SME and an SE is that an SE is characterized by a high degree of prosocial and entrepreneurial orientation, summarized in this study as social/entrepreneurial orientation, or S/EO. This framework allows for a precise definition of SE that is currently lacking in the literature, and sets the stage to describe SEs as existing along multiple dimensions over time, since S/EO can change during the life cycle of a business.

SE in general represents an important trend in social change that can potentially unlock large amounts of private capital to address social problems (Bugg-Levine & Goldstein, 2011). Because social impact is a key part of the definition of an SE and the reason why IIs are eager to put money into the sector, SE managers are expected and often required to document their social impact. Investors and some state regulations for SEs oblige SE managers to report publically on their social outcomes, either on their own Web sites and on the Web sites of certifying organizations like B-Lab. Therefore, SE managers must select among various methods for measuring the social results from their work; the conceptual framework for this measurement is called BVA. The problem

addressed in this research study was that very little is known about the use of BVA in SEs, despite the importance of measuring social outcomes.

The purpose of this research study was to document and evaluate the use of BVA in SEs, and analyze using inferential statistics whether there is a positive correlation between the use of BVA and the success of the SEs in achieving social and economic goals. Multiple regression was used to answer the research question—whether the use of standardized BVA methods predicts the success of the firm—with the dependent variable, success/not success, measured using Likert-type scales as is standard practice in EO research (Covin & Miller, 2014).

Data were collected using online surveys. Data sources included directories and registration lists of SEs. The results showed that the use of one blended valued accounting method is more strongly correlated with firm success than the use of other methods or customized methods once the control variables were taken into consideration. The null hypothesis was that there is no statistically significant correlation between the use of BVA methods and SE success, and I was not able to reject the null hypothesis. The results of this research make a contribution to an important field of social change by improving the ability of SE managers to decide when and how to implement BVA methods, which may help them expand their services and thereby deliver improved social outcomes.

Purpose of Research

The purpose of this quantitative study was to examine the use of BVA in SEs, by first determining the degree of use of BVA method and then its effect, if any, on the success of SEs. Practitioners and investors believe that the expanded use of BVA will

lead to a major new marketplace for private organizations founded and managed to improve society (Bloom & Smith, 2010).

SE theorists and practitioners need to know how to identify and measure blended value. Blended value is the key to the difference between SEs and regular businesses; without a clear analysis of blended value, it is difficult to justify investing large amounts of time and money into SEs. There is a lack of research into how blended value is generated, how it is measured, and how it can be understood by SE owners, staff, customers, and investors. Few researchers have examined SEs and attempted to analyze their blended value. Without a clear way to measure and understand blended value, it is difficult to determine exactly what makes an SE different from any other business that delivers valuable goods and services even if the only intention on the part of the owners and managers is to make money (Dacin et al., 2010). If the field of SE is to succeed, the individual firms must adequately document the total value they create by using BVA. Otherwise, according to many observers, these firms will not find the capital they need to reach significant scale, in the same way that an SB that cannot correctly measure and report on its financial results will fail to interest lenders and investors (Bagnoli & Megali, 2011).

Problem Statement

There are numerous forms of BVA, including the well-known social return on investment, social accounting and auditing, the balanced scorecard, and many others. There are competing efforts to create a certification standard for SEs based on indexing work done by the Acumen Fund and, more recently, B-Lab (Chen & Kelley, 2014). However, the use of BVA has not been documented in the literature except in case

studies and other pre-experimental research. Information on which firms use which methods of BVA is not currently being collected in a systematic way, leaving a gap that the results from this quantitative study help fill.

It is also not currently understood whether there is a relationship between the use of any BVA method and firm success. This is becoming a question of intense interest to both SEs and equity investors (Luke et al., 2013). Without a clear understanding of how BVA is used to measure performance across the numerous businesses in the SE universe, impact investors (IIs) may not be able to find the investment opportunities they seek, leading to a restriction in the amount of capital flowing to this potential high-impact field. It may be that the skillful use of BVA is a critical success factor for SEs, following the identification of other critical success factors for standard SMEs (Ng & Kee, 2012).

Framework for the Research

Social scientists develop knowledge through observation by collecting data on specific phenomena or areas of interest, in this case the use of BVA methods by SEs. This raw data then needs to be organized in some fashion, generally by categorizing it and then conceptualizing it so that the results can be communicated. This conceptual formation is often further developed into theory, or the "systematic organization of... conceptual frameworks" (Frankfort-Nachmias & Nachmias, 2007, p. 39). Social science research proceeds by operating simultaneously on the observational/ empirical level and on the conceptual/theoretical level. In my research, I was interested in simultaneously making a contribution to SE theory and in collecting and analyzing empirical data. My goal was to make a contribution to the field on both levels.

Research Design

Because this study involved collecting data on existing real-world phenomena, the variables could not be manipulated, and as a result experimental designs were not appropriate for this study. A quasi-experimental approach in which I sought to determine whether there were correlations between the variables was the appropriate research design; this is common in research on SMEs (Ng & Kee, 2012). Correlational research is meant to reveal the relationship between two or more variables, with the goal being to predict outcomes on the basis of that relationship. Researchers working in the fields of economics and business frequently seek to discover the elements and attributes of a given business or group of businesses that make them successful (Ahmad et al., 2010). These critical success factors are commonly analyzed using multiple regression (Ahmad et al., 2010; Chittithaworn et al., 2011; Zulkifli & Rosli, 2013).

In my definition, an SE is a particular variant of an SME, one that exhibits a high degree of both social and entrepreneurial orientation. The number of SEs as a percentage of total SMEs is not known, but it is certainly very small. In the United States, for example, there are approximately 28 million SMEs, but I have only been able to identify about 2,000 SEs. There are probably many more, but they are difficult to find unless they self-identify by registering with a certification company or state agency, or by joining a trade association that publishes its membership list. Even if there were 10 times that number, as a percentage of total SMEs they would only compose .007%.

One way to approach this research would be to identify SEs by surveying a large number of SMEs and evaluating their degree of social and entrepreneurial orientation, with the ones that score in the top 10 or 20% labeled SEs by definition. This would be an

interesting future research project; it may well be possible that many more SMEs are really SEs than is currently known. SMEs are easy to find and survey; there are large data sets available from government and other sources. I considered this approach, but for reasons of time and money considered it to be too risky. Even if the percentage of SMEs that are SEs is closer to .7% instead of .007%, it would require surveying over 35,000 SMEs to find 250 of them. If the real number is indeed .007%, the required total population of SMEs to survey would be over 3,570,000.

Therefore, I decided to survey only those companies that self-identified as SEs in various ways including joining an SE trade association, registering as an L3C or B-Corp, being certified by B-Lab, or signing up to be part of one of the SE surveys. The risk here was that a company may join one of these associations or efforts for reasons other than their high degree of social and entrepreneurial orientation. The managers might see an opportunity to learn about a different technology, find new business opportunities, meet interesting people, or explore new business methods. In other words, a company's managers might define their company as an SE, but when measured against the definition I am using in this research, it may turn out that they are actually much more like a standard SME.

However, in most cases joining one of these efforts takes time and money; the ANDE and the Social Venture Network charge dues, the Opportunity Collaboration costs $3,900 for their annual week-long event, and registering as a B-Corp or L3C increases the requirements for compliance with statutory regulations. Therefore, I decided the risk that these companies were standard SMEs in SE clothing was relatively low. Ideally, I would first survey the entire population of self-identified SEs and only select ones with

high social and entrepreneurial scores, but that would be a large and expensive undertaking. It is an interesting question for another research project, however: To what extent do self-identified SEs reflect high degrees of S/EO as compared to a random set of SMEs?

Nature of the Study

The nature of this study was quantitative using inferential statistics with one independent variable and four control (predictor) variables. Quantitative analysis is useful for creating generalizable results. For this study, the dependent variable was assumed to be interval scale, with data collected using Likert-type scale questionnaires. In this study I sought to find a linear relationship between the independent variables and the dependent variable, which called for linear regression analysis. With four independent variables in the model, the correct statistical method was multiple regression. The independent variable that I was most interested in was the use of BVA methods, with the other four variables acting as control variables.

There is some controversy in the literature about using multiple regression with Likert-type scale data, with some critics arguing that logic dictates that the values collected cannot be understood to be at the interval level of measurement (Jamieson, 2004). According to Jamieson (2004), Likert-type scale data reflect imprecise distances separating the categories; in other words, there is no reason to assume that the distance between “agree” and “strongly agree” is the same as between “disagree” and “strongly disagree.” The numerical values are assigned by the researcher, instead of being determined by the underlying data. As two other methodologists put it, raw Likert scale

data is “simply a ranking that shows the respondent prefers something to a greater or lesser extent” (Leaper & Durand, 2009). This is typical ordinal level data.

Ordinal level data cannot be analyzed using multiple regression because multiple regression is a parametric test requiring a normal distribution of the means; parametric tests require interval levels of measurement. This leaves one with nonparametric tests, which are not as robust and do not serve to demonstrate correlation. Kuzon et al. (1996), in their famous article on the seven deadly sins of statistical analysis, put the use of parametric tests on ordinal data at the top of the list. In Kuzon et al.’s view, violating the assumption of a normal distribution indicates that the results cannot be trusted.

However, as Norman (2010) pointed out, this assumption is violated on a regular basis in social science research; in Norman’s view, the reality is that when using modern parametric statistical techniques, the results are robust (i.e., they give the right answer) even when the assumption of a normal distribution is violated. Norman explored the ways in which empirical researchers have examined robustness, and found that parametric tests are accurate even when the assumption of a normal distribution of the means is violated. In addition, Likert-type scale data can be manipulated using Rasch statistical methods, which involve ensuring that the data is uni-dimensional and fits with the expected direction (Retief, Potgieter, & Lutz, 2013).

Ensuring that there are numerous questions on the questionnaire that uncover different facets of the same phenomenon, in this case the success or lack of success of the SE, is another way of improving validity, leading to a higher degrees of confidence in the results (Leaper & Durand, 2009). Asking a social entrepreneur a single question (e.g., “Was your business successful last year?”) is insufficient; there are too many ways in

which the question can be misunderstood or understood differently by different people. For this study, I asked six questions that looked at different ways in which success could be defined and determined.

Multiple Regression Analysis

Multiple regression is used when there are a number of predictor variables in the model. Simple regression predicts the values of the dependent variable from the values of the independent variable, while multiple regression adds more predictors. This adds considerably to the complexity of the analysis, because it is likely that there is some correlation between two or more of the variables. For example, in the business environment larger firms are often more successful than smaller ones. In the model I built, I am interested in knowing if, controlling for firm size, the use of BVA method predicts the success of the firm. In my model, firm size could refer to the number of employees, annual revenue, market share, or some other variable. But all of these variables are likely to be highly correlated, or collinear, which can lead to problems in the model. As the correlation coefficient gets closer to 1.0, the problems increase.

In regression analysis, each predictor has a coefficient, β, that ranges between the values of -1.0 and 1.0 indicating the degree to which a change in the value of the predictor variable leads to a change in the value of the dependent variable. A higher β means a great likelihood that the predictor variable statistically significantly predicts a change in the dependent variable. The important issue here is that β only matters in relation to the standard error. If the standard error is small, then the results from the sample population are likely to be similar to the results from any other sample from the population *N*.

Multicollinearity, the name given to the situation where one or more of the predictor variables is to some degree a linear combination of the another, makes the standard errors increase, thus making the β values less trustworthy. An increase in collinearity leads to an increase in the standard errors. Selecting predictor variables carefully to avoid multicollinearity is therefore important for internal validity in a multiple regression analysis. In this research, for example, the variable I selected for firm size is the number of employees. I did not include other variables that might also describe firm size, such as annual revenues, in order to avoid collinearity between the two variables.

The control variables in my model were firm size (number of employees), the sector in which the firm operates, the country of legal registration, and the number of years the firm has been in business. There is certain to be some degree of collinearity between these variables, in particular between firm size and number of years in business, but it is unlikely that one of these predictor variables is a perfect linear combination of the other. Some firms grow rapidly and some quite slowly, if at all. Size does not equate with success; some quite large businesses can find themselves in years of difficulty (Yahoo! comes to mind). Some small business owners, by contrast, may not be at all interested in growth, and focus on other measures of success. This is another reason to use the perceptions of top managers as the measure of success, instead of a more objective measure like profitability.

The multiple regression model I used for this analysis was based on an equation that adds up the effects of the predictor variables, with my primary interest in the predictive value of the use of BVA methods. Including the constant β_0, the equation was:

$$\text{Firm success} = \text{constant} + \beta_0 + \beta_1 \text{BVA} + \beta_2 \text{years in business} + \beta_3 \text{sector} + \beta_4 \text{country} + \text{error}.$$

The results of this model did not show that there is a correlation between two or more of the independent variables. For example, the results could have demonstrated that only firms that have been in business for at least two or three years are using BVA, which might be explained by the cost and complexity of measuring social impact. This is useful knowledge, and in my view represents a good sort of multicollinearity. I did not set up my research to answer this question, but as I will explore in Chapters 4 and 5, a future research agenda might look at how and under what conditions SE managers implement the use of BVA methods.

The primary independent variable *A* was chosen and defined in order to reduce the likelihood of multicollinearity. It is unlikely that any SE would use both a standardized and a bespoke method of accounting, since this is both a lot of work and leads to having multiple accounting systems in the same organization. There may well be multicollinearity among the control variables, but this is generally less of a concern for the validity of the regression (Grewal, Cote, & Baumgartner, 2004). The best strategy is to design the independent variables of interest to avoid multicollinearity. Of course, the standard variance inflation factor (VIF) test will be use to test for multicollinearity one the model is created and the data ready for analysis. Testing for multicollinearity is done prior to the regression analysis.

Logistic Regression Analysis

I also converted the values obtained in the Likert-type data into a binary or categorical success/not success format for an additional level of analysis. This results in a

loss of some information, in that the values across the five levels of measuring success are squeezed into just two outcomes – success or not success. For this conversion, all of the middle responses ("neither successful or not successful") were be discarded, and the remaining four categories reduced to either success or not success. My reason for doing this was to test whether the results of this analysis were the same for the multiple regression analysis.

Firm success is, like most phenomenon in the social sciences, properly viewed along a continuum. Some firms in some years will be very successful, while in subsequent years they may run into business headwinds and be comparatively less successful. It is useful, however, to be able to divide cases into two distinct categories in order to sharpen the distinction. Similarly, most people's political opinions range along a continuum from liberal to conservative, but it is helpful for some researchers to be able to classify people as either liberal or conservative. Since my research interest is in the relationship, if any, between the use of BVA methods and firm success, I divided the firms in my sample population into the successful ones and the not-successful ones, and see if the results indicate a different outcome from the ones obtained using multiple regression.

In this analysis, logistic regression was used, as is required with categorical data. In logistic regression, the research problem can be stated as the odds of finding a relationship between the independent variables and the dependent variable, so part of the analysis will be calculating the odds ratio. Logistic regression is based on multiple regression, but is used in cases where the outcome variable is categorical and the predictor variables are either continuous or categorical. The odds ratio is an essential part

of the interpretation of logistic regression results; it shows the change in odd resulting from a unit change in the predictor variables.

For most forms of regression, a key assumption is that the observed data has a linear relationship. With a categorical outcome variable this assumption is violated, and therefore the data has to be transformed. One transformation method is to use logarithmic transformations, which converts the relationship between the dependent (predictor) variable and the independent variable from one of a linear relationship to one of probability. Therefore, one assumption in logistic regression is that there is a linear relationship between the predictor variables and the log of the outcome variable (Peng, Lee, & Ingersoll, 2002). Another key assumption is that there is independence of errors, meaning that observed data needs to be independent of each other. Unlike in linear models, homoscedasticity is not required.

The equation for the analysis can be written as follows.

$$P(Y) = \frac{1}{1 + e^{-(\beta_0+\beta_1 X_1+\beta_2 X_2 \ldots \beta_n X_n)}}$$

Where P = the probability of Y occurring, Y is the dependent variable, e is the base of natural logarithms, β_0 is the constant, X_n are the predictor variables, and β_n are the coefficients attached to the predictor variables.

Research Questions and Hypotheses

Regression research question 1. Does the use of BVA (the independent variable, measured nominally), statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale). The dependent variable was analyzed using parametric statistical methods. The

survey data were tested using multiple linear regression, with the dependent variable the mean of responses, in which I assumed an interval scale.

$H_0$1. The use of BVA (the independent variable, measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and all beta (β) coefficient values are not significantly statistically different from zero.

H_A1. The use of BVA (the independent variable, measured nominally), does statistically significantly predict the positive direction of the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and at least one beta (β) coefficient value is significantly statistically different from zero.

The data were also analyzed by converting the dependent variable responses into binary (dichotomous) data, with the two possible results being either success or failure. Success is defined by the point of view of the senior executive of the firm in response to a survey question asking if the firm is successful or not, following standard practice in entrepreneurial orientation research (Carraher, 2005). In this form of the data, logistic regression was used, since this is required when the dependent variable is categorical (Osborne, 2014). Therefore there are two versions of the research question, with the second version as follows.

Regression research question 2 (alternative). Does the use of BVA (the independent variable measured nominally), statistically significantly predict the SE managers' perception of firm success, (the dependent variable, measured dichotomously). The dependent variable is based on data collected using a Likert scale, which was analyzed using parametric statistical methods. The survey data

were tested using logistic regression, with the dependent variable converted into binary form, either success or not success.

$H_0$2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and all beta (β) coefficient values are not statistically significantly different from zero.

H_A2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and at least one beta (β) coefficient value is statistically significantly different from zero.

Data Collection Methodology

There were two levels of data collection necessary in this research design. The first was to identify and collect basic data on a population of SEs. The second was to survey those SEs in order to obtain data for the variables selected. The data collection was done online, seeking to collect the following information: the name of the SE, the names of the top managers, the mailing address, the phone number, the website, email addresses for the top managers, the number of employees, and the sector in which the SE operates. The number of employees, the country of registration and the sector were three of the control variables. The data were entered into a spreadsheet, and checked for missing, duplicate or illogical information. There were no outliers, and missing data was ignored, since it did not affect the analysis.

There were multiple sources for this data, including online directories such as the Great Social Enterprise Census and the Social Enterprise Alliance. However, in these two

cases the total number of SEs is no more than 400, which is common. It is rare to find a list of SEs with more than a few hundred listings. The two largest in the United States are the lists collected by B-Lab and Intersector Partners. For both organizations, the total is approximately 1,000 listings, but there is a fair amount of overlap between the two, so the unique set of SEs might only be around 700 or so. Many of these same SEs are also found in the Great Social Enterprise Census and other lists.

In addition, for the sources noted above and all other sources currently identified, the only information available online is the name of the company, and sometimes the sector and location. Mailing addresses, contact information, names of key managers and other information is not provided. Further research is required to collect this information; each company has to be investigated online using multiple sources, including their websites and third-party references such as directories of businesses and email addresses. This process is time consuming and tedious, and I hired several researchers to assist me with this process. Thanks to new services like Elance, it is cheaper and easier now to find, hire and supervise researchers for tasks like this one. My original goal was to collect this information on at least 2,500 to 3,000 SEs in North America, Africa, Asia and the southern hemisphere, and I succeeded in finding 3,682. Excel spreadsheets can be imported into other programs such as SPSS for statistical analysis and also into online survey tools like Survey Monkey and Qualtrics.

The internet was useful for doing background and academic research, and for verifying missing information. Although most SEs do not publish their full details online, they often report on outcomes achieved, successful ventures, products, markets and mission. Names of key individuals along with verified email addresses were essential.

Basic research was needed to identify the names of key respondents, and internet tools were used to verify email addresses.

Sample Size

Data were collected using online surveys from the population of SEs, with a sampling population of at least 250 returned and completed surveys. The minimum sample size can be determined in various ways. Since power (1- β), the α -level, sample size (*n*), and the effect size are all related, if three of the components are known the remaining one can be calculated.

In multiple regression, there are common rules of thumb based on the number of predictor variables, usually set as a function of the number of cases needed per predictor variable (Fritz & MacKinnon, 2007). This is frequently determined to be either 10 cases or 15 cases per variable. Since in this research there is one independent and four predictor variables, the total number of cases needed would then be either 50 or 60, depending on which number I select. However, the use of this "rule of thumb" has been called into question in recent years, partly because the choice of which number of cases to use is somewhat arbitrary, but mostly because of the effect size, R^2 (Kelley & Maxwell, 2003). The effect size in this research project refers to the strength of the relationship between the use of blended values accounting methods and firm success. Another issue is how much power is desired to evaluate these effects.

A modern way to calculate sample sizes is to use a software program like G*Power, which can automatically generate the necessary sample sizes for a given statistical test at various levels of effect size, power, and confidence interval. Using G*Power and setting the effect size for small, medium and large effects results in

different required minimum sample sizes. For multiple regression, I set the effect size according to Cohen's recommendations at R^2 = .02, .13 and .26 for small, medium and large effects respectively (Cohen, 1988). Plugged into G*Power, this returned values of 1050, 167 and 87. In other words, if the expected effect size in small, then a much larger number of cases is required in order to detect it. In this analysis power (1 – β) was set at .80, and the standard error α was set at .05, as is customary in multiple regression. My expectation was that the effect would be modest, leading to a required minimum sample set of 167 cases. To give myself a margin of safety, I set my target for the sample population at 250 returned complete surveys, and eventually received 280, thus overpowering the sample considerably.

Larger samples are generally considered to be better, due to the greater likelihood that the coefficients are normally distributed, and because this improves the reliability of the regression model. As Kelly and Maxwell (2003) noted, larger sample sizes help improve the researcher's confidence that the results are not only statistically significant, but also accurate. This helps with a main goal of quantitative research, which is to be able to make generalized statements based on the sampling population. For my research, I am also interested in better understanding the difference between SEs in different parts of the world, following the paths taken by researchers looking at EO in SMEs (Runyan, Ge, Dong, & Swinney, 2012). To do this, I first needed to find enough SEs in multiple parts of the world.

