

Royal Holloway, University of London

**The Institutional Environment, Entrepreneurial Orientation and Performance of  
Saudi Social Enterprises**

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Ph.D in Management

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## **DECLARATION OF AUTHORSHIP**

I, Ghadah Alarifi, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

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## **DEDICATION**

*To my loving mother and father*

*To my beloved husband Turki*

*To my precious children Abdullah, Ayah and Sultan*

*For all their love, patience and support during this PhD*

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## **ABSTRACT**

This research responds to calls for research on the relationship between social enterprises (SEs) and the environment (Bacq & Janssen, 2011), establishing linkage between entrepreneurial behaviour and the context (Welter, 2011; Zahra & Wright, 2011) and examining the effect of institutions on SE activities (Zahra, Newey, & Li, 2013). The thesis uses a new data set from a survey designed by the researcher and was conducted over the fourth quarter of 2016 at the Kingdom of Saudi Arabia. A key informant approach was followed. Two empirical sections are included in the thesis. The first empirical section examines the relationship between EO and SEs' performance. Innovativeness and proactiveness but not risk-taking are positively associated with SE's performance. Thus, whilst SEs cover a wide range of business activities, there is generally a positive effect of EO across the contexts investigated. Also, the researcher finds that EO can be used as a mechanism to overcome constraints imposed by limited resources in an environment where new opportunities rarely occur. The second empirical section investigates whether regulative, cognitive and normative institutional environment dimensions (Busenitz, Gomez and Spencer, 2000) support entrepreneurial orientation (EO) related to proactiveness, innovativeness and risk-taking (Covin & Slevin, 1989) in SEs. The models revealed no relationship between EO in SE and regulative institutional dimension, a negative relationship with cognitive institutional dimension and a positive relationship with normative institutional dimension. These findings highlight the dynamic conflict between institutionalization and EO, contributing to the EO literature by theorizing on its relationship to institutional dimensions and country-level environmental profile in the SE context. The findings of this thesis can be valuable not only for researchers but also for policy-makers working to improve the social entrepreneurial institutional environment in similar developing countries.

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## **LIST OF ABBREVIATIONS**

CE	Commercial Entrepreneurship
CEs	Commercial Enterprises
EO	Entrepreneurial Orientation
IT	Institutional Theory
KSA	Kingdom of Saudi Arabia
MENA	Middle East and North Africa
NGO	Nongovernmental Organisations
OLS	Ordinary Least Squares
PCA	Principle Component Analysis
RBV	Resource Based View
SMEs	Small and Medium Enterprises
SE	Social Entrepreneurship
SEs	Social Enterprises

# Chapter 1 Introduction

## 1.1 Introduction

Social entrepreneurship (SE) is considered an emerging field of study (Bacq & Lumpkin, 2014; Bornstein, 2007; Nicholls, 2010) that was initiated three decades ago (Choi & Majumdar, 2014). SE can be defined, according to Mair and Marti (2006), as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (p. 37). The field of SE has attracted enormous attention, but the term remains poorly understood (Dacin, Dacin, & Tracey 2011; Grimes, McMullen, Vogus, & Miller, 2013), and there has been no general agreement among researchers on its specific definition (Choi & Majumdar, 2014; Light, 2005; Peredo & McLean, 2006; Short, Moss, & Lumpkin, 2009). Zahra, Gedajlovic, Neubaum and Shulman (2009) reviewed 20 different definitions of SE and found these can range from narrow to broad. One group of researchers has referred to *social entrepreneurship* as a means to create social value (Austin, Stevenson, & Weiskillern, 2006; Mair & Marti, 2006), whereas another group has defined it as a method to drive social transformation (Seelos & Mair, 2005).

Austin et al.’s (2006) study confirmed that SE’s theoretical foundations have not yet been adequately explored. Not surprisingly, Dacin, Dacin and Matear (2010) stated that the conceptual debate surrounding SE has, therefore, held back theory-based advances in the field. Choi and Majumdar (2014) sought to close this gap in the SE literature by proposing a cluster concept understanding to help advance SE as a coherent field of research where “a universal definition that would be accepted among contestant parties is hardly possible” (p. 1). However, recognising

SE as an essentially contested concept does not suggest that the definitional debate will be over (Miles, 2012; Okoye, 2009), as the theory of essentially contested concepts has been criticised in the academic literature by Gray (1977), Clarke (1979) and Collier, Hidalgo and Maciuceanu (2006).

On a different note, often researchers investigating the theoretical framework of SE work independently (Smith & Woodworth, 2012). Working independently is one of the major challenges that led to controversies in the theoretical framework of this field. Stephan, Uhlaner and Stride (2015) asserted that researchers have fail to build upon each other's work. Hence, there is a lack of consistency in this field. The theories used in descriptions of this concept are often vague and incoherent (Corner, 2010). As such, the development of these theories results in controversial information. For example, many scholars have tried to define the concept of SE, and each scholar uses different dimensions to characterise it (Smith & Woodworth, 2012). This has resulted in the emergence of many controversial definitions, leading to the lack of a suitable working definition for SE (Dacin, Dacin & Matear, 2010). Therefore, this research chose two well-established theories in management research to build on in order to explain the findings. Those two theories are institutional theory (IT) and resource based view (RBV).

This study is a quantitative study based on 308 questionnaires collected from micro, small and medium social enterprises in Saudi Arabia. This research is the first major empirical study of SE in Saudi Arabia. This research aims to investigate the influence of the institutional dimensions (Regulative, Normative and Cognitive) on the entrepreneurial orientation (EO) of social enterprises in Saudi Arabia, and the role it plays in social enterprises' (SEs) performance to ensure a sustainable firm. The first part of this research examines the EO manifestation in the SE context



and whether it has any effect on SEs' performance. The second part investigates which institutional dimension is more influential on the degree of EO in the Saudi SEs landscape. The third part of the research will further examine the impact of the Institutional dimensions on the SEs' performance and investigate whether there is any moderation effect by EO on this relationship. This will be achieved through a quantitative research method, by distributing questionnaires to SEs in Saudi Arabia. This research is at firm level, therefore, the unit of analysis is the social enterprise.

This chapter begins by framing the research background. This will be followed by a description of the significance of this study and its contribution and by specifying the research questions and objectives. Then, the contribution of the research is presented followed by the structure of the research.

## **1.2 Background of the Research**

The Kingdom of Saudi Arabia (KSA), a predominantly Muslim nation holds one-fifth of the world's oil reserves. It has the world's largest oil production capacity and is the biggest exporter of total petroleum liquids in the world (EIA, 2017). SE is considered an emergent phenomenon in KSA. Social enterprises in the Middle East are confronted with several challenges, some of which they share with their counterparts globally and others that are unique to the environment in the region. These challenges, according to social entrepreneurs in the Middle East, can be generally clustered in three categories: government and policymaking related challenges, the need for greater support in the institutional, operational and financial areas, and the lack of cultural and social awareness and acknowledgment of the importance of their work (Buckner, Beges, & Khatib, 2012).

On the government side, these challenges seem pressing when one looks at the Middle East labour markets, where one in four economically active (seeking or available to work) youths is unemployed, with the overall youth unemployment rate in the Middle East being nearly double that of the world at large (International Labour Organizations, 2013). Furthermore, KSA's youth are five times more likely to be unemployed than older citizens (World Economic Forum, 2017), while female unemployment rates are the lowest in the world (International Labour Organizations, 2017). According to the estimates of The United Nations Development Program (UNDP) and the League of Arab States, based on current trends in unemployment coupled with population growth rates, Arab countries will need between 83 to 93 million new jobs by 2030 (Mirkin, 2010). These labour market results underline a pressing need for the collaboration between the public and the private sector in creating new jobs and working opportunities for this young population (Abdou, Fahmy, Greenwald, & Nelson, 2010).

A legal challenge exists, as Saudi law does not support the establishment of nongovernmental organisations (NGO) (Montagu, 2010), and finding an umbrella organisation to overcome this challenge is the only probable route for a SEs. The only other alternative route is for SEs is to have a commercial license to operate under. While it is important to establish legal systems to implement policies and practices that support SEs, serious efforts should also be made at the grassroots level. However, the research of Mair, Marti, and Ventresca (2012) highlights that the existence of institutional voids gives opportunities for SEs.

The term SE was first used in American academia in the late 1990s (Dees, 1998; Drayton, 2002; Thompson, Alvy, & Lees, 2006). Dees (1998) defined the social entrepreneur as follows: Social entrepreneurs play the role of change agents in the social sector, by

Adopting a mission to create and sustain social value (not just private value),  
Recognizing and relentlessly pursuing new opportunities to serve that mission  
Engaging in a process of continuous innovation, adaptation, and learning  
Acting boldly without being limited by resources currently in hand, and  
Exhibiting a heightened sense of accountability to the constituencies served  
and for the outcomes created. (p.4)

The term carries different meanings for different people (Boschee & McClurg, 2003; Dees 1998), which has led to dissent among researchers on a specific definition (Choi & Majumdar, 2014; Light, 2005; Mort, Weerawardena & Carnegie, 2003; Peredo & McLean, 2006). Furthermore, an examination by Dacin, Dacin, and Matear (2010) of 37 definitions of SE found the common denominator of “social value” in most definitions. For example, one research group has referred to SE as a means of creating social value (Austin, Stevenson, & Wei-Skillern, 2006; Mair & Marti, 2006; Sharir & Lerner, 2006); another group has understood it as a method to drive social transformation (Perrini & Vurro, 2006; Roberts & Woods, 2005; Seelos & Mair, 2005; Thompson et al., 2006).

Some scholars view SE as an innovative process for catalysing social change (Mair & Marti, 2006). Others view it as the pursuit of socially transformative opportunities by visionary individuals (Roberts & Woods, 2005). Still others define SE as an “innovative, social value creating activity that can occur within or across the non-profit, business or government sectors” (Austin et al., 2006: 2). Innovative individuals with the persistence and ambition to furnish a range of solutions for critical societal problems drive SE, which introduces systemic changes and a spread of resolutions and increases awareness of societal problems (Mair & Marti, 2006). Social

entrepreneurs are self-driven individuals who seek justice, communal change, and solutions that are financially, managerially, socially, and environmentally sustainable. Notably, SE integrates community members, governments, and NGOs to solve emergent national problems (Austin et al. 2006; Yunus, 2007). SEs likewise take into account the ethics and social interests of a given community (Drayton, 2002). Scholarly consensus on the social entrepreneur primary traits includes (See Figure 1):

- an innovative and visionary approach (Roberts & Woods 2005); according to Nicholls and Cho (2008), a *social entrepreneur* is a *social innovator*;
- a strong ethical orientation (Drayton, 2002);
- the ability to identify opportunities (Dees, 1998; Thompson et al., 2006; Mort et al., 2003);
- the ability to create social value (Austin et al., 2006; Sharir & Lerner, 2006); and
- the ability to serve as “change agents” (Dees, 1998) to initiate social transformation (Perrini & Vurro, 2006; Seelos & Mair, 2005).



*Figure 1. Dimensions of the social entrepreneur*

As an “essentially contested concept” of many complex attributes (Choi & Majumdar, 2014:1), SE has no universally accepted definition. Many researchers are inclined to define social entrepreneurs as visionaries who can easily identify and use opportunities, assembling the resources to achieve their social mission while creating solutions to social problems in their community. The previous dimensional review examined SE through various conceptual lenses to bring forwards a universally accepted definition of SE but resulted in no pragmatic findings. Therefore, this review embraces a broad definition of SE much like the one Mair and Marti (2006: 37) proposed; they considered SE “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs”.

There is no universally accepted definition of the traditional entrepreneur (Anderson, Dodd, & Jack, 2012). However, whereas the traditional entrepreneur serves the market in expectation of profit, the social entrepreneur focuses elsewhere (Peredo & McLean, 2006). Mair and Marti (2006: 39) further explain, “The main difference between entrepreneurship in the business sector and social entrepreneurship lies in the relative priority given to social wealth creation versus economic wealth creation”. Social impact drives the SE where profit maximization drives the commercial entrepreneur.

Social entrepreneurs nonetheless share characteristics with commercial entrepreneurs (CEs). Both have the ability to recognize and act upon an opportunity: the social entrepreneur solves social problems (Corner & Ho, 2010), and the CE creates value (Shane & Venkataraman, 2000). They also share innovativeness; Schumpeter (1934) specifically defined the *entrepreneur* as an innovator. Social entrepreneurs who adopt innovative approaches are not limited by the resources at their disposal; they are key players in society (Baçq & Janssen, 2011). Both also build collaborative relationships with stakeholders to create a framework for market transactions (Estrin, Mickiewicz, & Stephan, 2013).

Entrepreneurial orientation (EO) is a widely used construct in management research (Gupta & Gupta, 2015; Wales, Gupta, & Mousa, 2011) and has received considerable attention from the research community. The EO definition proposed by Miller (1983: 771) states that “an entrepreneurial firm is one that engages in product market innovations, undertakes some rather risky ventures and is first to design proactive innovations that beats competitors to the punch”. Therefore, EO literature has focused on the effects of pro-active innovation and risk taking on firm performance.

The work of Miller (1983) on firm's strategy-making suggests innovativeness, proactiveness, and risk-taking as the three EO dimensions. Innovativeness is the predisposition to exercise creativity and experimentation through the introduction of new products and services and technical management via R&D in new processes. Risk taking encompasses taking gallant actions by taking on projects into the unknown, acquiring heavy loans, and/or committing important resources of schemes in uncertain settings (Anderson, Kreiser, Kuratko, Hornsby, & Eshima, 2015; Rauch, Wiklund, Lumpkin, & Frese, 2009). Proactiveness is an opportunity-seeking, forward-looking standpoint, which is characteristic of coming up with new products and services before the competition and acting in expectation of prospective demand (Lumpkin & Dess, 2001).

EO had been described as an approach that comprises psychological traits, attitudes, and values related to an individual's intention and motivation to start a business. Signalling a major change in approach, Miller (1983) advocated that an entrepreneurial firm engages in product and market innovation and bears risk to leave competitors behind. This delineation, ranging from psychological traits to tactical business activities, has prompted researchers to enumerate three dimensions of EO: risk-taking, innovation, and proactive behaviour (Covin & Wales, 2010). Covin and Wales (2010) further advocated that it is the combination of these dimensions in a person or organisation that makes the person an entrepreneur and the organisation an entrepreneurial organisation.

### **1.3 Significance of the Research**

From an academic perspective, there are similarities between the two fields of study. SE and commercial entrepreneurship (CE) are both driven by phenomenon in that they attract practitioners before researchers. There is also no unifying paradigm in entrepreneurship (Shane & Venkataraman, 2000), leading to an increased number of definitions for the concept of CE as well as SE (Bacq & Janssen, 2011). There is little research devoted to SE, and much of what we know about SE is based on the related area of CE (Griffiths, Gundry, & Kickul, 2013). However, EO has not been quantitatively tested in SE research.

This research responds to calls for research on the relationship between SE and the environment (Bacq & Janssen, 2011), establishing linkage between entrepreneurial behaviour and the context (Welter & Smallbone, 2011; Zahra & Wright, 2011) and examining the effect of institutions on SE activities (Zahra, Newey, & Li, 2013). Since most quantitative SE research focuses on developed countries, Doherty, Haugh, and Lyon (2014) suggested that future research about SE should focus on developing countries such as the Middle East. Furthermore, this research tries to adapt a theoretical framework to investigate EO, as EO researchers have been reluctant to adopt the theories of other disciplines (Miller, 2011). However, several authors have indicated the need for more quantitative research in the field of SE especially since it is still an emerging field and has not achieved maturity (Cukier, Rodrigues, Trenholm & Wise, 2011; Mair & Marti, 2006; Nicholls, 2006).



## 1.4 Aim of the Research

This research aims to enhance our understanding of SE by comparing a variety of established theoretical lenses previously used in SE research, presenting a theoretical dual model of combining institutional theory (IT) and Resource Based View (RBV) to address the research questions. As such, the study will investigate the institutional dimensions (regulative, cognitive and normative) and the RBV outcome of competitive advantage represented in SEs performance by, investigating the impact of the institutional environment dimensions on EO and SEs performance. This research will examine the EO dimensions (risk-taking, innovativeness and proactiveness) in SEs. To the researcher's knowledge, EO in SEs has not been quantitatively tested yet using the EO original scale of Covin and Slevin (1989) with no modifications. Thus, the research will be guided by the following research questions and objectives.

### Research Questions

This research aims to answer this main question: **What is the impact of the institutional environment on social enterprises EO and performance in the context of Saudi Arabia?**

To answer the above question, this research investigates the following secondary questions:

**RQ.1:** What is the correlation between EO dimensions and performance of Saudi SEs?

**RQ.2:** What is the correlation between the institutional environment dimensions and EO in Saudi SEs?

**RQ.3:** What are the interactions between EO and the institutional environment with SEs performance?

## **Research Objectives**

1. Explore the current literature on SE and identify factors related to the SE process.
2. Investigate the manifestation EO in the SE context.
3. Examine the influence of the institutional dimensions on the EO of SE firms in Saudi.
4. Investigate the effect of EO on the performance of SEs in Saudi.
5. Examine the moderation effect of EO between the institutional environment and performance of SEs in Saudi.
6. Develop a dual theoretical model of combining IT and RBV to address the research

## **1.5 Contribution of the research**

This research makes a number of key contributions:

Firstly, the study extends the RBV theory by examining the firm performance process as a RBV outcome in the SE context, by investigating the EO dimensions (risk-taking, proactiveness, and innovativeness) influence on SEs performance. EO will aid SEs to gain the support as well as acceptance of multiple stakeholders while seeking to achieve the enterprise's social objective to create the necessary social impact and represent potential success factor and outstanding performance.

Secondly, this study aims to fill a gap in the literature by investigating entrepreneurial orientation (EO) on SEs using a new data set, the literature is not conclusive if EO is usable

without any modifications to its scale in the SE context. Thus, the researcher will test each EO dimension separately to test for positive effects with SE performance.

Thirdly, the study links EO to the IT (Scott, 1995) by exploring the different effects of various dimensions of the institutional environment (regulative, cognitive, and normative), and it particularly emphasises that it can influence EO either positively or negatively depending on the national context.

Fourthly, this study reinforces the more recent efforts in the SE literature that stress the importance of institutional contexts. The findings also draw attention to how developments in the IT and RBV can enhance our understanding of SE as phenomena and how it can help social enterprises thrive in their social quest of transforming societies and creating social value.

Fifthly, this study responds to calls for more research on the relationship between SE and the environment (Bacq & Janssen, 2011; Mair & Martí, 2006) by exploring the relationship between regulative, cognitive and normative institutional environment dimensions (Scott, 1995; Busenitz, Gómez, & Spencer, 2000) and EO in SEs in the Kingdom of Saudi Arabia (KSA). Furthermore, the researcher draws lessons for entrepreneurs, managers and policy-makers on the institutional dimensions that could help to facilitate and develop EO in SEs in the KSA, a country which has seen rapid population growth from 9.74 million in 1980 to 32.28 million in 2016 (World Bank, 2017) and an increase in problems which need to be addressed by SEs (Alzalabani, Modi, & Haque, 2013). Generalizability of the findings and contributions in the broader context of the Middle East and North African (MENA) countries such as Bahrain, Iraq, Jordan, Kuwait, Oman, Qatar, UAE, and Yemen, are presented and by doing so this research respond to calls to investigate institutional dimensions that effect SE activity in this context (Doherty et al., 2014).

Finally, this research will adapt and apply the RBV to have a better understanding of EO effect on performance in SE research. In the approach followed in this thesis the researcher uses the RBV to analyse how EO elements of proactiveness, innovation and risk influence firm performance in SEs while looking at the role of managers of those SEs in managing their firms by taking a competitive advantage actions.

## **1.6 Structure of the thesis**

This thesis unfolds in eight chapters. The context of the research is discussed in Chapter 2. The theoretical perspective of the research is presented in Chapter 3. This includes a review of existing theoretical frameworks that have been used in the SE research. Then a literature review of IT and RBV leads to presenting a theoretical dual model that combines IT and RBV to address SE performance challenges and sustainability. A critical literature review of SE research is provided in Chapter 4. This review includes an examination of key themes in the field and identifying the gaps in the literature and then introducing the research questions and derivation of hypotheses. The research methodology used to answer the research questions is explained in Chapter 5. This includes the research philosophy, strategy and research design adopted for the thesis. Chapter 6 presents a data analysis of the collected data and results, including a discussion of various statistical techniques. This process covered an exploration of the data providing a sample demographic description and key results answering the research questions. In Chapter 7, key research findings are discussed, then in Chapter 8 implications for practitioners and policy makers are presented and limitations of the research are acknowledged and new avenues for future research are suggested.

## **Chapter 2 The Research Context**

### **2.1 Introduction**

This chapter starts by explaining the definition of the word “context” and why the context is important in this research. Thereafter, the chapter presents an overview of the Kingdom of Saudi Arabia (KSA), and a brief history of the kingdom, outlining the cultural characteristics, and the religious and educational landscape in the KSA. The following section reviews the economic development of the Kingdom, the challenges it faces, and the alternatives for its future economic development. There follows a discussion of Saudi Vision 2030, highlighting the social changes in the kingdom influenced by this Vision. The chapter ends with a discussion of the use of telecommunication and social media within KSA and their importance for the micro, small and medium enterprises sector alongside an overview of the small and medium enterprises sector in the KSA.

### **2.2 Defining the context**

The term context is not limited to one field of knowledge. It has been widely explored in the arts and humanities as well as computer science (Dey, 2001), and the definition depends on the field of knowledge where it is applied (Bazire & Brézillon 2005). Different researchers have tried to do justice to the term by viewing it from multiple angles but it remains poorly defined. Schilit and Theimer (1994) have provided one definition of context, explaining that context can be a location, identities of people in this location and objects, and changes to those objects. Others view context as a mix of national culture and values, as well as the representative institutions of

that culture, and those institutions are deemed to be frames of reference that are used by societal members to understand organisations, the environment, and their affiliations with one another (Tang, Kreiser, Marino, & Weaver, 2010).

Bazire and Brézillon (2005) analysed 150 definitions of context collected over the web and discovered that the word has six crucial components, namely: constraint, influence, behaviour, system, nature and structure. When viewing Saudi Arabia through its context, we see a unique culture and norms where people's beliefs and religious practices have remained conserved over decades. A blend of Islam and Arabian culture are factors that have modelled the history and personality of Saudi Arabia (Pharaon, 2004).

This research places significant emphasis on the context because the context can contribute either to the failure or the success of social enterprises, and it can be an impediment or a facilitator to the progress of SE within society. It is imperative to be cognisant of the norms, beliefs and regulatory framework that affect organisations and individuals, and all of these vary across different environments and cultures (Tolbert, David, & Sine, 2011). Cognitive values have facilitated the entrepreneurial culture in Saudi Arabia while normative factors also dictate the approach to entrepreneurship and greatly influence the success of entrepreneurial intentions (Kayed and Hassan, 2010). Some of the factors attributed to these dimensions include: family context, technology conditions, social work, and most importantly societal norms and expectations (Kodithuwakku & Rosa, 2002).

### **2.3 Saudi Arabia: an Overview**

The Kingdom of Saudi Arabia (KSA) is a Muslim country, whose history and character have been predominantly shaped by Islam (Pharaon, 2004). The KSA is located in Southwest Asia, covering 80% of the Arabian Peninsula with an area of around 2,250,000 square kilometres, with 90% of the country consisting of deserts and rocky hills (Saudi Ministry of Foreign Affairs, 2018). Saudi Arabia is considered to be the fifth largest country in Asia and the 13th largest in the world in terms of land size. The population of the KSA has grown from 4,086,539 in 1960 to 32,552,336 in 2017, and 49% of the Saudi population are under 25 years old (Saudi General Authority for Statistics, 2018).

Saudi Arabia includes the birthplace of Islam in Makkah and Madinah, the home to Islam's sacred mosques in Makkah (destination of the annual Hajj pilgrimage), and Madina's Prophet Mosque with the burial site of the prophet Mohammad. The KSA is considered to be the heart of the Muslim world and the lead donor of aid and relief to Muslim countries during times of need, as well as to Islamic causes (Rice, 2004). The KSA is considered a highly ingrained religious state operating on Islamic law commonly called Sharia, which is based on the holy book of Islam—the Qu'ran (Nevo, 1998). The Sharia is more of a moral regulation that has clear guidelines for the personal, commercial, or legal aspects of life (Dadfar, Norberg, Helander, Schuster, & Zufferey, 2003).

The KSA is divided into 13 administrative provinces. The capital city is Riyadh, which is located in the centre of the country while, Jeddah is the country's main port and is located on the Red Sea; and Dammam, on the Arabian Gulf, is the main port for oil exports (Alrashidi & Phan,

2015). The KSA has the world's largest oil production capacity and is the biggest exporter of total petroleum liquids (EIA, 2017).

### **2.3.1 A Brief History of Saudi Arabia**

Historically, the Arabian Peninsula was mostly divided between tribal rulers, with each tribe controlled their own territories. The history of the country of Saudi Arabia, however, is associated with the house of Al Saud (the Saudi royal family). Originally, the founder of the dynasty, Mohammad bin Saud, emerged in 1744 as a tribal ruler of Najd in the centre of the Arabian Peninsula, and his successors expanded Al Saud rule to cover most of the territories of modern Saudi Arabia (Bowen, 2014). The extent of the Al Saud territory fluctuated during the next 150 years (Facey, 1997); thereafter, a period of wars between tribes made the area a dangerous and inhospitable region.

In 1902, Abdulaziz Al Saud (Ibn Saud) moved from his exile in Kuwait in an attempt to regain his ancestors' throne, which started a series of wars resulting in the establishment of modern Saudi Arabia. On the 23 September 1932, Ibn Saud established his monarchy, naming his kingdom Saudi Arabia; and stating that the Holy Quran was its constitution, Islam its religion and Arabic its national language (Alanazi, 1985).

The vision of King Abdulaziz was to build the foundations of a modernised country. The discovery of petroleum on 3 March 1938 in time ensured the funding to execute the king's vision of moving the country from its Bedouin lifestyle to a modern one, with advanced education and health care while building the kingdom's infrastructure that his successors promised generation after generation (Alanazi, 1985).



### 2.3.2 Culture

Bedouin tradition (which includes values like justice, loyalty, status and generosity) and religion are two factors that have a great impact on the culture in the KSA. Living, as they do, amongst the holiest places in Islam, the people of Saudi Arabia tend to have a strict understanding of the religion (Robertson, Al-Khatib, Al-Habib, & Lanoue, 2001). Being the custodian of prophet Mohammad's mosque in Medina and the Grand Mosque in Mecca gives the KSA a leadership role in the Islamic world (Rice, 2004), representing over one billion Muslims in the world (Pharaon, 2004). In Saudi Arabia, children are raised to be custodians of their culture. Children are also encouraged to maintain close ties with their families, unlike the individualistic lifestyles of Westerners. In this context the young respect the old and elder family members are usually involved in all aspects of younger family members' personal and professional lives (Al Mutair, Plummer, O'Brien, & Clerehan, 2014). Saudis value their national clothing by always wearing them in formal occasions. The government encourages their employees to wear national dress within the workplace and when facing the public (Rice, 2004).

Modern Saudi Arabia has existed for over 100 years and has evolved into a modernised monarchy from the hitherto tribal union (Quamar, 2015), but its society still upholds core Islamic values (van Geel, 2016) and tribal identity. The diversity of the gender roles among families depends on factors like the level of education, socio-economic class, and urban-rural background (Alhussein, 2014). The social life in Saudi Arabia is still—to some extent—structured by Arab cultural tradition and tribal allegiances, which have, over the centuries, become aligned to Islamic practices. Thus, in many cases it is difficult to differentiate between Arabic customs and Islamic ones (Al lily, 2011). It can be recalled that the Saudi revolution was directed toward modernising

social structures and cultural traditions that were considered Islamic aberrations (Aldossry and Varul, 2016) for example Saudi women are used to wearing black Abaya (over garment robe), which is not an Islamic law but has become a cultural habit, albeit one that women are now moving away from by starting to use different colours.

Saudi society has some core values, including hospitality, helping the needy, honour and kindness towards one's own tribal members. High value is also placed on respect for authority, the family elders and the tribal head. Special importance is attached to certain members of society, depending on their tribal affiliations, age and connections (Sidani & Showail, 2013). Loyalty to family is followed by loyalty to tribe and nation. Hence, family loyalty is the most potent force in Saudi Arabian society (Rice, 2004). Even though Saudi society has to a large extent embraced Western technology, traditional values still hold a lot of importance (Ali & Al-Shakis, 1985). In all these regards the KSA differs from Western cultures, according to Hofstede's cultural dimensions, in having a high collectivism, high power distance, masculinity and uncertainty avoidance culture (Alamri, Cristea, & Al-Zaidi, 2014: Hofstede, 1980)

### **2.3.3 Religion in Saudi Arabia**

The KSA is an Islamic state according to its basic law, and it regards the Qur'an and the Sunna (the way of the prophet) as its constitutions (Al-Fahad, 2005). It is important to note that the KSA does not have a formal constitution. Instead, laws are resolutions passed down by the Council of Ministers, which have to be in tandem with Sharia (Rice, 2004). The August 1971 decree placed the Council of Senior Ulema at the head of official religious affairs. The council

members, as the name suggests, are highly knowledgeable in Sharia matters. Next in rank in the pyramid of religious leadership is the Supreme Judicial Council, established in 1975 (Alsaif, 2013).

Religion affects the lives of the citizens and residents of the KSA in numerous ways, including business, social behaviour and politics (Rice, 2004). Two examples of this influence are the practice of gender segregation in schools and universities (Asiri, 2012), and the patriarchy practiced in Saudi Arabia. The patriarchal mentality means that males and the elders are financially responsible for the younger relatives and women, and the financial contributions of women and children are considered secondary (Joseph, 1996). In recent times, however, the role of women in education, business and the workforce has increased at all levels (Bowen, 2014).

Following the guidance of the Qur'an, a Muslim has five basic obligations (five pillars): the oral proclamation of one God and Mohammed as his prophet, praying five times a day, giving alms (Zakat), fasting, and a holy pilgrimage to Mecca (Abudabbeh, 1996). Corporate organisations have a religious obligation and social responsibility which they fulfil by paying the Zakat (almsgiving). Zakat is the third pillar of Islam and it is a religious obligation that individuals have to give to the poor and people in need. The payment of Zakat depends on the wealth of the payer, in the case of business enterprises Zakat is 2.5% of the enterprise's net profits. In the KSA, Zakat is mandatory on business enterprises and is collected by the Zakat and Income Tax Department (Al-Sakran, 2001).

The KSA is regarded as a religious monarchy, meaning that the clergy has a strong influence on the state's political structure and functioning. Clergy members also hold prominent government and social positions (Quamar, 2015), and there is a strong relationship between the

clergy and the Saudi royal family, dating back to 1744 (Alrebh, 2017). Even though the KSA holds strongly to its ancient traditions and religious values, the country's lifestyle, especially in larger cities, is high-tech and ultramodern (Rice, 2004). In modern times, it is likely that one would find cultural practices there that are disconnected from, and in some instances contradictory to, religion.

Saudi Arabia makes use of the Islamic lunar calendar, and Eid al-Adha and Eid al-Fitr (Islamic holidays) are of great religious significance (Aldossry & Varul, 2016). Eid al-Fitr is a celebration of the end of the month of Ramadan, arguably the holiest month in the Islamic calendar. In the month of Ramadan, Muslims fast, not consuming food or water from dawn until dusk. Visitors are also expected not to drink, eat, or smoke in public during this time (Rice, 2004). Lifestyle changes in the month of Ramadan in the KSA, for example the corporate working hours are less than other months because of fasting, Restaurants are closed during the daytime due to fasting and most shops are open until 1 a.m. Advertising and promotional activities by different businesses also increase during the month of Ramadan (Rice, 2004), similar to the Christmas season in the west.

Shops are closed five times a day for thirty minutes at prayer times due to sociocultural norms (Rambo, Liu, & Nakata, 2009). The KSA is the only Islamic country where shops close at prayer times. Although the faithful Islamic worshipper is obliged to pray five times a day and fast during the holy month, Islamic law makes an exception for sick and elderly people, pregnant women, or those who are traveling (Fabiatti, 2000).

#### **2.3.4 The Education System**

In the KSA, the government provide free public education from elementary through to secondary level to both Saudis and non-Saudi students, while public universities pay their Saudi students a monthly allowance (Alamri, 2011). All university students have to take Islamic studies and Arabic; and these subjects are compulsory for all specialities in a bachelor degree (Elyas & Picard, 2013). The religious content of the school curriculum in the KSA is also high (Jamjoom, 2010).

The Saudi education system is dominated by passive learning, memorization while not questioning the accuracy of the information given and imposing irrelevant information for students lives and careers (Hamdan, 2014). meanwhile, the Saudi education system, both in school and universities, does not support independence, critical thinking and creativity (Elyas & Picard, 2013). Researchers have found that the Saudi University curriculum lacks entrepreneurship education, It is important for universities in the KSA to take entrepreneurial training and programmes on entrepreneurship seriously by providing courses that educate students in this area (Iqbal et al., 2012).

Allamnakhrah (2013) raised a concern around the lack of critical thinking among not only the students but even teachers, he further stressed that “Saudi youth lack appropriate knowledge and training and recommend a greater emphasis in education on critical thinking to assist youth to overcome destructive influences by enabling them to distinguish between reason and rhetoric.” (p.202).

In addition to regular universities in the KSA there are Islamic universities. Judges who are experts in *sharia* laws are taken from religious universities to uphold *sharia*-based judgements (Al-jarbou, 2004). Riyadh's Imam Mohammad bin Saud Islamic University and Medina's Islamic University are the two universities that graduate Islamic scholars and experts in sharia law (Alsaif, 2013). In the first decade of the twenty-first century by educational reforms including a reduction of the total curriculum percentage of religious subjects that used to account for 40% of the total curriculum (Allam, 2011). The KSA government gives education great importance by allocating a large amount of the yearly governmental budget to education and this budget has not suffered much financial cuts compared with other sectors in recent years (Alrashidi & Phan, 2015).

## **2.4 The Economy**

The discovery of oil prompted the KSA government to plan developmental projects with the aim of modernising the country (Zain, Kassim & Ayub, 2016), especially from the 1970s when the revenue from oil increased significantly (Alkharashi, 2012), with the oil revenues during this oil boom period providing the funds for the modernisation of all aspects of the country (Martorell, 2012). Saudi GDP grew from around 4 billion USD in 1968 to 750 billion USD in 2015, while the population grew from around 4 million in 1960 to 32 million in 2016 (World Bank, 2018).

The KSA possesses 20% of the world's oil reserves, it is considered the world largest exporter of total petroleum liquids, and has a crude oil production capacity at around 12 million barrels per day, which is the world's largest (EIA, 2017). The KSA is also considered to have the sixth largest natural gas reserves in the world (World Energy Council, 2014) and is part of the G20 countries (largest 20 economies in the world). Overall, the large hydrocarbon reserves and

production capacity allowed Saudi Arabia to play a key global, economic and geo-political role (Olayele, 2015),

Saudi Arabia's economy is heavily dependent on oil and most of its government's revenues are oil-based revenues. This dependence on oil generating income means that Saudi Arabia's economy is highly affected by fluctuations in the international oil price; thus, whenever oil prices decrease, the kingdom revenues fall, affecting economic growth. The country has been able to remain resilient irrespective of oil fluctuations, however, due to its large foreign reserves (Elachola & Memish, 2016).

Oil made up over 77% of the nation's exports in 2017 (STAT, 2018) and proceeds from oil account for about 80% of the KSA's revenues. The crude refineries in Saudi Arabia are among the most advanced in the world, and it has the lowest crude oil production and refining cost globally (Miller, 2017). It is one of the most reliable and reputable oil suppliers, with the ability to increase production by up to 35% at short notice without adverse effects on its plants or reserves. Revenue from oil has been invested to develop infrastructure, including roads and transportation, modern telecommunication, schools and universities, and hospitals, leading to modernisation of the country (Al Mallakh, 2015).

