Social Entrepreneurship, Entrepreneurial Leadership and Organizational Performance: A Mediation Conceptual Framework

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Abstract

Background: Social entrepreneurship, a concept of entrepreneurship with social responsibility is an emerging theory that has been given much attention in both academic and business world. Due to the fact that recently, public are expecting organizations to be socially responsible, there has been dire need of study on how social entrepreneurship influence organizational performance. On the other hand, in the competitive business world, there is a need for a leader that is flexible enough to steer the organization towards achieving its desired outcomes, thus a concept of combination between entrepreneurial behavior and leadership skills has been discussed in academic literatures and a new term of leadership has surfaced called entrepreneurial leadership. Therefore this paper discussed the possibility of linking the new concepts of social entrepreneurship and entrepreneurial leadership as the determinants of organizational performance. Objective: To propose and illustrate a conceptual framework of social entrepreneurship, entrepreneurial leadership and organizational performance. Results: The literature review discussed in this paper has shown the conceptual relationship between social entrepreneurship, entrepreneurial leadership and organizational performance. Conclusion: This paper generates a new theoretical model for social entrepreneurship, entrepreneurial leadership and organizational performance. Thus this study has been able to fill the literature gap and extend the literature on the particular topics.

INTRODUCTION

Entrepreneurship and business are inseparable, same goes to organization and performance. Often business organizations are evaluated on their financial performance (Subramaniam and Nilakanta, 1996) and the entrepreneur himself is evaluated on the organizational performance (Covin and Slevin, 1991). The entrepreneur as the leader of the organization is the one who will decide on the best course of actions for the organization. Consequently, the entrepreneur has to have a certain degree of competencies and capabilities to steer the organization to achieve the desired goal. Hence, recently researchers are coming out with the new term for leadership called entrepreneurial leadership that used to explain both the entrepreneurial and the leadership aspects (Ireland & Hitt, 1999; McGrath & MacMillan 2000; Meyer & Heppard, 2000). The term entrepreneurial leadership is used to accommodate the needs of a leader in the business world that is equipped with entrepreneurial behavior and competencies.

It is unarguable that most organization’s performance is being evaluated in dollars and cents and their main concern is to seek profit in order to maximize wealth, however in the midst of globalization that has no boundaries, poverty and inequality persist (Rahim et al., 2014). While a certain quarters of the world are wealthy, there are some plagued by poverty and other social ills as well. There are unmet social needs that should be addressed. Therefore, it is essential for entrepreneurs to be socially responsible and give back to the community in order to create a sustainable world. However, based on the rational choice theory, an organization would only make rational choice that would bring benefits to the firm, which is selecting the best actions that would bring desired outcome to the organization (Williams and Fedorowicz, 2012).

This matter creates an issue to be addressed. Understandably, organization will seek profit in their endeavors and if one would expect the entrepreneur or the organization to contribute to the community, an
empirical research should be done to prove that by being socially responsible, the entrepreneur and the organization will benefit as a whole.

Thus, this paper aims to conceptualize the idea of linking social entrepreneurship and entrepreneurial leadership towards organizational performance. So far there is little to none research has been done based on this framework thus creating a literature gap.

The remainder of the research paper will progress as follows. The second section will focus on the literature review of the social entrepreneurship, entrepreneurial leadership and organizational performance. The third section illustrates the proposed conceptual framework. The last section will conclude the study.

**Literature Review:**

**I. Social Entrepreneurship:**

Entrepreneurship is a well accepted field, both practically and theoretically. But while entrepreneurship is a very developed and matured field, it’s subcategory of social entrepreneurship is very much the opposite (Rahim & Lajin, 2014). Social entrepreneurship is a very young concept and is very much sought off in the practical world, however it is still considered in its infancy stage in academic platform. (Johnson, 2002; Roberts and Woods, 2005).

However, in recent times the field of social entrepreneurship research has gained much pace and attention due to the fact that there are numerous number of scholars are interested and have done research on the particular topic (Zahra et al., 2009). In addition, new journals were launched in relation to the social entrepreneurship topic (Halkias and Okpara, 2011) such as Social Enterprise Journal (Haugh, 2005). Even more established journals have shown interest on this topic, for example, Entrepreneurship Theory & Practice journal which published a special issue on social entrepreneurship in 2010 (Nicholls, 2010).