Survey Data Collection

To collect the data in phase two of the data collection, after the online research is complete, surveys are the most appropriate tool, following the guidelines for proper

survey design and distribution (De Vaus, 2014). The full population of SEs were sent the survey, but not everyone completed it. Typical response rates for online surveys are in the range of 20% (Baruch & Holtom, 2008). A recent research project very similar to this one got a response rate of just over 20% (Miles et al., 2013).

Following other research efforts, my expected response rate was in the range of 18% to 23%. Therefore, to achieve the desired minimum number of cases (250), *N* needed to be no less than 1,086 (23%) to 1,388 (18%). Obtaining more cases for *N* is desirable. Having a larger database to draw from provides room for error, allows for follow-up work in order to verify results, and gives me a larger dataset to work with using the information collected online. For these reasons, this study originally sought to collect at least $N = 2{,}500$. This was challenging, as reliable lists of SEs are hard to find, but by the end of the data collection I had a list of 3,682 SEs.

Non-response Bias

Once the sampling population was identified, along with all the required contact information, the email surveys were sent, with repeated follow up. A critical question then becomes how to reduce non-response bias; the extensive use of emailed surveys for all kinds of consumer research has reduced response rates.

Five methods to improve the response rate to this survey are.

1. Starting well in advance and allowing extra weeks for the surveys to be completed;
2. Attending conferences and events attended by SEs and asking attendees to fill out the survey, for example by enclosing a link to the online survey in conference packets;

3. Offering access to the data and completed research;
4. Asking noted experts in the field and providers of equity capital to endorse the research effort;
5. Offering an incentive to participate, such as the possibility of winning a free registration to a prestigious event or a magazine subscription.

Some researchers have found that offering incentives does not significantly improve response rates (Baruch & Holtom, 2008). However, when looked at more closely, the incentives offered are often quite small – perhaps not enough to change the behavior of potential respondents. Typical incentives are a book or academic research report, or something similar that might be fascinating to the researcher, but is perhaps less interesting to the busy manager of an SE.

I intended to offer a participation incentive to improve response rates for this research. Thanks to a longstanding relationship with the founder and CEO of the Opportunity Collaboration (2014) I was able to secure a free entry for one randomly-selected participant. This is a big incentive; the OC is held each year at a luxury resort on the coast of Mexico, with a private beach, ocean-front villas, and all-inclusive meals and beverages. The entry fee is $3,950, and it attracts some of the leading funders, investors, thought leaders and practitioners in the SE sector. However, after consulting with the IRB I decided not use this incentive, but instead offered a free online subscription to the *Stanford Social Innovation Review*.

Another way of reducing non-response bias is to supplement the online survey with a phone survey. Phone surveys are quite a bit more time consuming and expensive; while surveying 3,682 SEs using Survey Monkey costs less than $1,000, the same effort

using a phone survey company costs in excess of $13,000, according to estimates I received. Based on the cost, I decided against conducting a phone survey.

Data Collection Instrument

There are many verified templates of business surveys available in wide use. A good source of very detailed surveys is provided by the World Bank (2014); the World Bank staff use these to survey small and medium businesses in economies around the world. The World Bank hires outside survey firms to conduct the research, and evaluates the instruments, sampling frame, data and results with academic rigor. However, these surveys are highly detailed and required trained interviewers to administer. A short version of the survey instrument for service industry firms runs to 30 pages and contains hundreds of questions. This level of data collection intensity is beyond the scope of my research.

Long surveys of this sort discourage participation, and can only be conducted through phone or in-person interview; it would be hard to get a decent response rate using online survey tools. Survey Monkey, the company I used in my research, does provide free surveys, but also offers a paid service for academic researchers. This service contains customizable small-business surveys that download directly into SPSS for analysis. Once the basic contact data is collected and entered, sending the surveys multiple times is quick, easy and inexpensive. This sort of survey work has been widely used in recent years, with multiple sources confirming the validity of the research if proper procedures are followed (Wright, 2005). A critical consideration is the sampling frame, since non-response rates are typically very high (Wright, 2005). Another company that is used increasingly by academic researchers is Qualtrics, which is viewed as able to handle

larger datasets and more complicated procedures than Survey Monkey (Brandon, Long, Loraas, Mueller-Phillips, & Vansant, 2013). For the limited survey in my research, Survey Monkey was the optimal solution.

The surveys themselves were developed from existing surveys used in research on prosocial and entrepreneurial orientation. In the interests of building on existing research, the surveys used in this study were taken from the work done by Miles et al. (2013; 2014) on SEs in Australia. Two sets of survey questions, taken directly from the two studies cited, were used. One is the economic performance scale, to determine the extent to which an SE is successful in meeting its economic goals. The Australian researchers also created a social performance scale to assess whether the SE was achieving its social goals. Taken together, the two surveys were used to collect the data for the dependent variable. Once all the data was collected for the two scales (economic and social performance) a composite scale was created to give an overall ranking for S/EO. I compiled this composite score as part of a future research agenda. For this research, I did not attempt to use regression analysis to show a correlation between the use of BVA and a composite S/EO; developing that analysis is beyond the scope of this project. In Chapter 5, I will show how another researcher could use the composite S/EO score to evaluate the degree to which an SME can be considered to also be an SE, and then to correlate aspects of the SE to the success of the firm using EO methodologies.

Survey Instrument

Figures 3 and 4 contain the questions used in the survey.

Question
We are more effective at serving our beneficiaries than others.
In the past few years we have increased our effectiveness.
We are more efficient in serving our beneficiaries than others.
In the past three years we have increased our efficiency.
In the past three years our financial situation has improved.
Our organization is financially sustainable.

Figure 3. Economic performance Likert scale questions.

Question
We operate our organization in an environmentally sustainable way.
Our investors are satisfied with us.
Our organization operates in a socially sustainable way
We help inform the community about the plight of our beneficiaries.
We mobilize interest for additional social welfare initiatives.
We are often perceived and valued by our beneficiaries as a provider of last resort.
In the past few years we have met our objectives in terms of beneficiaries served.
Beneficiaries are satisfied with our services.
Beneficiaries and stakeholders recommend our services to others.

Figure 4. Social performance Likert scale questions.

Procedures and Possible Sources of Data

One of the largest challenges in this research was finding a list of SEs to survey. There does not exist in the United States a national directory of SEs, and outside of the United Kingdom no systematic effort has been made to develop one in other countries. In addition, some directories contain non-profit organizations, which under some definitions are considered to be SEs, although in this study SEs are defined as for-profit companies. To get a population of sufficient size in order to generate the required representative sample demanded substantial basic research to identify, qualify, and collect basic information on SEs such as their country of origin, their sector, and the names of key contact people.

During the course of the preliminary research, many possible sources of SEs were discovered. Some of them in the United States includes national directories such as the Great Social Enterprise Census (which is a blend of NPO and for-profits), registries of B-Corps (a certification nomenclature for SEs), attendance lists of SE conferences and events, mailing lists for SE trade associations, and state registries for L3C low-profit corporations (a form of SE). All of these sources were reviewed for the names of SEs, which were then collected and entered into a spreadsheet. Academic studies of SEs have used these and other sources, combining various lists to arrive as closely as possible to the entire population of discoverable SEs (Miller et al., 2012). Another good source was the portfolios of IIs, who by definition only invest in SEs, although each one normally contained only a handful of companies.

Participants in the study were contacted via email and recruited to join the study. The time frame I gave myself for collecting the required minimum number of cases was six months; I started in July 2014 and completed this task by January 31, 2015. Participants were added to the survey database as new sources were found. Once this proposal was approved, the managers of the SEs in the database were sent the survey using SurveyMonkey. Reponses were coded for anonymity, and clear guarantees of anonymity were provided in order to keep the data on any one SE confidential. Participants signed an online release form allowing the data to be used in the research in order to document consent, and my contact information was provided for questions, concerns and comments.

Independent and Dependent Variables

For this research, the use of BVA methods by different SEs was measured and evaluated. The units of analysis are the SEs themselves, the choice of BVA method, and the SE managers' perception of success or failure in raising capital. Firm success is the dependent variable, and the independent variable is the particular BVA methods used, whether standardized or custom/other or none.

The variables for this study are as follows.

Independent Variable A

There are numerous BVA methods, with an anecdotal trend in recent years towards a convergence on B-Lab Certification. This is a tool based on work done by the Acumen Fund, with help from a number of private foundations, analytics organizations and accounting firms. Acumen in recent years has worked closely with IRIS, which was developed specifically for IIs, and at present the two methods have merged. The Social Return on Investment has been around much longer, since 2000 (Arvidson et al., 2013). It was developed by the Roberts Enterprise Development Fund. Other methods and tools were created by other organizations; there are at least 25 available (Foundation Center, 2014). In my research I have found, anecdotally, that the list below shows the BVA methods most in use by SEs.

- B Impact Rating System (B-Lab, 2014);
- Balanced Scorecard (Nørreklit, Nørreklit, Mitchell, & Bjørnenak, 2012);
- Benefit-Cost Analysis (Pearce, 2014);
- Social Impact Assessment (Vanclay, 2014);
- Social Auditing and Accounting (Corus & Ozanne, 2012);
- Social Impact Tracker (Social Impact Tracker, 2014);
- Social Return on Investment (Millar & Hall, 2013);
- Triple Bottom Line Tool (Triple Bottom Line, 2014).

My research indicates that the list in Table 1, while by no means comprehensive, shows the BVA methods most in use by SEs. Table 1 shows the standardized BVA methods.

Table 1

Standardized BVA methods

	BVA Method
1	B Impact Rating System
2	Balanced Scorecard
3	Benefit-Cost Analysis
4	Social Impact Assessment
5	Social Auditing and Accounting
6	Social Impact Tracker
7	Social Return on Investment
8	Triple Bottom Line Scorecard

In addition to standardized BVA methods, there are custom or bespoke methods used by many SEs. This information was captured by allowing the respondents to choose "other," which also provided an opportunity to specify which BVA method they employ. SE managers may also choose not to, or not be required by investors, to use any BVA method at all. Therefore, another choice was "none." This is also where SEs that decline to answer this question can be placed, so the variable captured data on SEs that don't use BVA methods or decline to state whether they do or not. Table 2 shows the control variables, and Table 3 the full list of variables and rules

Table 2

Control Variables

B_1 = Length of time in business. Measured in years.
B_2 = Country of legal registration for headquarters.
B_3 = Number of employees, full time equivalents.
B_4 = Sector, e.g. healthcare, environment, clean water, agriculture, etc.

Table 3

Variables and Rules

Variable	Measurement Level	Rules
A	Nominal	1 = B Impact 2 = Balanced Scorecard 3 = Benefit-Cost 4 = PCV Social Impact 5 = Social Audit 6 = Social Impact Tracker 7 = SROI 8 = TBL Scorecard 9 = Custom (bespoke) 10 = other 11 = none
B_1	Scale	Number of years in since founding, in years
B_2	Scale	Country of registration
B_3	Scale	Number of employees
B_4	Nominal	1 = health 2 = education 3 = clean water/sanitation 4 = livelihoods 5 = energy 6 = agriculture 7 = other
C	Interval	1 = Not successful at all 2 = Less successful than hoped for 3 = Neither successful or a failure, in the middle 4 = Fairly successful 5 = Very successful

Statistical Analysis

Once I obtained the data, it was already in an SPSS dataset but needed to be screened and cleaned. SPSS offers a number of tools to assist with this task. The place to start is with descriptive statistics, which allows the researcher to see the data and quickly determine if there are any strange anomalies resulting from mistakes in the data entry. Outliers can be identified. Anything that looks particularly out of the ordinary can be viewed using crosstabs to see if there is a mistake in the way the data were entered. For

example, this would help identify responses that coded “yes” for a particular BVA method and selected the method, but then also reported that no BVA method was used. This is likely to simply be a mistake in the survey response, and can be hand-recoded if necessary, but I did not have to do this. The descriptive statistics functions in SPSS also offer a good summary report on frequencies, missing values, means and standard deviations.

The threats to validity must be understood and a plan developed for each one. Common threats to validity relevant to data collection and analysis are differential selection and attrition, non-response bias, small sample size, temporal validity and so on. Strategies to address these are reviewed above, and the research was designed to minimized threats to validity as much as possible. There are many other possible threats to validity (Frankfort-Nachmias & Nachmias, 2007). One challenge comes from internal validity. Internal validity refers to the ability to trust the instruments used to measure the effects of the variables chosen for study. External validity has to do with the ability to use the results obtained to generalize to groups not in the study. If, for example, for the SEs in the study, a correlation is found between the use of one BVA method and firms success, does this really mean that all SEs should follow the example and use the same BVA method?

Internal validity is a concern because there can be many factors that are correlated with firm success. Some candidates include the experience of the management team, the entrepreneurial talents of the top executives, the social capital of the firm’s board, and others. Another area of concern is construct validity. Construct validity has to do with the definitions of the phenomenon a researcher is studying to arrive at common

understandings. Precise and accepted definitions are essential in order to generalize. The difficulty is that the field of SE is relatively new and therefore has not been well researched. Key constructs may not be well defined and generally accepted. For example, asking the managers of an SE questions like "are you a social enterprise" and "do you use blended value accounting" might not obtain valid replies. In order to ensure sampling validity, the survey needed to be designed to elicit responses that are tied to commonly understood concepts, such as specific methodologies for BVA as described above.

Once cleaned, the data were entered into the model using enter, or forced entry. This is the default in SPSS, and it is normally used as the default except in special circumstances. SPSS functions were used to test for R^2 and model fit, and the tests for independence of errors and multicollinearity were run.

One the regression model was built, it was tested for goodness of fit – how well the model fits the data. Scatterplots can offer a visual depiction of the linearity of the relationship of the predictor variables to the log of the outcome variable, but in multiple regression goodness of fit is tested using R^2 and several other tests that are built into SPSS. These are all methods of testing the goodness of fit not only for the independent variable, but to see if the effect of the control variables is to improve the goodness of fit or reduce it.

Reliability and Statistical Validity

Reliability for the data collected was another concern. Reliability (or consistency) refers to the likelihood (captured a ratio in the scores of what is being measured) that the response is consistent over numerous occurrences, accounting for errors that occur. These errors need to be addressed by using by using a measure of reliability. Similarly, it may

be that the statistical tools employed do not allow for strong causal inferences. This is known as statistical validity, and it also needs to be addressed in research.

There are several ways to measure reliability, all of which involve comparing results of one measurement against the results obtained in another. The test-retest method goes back over the same population sample with the same tool, but at different points in time. For example, a survey could be administered twice, with six months intervening. Since the goal of measuring reliability is to ensure that the same results are obtained no matter when the data is collected, re-testing is the best way to demonstrate reproducibility (Frankfort-Nachmias & Nachmias, 2007, p. 155). However, this method proved to be too time-consuming and expensive for this research.

Assumptions and Limitations

There were five critical assumptions for this research plan. First, that a representative population of SEs could be identified and surveyed. Second, that SE managers would answer the survey questions accurately and return the surveys within the allotted time frame. Third, that the time and cost of compiling the population and developing and administering the survey would not be prohibitive. Fourth, that the selected control variables captured the full range of important predictors of SE success. And fifth, that the data would fit the logistic regression model and allow for conclusions to be drawn from the results so that the null hypothesis could be confirmed or rejected.

There are inherent limitations in the sort of research to be conducted in this research plan. These include the lack of a comprehensive directory of SEs, the possibility that the representative sample will not be truly a random sample because of the large gap between the number of SEs to whom the survey is sent and the much small sub-set who

actually return the survey, and the inherent noisiness of the data. In addition, the SE sector is growing and changing very rapidly at the present time. Results obtained in 2015 may not be still fully valid in 2016 when the research results are published.

Some of the delimitations for this research are described above. Key among them is expanding the scope of research to include SEs that are registered outside the United States. There are simply not enough SEs registered and identifiable in the United States to allow the creation of a large-enough directory to get to the minimum sample size.

The SE sector is more developed in the United Kingdom, and I expected to find many cases there, but I was not able to get access to developed directories, and decided to focus on other English-speaking countries. A time frame was set for the sampling framework; that was planned for two months from the date that the first round of surveys were sent out. Another important delimiter was the theoretical framework. There are arguably many different ways to evaluate firm success, but after a review of the literature this research plan joined the theories and used the methods of entrepreneurial orientation and prosocial orientation to provide the framework for the study. Therefore, success was determined as I described in Chapter 2, by interviewing top SEs managers and asking them if they have achieved their social and economic goals.

Conclusion

The growing field of SE suffers from a lack of definitional rigor and empirical research. The first problem has to do with the distinction between an SE and an SB. While an SE is deliberately set up to improve society, most SBs also have positive impacts on social change. Even tobacco companies, for example, provide well-paid jobs

with benefits. In this research, the theories of social and entrepreneurial orientation will be used to help more clearly define what makes an SE different from an SB.

The second problem involves measuring social impact. Mechanisms for capturing the full value created by an SE are called social accounting or BVA. There are a number in current use, and while many SEs use standardized BVA methods, it is believed that quite a few use customized tools. There is a large empirical gap, however, in that SEs around the world have never been surveyed to determine which BVA methods are in the widest use. This research surveyed SEs to help fill that gap. Multiple regression was employed to determine what, if any, correlation with SE success could be explained by the use of standardized or custom BVA methods.

I did not find a statistically significant relationship between the use of BVA methods in general, or any particular BVA method, and the success of SEs in my research. I did find that the BVA method known as the B-Impact Rating System is the most frequently used. This knowledge is useful to SE managers and IIs. Selecting and using a BVA method is expensive and time consuming. Knowing that no BVA method is correlated with SE success helps SEs make rational choices about the best way to measure social impact. This in turn makes a contribution to a sector of social change that is growing rapidly and promises to deliver substantial improvement in social conditions.

Chapter 4: Results

In this chapter, I describe the results of the data collection process and the statistical tests I used to answer the research questions. The research question I asked was the following: Does the use of blended value analysis (independent variable, measured nominally) predict the success of the firm (dependent variable, measured on an interval scale)? My null hypothesis was that the use of BVA does not predict the success of the firm, meaning that there is no positive statistically significant correlation found between the use of BVA and the social enterprise (SE) managers' perceptions of the success of the firm. The success of the SEs surveyed for this project (n = 280) was evaluated in two ways: success in reaching financial goals, and success in reaching social goals, following the methodology developed by other SE researchers (Miles et al., 2013).

After collecting the data, I ran a series of parametric tests using multiple and logistic regression. In the multiple regression analysis I did not find a statistically significant correlation between the use of impact measurement and firm success, either economic or social. None of the BVA methods were statistically significant in terms of a positive, directional correlation between the use of the BVA method and firm success. I failed to reject the null hypothesis. Based on this research, there is no positive statistically significant correlation between the use of impact measurement and firm success. As I explore in Chapter 5, there were some nuances in the results, but these did not change the conclusion.

When I transformed the data into dichotomous values, in an effort to force the dependent variable into one of two categories (successful = 1or not successful = 0) as perceived by the managers surveyed, I still failed to reject the null hypothesis. There was

an interesting result in the sense that four of the BVA methods (B Impact Rating Systems, Balanced Scorecard, Social Accounting and Auditing, and Social Impact Tracker) were less likely to be positively but still not statistically significantly correlated with economic success while the other four (Benefit Cost Analysis, PCV Social Impact Analysis, Social Return on Investment, and Triple Bottom Line Scorecard) were more likely to be positively (but also not statistically significantly) correlated with economic success. Interestingly, one logistic regression result was that nonprofits are less likely to report economic success than for-profits, while the reverse is true when it comes to social impact success. In other words, for-profits are less likely to report social success than nonprofits.

In perhaps the most interesting result, I also divided the survey data into two groups: SEs that use BVA methods and those that do not use BVA methods. Using logistic regression, I then looked to see if there was a relationship between SE success and the use of BVA methods in those two groups, and here I found a compelling result. SEs that use BVA methods are significantly more likely to report being successful than those that do not. I describe this result first in my analysis of the regressions, because it is an interesting finding in light of my research questions.

It is important to remember that in this regression analysis I sought to find a directional correlation between the independent and dependent variables. In this case, the use of BVA methods was the independent variable, and SE success (as perceived by SE managers, both social and economic) was the dependent variable. From this perspective, an increased use of BVA should result in greater firm success across the population of SEs surveyed, but my findings did not reflect this effect.

This seems to contradict the finding that SEs that use BVA methods are more successful (in the perceptions of their managers) than those that do not, but in fact these are two different questions. An effect that is found in a selected subgroup of a population as compared to a different subgroup or the full population is interesting in its own right, but it does not negate the other finding. For example, a political survey might find that Texans in general are substantially more conservative than Californians, but if you break out only those Texans who are residents of Austin you might find their political views closer to what you would find in California, or indeed in Berkeley, the most liberal city in the state. More research would be needed to figure out why SEs that do not use BVA are less successful than those that do; it could be that there are others factors at play, such as being self-funded instead of funded by impact investors. I explore the implications of this finding in the discussion in Chapter 5.

Finally, although in my research I did not find a positive directional correlation between the use of BVA and SE success overall, that does not imply that impact measurement is unimportant. As I explained in Chapter 2, there may be reasons for implementing BVA other than the contribution it makes to firm success. Perhaps one way to look at these results is that while the use of BVA is important for SEs, it does not seem to matter which method one uses, so SE managers might as well employ one that is easy and inexpensive, and fits with their existing management systems. It might also be that SEs that do not use BVA methods are the ones facing financial difficulties, forcing the managers to focus their attention on survival instead of on measuring their social impact. One respondent to the survey said this directly.

