The social proclivity of social entrepreneurs: how social are they?

Robin Stevens *

Nathalie Moray †

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* Corresponding author, Research Assistant, University College Ghent, Department of Business Administration and Public Administration, email: robin.stevens@hogent.be
† Assistant Professor, University College Ghent, Department of Business Administration and Public Administration, email: nathalie.moray@hogent.be
SOCIAL PROCLIVITY OF SOCIAL ENTREPRENEURS: HOW SOCIAL ARE THEY?

Robin Stevens, University College Ghent, Belgium
Nathalie Moray, University College Ghent, Belgium

ABSTRACT

There is an increasing consensus among academics that the common denominator of ‘social entrepreneurs’ is their adherence to a ‘dominant social mission’. The extent to which social entrepreneurs actually adhere to socially oriented goals and values is largely taken for granted and treated as a black box. Building on established theoretical constructs, this paper develops a number of measures that can potentially contribute to our understanding of how ‘social’ social entrepreneurs really are. More specifically, we empirically test four potential measures of “social proclivity” in a well defined sample of social ventures, performing confirmatory factor analysis (CFA) (N~270). CFA points to high reliability and validity for the measures of each of the four constructs and supports the existence of a higher order construct “social proclivity”. Further, results show that social entrepreneurs display strong social as well as economic motives, providing an empirical base for actually capturing the dual-bottom line that characterises these enterprises.

INTRODUCTION

The last decades there is an increasing interest in organisations that are established for meeting social or societal problems. Especially in developed countries, these initiatives are argued to be a response to diminishing government involvement in society (e.g., Sharir and Lerner, 2006; Nicholls, 2006). First, there is the social enterprise movement that has grown considerably in the US, the UK (Tracey and Jarvis, 2007), and in EU countries (Defourny and Nyssens, 2008). Social enterprises are generally referred to as “the universe of practices and forms of mobilizing economic resources towards the satisfaction of human needs that belong neither to for-profit enterprises, nor to the institutions of the state in the narrow sense (Moulaert and Ailenei, 2005)”. Second, there is an increasing interest in social entrepreneurs, typically referred to as firms tackling social problems and catalyzing social transformation. More specifically, social entrepreneurship is argued to be “entrepreneurship with an embedded social purpose” (Christie and Honig, 2006, Peredo and Chrisman, 2006, Peredo and McLean, 2006), trough the recognition and exploitation of entrepreneurial opportunities (Austin et al., 2006, Mair and Marti, 2006), not being limited to a particular juridical / organizational form (Mair and Marti, 2006). Empirical research on social entrepreneurship seems to focus on ‘good practices’ and success stories of ‘leading social entrepreneurs’ that perform as ‘change makers’ (Sharir and Lerner, 2006, Van Slyke and Newman, 2006). Research on social enterprises mostly encompass exploratory studies on regional characteristics (e.g., number of initiatives, employment,…) of the social enterprises in general (Moulaert and Ailenei, 2005, Nyssens, 2006, Laville et al., 2006) and work integrating social enterprises in particular (Bucolo, 2006, Campi et al., 2006, Delaunois and Becker, 2006, Hulgard and Spear, 2006, Vidal, 2005).

Essentially, social entrepreneurs are argued to place higher value on the creation of social value and can vary in their ambition for economic value creation which is generally seen as a necessary condition to ensure financial viability (Dorado, 2006, Schuler and Cording, 2006). In line with this, authors stress that social enterprises want to realize explicit social objectives and are limited in their profit distribution (DTI, 2007, Defourny and Nyssens, 2008, Vidal, 2005). Further, Peredo and Chrisman (2006) argue that community-based ventures are characterized by adhering to an ‘array of aims’, where profit is seen as a resource to serve a social goal (Haugh, 2007, Vestrum et al., 2008). This raises the question of the degree to which social entrepreneurs adhere to a social purpose and how this is balanced with economic – market oriented goals. To date however, there is no research demonstrating the degree to which social entrepreneurs adhere to a ‘social purpose’. Literature on social entrepreneurship, community-based ventures and social enterprises largely takes the ‘social’ for granted, suggesting homogeneity in their ‘social’ manifestation.

Building on established theoretical constructs, this paper develops a number of measures that can potentially contribute to our understanding of how ‘social’ social entrepreneurs really are. More specifically, we sent a standardized survey to a well defined sample of social enterprises and performed confirmatory factor analysis (CFA) to assess the reliability and (construct) validity (N~270).

The remainder of the paper is structured as follows. We start with an overview of the social entrepreneurship literature. We then explain the constructs we selected that can provide insight in the ‘social
proclivity’ of social enterprises. Next, we discuss the cross-sectional survey design. In the results section we discuss the reliability and validity of the measures and the extent to which they relate to the higher order ‘social proclivity’ construct. Finally, suggestions for further research are articulated.

**THE SOCIAL IN SOCIAL ENTREPRENEURSHIP**

There is a general consensus that social entrepreneurship or “entrepreneurial activity that primarily serves a social objective” has been on the rise in recent decades (Austin et al., 2006, Peredo and Chrisman, 2006, Peredo and McLean, 2006). More specifically, social entrepreneurship is seen as a response to diminishing government involvement in the economy and society (e.g., Sharir and Lerner, 2006, Nicholls, 2006), originating from the non-for-profit sector (Dees, 1998, Mort et al., 2003, Weerawardena and Mort, 2006) and rapidly extending to the private and public sector (Johnson, 2000).