The term social entrepreneurship was firstly introduced by William Drayton, a MacArthur Fellow (Barendsen and Gardner, 2004; Dees, 2007). It is emerging in the world “given the new strategic environment where the social half of society’s operations is becoming as entrepreneurial, competitive, productive and powerful as business” (Ashoka, 2004). In terms of literature, social entrepreneurship is associated with few elements such as innovation, pro-activeness and risk-taking (Henton, 2006), value-added and inclusiveness (Waddock & Post, 1991) as well as leadership (Henton et al., 1997; Dees, 2009).

Social entrepreneurs have the unique abilities of recognizing the complex social problems and working through it in a new way that raises public awareness of the problem through their vision, work and activities. They seek fresh opportunities and produce positive impact by using leadership and management methods (Dees, 2009). The social entrepreneurs work towards getting profit while creating change by providing community value (Ashoka, 2014; Dees, 1998; Johnson, 2000; Johnson, 2001; Johnson, 2001 b; Teakle, 2000), towards building a sustainable community (Johnson, 2000). They believe that by inclusiveness and interdependence of the community (Ashoka, 2014; Henton et al., 1997), changes could be made that would bring the world forward (Henton et al., 1997) They connect sectors, stakeholders and diverse community networks (Henton et al., 1997; Teakle, 2000) by building a strong, resilient and productive relationship between the private, public and civil sectors (Henton et al., 1997). The networking relationship between communities is being used to get even bigger community relationships by creating bridges in order to pool resources (Henton et al, 1997; Dees, 1998; Johnson, 2001b).

Social entrepreneurs are problem solvers with innovative solutions for unsolved community needs (Dees 1998; Johnson, 2000; Johnson, 2001; Teakle, 2000) by mobilizing and using scarce resources in inventive ways (Dees, 1998; Henton et al., 1997; Johnson, 2000; Johnson, 2001). They are considered as leaders in enhancing the community and the world (Henton et al., 1997). They empower the others by expressing their passion in order to create a better world and creating positive changes. (Johnson, 2000; Johnson, 2001). They are networkers and motivators, conveners and teachers, drivers and integrators, agitators and mentors (Henton et al., 1997).

“Social Entrepreneurs are the harbingers of change, devising new ways to provide support and development for those excluded from the opportunities of the new society” (Handy, 1997). It was also suggested that there is a pressing need to create a huge numbers of social entrepreneurs in the market (Yunus, 2008).

As the term social entrepreneurship is still in its infancy, there is still a huge debate on an agreed definition of it (Dorado, 2006). Gandy (2012) divided social entrepreneurship into four different types. The first one is an organization that focuses primarily on its social missions while wealth creation is not a goal as it is deemed as a mean or tool to accomplish the social missions (Dees, 2007). The organization focuses on social value creation that differentiated social entrepreneurs from business entrepreneurs (Shane, 2003).

The second type of social entrepreneurship is social benefit organization that focuses on getting profit by opportunity ventures in order to realize their social missions. Usually this organization has donation base however they ventured in profitable opportunities to supplement the donations received. Basically this is a type
of non-profit organization that has been labelled as a hybrid not-for-profit organization that has activities to recover some cost through the sales of products or services (Hartigan, 2006).

The third type is a latest phenomenon. Social entrepreneurship literature has proposed a type of organization that has double bottom line goals. It is often referred as social enterprise or social venture (Dorado, 2006; Townsend & Hart, 2008). This type of social entrepreneurship focuses on blending business and social goals (Dees, 1998; Dorado, 2006; Townsend & Hart, 2008). Their organizational performance is evaluated by both financial and social outcomes (Clark et al., 2004). These hybrid organizations prove that there is a possibility of maximizing wealth while being socially responsible (Dorado, 2006). Thus, a profit oriented organization might be managed in a social entrepreneurship management style as long as it has social goals as well (Hartigan, 2006). It is suggested that the reason behind this hybrid organization is the personal motivation of the social entrepreneur in reaching out towards the community’s needs (Townsend & Hart, 2008).