#### **2.4.1 The Economic Challenges**

The KSA is facing several economic challenges due to its dependence on oil and welfare strategy. Subsidies on low-cost fuel, air fares, telecommunications, education, housing, medical services, and the absence of meaningful taxation affect the nation's budget negatively (Pharaon,

2004). The growing young population of the KSA, an overdependence on foreign labour and a significant decline in per-capita income from oil, presents a unique problem to the economy of the nation as the twenty-first century progresses. The KSA witnessed an average population growth of 3.67% from 1998 to 2002, whereas the average growth in Gross Domestic Product (GDP) for the same period was 1.8% (Mahoney & Alboaouh, 2017).

The absence of lakes and rivers, coupled with low rainfall, means that fresh water is scarce in the Kingdom (Mahoney & Alboaouh, 2017) that means water security is a challenge for the country. The KSA government has therefore invested in seawater desalination water plants, and since 2005 these have produced about 70% of the country's water needs, making it the world's largest desalinated water producer with 18% of the global output (Rambo et al., 2017). The average water consumption in the country is also twice the global consumption rate, with household demand growing 7.5% annually (Tago, 2014) due to the growth in population the government needs to expand those desalination water plants to keep up with the local water demand.

Low foreign direct investment is also a serious problem in the KSA; there are limited job opportunities in the private sector. A majority of the population works for government sectors or serves in the army, meaning that about 50% of the government budget is directed towards salary payments (Mustafa, 2014). The need for economic diversification is also a key security challenge facing the nation.

Another major problem the nation has to deal with is high unemployment rates, according to the Saudi General Authority for statistic the unemployment rate of 2017 was 12.6%. The Ministry of Labour initiated a saudization program named "Nitaqat" in 2011, however



unemployment rates among Saudis have not decrease since the implementation of the program. One of the reasons could be due to the plunge in the Saudi education system. Studies by the World Bank and International Labour Organization showed that students are not adequately educated for their future jobs, which is affecting their economic relevance (Pharaon, 2004).

#### **2.4.2 Economic alternatives**

Religious tourism could play an important role in the economy of the KSA. Some verses of the Qur'an endorse traveling for spiritual goals. Also, the *Hajj* (or pilgrimage) to Mecca is one of the five pillars of Islam which all Muslims must achieve, excepting those who are physically incapacitated (Zamani-Farahani & Henderson, 2010). In 2017, about 6.75 million pilgrims from around the world visited Saudi Arabia for *Hajj* or *Umrah* (STATS, 2018). Whereas Hajj is a religious mandate, *Umrah* is a voluntary trip (Henderson, 2011). Saudi officials are paying more attention to the role of tourism in the economy as a way of lessening the country's reliance on oil profits (Zamani-Farahani & Henderson, 2010). Although religious tourism has economic benefits, the organisation and management of pilgrims, including shelter, food, and transportation, also costs the government a lot of money.

Besides oil, on which the KSA's economy is highly dependent, the country has the opportunity to enhance its economy by investing in mineral mining, protecting and encouraging direct foreign investment, and investing in research and development (Mahoney & Alboaouh, 2017). Even though the KSA is not known for its mining, it is rich in minerals, which are mostly clustered in the western side of the kingdom in the geological setting of the Arabian Shield where the government has established infrastructure to support industries around the extraction of

minerals such as Aluminium, Copper, Gold, Silver, Iron, and Zinc (USGS, 2014). The Vision 2030 aims to increase production of metals by tenfold.

The Saudi domestic consumption of energy has been rapidly increasing over the years, and it is the world's tenth largest consumer of total petroleum energy in 2016 at 266.5 million tons of oil (EIA, 2017). In 2016, therefore, the government of Saudi Arabia increased the price of domestic energy by gradually lifting the subsidy on energy prices in an effort to reduce the local energy consumption (Matar & Anwer, 2017). Up until 2016, there was no direct taxes in the KSA except for fees on imported goods and the Zakat (Mahoney & Alboaouh, 2017).

### **2.4.3 The Saudi Vision 2030**

The KSA launched the Saudi Vision 2030 in 2016, which contained the nation's strategic plan for the next 17 years. The Saudi Vision 2030 has three themes: (1) A vibrant society, (2) A thriving economy and (3) An Ambitious Nation, and aims to diversify the Saudi economy away from its oil dependency. To execute this ambitious vision for socio-economic development and growth, the government set up six programmes, namely, the National Transformation Programme 2020, fiscal balance programme, public investment fund programme, privatisation programme, Quality of Life programme, and financial sector development programme (Nurunnabi, 2017; Alshuwaikhat & Mohammed, 2017).

The National Transformation Programme (NTP) 2020 and Saudi Vision 2030 aim to extend the means of income for the Saudi economy beyond the traditional reliance on oil (Alturki, Khan, & Alsharif, 2018). As a part of Vision 2030, the Kingdom aims to expand manufacturing sectors other than oil (Alturki et al., 2018). Specifically, the Kingdoms expects that, by 2030, it will have enhanced its percentage of exports other than oil products in non-oil-based GDP by

34% (Council of Saudi Chambers, 2016). This target encourages the establishment of new industries like mining and the growth of others like tourism, technology and defence (Alshuwaikhat & Mohammed, 2017). Accordingly, the yearly funds given to the Industrial Development Fund have increased since the inception of Vision 2030 (Alturki et al., 2018). Furthermore, to support these objectives, the Kingdom is focusing on developing infrastructure like ports, railways, renewable energy plants and road networks (Alshuwaikhat & Mohammed, 2017). The vision also entails a goal of increasing the contribution of SMEs, the private sector and the non-profit sector to income of Saudi Arabia from 20% to 35%, 40% to 65% and 1 to 5% respectively (Council of Saudi Chambers, 2016).

With this Vision, the country is undergoing major changes, and the behaviour of the people is also changing, with urban dwellers in Saudi Arabia now more open to modernisation and Westernisation as long as they are not contradictory to the religious and cultural values of the nation (Zain, Kassim & Ayub, 2016). This gradual change in the behaviour of the Saudi Arabian people, particularly the youths, is subtly linked to the effect of online socialisation and media sharing (Xanthidis, Alali & Koutzampasopoulou, 2016).

Interestingly, one of the objectives of the Vision is to double the amount people spend on entertainment activities (Council of Saudi Chambers, 2016). The General Entertainment Authority was formed in 2016; it is notable that this authority has planned around 5000 events to be held in the Kingdom in 2018 (Smith, 2018). Concerts are now also taking place in the country (Sini, 2017), which is contrary to the cultural norms that Saudi Arabians have been used to for years. In 2016 a new law was also announced reducing the power of the religious police (BBC, 2016).

The KSA government has also relaxed laws restricting women's participation in public life (Smith, 2018). The most visible was the royal decree issued by King Salman in September of 2017 granting women the right to drive from the 24<sup>th</sup> of June 2018 (Hvidt, 2018), and women have also been allowed to watch football matches in stadiums (BBC, 2018), while sports are now allowed in girls' schools.

One of Vision 2030 objectives is increasing women's participation in the workforce. To achieve this goal the Saudi education system is looking to expand the offering of subjects taught at universities for females to reduce the shortfall in the labour market for university graduates in subjects such as engineering, political science, film and media. Accordingly, on February 6, 2018, the council of ministers approved the opening of the first female engineering college at Princess Nourah University (an all-female University in Riyadh) (SPA, 2018). While, Effat University in Jeddah has established degrees in visual and digital production and established the first visual and digital production accelerator in the KSA in 2018 (Okaz, 2018).

#### **2.4.4 The Use of Telecommunication and Social Media within Saudi Arabia**

Telecommunication and social media are two of the invasive technologies that have been able to penetrate Saudi Arabia's conservative culture, leading to growth in the economy and Internet usage (Makki & Chang, 2015). Finding a balance between Internet use and Islamic values and Saudi tradition continues to pose a great challenge, however (Albugami & Ahmed, 2016). In 2014, the Saudi Arabian Communications and Information Technology Commission (CITC) carried out a survey involving three thousand participants, with the results showing that 90% of respondents used social networks and 80% used mobile Internet services while Internet usage has grown from 13% in 2005 to 64% in 2014 (Alothman, Robertson, & Michaelson, 2017).

The number of Internet users in the KSA has increased rapidly reaching 24 million at the end of 2017, with an internet penetration of 74.88%. This increased demand is due to the high usage of social media applications (according to the Ministry of Communications and Information Technology, 2017). In 2016, 21.7 million people accessed the internet through their mobile phone (statista.com) being a highly connected country with a young population and social media adoption above global averages. Furthermore, Saudi Arabia has been ranked as the seventh highest social media user globally (Arab news, 14 Nov 2015; Go Gulf, 18 Jan 2016). Saudi Arabia is ranked first globally in YouTube views per capita with 90 million views a day (Ensour, 2015)

In a study by Indrupati and Henari (2012), a total of 98% of fifty entrepreneurs from the Gulf region, including Saudi Arabia, believed that their social network presences were helping their businesses. They also claimed that social media lowered the funds they had to spend on advertising and retail promotions by up to 90%. Beyond advertising, they also reported that it helped to promote social discussions on their pages, which eventually lead to profit in the form of improved sales. The entrepreneurs also reported that they could target and segment their market more effectively with the help of social media. Another recent study by Al-Ghamdi (2018) also showed a rise in the use of medical apps installed on smart devices by patients to communicate with physicians. The use of medical apps is also perceived to have a positive impact on educating patients, increasing patient care, and improving physicians' efficiency.

#### **2.4.5 Micro, Small and Medium Enterprises in Saudi Arabia**

According to Audretsch, Boente and Tamvada (2013), engagement in entrepreneurship like self-employment is also affected by religion. The authors argued that whereas Jainism and

Islam permit self-employment activities, Buddhism and Hinduism do not. Islam does not oppose entrepreneurship in the Western sense as an economic activity so long as it has a moral and ethical foundation (Kayed & Hassan, 2010). The behaviour and decisions of an entrepreneur may be affected by religion, including their expectations (Weaver & Agel, 2002). Generally, Islam has a positive perception of entrepreneurship and Kayed (2006) explains that Saudi entrepreneurs believe Islamic values promote entrepreneurship. Some of the factors attributed to these dimensions include: family context, technology conditions, social work, and most importantly societal norms and expectations (Kodithuwakku & Rosa, 2002).

The role of microenterprises and of small- and medium-sized enterprises (SMEs) in the income, employment and growth of the Saudi economy cannot be overlooked. SMEs account for 62% of employment and 99% of overall establishments, which tallies with the global average of 60 to 75% (GCF, 2015). The KSA's interest in and dedication to supporting SMEs was made evident in the Seventh Development Plan (1999–2004), whereas the Eight Development Plan (2005–2009) focused on how SMEs can contribute to the actualisation of the Saudi development plans (Almahdi & Dickson, 2010). Since the ninth Development Plan (2010-14), the government has been actively seeking to diversify the economy. One of the major goals of this diversification plans is to increase the private sector GDP. This movement by the government to promote entrepreneurship since 2010 shed light on role models of successful entrepreneurs, and this has encouraged more people to be entrepreneurs. Recently the 2030 Vision has aimed to increase the number of SMEs and the Saudi government established the Small and Medium Enterprises Authority in 2015 to support this sector to increase their productivity and their contribution to the GDP.

It is important to understand how those SMEs are affected by the Saudi context therefore, how the institutional environment effect those SMEs. The institutional environment has three dimensions: cognitive, normative and regulatory (Scott, 1995, 2007). These three dimensions can affect an entrepreneurship and SE in different ways, and religion has the power to influence institutional systems (Audretsch et al., 2013). While the cognitive dimension is made up of attitudes and shared social knowledge (Audretsch et al., 2013). The normative dimension has to do with the social norms that affect the behaviour of entrepreneurs (Bruton, Ahlstrom, & Han-Lin, 2010). The regulatory dimension, meanwhile, refers to the totality of all the laws and government policies that can make or mar the decisions of an entrepreneur (Busenitz, Gómez, & Spencer, 2000).

Islam is supportive towards entrepreneurship because the teachings of the Quran promote self-employment and encourage Muslims to engage in business activities (Audretsch et al., 2013). Islam promotes *bai* (trade) and prohibits *riba* (interest) and bases its principles on Sharia law's risk-sharing (Khan, 1996). These aspects help promote self-employment in the Islamic world, the end objective being *falah* (the well-being of the individual in the present life and beyond) (Kayed & Hassan, 2010). The concept of welfare is materialistic as well as spiritual, which is somewhat particular to Islam.

Research findings on Islamic entrepreneurs also show that religion contributes to entrepreneurs' motivation and commitment to business activity that are socially responsible (Balog, Baker, & Walker, 2014) which has close ties to social entrepreneurship practices. Families and parents usually encourage their children to start a business, and a student's attitude towards entrepreneurship can be affected by the opinion of their parents, on whom they rely for

financial support, especially in the Saudi family structure and culture (Iqbal, Melhem, & Kokash, 2012). Kayed and Hassan (2010) found out that entrepreneurs in Saudi Arabia often view entrepreneurship as an economic and religious commitment intended to generate lawful income for themselves as well as contributing to the well-being (*falah*) of Muslim nations at large.

## 2.5 Summary

This chapter has sought to introduce the reader to the context of this research, which is the Kingdom of Saudi Arabia. The chapter started by providing an overview and a brief history of Saudi Arabia while focusing on essential characteristics, population, culture, religion and economic environment. It is argued that, to understand the Saudi context, its cultural structure, as well as the political and religious environments, must be understood. To understand the social system in the KSA, which is very different from Western systems, one must understand the impact of religion, families and tribal and cultural values on the individual, organisations and the society.

This chapter also discussed the economy of the KSA, the economic challenges it faces and economic alternatives leading to the Saudi Vision 2030 that seeks to transform the KSA from an oil dependent economy to a diversified economy. The changes in Saudi society in the past few years cannot be ignored and the impact that they have had on the citizens of the country can be described as transformational on the social structure, as well to the personal or organisational level.

The chapter also focused on the use of telecommunications and social media within the KSA; being one of the countries with the highest levels of Internet penetration in the world and



at the forefront in the use of social media by organisations. Finally, the micro, small and medium enterprises landscape in Saudi was discussed, focusing on the effect of religious attitudes towards starting an enterprise. The next chapter will introduce the theoretical framework of this study.

## Chapter 3 Theoretical Perspective

### 3.1 Introduction

SE is considered an emerging field of study (Bacq & Lumpkin, 2014; Bornstein, 2007; Nicholls, 2010) that was initiated three decades ago (Choi & Majumdar, 2014). SE can be defined, according to Mair and Marti (2006), as “a process involving the innovative use and combination of resources to pursue opportunities to catalyse social change and/or address social needs” (p. 37). The field of SE has attracted enormous attention, but the term remains poorly understood (Dacin & Dacin, & Tracey 2011; Grimes, McMullen, Vogus, & Miller, 2013), and there has been no agreement among researchers on its specific definition (Choi & Majumdar, 2014; Light, 2005; Peredo & McLean, 2006; Short, Moss, & Lumpkin, 2009). Zahra, Gedajlovic, Neubaum, and Shulman (2009) reviewed 20 definitions of SE. Definitions can range from narrow to broad. One group of researchers referred to social entrepreneurship as a means to create social value (Austin, Stevenson, & Wei-Skillern, 2006; Mair & Marti, 2006), whereas another group defined it as a method to drive social transformation (Seelos & Mair, 2005).

Austin et al.’s (2006) study confirmed that SE’s theoretical foundations have not been adequately explored. Not surprisingly, Dacin, Dacin and Matear (2010) stated that the conceptual debate held back theory-based advances in the field of SE. Choi and Majumdar (2014) sought to close this gap in the SE literature by proposing a cluster concept understanding to help advance SE as a coherent field of research where “a universal definition that would be accepted among contestant parties is hardly possible” (p. 1). However, recognising SE as an essentially contested concept does not suggest that the definitional debate will be over (Miles, 2012; Okoye, 2009), as

the theory of essentially contested concepts has been criticised in the academic literature by Gray (1977), Clarke (1979) and Collier, Hidalgo, and Maciuceanu (2006).

On a different note, often researchers investigating the theoretical framework of SE work independently (Smith & Woodworth, 2012). Working independently is one of the major challenges that led to controversies in the theoretical framework of this field. Stephan et al. (2015) asserted that researchers fail to build upon each other's work. Hence, there is a lack of consistency in this field. The theories used in descriptions of this concept are often vague and incoherent (Corner & Ho, 2010). As such, the development of these theories results in controversial information. For example, many scholars have tried to define the concept of SE, and each scholar uses different dimensions to characterize this concept (Smith & Woodworth, 2012). This has resulted in the emergence of many controversial definitions, leading to the lack of a suitable working definition for social entrepreneurship (Dacin, Dacin & Matear, 2010).

Incorporation of theory so far has been underemphasized in SE research (Haugh, 2012; Newbert, 2014). Short et al. (2009) implied that SE research has had minimal progress in theory development and suggested that SE has common areas with other management issues such as entrepreneurship, public and non-profit management, and social issues. Therefore, researchers should embrace established theories to frame their research. Arend (2013) suggested that broader theories of entrepreneurship and organisation can help with developing a more complete theory of SE, whereas SE scholars such as Dacin et al. (2010) have suggested using organisation theories. Mair and Marti (2006) explained, "The variegated nature and multiple expressions of social entrepreneurship make it a fascinating playground for different perspectives and literatures and, at the same time, suggest that it should be studied through diverse theoretical lenses" (p. 39).

Agreeing with previous views of using an established theoretical framework to build a solid foundation for SE research, previous literature works have borrowed from the theoretical perspective of economics, anthropology, sociology and psychology (Haugh, 2012; Short et al., 2009). Looking for the most suitable theoretical framework for this research as the objective of this study is to add to our knowledge of the nature and practice of the social entrepreneur in a developing country such as Saudi Arabia. This chapter attempts to advance the SE field, first reflecting on the theoretical space of SE by comparing a variety of established theoretical lenses previously used in SE research, and then choosing the most appropriate lenses — institutional theory (IT) and the resource based view (RBV) — to use in this research to increase the understanding of SE in the context of Saudi Arabia. This research proposes several theoretical contributions to the IT literature by: first addressing the effect of institutions on the establishment of organisations. Second, by studying the effect of institutional environment on firm performance. Third, by focusing on the effect of informal institutional logic (such as religion and family) on the SE activity. Fourth, presenting a theoretical dual model of combining IT and RBV to address SE challenges and sustainability. This chapter thereafter highlights the main assumptions of IT and RBV that will be reflected on and discussed further to reach a combined theoretical model where IT and RBV complement each other to answer the research questions of SE challenges and sustainability in the context of Saudi Arabia.

## **3.2 Investigating Social Entrepreneurship Theoretical Framework**

### **3.2.1 Use of Theories in Social Entrepreneurship Research**

SE is the use of different approaches and opportunities to create solutions to social problems and thus change society for the better (Corner & Ho, 2010). There is no doubt that interest in SE research has increased in recent years. However, the field has had numerous theoretical challenges that have led to controversies over what this field entails. Mueller et al. (2015) asserted that scholars are aware of this drawback and they are working to overcome the lack of theory in SE. Granados, Hlupic, Coakes and Mohamed (2011) suggested that SE could gain a conceptual basis if it is viewed as a unique context in which the already existing theories are used in exploration of this phenomenon. It is essential to identify a definite theory to predict and explain SE. The research on SE theories helps to inspire researchers in theory building, and thus resolve the controversial information about SE (Stephan et al., 2015).

Numerous controversies exist regarding what should be considered SE, who are social entrepreneurs, and what these entrepreneurs do (Smith & Woodworth, 2012). In the process of trying to make this discipline unique and distinctive from the larger discipline of entrepreneurship, researchers propound different theories. However, Corner & Ho (2010) claimed that these theories have not led to a consensus on the most influential, descriptive and valuable theoretical framework that gives validated information about SE. Muller et al. (2014) suggested that different theories put forward have different explanations, assumptions, and information about what SE entails. Theories used in SE are not generalised so far (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010). This section outlines the main theories used in

SE research in the past decade. These theories attempt to provide a rational explanation of SE and then identify and discuss the main theories. These theories include structuration theory, resource dependency theory (RDT), agency theory, the RBV, institutional theory and social change theory, among others.

Structuration theory is one theory used in exploring the concept and context of SE (Chell, 2007). According to Murphy (2008), this theory tries to distinguish SE from entrepreneurship. Stephan et al. (2015) argued that SE is only involved in social welfare with the aim of improving the quality of life for members of society. Additionally, it is impossible to separate the social context and social agents from the structure, which is the society (Stephan et al., 2015). According to Short et al. (2009), the structure or the society enables the action of social welfare to take place. Additionally, the structure and the social agents may not perform efficiently when any of the components is not available (Meyskens et al., 2010). Therefore, the society, structures and the social actors must work interdependently to initiate the necessary change in society (Smith & Wood 2015). The theory is process oriented — hence it ensures that the actors and the structure should act cohesively (Mair & Marti, 2006). The interaction of resources, structures and institutions is crucial for social entrepreneurship to thrive. The theory gives a crucial platform to support the understanding and examination of the operational status of SE (Stephan et al., 2015).

Granados et al. (2011) criticised the structuration theory based on its lack of clear explanations on how structures and actors work together to bring about change in society. The theory is vague in that it does not explain how other factors such as resources, institutions and activities are useful in SE (Short et al., 2009). In addition, the theory does not give elaborate explanations on the relationship of the social agents to the social institutions and society (Corner

& Ho, 2010). The social actors work in societies, which have different structures that could influence the process of social entrepreneurship (Smith & Woodworth, 2012). Therefore, this theory is unclear regarding the definite relationships of the actor and the society in the process of SE.

On the other hand, it is important to note that SE is an endeavour that aims at changing the quality of life. According to Nicholls (2006), social change occurs in society with the aim of creating better life opportunities. Additionally, according to Smith & Woodworth (2012), social change theory is useful in exploring the operational function of SE. Social change is achievable when all the structures, resources and social actors of the society work collectively (Mair & Marti, 2006). As such, SE is attainable when the society is ready to accept and embrace the desirable change (Zeyen et al., 2013). Social change theory is vague in explaining SE; the theory does not elaborate on how change is achieved in a society (Dacin & Matear, 2006). In addition, SEs are mainly concerned with changes that benefit society. As such, social change theory only illustrates the importance of change and different factors useful in initiating change (Mueller et al., 2015). It does not explore how different elements and components such as resources, institutions, actors and activities work together to create social value as well as initiate intended change in the society (Smith & Woodworth, 2012). Moreover, the theory does not give in-depth explanations of how SE initiates change and the important components used to transform the society to better standards (Stephan et al., 2015).

SEs act as social agents who initiate necessary change for positive transformation in society (Zeyen et al., 2013). In this view, IT proposes that actors try to construct or shape institutions by creating or transforming systems that support attainment of SE goals (Short et al.,

2009). Integration of institutions and resources enables cohesive and effective functioning of SEs, hence enabling achievement of the goals of SE (Meyskens et al., 2010). Normally, IT focuses on the use of resources in different institutions to enhance change. It is crucial to keep in mind that formal and informal institutions are important in social service delivery in a society (Stephan et al., 2015). Social change is a process that requires the incorporation of different elements such as institutions, actors and resources. Thus, SE activities can be achieved when these elements work together (Smith & Woodworth, 2012). IT is criticised based on its lack of clear conceptual framework regarding how different institutions partner to bring social change (Granados et al., 2011). In addition, the theory does not offer clear information on how different elements work together to initiate the necessary change.

Agency theory, as used in SE, espouses on the importance of organised relationships between social actors and the activities undertaken (Stephan et al., 2015). The theory assumes that social interests motivate social agents. These interests help actors to undertake SE activities to bring about social change (Smith & Woodworth, 2012). When the social actors share common interests, they act cohesively for the benefit of society. However, this theory is not explicit in its explanation of the SE concept. Objecting to this theory, Nicholls (2010) asserted that it relies solely on the social interests of the social actors. Therefore, when the social actors have conflicting interests and ideas, they do not act within the context of SE (Meyskens et al. 2010). In addition, the possibility of different interests between different social actors is high; hence, they may not accomplish the goals of SE (Stephan et al., 2015). Nor does the theory consider other important factors such as resources, activities, institutions, capabilities and innovativeness — which all may affect SE (Nicholls, 2010).



In contrast, resource dependency theory (RDT) explains how the external resources of an organisation affect the behaviour and activities of the organisation (Granados et al., 2011). In SE, resource dependency theory assumes that resources are an important tenet for the efficient management of organisations and institutions in society (Smith & Woodworth, 2012). These external resources include labour, materials and finances, among others. Therefore, for social entrepreneurial activities to be successful, resources should be available. The external resources vary depending on the task, problem, society and context in which social actors want to bring change. The theory shares some aspects with IT. Additionally, social actors that lack essential resources seek to establish relationships with other institutions and actors to attain the resource and achieve their goals (Stephan et al., 2015). RDT does not explore the concept of social entrepreneurship from the wider perspective (Mueller et al., 2015). Resources are essential to implementing change, but they ought to incorporate internal, external, tangible and intangible resources. In addition, change cannot be achieved using external resources only (Meyskens et al., 2010). Other factors such as the society, the actors, institutions and resources, among others, must be incorporated to enhance change.

The RBV is rarely used in SE research (Meyskens et al., 2010). SE is a vibrant endeavour, especially in environments with scarce resources and areas where social problems are abundant (Granados et al., 2011). In this view, it is essential to have access to tangible and intangible resources that initiate change in society (Meyskens et al., 2010). As a result, access to resources enables effectively carrying out social entrepreneur activities (Smith & Woodworth, 2012). Therefore, the RBV is crucial because it supports analysis of social ventures, activities and goal attainment by the effective use of resources in SE (Stephan et al., 2015). However, it is important

to make it clear that the RBV does not focus solely on performance of resources as explained in resource dependency theory (Granados et al., 2011). The RBV focuses on the inputs, tangible and intangible resources, activities and outcomes in an organisation. The activities and tangible and intangible resources flow within the social ventures and help social actors to initiate the necessary change (Stephan et al., 2015). In explaining SE, the theory, therefore, ensures that resources are combined with different activities to achieve social goals and create social welfare (Meyskens et al., 2010). This theory is criticized because SEs do not focus on resources only. Other factors, such as institutions and structures, are essential in order to initiate change in the community. In addition, the theory does not explain the performance of SEs when resources are available or not (Granados et al., 2011). The theory lacks rigid explanations of the behavioural changes of organisations involved in SE activities (Mueller et al., 2015).

### **3.2.2 Criticism of Theories Used in SE**

SE is at the infancy stage of development compared to the larger entrepreneurship field (Granados et al., 2011). However, confusion exists in the theories explaining SE as an economic and social endeavour (Mair & Marti, 2006). The research theories used to describe SE encounter different criticisms. There is no generalized theory that is currently useful in explaining SE in an effective manner (Granados et al., 2011). Researchers are still engaging in the research process as a way of generalizing the theoretical framework of this field (Mueller et al., 2015). Theories such as RDT, agency theory and structuration theory fail to address the all-inclusive issues, elements and components of social entrepreneurship in a comprehensive way (Nicholls, 2010). The theories used in explaining SE such as RDT, structuration theory, agency theory, among others, are fragmented and lack a rigid and effective theoretical framework (Corner & Ho, 2010).

It must be pointed out that existing theories can offer a better platform for the development of SE than trying to come up with new theories (Mueller et al., 2015). The use of existing theories is more effective than the development of new theories because this field already lacks a theoretical framework (Lumpkin, Moss, Gras, Kato, & Amezcua, 2013). At the same time, some researchers argue that the existing theories have not addressed SE successfully, thus building on the already established foundation offers an opportunity for an efficient theoretical framework (Smith & Woodworth, 2012). According to Granados et al. (2011), existing theories can offer an opportunity for critical and thorough analysis, examination, testing and generalization. These theories should elaborate on the sharper and well-bounded knowledge of the SE discipline as an independent field (Mueller et al., 2015). Therefore, existing theories can provide opportunities to develop a strong theoretical core as opposed to undertaking fresh research (Murphy, 2008). It is more effective to strengthen the field with well-defined theories generalized from existing theories, thus helping shape the field's development and advancement (Smith & Woodworth, 2012).

From the previous discussion, we found that scholars used several theories in SE research. Some used one theoretical lens, such as Dacin et al. (2010) and Meyskens et al. (2010), whereas others used multiple theoretical lenses, such as Nicholls (2010) and Moss, Short, Payne, and Lumpkin (2011) to investigate the SE landscape. Choosing the most favourable theory or theories for research depends on the research objectives and questions. Where some theories are adequate, others might fall short. Therefore, looking at the theoretical foundation in SE literature, IT and RBV offers a dual theoretical model because they require a dynamic interplay between the macro-

level institutional structures and micro-level organisational resources needed to answer this research question of SE challenges and sustainability in the context of Saudi Arabia.

### **3.2.3 Combining the RBV and IT**

Scholars use different theories in exploring the field of SE. Meyskens et al. (2010) affirmed that despite the lack of a rigid and clear theoretical view in this field, the RBV is appropriate in explaining SE. The RBV claims that firms' competitive advantage lies in the stock of valuable resources that are neither imitated nor substituted by other firms (Alvarez & Busenitz, 2001). Moreover, Mair and Marti (2006) argued that resources are essential for the development of SE. The access to resources in a society, from the government or private organisations, is a key enabler of SE activities (Granados et al., 2011). The availability of resources supports SE in implementing necessary change in the society. Resources and activities are important to SEs because they enable creation of social value and sustainable change (Mueller et al., 2015).

IT, on the other hand, has a wider sociological understanding of the context of SEs. This theory mainly focuses on legitimacy in social ventures rather than on the efficiency and effectiveness of SE goals (Smith & Woodworth, 2012). From the view of IT, SE entails rigorous activities for finding solutions to social problems. The theory presumes that the integration of formal and informal organisations is a configurational approach that improves social ventures (Zeyen et al., 2013). Therefore, SE cannot function effectively without the integration of different institutions, structures and resources for collective social function (Granados et al., 2011). In addition, IT presumes that organisations are systems that are open to their social and cultural environments; hence, they can help build legitimacy in society (Meyskens et al., 2010). Doherty, Haugh and Lyon's (2014) review of SE literature found that much attention in leading academic

journals has focused on advancing IT and how it is a suitable theoretical framework in studying context because institutional logics differ between countries.

Combining both theories gives a suitable basis for this research, which aims to answer the questions on SE challenges and sustainability in the context of Saudi Arabia. The theories focus on engaging resources and systems in social ventures to create and transform a society and solve its problems. Resources, organisational structures, knowledge transferability, innovativeness, capabilities, social systems and partnerships are essential for the effective analysis of social entrepreneurship concepts (Granados et al., 2011). It is essential, therefore, to integrate IT and the RBV in a definite theoretical framework that analyses the use of resources for sustainability and generating the competitive advantage and institutional dimensions that create challenges for SEs in the creation of social change in the society.

The RBV and IT are not fully compatible with each other, and each theory has its drawbacks. For example, the concept of non-imitable and non-substitutable resources for competitive advantage is a major drawback of RBV (Meyskens et al., 2010). Institutions require exploration of different aspects. Also, it is worth noting that other important factors need to be integrated for IT to have an all-inclusive explanation of SE (Dacin et al., 2010). The two theories complement each other in the pursuit of a deeper understanding of social enterprises. For example, although the resource-based theory explains why variations or heterogeneity may continue over time in variant social enterprises, IT puts much emphasis on the more resilient and better aspects of social structure. However, these theories can be combined to help develop the field of SE and build a multi-theoretical framework that supports a better understanding of social entrepreneurship in the broader view. The following section will expand the previous review of

IT and RBV in more detail. Thereafter, it will include a discussion of the proposed multi-theoretical model.

### **3.3 Theoretical Review**

#### **3.3.1 Institutional theory**

The term institution has various definitions, but this chapter uses the term as an established rule of behaviour acceptable as part of culture or the norm (Hodgson, 2002). The early work of Merton (1936) explained, “Officials [in organisations] orient their actions around rules even to the point where primary concern with conformity to the rules interferes with the achievement of the purposes of the organisation” (p. 199). IT’s roots reach back to the nineteenth century (Yli – Renko, Autio & Tontti, 2002). Thereafter, the theory fell out of favour and went through a period of inattentiveness, so much so that when it re-emerged in 1977 the theory appeared to be new and was named neo-institution (Scott, 2008). IT gained much attention in the organisational field, along with other lines of thought highlighting the reliance of modern organisations on their surroundings. This has mainly been described as new or neo-institutionalism. In recent years, IT has been closely related to ecology theory, resource dependence theory (Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008), and structuration theory (Scott, 2008). This reflects on earlier theories of the roots of organisations in cultural and social environments, now in hindsight called old institutionalism (Venter, Boshoff, & Maas, 2005). Old institutionalism elucidates the significance of decisions taken by individuals as part of an organisation (Greenwood & Hinings, 1996). Moreover, the emphasis has been on description and explanation of the process of decision-making. However, new institutionalism focuses on the cognitive methods that generate

the taken-for-granted structures that set up legitimacy. It is obvious that there are both similarities and differences between the theories (Hirsch & Lounsbury, 1997). Powell and DiMaggio (1991) noted a difference between them and offered a complete comparison of old and new institutionalism. Since they completed this comparison, IT has developed considerably.

Neo-institutionalist scholars have developed several schools of thought to explain institutionalism. Hall and Taylor (1996) focused on explaining historical, rational choice and sociological institutionalism, whereas Schmidt (2010) added one more school of thought, which he called discursive institutionalism, to the previous three. The historical, rational choice, sociological, and discursive schools of institutionalism are approaches that seek to explain the roles of institutions in different analytical processes. These neo-institutionalist schools of thought have deep differences between them. For instance, historical institutionalism explores institutional development with an emphasis on path dependency and unintended consequences (Schmidt, 2010). It is concerned with the integration of institutional analysis that contributes to political outcomes. From this perspective, structural functionalists influenced historical institutionalism, which views policy as an overall system of interacting parts within institutions (Steinmo, 2008). However, the historical institutionalists reacted to the view of structural functionalists on political, social and cultural traits of individuals as the parameters that drive the operation of a system (Schmidt, 2010). They view the institutional organisation of polity as the principal factor that structures collective behaviour and leads to distinctive outcomes in organisations (Immergut, 1998). This school of thought focuses on organisational actions and behaviour that affect operational systems in organisational development.

Rational choice institutionalism explores the concept of institutionalism through the analytical tools of the new economics of organisation and agency theory (Schmidt, 2010). Agency theory focuses on the institutional mechanisms in which the actors can monitor and enforce cooperation of the agents in an institution (Hall & Taylor, 1996). As such, rational institutionalism is pertinent to the utility maximisation that drive individual and collective action (Immergut, 1998). The concept accounts for institutional functions, roles and benefits. It describes the relationship between the behaviour of actors and the institutions by focusing on a diverse set of practices within the institutions and actors (Steinmo, 2008). This results in regulating actors by ensuring that they behave in ways that are beneficial to the organisation and thus leads to better social outcomes (Kingston & Caballero, 2009). It focuses on change within institutions by ensuring that the actors' behaviour is regulated in accordance with the institutional development process. Rational choice institutionalism has contributed to institutionalism by emphasizing the role of strategic interaction between the actors and institution in the determination of outcomes (Peters, 2012).

Sociological institutionalism explains institutions based on organisational structures and cultural context (Finnemore, 1996). It incorporates cultural approaches to exploring the relationship between institutions and action. Therefore, it involves institutions in cultural and social relations. As a result, sociologists claim that institutions affect the behaviour of people due to differences in the socialisation process within different institutions (Muzio, Brock & Suddaby, 2013). However, the sociologists claim that forms and procedures used in enhancing development within an institution should be culturally acceptable and beneficial to organisation and the society (Dacin, Goodstein & Scott, 2002). In addition, different institutional activities and systems



assimilated in an organisation should bring beneficial cultural and social transmission (Meyer & Rowan, 1977). As a result, these practices can be diffused through organisational fields or across nations to enhance social development.