Survey Responses

The survey was sent via email invitation to a list of 3,682 SEs collected primarily using Web research. Email addresses were loaded into an online survey platform called SurveyMonkey, which is often used by business and academic researchers. Three reminders were sent, one a week for 3 weeks, until the survey was closed. The data collection process took approximately one month. The process of identifying the 3,682 SEs, however, took almost eight months because it involved a tedious process of identifying individual companies, figuring out if they qualified in some way as an SE (mostly through self-identification), finding an email address for a manager, and then testing the emails to see if they were active.

Of the 3,682 surveys sent, a total of 280 were returned completed, or 7.6%. The open rate was 53.4%, meaning that 1,963 SE managers actually opened the email containing the link to the survey. Almost half, 38.9% (1,430 SE managers) never opened the email to read the contents, despite repeated reminders. This is not uncommon with email. Bounces totaled 163, and 123 SE managers opted out of receiving the survey. The click-through rate was 12%, or 441. Of those who actually opened the email (n = 1,963 SE managers), 280 (14 %) followed through and completed the survey. Not every survey respondent answered every question, but the partial data was not substantial enough to affect the results.

Thank-you messages were sent to respondents after the second and fourth weeks, along with my email address and an offer to share the results of the survey. A number of SE managers wrote to me directly inquiring about my research, and asking to see the final results; I got a total of 32 emails although in some cases they were asking for help with the survey. I responded individually to each one. In two cases, this led to an ongoing

dialogue about the use of BVA in SEs. In 11 other cases, the questions had to do with the timing of getting the incentive I offered, which was an online subscription to the *Stanford Social Innovation Review* (SSIR). One the survey was closed, I contacted the SSIR and the subscriptions were delivered the following week.

For-Profit vs. Nonprofit

In my definition, an SE is a for-profit company with a prosocial orientation and fewer than 250 employees. This definition is not widely used at present. I assumed that some of the respondents would consider themselves to be SEs, but not fall into the category as I defined it. Therefore, the survey specifically stated at the outset that the survey was designed for private companies with fewer than 250 employees, but at the same time I allowed respondents to complete the survey even if they did not follow my definition. The 280 respondents included 97 (34.6%) who did not fit my definition. Many NPOs, for example, consider themselves to be SEs. I attempted to eliminate nonprofits in the population selection process, but it is not always possible to determine whether a given organization is for-profit or NPO without an inordinate amount of research. I wanted to be sure that my data were clear with respect to the nature of the SE, for-profit, nonprofit, or something else.

In Survey Question 1 I asked, "What kind of an organization are you?" Of the 280 respondents, 183 (65.4%) were for-profit, 56 (20%) were nonprofit, and 41 (14.6%) were blended organizations, possibly a nonprofit with a for-profit subsidiary, or a private company with a foundation dedicated to corporate social responsibility (CSR) activities. This was a good result, in my opinion, because it allowed me to analyze the use of BVA in SEs according to my definition, while at the same time permitting a comparison

between private companies using BVA and nonprofits. I did not analyze the blended organizations; it is interesting to note how many there were (nearly 15%), but through my survey questions I did not explore the nature of these organizations, although I included them in the analysis. They could have been for-profits with a nonprofit foundation or charitable project, or nonprofits with a for-profit subsidiary, or some other form. Future research could compare these organizations to the more traditional for-profits and nonprofit organizations (NPOs).

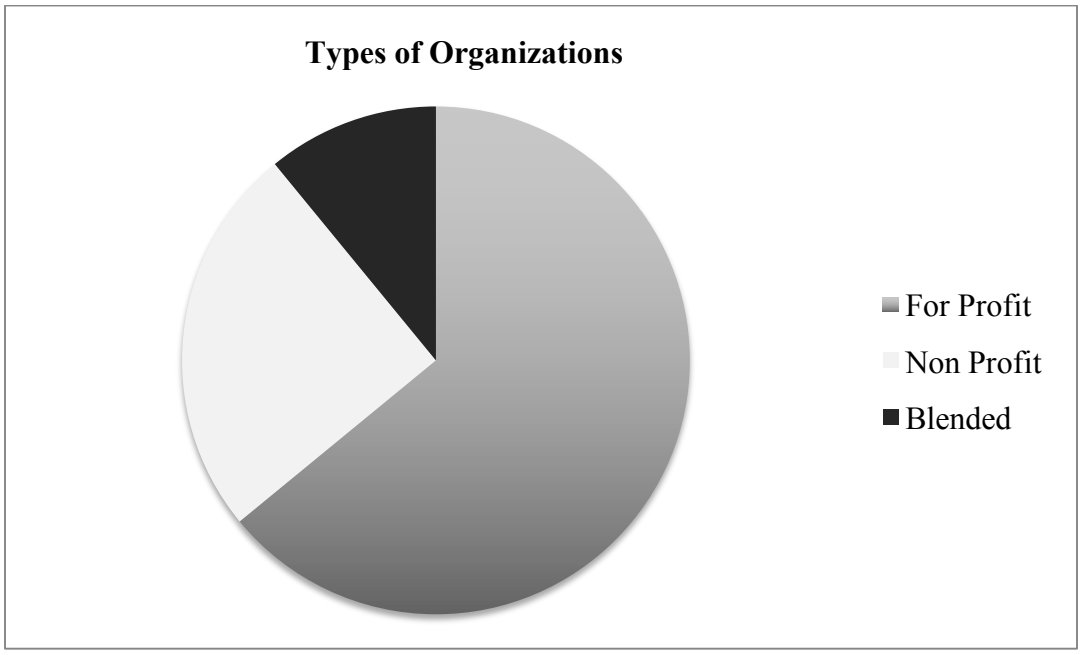

Figure 5. Organizational type.

Control Variable Survey Results

In this research project, there were four control variables, as shown in Table 4. The survey questions also allowed respondents to write in their own answers in some cases.

Table 4

Control Variables and Rules

Variable	Measurement Level	Rules
B_1	Scale	Number of years in since founding, in years
B_2	Scale	Country of registration
B_3	Scale	Number of employees
B_4	Nominal	1 = health 2 = education 3 = WASH 4 = livelihoods 5 = energy 6 = agriculture 7 = other

What is most interesting about the results obtained is that more than half (53.2%) of the respondents did not fall into any one of the six general sectors of work provided in the survey question, as shown in Table 5. The SE sector is far more diverse than expected, reflecting the diversity of the economy in general. Respondent managers work for SEs involved in media, software development, civic engagement, fair trade, tourism, pets, banking, and many other fields.

Table 5

Control Variables Survey Results

Question	Result (%)	*n* =
1. Number of years in business		
10 years or more	31.1%	87
Fewer than 10 years	68.9%	189
3. Number of employees		
250 or more	2.1%	6
Fewer than 250	97.9%	274
4. SE Sector		
Agriculture	9.6%	21
Clean water	2.5%	27
Education	12.5%	7
Energy	7.5%	35
Employment	9.6%	21
Health	5.0%	27
Other	53.2%	149
5. Country of Registration		
Australia	13.0%	21
Canada	18.7%	15
Great Britain	10.4%	27
Hong Kong	2.5%	7
India	15.4%	43
Other	12.7%	22
Singapore	14.0%	20
Unknown	3.9%	11
United States	40.7%	114

Survey Results for Measuring BVA

Following the survey questions collecting information on the control variables, Question 6 asked, "Do you measure your social impact?" The majority replied that they do; 73.2% reported using BVA, while 26.8% said that they did not. Most of the respondents who did use a BVA used one of the methods shown in Table 6, with 35 (12.5%) reporting that they use a method of their own devising. There were important differences between SEs in which the managers use impact measurement tools, and SEs in which the managers do not use BVA methods.

Table 6

BVA Method Survey Results

Method	% (*n* =)
B Impact Rating System	58.8% (100)
Balanced Scorecard	8.2% (14)
Benefit-Cost Analysis	12.9% (22)
PCV Social Impact	3.5% (6)
Social Accounting and Auditing	7.7% (13)
Social Impact Tracker	8.2% (14)
SROI	21.6% (37)
Triple Bottom Line	15.9% (27)
Custom Method	12.5% (35)

Qualitative Results

Of the 280 returned surveys, 127 respondents (45%) filled in the comment box, the final question in the survey, which asked, "Do you have any comments or advice about impact measurement in social enterprises?" Of these, a handful (*n* = 5, 1.8 %) answered only "no," but most were thoughtful and often insightful. I explore some of the implications for future research and recommendations from this comment box for SE practitioners in Chapter 5. There was a strong minority of respondents (*n* = 22, 13%) who used the response to explain why they did not use BVA methods in their SE. One respondent, for example, remarked that "an extremely high corporate tax, depreciation of the rupee, and declining demand leave no room to preach such sermon." Another said simply, "it's not needed." The most common reason given by those who did not use BVA was that it was too costly in time and money. One respondent said "we hope to receive grants to support us to subscribe to an impact-measuring service."

A number of respondents complained that spending time on impact measurement, often at the request of donors or investors, detracts from the work itself, yet it is necessary for donor and investor accountability. One respondent said that, especially in

the start-up phase, measuring impact was a "waste of time." The methods currently in use, in the opinion of one respondent, are too complicated and need to be simplified. A number of respondents noted that the B-Impact tool, which is an indexing method developed by a nonprofit called B-Lab, was valued for exactly this reason: It is easier to use than the others. On the other hand, more than one respondent noted that, despite its popularity, the B-Impact tool is not designed to measure impact, but instead to certify a business as meeting certain sustainability and good citizen goals (as I explained in Chapter 2).

Another common sentiment was that, for small organizations, the plethora of choices was overwhelming, and nobody on the staff had the skills or expertise to decide which method to use. One remarked that "we need guidance!" Some found the survey itself useful in that it provided a list of the most commonly used forms of BVA. One respondent provided a list of seven reasons why more SEs do not use BVA, including that private companies quickly figure out that their investors really only care about the financial returns, and do not value the social ones.

Economic and Social Performance

Two questions on the survey were Likert-type questions collecting perceptual data on economic and social performance. Each question had numerous sub-questions designed to get at the answer by looking at various dimensions of social and economic performance.

Summary Results on Survey Data

In Table 7 I present the summary statistics for the economic performance question. On economic performance, the question with the most positive response (n =

256, 91 %) was "in the past few years we have increased our effectiveness," with a mean response of 4.34 (on a scale where 1 is the lowest possible value, and 5 the highest.) and a standard deviation of 0.81. On the other end, the question with the least positive response was "our organization is financially sustainable," (n = 266 , 95%) with a mean response of 3.7 and a standard deviation of 1.16. It is interesting to note that there is a clear sign of an *agreement bias* (Leaper & Durand, 2009)) in both questions, since the mean response for all but one of the questions was above 3, and often above 4. In evaluating Likert scale data, it is not equally likely that a respondent gives a 5 response as a 1 response; respondents tend to lean towards the higher values. This agreement bias (or acquiescence, as it is sometimes called) is a common issue with Likert scales, but as long as the assumption of a normal distribution of the means is not violated, it is not a problem for this analysis (Leaper & Durand, 2009). In addition, the conversion of the data into binary values to be evaluated using logistic regression tends to remove the agreement bias.

Table 7

Survey Results on the Economic Performance Scale

Question	Mean	Standard Deviation	n =
1. We are more effective at serving our beneficiaries than others.	4.11	0.87	253
2. In the past few years we have increased our effectiveness.	4.34	0.81	256
3. We are more efficient in serving our beneficiaries than others.	3.90	0.88	259
4. In the past three years we have increased our efficiency.	4.22	0.85	258
5. In the past three years our financial situation has improved.	4.00	0.97	262
6. Our organization is financially sustainable.	3.70	1.16	266

In Table 8, I present the mean, standard deviation, and number of observations for the questions related to social performance.

Table 8

Survey Results on the Social Performance Scale

Question	Mean	Standard Deviation	*n*=
1. We operate our organization in an environmentally sustainable way.	4.20	0.89	260
2. Our investors are very satisfied with us.	3.80	0.96	254
3. Our organization operates in a socially sustainable way.	4.43	0.75	256
4. We help inform the community about the plight of our beneficiaries.	4.01	0.97	253
5. We mobilize interest for additional social welfare initiatives.	3.81	1.00	255
6. We are often perceived and valued by our beneficiaries as a provider of last resort.	2.73	1.16	257
7. In the past few years we have met our objectives in terms of beneficiaries served.	3.86	0.91	255
8. Beneficiaries are satisfied with our services.	4.32	0.78	250
9. Beneficiaries and stakeholders recommend our services to others.	4.35	0.81	255

Summary of Descriptive Data

In table 9, I present the summary statistics for the remainder of the variables included in the study. Overall, the average length of time a respondent firm had been in business is 7.4 years, with a standard deviation of 10.2. On number of employees, the size of the firm ranges from a low of 0 (it is common for SEs and SMEs to have no employees except for the owner) to a high of above 250 (the question cuts off the reporting of number of employees when 250 was reached, in accordance with my definition of an SE being limited to 250 employees). The average number of employees was 27.

Table 9

Summary Statistics for Years in Business, Number of Employees

	n =	Minimum	Maximum	Mean	Std. Deviation
Years in business	279	0	61	7.40	10.22
Number of employees	280	0	250	26.70	45.96
Valid N	279				

Research Questions

Regression research question 1. Does the use of BVA (the independent variable, measured nominally), statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale). The dependent variable was analyzed using parametric statistical methods. The survey data were tested using multiple linear regression, with the dependent variable the mean of responses, in which I assumed an interval scale.

$H_0$1. The use of BVA (the independent variable, measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and all beta (β) coefficient values are not significantly statistically different from zero.

H_A1. The use of BVA (the independent variable, measured nominally), does statistically significantly predict the positive direction of the SE managers' perception of firm success (the dependent variable, measured on a Likert scale), and at least one beta (β) coefficient value is significantly statistically different from zero.

The data were also analyzed by converting the dependent variable responses into binary (dichotomous) data, with the two possible results being either success or failure. Success is defined by the point of view of the senior executive of the firm in response to a

survey question asking if the firm is successful or not, following standard practice in entrepreneurial orientation research (Carraher, 2005). In this form of the data, logistic regression was used, since this is required when the dependent variable is categorical (Osborne, 2014). Therefore there are two versions of the research question, with the second version as follows.

> Regression research question 2 (alternative). Does the use of BVA (the independent variable measured nominally), statistically significantly predict the SE managers' perception of firm success, (the dependent variable, measured dichotomously). The dependent variable is based on data collected using a Likert scale, which was analyzed using parametric statistical methods. The survey data were tested using logistic regression, with the dependent variable converted into binary form, either success or not success.

$H_0$2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and all beta (β) coefficient values are not statistically significantly different from zero.

H_A2. The use of BVA methods (the independent variable measured nominally), does not statistically significantly predict the SE managers' perception of firm success (the dependent variable as measured dichotomously), and at least one beta (β) coefficient value is statistically significantly different from zero.

Data Analysis Using Regression

In this section, I present the results of a long series of regressions conducted on the survey data. The goal was to answer the research questions, but in order to do

so properly the data had to be analyzed from a number of perspectives. In Figure 6, the research questions are framed in different ways, reflecting the results of the regressions. I also indicate the method used, and the table in which the result can be found. The questions are ranked in the order in which they appear in this section.

Question	Result	Method	Table
Is there a difference two groups of SEs, those that use BVA methods and those that do not?	Yes, the group that uses BVA methods is more likely to report success.	Logistic ordinal, dichotomous dependent variable.	Table 11
Is measuring social and economic performance correlated with SE success?	Yes, SEs that do measure their performance (examining the entire sample population) are more likely to report success.	Logistic ordinal, binary dependent variable.	Table 12
Are SEs more likely to report social and economic success than NPOs?	Yes, SEs are more likely to report economic success, while NPOs are more successful in reaching social goals.	Logistic, binary dependent variable.	Tables 13, 14, 15, 16
Is there a correlation between the use of BVA methods in the sample population and firm success?	No correlation was found.	Multivariate, scale dependent variable.	Table 17
Looking just at social success, is there any BVA method correlated with SE success?	Yes, only one, but it is negative. No BVA method has a positive correlation with success in reaching social goals.	Multivariate, scale dependent variable.	Table 18
Taking each of the questions in the Likert scale in turn, are there any results where the use of BVA methods is correlated with SE economic success?	Yes, the B-Impact Rating System is correlated with greater efficiency (1). The Balanced Scorecard is correlated with an improving financial situation (2).	Multivariate, scale dependent variable.	(1) Table 21, (2) Table 23
Taking each of the questions in the Likert scale in turn, are there any results where the use of BVA methods is correlated with SE social success?	Yes, the B-Impact Rating System is correlated with greater environmental sustainability (1). Social Accounting is correlated with an lower social impact (2).	Multivariate, scale dependent variable.	(1) Table 25, (2) Tables 28, 29

Figure 6. Summary of regression results.

Logistic Regression Results: Use Versus Non-use of BVA

Looked at in one way, there are two different kinds of SEs in this study – those that actually use one form or another of BVA, and ones that don't use anything at all. As I will demonstrate, I did not find a positive effect on SE success for those using BVA methods. In more precise terms, the statistical analysis did not find that the use of BVA was positively correlated with SE success in the population surveyed. However, the survey data could also be broken down into two groups, to be analyzed separately using logistic regression.

In logistic regression, the research problem is defined as the odds of finding a relationship between the independent variables and the dichotomous dependent variable, so part of the analysis is calculating the odds ratio. Logistic regression is based on multiple regression, but is used in cases where the outcome variable is categorical or dichotomous, and the predictor variables are either continuous or categorical. In other words, the difference between multiple and logistic regression is that the latter method is used when the outcome variable is categorical. The odds ratio is an essential part of the interpretation of logistic regression results; it shows the change in the odds resulting from a unit change in the predictor variables.

In table 10, I present the results of an ordinal regression, where the dependent variable is performance measured as the median of scores. The independent variable is either use or non-use of BVA methods. As I explained above in the section on summary statistics, 73.2% of the SEs who replied to the survey do measure their impact in some fashion, while 26.8% do not. When the data is evaluated in this way, there is a statistically significant result. SEs that measure social impact generally

report higher overall median performance than SEs that don't measure their impact, with a β value of -0.67, $p = 0.04$.

Table 10

Regression Showing Effect of Measuring Impact on Performance

	Estimate			95% Confidence Interval	
	Measure Social Impact=0	Std. Error	Sig.	Lower Bound	Upper Bound
Measure Social Impact=1	-.67	.316	.04*	-1.28	-.048

*$p < .05$

Similarly, in Table 11 I analyze the median of impact score, this time including values of social impact measurement and how measurement is done. The coefficient on "measure social impact" of $\beta = -0.886$ ($p = 0.003$, statistically significant) indicates that when companies do not measure social impact they are more likely to report lower median impact. The results in Table 11 are based upon a logistic regression where the dependent variable is Success or Not Success. Interestingly, the result on Measure Social Impact is strongly statistically significant, with a $p =$ of 0.01 and an odds-ratio of 2.55, indicating that companies that measure social impact are much more likely to report that they are successful. This is an interesting result that I will discuss in depth in Chapter 5.

Table 11

Logistic Regression on Measuring/Not Measuring Blended Value

	B	S.E.	Sig.	Exp(B)
B Impact Rating System	.15	.39	.71	1.16
Balanced Scorecard	.31	.74	.68	1.34
Benefit Cost Analysis	.12	.61	.84	.88
PCV Social Impact	.79	1.27	.51	2.22
Social Accounting	1.85	.81	.02	.16
Social Impact Tracker	.27	.69	.69	1.32
Social Return/ Investment	.53	.45	.23	.59
Triple Bottom Line	.14	.47	.77	1.14
Measure Social Impact	.94	.36	.01*	2.55
Self Measurement	.027	.32	.93	.973

*$p < .05$

The result reported in Table 12 places social impact success as a binary dependent variable. The variable is 1 if the respondent's average response for the social impact success question is greater than the average response for all respondents. Otherwise, the variable is coded as 0. The result provides a distinction in comparison to the results in for economic success.

First, just as in the economic results, non-profit are statistically significant (p = 0.01). The difference is that being a non-profit is positively related with stronger social impact success, while negatively related with economic success (see Table 14). Also interesting, Social Accounting and Auditing is statistically significant with p = 0.02 and an odds-ratio of 0.15. This suggests that companies using Social Accounting and Auditing are eleven times less likely to report social impact success than those using the B-Impact Rating System (1.68/.15 = 11). Also interesting, at the 87% confidence level, B Impact Rating System is positively related to social impact success, with an odds-ratio of 1.68.

Table 12

Logistic Regression of Social Impact Success

	B	S.E.	Sig.	Exp(B)
Private	.25	.39	.52	1.23
Nonprofit	1.33	.53	.01*	3.79
B Impact Rating System	.52	.34	.13	1.68
Balanced Scorecard	.31	.72	.67	1.36
Benefit Cost Analysis	-.038	.59	.95	.96
PCV Social Impact	.40	1.18	.73	1.49
Social Accounting	-1.91	.81	.02	.15
Social Impact Tracker	.46	.67	.50	1.58
Social Return/Investment	-.40	.43	.36	.67
Triple Bottom Line	.23	.46	.62	1.261

*$p < .05$

Ordinal Logistic Regression Results

This section presents the results of ordinal regressions. The result reported in Table 13 places economic success as an ordinal dependent variable. The measure is median rather than average because the regression is ordinal. The results are consistent with the results presented in Table 13. Non-profits are correlated with lower economic success, but the measurement variable is not statistically significant ($p = 0.07$).

Table 13

Economic Success as an Ordinal Dependent Variable

				95% Confidence Interval	
	Estimate	Std. Error	Sig.	Lower Bound	Upper Bound
Private = 0	-.34	.34	.31	-1.01	.32
Private = 1					
Nonprofit = 0	-.80	.44	.07*	-1.66	.07
Nonprofit = 1					

*$p < .10$

The result reported in Table 14 places social impact success as an ordinal dependent variable. Of the measurement results, three are significant above the 80% level, but not at higher levels. The first is B Impact Rating System, with a coefficient of -0.55 and a significance level of 92%. The -0.55 indicates that not using a B Impact

Rating System lowers the log odds of being successful by 0.55; in other words, in other words, the odds of finding a relationship between using a BVA method and SE success actually go down if you are not using the B-Impact Rating System. The next statistically significant measurement variable is Social Accounting and Auditing, with a coefficient of 2.14 ($p < 0.01$). The 2.14 indicates that the odds of being more successful (in social impact) are higher when not using the Social Accounting and Auditing.