The literature on social entrepreneurship has centred around two main debates: the level of analysis and the locus of social entrepreneurship. Regarding the level of analysis, the field potentially embraces individual, organizational and inter-organizational levels of analyses. At the individual level, definitions of social entrepreneurs focus on the founder of the initiative (Mair and Marti, 2006), who is generally referred to as a ‘change maker’ (e.g., Barendsen and Gardner, 2004, Van Slyke and Newman, 2006, Shaw and Carter, 2004, Sharir and Lerner, 2006), acting upon an opportunity and gathering resources to exploit it. At the (inter-) organizational level, definitions of social entrepreneurship typically refer to the process of value creation, including opportunity recognition, adopting a mission to create social value, engaging in a process of continuous innovation, adaptation, and learning (Dees, 1998, Waddock and Post, 1991). The second debate addresses the contexts in which social entrepreneurship actually occurs. Mair and Marti (2006) contest the views that social entrepreneurship is limited to the non-profit sector on one hand or to socially responsible actions of mainstream business practice on the other. They conclude that social entrepreneurship refers to a means to tackle social problems and catalyze social transformation, irrespective of the for-profit or not-for-profit status of the organisation (Nicholls, 2006, Mair and Marti, 2006, Austin et al., 2006). After more than a decade of definitional debates scholars increasingly agree about the fact that social entrepreneurship is “entrepreneurship with an embedded social purpose” (e.g., Christie and Honig, 2006; Peredo and McLean, 2006; Peredo and Chrisman, 2006), through the recognition and exploitation of entrepreneurial opportunities (e.g., Austin et al., 2006; Mair and Marti, 2006), not being limited to a particular juridical / organizational form (e.g., Mair and Marti, 2006).

To date, social entrepreneurship literature has focused on private organizations with two dominant characteristics. First, the initiatives focus on the ‘social mission’ or ‘the creation of social value’ (Dorado, 2006, Nyssens, 2006, Vidal, 2005, Peredo and Chrisman, 2006, Peredo and McLean, 2006, Austin et al., 2006). Profit making will typically not be the primary purpose of social entrepreneurs (Peredo and McLean, 2006, Johnstone and Lionais, 2004). Peredo and Chrisman (2006) speak in terms of ‘a multiplicity of goals’ and an ‘array of aims’. Second, social enterprises have an enterprising character, which is particularly reflected in the fact that they are sustainable through trading (Tracey and Jarvis, 2007, DTI, 2007, Haugh, 2006, Peredo and McLean, 2006). For several scholars (e.g., Tracey and Jarvis, 2007) trading is at the core of social entrepreneurship.

Empirical research on social entrepreneurs is limited and increasingly questions are being voiced that point to the central issue of understanding the ‘social’ in social entrepreneurs. Clearly, the extent to which a social entrepreneur adheres to a social purpose is often a matter of relative priority, where goals related to profit realization and social value operate on a continuum and often interplay (Mair and Marti, 2006, Peredo and McLean, 2006). To date however, the ‘social’ is largely taken for granted and treated as a black box.

**UNDERSTANDING ‘SOCIAL PROCLIVITY’**

In order to open this black box, we identified theoretical constructs from top tier journals that can potentially further our understanding of ‘how ‘social’ social entrepreneurs really are. In detail, we scanned the five management journals with the highest impact score on the web of science (i.e., strategic management journal, academy of management journal, academy of management review, administrative science quarterly, and organization science) in search for constructs that are potentially informative of the social orientation of a firm, incorporating a strategic, operational and individual point of view. We discuss subsequently the constructs “organizational identity”, “work values”, “social orientation” and “organizational goals”.

**Organisational identity**

organizational identity is the answer to the question ‘who are we’? Two principal lines of thought can be identified (Ravasi and Schultz, 2006). The social constructionist perspectives see organizational identity as result of sense making processes carried out by members as they interrogate themselves on central and distinctive features of their organization. Therefore, organizational identity resides in collectively shared beliefs and understandings about central and relatively permanent features of an organization (Ravasi and Schultz, 2006). The social actor perspective emphasizes organizational identity as self-definitions proposed by organizational leaders, providing members with a consistent and legitimate narrative to construct a collective sense of self. In this view, organizational identity resides in institutional claims, available to members, about central, enduring and distinctive properties of their organization (Ravasi and Schultz, 2006). These institutional claims are ‘explicitly stated views of what an organization is and represents’. These deeply held beliefs, embodied in formal claims, tend to change only rarely and never easily. For example, Voss et al. (Voss et al., 2006) claim that organizational identity is formed by top leaders’ establishment of the core values and beliefs that guide and drive the organization’s behavior. In this context Foreman and Whetten (2002) define organizational identification in terms of multiple and competing identities: a normative system, emphasizing traditions and symbols, internalization of an ideology and altruism, and a utilitarian system, characterized by economic rationality, maximization of profits and self-interest. Conceptually, these authors build on the work of Albert and Whetten (1985) on the hybrid identity of a modern research university.

The concept ‘organizational identity’ has been used to study a number of phenomena. For example, Fiol (1991) approaches organizational identity as a core competence contributing to competitive advantage and according to Brickson, the concept of organizational identity is perfectly positioned to inform how businesses relate to stakeholders and why they relate to them as they do (Brickson, 2007, Brickson, 2005). Interestingly, there is a growing interest in examining organizational identity as a determinant of corporate social performance (Dyer and Whetten, 2006). As studies on organizational identity aim to answer the question: ‘where do we stand for?’, the concept can potentially inform us about the ‘social proclivity’ of an organization. From a social actor perspective, for example, Voss et al. (2006) claim that organizational identity is formed by top leaders’ establishment of the core values and beliefs that guide and drive the organization’s behavior.