Discursive institutionalism is a broader concept for the vast range of works in political development (Schmidt, 2010). It seeks to blur the boundaries and differences between the three schools of thought of institutionalism. The concept illustrates that the use of different approaches in ideas and discourse can serve to advance the knowledge of institutionalism (Schmidt, 2010). It takes into consideration the different ideas and interactive processes in political development and different notions of institutionalism by merging concepts through discourse (Hope & Raudla, 2012). It provides insights into the dynamics of institutional change by explaining the preferences, strategies and normative orientations of actors and institutions in a broader view than other institutionalist approaches (Muzio et al., 2013).

Therefore, IT is concerned with social, cultural and regulatory influences that enhance the legitimacy and survival of a firm rather than focusing solely on efficiency-seeking behaviour (Roy, 1997). IT portrays legitimacy as a constitutive belief set (Suchman, 1988). A venture proves its value by showing its engagement in legitimate matters. In this context, legitimacy means the rightness of existence and carrying out activities in a given way (Suchman, 1995). According to IT, organisations work within a social framework of values, norms and assumptions regarding what constitutes suitable behaviour (Autio, Sapienza, & Almeida, 2000; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). Decisions are taken not so much to be consistent with economic or technical criteria, but rather regarding what is legitimate and acceptable within a specific environment, which normally moves towards general processes and structures because of

coercive, normative and imitative expectations (DiMaggio & Powell, 1983). IT helps to establish legitimacy for upcoming new ventures by scrutinizing their structure, environment, procedures and personnel to find the best way to promote them in society (DiMaggio & Powell, 1991; Oliver, 1995).

DiMaggio and Powell's (1983: 147) famous article 'Iron Cage' introduced the idea of organisations' isomorphism by stating:

“Structural change in organizations is less driven by competition or efficiency. Rather, bureaucratization and organizational change occur as the result of processes that make organizations more similar without necessarily making them more efficient. Bureaucratization and other forms of homogenization emerge, we argue, out of the structuration (Giddens, 1979)” (p.147).

The work of DiMaggio and Powell (1983) suggests that organisations are isomorphic with each other, and that with time they will become very similar to each other. Organisations tolerate pressures from the organisational environment distinguished by Oliver (1992) as coming from three sources: political, functional and social. Such types of pressure are related to the process of institutionalisation: highly structured organisational fields offer a context where individual attempts to deal reasonably with constraints and uncertainty frequently lead to homogeneity (DiMaggio & Powell, 1983). From the viewpoint of DiMaggio and Powell (1983), the unique role of IT lies in its identification of contributory mechanisms that lead to change in an organisation and its stability based on preconscious understandings shared by the actors of the organisation, independent of their interests. Oliver (1992) stated that the activities of institutions for which there is no evident technical or economic purpose are of specific theoretical interest because their perpetuation cannot be described by rational choice structures.

IT explains change within institutions by exploring the processes that make the organisational operations homogeneous (Bruton, Ahlstrom & Li, 2010). The institutional process involves changes in operational systems of organisations as a way of trying to improve their overall performance (Dacin et al., 2002). Therefore, organisations become similar as they imitate successful organisations in their environment (Scott, 1991). Disparate organisations experiences change as institutional forces cause them to become comparable in their operation with successful organisations in different lines or the same line of business. In most cases, the less powerful organisations tend to emulate the operational strategies and systems of the powerful organisations so that they may achieve success (Bruton et al., 2010). The process of institutional change, therefore, affects the actors and institutions in different dimensions (Battilana, Leca & Boxenbaum, 2009). The organisations develop new practices based on rational decisions, which are constructed within the environment of operation (Muzio et al., 2013). The line of business is maintained overall despite the changes in the structural processes as the organisations are concerned with achievement, success and better performance (DiMaggio, 1998).

The work of DiMaggio and Powell (1983) are acknowledged as giving clear insight into culture, especially regarding social and organisational culture. Scott (1995) continued this work by subdividing institutions into three major parts: regulatory, normative and cognitive. Culture is one of the aspects in which normative and cognitive structures have their starting point. Scott (1995) stated that the first is the regulative pillar that derives directly from economic studies and thus indicates a rational actor behaviour model based on conformity and sanctions. Institutions guide behaviour by means of game rules, enforcement and supervision. These regulative tools stem mainly from industrial standards and contracts and governmental legislation. These norms

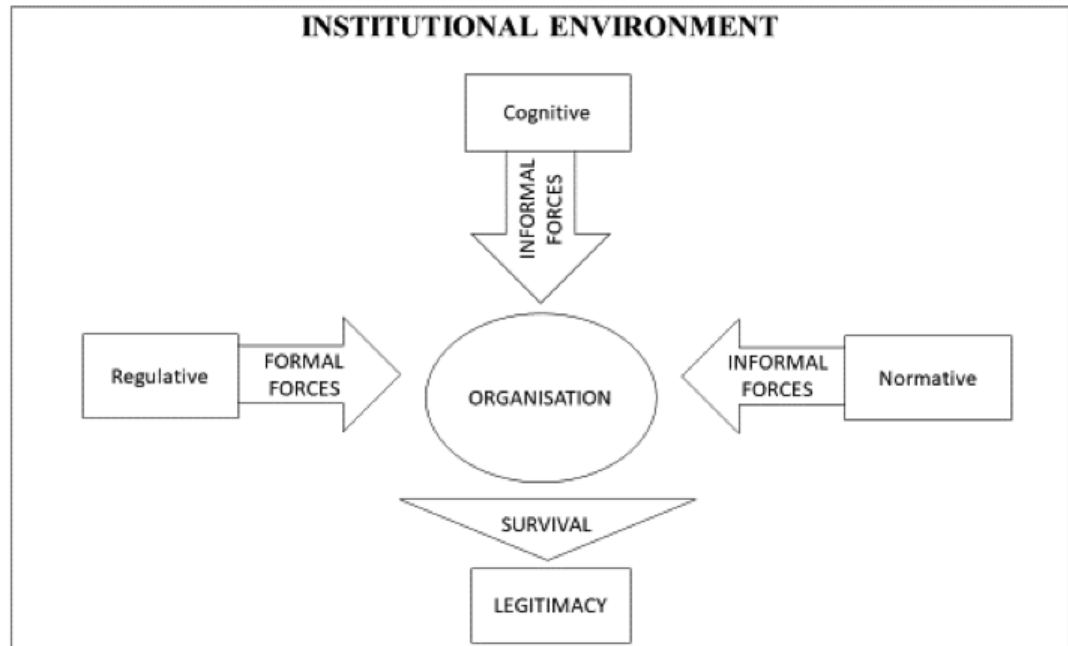
offer guidelines for new entrepreneurial firms and can lead firms to comply with laws and also assist individual compliance with laws if there is a lack of regulation or law in the realm of entrepreneurial organisation.

The second pillar of an institution is normative, which indicates individual and organisational behaviour models based on obligatory dimensions of organisational, social and professional communication (Scott, 2001). Institutions guide behaviour by referring to what is expected or appropriate in different commercial and social situations. Normative systems are composed of norms and values that further set up ground rules to which people consciously conform. March and Olsen (1989) have described that normative institutions exert impact because of social obligations to comply that are rooted in social importance or what an individual or firm must be performing to satisfy its culture. For example, some societies have rules that promote and facilitate entrepreneurship and financing, whereas other societies discourage it unknowingly (Baumol, Litan & Schramm, 2007; Soto, 2000).

Third is the cognitive pillar, which Scott (1995) derived from the cognitive turn in social science that indicates individual behaviour models based on constructed meanings, along with rules and subjectivity that restrict proper actions and beliefs. The cognitive pillar may perform mostly at the individual level in terms of language and culture (Carroll, 1964) and other preconscious behaviour (Meyer & Rowan, 1991). This pillar is essential to entrepreneurship research in terms of how societies accept entrepreneurs, create a cultural milieu and inculcate values whereby entrepreneurship is motivated and accepted (Bosma, Acs, Autio, Coduras, & Levie, 2009; Harrison, 2008).

IT seems a prevalent foundation for researchers in various domains such as organisational theory and political science (DiMaggio & Powell, 1983) and management theory (Greenwood et al., 2008). Specifically, its application has been of great help to entrepreneurial researchers. IT plays a major role in explaining the factors that result in entrepreneurial success (Shane & Foo, 1999) other than the entrepreneurial resources factor (Ahlstrom & Bruton, 2001; Peng, 2003). Resources are necessary for any business venture to thrive (Bhide, 2000). Factors such as tradition, environment and history have a direct impact on industry and hence entrepreneurship. These issues have an influence on entrepreneurial growth (Baumol, Litan, & Schramm, 2007). Through IT, researchers have been given a means to view and identify the factors that eventually lead to entrepreneurial growth. It brings to mind a noneconomic identification of organisational strategies in business (Dacin et al., 2002; DiMaggio & Powell, 1991). Every institution has its rules, and some exist by default. These rules regulate economic activities. These institutions, similarly, enable entrepreneurs to thrive in their environments (Bruton et al., 2010). Figure 2 illustrates the institutional environment pressure.

Zukin and DiMaggio (1990) stated that the institutional view recommends that human behaviour motives expand beyond economic optimisation to social obligation and social justification. According to institutionalists, conformity to social expectations contributes to organisational survival and success. As Scott (1987) noted, organisations conform because they are rewarded for performing correctly through developed resources, legitimacy and capabilities of survival. Unlike strategic and economic structures that investigate the degree to which firm behaviour is economically justified and rational, institutional theorists emphasise the degree to which organisational behaviour is habitual, compliant, socially defined and unreflective.



*Figure 2: The institutional environment pressures*

Thus, it can be concluded that the ability of an organisation regarding conformity with dominant traditions, social impacts and norms in their external and internal environments leads to homogeneity among organisations in their activities and structures—and successful organisations are those that acquire legitimacy and support by conforming to social pressures. Ahlstrom and Bruton (2001) argued that IT has formed a basis of understanding about how entrepreneurs not only create new services and products but also how they must seek legitimacy for their new ventures. IT has long been concerned with organisational persistence issues, and institutional entrepreneurship is considered a way of altering as well as creating and removing existing institutions (Battilana, Leca, & Boxenbaum, 2009; Meyer & Zucker, 1989). Therefore, institutional entrepreneurship will be presented and further discussed in the following section.

### **3.3.2 Institutional entrepreneurship**

According to Dacin et al. (2010), institutional entrepreneurship documents the methods of changing and establishing social institutions. An institutional entrepreneur is an agent who can mobilize resources to change or affect institutional rules to assist an existing institution, set up a new one or destroy or displace prevailing ones. Battilana, Leca and Boxenbaum (2009) stated that institutional entrepreneurs are further differentiated from other entrepreneurs by introducing operating models that diverge from established or conventional processes. Oliver (1997) stated that the institutional entrepreneur's mission is to set up new patterns and norms of behaviour that will support them in accomplishing highly worthy goals and performing in both the non-profit and profit sectors. Institutional entrepreneurship focuses on how entrepreneurs deal with challenges and how they shape their context for the better (Lawrence, 1999). The establishment of these institutions defines the entrepreneurial fields and the formulas through which more institutions will arise and how they will change. Institutional entrepreneurship, therefore, represents those actors who have the mindset of levelling available resources so as to create more institutions or to enhance the already existing ones (Rao, Morrill, & Zald, 2000). In conclusion, it is quite clear that IT has the potential to provide viable insights for entrepreneurship (Tolbert & Zurker, 1999).

Battilana and D'Aunno (2009) mentioned that individual characteristics of an actor such as judgment and imagination play essential roles in institutional entrepreneurship. Dorado (2005) stated that the social status of entrepreneurs can affect the likelihood that they will employ institutional change processes and access resources. Similarly, Zilber (2007) stated that, like their conventional counterparts, institutional entrepreneurs always mobilize resources through

activities such as bricolage and storytelling. Firms perform within a social structure of values, norms and assumed considerations about what constitutes acceptable or appropriate economic behaviour from the perspective of institutions. Economic options are limited not only by the informational, income and technological restrictions that neoclassical models emphasize but also by social constructions that are human in origin, such as habits, customs and norms. Ahlstrom and Bruton (2001) explained that entrepreneurs not only create new products and services but also seek legitimacy for new ventures. Institutional entrepreneurs are agents of legitimacy and they initiate change that is appropriate in accordance with performance; hence, they can shape an institution's operational processes (Bruton et al., 2010). This results in the emergence and structuring of an organisational field in the entrepreneur sector because of the activities of a diverse set of organisations (DiMaggio, 1998). This leads to constraint and uncertainty in operation, which causes homogeneity as organisations adopt similar arrangements in different institutional spheres (Muzio et al., 2013). In conclusion, a social entrepreneur can be seen as a form of an institutional entrepreneur because of the similarities between them in creating change, dealing with challenges, establishing innovative models, and mobilising resources.

### **3.3.3 Institutional theory and research direction**

An institutional environment can advance entrepreneurs' performance or hinder it, as institutional context plays an active role in the emergence of entrepreneurs (Veciana & Urbano, 2008). Institutional environments are the basis of all entrepreneurial activities, so they can either revive or kill entrepreneurship in a community (Ahlstrom, Young, & Nair, 2003). Most researchers on institutional entrepreneurship have emphasised on already existing organisations (e.g., Dacin et al., 2008; DiMaggio & Powell, 1991; Greenwood & Suddaby, 2006; Rao et al.,



2000) rather than the establishment of new organisations (Tolbert, David, & Sine, 2011). As Tracey, Phillips and Jarvis (2011) stated, “the question of how new organizational forms are created remains an unsolved problem in new institutional theory” (p. 60). This raises questions that need to be addressed regarding the effect of institutions on the establishment of new organisations and the effect of the entrepreneurs’ collective actions on their new enterprises. Importantly, within the context of Saudi Arabia, an issue will arise as the country’s laws inhibit the formal legal establishment of SEs such that it is important to consider studying informal SEs and their ability to manipulate the transformation between the formal and informal economy in a quest to overcome institutional barriers. Ketchen, Jr., Ireland, and Webb (2014) suggested that informal economy research is relatively new and presents a wide area for contribution.

Adapting new norms and rules efficiently regulates interactions in an institution. It capture compliance in a business ecosystem. However, institutional change is not a rapid process. Historically, it seems that these processes take place and persist in a periodic manner (Kloppenber, 1995). The resistance offered to change depends on whether the new institutional arrangements are complementary to the existing norms (Davis, 2006). If novel arrangements harmonise with the existing norms, then weaker opposition proffers. People implement these types of changes unanimously and adapt to them without coercion (Barnard, 1968). Deinstitutionalisation is a prerequisite for institutional change. This includes weakening existing social norms so that new norms and beliefs can develop (Searing, 1991). For instance, employing new practices in management is preceded by the dissolution of old practices that did not or no longer promote business success (Ensminger, 1992).

Institutional changes diffuse more easily in a forbearing social system that has the potential to welcome deviations (Searing, 1991). However, if there is high pressure for complying with inflexible sanctions, then institutional change is difficult to achieve and requires implementation by coercion (Van de Ven & Lifschitz, 2013). Social innovation is the act of addressing social setbacks by developing novel approaches. New-fangled institutional arrangements have a noteworthy, positive impact on social groups when introduced and diffused in the process of social innovation (Davis, 2006). If acting forces, for example, principal agents (supervisors) and society, require low pressure for compliance to existing norms and beliefs, then institutional change can be easily achieved through social innovation (Weber & Glynn, 2006).

The entrepreneurial process cannot be abstracted from its contextual location because that has a strong impact on the appropriate process (Moroz & Hindle, 2012). Veciana and Urbano (2008) emphasized the role of institutional country context in entrepreneurship research, as there are many environmental differences between countries, which affect the entrepreneurial process. Therefore, there has been much recognition given to formal and informal institutional logic, best described by North (1990) as the “rules of the game” (p. 3). Culture is considered an informal institution, whereas laws are considered formal institutions (North, 1990). Greenwood, Hinings & Whetten (2014) suggested the importance of institutional research on the effect of religion on organisations empirically; furthermore, Tracey (2012) argued that management scholars have not given much attention to the influence of religion on organisations and vice versa. In Saudi Arabia, which is this research’s context, religion plays an important role as informal logic; therefore, studying such nonmarket logic and the challenges it poses to actors and the skills needed by them to overcome such challenges will offer important new insights into IT.

Greenwood et al. (2014) criticized IT by presenting two drawbacks. First, they argue that focusing on explaining institutions and their processes rather than understanding them and how they are managed prevents the theory from reaching the organisational level of analysis. Second, the theory treats all organisations similarly despite their differences, and neglects the heterogeneity among organisations. To overcome those drawbacks, Greenwood et al. (2014) suggested a road map to guide institutionalist researchers by looking at organisations as actors and using the institutional logic of analyses. However, Meyer and Höllerer (2014) argued that with Greenwood et al.'s (2014) redirection of IT away from the field level and organisational homogeneity that it “may eventually lose sight of its pivotal quest: to study institutions” (p. 1). Furthermore, they valued the points addressed by Greenwood et al. (2014) but suggested that the best approach to IT is examine it at all levels with no redirection. In this research, the field and organisational levels of analysis will be applied by using the institutional logic perspective to understand their influences on SE activities.

### **3.3.4 Resource-Based Theory**

The resource-based view (RBV) is a model that views resources as the key components in a firm's performance and growth. The resources should exhibit various attributes of being valuable, rare, inimitable, and non-substitutable (Penrose, 1959; Kraaijenbrink, Spender & Groen, 2010). The RBV was introduced in 1959 with Edith Penrose's *The Firm Growth*. It took another 20–30 years until the use of inter-firm differences to describe success was examined by strategy scholars such as Wernerfel (1984) and Hamel and Prahalad (1990). Today, the RBV is based mainly in Barney's (1991) work by building on the contributions made Penrose (1959) and Rubin (1973).

Wernerfelt (1984) stated that an organisation's products and resources are two sides of the same coin. Although products drive the performance of an organisation, resources that move into their production indirectly advance the organisation—a point clarified further by Barney (1986). RBV researchers hypothesise that a firm's resources have a direct effect on its performance (Spanos & Lioukas, 2001). Wernerfelt (1984) suggested that organisations might earn high gains by recognizing and obtaining resources essential to the growth of products in demand. Resources are, as Barney (1991) stated, "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (p. 101).

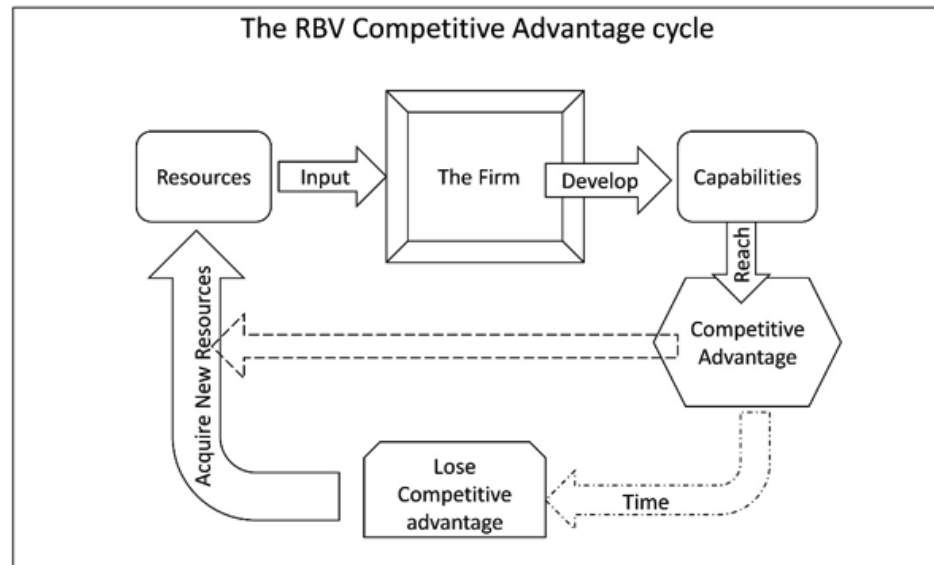
According to Oliver (1991), the RBV suggests that resource accumulation and selection are functions within external strategic factors and firm decision-making. Managerial decision-making is directed by rationality of effectiveness, profitability, and efficiency. Conner (1991) wrote that external impacts are strategic industry factors that influence the firm; these include supplier and buyer power, competition intensity, and product and industry market structure. These factors influence what resources are chosen and used by a firm. Barney et al. (1994) stated that whether deployment and selection of resources will result in enduring differences between organisations depends on imperfections of the factor market referred to as obstacles to imitation and substitution and acquisition of key inputs or resources. These obstacles inhibit competitors' ability to duplicate or acquire essential resources and lead to long-term variation among organisations performance. When strategic factor markets are incomplete or imperfect, they form obstacles against resource mobility, producing uneven resource distribution among rival organisations (Dierickx & Cool, 1989).

The characteristics of the resource market shape features of resource and the importance rents of resources. The rent's persistence from resource depends mainly on characteristics of the resources themselves. Peteraf (1993) mentioned that, from an RBV, sustainable competitive benefit is the result of discretionary rational managerial options, deployment, selective accumulation of resources, factor market imperfections, and strategic industry factors. Barney (1991) noted that the RBV acknowledges numerous production factors that must be elastic in supply. However, this view recognises that certain capabilities and resources may be evolved over a long time because it may not be clear how to evolve them more quickly. Also, because certain capabilities and resources cannot be bought and sold, at least certain production factors may be inelastic in supply. Capabilities are "an organizationally embedded non-transferable firm specific resource whose purpose is to improve the productivity of the other resources possessed by the firm" (Makadok, 2001: 389). Peteraf (1993) stated that inelastic supply means that organisations possessing these types of capabilities and resources may be able to produce high profits. These profits may not lead to developed provision of these capabilities and resources in either the short or long run. Inelastic supply becomes a source of sustained competitive benefit.

Business strategy aims to achieve a competitive advantage that enhance performance through the proper use of available and potential resources. As a result, the RBV offers insight into what defines strategic resources and what enables firms to generate above-average performance for its ventures (Barney, 1991; Newbert, 2007). A firm's unique resources represent the firm's potential to generate new competitive advantages and surplus performance (Rauch et al., 2009). Organisations should, therefore, consider resources at their disposal and use them accordingly to gain a competitive advantage. When competitors create strategies that can imitate

resources then those resources are substitutable and invaluable to creating intended results for the firm (Porter, 2000). Organisations need resources to meet their objectives and goals while outdoing competitors in favourable market strategies. Firms, therefore, employ strategies that mobilise resources in the most valuable ways to achieve their goals effectively. Small enterprises operate in poor resource environments that limit the likelihood of effective and efficient operations (Porter, 2000). Makadok (2011) argued that resource-based theory focusing on competitive advantage has been useful in examining certain inter-firm profit differential sources. However, this is restricting because competitive benefit is not the only causal process by which profit can be produced. He identified three other processes—commitment timing, rivalry restraint, and information asymmetry—as profit sources.

Wan, Hoskisson, Short, and Yiu (2011) stated that the resource-based theory made a substantial contribution to the literature of diversification. Resources are regarded as one of the most essential drivers of organisational decisions about making moves and countermoves from different market positions. Indeed, Prasad, Naidu, Murthy, Winkel, and Ehrhardt (2013) suggested that entrepreneurs' distinct resources, such as human and social resources, may affect venture performance. Thus, the RBV states that superior bundling, leveraging, and structuring will lead to sustainable competitive advantage if these resources are rare, inimitable, and valuable (Barney & Hesterly, 2012). Moreover, for a firm to reach competitive advantage, it needs to be able to build capabilities to transform those valuable, rare, and inimitable resources (Barney & Clark, 2007). Figure 3 illustrates the RBV competitive advantage cycle.



**Figure 3: The RBV competitive advantage cycle**

In theorising firms' competitive advantage, RBV is an often-used lens in the literature (Glavas & Mish, 2015). Makadok (2001) made distinctions regarding the traditional use of resources to also encompass capabilities. In this respect, resources are tradable and not specific to different firms. Meanwhile, capabilities are firm specific and, therefore, useful when engaged in the firm's operations (Barney, 1991). These capabilities imply different aspects of firm operations such as implicit processes, transfer knowledge, and information within a firm. The distinction is practical in RBV literature because some firms view capability as a specific type of firm resource that supports and improves productivity (Porter, 2000). Therefore, RBV is applicable in contemporary business realities, which are mired in present ventures rather than elimination of future operational risks (Daft, 1983). According to Rugman and Verbeke (2002), the major contribution of RBV to strategic management is that it combines numerous research

strands in industrial, organisational, economic, and strategic science. RBV is an easy reduction of the complex system of an organisation, and its empirical outcomes are miscellaneous.

Over the last 20 years, a RBV has emerged and may be the most accepted contemporary perspective in strategic management (Powell, 2001; Priem & Butler, 2001; Warnier, Weppe, & Lecocq, 2013) and a key prospect in conceptualising the growth of small businesses in entrepreneurship literature (Wiklund, Patzelt, & Shepherd, 2009). Zhang and Ma (2009) argued that RBV offers the foundation for a firm's new theory, competitive advantage theory, rents theory, and value creation theory. Jackson and Deeg (2008) stated that selection of RBV affords numerous benefits in investigating the strategic nature of resource management. However, RBV has fallen short in several aspects. For example, one of the primary critiques of Barney's (1991) articulation of RBV is that it has not changed over time (Newbert, 2007). Priem and Butler (2001) noted that although RBV was initiated as a dynamic approach, much of the subsequent literature has been static in concept. Another main critique of RBV is its lack of attention to institutional environment and firm context (Glavas & Mish, 2015). Similarly, Maurer, Bansal, and Crossan (2011) critiqued the RBV by stating that it ignores institutional context and focuses on the firm's internal resources and capabilities. Both Glavas and Mish (2015) and Maurer et al. (2011) called for researchers on RBV to focus more on the institutional context.

Though the RBV is a commonly used research lens in management and entrepreneurship research, it has rarely been used in the social ventures literature (Meyskens et al., 2010). Furthermore, in exploring the entrepreneurial process, the institutional context has a great impact on the entrepreneurial process (Moroz & Hindle, 2012) and shapes entrepreneurs' opportunities (Austin et al., 2006). In SE research, it is very important to consider the context where those SE



emerge and thrive (Smith & Woods, 2015) as SE unfold from political, economic, social, and cultural contexts (Defourny & Nyssens, 2010). This research contributes to the literature by extending both RBV and IT by linking them in a combined dual model. This study will investigate SE resources and capabilities in the achievement of sustainable competitive advantage in the context of Saudi Arabia. Furthermore, to the researcher's knowledge, it is the first study in the field of SE to combine both theories. In the next section, a further discussion on IT and RBV will be followed by an investigation of each model's strengths and shortcomings in order to develop a theoretical dual model.

### **3.4 Discussion**

A RBV of strategic management helps in examining the resources and capabilities of firms, and then helps in generating above normal returns in order to sustain a long term competitive advantage of the firm (Gillis, Combs, & Ketchen, 2014; Ghapanchi, Wohlin, & Aurum, 2014) those above normal returns are associated with firm performance. Recent research are with the notion that RBV can anticipate firm performance (Nason & Wiklund, 2018). The RBV focuses on the firm's heterogeneity on acquiring and deployment of resources, which can get above rate economic rents for the firm and enhance their performance (Barney, 2014; Warnier et al., 2013; Lu and Liu, 2013). The RBV is of the opinion that selection and accumulation of the resources are both an internal and strategic decision making of the firm, which have to be addressed. This is also important to take into account, as companies need to ensure that they are guided by economic rationality, which can influence the choices that are made by firms (Hornig & Tsai, 2012; Bishara & Orozco, 2012; Yang & Konrad, 2011). The resource selection and deployment can change the strategic choices made by firms, which can then lead to factor market

imperfections. This can have a level of control over the way in which companies can raise barriers to entry and exit, and, therefore, this can lead to continuous adaptations for the firms leading to variation and competitive advantage (Barney, Ketchen, & Wright, 2011; Barney, Della Corte, Sciarelli, & Arikan, 2012). Therefore, the RBV allows companies to have a sustainable competitive advantage based on the rational choices, selective deployment of industrial choices and economic motivation for deployment of these resources (Wan et al., 2011, Rostila, 2011, McWilliams & Siegel, 2011). RBV view capability as a specific type of firm resource that supports and improves productivity (Porter, 2000).

On the other hand, the IT is of the view that firms are motivated to work with social norms, as they are accountable to stakeholders (Brammer, Jackson, & Matten, 2012; Scaraboto & Fischer, 2013; Tolbert et al., 2011). Appropriate economic behaviour constitutes of those aspects of research where the different stakeholders have to ensure that they are able to deal with the different issues. According to IT, the economic choices are constrained not only by the technological choices, but also by the socially constructed limits that have to be examined in order to deliver the best results for a given company (Weerakkody, Dwivedi, & Irani, 2009; Currie, 2009). The IT is of the view that economic reasons are not the only motivator for companies, as they need to ensure that social justification and social obligations are fulfilled for the success of any organisation. Social obligations and norms can have a direct impact on the economic choices that are made by the different organisational actors (Suddaby, 2010; Clegg, 2010; Bruton et al., 2010).

One of the main strengths of the RBV is that it allows a focus on the economic rationality and the use of the resources as the main issue for any manager (Barney, 2014; Barney et al.,

2012). This allows managers to ensure that they have the appropriate resources put into place, leading to improvement and innovation for the different stakeholders (McWilliams & Siegel, 2011 Esteve-Perez & Manez-Castillejo, 2008). This is also important to take into account, as this allows managers to improve their performance, which can lead to long-term improvement in the output of the company. However, one of the main weakness of the resources based view is that it over focuses on economic rationality, and ignores many of the other external factors which can have a direct impact on the success of an organisation. This weakness can be a limitation for the top management, as they miss many of the socially responsible projects, which can also bring in many other allied benefits for the companies (Barba-Sanchez & Atienza-Sahuquillo, 2010; Gallego-Alvarez, Prado-Lorenzo, & García-Sánchez, 2011; Rostila, 2011).

On the other hand, many different advantages of the IT can also be derived. One of its main advantages is that it takes a much wider perspective of the problems which are associated with the expansion of the companies, and the ways in which companies are able to deal with these norms in the societies (Scott, 2008; Phillips & Tracey, 2007). The main understanding of the managers following IT for strategic management is that the wider stakeholders, and, therefore, external social pressures are the main motivators of individuals. While the RBV assumes that economic rationality is the main motivation for managers, the IT takes a wider view of the problems which are faced by management, and therefore, understanding the social norms of the society is also imperative (Lektzian & Souva, 2007; Campbell, 2007). However, one of the weaknesses of the IT is that it is constrained by social norms, and therefore, the focus of the top management is not on economic rationality. While, usually the assumption is that for any privately held firms, economic profitability is the underlying theme for the organisation, as all

other factors can be ignored (Tolbert et al., 2011, Suddaby, 2010, Clegg, 2010). This is important to take into account, as without profit maximisation, the existence of the firm can be in danger, which can lead to influencing the firm's long-term existence (Bruton et al., 2010; Kostova, Roth, & Dacin, 2008; Scott, 2008).

### **3.4.1 Complementing Aspects of Theories**

The institutional theory are especially interested in the way in which organisational processes and structured become institutionalised, as time passes (Gallego-Alvarez et al., 2011; West, Bamford, & Marsden, 2008). On the other hand, the RBV also examines the use of intuitional resources, and its impact on the way strategic advantage can be gained. Both the theories are of the view that the firm is a captive of their own history, and therefore, they need to ensure that they can not only generate new ways of dealing with different organisational arrangements, but also ensure that the long term strategic advantage can be gained (Brammer et al., 2012; Currie, 2009; Suddaby, 2010). Another similarity between the two theories is that the replication of resources, but on the economic and the social from are difficult to understand, and therefore companies need to respond to the different challenges that have to be met (Fogarty & Rogers, 2005; Geels, 2004; Scaraboto, & Fischer, 2013). This is also important to take into account, as both the RBV and the IT have to consider in a way where they can understand the allocation of different types of resources (Alvarez & Busenitz, 2001; Warnier et al., 2013).

The IT is of the view that various institutionalised processes are a result of individual and institutionalised responses that are generated due to analysis (Bruton et al., 2010; Bjorkman, Fey, & Park, 2007). The RBV also agrees in the utilisation and allocation of resources according to individual preferences (Barney, 2014; Warnier et al., 2013; Bishara & Orozco, 2012). These

preferences are based on diversification that companies can employ, and therefore, there is a need to put into place concerns which are needed in order to understand the capacity of the different firms (Barney, 2012; Yang & Konrad, 2011). At the institutional level, the pressures which arise for socially constructed boundaries such as government institutions, external stakeholders and other parties is also needed as firms need to ensure that they can have a way in which to deal with the institutional needs of organisations (Rostila, 2011; McWilliams & Siegel, 2011). RBV is also of the view that resource mobility and unequal distribution of the resources needs to be managed according to internal and external expectations (Gallego-Alvarez et al., 2011; Barney et al., 2011). The similarities highlight that the different type of resource environments have to be managed by both the theories. Although the IT focuses more on external stakeholders, however even the resources based view considers the impact of external factor on resource allocation (Van Witteloostuijn & Boone, 2006; Carpiano, 2006). These aspects are important to consider, as there is a need to understand the maximisation of resources within an external context (West et al., 2008, Esteve-Perez & Manez-Castillejo, 2008; Barratt & Oke, 2007).

### **3.4.2 Differences between the Theories**

The focus of the two theories and their assumptions are highly contextual and different from each other (Phillips & Tracey, 2007; Zacharakis, McMullen, & Shepherd, 2007). The IT examines the role of social contract on the way that the firm is operating. This can have a profound impact on the different organisational needs of the company, and there is, therefore, a need to entertain the different aspects of the resource generation (Carney, Gedajlovic, & Yang, 2009; Rothstein & Stolle, 2008; Scaraboto & Fischer, 2013). The focus on the profit maximisation through the RBV remains one of the underlying assumptions of the RBV, which has to be taken

into account (Tolbert et al., 2011; Suddaby, 2010). Another major dissimilarity between the two theories is on networking relationships in the organisation. While the IT is of the view that the network of support and a system of generation is often needed in order to ensure that companies have a system for dealing with the social aspects of the organisational contract (Coff, 1997; Das & Teng, 2000; Alvarez & Busenitz, 2001), the resource based theory only sees all networking operations as part of the profit maximisation of the firm (Zacharakis et al., 2007; Phillips & Tracey, 2007).

The decision-making rationality of the firm according to RBV is structured on a systematic orientation towards the economic goals (Clegg, 2010; Weerakkody et al., 2009). This is important to take into account, as firms have to ensure that information bias and cognition of different situations are the key driving forces for the firm (Currie, 2009; Carney et al., 2009). However, IT focuses on the historical and social norms as the major factors influencing decision making (Scott, 2008; Rothstein & Stolle, 2008). Resource allocation in the RBV is on value maximisation, while, on the other hand, the IT focused on the value-laden resource use. The suboptimal resource allocation is often an accepted norm in the IT environment, while the RBV focuses on systemic assessment and choice of the most optimal resources which can lead to long term strategic advantage for the firm, leading to profit maximization (Zacharakis et al., 2007; Lektzian & Souva, 2007). The RBV also focuses on diversification, rather than structuring the firm to institutional norms, as this can often lead to new resources being available for the firm, which can lead to long-term profitability of the firm (Delbridge & Edwards, 2007; Campbell, 2007). These firms also need to ensure that the strategic factors are the most important aspect of their economic behaviour, an approach advocated by the RBV (Coff, 1997; Das & Teng, 2000;

Alvarez & Busenitz, 2001). However, IT seek to find an institutionally supported view of expansion, which can conform to social norms and businesses in order to relate to long-term innovation and support.