The third variable, significant at the 81% level is Social Impact Tracker, with a β = -0.8. The -0.8 indicates that when Social Impact Tracker is not used, it lowers the log odds ratio of being successful by 0.8. A confidence level of 81% is usually not considered statistically significant, but I include this result here since it is one of the few that come close to being significant at any reasonable level.

Table 14

Ordinal Regression of Social Impact Success

				95% Confidence Interval	
	Estimate	Std. Error	Sig.	Lower Bound	Upper Bound
B Impact Rating =0	-.55	.31	.08	-1.16	.07
B Impact Rating =1	0				
Balanced Scorecard=0	.51	.63	.39	-.69	1.77
Balanced Scorecard=1	0				
Benefit Cost Analysis=0	.37	.53	.49	-.67	1.42
Benefit Cost Analysis=1	0				
PCV Social Impact=0	-.47	1.05	.65	-2.52	1.58
PCV Social Impact=1	0				
Social Accounting =0	2.14	.62	.01*	.92	3.4
Social Accounting =1	0				
Social Impact Tracker=0	-.80	.62	.19	-2.01	.40
Social Impact Tracker=1	0				
Social Return =0	.50	.39	.20	-.27	1.26
Social Return =1	0				
Triple Bottom Line =0	-.530	.43	.21	-1.37	.31
Triple Bottom Line =1	0				

*$p < .05$

Logistical Regression Results

This section presents the logistic (not ordinal) regression results.

The result reported in Table 15 places economic success as a binary dependent variable. The variable is 1 if the respondent's average response for the economic success question is greater than the average response for all respondents. Otherwise, the variable is coded as 0. The odds-ratio is reported in the Exp(B) column. Overall, the logistic regression finds that non-profit companies are less likely to report economic success by a statistically significant 3 times (1/0.33 is approximately 3 times), with $p = 0.04$.

On the outcome measurement variables, none exhibit statistical significance, although it is interesting to note the direction. B Impact Rating Systems, Balanced Scorecard, Social Accounting and Auditing, and Social Impact Tracker are less likely to be correlated with economic success (Exp(B) < 1), while Benefit Cost Analysis, PCV Social Impact Analysis, Social Return on Investment, and Triple Bottom Line Scorecard are positively related with economic success.

Table 15

Logistic Regression of Economic Success

	B	S.E.	Sig.	Exp(B)
Private	-.10	.39	.80	.91
Nonprofit	-1.11	.53	.04*	.33
B Impact Rating System	-.34	.34	.31	.71
Balanced Scorecard	-.63	.71	.37	.53
Benefit Cost Analysis	.37	.61	.55	1.45
PCV Social Impact	.14	1.13	.90	1.15
Social Accounting and Auditing	-.08	.69	.91	.92
Social Impact Tracker	-.45	.68	.51	.64
Social Return on Investment	.12	.44	.72	1.13
Triple Bottom Line Scorecard	.46	.48	.34	1.58
Agriculture or food	.83	.48	.08	2.30
Clean water or sanitation	-1.12	.74	.13	.33
Education	-.46	.41	.26	.63
Energy	-.33	.52	.53	.72
Employment or livelihoods	-.33	.43	.44	.72
Health or healthcare	.13	.61	.81	1.14

*$p < .05$

Multivariate Regression Results

I presented the results of the logistic regressions first, because the results are more interesting and statistically significant than the results from the multivariate regressions. Overall, the multivariate regression results paint a slightly conflicting picture of the impact of BVA methods on reported economic and social outcomes, but overall the result is clear. There is not a statistically significant correlation between the use of impact measurement and SE success, whether economic or social.

The results are reported in Table 16. In this initial result, none of the measuring systems (B Impact Rating, Balanced Scorecard, Benefit-Cost Analysis, PCV Social Impact, Social Accounting and Auditing, Social Impact Tracker, Social Return on Investment, and Triple Bottom Line Scorecard) are statistically significant. The results also show that it is irrelevant whether a company is a private enterprise or a non-profit. Three of the control variables are statistically significant above the 10% level, but not the

95% level. They include the Education sector (β = 0.12, with p = of 0.09), the Employment or Livelihood sector (β = 0.13, with p = 0.07), and the Agriculture and Food sector (β = -.011, with p = of 0.10). In Table 16, I include the B Impact Rating System in the table to show that even the most popular of all the BVA methods I considered in my research does not come close to being correlated in a statistically significant way with SE economic success.

Tables 16 through 30 report data on both the unstandardized and standardized coefficients. In the statistics software package used for this analysis, SPSS, multiple regression analysis delivers both forms of the coefficients. The standardized coefficient shows the expected change in the dependent variable based on a 1-unit change in the independent variable, and in the results reported in this section if the Beta (β) is statistically significant, then this indicates that there is a relationship (positive or negative) between the independent and dependent variables. The unstandardized coefficients are more useful for comparing the independent variables to each other, to see which of them has the greatest effect on the dependent variable.

Table 16

Correlation of BVA Method With Economic Success

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
B Impact System	.12	.11	.08	1.07	.29
Agriculture or food	-.25	.15	-.11	-1.67	.10*
Clean water	.31	.22	.09	1.43	.16
Education	.22	.13	.12	1.710	.09*
Energy	.13	.17	.05	.74	.46
Employment	.65	.14	.13	1.84	.07*
Health or healthcare	-.10	.20	-.03	-.49	.62

*p <.10, **p <.10, ***p <.10

The second regression replaces the dependent variable with the mean social impact result. The results are reported in Table 17. Interestingly, some of the results change. On company type, in the social impact results, a non-profit company is positively related with higher social impact results, with $\beta = 0.34$ and a t-statistic of 3.65. This suggests that non-profits feel they provide a greater social impact than do private companies. Also interesting, one of the measurement variables – Social Accounting and Auditing – is statistically significant, with a $\beta = -0.26$ and a t-statistic of -4.02. This suggests that companies using the Social Accounting and Auditing method report a 0.26 lower outcome than otherwise.

Two industries also give statistically significant results above 90%. These two include the Agriculture and Food sector ($\beta = -0.11$, $p = 0.08$) and Clean Water and Sanitation ($\beta = 0.18$, $p < 0.01$). This suggests that Clean Water and Sanitation companies report a higher social impact, while Agriculture and Food companies report a lower social impact. It should be kept in mind that most of the SEs surveyed did not fall into one of the sector categories I provided in the survey, so the sample size is much smaller for this control variable. But here again, none of the BVA methods are correlated with SE success, this time in reaching social impact goals.

Table 17

Correlation of BVA Method With Social Impact Success

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.11	.10	.09	1.11	.27
Non-profit	.47	.13	.34	3.65	.00*
B Impact Rating System	.12	.09	.10	1.38	.17
Balanced Scorecard	-.10	.18	-.04	-.59	.56
Benefit-Cost Analysis	-.03	.15	-.02	-.21	.83
PCV Social Impact	.97	.29	.07	.98	.33
Social Accounting and Auditing	-.70	.17	-.26	-4.02	.00**
Agriculture or food	-.20	.12	-.11	-1.74	.08***
Clean water or sanitation	.49	.17	.18	2.87	.004****

*p <.001, **p <.001, ***p < .10, ****p < .05

Results by Question from Likert Questions

The first two regressions accumulated the economic and social impact results into aggregate mean results. My goal was to understand if I could reject the null hypothesis, which I could not do on the basis of these survey results. I then wanted to have a more nuanced look at the use of BVA methods, so I decided to examine the detailed results for each question rather than the mean overall. In this section, I re-ran the regressions using each of the questions asked in the survey about social and economic success. My goal in this section was to see if there were any interesting results by breaking down the overall issues of success or not success into each of the constituent questions.

The first regression places the first question, "we are more effective at serving our beneficiaries than others," as the dependent variable. The results are reported in Table 18. Note that the question reported Table 18 asks about efficacy (how well the SE managers think they are serving their beneficiaries), while the question reported in Table 19 asks

about efficiency, or the cost per unit of service. Interestingly, only two variables are statistically significant at the 95% level. These two are the Education sector, with a positive correlation coefficient of 0.14 and the Energy sector, with a positive correlation coefficient of 0.21. The independent variable (the use of BVA method), however, is not statistically significant.

Table 18

We are More Effective at Serving our Beneficiaries Than Others

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Agriculture or food	-.12	.20	-.04	-.59	.55
Clean water	.48	.32	.11	1.56	.13
Education	.36	.17	.14	2.06	.04*
Energy	.67	.24	.21	2.90	.004**
Employment	.26	.18	.10	1.41	.16
Health or healthcare	.18	.27	.05	.67	.50

*$p < .05$, **$p < .05$

The next regression places responses to the "Increased Effectiveness" question in the dependent variable spot. The results are summarized for the BVA methods in Table 19. None of the results are statistically significant.

Table 19

We are More Efficient at Serving our Beneficiaries Than Others

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	-.07	.16	-.04	-.46	.66
Non-profit	-.06	.21	-.03	-.28	.78
B Impact System	.09	.14	.05	.66	.51
Balanced Scorecard	.24	.29	.06	.83	.41
Benefit-Cost Analysis	-.36	.25	-.17	-1.4	.16
PCV Social Impact	-.66	.49	-.11	1.3	.19
Social Accounting	-.21	.36	-.05	-.65	.57
Social Impact Tracker	.13	.26	.04	.48	.63
Social Return	.23	.19	.09	1.29	.22
Triple Bottom Line	.194	.20	.07	.96	.34

The result presented in this section looks at the question “we are more efficient” results in the dependent variable spot. The results are statistically significant here. The correlation between “B Impact Rating System” and efficiency is statistically significant at greater than 99%. The coefficient on B Impact Rating System is 0.23, indicating that firms using the B Impact Rating System report almost a quarter of a point higher efficiency than firms not employing the measurement. This shows that SEs that use the B Impact Rating System tend to be more efficient than SEs using other BVA methods.

Table 20

We Are More Efficient in Delivering Our Services Than Other Companies

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Private company	-.02	.17	-.01	-.13	.90
Non-profit	.140	.22	.06	.626	.53
B Impact System	.42	.14	.23	2.90	.004*
Balanced Scorecard	-.13	.29	-.04	-.455	.65
Benefit-Cost Analysis	-.03	.27	-.01	-.092	.93
PCV Social Impact	.38	.54	.06	.701	.48
Social Accounting	-.08	.34	-.02	-.244	.81
Social Impact Tracker	-.27	.29	-.07	-1.02	.31
Social Return	-.03	.20	-.01	-.129	.89
Triple Bottom Line	.13	.21	.04	.640	.52
Energy	.61	.23	.19	2.67	.008**
Employment	.50	.19	.19	2.69	.008***
Health or healthcare	.16	.26	.04	.63	.53
Years in business	-.01	.01	-.08	1.31	.19

*p <.01, **p <.01, ***p <.01

This section places “We have increased our efficiency” in the dependent variable spot. The results are reported in Table 21. Overall, none of the predictor variables find any statistically significant relationship with increased efficiency.

Table 21

We Have Increased Our Efficiency

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Private company	.20	.17	.11	1.17	.24
Non-profit	.18	.22	.09	.81	.42
B Impact System	.001	.14	.001	.01	.99
Balanced Scorecard	.23	.30	.06	.77	.44
Benefit-Cost	.02	.27	.01	.07	.94
PCV Social Impact	-.25	.52	-.04	-.49	.63
Social Accounting	-.33	.32	-.08	-1.03	.30
Social Impact	.41	.30	.10	1.35	.18
Social Return	-.001	.20	.00	-.01	.99
Triple Bottom Line	.15	.20	.06	.76	.45

This section places responses to "in the past three years our financial situation has improved" in the dependent variable spot. Overall, four variables are statistically significant, two of which are most relevant to the hypotheses of this paper. First, the result on "Balanced Scorecard" is statistically significant above the 95% level, with β = .04. This suggests that companies with a balanced scorecard generally report that their financial situation has improved. Second, interestingly, companies that report use of a Benefit-Cost Analysis generally report lower scores for whether their financial situation has improved, with a β = -.16 and a significance level of greater than 95%.

Table 22

Our Situation Has Improved

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.11	.19	.05	.56	.56
Non-profit	.14	.25	.06	.56	.57
B Impact System	.07	.16	.04	.45	.65
Balanced Scorecard	.68	.33	.15	2.07	.04*
Benefit-Cost	-.60	.29	-.16	-2.03	.04**
Employment	.51	.20	.18	2.45	.02***
Health or healthcare	-.26	.29	-.06	-.91	.36
Years in business	-.01	.01	-.13	-1.99	.05****

*$p < .05$, **$p < .05$, ***$p < .05$, ****$p < .05$

This section reports the results of a regression with "our organization is financially stable" as the dependent variable, looking specifically at the difference between for-profits and NPOs, as reported in Table 23. Here there is a statistically significant effect, with the private SEs more likely to report being financially stable than the NPOs.

Table 23

Our Organization Is Financially Stable

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.49	.22	.20	2.23	.03*
Non-profit	.51	.29	.17	1.76	.08

*$p < .05$

Social Impact Questions

In this section, I examine the social impact variables. The dependent variable here is responses to the question "We operate our organization in an environmentally

sustainable way." As reported in Table 24, "B Impact Rating System" is positively related at .17 and statistically significant (p = .04). This suggests that companies using the "B Impact Rating System" generally report higher environmental sustainable figures.

Table 24

We Operate in an Environmentally Sustainable Way

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	-.17	.17	-.09	-.97	.33
Non-profit	.22	.22	.10	.97	.33
B Impact Rating System	.31	.15	.17	2.07	.04*
Balanced Scorecard	.21	.32	.05	.66	.51
Benefit-Cost Analysis	.03	.27	.01	.12	.91
PCV Social Impact	-.58	.62	-.08	-.93	.35
Social Accounting	-.21	.34	-.05	-.62	.54
Social Impact Tracker	.07	.32	.02	.22	.82
Social Return	-.18	.20	-.07	-.90	.37
Triple Bottom Line	.14	.22	.05	.64	.52

*$p < .05$

The dependent variable in Table 25 is responses to the question, "our investors are satisfied with us." Two results seem worth discussing. First, the result on non-profit of 0.19, with a *p*-value of 0.07 suggest that at the 90% level of confidence non-profit firms are more likely to report that their investors are satisfied with them. This is interesting because one would think the private companies would be the ones giving such a result. My assumption here is that non-profits have adopted the terminology of for-profits, and consider philanthropic capital to be an investment in the firm, instead of a donation. Of course, investors in non-profit firms are not expecting a financial return, but they are likely seeking a social impact to result from their donation. So this question, as applied to non-profits, should be read as "our donors and supporters are satisfied with us." Second,

the result on "Social Accounting and Auditing" indicates that firms employing Social Accounting and Auditing generally report lower scores on the satisfaction of their investors (β = -0.15, p = 0.06).

Table 25

Our Investors Are Satisfied With Us

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
Private company	-.01	.19	-.01	-.05	.96
Non-profit	.46	.25	.19	1.82	.07*
B Impact Rating System	-.01	.16	-.01	-.07	.94
Balanced Scorecard	.11	.34	.02	.32	.75
Benefit-Cost Analysis	-.26	.29	-.07	-.89	.38
PCV Social Impact	.59	.59	.09	1.01	.31
Social Accounting	-.72	.39	-.15	-1.87	.06**
Agriculture	-.15	.22	-.05	-.69	.49
Clean water or sanitation	.75	.34	.15	2.18	.03***

*p < .10, **p < .10, ***p < .05

The dependent variable here is responses to "Our Organization Operates in a Socially Sustainable Way." Three statistically significant results are related to the hypotheses of this paper. First, the coefficient on Social Return on Investment is 0.15, with a p-value of 0.04. This suggests that companies using Social Return on Investment as a measurement generally report higher scores on whether they operate in a socially sustainable way. Second, the coefficient on Social Accounting and Auditing at -0.27 ($p <$ .01) suggests that social accounting and auditing measuring companies generally report lower scores on operating in a socially sustainable way. Third, the coefficient on Triple Bottom Line Scorecard at 0.13 suggests that companies using the Triple Bottom Line Scorecard generally report higher scores on social sustainability.

Table 26

Our Organization Operates in a Socially Sustainable Way

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Social Impact Tracker	.23	.25	.06	.90	.37
Social Return	.35	.17	.15	2.05	.04*
Triple Bottom Line	.33	.18	.13	1.84	.07
Singapore	-.58	.24	-.20	-2.39	.02**

*p <.05, **p < .05

The dependent variable in Table 27 is responses to "We help inform the community about the plight of our beneficiaries." One measurement variable is statistically related to the plight of beneficiaries. The first is the use of the Social Accounting and Auditing measurement, with a coefficient of -0.16 (p-value = 0.04). This suggests that companies using the Social Accounting and Auditing measurement report lower scores on helping the community understand the plight of their beneficiaries. As a side note, Canadians appear less likely than other countries to help the community understand the plight of their community. This may be part of the culture of SEs in Canada, where it is possible that SEs do not feel that advocacy is part of their work, and instead focus their attention on delivery of goods and services.

Table 27

We Inform the Community About the Plight of Our Beneficiaries

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Social Accounting	-.79	.38	-.16	-2.09	.04*
Social Impact Tracker	-.23	.33	-.05	-.70	.48
Social Return	-.21	.24	-.07	-.90	.37
Triple Bottom Line	.11	.24	.03	.47	.64
Australia	-.14	.33	-.04	-.42	.67
Canada	-.62	.35	-.19	-1.77	.08*

*p <.05, **p <.10

The dependent variable in Table 28 is responses to "we mobilize interest for additional social welfare initiatives." Two measurement variables are statistically significant above the 90% level. First, PCV Social Impact has a coefficient of 0.16 with a p-value of .07. This suggests that companies mobilizing interest for additional social welfare are more likely to use the PCV Social Impact measurement. Second, the coefficient on Social Accounting and Auditing at -.19 (p-value = .01) suggests that companies using Social Accounting and Auditing measurements are less likely to report high scores on mobilizing interest for additional social welfare initiatives.

Table 28

We Mobilize Interest for Additional Social Welfare Initiatives

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
PCV Social Impact	1.23	.67	.16	1.83	.07*
Social Accounting	-.86	.34	-.19	-2.53	.01**
Social Impact Tracker	.05	.34	.01	.14	.89
Social Return	-.17	.23	-.05	-.75	.46
Triple Bottom Line	.26	.23	.08	1.13	.26
Australia	-.73	.37	-.20	-2.27	.02***
Clean water	.59	.34	.18	1.73	.09*****
Education	-.16	.19	-.04	-.60	.55
Energy	-.73	.25	-.20	-2.94	.004*****

*p < .10, **p <. 01, ***p < .05, ****p < .10, *****p < .05

The dependent variable in the next regression is responses to "perceived and valued by beneficiaries as last resort." Overall, none of the measurement variables are statistically significant. The sole variable of statistical significance is the Water and Sanitation (WASH) sector, with $\beta = .21$ and $p < .01$. It may be that for organizations and companies delivering clean water and sanitation services in the developing world, they have selected communities that exist outside of government and large-scale private sector service delivery areas. Were it not for the SEs in this sector, the people in that area would have no other opportunity to access improved WASH services.

Table 29

Perceived and Valued by Beneficiaries as Last Resort

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.13	.22	.05	.59	.56
Non-profit	.57	.29	.20	1.94	.05*
Clean water	1.32	.41	.21	3.21	.002**

*p <.05, **p < .05

The dependent variable in Table 30 is responses to "met objectives for beneficiaries served." Both private and non-profit companies report positive and statistically significant results. In looking at the measurement variables, the result on Social Accounting and Auditing at $\beta = -.16$, $p = .04$) suggests that companies using Social Accounting and Auditing generally report lower scores for objectives being met for beneficiaries served.

Table 30

We Have Met Our Objectives for Beneficiaries Served

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.42	.18	.22	2.37	.02*
Non-profit	.64	.23	.28	2.72	.01**
B Impact System	.13	.15	.07	.89	.37
Social Accounting	-.69	.33	-.16	-2.12	.04***

*p < .05, **p < .01, ***p < .05

The dependent variable in Table 31 is responses to "beneficiaries are satisfied with our services." Of the measurement variables, one is statistically significant at the 94% level. Social Accounting and Auditing reports a coefficient of -.14, suggesting that

companies using Social Accounting and Auditing generally report lower scores on their beneficiaries being satisfied with the services provided.

Table 31

Beneficiaries Are Satisfied With Our Services

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.37	.15	.22	2.43	.07
Non-profit	.55	.20	.28	2.72	.01*
Social Accounting	-.57	.30	-.14	-1.90	.06**
Agriculture	-.50	.18	-.19	-2.83	.01***

*p <.01, **p <.10, ***p <.01

The dependent variable in Table 32 is responses to "beneficiaries and stakeholders recommend our services to others." Just like in the other regressions, the coefficient on Social Accounting and Auditing has a negative, and statistically significant result, with β = -.27, p = .01, suggests that companies using the Social Accounting and Auditing measure report lower scores on their beneficiaries and stakeholders recommending their services.