**Work values**

Work values refer to what a person wants out of work in general and are guiding principles for evaluating work outcomes and settings and for choosing among different work alternatives (Ros et al., 1999). Thus, values affect behavior in general (Elizur et al., 1991), and decision making in particular (Judge and Bretz, 1992, Mumford et al., 2003). Personal characteristics in general (Lepoutre and Heene, 2006, Spence and Rutherford, 2003, Cambra-Fierro et al., 2008) and work values of owners/managers in particular are argued to be a key factor in socially responsible business practice in SMEs (Murillo and Lozano, 2006) and top-level management commitment is argued to be crucial to its success (Jenkins, 2006). In small entrepreneurial firms, the entrepreneur is likely to exert control over organizational decisions, and non-owners therefore are less influential than in larger or older firms, where there is a separation of ownership and control (Gimeno et al., 1997). Further, authors have repeatedly stressed the role of the ‘individual social entrepreneur’ who is generally referred to as the ‘change maker’ and plays a central role in social ventures (Barendsen and Gardner, 2004, Robinson, 2006, Sharir and Lerner, 2006, Shaw and Carter, 2004, Van Slyke and Newman, 2006). Most authors agree that values are standards or criteria for choosing goals or guiding actions, and are relatively enduring and stable over time (Dose, 1997) and the same values may be relevant to various life areas (Elizur and Sagie, 1999).

A key dimension is the level of ‘other’ regarding and ‘self’ regarding values (Agilera et al., 2007). In other words, to what extent is behavior ultimately self-interested or do individuals act in ways that benefit others, even to their own disadvantage? The self-interest dimension is ought to be important and to vary widely among individuals. It is argued that people perceive as important the things that are connected with their ‘self’- or ‘other’-regarding values and thus influence the decisions organizational leaders make.

**Social responsibility**

Socially responsible business practice implies that there is a responsibility of firms beyond their wealth generating function (Aguilera et al., 2007, Barnett, 2007). Carroll’s (Carroll, 1979) presents a continuum on which firms can be positioned in terms of what they consider as their responsibility. More specifically, the author suggests four stances, representing increasing levels of social engagement. The first ‘social’ responsibility of business is economic in nature: the production of goods or the delivery of services society expects and sell them at a profit. Second, a business has to fulfill its economic mission within the framework of legal requirements. Next, ethical responsibilities refer to society’s expectations over and above legal requirements which are considered to be intrinsically “good”. It involves those activities the organization “should” do, if it wants to do the “right” thing. Finally, the "discretionary" social activities are of a non-enforced, rather philanthropic nature referring to those responsibilities for which society has no clear-cut message for business. McWilliams and Siegel (2001) refer to the
ethical and philanthropical perspective as corporate social responsibility and define it as ‘the actions that appear to further some social good, beyond the interests of the firm, required by law’.

**Organizational goals**

Goals are value premises that can serve as inputs to decisions (Simon, 1964). For example, Townsend and Hart (Townsend and Hart, 2008) suggest that the adherence to social and/or economic goals of social entrepreneurs play a decisive role in the choice of organizational form. Following Roth and Ricks (1994) we define organizational goals as ‘a desired state of affairs which the organization attempts to realize as espoused by top management’. Several scholars have stressed the importance of specifying and clarifying the organization goals (Berson and Avolio, 2004, Roth and Ricks, 1994), claiming that transformational leaders tend to have higher agreement on the strategic goals of the organization (Berson and Avolio, 2004). Research also shows the mutual influence of organizational goals between the firm and its employees: companies tend to select employees that match the strategic goals (Lin and Wang, 2005) and organizational goals affect employees as they are likely to adopt personal goals that are consistent with the goals of the organization (Shore and Strauss, 2008). Although firms pursue different goals so as to satisfy multiple stakeholders (Roth and Ricks, 1994) to date organizational goals have been operationalized only in pure financial terms (Buchanan, 1992).

**METHODOLOGY**

Building on the theoretical constructs, we develop measures to capture the social identity, the degree of social responsibility, the importance of a social goal and the importance of other-regarding work values. Collecting data via an e-mail survey to the directors of a well defined sample of social entrepreneurs in Flanders (region of Belgium), we use confirmatory factor analysis to assess the reliability and validity of each of the constructs and to determine whether or not they pertain to the same higher order construct ‘social proclivity’.

**Population and sample**

Table 1 gives an overview of our sample frame. We selected four strata with organizations that are generally considered to be ‘social entrepreneurs’ (i.e. integration businesses, social investors’ portfolio’s, social purpose companies and people-planet oriented cooperatives). After removing overlaps between the strata we obtain a total valid N of 484 organisations. Next paragraphs describe the different strata in more detail.

First, we selected a particular subpopulation of work integrating social enterprises (WISEs) in Flanders: the integration businesses. WISEs refer to organizations that employ persons at risk of permanent exclusion from the labor market because of mental and / or socio – professional disabilities (Vidal, 2005). Focusing on WISEs is in line with a number of research efforts to date in the social enterprise realm (Campi et al., 2006, Defourny and Nyssens, 2006, Delaunois and Becker, 2006, Hulgard and Spear, 2006, Bucolo, 2006). Integration businesses are profit businesses that enter into a partnership with government, in order to help poorly qualified unemployed people return to work and to society through productive activity. Integration enterprises want to create temporary or long-term employment for this specific target population through productive activity. After their recognition by the Flemish government, integration businesses receive subsidies for the employment of the target population.