A number of differences between IT and RBV have to be taken into account. For example, IT in particular looks at aspects in which companies can fulfill their social responsibilities to gain legitimacy and acceptance over time within the institutional context (Rao et al., 2000). However, when a company grows by increasing their responsibilities, they will face an increase in the challenges they face, as the competitive advantage sustainability is often very difficult to maintain (Das & Teng, 2000, Esteve-Perez & Manez-Castillejo, 2008). These challenges faced by companies can also be structured in a way where the services can be improved, and by understanding norms and cultures within which companies operate then companies will be able to contemplate changes which are necessary for the development of appropriate capabilities which are needed for long term competitive advantage (Das & Teng, 2000, Esteve-Perez & Manez-Castillejo, 2008). By a better understanding of these issues, companies are able to ensure that they can create a sustainable competitive advantage. Institutional theories in particular help the managers understand the wider impact of the organisation, and, therefore, there is a need to ensure that the delivery of different organisational needs is understood (Barney et al., 2012, Woodruff, 2000, Clegg, 2010).

One of the main differences between the theories is the scope within which each operates (Barney et al., 2012, Woodruff, 2000, Clegg, 2010). RBV is more practical and seeks to understand ways in which senior management is able to understand the challenges that they face; however, in many other circumstances, there is a need to understand the way in which new

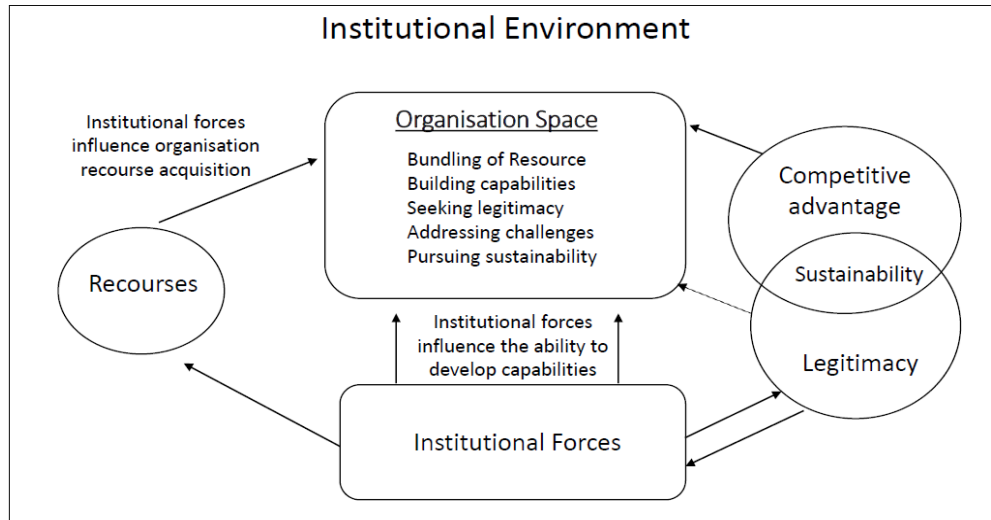
challenges are being faced (Tolbert et al., 2011, Barney & Mackey, 2005, Carpiano, 2006). RBV seeks to understand the nature of resources which is often available to the end management, and, therefore, this can often lead to better management of the various resources (Tolbert et al., 2011, Carpiano, 2006). However, the IT is more philosophical in nature, and in its understanding of the way in which the social norms, cultures and other aspects are established over a period of time (Tolbert et al., 2011, Barney & Mackey, 2005, Carpiano, 2006). This is important to take into account, as the socially accepted norms are often difficult to understand for companies from a profit maximisation perspective.

### **3.4.3 Proposing a dual theoretical model**

Both the RBV and IT have advised each other by looking at both the economic and institutional factors that can relate to the challenges of entrepreneurship (Oliver, 1997). The combination between both theories holds great importance to this research as they enable organisations to deal with the economic and cultural challenges. Where IT highlights the role of actors in socio-cultural context, the RBV highlight the way in which resources can be best utilised buy these actors (Ferner et al., 2005, Mahalingam & Levitt, 2007). The RBV gives a particular importance to explaining the bundle of tangible and intangible resources, which can improve the way in which organisations can best develop their capabilities and outperform (West et al., 2008, Brammer et al., 2012). Organisations need to address new challenges while ensuring that the sustainability of their operations, which are ethically acceptable to the local population (Gallego-Alvarez et al., 2011), to enable the organisation to be more competitive and, therefore, increase the profitability for all stakeholders (Suddaby, 2010, Horng & Tsai, 2012). Figure 4 illustrates



the theoretical dual model where the institutional environment and organisational space are highlighted, as well as their influence in achieving sustainability.



*Figure 4: Illustrating the theoretical dual model of IT and RBV*

### 3.5 Summary

In the domain of SE, using a conventional framework rather than creating a new theory provides a background and a context on which to build further research. Existing theoretical frameworks have been highlighted as building blocks. This research contributes to the SE literature and theory building by suggesting useful theoretical lenses for advancing theory-based SE that can be empirically examined in the coming chapter. This research proposes four theoretical contributions to the IT literature as follows. First by addressing the effect of institutions on the establishment of new organisations. Second, by studying the effect of institutional dimensions on the firm performance. Third by focusing on the effect of informal

institutional logic (such as religion and family) on the SEs activity. Fourth by presenting a theoretical dual model of combining institutional theory and RBV to address SEs challenges and sustainability.

Since the environment in Saudi Arabia is influenced by formal institutions and informal institutional forces, the researcher will employ IT as part of the analytical framework to discuss institutional impact on SEs. Additionally, resources are scarce and SEs in this environment must focus on sustainable competitive benefits, so using the RBV is beneficial. Merged, the theories complement one another; IT has a macro perspective, whereas RBV has a micro view, establishing an integration of micro-entrepreneurial processes with macro-institutional theory. The RBV paves the way to link micro-organisational processes to the success or failure of organisations by identifying the effects of resources on success factors (Combs & Ketchen, 1999; Miller & Shamsie, 1996). Institutional entrepreneurship will lead efforts on how to create new ventures by identifying opportunities, mobilize resources by collective efforts to introduce new norms into society (DiMaggio, 1988; Rao, Morrill, & Zald, 2000).

## **Chapter 4 Literature Review**

### **4.1 Introduction**

The previous chapter discussed the theories used in SE that covered the considerable lack of theoretical rigor in the SE literature and presented a dual theoretical model to be used in this research borrowing from the insights of both IT and the RBV. Another issue briefly discussed was the definition of SE. This chapter will further develop the discussion of SE literature by reviewing studies from the areas of entrepreneurship and social entrepreneurship. The structure of this chapter is as follows: the importance of context for this research will be reviewed, then related SE research themes will be discussed while focusing on the unit of analysis “the social enterprise”, gaps in the literature and the research questions will be identified, and finally the hypotheses of the research will be developed.

### **4.2 The Context**

The creation and sustainability of entrepreneurial activity varies from one society to another. Existing literature advances the idea that the levels of a country’s entrepreneurial and economic development are largely dependent on context attributes. National context comprises culture and values as well as representative institutions of that culture and those institutions are deemed to be frames of reference that are used by societal members to understand organisations, the environment, and their affiliations with one another (Tang, Kreiser, Marino, & Weaver, 2010). Empirical evidence suggests that a country’s main religion significantly affects entrepreneurship at the macro level (Zelekha, Avnimelech, & Sharabi, 2014).

This research focuses on social enterprises (SEs) in the context of Saudi Arabia. The single factor that has shaped the history and character of the KSA is Islam (Pharaon, 2004). As observed by Nevo (1998), being a highly ingrained religious state, the basic principles of Islamic corporatism are at the heart of defining the relational ties between institutional forces and entrepreneurial impulse in Saudi Arabia. Islam has a positive perception of entrepreneurship as Kayed (2006: 5) found that “The Saudi entrepreneurs embrace positive perceptions and attitudes regarding the role of Islamic values in promoting productivity through entrepreneurship”. The leadership of the KSA values and distinguishes the role that the new generations of entrepreneurs play in the development of the economy as well as the achievement of sustainable competitiveness within the kingdom (Nieva, 2015).

Previous literature acknowledges that there is a link between national context and entrepreneurship. However, little research has been carried out to establish the precise effect of context on entrepreneurial activity (Tang et al., 2010). Living within shared geographical territories often gives rise to relative bonds in terms of a shared identity, expectations, and interests (Seelos, Mair, Battlina, & Dacin, 2011). Consequently, there exists symbiotic relationship between social entrepreneurship organisations and the national territories within which they exist. Overall, Tapsell and Woods (2010) stressed the view that context matters in social entrepreneurship research, especially where governance (regulative dimension) is involved.

#### **4.2.1 Institutional Dimensions and SE**

Selznick (1948) suggests that organisational structures are rapidly becoming homogeneous because they tend to work towards a pre-set goal or target within a given framework in the form of a mission or vision for an organisation. DiMaggio and Powell (1983) further support this view that the institutionalisation has a specific path, as it is not the need for the reform or necessary change but rather a trend towards the homogeneity that propels entrepreneurialism to take a specific path in the context of the existing institutional framework. It is only recently that researchers have taken an interest in the role institutions play in influencing entrepreneurial decisions in established organisations (Dacin et al., 2008; Greenwood & Suddaby, 2006; Lounsbury, 2001). According to Tolbert et al. (2011), the nature of institutional entrepreneurialism is affected more by the cultural changes associated with a globalised world than by the technological shifts occurring in the inter-connected world.

Deep social structures are usually consulted as guidelines and constraints for behaviour (North, 1991). Whereas formal institutions usually follow the objective constraints and incentives set down by government regulations of both organisational and individual actions (Scott, 1995, 2005), informal institutions follow slowly changing, more easily accessible cultural norms. According to Scott (1995), a three-pillar institutional framework (Regulatory, normative and cognitive) easily distinguishes two categories of informal institutions: normative and cognitive. The former is based on social obligations, the latter on social values, though both are culturally associated (Bruton, Ahlstrom, & Li, 2010; Scott, 2005; Stephan & Uhlaner, 2010).

Doherty, Haugh, and Lyon's (2014) review of SE literature found that several studies in leading academic journals have focused on advancing IT (Dacin, Dacin, & Matear, 2010; Desa,

2012; Estrin Mickiewicz, & Stephan, 2013; Mair & Marti, 2006; Nicholls, 2010; Ruebottom, 2013; Seelos et al., 2011; Stephan, Uhlaner, & Stride, 2015; Sud, VanSandt, & Baugous, 2009; Teasdale, 2012; Townsend & Hart, 2008). Additionally, an institutional framework must be considered when developing a new understanding of SE (Dacin, Dacin, & Tracey, 2011; Zahra & Wright; 2011). It is essential to note that decisions and actions taken by social entrepreneurs relate either to pro-social or to “other” interests (Santos, 2012; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Therefore, the divergent influences of both formal and informal institutions must be taken into account.

#### ***4.2.1.1 Formal & Informal Institutions and SE***

Institutions can be categorised as either formal (social institutions), or informal (national cultures). Helmke and Levitsky (2004) have explained that formal institutions are established and widely communicate through various official channels, such as laws, regulations and policies while on the other hand, informal institutions are the embodiments of cultural norms, belief systems, practices and customs that are unwritten and socially shared. Williamson (2000) has emphasised that the economic and social system of a nation is derived from its formal and informal institutions. Both of the formal and informal institutions not only influence the business culture but also affect factors of production that are likely to enhance the entrepreneurial potential of any society (Cullen, Parboteeah, & Hoegl, 2004; Parboteeah & Cullen, 2003). To summarise the role of these institutions, Barley and Tolbert (1997) suggest that these institutions influence entrepreneurs by using incentives and sanctions to control their activity.

Formal institutions have a strong influence on entrepreneurs (Gomez - Haro, Aragon - Correa, & Cordon - Pozo, 2011). The tax rates, access to educational opportunities, and political policies implemented in a country might direct the efforts of entrepreneurs. On the other hand, informal institutions, which include a country's culture, values, beliefs, and norms, also affect entrepreneurs (Knight, 1997; Salimath & Cullen, 2010). The effect of culture is so deep that it has an impact on an individual's intention of becoming an entrepreneur (Thomas & Mueller, 2000).

Governments play significant roles in the economic development of countries through which rules and regulations they put in place to facilitate or restrict the establishment of new businesses (Bruton et al., 2010). When investigating SE, governance context matters (Tapsell and Woods, 2010). Government support of SEs varies from country to country. Sullivan (2007) found that government support for SEs promoted their activities. Therefore, SEs should consider their country of employment when seeking governmental support (Young & Grinsfelder, 2011).

Griffiths, Gundry, and Kickul (2013) suggested that high public spending negatively influences social entrepreneurship, meaning that SEs tend to work in countries with low public spending. Recessions often result in the availability of cheap skilled labour and supplies, tax incentives, and strengthened social and technological networks as people seek to improve their situations by starting new social ventures (Dacin et al. 2010; Estrin et al. 2013). Although other scholars have contradicted it by suggesting that active governments and an increase in government spending will enhance SEs support (Korosec & Berman, 2006; Zahra & Wright, 2011). Stephan et al. (2015) join this debate by explaining:

“Thus our findings are at odds with the view that creating greater demand for SE by reducing government activism (through lower government spending or less progressive taxation) stimulates greater engagement in SE, or that government activism would “crowd out” private pro-social initiatives such as SE. By contrast, our findings point to the importance of complementary support from formal and informal social capital institutions” (p.323).

The socio-political, economic, and cultural variables that affect social enterprises vary by country. It is important to understand how these variables create unique challenges in each country, as cultural norms obligate individuals to behave in certain ways (Powell & DiMaggio, 1991). Additionally, scholars from the cultural-cognitive school of thought usually argue that entrepreneurial incentives are the “result of environmental ambiguity and the cultural resources available to interpret and define” entrepreneurial opportunities (Companys & McMullen, 2007:301). Williams (2007) revealed that marginalised communities tend to be socially oriented before they are profit oriented.

Suchman (1995) observed that legitimacy is an assumption or generalised perception that the actions of an organisation are proper, desirable, or appropriate within a socially constructed system of values, norms, definitions, and beliefs. Moreover, legitimacy affects how individuals relate to an institution or organisation. If an organisation is perceived as legitimate, it will be deemed worthy of support. Legitimacy has long been used as a vehicle for winning the support of stakeholders. Mason (2010) showed that SEs are considered legitimate on the basis of their mission statements, stakeholders’ level of participation, and social value creation. Mason further argued that key stakeholders will legitimise organisations that demonstrate their social impact over a period of years. In other words, once an organisation has been in existence for a few years,



its social impact and performance will be more easily demonstrated as they will have a record of accomplishment.

### **4.3 Review of SE themes**

This section will discuss certain key SE themes related to the research. Those themes are social enterprises, EO in SE, SE motivation, the social value, SE innovation, the social mission, SEs's performance and the triple bottom line.

#### **4.3.1 Social Enterprises (SEs)**

A SE is a venture that has a social purpose and which provides goods and services to achieve its mission (Barraket, Collyer, O'Connor, & Anderson, 2010). In other words, social enterprises use the market-based techniques to achieve their social outcomes (Ridley-Duff & Bull, 2015). Even though social enterprises vary in their legal form (Defourny & Nyssens, 2010) they coincide in their social value creation (Austin, Stevenson, Wei - Skillern, 2006). The concept of social enterprise emerged from non-profit organisations (Dart, 2004), which implies that social enterprise is an extension and a combination of different concepts as Dart (2004: 411) explain, "Social enterprise has emerged as a business-like contrast to the traditional non-profit organization." Given the primary aim of social enterprises, the business approach used by social enterprises is dominated by social objectives whereas financial objectives play a secondary role. Therefore, SEs use their businesses as a tool for social development (Dees and Anderson, 2006) and their economic value creation vary from a social enterprise to another (Dorado, 2006). Ridley-Duff and Bull (2015: 65) noted that the term social enterprise is used as an umbrella

terminology by many firms, activists and entrepreneurial firms for an organisation that “innovates for a social purpose.” Primarily the social enterprises are considered as a commercial vehicle to address social needs, which substitute for efficiency and sustainability (Ridley-Duff & Bull, 2015).

While SE does not have a “uniformly accepted definition” (Kickul & Lyons, 2016. P 16), it refers to the phenomenon of creating social value by exploiting opportunities, engaging in innovation and tolerating risks (Peredo & McLean, 2006). It has also been referred to as a field or discipline (Nicholls, 2008). However, social enterprises refer to firms that engage in this phenomenon. In general, social enterprises reflect several characteristics inherent to social entrepreneurship such as blurred margins between profit and non-profit activities and grouping of commercial activities and social purpose (Mair & Marti, 2006). They both involve exploiting the market opportunity to bring innovation and market change to fulfil a social purpose (Perrini & Vurro, 2006). Unlike a social enterprise, SE is a broad concept that is validated when innovation leads to effective solutions and outcomes. On the contrary, social enterprise focuses on establishing a business with social goals, thereby creating a pathway to social change (Luke & Cha, 2013).

Although social enterprise and SE are closely related terms, extant literature has established that they are different. Luke and Cha (2013) found that SE focuses on the how, as in the process, while SEs focuses on the why, which is the actions. Furthermore, SE is a process or a field, while social enterprise is the firm that engages in the process or operates in the field of social entrepreneurship. Therefore, SE is in the field level (context) of this study, social

enterprises (SEs) are in the firm level (unit of study) and social entrepreneurs are at the individuals level, running these organisations.

### **4.3.2 EO in Social Enterprises**

Entrepreneurial orientation (EO) is a widely acceptable firm level construct used by the management research community (Semrau, Ambos, & Kraus, 2016). In essence, EO expresses Schumpeter's entrepreneurship at the organisational level (Covin & Slevin, 1989). The EO definition proposed by Miller (1983), states that "an entrepreneurial firm is one that engages in product market innovations, undertakes rather some risky ventures and is first to design proactive innovations that beats competitors to the punch" (p.771). The EO continuum of conservative firms is marked at one end by non-innovative aversion to risk and over-reactive strategic management processes and at the other end by innovative, risk-taking, proactive entrepreneurship (Covin & Slevin, 1989). This has focused the EO literature on the effects of pro-active innovation and risk taking on firm performance. Additionally, Miller (1983) has inferred that individual personality, knowledge, and use of power in governing firms distinguish firms from each other, which, therefore, denotes them as entrepreneurial organisations.

As a primary growth-oriented tactical construct (Covin & Wales, 2010; Lumpkin, Moss, Gras, Kato, & Amezcua, 2013), EO has attracted attention from entrepreneurship researchers and has been recognised in the revival of businesses of all sizes (Dess & Lumpkin, 2005; Wiklund & Shepherd, 2005). The EO construct is now seen as a strategy for gauging a firm's capacity for change, innovation, and improvement (Covin & Wales, 2010; Sharma & Dave, 2011). These entrepreneurial processes include developing new products, experimenting with the latest technologies, acquiring potential market opportunities, and bearing risk through investments.

A commercial entrepreneur will be more concerned with the end goal of economic wealth creation, whereas the social entrepreneur will be more concerned with social wealth creation (Marti & Mair, 2006). It is generally noted that social entrepreneurs tackle social challenges in non-traditional ways. According to Waddock and Post (1991), EO at the company level improves SEs, a particular trait of theirs described as “private sector citizens who play critical roles to bring about ‘catalytic changes’ in the public-sector agenda and the perception of certain social issues” (p.393). The leadership characteristic used by Waddock and Post to distinguish SEs from other leaders is their capacity to outline intricate social matters to create a sense of significance that goes beyond economic terms to construct significant social values.

The primary goal of SEs is to create social value instead of shareholder or personal wealth, which is usually the focus of commercial enterprises (Renko, 2013). Social value improves the community by minimising inclusion barriers or helping the needy (Felicio, Gonçalves, & da Conceição Gonçalves, 2013). They make important contributions to their societies by using business models that provide creative ways to help solve complex as well as persistent social issues (Zahra et al., 2009). Furthermore, Mort, Weerawardena, and Carnegie (2003: 82) suggest that “social entrepreneurs display innovativeness, proactiveness and risk-taking propensity in their key decision making”. Because of the unique attributes of social value creation (SVC), there are theoretical rationales for both a positive and negative relationship between SVC and a firm’s EO. Lumpkin et al. (2013) examine the manifestation of each of the EO dimensions in the presence of antecedents and outcomes that are unique to social entrepreneurship. For instance, out of the five dimensions of EO, competitive aggressiveness appears the most likely to be negatively related to social value creation (SVC). This relates to the collaborative nature of SVC,

which is in direct contrast to competitive aggressiveness. Innovativeness and proactivity are particularly likely to have a positive influence on SVC (Lumpkin et al., 2013). Because of the rarity of SVC as a goal, innovativeness requires creative thinking. SVC will not be produced via the methods used by the typical profit-maximising firm; new approaches must be conceived and implemented to address needs neglected by the traditional commercial sector. Furthermore, Lumpkin et al. (2013) suggest that social ventures have higher levels of EO than traditional ventures and further suggested measuring for EO in SE by using the EO scale.

EO is a methodological tool that can be used to advance knowledge of entrepreneurship in the non-profit sector (Morris, Webb, & Franklin, 2011). Different researchers have studied EO in SEs and non-profit organisations using different measurements, mostly relying on Covin and Slevin's (1989) scale (with or without modifications). Barrett, Balloun and Weinstein (2005), for example, have applied the EO scale to the non-profit context without any changes. Syrjä et al. (2013) used a case study approached to the subject of EO in SEs from three different dimensions: risk-taking, innovativeness-proactiveness, and persistence. According to Syrjä et al. (2013), innovative behaviours always lead to new products or services, especially when the non-profit is looking for ways to generate income. Lurtz and Kreutzer (2017) used a qualitative approach to investigate EO in the non-profit context by looking at the roles of risk-taking, collaboration, proactiveness, and innovativeness of entrepreneurship in social ventures' pre-start-up phase and how they affect the downstream and upstream processes. DiVito and Bohnsack (2017) used mixed-method approach and measured EO in SEs by a multidimensional measure of (innovativeness, proactiveness, risk-taking, and future orientation). Morris and colleagues developed a scale for EO in the non-profit context including the dimensions of innovativeness,

proactiveness and risk-taking. While, Kraus et al. (2017) propose a 12-item scale of EO measurement in the SE context comprising of four dimensions: social innovativeness, social risk-taking, social proactiveness, and socialness (Table 1).

Most of the studies on EO have measured either three or four dimensions, but innovativeness, proactiveness, and risk-taking are central to most of the studies (DiVito & Bohnsack, 2017; Kraus et al., 2017; Lurtz & Kreutzer, 2017; Morris et al., 2011; Syrjä et al., 2013). A clear-cut demarcation of EO in profit-earning SE and the non-profit sector may be hard to attain. Helm and Andersson (2010) noted that many social science concepts lack distinct boundaries with similar concepts. This obstacle has dominated non-profit entrepreneurship research. However, SE is a unique non-profit and profit behaviour existing at the meeting point of innovation, proactiveness, and risk-taking, and there is a clear behavioural difference between non-entrepreneurial and entrepreneurial non-profits (Helm & Andersson, 2010). Furthermore, there has not been a well established modified scale of EO in the SE context. Therefore, in this research, Covin and Slevin's (1989) EO scale will be used without any definitional changes.

*Table 1: Modifications of EO scales used by researchers in the SE and non-profit context*

Author	Scale
DiVito, and Bohnsack (2017)	<p><b>(1) Innovativeness:</b></p> <ul style="list-style-type: none"> <li>-We always look for new opportunities and introduce new products to the market.</li> <li>-Investments that will provide us with a competitive advantage are emphasized.</li> <li>-When making strategic decisions we respond to opportunities quickly.</li> </ul> <p><b>(2) Pro-activeness:</b></p> <ul style="list-style-type: none"> <li>-New projects are approved without an approval process of various stages.</li> <li>-We always strive to improve our position in the market and simultaneously challenge our competitors.</li> </ul> <p><b>(3) Risk orientation:</b></p> <ul style="list-style-type: none"> <li>-We act on opportunities regardless of the uncertainty of the outcome.</li> <li>-The strategic decisions we make with a focus on investment include high risk and high return.</li> </ul> <p><b>(4) Future orientation:</b></p> <ul style="list-style-type: none"> <li>-Long term profitability gains precedence over short term profitability.</li> <li>-We think about the future when making strategic decisions.</li> </ul>
Kraus et al.,	<p><b>(1) Social innovativeness:</b></p>

(2017)	<ul style="list-style-type: none"> <li>-Social innovation is important for our company.</li> <li>- We invest heavily in developing new ways to increase our social impact or to serve our beneficiaries.</li> <li>- In our company, new ideas to solve social problems come up very frequently</li> </ul> <p><b>(2) Social risk-taking:</b></p> <ul style="list-style-type: none"> <li>- We are not afraid to take substantial risks when serving our social purpose</li> <li>- Bold action is necessary to achieve our company’s social mission</li> <li>- We avoid the cautious line of action if social opportunities might be lost that way.</li> </ul> <p><b>(3) Social proactiveness:</b></p> <ul style="list-style-type: none"> <li>- We aim at being at the forefront of making the world a better place.</li> <li>- Our organization has a strong tendency to be ahead of others in addressing its social mission.</li> <li>- We typically initiate actions which other social enterprises/social entrepreneurs copy.</li> </ul> <p><b>(4) Socialness:</b></p> <ul style="list-style-type: none"> <li>- The objective to accomplish our social mission precedes the objective to generate a profit.</li> <li>- Our organization places a strong focus on partnerships with other organizations and/or governments in order to ensure a greater and accelerated accomplishment of the social mission.</li> <li>- We set ourselves ambitious goals in regard to sustainability and incorporate them in all strategic decisions.</li> </ul>
Morris,	<p><b>(1) Innovativeness:</b></p> <ul style="list-style-type: none"> <li>-Emphasis on innovation directed at core mission achievement, either by increasing efficiencies, serving more individuals, or enhancing what is done for these individuals.</li> </ul>



<p>Webb and Franklin (2011)</p>	<p>-Emphasis on innovation directed at generating new sources of revenue, such as from selling products or launching ventures, that are supplementary to or independent of the social mission.</p> <p>-Emphasis on innovation directed at both revenue generation and mission accomplishment in concert with one another.</p> <p><b>(2) Proactiveness:</b></p> <p>-Enactment of change in how social purpose is achieved relative to organizations with similar missions.</p> <p>-Enactment of change in how financial requirements are met relative to organizations with similar missions.</p> <p>-Enactment of change relative to stakeholder expectations.</p> <p><b>(3) Risk taking:</b></p> <p>-Willingness to take actions that incur meaningful probability and magnitude of loss in the amount of social impact achieved by the organization.</p> <p>-Willingness to take actions that incur meaningful probability and magnitude of financial loss.</p> <p>-Willingness to take actions that incur meaningful probability and magnitude of loss of nonfinancial stakeholder support.</p>									
<p>Helm, and Andersson (2010)</p>	<p>Presently and during the last five years my organization has:</p> <p><b>Innovation</b></p> <table border="0" data-bbox="289 1027 1919 1274"> <tr> <td data-bbox="289 1027 905 1114">1. Placed a strong emphasis on the maintenance of tried-and-true products or services.</td> <td data-bbox="961 1027 1150 1060">1 2 3 4 5 6 7 8</td> <td data-bbox="1241 1027 1919 1114">Placed a strong emphasis on the development of new products or services.</td> </tr> <tr> <td data-bbox="289 1133 905 1219">2. Placed a strong emphasis on the maintenance of established organizational processes.</td> <td data-bbox="961 1133 1150 1166">1 2 3 4 5 6 7 8</td> <td data-bbox="1241 1133 1919 1219">Placed a strong emphasis on the development of new organizational processes.</td> </tr> <tr> <td data-bbox="289 1239 905 1271">3. Introduced no new processes, policies,</td> <td data-bbox="961 1239 1150 1271">1 2 3 4 5 6 7 8</td> <td data-bbox="1241 1239 1919 1271">Introduced many new processes, policies, products,</td> </tr> </table>	1. Placed a strong emphasis on the maintenance of tried-and-true products or services.	1 2 3 4 5 6 7 8	Placed a strong emphasis on the development of new products or services.	2. Placed a strong emphasis on the maintenance of established organizational processes.	1 2 3 4 5 6 7 8	Placed a strong emphasis on the development of new organizational processes.	3. Introduced no new processes, policies,	1 2 3 4 5 6 7 8	Introduced many new processes, policies, products,
1. Placed a strong emphasis on the maintenance of tried-and-true products or services.	1 2 3 4 5 6 7 8	Placed a strong emphasis on the development of new products or services.								
2. Placed a strong emphasis on the maintenance of established organizational processes.	1 2 3 4 5 6 7 8	Placed a strong emphasis on the development of new organizational processes.								
3. Introduced no new processes, policies,	1 2 3 4 5 6 7 8	Introduced many new processes, policies, products,								

	products, or services		and services
4.	Made only minor changes in processes, policies, products, or services.	1 2 3 4 5 6 7 8	Made major changes in processes, policies, products, or services.
	<b>Proactiveness</b>		
5.	Is very seldom the first organization to introduce products/ new products/services, administrative technologies, etc. techniques, operating technologies, etc.	1 2 3 4 5 6 7 8	Is very often the first organization to introduce new services, administrative techniques, operating
6.	Been reticent to exploit changes in the field	1 2 3 4 5 6 7 8	Exploited changes in the field.
7.	Followed the lead of similar service providers.	1 2 3 4 5 6 7 8	Provided the lead for similar service providers.
	<b>Risk Taking</b>		
8.	Conducted itself consistently with the behavioral norms of the operating environment, industry, or sector.	1 2 3 4 5 6 7 8	Conducted itself in conflict with the behavioral norms operating environment, industry, or sector.
9.	Selected projects that support the organization's public image.	1 2 3 4 5 6 7 8	Selected projects that may alter the organization's
10.	Made decisions that maintain staff stability.	1 2 3 4 5 6 7 8	Made decisions that created changes in staff stability.

### 4.3.3 SE Motivation

The concept of SE motivation symbolises the merging of social interaction, technical competence and emotional zeal exhibited by an individual (Phillips, Lee, Ghobadian, O'Regan, & James, 2015). Cope (2005) suggested that from the previous researches relating to motivation among entrepreneurs, it can be categorised into major types, which are personality approach, functional approach and behavioural approach. The personality approach is related to characteristics of individual psychological traits that define an entrepreneur. The functional approach is connected to the logical outcomes within economic theory. Lastly, the behavioural approach is obtained from strategic management and entails the method of how an entrepreneur observes and performs on opportunities presented.

Austin et al. (2006) noted that SEs focus more on innovative and proactive activities rather than typical firm internal management activities. The motivation among SEs pushes them to intervene for the betterment in society, keeping in mind that such real life solutions require more than self-centered altruism. Other motivator includes a focus on a bottom up solution (Iyer, 2015) and is more result oriented (Phillips et al., 2015). According to Germak and Robinson (2014), some SEs are motivated by factors such as personal fulfilment, achievement orientation, and helping society. Real solutions need a lot more than self-centred selflessness (Kayser & Budinich, 2015). SEs can be regarded as mission-driven people who strive to address social problems in the world through the development of innovative and sustainable business ventures designed to create social change.

There is ample literature on motivation among SEs. For example, Maslow's (1943) work motivation theory supports a bottom up solution and highlighted another important feature that

they like to operate alone or play a special part in large organisations. Most importantly, Austin et al., (2006) view motivation among social entrepreneurs differently from commercial entrepreneurs, although it may share some attributes of commercial entrepreneurs. Motivation among SE enhances their belief of self-actualization and broadens their scope of opportunities, unlikely on the other hand, commercial entrepreneurs are self-centred and target opportunity for profitability, which are relatively hard to capture. Dees (1998) highlighted that SEs focus more on social demands and their latitude help them to pursue activities of greater social impact, while CEs are more dependent on internal resource and support for progress.

#### **4.3.4 The Social Value**

Though social value is a widely used construct, there is no unanimous definition of social value (Bellostas, Lo´pez-Arceiz & Mateos, 2016). While some authors relate it to the inputs needed to attain social welfare (Mair & Marti, 2006; Dees & Anderson, 2003), others associate it to the output that the organisation delivers to society (Va´squez & Da´vila, 2008). Social value is also related to solving the problems which society faces (Dees, 2001), which can be related to several sectors like health care, law, environment, technology, civic life among others (Mair, Martı´ & Ventresca, 2012). Several scholars include social value creation in defining SE such as (Austin et al., 2006; Mair & Marti, 2006; Nicholls, 2008). Therefore, it is commonly believed that social entrepreneurs and social enterprises strive to create social value (Santos, 2012). Smith and Steven (2010) also acknowledge that SEs create social value; they further elaborate that social entrepreneurship is diverse as social value is sought by several profit-seeking and non-profit

organisations. According to Di Domenico, Haugh and Tracey (2010), in order to create social value, SEs attain and exploit resources through different ways, even when resources are constrained, SEs ‘produce something from nothing to produce social value’ (P. 690). However, social value is a complex multidimensional framework that it has no unified measurement in SE research (Weaver, 2018). Hlady-Rispal and Servantie (2018) further explain that the dimensions of social value is considerably an ambiguous part of SE research that needs further development.

#### **4.3.5 SE and Innovation**

The basis of SE documentation is based on innovation and creativity in executing a venture (Dees & Anderson, 2006). Christensen, Baumann, Ruggles, and Sadtler, (2006) introduced the concept of innovativeness, calling it the tendency to engage through creative activity or experimentation in the development of new products or the improvement of existing processes. SE literature has proposed that entrepreneurs are creative (Dawson & Daniel, 2010) and that they can think in unconventional ways, question current notions and beliefs, and adapt and adjust when problem solving. Authors such as Edwards-Schachter, Matti, and Alcántara (2012) have observed that social entrepreneurs have several potential methods to exercise innovativeness in attaining their social goals because of the multidimensional sources of any social issue.

Based on studies by Dees and Anderson (2006), and Dees (2007), SE is being increasingly acknowledged as a route to economic, social, and environmental contribution to society. In recent years, researchers and policy makers have been increasingly concerned with the idea that SEs

have a positive impact on society. Chiefly, researchers have observed that social entrepreneurial actions affect both economic growth and social development by alleviating poverty and improving large-scale economic development (McMullen, 2011). Some scholars have stated that SE supports and promotes innovative activities in global organisations by emphasizing the achievements of successful social entrepreneurs (Dacin et al., 2010).

#### **4.3.6 The Social Mission**

The mission of an organisation is to set its priorities in relation to its strategy and purpose and to guide an allocation of resources (Costanzo, Vurro, Foster, Servato, & Perrini, 2014). According to Peredo and McLean (2006), the social mission of SEs is central and explicit. This means that the mission is the central focus for social entrepreneurs rather than wealth.

A SEs mission is to change the attitudes as well as the behaviour of people in society through various cognitive and behavioural strategies (Yitshaki & Kropp, 2016). This enables them to make sound judgments that shape the reason for their businesses and helps them to remain focused on the main goals. According to Zhang and Swanson (2014), more businesses are becoming socially focused on their operating missions while, at the same time, becoming more sustainable. The trend towards SE has been influenced by internal factors like the presence of resources and network embedment. Influence experienced by external factors include government regulations and social and economic environment (Zhang & Swanson, 2014).

Despite the fact that there has been no universal definition of SEs, researchers agree on the important role played by SEs. Scholars have widely investigated the reasons why a social

entrepreneur will invest their time and resources on organisations that do not allow them to earn profits and compensation (Peredo & McLean, 2006), and these are referred to as social goals, which refer to the desire to improve the wellbeing of the community. For instance, according to Tan and Yoo (2015), some social enterprises invest in such enterprises for religious purposes. Religious groups have been known to start SEs with the aim of shaping the actions of people to improve the community.