Table 32

Beneficiaries and Stakeholders Recommend Our Services to Others

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Private company	.21	.16	.13	1.37	.17
Non-profit	.46	.21	.23	2.20	.03*
B Impact System	.13	.13	.08	1.02	.31
Balanced Scorecard	-.37	.28	-.10	-1.27	.21
Benefit-Cost	-.12	.24	-.04	-.50	.62
PCV Social Impact	.10	.54	.02	.19	.85
Social Accounting	-1.07	.29	-.28	-3.76	.01**
Agriculture or food	-.36	.18	-.14	-2.05	.04***
Clean water	.60	.28	.14	2.11	.04****

*p <.05, **p <.01, ***p <.05, ****p <.05

Conclusion

The results of the statistical tests conducted for this research, with the parameters set at a 95% confidence level (p = .05), indicate that there is no positive directional correlation between the use of BVA and SE success, either social or economic. However, the descriptive statistics do show that the majority of SEs use some form of BVA, and that the most popular method is the B-Impact Rating System. One interesting result that deserves further study is the finding that SEs that use any method of BVA are strongly statistically significantly more likely to be successful than those that do not use any BVA method at all.

While I was not able to reject the null hypothesis, the research results do make a contribution to the literature. SEs have not been surveyed before about their use of BVA methods, and this is the first quantitative study to examine the link between the use of impact measurement and firm success. The statistical results fill several empirical and

quantitative gaps. The summary statistics indicate that over 73% of SEs do use some form of impact measurement, and of those that do, over 58% are now using the B-Impact Rating System, despite this BVA method being the newest of the ones included in this research. However, while there were some interesting nuances in the data, there does not appear to be a statistically significant relationship between the use of BVA methods and SE success, either social or economic, in the perception of the SE manager. One fascinating result that deserves further study is the finding that SEs that do not use BVA methods tend to be less successful than those that do. These results open up many new avenues for research and advice for SE managers. I explore these questions in Chapter 5.

Chapter 5: Discussion and Recommendations

In this chapter, I describe the implications of the results reviewed in Chapter 4, review possible directions for future research, and present a set of recommendations for practitioners, social enterprise support organizations, and researchers. In the first section, I consider whether blended value accounting (BVA) is a critical success factor for social enterprises (SE), examine the nature of the social enterprises studied, and note differences between different groups in the study. I then examine the qualitative data provided by the SE managers who responded to the survey, which turned out to be a source of insights and information. The last section is a summary of possible directions for future research, followed by a brief list of recommendations for researchers, practitioners, and supporting organizations.

Characteristics of Social Enterprise

As a field of study and as a method of social change, social enterprise is in its infancy (Wilburn & Wilburn, 2014). It should come as no surprise, then, that there is a paucity of empirical and quantitative evidence for key assumptions about SEs and their activities. This study was an effort to fill some of these gaps and examine a critical dimension of SEs—the way that they measure their social and economic performance, known as blended value. For practitioners and researchers alike, the measurement of blended value using the tools of BVA is assumed to be one of the critical ways in which an SE distinguishes itself from an SB. However, my research indicates that there is no positive directional correlation between the use of BVA methods and SE success in generating social and economic returns.

Blended Value Accounting as a Critical Success Factor

In entrepreneurship research on SMEs, critical success factors are a matter of importance to academics and practitioners alike (Daou & Karuranga, 2012). These factors are the elements that make it more likely that the SME or SE will be efficacious in achieving its goals, whether defined in social or economic terms. Good leadership, for example, is one such factor, whether in SEs (Balan-Vnuk & Chalmers, 2012) or SMEs (Agbim, Oriarewo, & Owutuamor, 2013). The construct called entrepreneurial orientation is another dimension of this research, because EO is based on the assumption, frequently documented in the research, that SMEs with a higher EO score are more likely to be successful. Looked at from this perspective, one way to understand the research conducted for this study is that it was designed to discover whether the use of BVA is a critical success factor for SEs.

The conclusion based on the survey data is that the use of BVA is important, but does not appear to be a critical success factor for SEs. SEs should do impact measurement, in the same way that they should adhere to good record-keeping standards; should comply with statutory and legal regulations; should follow human resource best practices; on so on. SEs that do not currently use BVA, according to the research results, are likely to be those that are struggling to make a go of it, and they probably are not doing a very good job on a lot of business operations. The survey results imply (this was not addressed explicitly in the survey) that those SEs that are not using BVA methods lack the financial means, technical skills, or time and attention to implement impact measurement.

Summary of Key Findings

Figure 7 presents my key findings.

The SE sector is much more diverse than expected, although most investors focus on a limited number of sectors.
Most SE managers (73%) utilize some form of BVA.
SEs tend to be quite small with respect to staffing and annual revenue.
The use of BVA methods is not correlated with the SE managers' perception of firm success. This is true for both social and economic performance.
The B-Impact Rating System is the most widely used BVA method.
SEs in which the managers do not employ BVA methods tend to be less successful than those in which the managers do employ BVA methods.
Implementing BVA methods is too expensive and time consuming for the managers of struggling SEs to implement.
SEs should be viewed as a subset of the much larger SME population.

Figure 7. Summary of key findings.

Sector Diversity

The SE sector is far more diverse than expected, reflecting the diversity of the SME sector in general. More than half (53.2%) of the respondents did not fall into any one of the six general sectors of work provided in the survey. In the provided categories, 27 (9.6%) work in agriculture, 7 (2.5%) work in clean water and sanitation, 35 (12.5%) work in education, 21 (7.5%) work in energy, 27 (9.6%) work in employment, and 14 (5%) work in health care. Respondents work for SEs involved in media, software development, civic engagement, fair trade, tourism, pets, banking, and many other fields. It did not appear that there was any type of SME that would be excluded from being an SE, unless there were ethical issues with the product (e.g., tobacco).

By contrast, IIs appear to be much more narrowly focused, with most investors preferring to place their funds in only a few areas. Willow Impact, typically, only invests in agriculture, clean energy, livelihoods, education, health, and community development

(Willow Impact, 2015), closely mirroring the categories used in this research project. It may be that the majority of the SME and SE market is excluded from being able to raise equity due to the limitations on the kind of businesses that interest IIs. Further research is needed on IIs to map the landscape of SE investing as compared to the kinds of SEs that are seeking investment.

The premise of social enterprise and impact investing is that there is a very large pool of investment fund managers seeking opportunities to combine financial returns with positive impact on society and the environment (Bugg-Levine & Goldstein, 2011). Very little work has been done, however, to survey social enterprises and determine what portion of them lie outside of the current interest areas of IIs. Based on findings from this study, the diversity of the sector is much greater than implied in the literature or the impact investing trade press. If it is true that there are in fact only a small percentage of SEs that qualify for impact investor funding, this will seriously constrain the development of the sector. For Willow Impact, for example, 53% of SEs (generalized from this research) are ineligible to be considered for funding—whether or not they do a good job with their chosen BVA methodology.

Differences in the SE Population

As noted in Chapter 4, 76 of the 280 respondents (27%) do not currently measure their social impact. In the qualitative responses, a strong minority of these respondents (*n* = 22, 29%) explained why they did not use BVA methods. According to one reply, “an extremely high corporate tax, depreciation of the rupee, and declining demand leave no room to preach such sermon.” Another said, with no explanation, “it’s not needed.” The most common reason given by those who did not use BVA was that it was too costly in

time and money, which can be taken to mean that the managers of this SE are too busy trying to keep the business afloat to spend resources on impact measurement. One respondent pleaded, “we hope to receive grants to support us to subscribe to an impact-measuring service.”

More research is needed to determine the characteristics of SEs that choose not to use BVA methods, and to understand why they do not; the survey results were not conclusive in this regard, although the qualitative results were suggestive. Furthermore, within this group of SEs that do not use BVA methods, it is likely that some are NPOs, some are blended organizations, and some are SEs as defined in the survey (SMEs with fewer than 250 employees). There was not enough data collected in this survey to undertake a full examination of this aspect of the use of BVA. That is work for a future research project.

The research results show that there is a statistically significant difference between SEs that use BVA methods and those that do not, with respect to the managers’ perceptions of the success of the SE in reaching both social and economic goals. The ones that do use BVA are more likely to be successful in the perception of the managers. One interpretation of this result is that it directly contradicts the finding of no correlation between the use of BVA and the success of the SE. On the surface, the two results, taken together, indicate that there is no correlation between the use of BVA methods and SE success, and that there is. It is unlikely that both results reflect the same underlying reality.

The data indicates that there are some major differences between the two groups. Although more work would need to be done to prove this assertion, it appears that SEs

that are using BVA methods are different in some ways from those that are not. More research would be needed to uncover exactly what these differences are, but the qualitative results from my survey offer a strong hint: It is likely that the SEs in the non-BVA group are in more difficult economic circumstances than the SEs in the BVA group. As a result, employing some form of impact measurement is a luxury struggling SEs cannot afford.

If SEs that do not use impact measurement tend to be less successful than those that do, this does not imply that if these SEs began using BVA methods they would then become more successful. The lack of a statistically significant correlation between the use of BVA methods and SE success across the full sample population shows that in general, the use of BVA methods is not linked to SE success. Instead, what is more likely is that the correlation flows the other way. Unsuccessful SEs simply can not afford to think about impact measurement; it is too resource intensive in both time and money.

Additional research might show that at a certain stage of development, SE managers either decide to develop impact measurement as part of improving overall operations, or are required to do so by their investors or by the statutory requirements of their legal registration. As described in Chapter 2, various forms of legal registration for SEs in the United States and the United Kingdom mandate disclosure of social impact as part of the reporting requirements. As several of the respondents noted, for small SEs figuring out how to select and deploy BVA is difficult because the staff have neither the skills nor the expertise to decide which method to use. As one remarked, “we need guidance!”

As businesses grow and develop, they tend to improve their operations across the board. Enhanced bookkeeping and accounting is often a critical first step, followed perhaps by human resource management, risk mitigation, quality control, better marketing, etc. There are several stages in the life cycle of any SME, not just SEs (Ahmed, 2013). The conclusion, which would need to be borne out by further research, is that the use of BVA methods in SEs is another function that is added as the SE becomes more successful and is able to generate and deploy organizational development resources.

Another possible scenario is that SEs that are able to attract investor interest are then required to use BVA methods, or suddenly, with the influx of funds, have the resources to implement impact measurement while at the same time improving other company functions. In the literature on SMEs, small businesses are often defined by what they lack, such as the skills and resources to invest in their own operations (Daou & Karuranga, 2012). One part of a future research agenda on SEs could be to examine when and under what conditions SEs implement impact measurement methods. It may be that this moment marks the dividing line between SEs that are struggling versus those that are finding some success.

Another reason for implementing BVA methods might be the decision to register as an official social business, such as the B-Corporation or L3C designation in the United States. The United Kingdom as well has a special business registration option for SEs. Typically, these regulations require SEs to report on their social impact, which then forces the SEs to implement some form of BVA (Chen & Kelley, 2014). Although one researcher found that many SEs simply ignore this requirement (Poore, 2014), it might

well be that deciding to register as a social business is one reason that SEs decide to implement BVA methods. Here too, more research is needed to answer this question.

Implications of Failure to Reject the Null

The research results did not support rejecting the null hypothesis, indicating that there was no statistically significant positive directional correlation between the use of BVA methods and SE success. None of the individual methods, when examined separately, were correlated with SE success in the perception of the managers. This is a clear indication that the use of BVA is not a critical success factor for SE success (Ng & Kee, 2012). On the other hand, there are many reasons for using BVA methods that go beyond firm success, so the failure to find a correlation between the use of BVA methods and SE success does not imply that SE managers should not use a method that works for them.

There is an ongoing discussion in the literature about the role and meaning of impact measurement (Luke et al., 2013). In Luke et al.'s (2013) view, measuring impact is likely something that SEs and NPOs are forced to do, rather than an essential part of their work. Impact investors' market niche is improving society, and so they have to demonstrate that they are doing so, at least in a rudimentary way. Likewise, philanthropists are also demanding that grantees report on the change they create. SEs and NPOs depend for their funding on demonstrating impact (Carnochan et al., 2013). This alone is a compelling reason to implement BVA methods.

SEs vs. SMEs

After my literature review, I concluded that there are many more SEs than currently believed, but that they are hiding in the population of SMEs. It is likely that

many SMEs would qualify as SEs if they had the opportunity to describe their social impact. Despite the amount of hype in social change sectors about the promise of social enterprise for accelerating dramatic positive social change in the world, it is difficult to locate many SEs in the United States and other countries, despite many hours spent online searching directories and the portfolios of impact investors.

In the United Kingdom, SEUK claims that there are over 70,000 SEs. In the United States, by contrast, I was able to find only 2,000, and in this group many are moribund. After 6 months of searching in English-speaking countries around the world, mostly outside the United Kingdom (with the help of three hired researchers, one in Africa, one in Asia, and one in the Americas), I could come up with only 3,682. Why are there claimed to be so many in the United Kingdom, and so few elsewhere? Only 27 SEs from the United Kingdom responded to the survey, while 43 SEs responded from India, and 20 from tiny Singapore. There is a clear need to develop a much more comprehensive global registry of self-identified SEs, something far beyond the scope of this study—although it is likely that the list collected for this study is the most comprehensive currently in existence. For ethical research reasons, I cannot publish this list as a new directory.

Qualitative Research

This study was quantitative in nature, but I collected a small amount of qualitative data by asking one open-ended question allowing respondents to provide further information about their use of BVA methods. Despite the limits of this strategy, the answers provided a rich trove of qualitative data, and much more could be done in future research to interview SE managers and understand their perspectives. The responses

covered many aspects of BVA, and offer numerous opportunities for further investigation.

For example, one respondent remarked that "[m]easuring impact within a single company is reasonably understood. Comparing impacts across companies is not. Neither is aggregating impact across a portfolio or consortium of companies." This is, in fact, a troublesome dimension to the use of BVA methods, because it is by no means clear that comparing two different SEs, even those using the same methodology, makes logical sense. If one company is focused on improving housing in a neighborhood, and another on improving student success by offering after-school tutoring, by which method would an investor decide where to invest? On the financial side, it is relatively easy—investors choose the companies that are most likely to deliver financial returns and successful exits (sale of the company, or an additional raise of funds). On the social impact side, however, there is no logical way to compare housing oranges to tutoring apples. It would be interesting to learn how impact investors are solving this problem in their portfolios. In addition, it seems that some problems are more complicated and as such can skew comparing across social outputs per dollar spent.

Another respondent said that:

> The impact of a social enterprise should not be measured in numbers. There should actually be only descriptive reports. The focus on numbers takes away the subtlety and sensitivity of the very purpose of the social initiative.

Some BVA methods, such as the Social Return on Investment, attempt to do what the writer advises against – calculate a number or set of numbers purporting to show the social return from a given financial investment. This, if successful, would allow investors

to make decisions based on quantitative data. If the housing company had a better SROI than the tutoring program, then funds would, one presumes, naturally flow to the housing company. This method would probably work best in comparing two different housing companies, but in fact there is little evidence showing that investors (or philanthropists in the case of NPOs) make decisions on this basis (Arvidson et al., 2013).

One response noted that many of the BVA methods are top-down, rather than bottom-up, meaning that they are implemented by managers to please investors, instead of focusing on the opinions of customers. In an ideal world, the interests of the investors, SE managers, and customers are perfectly aligned. What pleases the customer should be good for business. It may be the case, however, that this is not always true, especially since most BVA methods rely on self-reporting. Unlike financial reports, which are usually subject to an external audit to ensure that what managers report can be verified by a disinterested third party, social impact reports, except in rare circumstances, are self-reported. This creates an incentive to report in ways that impresses investors or put the company in a good light publically.

Taking this a step further, one respondent noted that the BVA methods in use tend to favor big numbers, rather than long-term sustainable social impact. The example used is of clean water supply via drilling wells. “digging 100 wells is a sign of growth, [but] maintaining 85% of those same wells for 10 years and beyond is a sign of sustainability.” The same writer said that in his or her experience, SEs managers feel under pressure to deliver growth, rather than impact (defined as a meaningful and permanent positive change). It would be interesting to compare BVA methods along this dimension, to see which ones favor short-term gains over long-term sustainability.

There were more insights collected by the survey than can be covered in detail here. Future research with this same population of SEs could be undertaken to answer the questions raised, and many more. Combining detailed qualitative survey and interview data with additional quantitative research would offer a rich trove of information on SEs and many avenues for academic exploration.

Blended Organizations

This research did not analyze the blended organizations; it is interesting to note how many there are (nearly 15%) but the survey questions did not explore the nature of these organizations. They could be for-profits with a non-profit foundation or charitable project, or non-profits with a for-profit subsidiary, or some other form. For some researchers and practitioners, blended organizations (especially NPOs with revenue-generating business operations) are the true SEs (Young, 2007). This organizational form has a long history; Goodwill, for example, which self-identifies as a social enterprise selling used items and employing marginalized people, was founded in 1902 (Le Ber & Branzei, 2011). And the majority of hospitals and universities in the United States are NPOs, although most of their revenue comes from their clients.

There is a tendency in both the academic literature (Defourny & Nyssens, 2010a) and practitioner networks (Pacific Community Ventures, 2013a) to lump these blended organizations into one category with for-profit SEs, and further investigation may discover that blended organizations are more like SEs than like NPOs. One direction for future research would be to compare these organizations to the more traditional for-profits and NPOs and see what essential differences there might be across a variety of characteristics, including entrepreneurial and social orientation. Putting blended

organizations into the same analytical category as SEs might be warranted, but without further investigation into the nature and characteristics of these hybrid organizations it is difficult to say whether this is justified. It may turn out that there are in fact fundamental differences between NPOs, no matter how entrepreneurial they are, or how much money they generate from trading activities, and for-profits. As one survey respondent wrote, "non-profits can support – even subsidize – impact with grants and donations, whereas for-profits typically must live or die buy success in the marketplace." Advocates like Yunus (2007) firmly believe that private business is the solution to ending poverty, but he does not distinguish in his work between SEs and blended organizations.

SEs and NPOs

Another interesting result was the finding that NPOs tend to have higher perceptions of their social impact success, while private companies tend to have a higher perception of their financial success. This result emerged in one of logistic regressions; the statistically significant result was that non-profits are less likely to report economic success than for-profits, while the reverse is true when it comes to social success. This is a fascinating result that deserves further investigation. For impact investors, for example, who claim to prioritize positive social outcomes, perhaps the better way to go would be to make loans (NPOs cannot accept equity) to NPOs, instead of investing equity or debt in SEs.

Of course, this result may simply reflect the priorities of the two different kinds of organizations, meaning that the inherent nature of NPOs is to focus on social performance, while the SEs are faced with the need to put revenue generation as a primary goal. NPOs raise philanthropic capital in order to achieve a social impact, while

SEs generate their social impact in the course of doing business. For NPOs, social performance is a first-order effect, while for SEs it is a second-order effect. The results obtained in the research are possibly a reflection of this inherent difference in the goals of the organization.

It would also be interesting to examine how this tendency plays out in blended organizations, as compared to both SEs and NPOs. Assuming that the most common form of blended organization is an NPO with a revenue-generating business model, perhaps this organizational form is more likely to generate positive social outcomes than an SE. One of the rationales behind the creation of SEs in general, and B-Corporations and L3Cs in particular, is that they are more financially sustainable than NPOs, since they are not dependent on the changing whims of donors and foundations (Defourny & Nyssens, 2010b). Given the current state of advocate excitement about the social impact potential, and the large amount of capital supposedly available to SEs (Bugg-Levine & Goldstein, 2011), a study that examined the relative social performance outcomes of SEs as compared to blended organizations registered as NPOs would offer some guidance to IIs and philanthropists alike.

Directions for Future Research

One intriguing avenue for future research would be to survey a randomly selected group of SMEs and ask them to answer the same survey questions I sent the group of SEs in my research. It may be that many of them have a relatively high S/EO score, and therefore can be classified as SEs. Just between the United States and the European Union there are something like 51 million SMEs (Kok et al., 2013); if even only 1% of these (510,000) are found to rank themselves highly on the S/OE score, that would mean

a dramatic expansion of the SE sector, simply by being able to identify the SEs concealed in the giant population of SMEs.

Costs of Using BVA

The most significant barrier to SEs implementing BVA methods in their organizations is the cost in time, expertise and money, according to my survey results, with 20 respondents saying that the expense is what prevents their use of BVA methods. As one respondent put it, "I often face the choice between spending my time 'measuring impact' or building the sustainability of the company." This person further added that getting to financial success should come first, followed by investing in efforts to measure impact. Another SE manager noted that "we think [impact] measurement is critical, but it always falls to the bottom of the pile [due to] more urgent deadlines."

What my survey did not explore, and something that should be part of the SE research agenda in the future, is the actual cost of implementing BVA methods. There are most likely initial costs in terms of the time to research different methods, perhaps purchase or license a commercial product, or hire a consultant. There are certainly ongoing costs to collect data, input it into the BVA method, keep it updated, and generate reports. Furthermore, some methods are less costly than others. One reason given by the SEs surveyed for this research for choosing the B-Impact Rating System was that it was easier to use than the other methods. In the words of one respondent, "we found it to be the most user-friendly and understandable of the various tools we use."

What is not currently known are the comparative costs and benefits of using BVA. This calculation is commonly framed as return on investment (ROI), which is a way of determining the future benefit of making an investment in the present. One survey

respondent said this directly. “there needs to be greater input from [SEs] on the ROI [of implementing BVA methods].” One conclusion that could be drawn from this research is that, given the relative ease and simplicity of using the B-Impact Rating System, and given the lack of correlation between the use of any BVA method and SE success, most SEs would be well served by using the B-Impact Rating System to the exclusion of other BVA methods. Indeed, the B-Impact Rating System was by far the most common BVA method in use among the SEs surveyed, used by 59% of the SEs surveyed. It is clearly becoming the method of choice.

It would be interesting to conduct research to learn why this is the case. It might that, as some respondents noted, it is easier and cheaper to implement and use than other methods. But there may be other reasons; for example, that this method is being aggressively marketed by B-Labs, the parent organization, or that it has been adopted by a majority of impact investors around the world, who then require their investees to use it. Without further research, however, this is just speculation.