The last type of social entrepreneurship is what being called as corporate social responsibility (CSR). It is included as a possibility of social entrepreneurship as many academic writers has associated both of them and used the terms interchangeably (Gandy, 2012). Many organizations have adopted CSR due to the fact that social entrepreneurship has been getting increased attention in the business and academic world. Academic writers have acknowledged a trend of socially responsible organizations as media, governments and activists are watching the organizations on their accountability in being socially responsible (Porter & Kramer, 2006).

Gandy (2012) has concluded and categorized the social entrepreneurship as “social entrepreneurship as better management, social entrepreneurship as a supplement, social entrepreneurship as an addition, and social entrepreneurship as a responsibility”.

II. Entrepreneurial Leadership:

Entrepreneurship and its subcategory, social entrepreneurship is heavily linked with leadership (Henton et al., 1997; Dees, 2009). As the entrepreneur himself is being taunted as the leader of the organizations, researchers are linking entrepreneurship and leadership to come out with an emerging term called entrepreneurial leadership. The term entrepreneurial leadership is used to explain both entrepreneurial and leadership characteristics (Ireland & Hitt, 1999; McGrath & MacMillan 2000; Meyer & Heppard, 2000).

The earliest definition of an entrepreneurial leader was by Lippit (1987), who defined it as a person who is able to innovate, focus on the task, take risks, assume personal responsibility and possess an economic orientation. Femald and Solomon (1996) proposed another definition of entrepreneurial leadership. In their discussion, they defined entrepreneurial leadership as an association of entrepreneurs and leadership functions that provides new product, service or organization development. Furthermore, they added that entrepreneurial leadership focuses on ideas and concepts which are usually related to problems, which tend to be associated with individual behaviors such as problem solving, decision-making, strategic initiatives, vision, and risk taking. Other researchers provide almost similar definition of entrepreneurial leadership as Femald and Solomon such as Kuratko and Hornsby (1996) in their discussion on how to develop entrepreneurial leadership in contemporary organizations. Hisrich and Gratchev (1996) also offer similar discussion as Kuratko and Horosny (1996) as well as Femald and Solomon (1996) in their discussion about entrepreneurial leadership in new ventures in the global economy.

McGrath and MacMillan (2000) further stressed the need of entrepreneurial leadership as a new type of leader in the competitive business world. There is an emerging need of leader that is able to work in flexibility and has the capabilities to provide competitive advantage the organization may enjoy. This type of leader has the flexibility of leading the organization to reposition and adapt itself towards unpredictable business world, instead of the conservative way of developing detailed and exhaustive planning that may not work in the rapidly changing scenario of the competitive business field.

The increase of entrepreneurship research has led to admirable amount of research in diverse areas of entrepreneurship. Covin and Slevin (1991) discussed the advantages of entrepreneurship research associated with organizational behavioral perspective. By making assumption that the entrepreneur is the leader of the organization, they presented the idea of the entrepreneur behavior and effectiveness are associated with the organization performance.

III. Organizational Performance:

Organizational performance is essential for business world, both for the profit oriented and the social sectors (Herman & Renz, 2004; Tucker, 2010). It is an indispensable component in organizational theory as well as organizational analysis (Goodman & Pennings, 1977; Quinn & Rohrbaugh, 1983). As much importance of the subject, it creates a huge debate on its definition (Quinn & Rohrbaugh, 1983, p. 363) and measurement (Selden and Sowa, 2004). Rojas (2000) stated, “organizational effectiveness has been one of the most sought out yet elusive of research subjects since the early development of organizational theory” (p. 97). Selden and Sowa (2004) argued, “numerous scholars throughout the development of organization theory have focused on developing the best way to define and/or measure organizational performance” (p. 395). Basically,
organizational performance is a term used to illustrate the ability of an organization to meet its pre-determined objectives and goals (Selden & Sowa, 2004) or the result of an organization compared to its intended outputs (Ali, 2006).

Due to the debate for an accepted definition and measurement, researchers had discussed on how to evaluate organizational performance. There are researchers that argued a comprehensive and multi-dimensional framework is needed while some argued a single measurement is sufficient enough.