Social entrepreneurs also engage in social enterprises for environmental purposes (Peredo & McLean, 2006). Yitshaki and Kropp (2016) argued that the desire to make a positive impact in the community encourages a social entrepreneurs to accumulate resources and establish organisations. Similarly, some social entrepreneurs start enterprises motivated by a high desire for personal achievement (Germak & Robinson, 2014). The availability of resources also promotes the establishment of SEs. This includes funds from private and government agencies, grants, and individual contributions. Social networks been proven to help in access to resources for example, social media networks have also contributed highly to the access of resources (Dufays & Huybrechts, 2014).

#### **4.3.7 SEs and Firm performance**

Measurement of SEs performance have been heterogeneous and underdeveloped insofar in SE research (Rawhouser, Cummings, & Newbert, 2017) this heterogeneity in measurement of performance is due to the nature of the SEs dual (social/financial) objectives (Lall, 2017). SEs strive to create a sustainable venture by acquiring, managing resources effectively, and building

capabilities of their venture (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Renko, 2013). Hence, focusing on the ability of a SEs to create social value through developing capabilities that are centred on serving their stakeholders (i.e., funders, donors, volunteers, employees, customers, beneficiaries). Therefore, on the one hand SEs must attain to multiple stakeholders either to serve them or to gain their support (Desa & Basu, 2013) this multiple stakeholders serving mission requires a subjective firm performance measurement to capture different dimensions of performance (Bagnoli & Megali, 2011; Schmidt, Baumgarth, Wiedmann, & Lückenbach, 2015). On the other hand, non-financial indicators such as reputation and public image are considered to be part of firm performance dimensions (Lumpkin & Dess, 1996) this legitimization efforts by ventures contribute to its' over all positive performance (Wang, Thornhill, & De Castro, 2017).

Felício, Martins Gonçalves and da Conceição Gonçalves (2013) conducted a study to examine the influence of SE and transformational leadership on performance and social value creation. The study revealed that SEs performance, is reflected in its "ability to satisfy users, the quality of service and the success of organization recognised by society" (p. 2144); Chen, Ling and Hsu (2013) used a subjective measure of performance in the SE context consisting of employee satisfaction, coordination among employees, satisfaction of service object and prospect of organisation. Sharir and Lerner (2006) also reinforced that SE objectives significantly influences organisations' economic and social outcomes. Bacq and Eddlesto (2016) proposed that in order for a SEs to create a larger social impact they should focus on three capabilities 'stakeholder engagement', gain 'government support' and 'developing revenue streams'. While, Bloom and Chatterji (2009) suggested seven capabilities for SEs to achieve their social goals.



Other scholars used a goal directed approach to measuring SEs' performance through three dimensions: economic performance, social effectiveness and institutional legitimacy (Bagnoli & Megali, 2011; Schmidt et al, 2015).

This study measure performance by the SEs ability to create social value, in order to do so a firm should achieve its' social objectives and successful in building its capability by being resourceful and gaining legitimacy. SEs do not provide same compensations as commercial enterprises do to resource providers however; those resources providers can be motivated by the social mission to support the social enterprise (Albert, Dean & Baron, 2016; Nicholls & Cho, 2006). Albert et al., (2016: 292) explain "In the context of social entrepreneurship, 'resource providers' are defined as individuals or organisations who offer support to the social venture". Therefore, social enterprises seek the support of a wider stakeholder pool than their commercial counterparties (Moss et al., 2011); however, legitimacy has an important effect on the amount of support the social enterprises receive form stakeholders (Albert et al., 2016). Lumpkin and Dess (1996) stated that stakeholder satisfaction is a vital part of an organisation performance. They went further to discuss other non-financial factors such as public image and goodwill that may hamper the reputation of an organisation.

#### **4.3.8 The Triple Bottom Line**

Triple Bottom Line (TBL) is a framework used to express the social, economic, and environmental performances of a corporation; it is increasingly used to consider the extent to which a firm fulfills its social obligations. TBL represents the ways firms achieve social, environmental, and economic sustainability while addressing the concerns for people, the planet, and profit (Elkington, 2013). Adams (2004) affirmed that TBL pushes firms to accomplish

economic, environmental, and social goals at the same time. Furthermore, investors, NGOs, regulatory authorities, and socially aware customers tend to be interested in both financial and non-financial aspects of firms, which is why several TBL reporting tools have been developed that measure performance in the three areas (Brown et al., 2006). An example of TBL reporting tools is TBL auditing (Ramen, Seechurn, & Jugurnath, 2016).

Lundström, Zhou, von Friedrichs, and Sundin (2014) connected TBL to social enterprises by asserting that SEs seek success in economic, social, and environmental domains at the same time, which is similar to the principles of TBL. The authors further discussed the three-dimensional significance of SEs, involving humanistic value, commercial value, and social value. Similarly, Brueggemann (2013) linked SEs to double-bottom line and TBL by mentioning that SEs use a “blended value business model” by integrating the market efficacy of private firms with social and environmental causes pursued by several nonprofits. Thompson, Mawson and Martin (2017) related SEs and TBL by presenting the three bases on which a firm should be evaluated: (1) its role in social welfare; (2) its consideration for the conservation of the environment and its usage of resources; and (3) its economic growth.

#### **4.4 Gaps in the Literature Leading to Research Questions**

A review of the SE literature suggests that EO has not been empirically tested on social entrepreneurs, but it has been empirically tested in a social context through content analysis of mission statements and annual reports of award-winning social ventures (Moss, Short, Payne, & Lumpkin, 2011). However, results are tied to organisational behaviour insofar as they rely on the content that the firm provides to the public. Lumpkin et al. (2013) suggested that EO is necessary for SEs to succeed in their quest to tackle social problems. SEs promote societal innovation by

taking ideas, building capacity, and demonstrating positive social impact (Perrini & Vurro, 2006). EO is associated with enhanced financial performance, though it is unclear if it affects SE outcomes (Lumpkin et al., 2013). This research responds to calls for broader performance outcomes measurements as most EO-performance research focused on financial indicators (Wales, 2016).

Regrettably, there has been a trend where EO researchers have been reluctant to adopt the theories of other disciplines. Nonetheless, the situation seems to be getting better with the use of the RBV and the application of agency theory in the field of entrepreneurship (Miller, 2011). Therefore, this research will attempt to link IT and RBV with EO in SE research through analyses of how SEs entrepreneurial orientation relates to SEs performance, political, normative, and cognitive institutional environments. This relationship arises as firms, in a bid to be viewed as authentic and legitimate by significant resource providers and stakeholders, seek to display socially accepted behaviour, which influences their success in obtaining resource and building capabilities.

This research responds to calls for research on the relationship between social entrepreneurship and the environment (Bacq & Janssen, 2011; Mair & Martí, 2006), considering both entrepreneurial behaviour within context (Welter, 2011; Zahra & Wright, 2011) and the influence of culture and institutions on SE activities (Zahra, Newey, & Li, 2013). Doherty et al. (2014) suggested that future research about SE should focus on countries such as the Middle East, by investigating institutional dimensions that effect SEs activity. This research argues that the institutional environment might influence the entrepreneurial behaviour of SEs, which are characterised by proactive action, risk-taking, and innovation. Scholars suggest that linking IT to

RBV may enhance research on SE and the RBV, as the national context can influence SEs activity (Stephan et al., 2015).

The concept of innovation is deeply embedded in the definition of SE (Brozek, 2009; Kirkman, 2012; Mason, Kirkbride, & Bryde, 2007). However, several authors have indicated that research in the field of SE and innovation is still emerging and has not achieved maturity (Cukier, Rodrigues, Trenholm & Wise, 2011; Mair & Marti, 2006). Meanwhile the idea that institutions can impact social innovation has not yet been investigated in SE research (Phillips et al., 2015). Cukier et al. (2011) conducted a content analysis of 567 articles from 1987 to 2008 on social entrepreneurship and concluded that there is a lack of empirical research in the field. This finding was consistent with two previous studies, which also suggested a need for more empirical research (Mair & Marti, 2006; Nicholls, 2006). SE firms may be motivated by tough stakeholders, government and social pressures existing within the market, or even by the necessity to gain access to scarce resources. Enterprises with access to rare, valuable, and unmatched resources bear a great potential to realise superior performance (Grande, Madsen, & Borch, 2011). This lead to this research question:

**What is the impact of the institutional environment on social enterprises EO and performance in the context of Saudi Arabia?**

To answer the above question, this research will investigate the following secondary questions:

**RQ.1:** What is the correlation between EO dimensions and performance of Saudi SEs?

**RQ.2:** What is the correlation between the institutional environment dimensions and EO in Saudi SEs?

**RQ.3:** What are the interactions between EO and the institutional environment with SEs performance?

In this section a review of SE literature was presented, then the gaps in the literature were identified to conclude with the research questions. The next section will draw on the EO literature to present the conceptual framework for the study and development of the hypotheses.

## **4.5 Theory and Hypotheses Derivation**

In the previous section, the research questions were mentioned to be able to derivate the research hypotheses that will be explained in this section as follows; the development and hypotheses related to EO and linking it to IT and RBV is presented.

### **4.5.1 Entrepreneurial Orientation (EO)**

Lechner and Gudmundsson (2014) defined EO as a firm's decision-making practices, managerial philosophies, and strategic behaviours that are entrepreneurial. EO is a prominent widely used theoretical construct in management research (Gupta & Gupta, 2015; Wales, Gupta, & Mousa, 2013). The work of Miller (1983) on firm's strategy making suggests innovativeness, pro-activeness, and risk-taking as the three EO dimensions. Covin and Slevin (1989) developed a nine-item scale to measure the three dimensions of EO, which are: innovativeness, risk-taking and proactiveness. Covin and Wales (2010) further advocated that it is the combination of these dimensions in a person or organisation that makes the person an entrepreneur and the organisation

an entrepreneurial organisation. Miller (2011) further argues that if any one of these dimensions is lacking it would contribute to a less entrepreneurial organisation or an individual.

Lumpkin and Dess (1996) added two dimensions competitive aggressiveness and autonomy to the original scale of EO. In their definition of EO, they tied the concept to the new entry process (i.e., “EO refers to the processes, practices, and decision-making activities that lead to new entry” (p. 136) and this may lead to the minimal use of this construct in comparison to Covin and Slevin’s (1989) conceptualisation of EO (Covin & Miller, 2014). The literature suggests that SEs would not be aggressive nor competitive towards other players on the contrary they are collaborative as they all share a common goal of superior social benefit (Montgomery, Dacin, & Dacin, 2012), Covin and Miller (2014) further agree that competitive aggressiveness may not be evident in all contexts as some encourage collaboration in their entrepreneurial endeavour. Therefore, because these two dimensions are generally against the mission of SE mentioned earlier in their definition, it was decided not to use them in this study. On the other hand, focusing more on the three more widely used EO dimensions, intending to provide a clearer and unbiased comparative analysis of SE with CE.

Lumpkin and Dess (1996) suggested that EO dimensions can be used independently as a multidimensional phenomenon instead of a unidimensional one. In both EO scales designed by Covin and Slevin (1989) and Lumpkin and Dess (1996) the three dimensions of innovativeness, pro-activeness, and risk-taking are core in defining an entrepreneur. There is a debate in the literature on the multi-dimensionality of the EO construct, and Miller (2011) and Covin and Lumpkin (2011) ended the debate by acknowledging that the dimensions of EO can be examined separately. Wales et al., (2013) further support this notion by suggesting that the use of different

dimensionality of EO should be based on the research question at hand. Both constructs can be used as suggested by Miller (2011) “in some research contexts, the best of both worlds may entail analyses that present results for the EO construct and for each of its components” (p.880).

Building on previous literature and Miller’s definition, several scholars have used EO to analyse a somewhat standard set of related activities or processes. In line with various reviews that have previously addressed the history of the EO concept, Morris, Webb, and Franklin (2011) noted that with its theoretical acceptance, EO is regarded as an overall strategic posture rather than a singular activity such as the launching of innovation. Some scholars hold the argument that the entrepreneurial orientation construct is best viewed as a unidimensional concept (Lumpkin & Dess, 2001), and consequently, the different dimensions of EO should relate to performance in similar ways. Hypotheses that are more recent suggest that the dimensions of EO may occur in various combinations, each representing a different and independent aspect of the multidimensional concept of EO (Lechner & Gudmundsson, 2014).

Wales (2016) noted that EO is actually a part of corporate entrepreneurship strategy. He suggested that EO is representative of a unique, identifiable strategic dimension that can be plotted on any firm. Firms that display EO demonstrate the sustenance and recurrence of entrepreneurial firm behaviour over a period of time. This is referred to as temporal stability (Wales, 2016), and in EO research, it is tackled as a vital component and covariate to the extended pursuit of entrepreneurial behaviour. Morgan, Anokhin, Kretinin, and Frishammar (2015) viewed EO as an essential driver of new products and organisational growth. Therefore, a firm’s EO facilitates its ability to capitalise on emerging opportunities, charge higher rates, target premium market segments, and gain dominance over distribution channels.

Currently, EO is seen as a firm-level construct underlying the behaviour of individuals within a firm in their strategic orientation and decision-making processes and as how this influences the organisation to capitalise on opportunities through proactive behaviour, risk initiation, and innovation (Frank & Cook, 2010; Jantunen, Nummela, Puumalainen, & Saarenketo, 2008). Chann (2012) explained that EO has a positive relationship on organisational performance and profit. Kraus and Kauranen (2009) studied both individual and firm-level behaviour, observing that individual behaviour is first modelled on the sensitivities and deeds of the founding entrepreneurs, and then on the collative approach and refined processes that move the firm into new markets.

The EO construct is widely linked to firm performance and is responsible for the differences in performance between organisations (Miller, 2011). Empirical studies explaining the effect of EO on performance usually follow a multidimensionality construct to test for variation effect between the three dimensions of EO (Lomberg, Urbig, Stöckmann, Marino, & Dickson; 2017). Currently SE scholars are undecided on the manifestation of the EO construct in the SE context; therefore, this study suggests to test the influence of the EO independent dimensions on firm performance to better decide if the EO construct as it is, suitable to be used in this context.

#### **4.5.1.1 *Firm performance***

Firm performance is considered one of the main constructs in management research (Richard, Devinney, Yip, & Johnson, 2009); however, it has an inconspicuous meaning due to its complexional multi-dimensionality (Gupta & Wales, 2017). While empirical studies measuring



firm performance use a variety of indicators (cf. reviews by Combs, Crook, & Shook, 2005; Rauch, Wiklund, Lumpkin, & Frese, 2009) those indicators can be divided into subjective and objective measures (Brush & Vanderwerf, 1992; Venkatraman & Ramanujam, 1986). To illustrate, an objective measure refers to using a secondary data source (readily available) such as financial statements, whereas subjective measure refers to using a primary data source (survey-based) to measure performance (Richard et al., 2009). They further explain that using subjective measures allows for the assessment of nonfinancial standards of performance. Hult et al. (2008) conducted a review of 96 academic articles published in peer reviewed journals from 1995 to 2005 to examine the measurement of performance. Pertaining to data source, Hult et al. (2008) mentioned that out of all 96 studies, two studies used both objective and subjective measures of performance, 55 studies used subjective data sources and 39 studies used objective data for measuring performance. Furthermore, from 1995 to 1999, 62.1% of studies used primary data, and from 2000 to 2005, 54.2% of studies used primary data; therefore, most studies measured performance using the subjective measure. Frank and Roessl (2015) imply that the popularity of subjective measures is due to the difficulty obtaining objective indicators especially in small and medium size enterprises.

Studies in an international context have revealed that subjective data sources are more credible for measuring performance than objective data sources. For example, Lukas, Tan and Hult (2001) mentioned that in the context of emerging economies like China, primary data can be a more reliable source than secondary data for measuring performance. Likewise, Brouthers (2002) explained that researchers should use a subjective measure of performance when they not only aim to understand the goals of a particular strategy but also want to gain insight into

managers' views about performance management goals. Furthermore, Hult et al. (2008) proposed that collecting primary data to measure performance is recommended when an organisation's managers and employees hesitate to provide secondary data related to its finances, operations and performance; in such cases, the researcher can understand a manager's perceptions of financial, operational and strategic performance effectiveness through primary data (Hult et al., 2008). Either using subjective or objective measures it is best to use a multi dimensional measurement, as Blackburn, Hart, and Wainwright (2013) encourage scholars to not use a singular measure of performance. In this research, subjective measures of performance are used because of the sensitivity of reporting confidential financial information (not publicly listed). Furthermore, the use of financial indicators in the SE context might not be the best way to measure performance because the social objective is superior to the profit maximisation objective.

#### ***4.5.1.2 EO and Firm Performance***

EO and firm performance have been linked together increasingly in research publications (Gupta & Gupta, 2015; Gupta, & Wales, 2017) because of EO contribution to firm performance (Covin & Lumpkin, 2011). Rauch et al., (2009) studied the relationship between organisational performance and EO. They employed a meta-analysis of data from 51 published research studies. Their study indicated a strong relationship between firm performance and EO; the authors found that the strength of this relationship was influenced by moderator variables such as national culture, size of business, and extent to which the industry in which the firm operates is technology intensive. Sirmon and Hit (2003) mentioned that EO leads to innovation, correspondingly creating and marketing new products that enhance firm performance. While some studies (Hult, Snow & Kandemir, 2003; Wiklund & Shepherd, 2005) reported that organisations with high EO

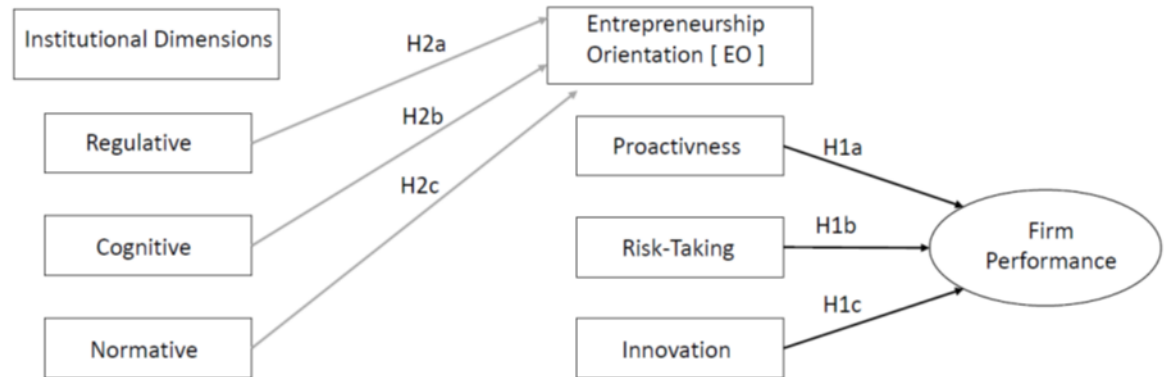
perform significantly better than firms with low EO, others mentioned a low positive correlation between EO and firm performance (Dimitratos, Lioukas, & Carter, 2004; Lumpkin & Dess, 2001). Considering innovativeness, risk-taking and proactiveness as sub-dimensions of EO, Kreiser and Davis (2010) proposed that environmental features and organisational structure influence organisational performance. Lumpkin et al. (2013) emphasised that the outcome of EO should include elements of social value creation.

Academic literature has reported variations in influence of EO on performance of SEs. While some studies have mentioned that EO influences performance positively (Pearce, John, Fritz, & Davis, 2010), others have explained that market orientation influences it (Chen et al., 2013; Morris, Coombes, Allen, & Schindehutte, 2007). Hu and Pang (2013) mentioned that social entrepreneurial orientation (SEO) influences firm's performance positively. Likewise, achieving the social objectives by creating social value contribute to the firm performance (Albert et al., 2016). Nonetheless, Coombes, Morris, Allen, and Webb (2011) found a negative relationship between EO and performance of SEs. Thus, Lurtz and Kreutzer (2017) explained that in the context of non-profits, the studies explaining EO's influence on performance reported 'mixed results' (p. 95). This discussion shows that while the relationship between EO and performance is positive, several factors—including environment, technology intensiveness of industry, national culture and sub-dimensions of EO—influence the relationship.

#### **4.5.1.3 *Connecting EO to Theory***

As EO research broadens, it continues to gain popularity in scholarly outlets (Wales, 2016) that are outside entrepreneurship journals. However, Miller's (2011) review of the EO

literature suggests that linking EO to theory has been underemphasised and calls for future research to connect EO to one or more existing theories. This research attempts to link EO to IT and RBV in SE research. The following section seeks to propose the relationship between EO and theory in six hypotheses (see Figure 5).



*Figure 5: EO Model of hypothesis*

#### 4.5.2 Theoretical background on resources and capabilities in the context of EO in SE

The relationship between resources and firm performance is well supported by research. Penrose (1959) for example, explains that resources enhance performance if used in a manner whereby the firm can avail itself of their potential useful services. According to Barney (1991), valuable and rare resources and capabilities become a source of competitive advantage and increased performance; valuable and inimitable resources and capabilities become a source of sustained competitive advantage, thereby leading to sustained performance. The essential resources for the realisation of a robust entrepreneurial process may either be institutional,

physical, knowledge-based, psychological, or a blend (Miller, 2011). In this respect, resources are tradable and not firm specific. Meanwhile, capabilities are firm specific and, therefore, useful when engaged in the firm's operations (Barney, 1991). These capabilities imply different aspects of firm operations such as implicit processes, transfer knowledge, and information within a firm. The distinction is practical in RBV literature because some firms view capability as a specific type of firm resource that supports and improves productivity (Porter, 2000).

Social enterprises seen from the perspective of RBV to be an organisation whose social impact scale is dependent on their ability to build, combine, and apply resources and capabilities (Bacq & Eddlesto, 2016). The capability to acquire and bundle tangible and intangible resources will definitely improve social enterprises' ability to create social value (Meyskens et al. 2010). SEs face challenges for mobilising financial and human resources, specifically in the early phase of business (Di Domenico, Haugh, & Tracey, 2010; Peredo & McLean, 2006). They do not perform well in the early stages and face difficulties while they try to climb the entrepreneurial ladder (Grilo & Thurik, 2005; Van der Zwan, Thurik, & Grilo, 2010).

SE is a vibrant endeavour, especially in environments with scarce resources and areas where social problems are abundant (Granados, Hlupic, Coakes, & Mohamed, 2011). In this view, it is essential to have access to tangible and intangible resources that initiate change in society (Meyskens et al., 2010). As a result, combining resources enables effectively carrying out social entrepreneur activities (Smith & Woodworth, 2012). Therefore, RBV is crucial because it supports analysis of social ventures, activities and goal attainment by the effective use of firm capabilities in social entrepreneurship (Stephan et al., 2015). While EO as a construct contributed and benefited the field of entrepreneurship (Randerson, 2016), this research supports that EO will

benefit the field of SE as suggested by Lumpkin et al. (2013), that EO is necessary for SEs to succeed in their quest to tackle social problems.

The goal of SE is to generate social value instead of shareholder or personal wealth, which is usually the focus of corporate entrepreneurship (Renko, 2013). Yitshaki and Kropp (2016) argued that the desire to make a positive impact in the community encourages a social entrepreneur to accumulate resources and establish organisations, where the activities and tangible and intangible resources flow within the social ventures and help social actors to initiate the necessary change (Stephan et al., 2015). SEs have an obligation to construct an enterprise that sustains and efficiently employs limited financial and other resources while they identify opportunities and proactively seek them. Tan and Yoo (2015) further agree with other researchers that SEs pursue mission-attending opportunities while being resourceful and accountable. Both Mort et al. (2003) and Lumpkin et al. (2013) research suggest that social entrepreneurs display proactiveness attributes. In addition, limited resources force SEs to be innovative (Griffiths et al., 2013). Furthermore, SEs promote societal innovation by pursuing ideas, building capacity, and creating a social impact (Perrini & Vurro, 2006). Lumpkin et al., (2013) conducted a review of literature to explore the determinants and outcomes unique to social entrepreneurs as compared to commercial entrepreneurs. They found three outcomes unique for SEs: creating social value, satisfying various stakeholders and developing sustainable solutions.

Although the RBV is a commonly used research lens in management and entrepreneurship research, it has rarely been used in the social ventures literature (Meyskens et al., 2010; Bacq & Eddleston, 2017). Mort et al., (2003: 82) suggest that “social entrepreneurs display innovativeness, proactiveness and risk-taking propensity in their key decision making”. Because

of the unique characteristic of social value construction, the relationship between social value creation and a firm's EO has a theoretical rationale for either being a positive or negative (Lumpkin et al., 2013). Since the literature is indecisive with regards to whether SE firms are entrepreneurial or not, this study argues the presence or absence of entrepreneurial behaviour in SE firms depends on the firm's level of performance. Therefore, it is expected that SE firms with high levels of EO innovativeness, proactiveness and risk-taking (Covin & Slevin, 1989) will exhibit higher levels of firm performance than SE firms with low EO, since these dimensions are associated with entrepreneurial behaviour in SE firms. To investigate this, several hypotheses are proposed in the following section.

*a. Resource based view*

It is common knowledge in organisations that it is critical to exploit corporate resources to maximise corporate results and performance (Chen, Tzeng, Ou, & Chang, 2007). According to the RBV, a firm achieves and maintains its competitive advantage through the deployment of valuable capabilities and resources that are scarce, superior, and inimitable (Nordqvist & Zellweger, 2010; Ou, Abratt & Dion, 2006; Sieger, Zellweger, Nason, & Clinton, 2011). Recent researches are with the notion that RBV can anticipate firm performance (Nason & Wiklund, 2018). Bruhn, Karlan, and Schoar (2010) argued that the different levels and skills of human or managerial capital that deal with financial capital in an organisation explain the heterogeneous effects of capital on organisational performance. Hence, organisational performance cannot be

attributed to one single resource, but rather it is the combination of all social, financial, and human capital that in totality affect the performance of an organisation (Berge. Bjorvatn, & Tungodden, 2014).

RBV hypothesises that firms as an accumulation of resources where each one varies in significance in relation to each specific firm as a pack of resources, with different resources that differ in importance regarding generation of added value to the enterprise. According to the RBV, in line with Grandea et al.'s (2011) argument, the business's ability to generate new competitive advantages and explore new markets is dependent on available resources and its capacity to develop both physical and human resources. A shortage of resources may impede even the most entrepreneurial administrator from exploring his or her full potential (Miller, 2011).

A firm's unique assets, whether representing physical, knowledge-based, or positional advantages, represent the firm's potential to generate new competitive advantages and surplus rents (Rauch et al., 2009). This is in conjunction with earlier findings that the entrepreneurial process, and thus chances of success, is likely to be obstructed by scarce resource endowments (Grandea et al., 2011). External networks are considered to be important resources to many firms. Su, Xie, and Wang (2015) posited that the use of networks may help firms improve their access to information, resources, and markets. While physical capital are viewed by entrepreneurs as less important than other resources as it may be limiting their flexibility and can be outsourced or rented (Kellermanns, Walter, Crook, Kemmerer, & Narayanan, 2016)

In addition to facilitating the identification of the resources necessary for the sustenance of EO within a firm, RBV aid in the identification of relevant routes to obtain and combine these resources to achieve substantial performance. The essential resources for the realisation of a



robust entrepreneurial process may either be institutional, physical, knowledge-based, psychological, or a blend (Miller, 2011). Noting that some researchers found that different types of resources may contribute differently to firm performance (Campbell & Park, 2017). Furthermore, it is important to note that different resources have varying effects on different dimensions of EO (Miller, 2011). For example, Lumpkin et al., (2013) made reference to Emerson and Twerskey (1996) to support the idea that innovativeness is advantageous to multiple stakeholders and translates to more opportunities for new combinations due to a greater variety of inputs. Also, there is the rise of mixed demands to engage in novelty and experimentation. In addition, limited resources force social ventures to be innovative (Griffiths et al., 2013). In regard to resources, social entrepreneurs mainly depend on resources that are outside their organisation, unlike commercial entrepreneurs (Gras & Lumpkin, 2012). Innovation is usually focused on products or services; however, it can now be linked to the business models of the firm or the development of core competence (Anthony, 2012). Developing innovative business models and core competence is an area where SE innovation may excel. In addition, in developed economies social entrepreneurs act as agents of change by introducing cost-effective and innovative ways to address persistent social issues like gender inequality (Zahra et al., 2009). The collaborative nature of social entrepreneurs could foster innovation, as studies have shown that collaboration of members within a network could help in horizontal innovation integration within a network of small and medium enterprises (SMEs) (McAdam, McAdam, Dunn, & McCall, 2014).

Several studies have acknowledged human capital as a critical element of positive organisational performance with the relevant characteristics of education, knowledge, and experience (Syed & Pio, 2010). It is also worth mentioning that several studies emphasise how

the characteristics of human capital influence organisational performance and provide access to a wider range of opportunity (Cope, Jack, & Rose, 2008) through a higher education level (Coleman, 2007) and management, work, and entrepreneurial experience (Dimov & Shepherd, 2005). However, contrasting studies have also highlighted that cognitive orientation and the behaviour of human capital demonstrate no clear pattern that guarantees business success (Bruton, Ahlstrom, & Puky, 2009). Additionally, previous management experience and entrepreneurial experience are found to positively influence economic performance for firms, especially new firms (Battilana, Leca, & Boxenbaum, 2009). However, entrepreneurs do not view human capital as a crucial factor to their success as they rely on themselves as human capital in addition to outsourcing some of the firm functions (Kellermanns et al., 2016) this may be evident in the firm's early stages and micro and small size organisations.

Access to finance is one of the most discussed barriers to innovation (D'Este, Iammarino, Savona, & von Tunzelmann, 2012; Holzl & Janger, 2012; Segarra, García-Quevedo, & Teruel, 2008). Segarra, García-Quevedo, and Teruel (2013) attributed the failure of innovative projects to financial constraints. Freel (2000) mentioned that innovation heavily relies on short-term funding. However, Freel (2007) conducted a survey with a sample of 256 firms to assess the relationship between innovation and the success of loan applications. The results showed that the companies who were engaged in relatively more research and development and produced more novel products were less successful in obtaining their desired amount of bank credit (Freel, 2007). This literature discussing innovation and finance is based on commercial entrepreneurship literature, as mentioned by Wainwright and Manville (2017) that the literature did not give attention to the financing of the third sector.

Human capital and skilled labour are other resources that are essential for successful innovation (Berger & Fisher, 2013; Freel, 2000). An organisation's human capital profile can shape the way it exploits opportunities, which leads to superior work performance in the form of higher levels of innovation (Robson, Akuetteh, Westhead, & Wright, 2012; Shrader & Siegel, 2007). Generally, RBV mainly focuses on how firms' acquire and combine resources that lead them to competitive advantage, which result in above average performance. Firm performance is one the variables this research is focusing on.

Basu and Sharma (2014) divided SEs resources into four categories: social capital resources, human capital resources, financial resources, and physical capital resources. The risk associated with acquiring those resources is similar to the risk faced by a CEs. In the SE context, financial resources could be in the form of donations, grants, or any financing source a CEs could obtain such as equity or loans. SEs may be faced with greater difficulties in the acquisition of resources than a CEs, especially financial resources, as SEs face great constraints from funders. Therefore, they seek a wider range of stakeholders for financial support (Austin et al., 2006; Newth & Woods, 2014; Nicholls & Cho, 2006). Human resources can range from employees to volunteers, whereas social and physical resources are similar in both the SE and commercial entrepreneurship contexts.

In the field of SE social capital may often serve as a source of legitimacy that requires a commitment to stakeholders while not losing sight of the social mission (Nicolopoulou & Karatas-Ozkan, 2009). Storytelling acts as an account that legitimate individual entrepreneurs to gain legitimacy to network with investors and competitors and to envision wealth (Dagnino, 2012). Because of the novelty of their ventures, social entrepreneurs confront problems associated

with a lack of legitimacy (Kickul & Bacq, 2012) or external validation. Legitimacy flows from the cultural alignment, or cultural support (Peris-Ortiz & Merigó-Lindahl, 2015), for a new venture. In turn, legitimation can enable capital acquisition. Nascent entrepreneurs can leverage cultural dynamics to enable a beneficial resource flow. Storytelling as way of legitimacy can be considered as a proactive behaviour from SEs. Considering that most start-ups do not have an established track record and profitability, storytelling can rationalise, explain, and promote new SEs.

Social entrepreneur have an obligation to construct an enterprise that sustains and efficiently employs limited financial and other resources, comprising those offered through the kindness of others, is at the centre of a real social entrepreneur. In fact, Social entrepreneurs are explained as being “entrepreneurially virtuous” (Mort et al., 2003), community-centric people (Sharir & Lerner, 2006), revolutionaries and reformers with a sharp sense of answerability for the results created despite being restricted by resources (Drucker, 1989). Social missions often create a significant sense of urgency, forcing firms to be more proactive. Nonetheless, missions focused on longstanding and abundant opportunities decrease the need for opportunity seeking. Concerning opportunity identification, heightened awareness of social problems could contribute to the anticipation of future needs. Though it comes out as a weak correlation, an abundance of social problems might lead to conflicts over priorities and stagnate progress (Lumpkin et al., 2013). Tan and Yoo (2015) further agree with other researchers that social entrepreneurs pursue mission-attending opportunities while being resourceful and accountable. Both Mort et al. (2003) and Lumpkin et al. (2013) research suggest that SEs display proactiveness attributes.

EO is composed of three components, proactiveness, innovativeness and risk taking (Covin & Slevin, 1989). Proactiveness here is “an opportunity-seeking, forward-looking perspective involving introduction of new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment” (Lumpkin & Dess, 2001: 431). Proactive firms use information and knowledge to identify emerging opportunities and gain competitive advantage by investing in those opportunities; correspondingly, these firms might earn higher profits and brand recognition (Dess & Lumpkin, 2005). In a dynamic environment, the organisations can benefit from proactiveness as it allows them to gain first mover advantage by responding to changes in environment (Lumpkin & Dess, 2001). Rauch et al. (2009) found a positive correlation of proactiveness and performance of an organisation. However, Sundqvist, Frank and Puumalainen (2005) explain that the influence of proactiveness on performance is stronger if national culture supports entrepreneurial tendencies of individuals and firms.

In the SE context, the ability of the SE firms to be proactive is illustrated by the enactment of change on how social purpose is achieved and financial requirements are met relative to organisations with similar missions (Fairbourne, Gibson, & Dyer, 2007). However, Austin et al. (2006) noted that SEs focus more on innovative and proactive activities rather than typical firm internal management activities. Tan and Yoo (2015) support that SEs are resourceful and accountable while pursuing their mission. Chen et al. (2013) sought to investigate if there exists an inverted U-shaped relationship between proactive behaviour and SEs performance. The authors hypothesised that excessive proactiveness would hamper performance of SEs; however,

this hypothesis was not supported. Kim, Lee and Choi (2013) report that proactiveness is positively related to financial performance of SEs.

SEs mainly depend on resources that are outside their organisation, unlike commercial enterprises (Gras & Lumpkin, 2012). Thus, they seek a wider range of stakeholders for financial support (Austin et al., 2006; Newth & Woods, 2014; Nicholls and Cho, 2006). Social capital may often serve as a source of legitimacy that requires a commitment to stakeholders while not losing sight of the social mission (Nicolopoulou & Karatas-Ozkan, 2009) this type of proactive engagement with stakeholders further expand the SEs legitimacy and performance. Therefore, this research argues that the proactive EO dimension influence firm performance positively. This leads to the first part of the first hypothesis of this study is as follows:

**Hypothesis 1a:** SEs proactive behaviour is positively associated with organisation performance.

Risk taking implies that organisations will be better placed to invest resources in industries/markets, without being certain about the consequences of investment (Lumpkin & Dees, 1996), thereby leading to an increase in generation of creative ideas (Wagener, Gorgievski, & Rijdsdijk, 2010) and long-run profit (Wiklund & Shehperd, 2005). Rauch et al. (2009) found that risk-taking is positively associated with firm's performance. Begley and Boyd (1987) found that risk-taking has a curvilinear relationship with performance of entrepreneurial firms. To illustrate, the authors mentioned that firms with moderate risk-taking will perform better than organisations with very high or low levels of risk-taking.