What Investors Want

Another avenue for exploration is to discover what impact investors are seeking from SEs in the way of BVA. One of the respondents to the survey noted that in her opinion, IIs say that they care about social performance, but really only pay attention to the financial results. Across the board, IIs say they want to improve society; this is the definition of an impact investor. However, there is little agreement on what this means in practice or how this social improvement is to be measured. This can lead to situations where an SE with multiple investors has to prepare multiple reports, customized for each

investor (Grant, 2013). This is a common problem in the NPO sector, where every foundation grant has its own reporting requirements (Carman, 2009).

It would be a useful research project to discover how wedded IIs are in general to the use of BVA methods. It is possible that most IIs are satisfied with the most rudimentary counting, meaning simply adding up the reach of the SE in terms of the number of customers, number of households affected by the business, or other metric that is easily quantified. It may even be that IIs are really looking for well-designed reports with plenty of data and stories, instead of a complex analysis of impact, defined as a meaningful and permanent change in an individual's, family's or community's circumstances. SE managers would benefit from having a clear understanding of these requirements prior to seeking investments.

Blended Value Accounting for Management Improvement

In the view of some researchers, the primary reason for SEs to track their social performance is to have a way to improve their business, following the familiar business edict that "what get measured gets managed" (Bagnoli & Megali, 2011). From this perspective, BVA tools should be chosen in order to give SE managers clear signals about how to improve their business operations from a social impact lens. As one survey respondent explained, "most of the tools out there are focused on external reporting. Our focus is on internal analysis for management purposes."

Bookkeeping and accounting are used in the same way; primarily for internal purposes, but also to show external audiences the status of the company. As companies and NPOs develop and grow, their needs change. When the company is quite small, a simple accounting software program like QuickBooks, cash-based accounting, and a part-

time bookkeeper are all that is needed. As the company grows, eventually the finance team may come to include a certified public accountant along with a bookkeeper, a financial planning and analysis expert, a controller and other staff. The accounting is switched to accrual-based, the team develops sophisticated budgets and cash-flow forecasts, an external auditor is hired to perform the annual financial review and audit according to national standards, and the tax filing documents become ever more complicated to complete.

While this accounting information is provided to external agencies as required by law, the main purpose is to provide managers the information they need to make decisions, along with a host of other management reports such as sales volume, change in number of customers, and many others. Similarly, in the perspective of SE practitioners and observers, SEs should focus their social impact measurement efforts on providing managers with the information they need to improve their programs. Many smaller SEs (and NPOs) cannot afford to, or choose not to bother with this effort, assuming that their work has a positive effect on their intended beneficiaries without measuring that effect (Bagnoli & Megali, 2011). This is increasing viewed as unacceptable; investors, donors, regulatory agencies, ratings agencies, the media and other sources are putting pressure on SEs and NPOs alike to do a better job of measuring their social impact precisely to improve their programs – or at least prove that they work as intended (Arena, Azzone, & Bengo, 2009).

There is a gap in the academic literature and in the impact measurement guides produced by investors and agencies around the progression of social impact measurement from the initial, start-up or small stage SE to more sophisticated, larger firms. Just as

companies and NPOs gradually become more sophisticated at monitoring and measuring their financial performance, so too, it seems reasonable to assume, they improve their capacity to measure their social impact performance. This progression is not currently part of the discussions in the literature, but given the indications in this research project about the performance differences between SEs that measure their social impact versus those that do not, it seems that the SE sector would benefit from guidance from the support organizations like ANDE, the Social Enterprise Alliance and others about the best BVA methods to implement at various stages of SE development.

Recommendations for Future Research

1. Analyze the differences between blended organizations, NPOs and SEs.
2. Investigate the differences between SEs that use BVA methods, and those that do not.
3. Map the diversity of the SE population to II interest areas to evaluate the degree of overlap.
4. Investigate why there are so many SEs identified as such in the United Kingdom, but so few in the rest of the world.
5. Undertake a research project to find SEs that may be hidden in the larger population of SMEs by evaluating their S/EO scores.
6. Analyze the costs and benefits of using various BVA methods.
7. Examine when and under what conditions SEs implement BVA methods.

Recommendations for Supporting Agencies

1. Provide a full list of BVA tools to members and on websites.

2. Offer guidance for managers about the best tools to use for improving management.
3. Offer guidance about which tools are suited for the stage of development of the SE.
4. Undertake an ROI analysis on BVA methods, so that SEs have the information they need to choose the best BVA tool.
5. Create a global registry of SEs.

Recommendations for SE Managers

1. Implement some form of BVA method at SE inception, or as soon as possible.
2. Select the BVA method best suited to your stage of development, while making sure to adjust the use of BVA tools as your SE grows and changes.
3. Unless required to use another method, pick the BVA method that offers the best information for improving management practices.
4. The most common form of BVA method currently in use is the B-Lab Impact Rating System; you should use this method to align your SE with best practices in the industry if that is a company priority. You may want to use it in combination with a BVA method that provides information for improving management.
5. Unless required by investors, don't invest in the most expensive, time-consuming and complicated BVA methods. The evidence from this research indicates that no method stands above any other method in terms of its impact on your SE's success.

Conclusion

According to my presented research findings, the use of blended value accounting methods is not a critical success factor for social enterprises. The results did not allow me to reject the null hypothesis or accept the alternative hypothesis, which sought to find a positive correlation between the use of BVA methods and the success of the SE managers in reaching their financial and social goals. At the same time, given the overall lack of empirical and quantitative work in the academic studies of SEs, there is much that remains to be discovered. The field is young and constantly changing, offering researchers many intriguing avenues for future research. BVA is likely an important element of SE operations, both for meeting the needs of investors and for improving SE operations, particularly in reaching social goals. SE managers want to know when, how and under what conditions they should implement BVA in their companies. Academic researchers have an opportunity to undertake further investigations that can make an important contribution to a rapidly growing arena of social change experimentation.

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Appendix

Full Statistical Reports from SPSS

Table 10

Regression Showing Effect of Measuring Impact on Performance

							95% Confidence Interval	
		Estimate	Std. Error	Wald	df	Sig.	Lower Bound	Upper Bound
Threshold	[q10Performancemedian = 1.0]	-10.59	5.08	4.34	1	0.04	-20.54	-0.63
	[q10Performancemedian = 2.0]	-9.48	5.02	3.58	1	0.06	-19.31	0.35
	[q10Performancemedian = 2.5]	-8.96	5.00	3.21	1	0.07	-18.76	0.85
	[q10Performancemedian = 3.0]	-6.48	4.98	1.69	1	0.19	-16.25	3.28
	[q10Performancemedian = 3.5]	-6.28	4.98	1.59	1	0.21	-16.04	3.48
	[q10Performancemedian = 4.0]	-3.72	4.97	0.56	1	0.45	-13.46	6.02
	[q10Performancemedian = 4.5]	-3.68	4.97	0.55	1	0.46	-13.43	6.06
Location	Yearsinbusiness	0.00	0.01	0.01	1	0.93	-0.02	0.02
	[CountryCat.Australia=0]	0.12	0.75	0.02	1	0.88	-1.36	1.59
	[CountryCat.Australia=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Canada=0]	-0.69	0.82	0.72	1	0.40	-2.30	0.91
	[CountryCat.Canada=1]	0[a]	.	.	0	.	.	.
	[CountryCat.GreatBritain=0]	-0.63	0.76	0.69	1	0.41	-2.12	0.86
	[CountryCat.GreatBritain=1]	0[a]	.	.	0	.	.	.
	[CountryCat.HongKong=0]	-0.11	0.97	0.01	1	0.91	-2.02	1.79
	[CountryCat.HongKong=1]	0[a]	.	.	0	.	.	.
	[CountryCat.India=0]	-0.86	0.71	1.48	1	0.22	-2.25	0.53
	[CountryCat.India=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Other=0]	-0.72	0.75	0.92	1	0.34	-2.19	0.75
	[CountryCat.Other=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Singapore=0]	-0.55	0.77	0.51	1	0.47	-2.06	0.96
	[CountryCat.Singapore=1]	0[a]	.	.	0	.	.	.
	[CountryCat.USA=0]	-0.95	0.68	1.96	1	0.16	-2.28	0.38

[CountryCat.USA=1]	0[a]	.	.	0	.	.	.
[Private=0]	-0.30	0.36	0.70	1	0.40	-1.01	0.41
[Private=1]	0[a]	.	.	0	.	.	.
[Nonprofit_A=0]	-1.39	0.47	8.63	1	0.00	-2.32	-0.46
[Nonprofit_A=1]	0[a]	.	.	0	.	.	.
[BImpactRatingSystem=0]	-0.35	0.35	0.96	1	0.33	-1.03	0.34
[BImpactRatingSystem=1]	0[a]	.	.	0	.	.	.
[BalancedScorecard=0]	0.55	0.63	0.76	1	0.39	-0.69	1.78
[BalancedScorecard=1]	0[a]	.	.	0	.	.	.
[BenefitCostAnalysis=0]	0.48	0.54	0.80	1	0.37	-0.57	1.54
[BenefitCostAnalysis=1]	0[a]	.	.	0	.	.	.
[PCVSocialImpact=0]	-0.71	1.08	0.44	1	0.51	-2.82	1.39
[PCVSocialImpact=1]	0[a]	.	.	0	.	.	.
[SocialAccountingandAuditing=0]	2.17	0.63	12.02	1	0.00	0.94	3.40
[SocialAccountingandAuditing=1]	0[a]	.	.	0	.	.	.
[SocialImpactTracker=0]	-0.66	0.63	1.12	1	0.29	-1.89	0.57
[SocialImpactTracker=1]	0[a]	.	.	0	.	.	.
[SocialReturnonInvestment=0]	0.54	0.39	1.88	1	0.17	-0.23	1.31
[SocialReturnonInvestment=1]	0[a]	.	.	0	.	.	.
[TripleBottomLineScorecard=0]	-0.50	0.43	1.36	1	0.24	-1.34	0.34
[TripleBottomLineScorecard=1]	0[a]	.	.	0	.	.	.
[Sector_Agricultureorfood=0]	0.66	0.42	2.42	1	0.12	-0.17	1.49
[Sector_Agricultureorfood=1]	0[a]	.	.	0	.	.	.
[Sector_Cleanwaterorsanitation=0]	-1.30	0.64	4.08	1	0.04	-2.56	-0.04
[Sector_Cleanwaterorsanitation=1]	0[a]	.	.	0	.	.	.
[Sector_Education=0]	-0.42	0.38	1.26	1	0.26	-1.16	0.31
[Sector_Education=1]	0[a]	.	.	0	.	.	.
[Sector_Energy=0]	0.09	0.48	0.04	1	0.85	-0.85	1.04
[Sector_Energy=1]	0[a]	.	.	0	.	.	.
[Sector_Employmentorlivelihoods=0]	-0.10	0.39	0.06	1	0.80	-0.87	0.67
[Sector_Employmentorlivelihoods=1]	0[a]	.	.	0	.	.	.
[Sector_Healthorhealthcare=0]	-0.31	0.58	0.29	1	0.59	-1.45	0.82

[Sector_Healthorhealthcare=1]	0[a]	.	.	0	.	.	.
[q6MeasureSocialImpact=0]	-0.67	0.32	4.46	1	0.04	-1.29	-0.05
[q6MeasureSocialImpact=1]	0[a]	.	.	0	.	.	.
[q8SelfMeasurementofSocialImpact=0]	0.03	0.29	0.01	1	0.92	-0.53	0.59
[q8SelfMeasurementofSocialImpact=1]	0[a]	.	.	0	.	.	.
[q8InvestorMethod=0]	0.37	0.37	1.00	1	0.32	-0.35	1.09
[q8InvestorMethod=1]	0[a]	.	.	0	.	.	.
[q8DifferentApproach_A=0]	0[a]	.	.	0	.	.	.
[q8DifferentApproach_A=1]	0[a]	.	.	0	.	.	.

Link function. Logit.

a. This parameter is set to zero because it is redundant.

Table 11

Logistic Regression on Measuring/Not Measuring Blended Value

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Private	0.34	0.41	0.72	1	0.40	1.41
	Nonprofit_A	1.47	0.55	7.22	1	0.01	4.35
	CountryCat.Australia	0.00	0.85	0.00	1	1.00	1.00
	CountryCat.Canada	-0.27	0.91	0.09	1	0.77	0.76
	CountryCat.GreatBritain	-0.78	0.86	0.82	1	0.37	0.46
	CountryCat.HongKong	0.60	1.14	0.28	1	0.60	1.82
	CountryCat.India	0.07	0.80	0.01	1	0.93	1.07
	CountryCat.Other	0.05	0.84	0.00	1	0.95	1.05
	CountryCat.Singapore	-0.64	0.88	0.54	1	0.47	0.53
	CountryCat.USA	0.24	0.76	0.10	1	0.75	1.27
	BImpactRatingSystem	0.15	0.39	0.14	1	0.71	1.16
	BalancedScorecard	0.31	0.74	0.17	1	0.68	1.36
	BenefitCostAnalysis	-0.12	0.61	0.04	1	0.84	0.89
	PCVSocialImpact	0.80	1.27	0.40	1	0.53	2.22
	SocialAccountingandAuditing	-1.85	0.81	5.24	1	0.02	0.16
	SocialImpactTracker	0.28	0.69	0.16	1	0.69	1.32
	SocialReturnonInvestment	-0.53	0.45	1.41	1	0.24	0.59
	TripleBottomLineScorecard	0.14	0.47	0.09	1	0.77	1.15
	Sector_Agricultureorfood	-0.68	0.46	2.16	1	0.14	0.51
	Sector_Cleanwaterorsanitation	1.87	0.95	3.90	1	0.05	6.47
	Sector_Education	-0.05	0.42	0.02	1	0.90	0.95
	Sector_Energy	-0.03	0.53	0.00	1	0.95	0.97
	Sector_Employmentorlivelihoods	-0.50	0.44	1.25	1	0.26	0.61
	Sector_Healthorhealthcare	0.73	0.68	1.17	1	0.28	2.08
	q6MeasureSocialImpact	0.94	0.36	6.73	1	0.01	2.55
	q8SelfMeasurementofSocialImpact	-0.03	0.32	0.01	1	0.93	0.97
	q8InvestorMethod	-0.24	0.41	0.35	1	0.56	0.79
	Yearsinbusiness	-0.01	0.01	0.33	1	0.57	0.99
	Constant	-0.77	0.84	0.84	1	0.36	0.46

a. Variable(s) entered on step 1. Private, Nonprofit_A, CountryCat.Australia, CountryCat.Canada, CountryCat.GreatBritain, CountryCat.HongKong, CountryCat.India, CountryCat.Other, CountryCat.Singapore, CountryCat.USA, BImpactRatingSystem, BalancedScorecard, BenefitCostAnalysis, PCVSocialImpact, SocialAccountingandAuditing, SocialImpactTracker, SocialReturnonInvestment, TripleBottomLineScorecard, Sector_Agricultureorfood, Sector_Cleanwaterorsanitation, Sector_Education, Sector_Energy, Sector_Employmentorlivelihoods, Sector_Healthorhealthcare, q6MeasureSocialImpact, q8SelfMeasurementofSocialImpact, q8InvestorMethod, Yearsinbusiness.

Table 12

Logistic Regression of Social Impact Success

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Private	0.25	0.39	0.41	1	0.52	1.29
	Nonprofit_A	1.33	0.53	6.31	1	0.01	3.79
	CountryCat.Australia	0.10	0.85	0.01	1	0.91	1.11
	CountryCat.Canada	-0.15	0.90	0.03	1	0.87	0.87
	CountryCat.GreatBritain	-0.66	0.84	0.61	1	0.43	0.52
	CountryCat.HongKong	0.70	1.12	0.39	1	0.54	2.00
	CountryCat.India	0.20	0.79	0.07	1	0.80	1.23
	CountryCat.Other	0.01	0.83	0.00	1	0.99	1.01
	CountryCat.Singapore	-0.44	0.86	0.26	1	0.61	0.65
	CountryCat.USA	0.32	0.75	0.18	1	0.67	1.38
	BImpactRatingSystem	0.52	0.34	2.29	1	0.1	1.7
	BalancedScorecard	0.31	0.72	0.18	1	0.7	1.4
	BenefitCostAnalysis	-0.04	0.59	0.00	1	0.9	1.0
	PCVSocialImpact	0.40	1.18	0.12	1	0.7	1.5
	SocialAccountingandAuditing	-1.91	0.85	5.09	1	0.0	0.1
	SocialImpactTracker	0.46	0.68	0.46	1	0.5	1.6
	SocialReturnonInvestment	-0.40	0.43	0.85	1	0.4	0.7
	TripleBottomLineScorecard	0.23	0.46	0.25	1	0.6	1.3
	Sector_Agricultureorfood	-0.62	0.45	1.88	1	0.2	0.5
	Sector_Cleanwaterorsanitation	1.97	0.97	4.14	1	0.0	7.2
	Sector_Education	-0.02	0.41	0.00	1	1.0	1.0
	Sector_Energy	0.02	0.52	0.00	1	1.0	1.0
	Sector_Employmentorlivelihoods	-0.40	0.43	0.86	1	0.4	0.7
	Sector_Healthorhealthcare	0.71	0.67	1.14	1	0.3	2.0
	Yearsinbusiness	-0.01	0.01	0.14	1	0.7	1.0
	Constant	-0.35	0.79	0.20	1	0.7	0.7

a. Variable(s) entered on step 1. Private, Nonprofit_A, CountryCat.Australia, CountryCat.Canada, CountryCat.GreatBritain, CountryCat.HongKong, CountryCat.India, CountryCat.Other, CountryCat.Singapore, CountryCat.USA, BImpactRatingSystem, BalancedScorecard, BenefitCostAnalysis, PCVSocialImpact, SocialAccountingandAuditing, SocialImpactTracker, SocialReturnonInvestment, TripleBottomLineScorecard, Sector_Agricultureorfood, Sector_Cleanwaterorsanitation, Sector_Education, Sector_Energy, Sector_Employmentorlivelihoods, Sector_Healthorhealthcare, Yearsinbusiness.

Table 13

Economic Success as an Ordinal Dependent Variable

							95% Confidence Interval	
		Estimate	Std. Error	Wald	df	Sig.	Lower Bound	Upper Bound
Threshold	[q9Impactmedian = 1.0]	-11.09	4.80	5.34	1	0.02	-20.49	-1.69
	[q9Impactmedian = 1.5]	-10.39	4.75	4.80	1	0.03	-19.70	-1.09
	[q9Impactmedian = 2.0]	-9.28	4.71	3.88	1	0.05	-18.51	-0.05
	[q9Impactmedian = 2.5]	-8.86	4.70	3.55	1	0.06	-18.08	0.36
	[q9Impactmedian = 3.0]	-7.30	4.69	2.42	1	0.12	-16.50	1.90
	[q9Impactmedian = 3.5]	-6.79	4.69	2.10	1	0.15	-15.98	2.40
	[q9Impactmedian = 4.0]	-4.93	4.68	1.11	1	0.29	-14.10	4.25
	[q9Impactmedian = 4.5]	-4.47	4.68	0.91	1	0.34	-13.65	4.70
Location	Yearsinbusiness	0.00	0.01	0.12	1	0.73	-0.03	0.02
	[CountryCat.Australia=0]	-0.13	0.72	0.03	1	0.86	-1.53	1.27
	[CountryCat.Australia=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Canada=0]	-0.55	0.78	0.49	1	0.48	-2.07	0.98
	[CountryCat.Canada=1]	0[a]	.	.	0	.	.	.
	[CountryCat.GreatBritain=0]	-0.39	0.72	0.30	1	0.58	-1.80	1.01
	[CountryCat.GreatBritain=1]	0[a]	.	.	0	.	.	.
	[CountryCat.HongKong=0]	0.03	0.92	0.00	1	0.97	-1.77	1.84
	[CountryCat.HongKong=1]	0[a]	.	.	0	.	.	.
	[CountryCat.India=0]	-0.53	0.67	0.63	1	0.43	-1.84	0.78
	[CountryCat.India=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Other=0]	-0.54	0.71	0.57	1	0.45	-1.93	0.86
	[CountryCat.Other=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Singapore=0]	-0.18	0.73	0.06	1	0.81	-1.61	1.25
	[CountryCat.Singapore=1]	0[a]	.	.	0	.	.	.
	[CountryCat.USA=0]	-0.66	0.64	1.06	1	0.30	-1.91	0.60
	[CountryCat.USA=1]	0[a]	.	.	0	.	.	.
	[Private=0]	-0.34	0.34	1.03	1	0.31	-1.01	0.32
	[Private=1]	0[a]	.	.	0	.	.	.
	[Nonprofit_A=0]	-0.80	0.44	3.25	1	0.07	-1.66	0.07
	[Nonprofit_A=1]	0[a]	.	.	0	.	.	.
	[BImpactRatingSystem=0]	-0.38	0.30	1.68	1	0.20	-0.97	0.20
	[BImpactRatingSystem=1]	0[a]	.	.	0	.	.	.
	[BalancedScorecard=0]	-0.67	0.61	1.21	1	0.27	-1.86	0.52
	[BalancedScorecard=1]	0[a]	.	.	0	.	.	.
	[BenefitCostAnalysis=0]	0.58	0.51	1.27	1	0.26	-0.42	1.57
	[BenefitCostAnalysis=1]	0[a]	.	.	0	.	.	.
	[PCVSocialImpact=0]	0.14	1.00	0.02	1	0.89	-1.82	2.09
	[PCVSocialImpact=1]	0[a]	.	.	0	.	.	.
	[SocialAccountingandAuditi	0.27	0.59	0.20	1	0.65	-0.89	1.42

ng=0]							
[SocialAccountingandAuditing=1]	0[a]	.	.	0	.	.	.
[SocialImpactTracker=0]	-0.18	0.57	0.10	1	0.76	-1.30	0.95
[SocialImpactTracker=1]	0[a]	.	.	0	.	.	.
[SocialReturnonInvestment=0]	-0.04	0.37	0.01	1	0.92	-0.76	0.69
[SocialReturnonInvestment=1]	0[a]	.	.	0	.	.	.
[TripleBottomLineScorecard=0]	-0.20	0.41	0.24	1	0.63	-0.99	0.60
[TripleBottomLineScorecard=1]	0[a]	.	.	0	.	.	.
[Sector_Agricultureorfood=0]	0.54	0.40	1.84	1	0.18	-0.24	1.32
[Sector_Agricultureorfood=1]	0[a]	.	.	0	.	.	.
[Sector_Cleanwaterorsanitation=0]	-0.85	0.60	2.05	1	0.15	-2.03	0.32
[Sector_Cleanwaterorsanitation=1]	0[a]	.	.	0	.	.	.
[Sector_Education=0]	-0.71	0.36	4.00	1	0.05	-1.41	-0.01
[Sector_Education=1]	0[a]	.	.	0	.	.	.
[Sector_Energy=0]	-0.37	0.46	0.64	1	0.43	-1.27	0.53
[Sector_Energy=1]	0[a]	.	.	0	.	.	.
[Sector_Employmentorlivelihoods=0]	-0.73	0.38	3.78	1	0.05	-1.47	0.01
[Sector_Employmentorlivelihoods=1]	0[a]	.	.	0	.	.	.
[Sector_Healthorhealthcare=0]	0.19	0.54	0.13	1	0.72	-0.86	1.25
[Sector_Healthorhealthcare=1]	0[a]	.	.	0	.	.	.