Second, we took the investment portfolios of four social investors that invest locally and we traced the projects they financed between 2004 and 2007. The social investors are listed by VOSEC and of 7 investors 4 are active in Flanders. ‘Kringlooppfonds’ was founded in 2003 by the federal government of Belgium. The goal of the cooperative is “to finance organizations or firms in the social and sustainable economy, by equity participation and/or loans.” Kringlooppfonds uses loans or the distribution of registered bonds guaranteed by the state with a term of five years. In order to fulfill its mission, Kringlooppfonds has 75 million euro to invest in projects and partner organizations. ‘Hefboom’ is founded as a cooperative in 1985 for the financing of organizations and firms in the social economy. The capital to invest is delivered by 1.350 shareholders who brought together 12 million Euro in 2006. Hefboom grants loans and equity to organizations that pay attention to equal rights, the environment and durability. With an eye to the economic feasibility of the projects, since it foundation, Hefboom approved approximately 191 demands for financing. ‘Trividend’ was founded in 2001 by Hefboom, the Flemish government and a number of firms, partners and financial organizations in the social economy. Trividend had a start capital of 1.5 million Euro which is used to offer risk-capital to social organizations in Flanders. In 2006 Trividend had 2.3 million Euro to invest. ‘Netwerk Rentevrij cvba’ is a cooperative who offers interest free loans to initiatives with a social added-value. The cooperative is founded by Ethias, Netwerk Vlaanderen and Kringlooppfonds in 2005. Netwerk Rentevrij has 2.2 million Euro to invest in projects.
Third, Coopkracht and VOSEC are two Flemish institutions who unite cooperatives on their social mission and triple bottom line values, thus bringing together firms that are considered to be social entrepreneurs. Coopkracht is an informal consultation platform for people and planet-friendly cooperative enterprises in Flanders and listed 83 companies. VOSEC registered participative cooperatives based on their judicial form, their economic activities and their principles: inter alia participation, democracy and respect for environment (N=91). 62 cooperatives were identified both by Vosec and Coopkracht. The integrated list consists of 89 valid cases.

Fourth, social purpose companies (VSOs hereafter) relate to a relatively new judicial form in Belgium that can be added to any firm if it fulfils statutory commitments in three fields. First, a few requirements concern the social objective. This social objective can be an internal social objective (aimed towards a social impact within the venture) or an external social objective. Further, the associates can pursue only a limited capital gain. Second, concerning the use of profits, it is fixed that any surplus must be used for the social objective. Thirdly, when it comes to decision making, the voting right of the associates is limited to a tenth of the votes and employee participation is stimulated. This legal status was created in 1995 to fill the judicial gap between a non-profit organization and a pure trading partnership.

Scholars (Berson and Avolio, 2004, Roth and Ricks, 1994) stressed the importance of managers and leaders in specifying and clarifying the organization goals, making them appropriate respondents for our study. Next to social proclivity measures, we collected data on the number of integration employees, start-up capital, age and judicial form. We collected financial data from the annual financial statements (such as turn-over, accumulated profit,...). To maximize response rate we made several follow-up calls resulting in a total response of 270 social ventures (response rate of 56%).

Measures

The construction of the measures is explained in the following paragraphs. Unless otherwise stated the items were measured on ordinal scales ranging from 1 (do not agree) to 7 (completely agree).

Normative and utilitarian identity

To measure the extent to which the social ventures adhere to a normative and/or utilitarian identity, we use the operationalization of Foreman and Whetten (2002). We included 5 items that represent the utilitarian identity (e.g., importance of price of products or services) and 5 items that represent the normative identity (e.g., social relationships with other members). Respondents indicate the importance of the items on a 7-point likert scale. We made two adjustments to the original set of items to fit the questionnaire in our research population. In detail, we changed those two ‘cooperative’ items into two items attributed to the social economy in general (e.g., quality of work is more important than profit) as described by Nyssens (2006). In line with Voss et al. (2006), we assessed leaders’ beliefs about organizational identity by measuring their perceptions about the core values and ideology in their organization.

Other and self regarding work values

Based on the measurement instrument of Rokeach (1972), Agle et al. (1999) constructed a measure capturing the level of ‘self-interest’ versus ‘other-regarding’ interest. Values are expected to vary on a continuum ranging from profit maximization-firm-centered values to other-system-centered values. The authors developed 7 items of which 3 items represent self-interested values and 4 items other-regarding values. “A comfortable life (a prosperous life)” and “wealth (making money for myself and family)” were considered as self regarding values while “helpful (working for the welfare of others)” and “loving (being affectionate, tender)” are examples of other regarding values. Respondents rate each item on a seven-point likert scale.

Social responsibility

To capture the corporate orientation towards social responsibility we use a measure of Aupperle (1985) which has been employed successfully in numerous studies (Ibrahim and Angelidis, 1995, Agle et al., 1999, Angelidis and Ibrahim, 2004, Ibrahim et al., 2008, Ibrahim et al., 2000) We asked respondents to allocate 10 points among four items representing the four areas of responsibility. These four areas were represented by items such as ‘being as profitable as possible’ (economic responsibility), ‘abiding by laws and regulations’ (legal responsibility), ‘moral and ethical behavior’ (ethical responsibility) and, ‘voluntary and charitable activities’ (discretionary responsibility). We shortened the instrument to a manageable four sets of four items in our questionnaire although the original instrument contains 20 sets. Aupperle et al. (1985) indicate that each set of items searches the same basic information. Other researchers have limited the original set to 3 four-item groupings (Agle et al.,1999).

Importance of social goal

To gain understanding in the organizational goals of social entrepreneurs we build on Autio et al.’s (2000) study on the growth ambition of new technology based firms. We adjusted the authors’ measure for growth
orientation to a measure that captures the relative and absolute importance of the social goal in the firm. First, we assess the relative importance of ‘maximising social value’ as compared to four other organisational goals: maximizing profitability, maximizing sales growth, maximising product / service superiority, maximizing value of the firm for eventual acquisition and maximizing stability and longevity of the firm. In line with Autio, the respondents are asked to divide 100 points between 5 organizational goals. This relative measure ensures variance (it circumvents the tendency of raters to give the socially desirable response that everything is extremely important). Next, we complement the relative measure with two items measuring the absolute importance of social value (“social value creation is the main goal of the organization” - on a 7-point likert scale). This avoids the forced trade-off inherent to the relative measure and reduces common method error (Autio et al., 2000).