Haughton (2008) observed that SEs have many a times stepped to meet the gaps of unsteadiness where the governments have been unsuccessful by highlighting social value above financial returns. They also assume a wider perspective on value creation as contrast to their commercial counterparts. They support the synergistic origin of social, economic and environmental values without overstressing on shareholders' wealth maximisation (Kurucz, Colbert, & Wheeler, 2008). Among all the traits, personality of social entrepreneur plays an important role in stimulating for taking risk. SEs are often differentiated by their ability to imagine, tackle, enable and present transformational changes efficiently while facing scarce resources, risks and divers context (Thompson & Doherty, 2006). Furthermore, the human capital may influence organisational performance and provide access to a wider range of opportunity (Cope et al., 2008).

SE firms handle financial requirements differently; the willingness to take actions that have a positive social impact even if it possess a magnitude of financial loss, loss in the amount of social impact incurred by the firm, and loss of non-financial stakeholder support all point to the risk-taking tendencies of the SEs (Coombes et al., 2011). In their empirical research, Morris et al. (2007) stated that "there may be important non-financial dimensions of risk" (p.16), which may vary difficult to quantify the risk and return in monetary value as it is usually dependent on the social value and being accountable to different stockholders (Tan & Yoo, 2015). Moreover, social missions are associated with rapid growth pressures that may involve a greater financial risk-taking. However, addressing widely known social ills might require less risk-taking. On the downside, risk-taking jeopardises the firm's ability to address the social problems (Lumpkin et

al., 2013). This study argues that the risk-taking dimension of EO have a noticeable impact on performance of SE organisations. The second hypothesis of this study is:

**Hypothesis 1b:** SEs risk-taking is positively associated with organisation performance.

Innovativeness has been positively associated with increased organisational performance (Deshpande, Farley, & Webster, 1993; Zahra & Bogner, 2000). Zahra (1996) explains that innovative behaviour is crucial for determining survival of firms, as in current era of competitiveness, firms have to use technologies to come with plans that allow them to show superior financial performance. SE authors such as Chell, Nicolopoulou, and Karataş-Özkan (2019) and Mair and Marti (2006) have noted that, due to the multidimensional origins of social problems, SEs have various potential ways to exercise the tools or strategies of innovation to achieve their social mission. In particular, Alvord, Brown, and Lettset (2004) noted that scarce resources can stimulate SEs to think more creatively and to seek improved methods for tackling social issues, thereby producing high innovativeness. Alvord et al. (2004) argued that resource limitations lead to increased creativity among social entrepreneurs, resulting in more innovativeness within services and improvement in processes. Therefore, innovativeness is a significant factor in SE practice (Lepoutre, Justo, Terjesen, & Bosma, 2013; Lumpkin et al., 2013).

Coombes et al. (2011) propose that the emphasis be directed to the achievement of the SEs core mission, either by increasing efficiencies, serving more individuals, or enhancing what is done for these individuals. In addition, the generation of new sources of revenue by the SEs, such as selling products or launching ventures that are supplementary to or independent of the social mission, also depict innovativeness (Tracey & Jarvis, 2007). SEs can also gain legitimacy



through inter-organisational networks and strategic alliances (Hjorth, 2013), such alliances are characterised by innovation and entrepreneurship, serving as places where knowledge creation and development are critical (Khoury & Pleggenkuhle-Miles, 2011). Kim et al. (2013) investigated the factors that had an impact on economic and social performance on 185 social enterprises in Kenya. Correlational analysis was used to find relationship among variables. The authors found that innovativeness had a positive effect on economic performance of SEs. Since the literature imply that SE organisations are innovative. Therefore, this research suggests that the innovativeness of EO dimensions influence firm performance positively. The third hypothesis of this study is as follows:

**Hypothesis 1c:** SEs innovativeness is positively associated with organisation performance.

*b. Institutional theory and the Institutional Environment*

Institutions are a component of the context environment that can be divided into Scott's (1995) three pillars of institutions (regulative, cognitive and normative). The relationship between a firm and its environment can be explained as an 'open system' (McShane & Glinow, 2012). In this regard, organisations try to influence the institutional environment in which they operate, and the institutional environment has a profound impact on a firm's behaviour, management, and entrepreneurial activity. The institutional environment specifically encourages or discourages the entrepreneurial opportunities and development of new businesses (Baumol, Litan, & Schramm, 2009; Hwang & Powell, 2005). Institutions exert different pressure on organisations that respond by taking certain actions and implementing decisions in different fields, including, but not limited to, the field of entrepreneurship.

In the recent years, various scholars have elaborated on the role of IT and its effect on entrepreneurialism (Battilana et al., 2009). Generally, with concern to entrepreneurial activity, formal institutions such as political, financial, and regulatory structures contribute to the creation of opportunities. However, informal institutions – that is values and cultural norms – are responsible for shaping these opportunities for the perception of individuals as well as society (Schein, 1996). Nonetheless, acquiring legitimacy at an organisation's inception is complicated by its short record of accomplishment (Zimmerman & Zeitz, 2002). Cultural values are abstract representations of a society's needs and demands. It is possible for different cultures to place varying priorities on the same needs. This is dependent on socialisation processes, which create different cultural values. Three cultural dimensions shape the conversion of creative ideas into innovations: collectivism, power distance, and uncertainty avoidance (Sarooghi, Libaers, & Burkemper 2015). People from cultures with high power distances tend to follow set rules and do not experiment without supervisors' permission; hence, these cultures are dysfunctional for idea generation. Therefore, a positive correlation between creativity and innovation is dependent on a moderate level of power distance (Herbig & Dunphy, 1998). Researchers have found that sociocultural factors in an environment have a negative influence on the entrepreneurship activity and innovation of Ghanaian small businesses (Barr, 1999; Kiggundu, 2002; Robson, Haugh, & Obeng, 2009).

Kostova (1997) introduced the term institutional profiles that consist of three dimensions: regulative, cognitive and normative, and these three dimensions shape domestic organisational and more specifically entrepreneurial activities. Busenitz, Gomez and Spencer (2000) used Kostova's work to develop a three-dimensional entrepreneurship institutional profile

measurement. This institutional approach provides a more comprehensive profile of the differences between countries with respect to entrepreneurial activities. Busenitz et al. (2000) also emphasised the importance of comprehending the distinctions that lie within the dimensions of a country's institutional profile. The three dimensions of the institutional profile seem to relate to varying features of entrepreneurship across countries. Therefore, the institutional profile creates the opportunity to assess the source of each country's strengths and weaknesses more precisely. The scales developed may aid researchers in gaining a better understanding of why some countries hold an advantage in the development of new enterprises within a particular industry or with a specific organisational form (Busenitz et al., 2000).

The regulative dimension of institutions encompasses of the laws and regulations that guide individuals or organisation actions (Scott, 1995), therefore, this dimension varies from country to country depending on the governmental polices (Kostova, 1997). In this section the research focus on the regulative dimension of institutions for entrepreneurship as explained by Busenitz, Gomez and Spencer (2000: 995) which "consists of laws, regulations, and government policies that provide support for new businesses, reduce the risks for individuals starting a new company, and facilitate entrepreneurs' efforts to acquire resources". Estrin et al. (2013) suggest that the country-level rate of young and established commercial entrepreneurship has a negative effect on the individual social start-up. Thus, while the positive effect of country-level SE on commercial start-up is expected, the reverse does not hold. Individuals are less likely to become SEs in countries with a high average rate of commercial entrepreneurship. Estrin et al. (2013) further explain that people in a certain country possibly think that social entrepreneurial activities are influenced positively by effective constraints on the arbitrary power of the government in that

country. It is argued that when organisations that have an institutional environment work together, they go a long way to improve their prospects of survival as the influential stakeholders, engaged communities, and those providing the resources give critical legitimacy, resources, and support (Baum & Oliver, 1991; Singh, Tucker, & House, 1986).

Gomez-Haro et al. (2011) carried out research to explore the ways that an organisation's corporate entrepreneurship is influenced by the institutional environment in which it operates. Data were collected through questionnaires collected from 150 firms in Spain. The authors found that there is a unique relationship between institutional environment and corporate entrepreneurship as the normative and cognitive dimensions of the institutional environment determine the entrepreneurial orientation. On the other hand, the regulatory dimension of institutions determines the type of corporate entrepreneurial activity (Gomez-Haro et al., 2011). Estrin et al. (2013) find that activities pertaining to SE are influenced positively by the government's activities and power in that country while the Gross Domestic Product (GDP) per capita has an equally strong negative impact on both social and economic entry. The laws and governmental policies that work to reduce the risks involved in starting a new company, provide support for new companies, and aid entrepreneurs' efforts to acquire resources are all contained within the regulatory dimension. Government-sponsored programs allow firms to obtain resources as well as enjoy privileges that come with government policies in favour of entrepreneurs (Busenitz & Barney, 1997).

As discussed earlier, researchers have mentioned the impact of certain factors in the different dimensions of institutional environments on entrepreneurship. Estrin et al. (2011) has demonstrated that weak property rights have a negative impact of on growth aspirations of high

potential entrepreneurs and a less effect on newly established entrepreneurs. Flexible regulations of labour market positively influence high entrepreneurs (Baughn, Sugheir, & Neupert, 2010), and tight regulations have a negative impact on beginning level entrepreneurs (van Stel, Storey, & Thurik, 2007). Nascent entrepreneurs are fostered by entrepreneur-friendly bankruptcy laws (Lee, Yamakawa, Peng, & Barney, 2011). The rule of law has little to no impact on new entrepreneurs and a negative impact on small businesses with a high growth potential (Hartog, van Stel, & Storey, 2010). Because the literature is inconclusive with regards to whether SEs' EO is affected by regulative institutional dimension, this study argues that the regulative institutions are affecting the EO of SEs positively in the context of Saudi Arabia because entrepreneurs face support from the regulative institutions. Therefore, the first part of the second hypothesis of this study is as follows:

**Hypothesis 2a:** There is a positive relationship between regulative institutions and EO in SEs.

The cognitive dimension encompasses the knowledge and skills related to the establishment and running of a new business that are held by a country's citizens and some certain matters and knowledge sets become institutionalised within a country (Busenitz, Gomez & Spencer, 2000). Therefore, this study focuses on the cognitive institutions, which includes learning, shared knowledge, and uncertainty. Cognitive institutions are institutions that create shared identities, scripts, or conceptual frameworks to bridge differences in values or interests (Henisz & Levitt, 2011). Environmental uncertainty is one of several factors that impact cognitive institutions. Dickson (2004) analysed the role played by the institutional environment and

organisational attributes in determining the innovativeness and proactiveness of a firm. The strengths of the research design included the collection of data as it was collected through surveys from 1,691 SMEs functioning in seven different countries. It was revealed in the study that higher risks and uncertainty of the institutional environment are positively associated to the innovativeness and risk-taking orientation of SMEs. He further found that strong law enforcement (authoritative institutional environment) will lead to higher innovativeness and risk-taking behaviour among entrepreneurs.

Lim, Oh, and Clercq (2016) analysed the institutional effect on entrepreneurship, suggesting that higher education in emerging economies should cultivate the concept of entrepreneurship through curriculum. Kirzner (1973) and Shane (2000) explained that the identification and exploitation of an opportunity depends on the entrepreneur's views pertaining to the application of knowledge and skills that they possess. The education system has an impact on the cognitive dimension of the institutional environment, which includes shared knowledge and perceptions (Tihanyi, Devinney, & Pedersen, 2012). Bowen and De Clercq (2008) asserted that when individuals are given an entrepreneurial education, the growth orientation of entrepreneurs among them is increased. However, if they were not exposed to such an entrepreneurial education then EO will be affected negatively (Krueger, Reilly, & Carsrud, 2000). These findings suggest that in general entrepreneurial education, knowledge and skills can influence the EO of individuals and enterprises.

On a more specific level, cognitive institutional profiles of countries are different; thereby the influence on EO may differ correspondingly. This notion is strengthened by Mitchell et al. (2002), who explored if entrepreneurial cognitions are universal or differ according to national

cultures. Data for this study was collected through 990 respondents from 11 different countries, including both developing countries – Mexico, Chile, and China and developed countries - Australia, UK, Germany, and Canada. The study suggested that entrepreneurial cognitions differ according to national cultures. On a similar note, Bosma and Levie (2010) explained that opportunity-seeking behavior of entrepreneurs differs in different countries. Mai and Gan (2007) illustrated that the regional and cultural environment of an area can affect entrepreneurial activity of to a greater extent than the effect of political environment. Kreiser, Marino, Dickson and Weaver (2010) analysed the role played by the national culture and organisational attributes in determining the EO of a firm. The research included six different countries and found that a culture with high uncertainty avoidance is negatively associated with the innovativeness and risk-taking orientation of SME's. This discussion implies that cognitive institutions including shared knowledge and perceptions can influence EO of both individuals and enterprises, and the effect can be positive or negative.

The KSA is a Muslim country where Islam influences the daily life of the people and their activities such as trade and commerce (Lewis, 2001) Therefore, the religious teaching and culture embeds the knowledge in the individuals in this context. One of the most important teachings of Islam that affect the entrepreneurial context of the KSA is 'Tawakkul' (meaning Reliance upon Allah). Al-Suwailem (2002: 18) further explains, "In Islamic cultures, uncertainty is strongly linked to causes. Once a decision-maker is faced with an uncertain decision problem, he will take care of the causal factors and leave the final result to the will of Allah, the Almighty." Therefore, has to decide about an ambiguous problem, he tends to take some actions and leave the final result on the will of God. In the Islamic collective society of KSA there is no formal entrepreneurship

education and there is high uncertainty avoidance. Therefore, this research suggests that the cognitive environment will have a negative impact on entrepreneurship orientation in SEs in the context of KSA. The second hypothesis of this study is as follows:

**Hypothesis 2b:** There is a negative relationship between cognitive intuitions and EO in SEs.

The normative dimension assesses the degree of entrepreneurial activity displayed by the citizens of a country. This is often affected by the beliefs, culture, and norms existing within a country (Busenitz et al., 2000). According to Choi (2010), small businesses are known to develop faster within certain religious and ethnic communities, where people tend to support social entrepreneurs (Griffiths et al., 2013). Bruton et al. (2010) showed that religion affects funding for entrepreneurial engagement, whereas family affects entrepreneurial self-employment. An entrepreneur family may affect the entrepreneurship choice an activity. Aldrich and Cliff (2003) explain “transformations in the institution of the family have implications for the emergence of new business opportunities, opportunity recognition, business start-up decisions, and the resource mobilization process” (p.573).

Gumusay (2015) asserts that entrepreneurship in the perspective of Islam rests on the religion-spiritual, entrepreneurial, and economic or ethical pillars. Pistrui and Fahed-Sreih (2010) argue that a tenuous relationship exists between religion and entrepreneurship even though scholars argued that a fundamental role is played by religion in shaping entrepreneurship and economic development. Gumusay (2015) argues that the Islamic religion is an intricate religion



that affects, enables, and encourages entrepreneurial activity and this Islamic point of view, as far as entrepreneurship is concerned, is a core activity within the larger landscape of global entrepreneurship.

The shared norms and values of a society have an influence on the activities of organisations, as employees tend to adhere to the culture of the society. These societal norms can change the entrepreneurial spirit of employees. If the society encourages creativity and challenges traditional thinking, then the organisation's entrepreneurial orientation increases and vice versa. In short, institutions can foster the entrepreneurial orientation of firms by developing a social culture that promotes creative and innovative thinking (Ahlstrom & Bruton, 2010; Kshetri, 2009). The normative institutional environment was studied in the context of Hofstede's cultural dimensions found that high collectivism and uncertainty avoidance is associated with the innovativeness and risk orientation of an organisation (Dickson, 2004).

Studies have also focused on the factors within normative institutions. Dana (2009) has revealed that religion has a substantial effect on the perception about both, the value of entrepreneurship and the opportunities for entrepreneurship of beginning entrepreneurs. On the contrary, societal attitudes have no effect on advanced entrepreneurship of established entrepreneurs (Bowen & De Clercq, 2008). On the other hand, religion inhibits entrepreneurship of high potential entrepreneurs in certain sectors (Dana, 2009). The attitudes of a society either inhibit or promote the entrepreneurship among entry level entrepreneurs (Meek, Pacheco, & York, 2010; Welter & Smallbone, 2011). Thus, it is expected that the normative institutional environment affect entrepreneurial behavior in several ways that are dependent on the entrepreneur surrounding norms. Therefore, this study suggests that SEs' EO is affected by

normative institutional dimension positively in the context of Saudi Arabia and the third part of the second hypothesis of this study is as follows:

**Hypothesis 2c:** There is a positive relationship between normative institutions and EO in SEs.

*c. The Institutional Environment and Firm Performance*

The institutional environment affects the entrepreneurial performance by creating or limiting opportunities. Institutions function at multiple levels that set various constraints that can exist in the form of regulative, normative and cognitive boundaries (Urbano & Alvarez, 2014). In entrepreneurial research, institutions pose certain rules and regulations that organize the socio-economic and political relations between individuals, social groups and organisations that further have outcomes for business and economic growth. In other words, institutional environment has the ability to promote or restrain the socially valued business activity or the entrepreneurial spirit (Bruton & Ahlstorm, 2010). Research on 42 Chinese social enterprises conducted by Bhatt, Qureshi and Riaz (2017) showed that a non-supportive institutional environment e.g. strong government policies and unacknowledged role of social enterprises etc. hamper the functioning of social enterprises and fulfilment of their goals in China. It implies that an uncondusive institutional environment can pose challenges for the existence and survival of social enterprises and directly influence their performance. Likewise, research showed that a favourable institutional environment benefits the social start-ups (Hoogendorn, 2016). Bhatt et al. (2017)

analysed the influence of institutional hurdles on achievement of goals by social enterprises. Undoubtedly, successful achievement of targeted goals will enhance the performance of social enterprises which is a result of implementing RBV strategies.

The regulative dimension of institutional environment comprises of laws and government regulations that can encourage and support new businesses and assist the entrepreneurs to acquire funds and resources (Desa, 2012). The regulatory environment has a significant impact on feasibility and desirability of social entrepreneurship, which, in turn, positively affects the social entrepreneurial intentions (Urban & Kujinga, 2017). Moreover, research also showed that regulatory dimension has a direct impact on firm performance (Chadee & Roxas, 2013). The normative dimension of the institutional environment measures the general perception about social entrepreneurs in a certain value system (Hoogendorn, 2016). The beliefs and cultural values that support social goals will positively influence social entrepreneurial intentions and the performance of social enterprise (Urban & Kujinga, 2017). The cognitive dimension of institutional environment refers to the knowledge about how to start a business. The countries having favourable cognitive dimension, with well-developed knowledge of various steps of new business inception, can facilitate significantly high social entrepreneurial activity (Townsend & Hart, 2008). Thus, considering the impact of the institutional environment on the SEs performance, the following hypothesis can be deduced:

**Hypothesis 3a:** The institutional environment effects Saudi SEs performance positively.

It has been established from the previous discussion that a favourable institutional environment will affect SEs performance positively. However, this section will discuss if EO moderates' this relationship. Morris, Webb and Franklin (2011) argued that EO offers a conducive of entrepreneurship, which can guide social entrepreneurs about where to focus while catering for the non-profit goals of the firm. Although the social entrepreneurs are relatively risk averse than commercial entrepreneurs yet they are more calculative and cautious in their entrepreneurial practices because they have broader social goals at stake (Hoogendoorn, van der Zwan & Thurik, 2011). They have multi-fold responsibilities to lead a social mission and concentrate on the commercial opportunities. However, they cannot emphasise the social goals by putting firm's survival at risk and vice versa (Morris, Webb & Franklin, 2011). Some researchers argued that firms that excessively stress on risk-taking can lower firm performance in some contexts when risk-taking is not in line with increased innovativeness and proactiveness (Lumpkin & Dess, 1996; Kollmann & Stöckmann, 2014). Entrepreneurial orientation provides a fine-grained framework to the entrepreneurs to carefully utilise their limited resources and engage in risk-taking, innovativeness and proactiveness in a way that leverages their firm's performance (Lomberg et al., 2017).

There are no studies so far have investigated the moderating effect of EO on SEs performance however, there are some CE studies have investigated the moderating link between external environment and firm's performance. In their quest to inquire about the mechanisms that enable firms to leverage environment in which they thrive, Rosenbusch, Rauch, and Bausch (2013) conducted a meta-analysis study. It was found that firms use EO as a mechanism to transmute the advantages provided by the environment into increased performance levels. Diving

further into the moderating role of different aspects of EO, Richard, Barnett, Dwyer, and Chadwick (2004) conducted a survey on CEOs of 700 U.S. banks and found that innovativeness positively and risk taking negatively moderated the relationship between cultural diversity (social institutional environment) and firms' performance.

Adel and Habib (2016) analysed the moderating role of EO in strengthening the interrelationship between relational network of entrepreneurs and competitive advantage of SMEs in Tunisia. It was found that entrepreneurial orientation positively influenced the performance of small and medium enterprises in Tunisia. Relational networks are developed between entrepreneurs and their stakeholders (Adel & Habib, 2016). The role of EO as a moderator between relational network and competitive advantage of firms implies that EO has the tendency to moderate the relationship between institutional environment and social enterprise performance, as competitive advantage is a significant measure of firm's performance.

Therefore, it can be established that EO acts as a moderator between institutional environment and the performance of firms. It enables the firms to take advantage of institutional environment and cope with the challenges of the institutional environment if exist. These findings can be extended specifically to the social enterprise context where entrepreneurial orientation is not just about creation of new products and services for commercial goals, but it also considers the ways in which a firm can collectively pursue its social mission and commercial opportunities. Thus, the following hypothesis can be deduced:

**Hypothesis 3b:** EO moderates the relationship between the institutional environment and Saudi SEs performance.

## 4.6 Summary

A comprehensive literature review was presented in this chapter on the context of this study and the emergent research themes in SE, which are EO, firm performance and the TBL, motivation, social value, social mission and innovation. Furthermore, the identification of the literature gaps were discussed which led to the three research questions. Thereafter, the framework of the research hypotheses development was presented based on the three research questions. Eight hypotheses were developed; the first six hypotheses are related to linking EO to theory and the remaining two hypotheses is linking IT to RBV. The next chapter will discuss the research methodology, thereafter the analyses and results will emerge into two chapters based on the three models that was driven from the eight hypotheses.

## **Chapter 5 Research Methodology**

### **5.1 Introduction**

The previous chapter included an extensive review of the literature. This chapter presents the research methodology. Social science researchers have paid huge attention to the application of research methodology in order to understand the problem at hand (Floud, 2013). The choice of methodological tool has gained significant importance because these tools become the basis of data that is gathered, analysed and form of results. It has been argued that choosing the right kind of methodological tool is imperative as it informs the research results (Matteson, Olness, & Caplow, 2013, Johnson, Onwuegbuzie, & Turner, 2007). Any research piece that is without a through methodological stance, is deemed as invalid and unreliable (Baur, Hering, Raschke, & Thierbach, 2014). It is therefore imperative that care is taken while choosing the appropriate (Fuhse & Muetzel, 2011, Liu, 2011).

This chapter first outlines this study's research methodology and then presents information concerning the research process and related concepts. It also provides a discussion of the research philosophy and approach, including an explanation of positivist and phenomenological philosophies and a rationale for the choice of positivist philosophy. The chapter describes deductive and inductive reasoning and processes, discusses the research strategy and provides the strategy for this investigation. The chapter includes descriptions of the research sample choice and selection, questionnaire design and the pilot study with corresponding discussions of the construct of dependent, independent and control variables and their

relationships to previous research and theory. Finally, the chapter explains the econometric techniques used to process data and the analysis and concludes with a summary.

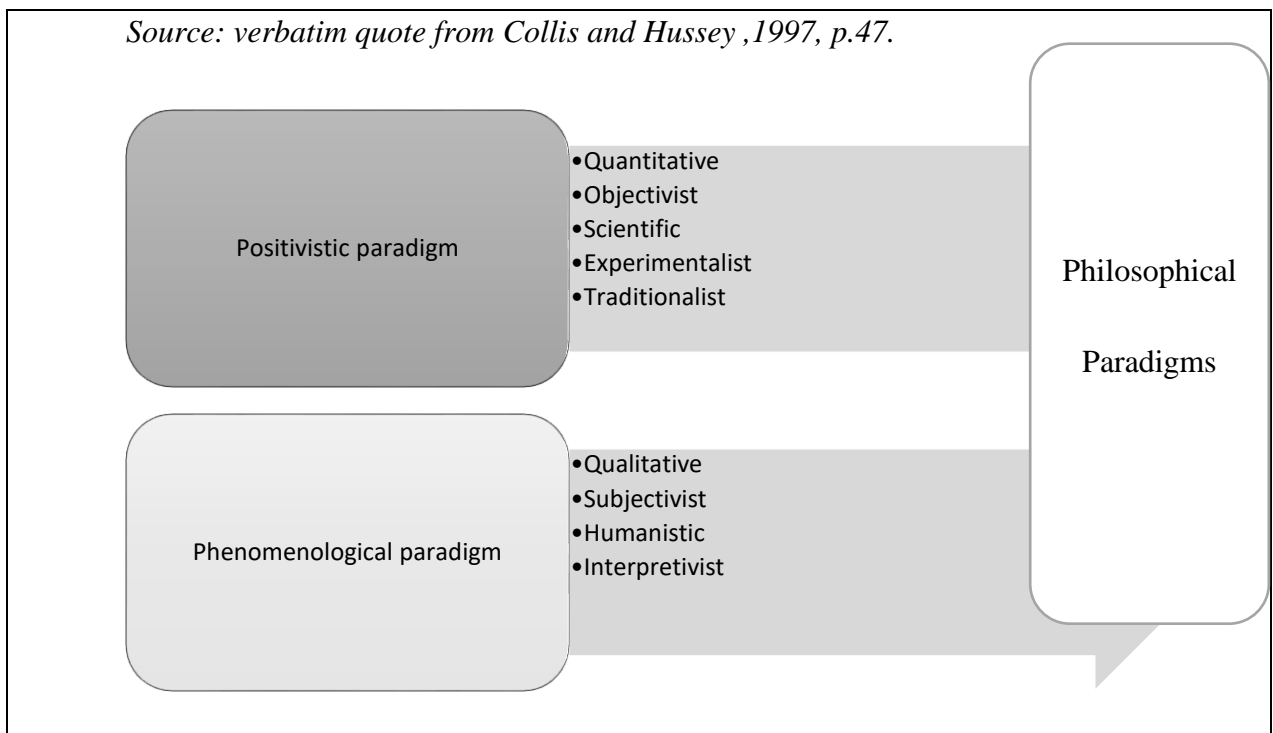
## **5.2 Research philosophy**

The philosophy of research can be understood as something that develops the research background, the knowledge and nature of research, which is imperative for understanding the situation at hand (Friedrich, Stumpf, & Alber, 2012). Research philosophy can also be understood from the perspective of research paradigm, which is the broad framework that entails the perception, beliefs, and humans' values of the different theories and practices for undertaking a problem (Bryman, 2004; Nichols, 1991). It also consists of the concrete steps of research, which creates relations between questions and objective of research. Choice of methodology involves deciding on the most appropriate way, from amongst alternatives, to answer the chosen research questions scientifically. Determining a suitable methodological framework is the essential first stage for any research investigation, as it will direct the way the researcher collects knowledge (Collis & Hussey, 2013).

There are a number of research philosophies that are used in different disciplines. Two philosophical paradigms dominant research design; positivism and phenomenology or interpretivist (Creswell, 2013). The philosophical paradigms are distinct, however, the terminology for each of the paradigms has evolved. A summary of common terms is presented in Figure 6. A range of terms is used to describe similar research paradigms. The “positivistic or quantitative paradigm is often referred to as traditional, experimental or empiricist paradigm”



(Creswell, 1994: 4). Positivistic, quantitative, objectivist, scientific, experimentalist, traditionalist and empiricist approaches are used interchangeably to describe a type of philosophy, however they are not a precise match of their opposites. Positivists try to develop a set of hypothesis, which are tested. Commonly, the relationship between two or more variables is considered and are empirically tested.



**Figure 6: Other Terms for Main Research Paradigm**

Positivism is the philosophy that is linked to the objectiveness of the rational behavior of human beings (Myers, 2014). Here the researchers portray their beliefs and view in order to understand the social reality with the help of objectiveness. Thus, the researcher is interested in the notion of collecting a large amount of data that is obtained from a huge audience. The positivists do not base their values and beliefs but rather collect data and make observations through experiments to gather data that is numeric in nature (Grbich, 2012).

In an interpretivist approach, the stress is on researcher's values, beliefs and values systems in order to give justifications for the research itself (Paul and Levy, 2008). The pinpointing of the real facts and figures is done by the researcher in order to understand the research problem. The part of the evaluation that forms results, involves considering a small sample and understanding them in detail to further understand the research problem (Sale, Lohfeld, & Brazil, 2002). To date SE research has been dominated by qualitative research methods (Cukier, Rodrigues, Trenholm, & Wise, 2011) one of the reasons for this is the difficulty accessing large databases of social entrepreneurs (Stevens, Moray, & Bruneel, 2015); therefore, "creative solutions are needed to provide the adequate sample sizes necessary to utilize rigorous application of multivariate techniques" (Short, Moss, & Lumpkin, 2009:176).

However, there are less used philosophical paradigms, such as constructivism, constructionism and critical realism. The constructivism approach is a paradigm conceptualized between the interpretivist approach and the positivist approach as it holds some aspects of both paradigms (McKerchar, 2008). While the constructionism approach lays emphasis on experimental learning – although it's meaning goes beyond learning by construction but by engaging socially and reflectively in a task (Taylor, 2018). Critical Realism unlike constructivism

and constructionism, critical reality is unaltered by human thought, perception, or interaction (Speed, 1991).

This research is interested in highlighting issues faced by social entrepreneurs using a positivist approach, where data is collected from a population of social entrepreneurs by the use of questionnaires therefore, a positivist approach was chosen because it is the most suitable for this research as will be explained in the coming sections.

### **5.3 Research strategy**

Research strategy can be explained as the methodological stance that is adopted by a researcher in order to investigate the problem at hand from the onset to the end. These are the steps that are adopted by a researcher in allowing the achievement of the objective and answers questions in detail in a coherent manner (John, 2008). One of the things that is imperative as part of a research strategy is to clearly identify the objectives of the research and the questions that are being investigated to understand the problem in a logical manner (Cuffy, 2013). Research strategy falls into two distinct methodologies, which are quantitative and qualitative methods (Bryman & Bell, 2015).

The use of qualitative approaches can be optimal when more detailed information lying beyond the scope of quantification is required to generate or confirm a hypothesis, or to provide more explanation to the cause of an event. Qualitative data can stem from experiences, interactions and/or documents obtained from participants (Angrosino, 2007). Qualitative approaches can range from: ethnography, observation, case studies and interviews and content

analysis (Bryman & Bell, 2015). Case studies, for example, is usually chosen by a researcher to advance the understanding of a phenomenon (Ghauri & Gronhaug, 2005; Yin, 2017). Furthermore, a case study is an approach used for theory building (Eisenhardt, 1989).

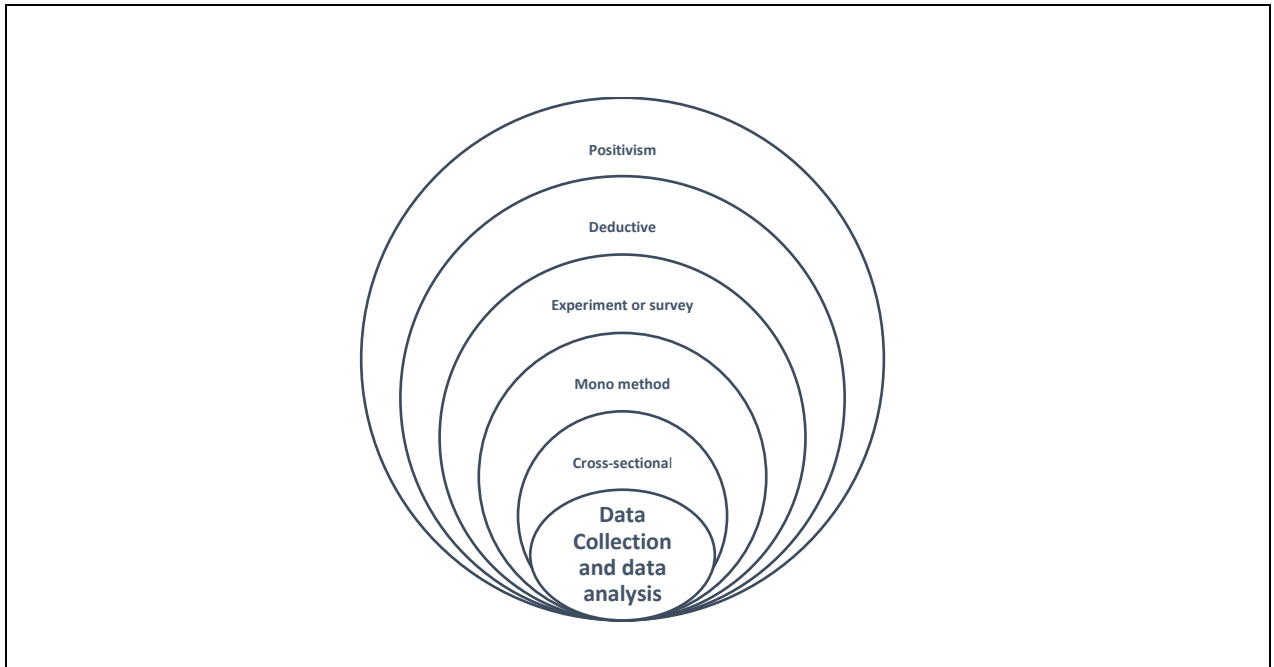
Focus groups and cognitive interviews are sometimes administered to address stereotypical and sensitive issues (Ritchie & Lewis, 2003). Esterberg (2002) explain that group and individual interviews can be structured, semi-structured or unstructured, depending on the amount of knowledge, time and financial resources available to the researcher. He further explains that if compared to cognitive interviews, focus groups are harder to manage and require moderation as well as dynamic interaction between group participants. Cognitive interviews, however, have the advantage of supplying a researcher with exclusive data on sensitive topics related to self-esteem and emotional biasness (Gill, Stewart, Treasure, & Chadwick, 2008).

A structured observational approach generates data in various forms that is often hard to corroborate and some events are also harder to observe than others. Therefore, this form of approach is often accompanied by supplementary surveys (Bryman & Bell, 2015). Document analysis is the objective and systematic quantification of any existing object holding valuable information towards the research and is a helpful approach when investigating a past event, or if a direct observation of the event is inconvenient (Ritchie & Lewis, 2003). Benefits of this approach include transparent collection of data whilst at the same time having an indirect interaction with the source of data (Bryman & Bell, 2015).

Following on from a choice of strategies there are choices about whether to use one method or a range of methods within the investigation. Again, the underpinning paradigm chosen by the researcher along with the nature of the phenomenon being studied will, to some extent,

dictate what option is chosen (Brymen & Bell, 2015). Time horizons for the study must also be determined and here the choice is relatively straightforward, is it a cross-sectional (snap-shot – one moment in time) or a longitudinal (overtime) study (Ritchie & Lewis, 2003). Each of these choices will influence what data collection and data analysis are used in the investigation.

The research process for this study is shown below in Figure 7. The choice made for this investigation is to adopt a positivist philosophy that implies using a deductive approach to the study. A survey will be conducted using a single method, a questionnaire. Ideally conducting the survey over a long period (longitudinal) to obtain panel data would be most appropriate however, because of time and resource constraints this is not feasible in a PhD. Therefore, this investigation will take a cross-sectional view of social entrepreneurship in Saudi Arabia using multiple variables that will be analysed using multi-factor multi-variate analysis.