The first school of thought argued that organizations usually have more than one goal thus it is insufficient to measure an organization’s performance using a single factor (Herman & Renz, 2004; Yacinthe, 2004). Therefore, a more complex and comprehensive measure is needed for that purpose (Quinn & Rohrbaugh, 1983; Rojas, 2000; Selden & Sowa, 2004). It is suggested that organizational performance is usually being analyzed on its organizational perspective and economic perspective (Tvorik and McGiven, 1997). For economic perspective, it may be measured by financial measures (Subramaniam and Nilakanta, 1996) in terms of sales growth, net income growth and return on investment (Talon et al., 2000) that will reflect on the firm’s performance position. While organizational perspective may be measured by behavioural and sociological aspects of the organization such as intellectual capital (Sveiby, 2001).

The other school of thought believed that organizational performance may be measured by a single measurement (Liao and Chuang, 2006). Collins (2001) in his bestseller book titled Good to Great, discussed that successful companies based their performance solely on their cumulative stock return.

On the other hand, a new stream of research cluster had emerged that focused on resource-based capabilities that may influence organizational performance (Tvorik and McGiven, 1997). They discussed that an organization is a repository of skills and capabilities that is lead by a certain leadership styles towards a shared vision. The synergized relationship between employee skills and leadership will create a culture of innovation that will create an increase of competitive advantage. This will result in an improvement of organizational performance.

Conceptual Framework:
The proposed conceptual framework (Figure I) has three constructs, which social entrepreneurship as the dependent variable, entrepreneurial leadership as the partial mediator and organizational performance as the dependent variable. Therefore the following hypotheses are predicted:
1. Social entrepreneurship has significant positive relationship with organizational performance.
2. Social entrepreneurship has significant positive relationship with entrepreneurial leadership.
3. Entrepreneurial leadership has significant positive relationship with organizational performance.
4. Entrepreneurial leadership partially mediates social entrepreneurship and organizational performance.

Fig. I: Conceptual framework

I. Social Entrepreneurship and Organizational Performance:
Both academician and practitioners have agreed in urging the need of research to discuss how social entrepreneurship contributes towards organizational performance. While the practitioners would want prove and data on the relationship, researchers however, still unable to create a substantial amount of research to acknowledge empirically the relationship. Nevertheless, recently Gandy (2012) was able to prove that there is a positive correlation between social entrepreneurship and organizational performance in the social benefit firms. Therefore it is anticipated that social entrepreneurship has positive relationship with organizational performance.

II. Social Entrepreneurship and Entrepreneurial Leadership:
This study will focus on the entrepreneur himself and often an entrepreneur is the leader of the organization with certain entrepreneurial competencies. Previous studies has been supporting the idea of social entrepreneurs as the leader of the organization (Henton et al., 1997; Dees, 2009), and entrepreneurial leadership is a combination of both entrepreneurial characteristics as well as leadership characteristics(Ireland & Hitt, 1999;
McGrath & MacMillan 2000; Meyer & Heppard, 2000). Therefore it is anticipated that social entrepreneurship has positive relationship with entrepreneurial leadership.

III. Entrepreneurial Leadership and Organizational Performance:

Entrepreneurial leadership basically is an individual with both entrepreneurial and leadership skills. As entrepreneur is heavily linked as the leader of the organization, he is accountable of the organizational performance as well. Previous studies has linked the entrepreneurial leadership with organizational performance (Covin and Slevin, 1991), hence it is anticipated that entrepreneurial leadership has positive relationship with organizational performance.

Conclusion:

As there have been calls to study on how social entrepreneurship might influence organizational performance as well as studies on the emerging concept of entrepreneurial leadership, this paper has discussed and conceptualized the relationship of social entrepreneurship and leadership towards organizational performance. Past studies have linked each of the variables, however, due to the fact that both of the determinants are relatively new concepts, little to none research has been done to associate them as been done in this paper. Therefore, this paper contributes in filling the literature gap as well as extending the literature on social entrepreneurship, entrepreneurial leadership and organizational performance. Future research can be done in terms of validating the proposed model by empirical research.

REFERENCES