**Pretest**

We selected a pretest sample (N~35) randomly out of a database of social economy organizations in Flanders (excluding the integration businesses since they are part of the sample frame). We sent out the draft questionnaire to the directors of the 35 organizations by email and made several follow-up telephone calls which resulted in a total response of 17 organizations. The respondents were contacted to ask for direct feedback on the questionnaire. The pretest resulted in typographical adjustments, rephrasing the items which were not clear for the respondents and adapting the Aupperle measure regarding philanthropical orientation to the specific regional context (which has a very limited tradition in philanthropy, especially in SMEs).

**DATA ANALYSIS**

The goal of our data-analyses is twofold: (1) to assess the reliability and validity of the measures and assess the existence of a higher order constructs ‘social proclivity’ and ‘economic proclivity’ (2) to empirically explore the potential trade-off social entrepreneurs are making between a social and economic orientation. We subsequently discuss the characteristics of our sample frame, the validity and reliability of our measures.

**Descriptive analysis**

Our sample displays the following characteristics (see Table 2). Although the social ventures differ greatly in age (from start-up to well established firms of 89 years), our sample consists of mostly young (median 11 years) enterprises. 33% of the sample consists of nonprofit organizations while all other organizations have a for profit judicial statute (of which 35% are cooperatives, 13% limited liability companies, and 15% public limited companies). 68.5% of the companies were founded by at least one independent entrepreneur. Median number of founders is 3. Only 13% of the enterprises where co-founded by the government while only 30% of the enterprises were co-founded by existing private organizations. As a result 72% of all the start-up capital comes from private (market) sources. Majority of the enterprises delivers services (72%), 15% offers products and 12% offers both products and services. The amount of start-up capital varies from 0 K Euro to 2174 K Euro. Finally, our data on capital and reserves in 2007 show the same variance in enterprises from small to rather big companies.

--- Insert Table 2 ----

Although there is a huge variety among the social entrepreneurs our data show that most are relatively young, set up by independent entrepreneurs with relatively low amounts of private capital.

**Measuring social proclivity**

Table 3 summarizes the results of the higher order CFA on our four measurement instruments which was performed in Lisrel 8.5. We present the measurement items for each construct with the respective factor loadings and the t statistic. We first discuss the model-fit and construct validity of our measures after which we discuss the results of the CFA.

--- Insert Table 3 ----

**Model fit and construct validity**

From the original set of items we had to remove for each construct one item that measured normative identity, other-regarding values and philanthropical responsibility. The overall fit of the final measurement model is good (GFI = 0.9; AGFI = 0.84; RMSEA<0.1; CFI = 0.92; Chi-square = 209.05 and degrees if freedom = 61). In general, the table shows that t-values of the respective parameter estimates are significant which indicates good validity for the construct. Cronbach alpha was used to determine overall construct reliability (of the remaining items). We exceeded construct reliability requirements (Nunnally, 1967), as all Cronbach alphas lie between 0.68 and .83. The extracted variances of the constructs are well above the minimum requirement of .50 (Fornell and
Larcker, 1980). Taken together, the results from table 6 show good validity and reliability of the different theoretical constructs and are thus adequate to use in further analysis.

In detail, the remaining items of our measurement instruments were tested for (a) unidimensionality of the constructs, (b) reliability, (c) convergent validity, (d) discriminant validity. The instructions of Hair et al. (2006) guided our analysis. There is evidence for the unidimensionality of the measures as all indicators load high on one component. Our cronbach alpha’s range from 0.68 to 0.83, showing sufficient reliability. Convergent validity was found in the significant size of the factor loadings. Constructs demonstrate discriminant validity if the variance extracted for each is higher than the squared correlation between constructs. We examined each pair of constructs and found that all demonstrate discriminant validity.

Analysis of the CFA
CFA reveals that the three standardized measures of Autio can be reduced to one measure, suggesting that some underlying structure does exist (Hair et al., 2006). The resultant factor explains 83% of the variance. We also found one factor representing the normative identity (extracting 51% of the variance). The CFA confirmed the proposed factor structure in the values-measure and indicates that an ‘other’-regarding factor exists extracting 66% of the variance. Lastly, CFA provided us with a factor combining the philanthropical responsibilities (explaining 65% of the variance). In conclusion, the CFA confirmed all our theoretically proposed constructs.

The proposed measures relate to the same concept (i.e. social proclivity). Table 6 shows that this arguments holds and that the four theoretical constructs are all significantly related to a second-order factor social proclivity. Convergent validity was determined by the significant size of the factor loadings, which ranged from 0.68 to 0.84.

Measuring economic proclivity
Table 4 shows the results of the higher order CFA on our three economic measurement instruments. The measure of Autio on organizational goals was adopted to assess the social proclivity and cannot be used to analyze the economic proclivity of social ventures. Like table 3, we present the measurement items for each construct with the respective factor loadings and the t statistic. We first discuss the construct validity of our measures after which we discuss the results of the CFA.

Model fit and construct validity
We can report a good overall fit of the economic proclivity measurement model (GFI = 0.93; AGFI = 0.89; RMSEA = 0.8; CFI = 0.96; Chi-square = 90.11 and degrees if freedom = 32). In line with the social proclivity model, the table shows that t-values of the respective parameter estimates are significant which indicates good validity for the construct. Here as well, Cronbach alpha was used to determine overall construct reliability. In line with construct reliability requirements (Nunnally, 1967), all Cronbach alphas are greater than .60. As for the extracted variance of the constructs we report values all well above the minimum requirement of .50 (Fornell and Larcker, 1980). In conclusion, the results from table 7 show good validity and reliability of the different theoretical constructs and are thus adequate to use in further analysis.