*Figure 7: Positivist Research Process Adopted for this investigation*

*Sources: adapted from Saunders et al., 2009, p. 45.*

#### **5.4 Previous Quantitative research in Social Entrepreneurship literature**

Researchers have used different methodological strategies to investigate the themes of social entrepreneurship; however, research in the field of SE is relatively new. For this reason, scholars have stated that there is a rarity of high-quality quantitative research to extent the social entrepreneurship field (Chalmers & Balan-Vnuk, 2013). A review of studies using quantitative methods serves as a foundation to identify the most used methods in the field (see table 2).

Positivism researchers using quantitative methods usually develop theory driven hypothesis that are empirically tested to further develop the theory in hand (Brymen & Bell, 2015). Empirical testing requires collecting data about the chosen variables by using a longitudinal design (repeated observation of a single variable over a period of time) or cross-

sectional design (observation of a single variable at a point in time). The data is then interrogated to find out if there is any relationship between the chosen variables. Data interrogated using statistical tools to reach the research findings furthermore, the findings may confirm the theory or not (Saunders, Lewis, & Thornhill, 2009).

**Table 2. Review of relevant quantitative studies**

Author(s) Year	Country Region	Research Design	Sampling Technique	Sample Source	Sample Specification	Data Collection method	Final sample size	Response rate	Analysis Method
Stevens, Moray, Bruneel & Clarysse (2015)	Belgium	Longitudinal 2008-2009	Purposive	Lists of social enterprises in Flanders (region in Belgium) and financial statements that are available via Bureau van Dijk's Bel-first.	CEOs in Social enterprises	Survey & Financial data from annual statement	148	53%	HLM
Tan & Yoo (2015)	Singapore	Cross-sectional	-----	NPOs on the Singapore ministry of common youth and sport database and on the National Volunteer and Philanthropy Centre database.	Non-profit organization	Mail survey	147	24.5%	Regression analysis. factor analysis
Mendoza-Abarca, Anokhin & Zamudio (2015)	Ohio USA	Longitudinal 2003-2007	Not-specified	Internal Revenue Service, the Ohio Department of Development, the Ohio Secretary of State, the Ohio Department of Education the Ohio Department of Taxation, the Ohio Department of Job and Family Services, the U.S. Census Bureau, the Bureau of Economic Analysis, National Bureau of Economic Research and the Ohio department of development.	88 counties in the state of Ohio	Secondary data	88	---	Descriptive statistics and correlations.
Stephan, Uhlaner & Stride (2015)	26 Nations	Longitudinal 1995-2008	Random	World Values Survey (WVS), the "Global Leadership and Organizational Behavior Effectiveness" GLOBE database, Heritage Foundation, and the World Bank. Global Entrepreneurship Monitor (GEM)	26 countries	Secondary and primary data	106,484	----	Descriptive Statistics, Correlations, and Multicollinearity tests
Knife, Houghton & Dixon (2014)	Jamaica	Cross-sectional	Not-specified	Organisations in Jamaica, comprising of NGOs, foundations, endowments and faith-based organisation	Social sector	Data from outsource firm	82	-----	Descriptive statistics and Linear probability model – probit model – logit model
Miles, Verreynn & Luke (2014)	Australia	Cross-sectional	nonrandom judgement sample using a snowball process	The St. Vincent de Paul Society in Australia Christian organizations co-operatives, fair trade organisations, charitable business ventures, community enterprises, disability enterprises, community development finance institutions, and intermediate labor market companies	Social Enterprise	E-mail Survey	85	23%	Correlation analysis; and one-way ANOVA.



Stevens, Moray & Bruneel (2015)	Belgium	Longitudinal 2004-2007	Purposive	All integration enterprises (that want to create temporary or long-term employment for a specific target population). Second, two existing lists of people–planetoriented cooperatives (put together by sector experts from Coopkracht and VOSEC), Vennootschappen met Sociaal Oogmerk (VSO), and social projects that were financed between 2004 and 2007 in Flanders.	Social Enterprise	Survey & financial statements	270	56%	Structural equation modeling confirmatory factor analysis
Estrin, Mickiewicz & Stephan (2013)	47 countries	cross-sectional	Random	Global Entrepreneurship Monitor (GEM) World bank	1. Individuals who intend to create a new venture, 2. start-ups or nascent entrepreneurs  3. operating young firms (under 3.5 years)  4. Owner–managers of established businesses (3.5 years and older).	Survey	114,341	----	Descriptive Statistics and  Logistic Multilevel Bivariate Regression
Liu, Eng & Takeda (2013)	UK & Japan	Cross-sectional	Random	Randomly selected 2000 organisations from a list taken from the Organizations registered with the UK Charity Commission. In Japan, from social enterprises listed on NPO Hiroba (a Japanese nonprofit organization database website), Social Ecoo (a Japanese social business and eco-business database website), and the Ministry of Economy, Trade, and Industry website.	Social enterprise	E-mail Survey	534	26.7%	Structural equation modeling  Confirmatory factor analysis
Griffiths, Gundry & Kickul, (2013)	47 countries	Cross-sectional	Random	Global Entrepreneurship Monitor	Social entrepreneurial activity	Survey (GEM) of 2009	150,000 individuals in 54 countries	-----	Hierarchical multiple regression
Renko (2013)	USA	Cross-sectional	Random	Entrepreneurial Dynamics II (PSED II)	Nascent Entrepreneurs	Survey and telephone interview	1,214	77%	T-test  Linear regression
Arribas, Herna´ndez, Urbano & Vila (2012)	Spain	Cross-sectional	Random	Volunteering students from the University of Valencia	Undergraduate Students	Survey	60	----	Descriptive statistics  Kaiser-Mayer-Olkin test and Bartlett’s sphericity test and factor analyses
Gras & Lumpkin (2012)	USA	Longitudinal	Random	Entrepreneurial Dynamics II (PSED II)	New Ventures	Survey and phone calls.	1,214	-----	Descriptive statistics  cross-sectional time series analyses

Desa (2011)	45 countries	Cross-sectional	-----	TSV Database maintained by the Technology Museum of Innovation (TMI) in San Jose, CA.	Technology social ventures	Applications for the TMI awards and ventures websites.	202	-----	Descriptive statistics Generalized least squares (GLS)
Ruvio & Shoham (2011)	Israel	Semi-longitudinal	-----	Israeli third-sector health, law, welfare, culture, education and environmental organizations	Private owned ventures	Survey	162	78.4%	Parceling-based structural equation model
Robb-Post, Stamp, Brännback, Carsrud & Östermark (2011)	USA	Longitudinal	-----	Historical financial data (3-7 years) from the Internal Revenue Service Form 990	Animal-welfare related, nonprofit, social ventures	Secondary Data	147	- ---	Markov analysis time homogeneous transitions
Miller & Wesley II (2010)	USA	Cross-sectional	-----	SVCs self-identified from membership lists of the National Venture Capital Association and SVCs identified in the Research Initiative in Social Entrepreneurship (RISE) publication on double-bottom line venture capital (RISE, 2003)	Social Ventures	Survey with follow-up calls	57	20.7%	Multiple regression Hierarchical linear modeling (HLM) ANOVA model
Nga & Shamuganathan (2010)	Malaysia	Cross-sectional	-----	College students from private HEI in Klang Valley, Malaysia.	Students	Survey	181	91%	Multiple Linear Regression
Stevens & Moray (2010)	Belgium	Cross-sectional	Purposive	List from 'Vennootschap met Sociaal Oogmerk (VSO)' and Coopkracht and VOSEC in Flemish	Social enterprises	Survey	270	56%	Maximum likelihood method confirmatory factor analysis
Korosec & Berman (2006)	USA	Longitudinal	Random	Local Government Managers and chief administrative officers of 544 U.S. cities	city clerk, deputy manager, mayor, or planning director	Mailed Survey and in-depth interviews	202	37.1%	Descriptive statistics Regression analyses

## 5.5 Revisiting the Rationale for the Research

A review of the literature suggests that social entrepreneurs focus on social mission while seeking sustainability. Different stakeholders influence social entrepreneurs, who build trust and credibility to achieve legitimacy, thereafter to increase chances of survival and sustainability (Mason, 2010). From the perspective of IT, stakeholders perceive that organisations that behave according to institutional beliefs, values and norms are legitimate (Suchman, 1995). This legitimacy will affect social entrepreneurs' access to necessary resources to achieve their social mission. As Austin, Stevenson and Wei - Skillern (2006) noted,

“Social entrepreneurs are often faced with more constraints: limited access to the best talent; fewer financial institutions, instruments, and resources; and scarce unrestricted funding and inherent strategic rigidities, which hinder their ability to mobilize and deploy resources to achieve the organization's ambitious goals.” (p. 12)

Thus, institutional factors are a significant element of the context of Saudi Arabia. This research aims to employ a dual theoretical model perspective to link IT and the RBV in SE research in a way that have not been previously linked in academic research. The primary research question is as follows:

**What is the impact of the institutional environment on social enterprises EO and performance in the context of Saudi Arabia?**

To answer the above question, this research will investigate the following secondary questions:

**RQ.1:** What is the correlation between EO dimensions and performance of Saudi SEs?

**RQ.2:** What is the correlation between the institutional environment dimensions and EO in Saudi SEs?

**RQ.3:** What is the interactions between EO and the institutional environment with SEs performance?

## **5.6 Operationalisation**

Operationalisation can be defined as the process where researchers define their important variables into measurable factors. Bryman and Bell (2011:151) "refers to the operations by which a concept is measured". It can be explained that it is imperative to operationalise all variables and it is not easy to operationalise all variables, therefore, the objective variables are something that can be easily measured (Tashakkori & Teddlie, 2003). Measuring a concept that is subjective in nature is very difficult to operationalise. Therefore, operationalising is an important aspect for researchers to carry out in order to know the strength of each variable. The variables such as weight, age and height are easily measurable but subjective one such as frustration and love cannot be measured (Charmaz, 2000).

## 5.7 Rationale for the choice of Quantitative methods

Data on Saudi SEs are not available from secondary sources; therefore, this study use a survey to gather the required information, a common method for collecting data in management research (Saunders, Lewis, & Thornhill, 2009). The choice of quantitative methods in a study indicates a focus on the use of numerical data to deduce a hypothesis or to explain a theory using statistical analyses (Johnson & Onwuegbuzie, 2004). For instance, a survey can quickly obtain a highly representative picture of a large group of people and thus can explain a specific or frequent event (Hussey & Hussey, 1997). Self-administered questionnaires enable respondents to freely state their views in descriptive form. Survey results are reproducible, thus permitting a greater level of generalisability, because a large audience answers the same questions (Bryman, 2004; Grimaud, Astagneau, Desvarieux, & Chambaud, 2014).

Survey data from large and random samples can be easily tabulated into discrete values that, when extrapolated and applied to a different population of samples, have statistical meaning (Johnson & Onwuegbuzie, 2004). However, research studies using surveys rarely ever achieve 100% response rates; quantitative methods do suffer from relatively low levels of response, particularly traditional methods such as phone calls and pen-and-paper surveys. The choice of drop-and-collect and electronic surveys for the purpose of this research is based on its much better performance. Baruch and Holtom (2008) examined 1607 published organisational studies and found that average response rate (RR) of (35.7%) for studies of organisations and that drop-and-collect surveys have a

higher RR (62.4%) when compared with surveys sent out by internal mail or regular mail. Moreover, they found that using electronic mediums resulted in response rates that were the same or higher than traditional mail.

## **5.8 Rationale for not choosing other methods**

Typical surveying methods include questionnaires delivered to participants using landline phone call, postal mail, drop and collect or via computerised medium such as fax, mobile phones, email or the internet. The choice in data collection instrument will depend on the cost and time available to the researcher as well as consideration on the part of the participant when it comes to privacy, availability and instrument access.

Surveys done by phone calls have traditionally been done using landlines. However, more people are switching to the use of mobile phones instead of landlines and phone surveys often incorporate both landline and mobile phone surveys to capture a larger group of data (Link, Battaglia, Frankel, Osborn, & Mokdad, 2007). This method of data collection requires a lot of time in screening and collecting background information of participants. When done using mobile phones, participants tend to be in public spaces and often respond differently compared to when given the opportunity to respond to the survey in smaller, private spaces (Christian, Keeter, Purcell, & Smith, 2010).

Yet another form of traditional survey instrument is a survey done by pen-and-paper and postal mail. Data from participants entered into statistical software are also prone to data entry errors while implying labour costs for the writing of cover letters, mailing,

receiving and entering of data that supersedes the cost of using fax (Liaw, 2002). Despite its apparent disadvantages, when designed properly and in controlled setting, response rates for pen-and-paper surveys have been comparable in response to survey done using the internet (De Looij-Jansen, Petra, & De Wilde, 2008). In their study of school students, the RR (90 %) did not differ by with using the administration tool.

Surveys carried out online can be prepared using a purchasable software like Survey Gizmo and SelectSurvey.net or a free option such as SurveyMonkey.com. Regardless, when compared to other types of surveys, internet-based surveys generally result in lower numbers of missing data and generate faster responses from participants (Baruch & Holtom, 2008). Data error is also minimised from automatic data translation into statistical software as part of services included when using internet-based surveys. There are, however, limitations such as data protection and internet security, as well as the potential of biasedness towards participants with internet accessibility (Liaw, 2002).

Another mode of using the internet for surveys is by sending out surveys by email. Similar in concept to postal surveys, email surveys are however much more time and cost effective with the added benefit of tracking for undelivered or unopened surveys (Sheehan, 2001). There are discrepancies in response rates, whereby although Liaw (2002) cited email surveys having up to 68% response compared to 38% response rate using pen-and-paper, Shih and Fan (2009) argue surprisingly lower response rates using email (20% lower than pen-and-paper surveys) possibly as an effect of online spam and email junk prevention.

Lesser ways of electronic surveys such as by tablet (Leisher, 2014) and computer (Hanscom, Lurie, Homa, & Weinstein, 2002) are similarly as effective as surveys done using the internet – where response rates fare better than pen-and-paper, with improved data integrity and cheaper time and costs. A recent study on the use of smartphones for surveying by Zhang et al. (2012) found that using smartphones eliminated data recording errors when compared to pen-and-paper that resulted in (65%) questions recording error furthermore, results are in favour of surveys using smartphones in time saving, but comparable in costs to pen-and-paper surveys.

## **5.9 Selection of Saudi Arabia**

As the heart of the Islamic world, Saudi Arabia, with two holy mosques in the cities of Makkah and Almadinah is unique. According to Al-Atawneh (2009),

“Studies on the Saudi state often emphasize the fusion of religion and politics. Saudi constitutional law and its judicial system rest on traditional Islamic legal principles; the Qur’an and Sunna form its constitution and Islamic fiqh supports the laws of the state” (p. 721).

In this context, religion influences family relationships in that the young respect the old and elder family members are usually involved in all aspects of younger family members’ personal and professional lives (Al Mutair, Plummer, Paul O’Brien, & Clerehan, 2014). In their study of the motivation of Saudi managers, Ali and Al-Shakhis (1989: 30) found that the “issue is not whether or not Saudis can satisfy their economic needs; rather,



it is whether they can find meaning in work which gives them a sense of pride and facilitates family interaction and social cohesiveness”.

Sidani and Showail (2013) emphasise that tribal affiliation influences Saudi culture: “The Saudi society values honor, helping those in need, kindness to relatives and tribal members, and hospitality” (p.935). However, the US-Saudi Women’s Forum on Social Entrepreneurship introduced the concept of social entrepreneurship in Saudi Arabia in 2008 (Richi, 2011). This study is a response to calls for greater consideration of the influence of context on SE (Dacin, Dacin, & Matear, 2010; Estrin, Mickiewicz & Stephan, 2013; Stephan, Uhlaner & Stride, 2015) and for the advancement of SE research through the use of quantitative methods (Dacin, Dacin, & Tracey, 2011; Short et al., 2009).

## **5.10 Sample Framework**

### **5.10.1 Sample Frame**

The term ‘frame’ or ‘sampling frame’ refers to material or a device employed to gain access to the population of the researcher’s interest (Särndal, Swensson, & Wretman, 2003). According to Lessler (1982), frames are devices for recognising, establishing and gaining access to elements of a researcher’s target population. In simple words, a sample frame can be explained as persons who have a valid chance of being selected for study. Conrad and Serlin (2006: 396) define sampling frame as “the largest sample that can be drawn from a population”. Moule and Goodman (2009) explained that sampling frameworks are more relevant to quantitative studies when compared to qualitative studies

because quantitative studies generalize the findings of the sample over the larger population. Furthermore, acquiring an adequately valid sample is vital in the generalizability of the findings for quantitative research (De Vaus, 2002).

The current study investigates social entrepreneurship in Saudi Arabia. Therefore, this section will start with a definition of a social enterprise, then identify the sample source, and illustrate the criteria for selection.

### **5.10.2 Social Entrepreneurship and Social Enterprises**

The definition for SE and SEs varies in breadth and depth; therefore, there is no unified definition among researchers (Bielefeld, 2009; Light, 2006; Peredo & McLean, 2006; Seelos & Mair, 2004; Sullivan, Mort, Weerawardena, & Carnegie, 2003). However, there is a common definition of SEs (Bielefeld, 2009). According to Alter (2002: 5) a social enterprise is: “a generic term for a non-profit business venture or revenue-generating activity founded to create positive social impact while operating with reference to a financial bottom line”.

In general, SE can be practiced in the for-profit, non-profit or public sector (Bielefeld, 2009; Short et al., 2009). Though the idea of SE is gaining popularity, it means various things to people, and this may be confusing to some (Bielefeld, 2009). Several researchers associate SEs with not-for-profit institutions that embark upon earned-income (Reis & Clohesy, 1999; Thompson, 2002) or for-profit ventures (Dees & Anderson, 2003). Others use it to explain any hybrids organisations that start off as not-for-profit institutions and profit models, as explained by Johnson (2000: 1) “socially entrepreneurial activities

blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities”. Still, others use it to refer to business owners who incorporate social responsibility into their function (Short et al., 2009).

SEs are usually micro, small or medium enterprises. Bikse, Rivza and Riemere (2015) suggest that SEs are usually micro enterprises and the founding social entrepreneur manages them. This suggest that SEs are SMEs, however, not vies versa; SMEs could be only profitable enterprises with no social objective focusing only on profit maximization and not on solving environmental or social problems. This study looks only at micro, small and medium SEs; therefore, the rest of this section will focus on small and medium enterprises (SMEs) in Saudi Arabia. The definition of SMEs been problematic for scholars, McMahan, Holmes, Hutchinson, and Forsaith (1993) suggest that,

“SMEs are easier to describe than to define in precise terms. In other words, you will know one when you see one. What SMEs in fact have in general, and which sets them apart from large enterprises, are other less tangible attributes that are more difficult or even impossible to measure”. (p.9)

Therefore, SMEs are usually defined by their profits, assets or number of employees (Boswell, 2014). The definition of SMEs use by different countries varies, this study looks only at micro, small and medium SEs; therefore, the rest of this section will focus on SMEs in Saudi Arabia. In 2017, a new definition for SMEs was established in Saudi Arabia by the Small and Medium Enterprises Authority (Saudi Ministry of

Commerce and Investment, 2017). This scheme defines micro, small and medium enterprises according to two criteria: (a) the number of employees and (b) the annual revenue. A micro enterprise employs 1–5 full-time employees and makes up to 3 million riyals in revenue (1 riyal was equivalent to 0.21 British pounds on April 6, 2017). A small enterprise has 6–49 full-time employees and produces 3–40 million riyals in revenue. A medium enterprise employs 50–249 full-time employees and makes 40–200 million riyals in revenue (see Table 3). Furthermore, the Saudi Ministry of Labour Statistics of 2016 shows that Saudi Arabia is home to 384,808 micro enterprises, 225,862 small enterprises and 24,914 medium enterprises.

**Table 3: SME Definition\***

Type	Number of Full-Time Employees	Annual Revenues in Saudi Riyals	Total
Micro	1–5	0–3 million	384,808*
Small	6–49	3–40 million	225,862*
Medium	50–249	40–200 million	24,914*

\*Source: Saudi Ministry of Labour Statistics 2016.

SMEs continue to play a vital role in the economic growth of Saudi Arabia. SMEs help generate employment and diversify the nation’s economy (Khan, 2016). Indeed, the entrepreneurship literature has acknowledged that successful SMEs contribute to

employment, social and political stability, competition, and innovation (Hoffman, Parejo, Bessant, & Perren, 1998; Thurik & Wennekers, 2004).

Saudi Arabia is the largest economy in the Gulf Cooperation Council (GCC) with a budget of \$170 billion (Saudi-US Relation Information Service, 2011). However, SMEs contribute to almost 21% of the gross domestic product (GDP) but only 25% of the nation's total employment, despite constituting 99.7% of all companies in Saudi Arabia (Saudi Ministry of Labor and Social Development, 2016). In other words, the large oil and gas industries and the public sector dominate the Saudi Arabian economy. The public sector employs 1.26 million people, and the private sector employs about 6 million people, as shown in Table 4 (Saudi General Authority for Statistics, 2015). These figures represent a stark contrast to other developed countries. For example, SMEs contribute 64.3% of GDP in Spain and 44% of GDP in Austria (Khan, 2016).

***Table 4: Number of Employees by size class of establishment & economic activity\****

<b>Economic Activity</b>	<b>Total</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
Agriculture, forestry and fishing	295,543	34,926	14,063	50,187	196,367
Mining & quarrying	94,686	81,029	7,700	5,691	266
Manufacturing	959,644	348,566	195,791	208,503	206,784
Electricity, gas, steam & air conditioning supply	68,180	53,030	9,525	4,871	754
Water supply; sewerage, waste remediation	40,228	21,156	7,316	7,740	4,016
Construction	1,028,316	629,908	162,894	174,608	60,906

Wholesale & retail trade; repair of motor vehicles	1,616,957	81,769	135,767	409,909	989,512
Transportation & storage	243,866	92,903	54,168	67,245	29,550
Accommodation & food service activities	477,488	33,059	46,843	198,616	198,970
Information & communication	97,750	57,477	13,409	16,769	10,095
Financial & insurance	105,493	35,795	15,738	46,556	7,404
Real estate activities	113,539	18,214	9,716	22,251	63,358
Professional, scientific & technical activities	95,165	18,574	18,328	35,193	23,070
Administrative & support service activities	230,478	110,582	38,321	40,371	41,204
Education	172,845	6,801	52,904	104,350	8,790
Human health & social work activities	172,454	67,108	41,708	59,284	4,354
Arts, entertainment & recreation	27,150	0	5,964	14,839	6,347
Other service	183,453	5,368	9,242	34,000	134,843
<b>Total</b>	<b>6,023,235</b>	<b>1,696,265</b>	<b>839,397</b>	<b>1,500,983</b>	<b>1,986,590</b>

\*Source: Saudi General Authority for Statistics 2015.

There is no doubt that SMEs are an important contributor to the transition of Saudi Arabia's market economy. The success of SMEs is largely attributed to the abilities of entrepreneurs and the role of different institutions in facilitating entrepreneurship (Dyer & Ha-Brookshire, 2008; Isenberg, 2011). However, studies have revealed that the SME sector in Saudi Arabia faces challenges (Khan, 2013). Some of the major challenges include

bureaucracy, a lack of credit options and difficulty in obtaining financial support (Ahmad, 2012). Additionally, inadequate government support, an unfriendly business environment, unpredictable policy changes and a lack of proper training are other barriers that SMEs need to overcome (Ahmad, 2012).

### **5.10.3 Sample Source**

A comprehensive data list of SEs is not publically available from a single source in Saudi Arabia. The researcher had to individually contact organisations in Saudi Arabia to assemble the sample source database. The sources of data of firms for this research sample are combined from the following organisations: the Ministry of Labor and Social Development (MLSD), the King Khalid Foundation (KKF), the King Salman Youth Center and the Tasamy for Social Entrepreneurship. The databases with the exception of the MLSD database include the firm name, the e-mail of the person in charge, and the phone numbers for each of the firms; the MLSD database included postal addresses instead of e-mail addresses. However, the databases did not include the sector, number of employees or financial information.

### **5.10.4 Criteria for Selection Purposive Sampling**

The purposive sampling technique was used in this research. The samples used in the purposive sampling technique were not random; instead, the researcher selected sample units (Egan, 2007). It is a non-probability sampling technique, which is used when the researcher intends to study any research problem within particular cultural domains (Daniel, 2011). It can be used with quantitative and qualitative research. The primary aim

of purposive sampling is to focus on and study certain characteristics of a population (Sullivan, 2009). SE researchers face sampling challenges in accessing large-scale databases for SE research; therefore, using purposive sampling is a solution for this problem (Short et al., 2009; Stevens et al., 2015). Thus, this study uses purposive sampling as a single database of SE does not exist in Saudi Arabia as explained in section (4.11.5) and (4.10.2).

## **5.11 Research Design and hypotheses**

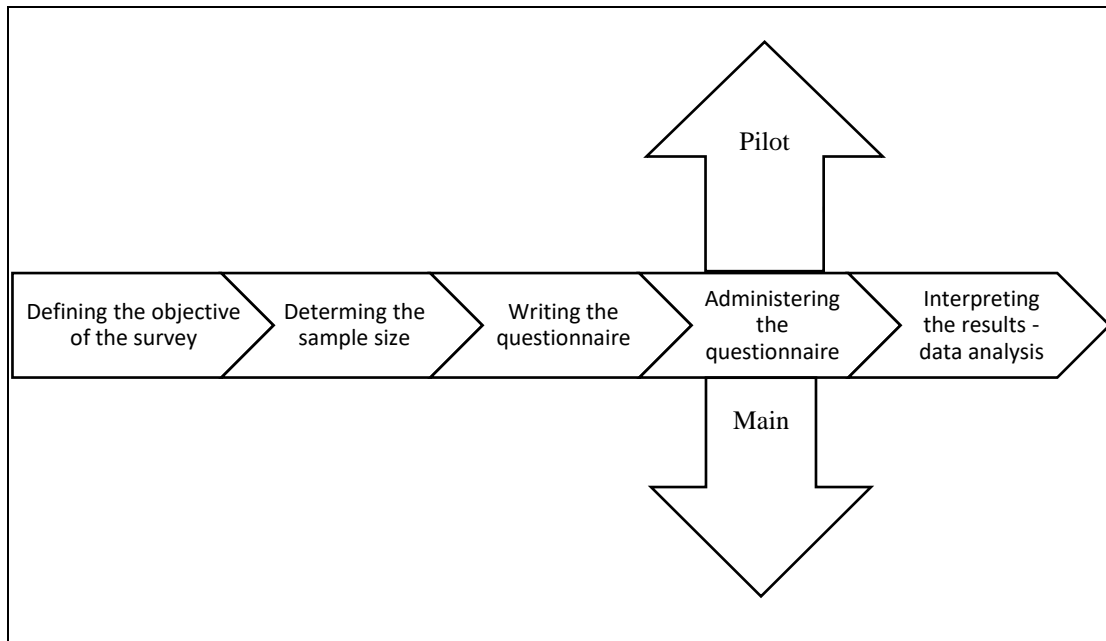
A researcher's choice to use a questionnaire is to do with the size of the sample; whether to use open or closed questions; making sure that the questions are written in such a way that they are easy to understand; putting the questionnaire into a format that is easy to read and easy to complete; and, ensuring that accompanying information is clear (Collis & Hussey, 2013). The research will also want to ensure that the administration of the questionnaire, the distribution and collection of finished surveys is managed effectively.

### **5.11.1 Data collection Instruments**

Burgess (2001) suggests that there are six distinct steps in designing a survey which is shown in Figure 8. The first stage was defining the objective of the survey, which is gathering data regarding social enterprises in Saudi Arabia. The second stage is to determine the size and nature of the sample before collecting data the next step was to write and prepare the questionnaire. Once the questionnaire was written it has been piloted. Piloting ensured that the questionnaire is readable and comprehensible for



respondents. Once the pilot was completed and adjustments, were made to the questionnaire instrument, the main study was launched. Then follow-up emails and phone calls after two weeks took place to increase response rates (Dillman, 1991). Completed questionnaires were gathered and prepared then the analysis of the data took place.



*Figure 8: Survey design process (Burgess, 2001, p.1)*

### 5.11.2 Questionnaire Design Structure of Instruments

Descriptive and analytical surveys are the most common kinds of positivist survey choice (Collis & Hussey, 2013). For this study both of the aforementioned are appropriate. Positivists tend to favour closed questions on questionnaires (Collis & Hussey, 2013); therefore, this research constructed a questionnaire with closed questions. The questionnaire was developed in English and later translated into Arabic and back-translated

into English. The questionnaire will be administered in Arabic because that is the official language of Saudi Arabia and many respondents will not necessarily be English speakers. Arabic is a complex language with numerous linguistic differences between Arabic and English languages that must be considered in translation, as Sadat and Habash (2006) explain:

“Given Arabic morphological complexity, the number of possible preprocessing schemes is very large since any subset of morphological and orthographic features can be separated, deleted or normalized in various ways. To implement any preprocessing scheme, a preprocessing technique must be able to disambiguate amongst the possible analyses of a word, identify the features addressed by the scheme in the chosen analysis and process them as specified by the scheme.” (p. 5)

In cross-cultural research, much attention should focus on a questionnaire’s translation quality and its comparability to insure the research quality and validity. Different processes are used to translate questionnaires; however, back-translation is the most preferred (Sperber, 2004). In this research, the questionnaire was developed in English, translated into Arabic, then back-translated into English. This process of back translation ensures no discrepancies between either language questionnaire version (Harkness & Schoua-Glusberg, 1998). To ensure the survey’s face validity, a panel of experienced academics and SEs will be consulted and modifications will be made to the questionnaire if required subject to their review and recommendations. The types of changes that might be suggested may include changing the sequence and wording of some of the questions and modifying some scale measures used. This review process will ensure that internal validity of the questionnaire is optimized (Ghauri & Gronhaug, 2005).

Furthermore, the questionnaire's design affects response rates (Saunders et al., 2009). Therefore, the researcher has prepared the questionnaire for this study with much care for the design and clarity of questions and to ensure that the design would not allow for biased answers (Couper, Traugott, & Lamias, 2001). The questionnaire consists of five sections over five pages (see Appendix I), excluding a cover page with instructions for participants. The first section of the survey includes general demographic questions regarding the social entrepreneur. The second part gathers information about the social enterprise. This section also seeks to gather an information firm's effectiveness in reaching its social goals and financial, human and social capital.

The third section measures degree of innovativeness using a scale developed by Wang and Ahmed (2004) using 16 items to measure four innovativeness dimensions (Product, Market, Process, & Behavior). The fourth section measures degree of the institutional dimensions of the social firms using 13 items to represent the three institutional dimensions (Busenitz, Gomez, & Spencer, 2000), where respondents indicate their level of agreement with the set of statements using a seven-point Likert scale (from 1 = 'strongly agree' to 7 = 'strongly disagree'). The fifth and last section of the questionnaire measures entrepreneurial orientation in Saudi social firms through a 9-item formulation developed by Covin and Slevin (1989). In this scale, respondents are asked to indicate where their company falls between two opposite positions by choosing a number rating in a seven-point scales.

### 5.11.3 Variables measurement

Assuming that the data for this study is collected and properly prepared – meaning it has been edited for completeness and accurate, assessed for missing entries, coded and transformed into the appropriate format - then it can then be analysed. Analysis of data collected starts with coding. All data is coded and questionnaires will be checked for completeness. Data will be cleaned and then analysed using SPSS. Independent variables will be grouped together and dependent variables and the hypothesis will be analysed using regression, bivariate analyse and factor analysis. Factor analysis is used to reduce the set of variables by grouping them together to increase the construct validity (Hinkin, 1998).

According to de Vaus (2002: 203) “there are four broad factors that affect how data is analysed: the number of variables being examined; the level of measurement of variables; whether we want to use our data for descriptive or inferential purposes and ethical responsibilities.” The research will begin data analysis by preparing analysis of exploratory data to provide a description of the data collected. The four main groups of exploratory data analysis considered will be: frequencies; measuring location; spread of data; changes amongst variables (Collis & Hussey, 1997).

A multivariate analysis of the data collected as this study is seeking to investigate the relationship between several variables. To determine the degree of relationship between variables a number of choices are available. The researcher will use bivariate  $r$  to determine the degree of linear relationship between particular sets of two variables. Adjusted  $R$  square and multiple  $R$  is used to determine the relationship of a set of variables to another

dependent variable. To measure association of data a Pearson's coefficient technique will be used. This measures the strength of association between a dependent and two independent variables (Collis & Hussy, 1997). Chi-square will be used to determine the statistical significance of a finding using a test for contingency or goodness of fit (Collis & Hussey, 1997).

Multiple regression analysis investigates the relationship between the dependent and the independent variables (Pallant, 2007). When estimating a multiple regression model it is crucial to check for multicollinearity as it affects the goodness of the model furthermore. "Multiple regression is very sensitive to outliers (very high or very low scores)" (Pallant, 2013:151). Multicollinearity exists when two or more of the independent variables are highly correlated ( $>0.75$ ) with each other (Tabachnick & Fidell, 2001). One of the most popular used regression analysis is ordinary least squares (OLS) and it can be used for hypothesis testing to increase our understanding of complex phenomena (Belsley, Kuh, & Welsch, 2005). Results of the analyses conducted will be present in tables in the coming chapter.

In this research individual and organisation level control variables are used. The individual-level controls are gender, age, education and previous experience as an entrepreneur. The firm-level controls are firm size, firm age, industry, legal license and source of seed funding. The control variables have been chosen on the basis of their use in previous SE and entrepreneurship research (Table 5). The dependent and independent variables are listed in Table 6 including the sources of scales used, survey questions and hypotheses.

**Table 5: Control Variables**

<b>Variable</b>	<b>Authors used this variable</b>	<b>Item</b>	<b>Survey question</b>
Gender	Stephan, Uhlaner, Stride (2015), Estrin, Mickiewicz & Stephan (2013), Ruvio & Shoham (2011), Miller & Wesley II (2010)	1.1	Gender:            Male        Female
Age	Stephan et al. (2015), Estrin et al. (2013), Ruvio & Shoham (2011)	1.2	Age..... years
Education level	Stephan et al. (2015), Estrin, et al., (2013), Miller & Wesley II (2010)	1.3	Education level: High school, Bachelor, Master, PhD or Other: _____
Previous Experience	Ruvio & Shoham (2011) Estrin, Mickiewicz & Stephan (2013)	1.4 1.5 1.6	Have you ever owned or partially owned a business before now? Yes    No How many businesses do you previously or currently solely own.....and how many do you previously or currently have a minority ownership?.....  Have you ever had a management experience before now?
Firm age	Wee-Liang Tan & So-Jin Yoo (2015), Geoffrey Desa (2011), Stevens, Moray, Bruneel (2015)	2.1	Please indicate the year this social enterprise started/established .....
Firm size	Stevens et al. (2015), Wee-Liang Tan & So-Jin Yoo (2015), Liu, Eng , Takeda (2013), Geoffrey Desa (2011)	2.2	Current number of full time employees .....part time employees .....            number of volunteers .....
Industry	Ruvio & Shoham (2011), Stevens, Moray, Bruneel (2015)	2.3	What social problem does the social enterprise try to solve (the focus)?
legal form	Stevens, Moray, Bruneel (2015)	2.4	What is the legal form of the social enterprise?
Source of funding	Stevens et al. (2015), Geoffrey Desa (2011)	2.5	What sources of funding did your social enterprise receive in the last year?