Table 14

Ordinal Regression of Social Impact Success With Predictors

							95% Confidence Interval	
		Estimate	Std. Error	Wald	Df	Sig.	Lower Bound	Upper Bound
Threshold	[q10Performancemedian = 1.0]	-10.97	5.01	4.79	1	0.03	-20.78	-1.15
	[q10Performancemedian = 2.0]	-9.86	4.94	3.98	1	0.05	-19.55	-0.17
	[q10Performancemedian = 2.5]	-9.33	4.93	3.59	1	0.06	-18.99	0.33
	[q10Performancemedian = 3.0]	-6.88	4.91	1.96	1	0.16	-16.49	2.74
	[q10Performancemedian = 3.5]	-6.68	4.91	1.85	1	0.17	-16.30	2.94
	[q10Performancemedian = 4.0]	-4.16	4.90	0.72	1	0.40	-13.76	5.43
	[q10Performancemedian = 4.5]	-4.12	4.90	0.71	1	0.40	-13.72	5.47
Location	Yearsinbusiness	0.00	0.01	0.01	1	0.93	-0.02	0.02
	[CountryCat.Australia=0]	0.10	0.75	0.02	1	0.89	-1.37	1.57
	[CountryCat.Australia=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Canada=0]	-0.72	0.82	0.79	1	0.38	-2.32	0.88
	[CountryCat.Canada=1]	0[a]	.	.	0	.	.	.
	[CountryCat.GreatBritain=0]	-0.65	0.75	0.74	1	0.39	-2.12	0.82
	[CountryCat.GreatBritain=1]	0[a]	.	.	0	.	.	.
	[CountryCat.HongKong=0]	-0.16	0.97	0.03	1	0.87	-2.05	1.73
	[CountryCat.HongKong=1]	0[a]	.	.	0	.	.	.
	[CountryCat.India=0]	-0.94	0.70	1.80	1	0.18	-2.32	0.44
	[CountryCat.India=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Other=0]	-0.62	0.74	0.71	1	0.40	-2.08	0.83
	[CountryCat.Other=1]	0[a]	.	.	0	.	.	.
	[CountryCat.Singapore=0]	-0.64	0.76	0.70	1	0.40	-2.14	0.86
	[CountryCat.Singapore=1]	0[a]	.	.	0	.	.	.
	[CountryCat.USA=0]	-0.97	0.67	2.08	1	0.15	-2.28	0.35
	[CountryCat.USA=1]	0[a]	.	.	0	.	.	.
	[Private=0]	-0.25	0.36	0.48	1	0.49	-0.94	0.45
	[Private=1]	0[a]	.	.	0	.	.	.
	[Nonprofit_A=0]	-1.26	0.47	7.31	1	0.01	-2.18	-0.35
	[Nonprofit_A=1]	0[a]	.	.	0	.	.	.
	[BImpactRatingSystem=0]	-0.55	0.31	3.05	1	0.08	-1.16	0.07
	[BImpactRatingSystem=1	0[a]	.	.	0	.	.	.

]							
[BalancedScorecard=0]	0.54	0.63	0.74	1	0.39	-0.69	1.77
[BalancedScorecard=1]	0[a]	.	.	0	.	.	.
[BenefitCostAnalysis=0]	0.37	0.53	0.49	1	0.49	-0.67	1.42
[BenefitCostAnalysis=1]	0[a]	.	.	0	.	.	.
[PCVSocialImpact=0]	-0.47	1.05	0.20	1	0.65	-2.52	1.58
[PCVSocialImpact=1]	0[a]	.	.	0	.	.	.
[SocialAccountingandAuditing=0]	2.14	0.62	11.81	1	0.00	0.92	3.36
[SocialAccountingandAuditing=1]	0[a]	.	.	0	.	.	.
[SocialImpactTracker=0]	-0.80	0.62	1.71	1	0.19	-2.01	0.40
[SocialImpactTracker=1]	0[a]	.	.	0	.	.	.
[SocialReturnonInvestment=0]	0.50	0.39	1.62	1	0.20	-0.27	1.26
[SocialReturnonInvestment=1]	0[a]	.	.	0	.	.	.
[TripleBottomLineScorecard=0]	-0.53	0.43	1.54	1	0.21	-1.37	0.31
[TripleBottomLineScorecard=1]	0[a]	.	.	0	.	.	.
[Sector_Agricultureorfood=0]	0.67	0.42	2.56	1	0.11	-0.15	1.49
[Sector_Agricultureorfood=1]	0[a]	.	.	0	.	.	.
[Sector_Cleanwaterorsanitation=0]	-1.29	0.64	3.99	1	0.05	-2.55	-0.03
[Sector_Cleanwaterorsanitation=1]	0[a]	.	.	0	.	.	.
[Sector_Education=0]	-0.41	0.37	1.22	1	0.27	-1.13	0.32
[Sector_Education=1]	0[a]	.	.	0	.	.	.
[Sector_Energy=0]	0.09	0.48	0.04	1	0.85	-0.85	1.03
[Sector_Energy=1]	0[a]	.	.	0	.	.	.
[Sector_Employmentorlivelihoods=0]	-0.16	0.39	0.16	1	0.69	-0.93	0.61
[Sector_Employmentorlivelihoods=1]	0[a]	.	.	0	.	.	.
[Sector_Healthorhealthcare=0]	-0.30	0.57	0.28	1	0.60	-1.42	0.82
[Sector_Healthorhealthcare=1]	0[a]	.	.	0	.	.	.

Link function. Logit.

a. This parameter is set to zero because it is redundant.

Table 15

Logistic Regression of Economic Success

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Private(1)	-0.10	0.39	0.07	1	0.80	0.91
	Nonprofit_A(1)	-1.11	0.53	4.43	1	0.04	0.33
	CountryCat.Australia(1)	-0.26	0.88	0.09	1	0.77	0.77
	CountryCat.Canada(1)	-1.43	0.94	2.29	1	0.13	0.24
	CountryCat.GreatBritain(1)	-0.58	0.88	0.44	1	0.51	0.56
	CountryCat.HongKong(1)	1.08	1.33	0.65	1	0.42	2.94
	CountryCat.India(1)	-1.02	0.85	1.47	1	0.23	0.36
	CountryCat.Other(1)	-1.30	0.88	2.16	1	0.14	0.27
	CountryCat.Singapore(1)	-0.56	0.90	0.39	1	0.53	0.57
	CountryCat.USA(1)	-1.28	0.80	2.55	1	0.11	0.28
	BImpactRatingSystem(1)	-0.34	0.34	1.02	1	0.31	0.71
	BalancedScorecard(1)	-0.63	0.71	0.79	1	0.37	0.53
	BenefitCostAnalysis(1)	0.37	0.61	0.36	1	0.55	1.45
	PCVSocialImpact(1)	0.14	1.13	0.02	1	0.90	1.15
	SocialAccountingandAuditing(1)	-0.08	0.69	0.01	1	0.91	0.92
	SocialImpactTracker(1)	-0.45	0.68	0.43	1	0.51	0.64
	SocialReturnonInvestment(1)	0.12	0.44	0.08	1	0.78	1.13
	TripleBottomLineScorecard(1)	0.46	0.48	0.92	1	0.34	1.58
	Sector_Agricultureorfood(1)	0.83	0.48	3.04	1	0.08	2.30
	Sector_Cleanwaterorsanitation(1)	-1.12	0.74	2.30	1	0.13	0.33
	Sector_Education(1)	-0.46	0.41	1.30	1	0.26	0.63
	Sector_Energy(1)	-0.33	0.52	0.39	1	0.53	0.72
	Sector_Employmentorlivelihoods(1)	-0.33	0.43	0.60	1	0.44	0.72
	Sector_Healthorhealthcare(1)	0.13	0.61	0.05	1	0.83	1.14
	Yearsinbusiness	-0.01	0.01	0.46	1	0.50	0.99
	Constant	6.87	5.88	1.37	1	0.24	959.11

a. Variable(s) entered on step 1. Private, Nonprofit_A, CountryCat.Australia, CountryCat.Canada, CountryCat.GreatBritain, CountryCat.HongKong, CountryCat.India, CountryCat.Other, CountryCat.Singapore, CountryCat.USA, BImpactRatingSystem, BalancedScorecard, BenefitCostAnalysis, PCVSocialImpact, SocialAccountingandAuditing, SocialImpactTracker, SocialReturnonInvestment, TripleBottomLineScorecard, Sector_Agricultureorfood, Sector_Cleanwaterorsanitation, Sector_Education, Sector_Energy, Sector_Employmentorlivelihoods, Sector_Healthorhealthcare, Yearsinbusiness.

Table 16

Correlation of BVA Method With Economic Success

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.84	0.19		19.9	0
	Private company	0.11	0.13	0.08	0.89	0.37
	Non-profit	0.24	0.16	0.14	1.48	0.14
	B Impact Rating System	0.12	0.11	0.08	1.07	0.29
	Balanced Scorecard	0.13	0.22	0.04	0.58	0.56
	Benefit-Cost Analysis	-0.15	0.19	-0.06	0.81	0.42
	PCV Social Impact	-0.09	0.37	-0.02	0.24	0.81
	Social Accounting and Auditing	-0.08	0.22	-0.02	0.34	0.73
	Social Impact Tracker	0.06	0.21	0.02	0.26	0.79
	Social Return on Investment	0.12	0.14	0.06	0.84	0.40
	Triple Bottom Line Scorecard	0.12	0.15	0.05	0.8	0.43
	Country Cat. Australia	-0.17	0.22	-0.07	-0.8	0.43
	Country Cat. Canada	-0.13	0.24	-0.04	0.54	0.59
	Country Cat. Great Britain	0.00	0.22	0.00	0.02	0.99
	Country Cat. Hong Kong	-0.22	0.30	-0.05	0.72	0.48
	Country Cat. India	0.03	0.19	0.02	0.18	0.86
	Country Cat. Singapore	-0.05	0.21	-0.02	0.23	0.82
	Country Cat. Unknown	-0.20	0.26	-0.06	0.77	0.44
	Country Cat. USA	0.06	0.17	0.05	0.37	0.71
	Sector_Agriculture or food	-0.25	0.15	-0.11	1.67	0.10
	Sector_Clean water or sanitation	0.31	0.22	0.09	1.43	0.16
	Sector_Education	0.22	0.13	0.12	1.71	0.09
	Sector_Energy	0.13	0.17	0.05	0.74	0.46
	Sector_Employment or livelihoods	0.26	0.14	0.13	1.84	0.07
	Sector_Health or healthcare	-0.10	0.20	-0.03	0.49	0.62
	Years in business	0.00	0.00	-0.03	0.43	0.67

a. Dependent Variable. q9. Impact (mean)

Table 17

Correlation of BVA Method With Social Impact Success

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.79	0.15		24.82	0.00
	Private company	0.11	0.10	0.09	1.11	0.27
	Non-profit	0.47	0.13	0.34	3.65	0.00
	B Impact Rating System	0.12	0.09	0.10	1.38	0.17
	Balanced Scorecard	-0.10	0.18	-0.04	-0.59	0.56
	Benefit-Cost Analysis	-0.03	0.15	-0.02	-0.21	0.83
	PCV Social Impact	0.29	0.29	0.07	0.98	0.33
	Social Accounting and Auditing	-0.70	0.17	-0.26	-4.02	0.00
	Social Impact Tracker	0.20	0.17	0.08	1.20	0.23
	Social Return on Investment	-0.08	0.11	-0.05	-0.70	0.48
	Triple Bottom Line Scorecard	0.14	0.12	0.08	1.21	0.23
	Country Cat. Australia	-0.23	0.17	-0.11	-1.36	0.17
	Country Cat. Canada	-0.23	0.19	-0.09	-1.25	0.21
	Country Cat. Great Britain	-0.19	0.17	-0.10	-1.12	0.26
	Country Cat. Hong Kong	-0.08	0.24	-0.02	-0.32	0.75
	Country Cat. India	0.03	0.15	0.02	0.21	0.84
	Country Cat. Singapore	-0.04	0.17	-0.02	-0.26	0.80
	Country Cat. Unknown	-0.16	0.21	-0.05	-0.77	0.44
	Country Cat. USA	0.02	0.13	0.02	0.17	0.86
	Sector_Agriculture or food	-0.20	0.12	-0.11	-1.74	0.08
	Sector_Clean water or sanitation	0.49	0.17	0.18	2.87	0.00
	Sector_Education	0.07	0.10	0.05	0.72	0.47
	Sector_Energy	-0.10	0.14	-0.05	-0.76	0.45
	Sector_Employment or livelihoods	0.02	0.11	0.01	0.22	0.83
	Sector_Health or healthcare	0.14	0.16	0.05	0.86	0.39
	Years in business	0.00	0.00	-0.01	-0.21	0.84

a. Dependent Variable. q10. Performance (mean)

Table 18

Efficiency in Serving Beneficiaries

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.99	0.26		15.16	0.00
	Private company	0.03	0.18	0.02	0.18	0.86
	Non-profit	0.26	0.23	0.12	1.13	0.26
	B Impact Rating System	0.20	0.15	0.11	1.33	0.18
	Balanced Scorecard	-0.21	0.31	-0.05	-0.67	0.50
	Benefit-Cost Analysis	-0.10	0.29	-0.03	-0.36	0.72
	PCV Social Impact	0.28	0.54	0.05	0.52	0.60
	Social Accounting and Auditing	0.08	0.36	0.02	0.23	0.82
	Social Impact Tracker	0.08	0.30	0.02	0.28	0.78
	Social Return on Investment	0.14	0.21	0.05	0.69	0.49
	Triple Bottom Line Scorecard	-0.13	0.22	-0.04	-0.61	0.55
	Country Cat. Australia	-0.49	0.30	-0.14	-1.65	0.10
	Country Cat. Canada	-0.43	0.32	-0.11	-1.35	0.18
	Country Cat. Great Britain	-0.14	0.30	-0.05	-0.49	0.63
	Country Cat. Hong Kong	-0.25	0.39	-0.05	-0.65	0.52
	Country Cat. India	-0.05	0.25	-0.02	-0.19	0.85
	Country Cat. Singapore	-0.19	0.30	-0.06	-0.65	0.52
	Country Cat. Unknown	-0.49	0.39	-0.09	-1.24	0.22
	Country Cat. USA	-0.18	0.23	-0.10	-0.78	0.44
	Sector_Agriculture or food	-0.12	0.20	-0.04	-0.59	0.55
	Sector_Clean water or sanitation	0.48	0.32	0.10	1.52	0.13
	Sector_Education	0.36	0.17	0.14	2.06	0.04
	Sector_Energy	0.69	0.24	0.21	2.90	0.00
	Sector_Employment or livelihoods	0.26	0.18	0.10	1.41	0.16
	Sector_Health or healthcare	0.18	0.27	0.05	0.67	0.50
	Years in business	0.00	0.01	0.02	0.36	0.72

a. Dependent Variable. q0009_0001

Table 19

Effectiveness in Serving Beneficiaries

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
1	(Constant)	4.27	0.25		17.46	0.00
	Private company	-0.07	0.16	-0.04	-0.45	0.66
	Non-profit	-0.06	0.21	-0.03	-0.28	0.78
	B Impact Rating System	0.09	0.14	0.05	0.66	0.51
	Balanced Scorecard	0.24	0.29	0.06	0.83	0.41
	Benefit-Cost Analysis	-0.36	0.25	-0.12	-1.42	0.16
	PCV Social Impact	-0.66	0.50	-0.11	-1.32	0.19
	Social Accounting and Auditing	-0.21	0.33	-0.05	-0.65	0.52
	Social Impact Tracker	0.13	0.26	0.04	0.48	0.63
	Social Return on Investment	0.23	0.19	0.09	1.22	0.22
	Triple Bottom Line Scorecard	0.19	0.20	0.07	0.96	0.34
	Country Cat. Australia	0.26	0.27	0.08	0.94	0.35
	Country Cat. Canada	-0.21	0.29	-0.06	-0.73	0.46
	Country Cat. Great Britain	0.12	0.28	0.05	0.44	0.66
	Country Cat. Hong Kong	-0.17	0.37	-0.03	-0.45	0.66
	Country Cat. India	-0.10	0.23	-0.04	-0.42	0.67
	Country Cat. Singapore	-0.07	0.28	-0.02	-0.25	0.80
	Country Cat. Unknown	-0.56	0.34	-0.13	-1.66	0.10
	Country Cat. USA	0.09	0.22	0.06	0.43	0.67
	Sector_Agriculture or food	-0.04	0.19	-0.02	-0.21	0.83
	Sector_Clean water or sanitation	0.07	0.29	0.02	0.22	0.82
	Sector_Education	0.25	0.16	0.11	1.53	0.13
	Sector_Energy	0.11	0.21	0.04	0.54	0.59
	Sector_Employment or livelihoods	0.14	0.17	0.06	0.79	0.43
	Sector_Health or healthcare	0.12	0.24	0.03	0.49	0.62
	Years in business	0.00	0.01	-0.01	-0.12	0.90

a. Dependent Variable. q0009_0002

Table 20

We Have Increased Our Efficiency

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.87	0.26		15.22	0.00
	Private company	0.20	0.17	0.11	1.17	0.24
	Non-profit	0.18	0.22	0.09	0.81	0.42
	B Impact Rating System	0.00	0.14	0.00	0.01	1.00
	Balanced Scorecard	0.23	0.30	0.06	0.77	0.44
	Benefit-Cost Analysis	0.02	0.27	0.01	0.07	0.94
	PCV Social Impact	-0.25	0.52	-0.04	-0.49	0.63
	Social Accounting and Auditing	-0.33	0.32	-0.08	-1.04	0.30
	Social Impact Tracker	0.41	0.30	0.10	1.36	0.18
	Social Return on Investment	0.00	0.20	0.00	-0.01	1.00
	Triple Bottom Line Scorecard	0.15	0.20	0.06	0.76	0.45
	Country Cat. Australia	-0.05	0.29	-0.02	-0.17	0.86
	Country Cat. Canada	0.02	0.31	0.00	0.05	0.96
	Country Cat. Great Britain	0.29	0.29	0.10	0.99	0.33
	Country Cat. Hong Kong	-0.05	0.38	-0.01	-0.12	0.91
	Country Cat. India	0.28	0.24	0.12	1.14	0.26
	Country Cat. Singapore	0.08	0.29	0.02	0.26	0.79
	Country Cat. Unknown	0.12	0.35	0.03	0.33	0.74
	Country Cat. USA	0.27	0.22	0.16	1.19	0.23
	Sector_Agriculture or food	-0.11	0.19	-0.04	-0.57	0.57
	Sector_Clean water or sanitation	0.41	0.30	0.10	1.34	0.18
	Sector_Education	0.02	0.17	0.01	0.09	0.93
	Sector_Energy	-0.03	0.22	-0.01	-0.13	0.89
	Sector_Employment or livelihoods	0.23	0.18	0.09	1.24	0.22
	Sector_Health or healthcare	-0.35	0.25	-0.10	-1.39	0.17
	Years in business	0.00	0.01	-0.04	-0.67	0.50

a. Dependent Variable. q0009_0004

Table 21

Our Financial Situation has Improved

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.75	0.29		13.04	0.00
	Private company	0.11	0.19	0.05	0.59	0.56
	Non-profit	0.14	0.25	0.06	0.56	0.57
	B Impact Rating System	0.07	0.16	0.04	0.45	0.65
	Balanced Scorecard	0.68	0.33	0.15	2.07	0.04
	Benefit-Cost Analysis	-0.60	0.29	-0.16	-2.03	0.04
	PCV Social Impact	-0.20	0.59	-0.03	-0.33	0.74
	Social Accounting and Auditing	0.14	0.34	0.03	0.41	0.69
	Social Impact Tracker	-0.05	0.34	-0.01	-0.13	0.90
	Social Return on Investment	0.19	0.22	0.06	0.85	0.39
	Triple Bottom Line Scorecard	0.10	0.23	0.03	0.44	0.66
	Country Cat. Australia	-0.04	0.32	-0.01	-0.13	0.89
	Country Cat. Canada	0.10	0.35	0.02	0.29	0.77
	Country Cat. Great Britain	0.20	0.33	0.06	0.62	0.54
	Country Cat. Hong Kong	-0.03	0.44	-0.01	-0.07	0.94
	Country Cat. India	0.08	0.27	0.03	0.31	0.76
	Country Cat. Singapore	-0.03	0.34	-0.01	-0.10	0.92
	Country Cat. Unknown	-0.02	0.40	0.00	-0.04	0.97
	Country Cat. USA	0.24	0.25	0.12	0.96	0.34
	Sector_Agriculture or food	-0.18	0.22	-0.06	-0.82	0.42
	Sector_Clean water or sanitation	0.41	0.35	0.08	1.18	0.24
	Sector_Education	0.18	0.19	0.06	0.94	0.35
	Sector_Energy	-0.19	0.25	-0.05	-0.75	0.45
	Sector_Employment or livelihoods	0.51	0.21	0.18	2.45	0.02
	Sector_Health or healthcare	-0.26	0.29	-0.06	-0.91	0.36
	Years in business	-0.01	0.01	-0.13	-2.00	0.05