Following the instructions of Hair et al. (2006) we tested our model for (a) unidimensionality of the constructs, (b) reliability, (c) convergent validity, (d) discriminant validity. There is evidence for the unidimensionality of the measures as all indicators load high on one component (except for one item of utilitarian identity which flirts with the 0.4 rule of thumb). We have sufficient reliability as our cronbach alpha’s range from 0.67 to 0.9. Convergent validity was found in the significant size of the factor loadings. Constructs demonstrate discriminant validity if the variance extracted for each is higher than the squared correlation between constructs. We examined each pair of constructs and found that all demonstrate discriminant validity.

Analysis of the CFA
The CFA gives evidence of 3 first-order factors leading to one second order factor economic proclivity. The factor for the utilitarian identity explains 62% of the variance. The self-regarding value items load on one factor which counts for 58% of the variance. Thirdly, we found one factor explaining 78% of the variance of the four economic responsibility items. In conclusion, the CFA confirmed our theoretically proposed constructs.

Further, the three proposed measures relate to the same concept (i.e. economic proclivity). This is confirmed in Table 7 which shows that the three theoretical constructs are all significantly related to a second-order factor economic proclivity. The factor loadings ranged from 0.52 to 0.87 pointing at a good convergent validity.
The relative importance of economic and social orientation in social ventures

The constructs and subsequent measures potentially provide insight in the trade-off social entrepreneurs have to make between social and economic objectives. We develop these arguments below.

Social orientation

Respondents divided 100 points between 5 organizational goals and indicated the importance of social goals on two Likert scales. Table 2 indicates that social entrepreneurs adhere to a plethora of goals, both social and economical (Peredo and McLean, 2006). The social goal seems to be the most important goal (sum 9877 and median 36.6), followed closely by the maximizing stability (sum 8714 and median 30). Two main reasons can explain this finding: (1) stability and survival is especially important for the many young organizations in our sample and (2) we argue that in essence, ‘stability and survival’ can partially represent a social orientation. More specifically, social entrepreneurs often want to deliver sustainable employment and therefore consider stability and longevity as important.

The Friedman test shows a significant difference between the different organization goals (p<0.001). We further analyzed pairs of goals by performing Wilcoxon-tests (see z-scores in table x for detailed analysis) to get a better understanding in the trade-off between ‘maximizing social value’ and the other key goals. All goals differ significantly from the social goal, except the stability goal, pointing at the fact that the social and stability organizational goal seem to go hand in hand.

Extent of social responsibility

The respondents were asked to divide four times 10 points to four items representing the stances of the model of Carroll (1979). Table 6 (displaying the sum of the four items representing each responsibility across the four sets of items) shows that the most important goal for social ventures are the philanthropical responsibilities (median 11 and sum 3168), followed by the ethical responsibility. Ethical and philanthropical goals seem more important although median scores are similar. CSR is about going beyond legal and economical responsibilities (McWilliams and Siegel, 2001). As a result, the social orientation lies in the adherence to the ethical and philanthropical responsibilities. We therefore took the sum of the economic and legal items and took the sum of the ethical and philanthropical items. We then took the sum of the resultant four items representing the economic and legal stances and the sum of the resultant four items representing the ethical and philanthropical orientation (see Table 3). Wilcoxon tests shows that importance of the philanthropical and ethical perspective is significantly higher than the importance of the economic and legal perspective.

Work values

Thirdly, we analyze the work values of our respondents who indicated the importance of 7 values on point 7 Likert-scales. Wealth seems to be the least important value of social entrepreneurs (median 4 and sum 1031) and ‘helpful’ and ‘equality’ are the most important values for social entrepreneurs. Friedman test (p<0.001) show that there are significant differences between the six values. However, the table also shows that other-regarding and self-regarding values are both considered to be important for social entrepreneurs. We then counted the sum of the other-regarding and the self regarding values. Wilcoxon test shows significant difference between the two types of values. Other-regarding work values are more important than self-regarding values.

Normative and utilitarian identity

Lastly, we asked respondents to indicate on a 7-point Likert scale the importance of 5 items representing a utilitarian identity and 5 items representing a normative identity. Based on the results of the CFA, we excluded 3 items for further analysis. Table 5 shows that both normative and utilitarian identity items were regarded as meaningful in our study. With median no lower than 5, we can conclude that both identities are present in social ventures. Further, we made the sum of all remaining normative and all remaining utilitarian identity components. Wilcoxon test show a significant difference between the 2 components. Both identities are strong although data show a stronger normative identity in social entrepreneurs.
CONCLUSION

Our study is the first attempt to actually measure the importance of social and economic proclivity in a clearly defined sample of social entrepreneurs in Flanders. The most important conclusions can be summarized as follows. First, confirmatory factor analysis validated the measures we used and the analyses pointed at the higher order constructs ‘social proclivity’ and ‘economic proclivity’. Second, we found that social entrepreneurs display high social and economic proclivity, although the social outweighs the economic. More specifically, social goals are considered most important together with ensuring stability and longevity of the organization. Further, although both normative and utilitarian identity display high scores, the normative identity is significantly more important. The same argument holds for the ethical/philantropical orientation of the organization and the adherence to other-regarding values (as opposed to self-regarding values).

Further research will focus on capturing social and economic proclivity in one CFA model, and on more detailed and elaborate and hypothesis testing research on social entrepreneurs in Flanders. Additional hypothesis testing research is prepared to analyze relationships between the theoretical constructs in the model. This research is important for at least two reasons. First, it helps establishing an empirical research base with quantitative measures on social entrepreneurs. Further research could focus on comparing the social / economic proclivity in different subsets and types of social entrepreneurs. Second, the ‘social’ in social entrepreneurship is largely taken for granted and to date, debates often stop at the generally accepted notion that “social entrepreneurs are social”. Tackling the question of what is actually meant with social and how social social entrepreneurs really are, is largely left unresolved. This research is a step in this direction, so that future quantitative studies can take into account varying levels of social and economic proclivity in hypothesis testing designs.

CONTACT: Robin Stevens; robin.stevens@hogent.be; (T) 0032 9 248 88 43; (F) 0032 9 242 42 09; Voskenslaan 270 – 9000 Ghent – Belgium.

REFERENCES


**ACKNOWLEDGEMENTS**

We want to thank Anneleen Van Boxstael and Marie-Astrid Balcaen for valuable research assistance.
# TABLES AND FIGURES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Official list of Flemish government</td>
<td>4 institutional social investors that invest locally</td>
<td>Constructed by FEBECOOP and VOSEC</td>
<td>CD-Rom Balanscentrale</td>
</tr>
<tr>
<td>Valid N = 170</td>
<td>Valid N = 230</td>
<td>Valid N = 89</td>
<td>Valid N = 100</td>
</tr>
<tr>
<td>Total valid N (after removing overlaps) = 484</td>
<td>Response = 270</td>
<td>Response rate = 56%</td>
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Table 1: Sampling social entrepreneurs in Flanders

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>Median</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Valid N</th>
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<tbody>
<tr>
<td>17.7</td>
<td>11</td>
<td>1</td>
<td>89</td>
<td>270</td>
<td></td>
</tr>
<tr>
<td>Total start capital (in K Euro)</td>
<td>135</td>
<td>31</td>
<td>0</td>
<td>2174</td>
<td>166</td>
</tr>
<tr>
<td>FTE 2007</td>
<td>46</td>
<td>10</td>
<td>1</td>
<td>1035</td>
<td>245</td>
</tr>
<tr>
<td>Capital and Reserves 2007</td>
<td>3368</td>
<td>290</td>
<td>-424</td>
<td>195499</td>
<td>213</td>
</tr>
<tr>
<td>Accumulated profit (loss) 2007</td>
<td>367</td>
<td>24</td>
<td>-1008</td>
<td>36283</td>
<td>210</td>
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</table>

Table 2: Sample descriptives

<table>
<thead>
<tr>
<th>Second-order factor</th>
<th>Standardized parameter estimate</th>
<th>T-statistic</th>
<th>First-order factor</th>
<th>Measurement items</th>
<th>Standardized parameter estimate</th>
<th>T statistic</th>
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<tbody>
<tr>
<td>Social proclivity</td>
<td>0.81</td>
<td>9.17</td>
<td>Social goal</td>
<td>Maximizing social value (SG1)</td>
<td>0.71</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>Social value creation is the main goal of the organization (SG2)</td>
<td>0.86</td>
<td>11.79 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Social value creation is not a driver of our organization (SG3)</td>
<td>0.81</td>
<td>11.48 *</td>
</tr>
<tr>
<td>Normative identity</td>
<td>0.77</td>
<td>8.12</td>
<td>Social goal</td>
<td>Community involvement (NI3)</td>
<td>0.69</td>
<td>/</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>Social relationships with other members (NI2)</td>
<td>0.53</td>
<td>6.64 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Quality of work is more important than profit (NI5)</td>
<td>0.55</td>
<td>6.81 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Democratic decision making (NI1)</td>
<td>0.54</td>
<td>6.66 *</td>
</tr>
<tr>
<td>Other-regarding values</td>
<td>0.66</td>
<td>8.56</td>
<td>Social goal</td>
<td>Helpful (OV1)</td>
<td>0.86</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>Compassion (OV2)</td>
<td>0.67</td>
<td>9.02 *</td>
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<td></td>
<td></td>
<td></td>
<td>Equality (OV3)</td>
<td>0.57</td>
<td>8.02 *</td>
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<td>Philantropical responsibility</td>
<td>0.62</td>
<td>6.19</td>
<td>Social goal</td>
<td>2</td>
<td>0.56</td>
<td>/</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>0.65</td>
<td>7.74 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
<td>0.90</td>
<td>7.93 *</td>
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* p < 0.05

Table 3: Higher-order confirmatory factor analysis of the four social proclivity measures
<table>
<thead>
<tr>
<th>Second-order factor</th>
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<th>T-statistic</th>
<th>First-order factor</th>
<th>Measurement items</th>
<th>Standardized parameter estimate</th>
<th>T-statistic</th>
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<tr>
<td>Economic proclivity</td>
<td>0.87</td>
<td>8.24</td>
<td>Utilitarian identity</td>
<td>Economic value of products (UI5)</td>
<td>0.98</td>
<td>0.0</td>
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<td></td>
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<td></td>
<td></td>
<td>Customer service (UI2)</td>
<td>0.39</td>
<td>7.96 *</td>
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<td></td>
<td></td>
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<td></td>
<td>Price of products and services (UI1)</td>
<td>0.61</td>
<td>5.64 *</td>
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<td>Self-regarding values</td>
<td>0.52</td>
<td>5.46</td>
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<td>Comfortable life (SV1)</td>
<td>0.76</td>
<td>0.0</td>
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<td></td>
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<td></td>
<td></td>
<td>Wealth (SV2)</td>
<td>0.54</td>
<td>6.07 *</td>
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<td></td>
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<td></td>
<td>Pleasure (SV3)</td>
<td>0.59</td>
<td>6.34 *</td>
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<td>Economic responsibility</td>
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<td>6.58</td>
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<td>1</td>
<td>0.83</td>
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<td>2</td>
<td>0.74</td>
<td>13.51 *</td>
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<td>3</td>
<td>0.91</td>
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<td>4</td>
<td>0.91</td>
<td>18.44 *</td>
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*p < 0.05