a. Dependent Variable. q0009_0005

Table 22

We Are Financially Stable

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.16	0.33		9.57	0.00
	Private company	0.49	0.22	0.20	2.23	0.03
	Non-profit	0.51	0.29	0.17	1.76	0.08
	B Impact Rating System	0.14	0.19	0.06	0.72	0.47
	Balanced Scorecard	0.22	0.40	0.04	0.56	0.58
	Benefit-Cost Analysis	-0.37	0.33	-0.09	-1.13	0.26
	PCV Social Impact	0.17	0.63	0.02	0.26	0.79
	Social Accounting and Auditing	0.01	0.38	0.00	0.01	0.99
	Social Impact Tracker	-0.06	0.41	-0.01	-0.14	0.89
	Social Return on Investment	0.24	0.26	0.07	0.94	0.35
	Triple Bottom Line Scorecard	0.10	0.26	0.03	0.40	0.69
	Country Cat. Australia	0.06	0.37	0.02	0.17	0.87
	Country Cat. Canada	-0.16	0.40	-0.03	-0.39	0.70
	Country Cat. Great Britain	-0.13	0.38	-0.03	-0.34	0.74
	Country Cat. Hong Kong	-0.16	0.51	-0.02	-0.31	0.76
	Country Cat. India	-0.18	0.32	-0.06	-0.56	0.58
	Country Cat. Singapore	-0.35	0.38	-0.08	-0.94	0.35
	Country Cat. Unknown	0.44	0.49	0.07	0.90	0.37
	Country Cat. USA	0.21	0.29	0.09	0.73	0.47
	Sector_Agriculture or food	-0.33	0.25	-0.09	-1.31	0.19
	Sector_Clean water or sanitation	0.44	0.39	0.08	1.13	0.26
	Sector_Education	0.09	0.22	0.03	0.38	0.71
	Sector_Energy	-0.31	0.30	-0.07	-1.06	0.29
	Sector_Employment or livelihoods	0.37	0.25	0.10	1.49	0.14
	Sector_Health or healthcare	-0.34	0.35	-0.06	-0.96	0.34
	Years in business	0.00	0.01	0.04	0.55	0.58

a. Dependent Variable. q0009_0006

Table 24

We Operate in an Environmentally Sustainable Way

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.02	0.26		15.51	0.00
	Private company	-0.17	0.17	-0.09	-0.97	0.33
	Non-profit	0.22	0.22	0.10	0.97	0.33
	B Impact Rating System	0.31	0.15	0.17	2.07	0.04
	Balanced Scorecard	0.21	0.32	0.05	0.66	0.51
	Benefit-Cost Analysis	0.03	0.27	0.01	0.12	0.91
	PCV Social Impact	-0.58	0.62	-0.08	-0.93	0.35
	Social Accounting and Auditing	-0.21	0.34	-0.05	-0.62	0.54
	Social Impact Tracker	0.07	0.32	0.02	0.22	0.82
	Social Return on Investment	-0.18	0.20	-0.07	-0.90	0.37
	Triple Bottom Line Scorecard	0.14	0.22	0.05	0.64	0.52
	Country Cat. Australia	0.03	0.30	0.01	0.11	0.91
	Country Cat. Canada	0.16	0.32	0.04	0.50	0.62
	Country Cat. Great Britain	-0.11	0.30	-0.04	-0.36	0.72
	Country Cat. Hong Kong	0.19	0.40	0.04	0.48	0.63
	Country Cat. India	0.06	0.25	0.03	0.24	0.81
	Country Cat. Singapore	0.34	0.30	0.10	1.16	0.25
	Country Cat. Unknown	-0.11	0.37	-0.02	-0.30	0.77
	Country Cat. USA	0.27	0.23	0.15	1.15	0.25
	Sector_Agriculture or food	0.19	0.20	0.06	0.92	0.36
	Sector_Clean water or sanitation	0.22	0.32	0.05	0.70	0.48
	Sector_Education	-0.09	0.18	-0.04	-0.53	0.59
	Sector_Energy	0.14	0.23	0.04	0.62	0.54
	Sector_Employment or livelihoods	-0.09	0.19	-0.03	-0.45	0.66
	Sector_Health or healthcare	0.04	0.27	0.01	0.14	0.89
	Years in business	0.00	0.01	-0.04	-0.56	0.57

a. Dependent Variable. q0010_0001

Table 24

We Operate in an Environmentally Sustainable Way

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.02	0.26		15.51	0.00
	Private company	-0.17	0.17	-0.09	-0.97	0.33
	Non-profit	0.22	0.22	0.10	0.97	0.33
	B Impact Rating System	0.31	0.15	0.17	2.07	0.04
	Balanced Scorecard	0.21	0.32	0.05	0.66	0.51
	Benefit-Cost Analysis	0.03	0.27	0.01	0.12	0.91
	PCV Social Impact	-0.58	0.62	-0.08	-0.93	0.35
	Social Accounting and Auditing	-0.21	0.34	-0.05	-0.62	0.54
	Social Impact Tracker	0.07	0.32	0.02	0.22	0.82
	Social Return on Investment	-0.18	0.20	-0.07	-0.90	0.37
	Triple Bottom Line Scorecard	0.14	0.22	0.05	0.64	0.52
	Country Cat. Australia	0.03	0.30	0.01	0.11	0.91
	Country Cat. Canada	0.16	0.32	0.04	0.50	0.62
	Country Cat. Great Britain	-0.11	0.30	-0.04	-0.36	0.72
	Country Cat. Hong Kong	0.19	0.40	0.04	0.48	0.63
	Country Cat. India	0.06	0.25	0.03	0.24	0.81
	Country Cat. Singapore	0.34	0.30	0.10	1.16	0.25
	Country Cat. Unknown	-0.11	0.37	-0.02	-0.30	0.77
	Country Cat. USA	0.27	0.23	0.15	1.15	0.25
	Sector_Agriculture or food	0.19	0.20	0.06	0.92	0.36
	Sector_Clean water or sanitation	0.22	0.32	0.05	0.70	0.48
	Sector_Education	-0.09	0.18	-0.04	-0.53	0.59
	Sector_Energy	0.14	0.23	0.04	0.62	0.54
	Sector_Employment or livelihoods	-0.09	0.19	-0.03	-0.45	0.66
	Sector_Health or healthcare	0.04	0.27	0.01	0.14	0.89
	Years in business	0.00	0.01	-0.04	-0.56	0.57

a. Dependent Variable. q0010_0001

Table 25

Our Investors Are Satisfied with Us

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.00	0.29		13.78	0.00
	Private company	-0.08	0.19	-0.04	-0.41	0.68
	Non-profit	0.26	0.25	0.11	1.05	0.29
	B Impact Rating System	0.12	0.17	0.06	0.74	0.46
	Balanced Scorecard	0.06	0.33	0.01	0.17	0.86
	Benefit-Cost Analysis	0.05	0.32	0.01	0.14	0.89
	PCV Social Impact	0.75	0.68	0.10	1.10	0.27
	Social Accounting and Auditing	-0.79	0.38	-0.16	-2.09	0.04
	Social Impact Tracker	-0.23	0.33	-0.05	-0.70	0.48
	Social Return on Investment	-0.21	0.24	-0.07	-0.90	0.37
	Triple Bottom Line Scorecard	0.11	0.24	0.03	0.47	0.64
	Country Cat. Australia	-0.14	0.33	-0.04	-0.42	0.67
	Country Cat. Canada	-0.62	0.35	-0.15	-1.77	0.08
	Country Cat. Great Britain	-0.08	0.33	-0.02	-0.23	0.82
	Country Cat. Hong Kong	0.43	0.44	0.07	0.98	0.33
	Country Cat. India	0.10	0.28	0.04	0.35	0.73
	Country Cat. Singapore	0.10	0.34	0.03	0.30	0.77
	Country Cat. Unknown	-0.40	0.42	-0.07	-0.96	0.34
	Country Cat. USA	0.11	0.25	0.05	0.41	0.68
	Sector_Agriculture or food	0.00	0.22	0.00	0.01	0.99
	Sector_Clean water or sanitation	0.52	0.36	0.10	1.47	0.14
	Sector_Education	-0.04	0.20	-0.02	-0.22	0.83
	Sector_Energy	-0.22	0.25	-0.06	-0.89	0.38
	Sector_Employment or livelihoods	0.11	0.21	0.04	0.54	0.59
	Sector_Health or healthcare	0.26	0.29	0.06	0.92	0.36
	Years in business	0.00	0.01	-0.05	-0.74	0.46

a. Dependent Variable. q0010_0004

Table 26

Our Organization Operates in a Socially Sustainable Way

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.36	0.22		20.16	0.00
	Private company	0.09	0.14	0.06	0.62	0.54
	Non-profit	0.09	0.19	0.05	0.47	0.64
	B Impact Rating System	0.04	0.12	0.03	0.34	0.74
	Balanced Scorecard	-0.03	0.25	-0.01	-0.13	0.90
	Benefit-Cost Analysis	-0.10	0.23	-0.03	-0.42	0.68
	PCV Social Impact	-0.23	0.41	-0.05	-0.57	0.57
	Social Accounting and Auditing	-1.05	0.29	-0.27	-3.67	0.00
	Social Impact Tracker	0.23	0.25	0.06	0.90	0.37
	Social Return on Investment	0.35	0.17	0.15	2.05	0.04
	Triple Bottom Line Scorecard	0.33	0.18	0.13	1.84	0.07
	Country Cat. Australia	0.15	0.25	0.05	0.59	0.56
	Country Cat. Canada	-0.27	0.26	-0.08	-1.04	0.30
	Country Cat. Great Britain	0.02	0.25	0.01	0.09	0.93
	Country Cat. Hong Kong	-0.40	0.33	-0.09	-1.23	0.22
	Country Cat. India	-0.18	0.21	-0.09	-0.87	0.38
	Country Cat. Singapore	-0.58	0.24	-0.20	-2.39	0.02
	Country Cat. Unknown	-0.06	0.30	-0.01	-0.19	0.85
	Country Cat. USA	0.10	0.19	0.07	0.54	0.59
	Sector_Agriculture or food	-0.20	0.17	-0.08	-1.21	0.23
	Sector_Clean water or sanitation	0.35	0.25	0.10	1.43	0.16
	Sector_Education	0.24	0.15	0.11	1.62	0.11
	Sector_Energy	-0.26	0.19	-0.09	-1.34	0.18
	Sector_Employment or livelihoods	0.17	0.15	0.08	1.13	0.26
	Sector_Health or healthcare	0.01	0.22	0.00	0.04	0.97
	Years in business	0.00	0.00	-0.06	-0.91	0.36

a. Dependent Variable. q0010_0003

Table 27

We Inform the Community About the Plight of Our Beneficiaries

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.36	0.22		20.16	0.00
	Private company	0.09	0.14	0.06	0.62	0.54
	Non-profit	0.09	0.19	0.05	0.47	0.64
	B Impact Rating System	0.04	0.12	0.03	0.34	0.74
	Balanced Scorecard	-0.03	0.25	-0.01	-0.13	0.90
	Benefit-Cost Analysis	-0.10	0.23	-0.03	-0.42	0.68
	PCV Social Impact	-0.23	0.41	-0.05	-0.57	0.57
	Social Accounting and Auditing	-1.05	0.29	-0.27	-3.67	0.00
	Social Impact Tracker	0.23	0.25	0.06	0.90	0.37
	Social Return on Investment	0.35	0.17	0.15	2.05	0.04
	Triple Bottom Line Scorecard	0.33	0.18	0.13	1.84	0.07
	Country Cat. Australia	0.15	0.25	0.05	0.59	0.56
	Country Cat. Canada	-0.27	0.26	-0.08	-1.04	0.30
	Country Cat. Great Britain	0.02	0.25	0.01	0.09	0.93
	Country Cat. Hong Kong	-0.40	0.33	-0.09	-1.23	0.22
	Country Cat. India	-0.18	0.21	-0.09	-0.87	0.38
	Country Cat. Singapore	-0.58	0.24	-0.20	-2.39	0.02
	Country Cat. Unknown	-0.06	0.30	-0.01	-0.19	0.85
	Country Cat. USA	0.10	0.19	0.07	0.54	0.59
	Sector_Agriculture or food	-0.20	0.17	-0.08	-1.21	0.23
	Sector_Clean water or sanitation	0.35	0.25	0.10	1.43	0.16
	Sector_Education	0.24	0.15	0.11	1.62	0.11
	Sector_Energy	-0.26	0.19	-0.09	-1.34	0.18
	Sector_Employment or livelihoods	0.17	0.15	0.08	1.13	0.26
	Sector_Health or healthcare	0.01	0.22	0.00	0.04	0.97
	Years in business	0.00	0.00	-0.06	-0.91	0.36

a. Dependent Variable. q0010_0003

Table 28

We Mobilize Interest for Additional Social Welfare Initiatives

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.00	0.29		13.84	0.00
	Private company	0.06	0.19	0.03	0.29	0.77
	Non-profit	0.38	0.25	0.16	1.54	0.13
	B Impact Rating System	0.19	0.16	0.09	1.15	0.25
	Balanced Scorecard	-0.25	0.34	-0.06	-0.74	0.46
	Benefit-Cost Analysis	0.07	0.31	0.02	0.22	0.83
	PCV Social Impact	1.23	0.67	0.16	1.83	0.07
	Social Accounting and Auditing	-0.86	0.34	-0.19	-2.53	0.01
	Social Impact Tracker	0.05	0.34	0.01	0.14	0.89
	Social Return on Investment	-0.17	0.23	-0.05	-0.75	0.45
	Triple Bottom Line Scorecard	0.26	0.23	0.08	1.13	0.26
	Country Cat. Australia	-0.72	0.32	-0.20	-2.27	0.02
	Country Cat. Canada	-0.33	0.35	-0.08	-0.95	0.34
	Country Cat. Great Britain	-0.44	0.33	-0.13	-1.35	0.18
	Country Cat. Hong Kong	0.18	0.43	0.03	0.42	0.67
	Country Cat. India	-0.04	0.28	-0.01	-0.14	0.89
	Country Cat. Singapore	-0.05	0.33	-0.01	-0.14	0.89
	Country Cat. Unknown	0.31	0.41	0.06	0.75	0.45
	Country Cat. USA	-0.19	0.25	-0.10	-0.76	0.45
	Sector_Agriculture or food	-0.18	0.23	-0.05	-0.82	0.42
	Sector_Clean water or sanitation	0.59	0.34	0.12	1.73	0.09
	Sector_Education	-0.12	0.19	-0.04	-0.60	0.55
	Sector_Energy	-0.73	0.25	-0.20	-2.94	0.00
	Sector_Employment or livelihoods	-0.26	0.21	-0.09	-1.27	0.21
	Sector_Health or healthcare	0.14	0.29	0.03	0.47	0.64
	Years in business	-0.01	0.01	-0.06	-0.95	0.35

a. Dependent Variable. q0010_0005

Table 29

Perceived and Valued by Beneficiaries as a Last Resort

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.94	0.23		16.87	0.00
	Private company	0.21	0.16	0.13	1.37	0.17
	Non-profit	0.46	0.21	0.23	2.20	0.03
	B Impact Rating System	0.13	0.13	0.08	1.02	0.31
	Balanced Scorecard	-0.36	0.28	-0.10	-1.27	0.21
	Benefit-Cost Analysis	-0.12	0.24	-0.04	-0.50	0.62
	PCV Social Impact	0.10	0.54	0.02	0.19	0.85
	Social Accounting and Auditing	-1.07	0.29	-0.27	-3.76	0.00
	Social Impact Tracker	0.47	0.29	0.12	1.64	0.10
	Social Return on Investment	0.21	0.20	0.08	1.04	0.30
	Triple Bottom Line Scorecard	0.26	0.18	0.10	1.41	0.16
	Country Cat. Australia	0.13	0.27	0.04	0.47	0.64
	Country Cat. Canada	-0.10	0.27	-0.03	-0.38	0.71
	Country Cat. Great Britain	0.11	0.26	0.04	0.43	0.67
	Country Cat. Hong Kong	-0.05	0.35	-0.01	-0.14	0.89
	Country Cat. India	0.13	0.22	0.06	0.61	0.55
	Country Cat. Singapore	-0.12	0.26	-0.04	-0.46	0.64
	Country Cat. Unknown	-0.11	0.37	-0.02	-0.31	0.76
	Country Cat. USA	0.27	0.20	0.17	1.37	0.17
	Sector_Agriculture or food	-0.36	0.18	-0.14	-2.05	0.04
	Sector_Clean water or sanitation	0.60	0.28	0.14	2.11	0.04
	Sector_Education	0.20	0.16	0.08	1.23	0.22
	Sector_Energy	-0.16	0.21	-0.05	-0.78	0.44
	Sector_Employment or livelihoods	0.11	0.17	0.05	0.68	0.50
	Sector_Health or healthcare	0.08	0.24	0.02	0.34	0.73
	Years in business	0.00	0.01	-0.03	-0.51	0.61

a. Dependent Variable. q0010_0009

Table 30

We Have Met Our Objectives for Beneficiaries Served

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.84	0.19		19.9	0
	Private company	0.11	0.13	0.08	0.89	0.37
	Non-profit	0.24	0.16	0.14	1.48	0.14
	B Impact Rating System	0.12	0.11	0.08	1.07	0.29
	Balanced Scorecard	0.13	0.22	0.04	0.58	0.56
	Benefit-Cost Analysis	-0.15	0.19	-0.06	0.81	0.42
	PCV Social Impact	-0.09	0.37	-0.02	0.24	0.81
	Social Accounting and Auditing	-0.08	0.22	-0.02	0.34	0.73
	Social Impact Tracker	0.06	0.21	0.02	0.26	0.79
	Social Return on Investment	0.12	0.14	0.06	0.84	0.40
	Triple Bottom Line Scorecard	0.12	0.15	0.05	0.8	0.43
	Country Cat. Australia	-0.17	0.22	-0.07	-0.8	0.43
	Country Cat. Canada	-0.13	0.24	-0.04	0.54	0.59
	Country Cat. Great Britain	0.00	0.22	0.00	0.02	0.99
	Country Cat. Hong Kong	-0.22	0.30	-0.05	0.72	0.48
	Country Cat. India	0.03	0.19	0.02	0.18	0.86
	Country Cat. Singapore	-0.05	0.21	-0.02	0.23	0.82
	Country Cat. Unknown	-0.20	0.26	-0.06	0.77	0.44
	Country Cat. USA	0.06	0.17	0.05	0.37	0.71
	Sector_Agriculture or food	-0.25	0.15	-0.11	1.67	0.10
	Sector_Clean water or sanitation	0.31	0.22	0.09	1.43	0.16
	Sector_Education	0.22	0.13	0.12	1.71	0.09
	Sector_Energy	0.13	0.17	0.05	0.74	0.46
	Sector_Employment or livelihoods	0.26	0.14	0.13	1.84	0.07
	Sector_Health or healthcare	-0.10	0.20	-0.03	0.49	0.62
	Years in business	0.00	0.00	-0.03	0.43	0.67

a. Dependent Variable. q9. Impact (mean)

Table 31

Beneficiaries are Satisfied With Our Services

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.84	0.19		19.9	0
	Private company	0.11	0.13	0.08	0.89	0.37
	Non-profit	0.24	0.16	0.14	1.48	0.14
	B Impact Rating System	0.12	0.11	0.08	1.07	0.29
	Balanced Scorecard	0.13	0.22	0.04	0.58	0.56
	Benefit-Cost Analysis	-0.15	0.19	-0.06	0.81	0.42
	PCV Social Impact	-0.09	0.37	-0.02	0.24	0.81
	Social Accounting and Auditing	-0.08	0.22	-0.02	0.34	0.73
	Social Impact Tracker	0.06	0.21	0.02	0.26	0.79
	Social Return on Investment	0.12	0.14	0.06	0.84	0.40
	Triple Bottom Line Scorecard	0.12	0.15	0.05	0.8	0.43
	Country Cat. Australia	-0.17	0.22	-0.07	-0.8	0.43
	Country Cat. Canada	-0.13	0.24	-0.04	0.54	0.59
	Country Cat. Great Britain	0.00	0.22	0.00	-0.02	0.99
	Country Cat. Hong Kong	-0.22	0.30	-0.05	-0.72	0.48
	Country Cat. India	0.03	0.19	0.02	0.18	0.86
	Country Cat. Singapore	-0.05	0.21	-0.02	0.23	0.82
	Country Cat. Unknown	-0.20	0.26	-0.06	0.77	0.44
	Country Cat. USA	0.06	0.17	0.05	0.37	0.71
	Sector_Agriculture or food	-0.25	0.15	-0.11	1.67	0.10
	Sector_Clean water or sanitation	0.31	0.22	0.09	1.43	0.16
	Sector_Education	0.22	0.13	0.12	1.71	0.09
	Sector_Energy	0.13	0.17	0.05	0.74	0.46
	Sector_Employment or livelihoods	0.26	0.14	0.13	1.84	0.07
	Sector_Health or healthcare	-0.10	0.20	-0.03	0.49	0.62
	Years in business	0.00	0.00	-0.03	0.43	0.67

a. Dependent Variable. q9. Impact (mean)