Table 4: Higher-order confirmatory factor analysis of the four economic proclivity measures

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<tr>
<th>Valid N</th>
<th>Median</th>
<th>Maximum</th>
<th>SD</th>
<th>Sum of scores</th>
<th>Wilcoxon test*</th>
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<td></td>
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<tr>
<td>Maximizing profitability</td>
<td>270</td>
<td>10</td>
<td>50</td>
<td>12.2</td>
<td>3574</td>
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<tr>
<td>Maximizing sales growth</td>
<td>270</td>
<td>13.4</td>
<td>65</td>
<td>12.2</td>
<td>3612</td>
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<tr>
<td>Maximizing social value</td>
<td>270</td>
<td>36.6</td>
<td>100</td>
<td>23.3</td>
<td>9877</td>
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<tr>
<td>Maximizing value of the firm for eventual acquisition</td>
<td>270</td>
<td>0</td>
<td>30</td>
<td>6.8</td>
<td>1197</td>
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<tr>
<td>Maximizing stability and longevity of the firm</td>
<td>270</td>
<td>30</td>
<td>100</td>
<td>15.8</td>
<td>8714</td>
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</table>

*Wilcoxon test in pairs with maximizing social value goal

Table 5: Organizational goals measure

<table>
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<th>SD</th>
<th>Sum of scores</th>
<th>Wilcoxon test*</th>
</tr>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td>z-score</td>
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<td>Sum economic responsibilities</td>
<td>268</td>
<td>8</td>
<td>32</td>
<td>5.8</td>
<td>2122</td>
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<tr>
<td>Sum legal responsibilities</td>
<td>268</td>
<td>10</td>
<td>23</td>
<td>3.8</td>
<td>2565</td>
</tr>
<tr>
<td>Sum economic and legal responsibilities</td>
<td>268</td>
<td>18</td>
<td>36</td>
<td>6.8</td>
<td>4687</td>
</tr>
<tr>
<td>Sum ethical responsibilities</td>
<td>268</td>
<td>11</td>
<td>26</td>
<td>3.2</td>
<td>2862</td>
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<tr>
<td>Sum philanthropical responsibilities</td>
<td>268</td>
<td>11</td>
<td>30</td>
<td>5.3</td>
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<td>Sum ethical and philanthropical responsibilities</td>
<td>268</td>
<td>22</td>
<td>40</td>
<td>6.8</td>
<td>6030</td>
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</table>

*Wilcoxon test of the two sets of responsibilities

Table 6: Extent of social responsibility measure

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<th>SD</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td>z-score</td>
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<tr>
<td>Other-regarding values</td>
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<td></td>
<td></td>
<td></td>
<td>-9.247</td>
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<tr>
<td>Helpful</td>
<td>270</td>
<td>6</td>
<td>7</td>
<td>1.0</td>
<td>1548</td>
</tr>
<tr>
<td>Compassion</td>
<td>270</td>
<td>6</td>
<td>7</td>
<td>1.0</td>
<td>1506</td>
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<tr>
<td>Equality</td>
<td>270</td>
<td>6</td>
<td>7</td>
<td>1.1</td>
<td>1548</td>
</tr>
<tr>
<td>Other regarding values</td>
<td>270</td>
<td>17</td>
<td>21</td>
<td>2.6</td>
<td>4602</td>
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<tr>
<td>Self-regarding values</td>
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<td></td>
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<td></td>
<td>-9.247</td>
</tr>
<tr>
<td>Comfortable life</td>
<td>270</td>
<td>5</td>
<td>7</td>
<td>1.3</td>
<td>1419</td>
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<td>Wealth</td>
<td>270</td>
<td>4</td>
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<td>1.5</td>
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<td>Pleasure</td>
<td>270</td>
<td>6</td>
<td>7</td>
<td>1.3</td>
<td>1513</td>
</tr>
<tr>
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<td>270</td>
<td>15</td>
<td>21</td>
<td>3.06</td>
<td>3963</td>
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</table>

*Wilcoxon test of the two sets of values
### Table 7: Work values of social entrepreneurs

<table>
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<th>Valid N</th>
<th>Median</th>
<th>Maximum</th>
<th>SD</th>
<th>Sum of scores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Normative identity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community involvement</td>
<td>268</td>
<td>6</td>
<td>7</td>
<td>1.2</td>
</tr>
<tr>
<td>Social relationships with other members</td>
<td>269</td>
<td>6</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Quality of work is more important than profit</td>
<td>269</td>
<td>6</td>
<td>7</td>
<td>1.2</td>
</tr>
<tr>
<td>Democratic decision making</td>
<td>270</td>
<td>6</td>
<td>7</td>
<td>1.2</td>
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<td>Sum normative identity (Avg.)</td>
<td>266</td>
<td>5.7</td>
<td>7</td>
<td>0.8</td>
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<tr>
<td><strong>Utilitarian identity</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Value of products or services</td>
<td>270</td>
<td>5</td>
<td>7</td>
<td>1.6</td>
</tr>
<tr>
<td>Customer service</td>
<td>269</td>
<td>6</td>
<td>7</td>
<td>1.2</td>
</tr>
<tr>
<td>Price of products and services</td>
<td>269</td>
<td>5</td>
<td>7</td>
<td>1.6</td>
</tr>
<tr>
<td>Sum utilitarian identity (Avg.)</td>
<td>268</td>
<td>5.3</td>
<td>7</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Wilcoxon test of the two sets of identities*

### Table 8: Identity of social enterprises