*Table 6: Dependent and Independent Variables*

Variable	Type	Source / Author	Survey item	Survey question	Hypothesis			
Institutional Dimensions	Independent Variable	Busenitz, Gomez, and Spencer (2000)	4.1	<p><b>Regulatory Dimension</b>            Government organizations in this country assist individuals with starting their businesses.            The government sets aside government contracts for new and small businesses.            Local and national governments have special support available for individuals who want to start a new business.            The government sponsors organizations that help new businesses develop.            Even after failing in an earlier business, the government assists entrepreneurs in starting again.</p> <p><b>Cognitive Dimension</b>            Individuals know how to legally protect a new business.            Those who start new businesses know how to deal with much risk.            Those who start new businesses know how to manage risk.</p> <p><b>Normative Dimension</b>            Turning new ideas into businesses is an admired career path in this country.            In this country, innovative and creative thinking is viewed as a route to success            Entrepreneurs are admired in this country.            People in this country tend to greatly admire those who start their own business.            People choice to start a business in this country is influenced by their religious believes.            Families in this country support individuals to start their businesses.</p>	<p><b>Hypothesis 2a:</b> There is a positive relationship between regulative institutions and EO in SEs.</p> <p><b>Hypothesis 2b:</b> There is a positive relationship between cognitive intuitions and EO in SEs.</p> <p><b>Hypothesis 2c:</b> There is a positive relationship between normative institutions and EO in SEs.</p>			
Entrepreneurship Orientation	Dependent Variable	Covin and Slevin's (1989)	5.1	<p><b>Generally our company prefers to . . .</b></p> <table border="0"> <tr> <td>Strongly emphasize the marketing of tried-and-true products or services</td> <td>1 2 3 4 5 6 7</td> <td>Strongly emphasize R&amp;D, technological leadership, and innovation in products or services</td> </tr> </table> <p><b>How many new lines of products or services has your firm marketed in the past five years?</b></p>	Strongly emphasize the marketing of tried-and-true products or services	1 2 3 4 5 6 7	Strongly emphasize R&D, technological leadership, and innovation in products or services	<p><b>Hypothesis 2a:</b> There is a positive relationship between regulative institutions and EO in SEs.</p> <p><b>Hypothesis 2b:</b> There is a positive relationship between cognitive intuitions and EO in SEs.</p> <p><b>Hypothesis 2c:</b> There is a positive relationship between</p>
Strongly emphasize the marketing of tried-and-true products or services	1 2 3 4 5 6 7	Strongly emphasize R&D, technological leadership, and innovation in products or services						

				<p>No new lines of products or services 1 2 3 4 5 6 7</p> <p>Very many new lines of products or services</p>	<p>normative institutions and EO in SEs.</p>	
Entrepreneurship Orientation	Independent Variable	Covin and Slevin's (1989)	5.1	<p>Changes in product or service lines have been mostly of a minor nature 1 2 3 4 5 6 7</p> <p>Changes in product or service lines have usually been quite dramatic</p>	<p><b>Hypothesis 1a:</b> SEs proactive behaviors is positively associated with organisation performance.</p> <p><b>Hypothesis 1b:</b> SEs risk taking is positively associated with organisation performance.</p> <p><b>Hypothesis 1c:</b> SEs innovativeness is positively associated with organisation performance.</p>	
				<p><b>In dealing with its competitors, my firm . . .</b></p> <p>Typically responds to actions which competitors 1 2 3 4 5 6 7</p> <p>Initiate Typically initiates actions to which competitors then respond</p> <p>Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc. 1 2 3 4 5 6 7</p> <p>Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.</p> <p>Typically adopts a very competitive, "undo-the competitors" posture</p> <p>Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture 1 2 3 4 5 6 7</p>		
				<p><b>Generally our company has . . .</b></p> <p>A strong tendency toward projects with low risk (with normal and certain rates of return). 1 2 3 4 5 6 7</p> <p>A strong tendency toward getting involved in high risk projects (with a chance of very high return).</p>		



				<p><b>Generally we believe that . . .</b></p> <p>The business environment of the company is such that it is better to explore it carefully and gradually in order to achieve the company's objectives.</p> <p style="text-align: center;">1 2 3 4 5 6 7</p> <p>The business environment of the company is such that bold, wide-ranging acts are needed to achieve the company's objectives.</p>	
				<p><b>When we are facing insecure decision-making situations . . .</b></p> <p>The business typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions</p> <p style="text-align: center;">1 2 3 4 5 6 7</p> <p>The business typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities</p>	
Firm performance	Dependent Variable	Adapted from:  Wee-Liang Tan & So-Jin Yoo (2015)	2.13	<p><b>Our organisation.....</b></p> <p>is successful in growing a large volunteer base.</p> <p>is successful in growing a larger donor base.</p> <p>is successful in raising enough funds</p> <p>is successful in staffing human resources.</p> <p>has gained credibility (good reputation )</p> <p>is well connected to stakeholders</p> <p>is financially sustainable</p>	<p><b>Hypothesis 1a:</b> SEs proactive behaviors is positively associated with organisation performance.</p> <p><b>Hypothesis 1b:</b> SEs risk taking is positively associated with organisation performance.</p> <p><b>Hypothesis 1c:</b> SEs innovativeness is positively associated with organisation performance.</p>

#### **5.11.4 Piloting and Screening**

De Vaus (1993: 3) advised on “not take the risk. Pilot test first!” Conducting a test before launching into distribution of the survey instrument gives a very good idea of where any gaps might be in research design. This research conducted a pilot study in the winter of 2016 to consist of the distribution of 13 surveys to social enterprises. The social enterprises were selected at random from the list of potential survey participants provided by NGO's. Likewise, the survey instrument will be tested for understanding – that is, tested to make sure that participants understand the questions being asked. As an additional step in the process – that is not be repeated in the main survey– those participants in the pilot were interviewed to check for understanding. Part of the reason for this extra phase is to assess the degree to which the structure of the questions asked is appropriate for the sample population.

The researcher initially developed the questionnaire in English, and then translated it to Arabic. It was reviewed by three independent academics: a professor of entrepreneurship, an associate professor of family business and an associate professor of marketing. All three academics are native Arabic speakers and come from three different regions of Saudi Arabia. Their feedback was taken into consideration to adjust the questionnaire. They all agreed on unifying all Likert point scales to either a seven-point or a five-point scale to eliminate any discrepancies between the different scales. Other comments they gave were on the use of some words, the rewording of sentences, the order of questions and the structure. Table 7 shows some examples of the comments.

*Table 7: Examples of wording comments of independent academics*

Survey Item	Suggestions/Adjustments
Q1.4 Have you fully owned or partially owned a business in addition to your current business?	<p>–Add the words ‘sole proprietorship’ after ‘fully owned’ and ‘partnership’ after ‘partially owned’ to the sentence in parentheses.</p> <p>–Use present tense and past tense verbs to state current and previous ownerships in the Arabic version of the survey.</p>
1.6 What is your position in the social enterprise? Manager	<p>Manager in Arabic is مدير and it could be confusing as there is another option ‘CEO/ President’, which is also translated as مدير. So, the word ‘manager’ in Arabic should be followed by ‘department’ so the manager is a manager of a department مدير إدارة and the CEO is the المدير التنفيذي.</p>
2.13 Capable of growing a larger donor base.	<p>The term ‘donor’ has several meanings in Arabic, so they suggested adding all meanings: المانحين/ المتبرعين/ الداعمين</p>

The researcher started piloting the survey to receive feedback, and the survey was given to eight SEs from three different regions of Saudi Arabia: Riyadh, Jeddah and the eastern region. Those regions were chosen because they hold the largest populations and the most registered SMEs of all Saudi regions. The researcher wanted to make sure that the respondents from all parts of Saudi Arabia would have the same understanding of the

survey items. Again, the researcher gathered various comments; some comments were on the use of wording with suggestions for alternative wording to match the local Saudi dialect. Other comments related to the use of the Covin and Slevin (1989) scale and to potential confusion with the format because in Saudi Arabia it is uncommon to use side-by-side Likert scales

### **5.11.5 Sample**

SE scholars acknowledge sampling challenges in accessing large-scale databases for SE research; thus, using purposive sampling is a solution for this sampling problem (Short et al., 2009; Stevens, 2015). No single source of comprehensive lists of Saudi SEs firms exists; for example, in entrepreneurship research a comprehensive sample could be obtained from the Chamber of Commerce and Industry (CCI), as companies must renew their commercial license annually (CCI). However, social ventures do not require a specific type of legal licensing. Furthermore, to reach this research sample, the study turned to organisations that administer yearly awards for social enterprises, social enterprise funding or social entrepreneurs training. This study identified four such organisations: the King Khalid Foundation, the King Salman Youth Center, the Tasamy NPO and the Ministry of Labor and Social Development. Those organisations databases includes: names, telephone numbers, e-mail addresses for each of the SEs and, except for the MLSD did not include emails. However, the databases does not include employee numbers or financial information.

Surveying a large population can make including the entire population a challenge. Surveying all SEs in Saudi Arabia would have practical limitations, not the least of which is the cost and time involved in conducting such a survey. Because of these considerations, this study will include a representative sample. The sample population for this investigation consists of all SEs in Saudi Arabia, a significant number of individuals; consequently, surveying the entire population will be difficult (Sekaran, 2006). The entire population “is the full set of cases from which a sample is taken” (Saunders et al., 2009: 205). The social enterprise in Saudi Arabia is the unit of study; thus, the population encompasses all SEs in Saudi Arabia. For a positivist study such as this, a good sample makes it possible to generalise results for the entire population (Collis & Hussey, 2013).

This research uses persuasive sampling, which is also known as judgement sampling or purposive sampling and is a non-random way of sampling for quantitative analysis. There are up to 16 types of persuasive sampling (Guest, Bunce, & Johnson, 2006), with the most common type being that which deliberately selects for a population that is bias towards the expected hypothesis of a research (Kelley, Clark, Brown, & Sitzia, 2003) or to explain a specific event (Onwuegbuzie & Collins, 2007). The use of persuasive sampling is usually to test concepts and hypotheses during preliminary stages of a research, comparisons of case studies or when a population is too small for random sampling (Tongco, 2007). Researchers often struggle to reach a large enough pre-determined target amount of persuasive samples to ensure variability in data, or find difficulty in collecting a sample group large enough that no new data can be obtained (theoretical saturation).

There is also very little guidance for persuasive sampling offered in literature (Guest et al., 2006).

Non-random sampling such as persuasive sampling carry effects on values such as the mean, variance and correlation between variable(s), and should be used with caution in accordance to research goals. These changes in values should be compared to a control group and great care must be taken in analysing data using linear regression models and other trend analyses (Goodman & Blum, 1996; Tongco, 2007). In some cases, persuasive sampling can give similar results or even outperform random sampling while using less time and costs due to having a small sample group (Tongco, 2007). Like every other method, it is the knowledge and skill of the researcher in designing the survey that will determine the reliability of data obtained from persuasive sampling.

#### **5.11.6 Instruments administration & responses**

In section 4.4 a review of studies using quantitative methods in SE was presented in table 2; however, because of the rarity of high quality quantitative research in the SE field an examination of response rates of relevant quantitative studies in family businesses and EO was important to determine the proper sample size according to those response rates. Table 8 presents a summary of response rates published in leading entrepreneurship and small business management journals between the years of 2010 to 2016 in the area of family businesses and EO.

The sample size was a total of 1,870 SEs. The sample was obtained from four sources: the Ministry of Labor and Social Development (200 cooperatives), the King

Khalid Foundation (514 SEs), the King Salman Youth Center (774 SEs), and Tasamy for Social Entrepreneurship (382 SEs). The researcher sent all firms an electronic survey via an online tool that is named Qualtrics. The researcher sent a link to the electronic survey by email, between October 8, 2016, and December 15, 2016. Follow-up emails and up to four reminders were sent to SEs after the initial sending of the questionnaire.

The researcher sent an email with a link to the questionnaire to prospective firms in five waves (once a week over 5 weeks) to avoid any technical or structural problems with the questionnaire. Each email invitation had a unique link; therefore, the recipient could complete the questionnaire immediately or they could complete it later. They could complete and submit the questionnaire only once. This feature was helpful when sending the reminder emails. An advantage of Qualtrics is that the researcher can monitor open or completed survey links, and participants can opt out and not receive any reminders. Most of the individuals who did not complete the questionnaire or opt out were usually after viewing the first section (CEO/Manager/Owner Characteristics). This is important to ensure the quality of the data collected. In all, a total of 350 questionnaires were submitted online, representing a response rate of 18.72%. Of the 1,870 SEs sent emails to participate in this study, 683 respondents started the survey; however, only 350 respondents completed the survey, representing a response rate of 18.72%. The 350 responses included 30 respondents with silly/lazy responses (ticking the same box) and 12 respondents from large SEs. Those 42 respondents were discarded from the analyses; thus, 308 respondents remained for a response rate of 16.47%.

**Table 8. Response rates of relevant quantitative studies of family businesses and entrepreneurial orientation published in leading entrepreneurship and small business management journals (2010-2016)**

Journal	Author(s) Year	Year	Topic	Country	Response Rate
Entrepreneurship & Regional Development	Goel, Voordeckers, Van Gils & Van den Heuve	2013	CEO's empathy and salience of socioemotional wealth in family SMEs–The moderating role of external directors.	Belgium and the Netherland	8.85%
	Casillas & Moreno	2010	The relationship between entrepreneurial orientation and growth: The moderating role of family involvement	Spain	10.37%
Entrepreneurship Theory & Practice	Chirico & Salvato	2014	Knowledge Internalization and Product Development in Family Firms: When Relational and Affective Factors Matter	Italy	33.61%
	Dawson, Sharma, Irving, Marcus & Chirico	2015	Predictors of Later-Generation Family Members' Commitment to Family Enterprises	Canada and Switzerland	32.3%
	Arregle, Batjargal, Hitt, Webb, Miller & Tsui	2015	Family Ties in Entrepreneurs' Social Networks and New Venture Growth	China, France, Russia and USA	Ch 40% Fr 37% Rus 30% USA 30%
	Carr & Hmieleski	2015	Differences in the Outcomes of Work and Family Conflict Between Family- and Nonfamily Businesses: An Examination of Business Founders	United States	17.8%



	Brouthers, Nakos & Dimitratos	2015	SME Entrepreneurial Orientation, International Performance, and the Moderating Role of Strategic Alliances	U.S. and U.K.	27%
	Eddleston, Kellermanns , Crittenden & Crittenden	2013	Planning for growth: Life stage differences in family firms.	United States	17.7%
	Arregle, Naldi, Nordqvist & Hitt	2012	Internationalization of family - controlled firms: a study of the effects of external involvement in governance.	Sweden	57.1%
	Eddleston, Kellermanns & Zellweger	2012	Extending the socioemotional wealth perspective: A look at the dark side.	Switzerland	14.3%
	Chrisman, Chua, Pearson & Barnett	2012	Family involvement, family influence, and family - centered non - economic goals in small firms.	United States	19.8%
	Davis, Allen & Hayes	2010	Is Blood Thicker Than Water? A Study of Stewardship Perceptions in Family Business	United States	33%
	Morris, Allen, Kuratko & Brannon	2010	Experiencing Family Business Creation: Differences Between Founders, Nonfamily Managers, and Founders of Nonfamily Firms.	United States	18.5%
Journal of Management	Zattoni, Gnan & Huse	2015	Does Family Involvement Influence Firm Performance? Exploring the Mediating Effects of Board Processes and Tasks	United States	35%

Journal of Small Business Management	<i>Bannò &amp; Sgobbi</i>	2016	Family Business Characteristics and the Approach to HRM in Overseas Ventures	Italy	20.1%
	Stenholm, Pukkinen & Heinonen	2016	Firm Growth in Family Businesses—The Role of Entrepreneurial Orientation and the Entrepreneurial Activity	Europe	24%
	Dekker, Lybaert, Steijvers & Depaire	2015	The Effect of Family Business Professionalization as a Multidimensional Construct on Firm Performance	Belgium	13.58%
	Gnan, Montemerlo & Huse	2015	Governance Systems in Family SMEs: The Substitution Effects between Family Councils and Corporate Governance Mechanisms	Italy	3.2%
	<i>Maseda, Iturralde &amp; Arosa</i>	2015	Impact of Outsiders on Firm Performance over Different Generations of Family-Owned SMEs	Spain	24.71%
Journal of Small Business Management	Merino, Monreal-Pérez & Sánchez-Marín	2015	Family SMEs' Internationalization: Disentangling the Influence of Familiness on Spanish Firms' Export Activity	Spanish	9.78%
	Songini & Gnan	2015	Family Involvement and Agency Cost Control Mechanisms in Family Small and Medium-Sized Enterprises	Italy	15%
	Vandemaele & Vancouteren	2015	Nonfinancial Goals, Governance, and Dividend Payout in Private Family Firms	Belgium	10.03%
	Chirico & Bau	2014	Is the family an “Asset” or “Liability” for firm performance? The moderating role of environmental dynamism.	Switzerland	33.61%

### 5.11.7 Data Editing, Coding and Recording Responses

In the current study, the data, in terms of sample size, gender, education level, age, firm size and age, industry or solution, regions and the position of informants among other answers, was edited, coded and recorded using Statistical Package for the Social Sciences (SPSS [21.0]). This package rapidly scores and analyses quantitative data and generate reports, graphs and charts (IBM SPSS Statistics 20 Core System User's Guide).

The main variables used in the study have been given SPSS names. For instance, age is named as *age* and education level as *edu\_level*. All of the variables were entered into separate columns of a SPSS spreadsheet. SPSS requires the data to be in a numerical form for analysis. All of the variables need to be coded for this purpose. The reverse items responses entries were recorded into a compatible format with the rest of the data.

**Table 9. The main variables included in the study**

<b>Variable</b>	<b>Identifier name</b>	<b>Description</b>
Social entrepreneur gender	Gender	Male=0 / Female=1
Social entrepreneur age	Age	In years (continuous)
Social entrepreneur education level	Education	High School, Diploma, Bachelor, Master, PhD and Other type of education.
Social entrepreneur previous experience	Experience	Yes/ No
The enterprise Age	Years Established	In years (continuous)

The enterprise Size	Full Time Employees	In numbers of employees (continuous)
The enterprise industry/ solution	Solution	Education & Training Environment Health & Fitness Social Cultural Finance Employment Services
The enterprise legal license	Licence Type	Commercial Endowments Incubated Association NGO Cooperative Subsidiary No License
The enterprise region of operation	City	Riyadh Makkah Eastern region Qasim&Hail Madina&Tabuk Asir&Jazan

### 5.11.8 Validity and Reliability

Smith (1991: 106) defines “validity as the degree to which the researcher has measured what he has set out to measure.” Checking and cross-checking data collected

insure the accuracy of the data. The methods for checking and cross-checking data in this investigation include considering if the questions in the survey are structured in a way that makes sense. The veracity of the questionnaire using independent academics who speak and read Arabic and English was undertaken. Conducting a pilot study before the main phase of survey distribution ensured that validity and reliability are met. Once the initial pilot has had been conducted the survey instrument was reviewed and edited, then adapted. Reliability is the degree to which the findings are credible (Collis & Hussey, 2013).

Reliability has to do with how replicable the research is. Generally a study would be able to explain how another researcher using the same questionnaire and the same data will achieve the same answers in the same conditions (Jankowicz, 2005). The most commonly used test of internal consistency reliability of a scale is Cronbach's Alpha (Bryman & Cramer, 2011; Price & Mueller, 1986) whereas "A correlation coefficient is then generated, which varies between 0 and 1, and the nearer the result is to 1 [...], the more internally reliable is the scale" (Bryman & Cramer, 2011:78). However, the acceptable value of alpha should be 0.7 or greater (Bryman and Bell, 2015). A Cronbach's Alpha test will be used in this study to determine the consistency of the data collected and, therefore, its reliability.

### **5.11.9 Diagnostic tests**

Diagnostic techniques are used to identify unusual data points locations and in finding the existence collinear relations among variables thereafter, their quality can be assessed to take the proper action (Belsley, Kuh, & Welsch, 2005). Tests can be done by

using descriptive statistics such as simple data tabulation, transforming numerical data into percentages (Zikmund, Babin, Carr, & Griffin, 2012; Yousef, 2016) or by seeking statistical significance using diagnostic tests (Macdonald, Kleinaltenkamp, & Wilson, 2016). Tests for statistical significance are reversed when reporting results from analysed data as they provide researchers with a level of confidence that the data is valid and reliable. This subsequently allows researchers to generalise the results analysed from a small group of sample over a larger population.

The outputs of a multiple regression analyses will provide a basic diagnostic that include but are not limited to standard errors, Chi-square, t-values,  $R^2$ , autocorrelations, etc. The chi-square can help in assessing the fit of a model (the smaller the chi-square the better). T-values can assess the quality of the model (Hinkin, 1998), paired with analysis of variance (ANOVA) to measure the variance in a group of sample compared to one or more groups of sample(s); and, the Kolmogorov-Smirnov (KS) test to determine the degree to which a prediction or hypothesis match results from collected data (Goldfarb & King 2016). Another diagnostic test is named Casewise; was preformed in this study to check for outliers with case values higher than (3) or less than (-3) in the normally distributed sample, not more than 1% of cases should be outside the range of [ $3 >$  case values  $< -3$ ] (Pallant, 2013).

When using ordinary least squares (OLS) it is very important to check for collinearity among the variables as it could affect the estimates and therefore get a less useful set of results (Belsley et al., 2005). The complex statistical analysis for diagnostic tests in business research can now be easily performed using statistical analysis software.

Software such as SPSS is not only capable of managing data but are also able to analyse business and research data. Diagnostic tools although able to perform tests cannot interpret results and therefore will still require researchers to be trained and have adequate knowledge in statistics (Bryman & Belle, 2015; Chen, Lu, Y., Zhou, J., & Cheng, 2016; Silvia, Iqbal, Swankoski, Watt, & Bullard, 2014).

## **5.12 Addressing Fieldwork Challenges**

Difficulties were encountered during the data collection period of the fieldwork phase of this study. These difficulties can be divided into two areas: access to the sample of the study and the distribution and collection of the surveys.

The first difficulty was getting access of the list of firms from the MLSD and KKF. Each one of the two entities had to be dealt with differently. With the MLSD, the researcher faced government bureaucracy, which required patience and continuous follow-up. Additionally, it took longer than other sources to get approval and to receive the data from the sample, and when the researcher received the sample details, it lacked e-mail and website information. The list had the phone numbers of 200 cooperatives because they are scattered across Saudi Arabia, making it difficult to use the drop and collect method; therefore, using an electronic survey was the cheapest and most time-efficient method in PhD research. The researcher was able to recruit five volunteers to call the cooperatives and get their e-mail addresses. A few were hesitant to provide their e-mail addresses or refused to do so.

The KKF was very welcoming and responsive to my request; however, the meeting that was scheduled to include me and the person in charge of the King Khalid prize was repeatedly delayed for a couple of weeks. Later, the researcher was informed that the person she was supposed to meet with was battling cancer, and subsequently passed away. The data provided by the KKF was up to date and included e-mail addresses and website information.

The second difficulty was related to the electronic distribution and collection of surveys. There were technical problems related to the online instrument used for data collection. The researcher received e-mails from respondents complaining that they could not enter a number in a specific field, which was due to an incompatibility between Arabic numerals and the online tool. This issue led the researcher to include a note with the survey that numbers should be entered in English. Another problem was found while checking the survey responses. In the field to indicate the year a firm was established, some answers were in years (1, 2, 3, etc.). Thereafter, the researcher changed the setting to a four-digit number and added a note to the respondents. Sending e-mails to recipients in waves reduced the magnitude of this problem and it was avoided in future waves. Other technical problems related to the recipients' servers and included bounced e-mails, which required the survey to be resent several times to make sure the e-mails reached the recipient. In some cases this was not possible, which meant the firms had to be contacted by telephone to resolve the matter.



Even with all the stated difficulties, there were no delays in the data collection timeframe. However, 350 questionnaires over a 2-month period were considered sufficient data to meet the needs of this study.

### **5.13 Ethical Considerations**

Ethical considerations are a significant part of research. Ethics are standards of conduct that draw a fine line between acceptable and unacceptable behaviour (Koulouriotis, 2011; Oliver, 2010). Adhering to the ethical principles is very important especially when the research deals with human subjects (Attir & Reynolds, 1981). These ethical standards avert any fabricated data pursuing the truth, which is the chief purpose of every research (Resnik, 2015). Ethical standards greatly influence the veracity of research. If a research abides by these standards, it depicts that issues akin to human rights, safety and health concerns are given significant attention thereby augmenting the integrity of research (Stanley, Sieber, & Nelton, 1996; Singh & Purohit, 2011).

Bryman and Bell (2015) pinpointed that the safety of research participants should be the main focus of researcher, and he should make sure that research participants are not harmed in any way. Also, the researcher should respect the dignity of participants. The authors postulated that full consent should be obtained from participants prior to the study. Other important considerations include deliberate partaking of respondents, the anonymity of participants and transparent communication related to research (Lefkowitz, 2003; Smith, 2003).

The current research abides by all the aforementioned ethical considerations. Ethical consent from the Department Ethics Committee of Royal Holloway University of London was obtained on August 21, 2016. The questionnaire avoided any kind of hateful or unacceptable language. Questionnaires were distributed online using Qualtrics online tool. Every questionnaire consisted of an information section, which explained the purpose of study in detail and assured participants of complete anonymity. Consent was taken from participants before data collection. All participants taking part in the study will participate with free will. No personal information is requested from the participants. This practice is expected to encourage the respondents to answer sensitive questions without hesitation (Daly, 1996). The information section assured the secrecy of responses and also that the responses would be merely used for academic purposes. The researchers' contact details were given in case participants want further discussion related to the research.

#### **5.14 Summary**

This chapter explored the methodology of this research, including collecting data methods needed for this study. Based on the research questions and the main objective of this research is based adopted a quantitative approach, through distribution of questionnaires among Saudi social entrepreneurs. This chapter has also considered the research philosophy, strategy, sample framework and design in detail, thereafter validity and reliability as well as problems encountered during the fieldwork were explained.

A total of 1,870 firms were identified in a purposive sample, a total of 350 questionnaires were returned representing a response rate of 18.72%. The next chapter will present an analysis of the data gathered using the quantitative approach and discussion of the results.

## **Chapter 6 Data Analysis and Results**

### **6.1 Introduction**

As discussed in previous chapters, this study seeks to provide answers to three questions. The first question is related to the effect of EO dimensions on SEs's performance. The second question is related to the impact of institutional dimensions on EO in SEs. The third question is related to the influence of institutional dimensions on performance of the SEs. These three questions were answered by conducting an empirical quantitative research.

This chapter begin with sample size description, then non-response bias evaluation and data exploration including the sample description in section four. Section five presents the validity and reliability of the constructs. Then, in section six and seven statistical analyses were used to test the research hypotheses. Finally, a summary of the chapter is provided.

### **6.2 Sample Size**

A total of 1,870 questionnaires were sent via online instrument and 350 questionnaires were received, of which 308 were usable for this study. Responses were eliminated due to failing to meet the criteria used in this research of SEs. The 308 responses were used to examine non-response bias, sample description, and constructs validity and reliability.

### **6.3 Non-Response Bias**

Non-response bias is a type of non-sampling error, and it refers to the error that occurs when the people who take part in a survey are different from those who do not participate in it (Lewis-Beck, Bryman, & Liao, 2004). It is important to note that this error does not merely occur due to a low response rate; rather, it occurs when the people who respond have different characteristics from those who do not (Andrew, Pedersen, & McEvoy, 2011). Some argue that it is a function of non-response rate (Biemer & Lyberg, 2003), which implies that when the response rate is low, there is a greater chance of non-response bias (Khosrowpour, 1998). However, academic research has demonstrated that there is not a strong relationship between non-response rate and non-response bias (Curtin, Presser, & Singer, 2000; Davern, 2013; Groves, 2006). Gideon (2012) has explained that response rate is not an adequate measure of survey quality because the issue is to assess the difference between respondents and non-respondents regarding the key variables of the survey.

Non-response bias has some adverse effects on research. Firstly, it makes the sample less likely to be a viable representation of the actual population (Baker, Singleton, & Veit, 2011). Secondly, those who consider it a function of low response rate mention that it leads to a smaller sample size overall (Lahaut, Jansen, van de Mheen, & Garretsen, 2002).

It should be noted that assessing non-response bias is a difficult task (Gideon, 2012). It requires obtaining information about the population or non-respondents according

to the basic variables of the survey (Stoop, Billiet, Koch, & Fitzgerald, 2010). There are different approaches to minimise non-response bias. Khosrowpour (1998) mentioned that analysing a sample of non-respondents can reduce non-response bias. Another method is to identify the affect of non-response (Lewis, Hardy, & Snaith, 2013). Chapman, Hopwood, and Shields (2006) argued that contacting those who refused to participate in the survey and motivating them through monetary incentives or follow-up calls could minimise non-response. However, such measures might be costly.

The academic literature has determined the importance of designing adaptive and responsive surveys for minimising non-response bias (Schouten, Shlomo, & Skinner, 2010). Kreuter et al. (2010) mentioned the need to collect and assess data about the data-collection process of a survey. This includes the details related to contacting potential respondents and screening them for eligibility, etc. This is known as the ‘paradata’ of a survey (Kreuter et al., 2010). Adaptive and responsive designs integrate different forms of data like paradata, register data and frame data (Peytchev, Riley, Rosen, Murphy, & Lindblad, 2009).

It is important to consider the time of the response while conducting a survey. Bates and Creighton (2000) considered response as a dichotomous variable—early versus late respondents. On the contrary, Eisenhower and Hall (1995) considered it a tri-level variable—early, middle and late—where the middle respondents answered on the second mail and the late respondents answered by a telephone call. Vink and Boomsma (2008) considered early respondents those who answered the survey within 30 days and late respondents answered after 30 days.

Late respondents are somewhat similar to non-respondents (Ary, Jacobs, Razavieh, & Sorensen, 2006). Lahaut et al. (2003) tested the 'continuum of resistance' model, which explains that late respondents are similar to non-respondents. Because of this assumption, some studies determine non-response bias by assessing the difference between early respondents and late respondents (Stemple, 2007). It can be implied that the nature of the non-respondent can be predicted by assessing the responses of late respondents.

Various studies have been conducted to assess the difference between early respondents and late respondents. Irani, Gregg and Telg (2004) conducted research in which data was collected through an online web-based survey from early and late respondents. The study showed that most of the late respondents were female, and a majority of the early respondents rated their information technology skills as average. On the basis of characteristics of personality, lifestyle and health, there was no difference between late and early respondents.

Green (1991) analysed the difference between early respondents, late-respondents, and non-respondents to a mail survey. The differences were analysed in several dimensions such as demographic variables, response reliability and response variation and scored on mean attitude. The study revealed that across these dimensions there were minor differences among the three groups. It was mentioned that those respondents who were hesitant to participate did not have a favourable attitude towards the topic of research, and they did not consider themselves researchers.

Rodes et al. (1990) carried out research to assess the differences among early, late, and non-respondents of a population survey with regard to recruitment effort. Rodes et al. (1990) observed that among males, late respondents had a lower proportion of smokers compared to early respondents. Among females, early respondents had higher levels of blood pressure than late respondents, and they were more aware of their blood pressure levels. Furthermore, it was seen in both genders that respondents were more educated than late-respondents.

In this research, non-response bias was tested as suggested from previous discussed researchers by comparing the characteristics of early and late respondents. As done by Green (1991) and Rodes et al. (1990), respondents were divided into two groups - early and late respondents depending on the timing of their response to the electronic survey, a four days period separated the two groups. The first group “early” respondents are those who filled the survey within four days of sending the electronic survey while the second group “late” respondents are those who filled the survey after four days of sending it.

A chi-square test was performed to check for any significant differences between early and late respondents, by comparing characteristics of the social entrepreneur and the SEs. The tests revealed no significant difference ( $p>0.05$ ) between early and late respondents in terms of the social entrepreneur gender, education, type of work (full time/part time/ volunteer) and salary (Table 10), in addition to firm characteristics such as age, size (measured as number of full time employees), location (city) and industry (see Table 11).



*Table 10. Chi-square test comparing early and late respondents for social entrepreneurs' characteristics*

Social Entrepreneur Characteristics	Early		Late		Chi-square Statistic	Sig. Level
	No.	%	No.	%		
<i>1. Gender</i>					0.003	0.956
Male	155	58.9	35	59.3		
Female	108	41.1	24	40.7		
<i>2. Education</i>					5.836	0.322
High school	17	6.5	5	8.5		
Diploma	17	6.5	3	5.1		
Bachelor	129	49.0	26	44.1		
Master	71	27.0	21	35.6		
PhD	26	9.9	2	3.4		
Other	3	1.1	2	3.4		
<i>3. Type of Work</i>					0.371	0.946
Full time	116	44.1	26	44.1		
Part time	46	17.5	10	16.9		

Volunteer	93	35.4	22	37.3		
Other	8	3.0	1	1.7		
<i>4. Salary</i>					1.431	0.232
Yes	181	69.1	36	61.0		
No	81	30.9	23	39.0		

***Table 11: Chi-square test comparing early and late respondents for social enterprises characteristics***

Social Enterprise Characteristics	Early		Late		Chi-square Statistic	Sig. Level
	No.	%	No.	%		
<i>1. Age</i>					3.530	0.317
0-4	108	41.1	31	52.5		
5-10	93	35.4	18	30.5		
11-20	33	12.5	7	11.9		
20 and older	29	11.0	3	5.1		
<i>2. City</i>					3.056	0.548
Riyadh	118	44.9	31	52.5		

Makkah	40	15.2	8	13.6		
Eastern Provence	7	2.7	0	0		
Qasim & Hail	39	14.8	6	10.2		
Madina & Tabuk	59	22.4	14	23.7		
Asir & Jazan						
<i>3. Industry</i>					8.769	0.270
Education and training	67	25.5	12	20.3		
Environment	15	5.7	4	6.8		
Health & fitness	22	8.4	12	20.3		
Social	19	7.2	5	8.5		
Cultural	35	13.3	6	10.2		
Finance	27	10.3	7	11.9		
Employment	20	7.6	3	5.1		
Services	58	22.1	10	16.9		

## 6.4 Data Exploration

### 6.4.1 Sample description

Descriptions of continuous variables, including entrepreneur age and years of experience, business age and size (number of full time employees), are presented in Table

12. Descriptions of categorical variables, including gender, education legal license and city, are listed in Table 13 while multiple response variables such as the source of funding are illustrated in Table 14.

**Table 12: Descriptive Statistics of continuous variables**

	<b>Age</b>	<b>Years of Experience</b>	<b>Years Established</b>	<b>Full Time Employees</b>
N	308	224	308	308
Mean	35.43	9.3036	8.6981	14.2695
Median	34.00	7.0000	5.0000	5.0000
Mode	35	2.00	2.00	.00
Std. Deviation	9.337	7.58490	10.57206	26.72228
Variance	87.184	57.531	111.768	714.080
Minimum	19	1.00	1.00	.00
Maximum	65	35.00	60.00	180.00

**Table 13. Descriptive Statistics for categorical variables**

<b>Entrepreneur Demographics</b>	Frequency (N=308)	Valid Percent
<b>Gender</b>		
Female	129	41.9
Male	179	58.1
<b>Education level</b>		
High School	22	7.1
Diploma	18	5.8
Bachelor	149	48.4
Master	88	28.6
PhD	26	8.4
Other type of education	5	1.6

<b><i>Habitual Entrepreneurs</i></b>		
No	123	39.9
Yes	185	60.1
<b><i>Social Entrepreneur work type</i></b>		
Full time	133	43.2
Part Time	53	17.2
Volunteer	113	36.7
Other	9	2.9

<b><i>Business Characteristics</i></b>		
<b><i>Industry/ Solution</i></b>		
Education & Training	78	25
Environment	21	6.8
Health & Fitness	36	12
Social	46	15
Cultural	51	16.6
Finance	34	11
Employment	24	7.8
Services	18	5.8
<b><i>Legal License</i></b>		
Commercial	130	42.2
Endowments	12	3.9
Incubated	26	8.4
Association	51	16.6
NGO	33	10.7
Cooperative	25	8.1
Subsidiary	17	5.5
No License	14	4.5
<b><i>City</i></b>		
Riyadh	163	53
Makkah	62	20
Eastern region	43	14
Qasim&Hail	16	5.2
Madina&Tabuk	13	4.2
Asir&Jazan	11	3.6

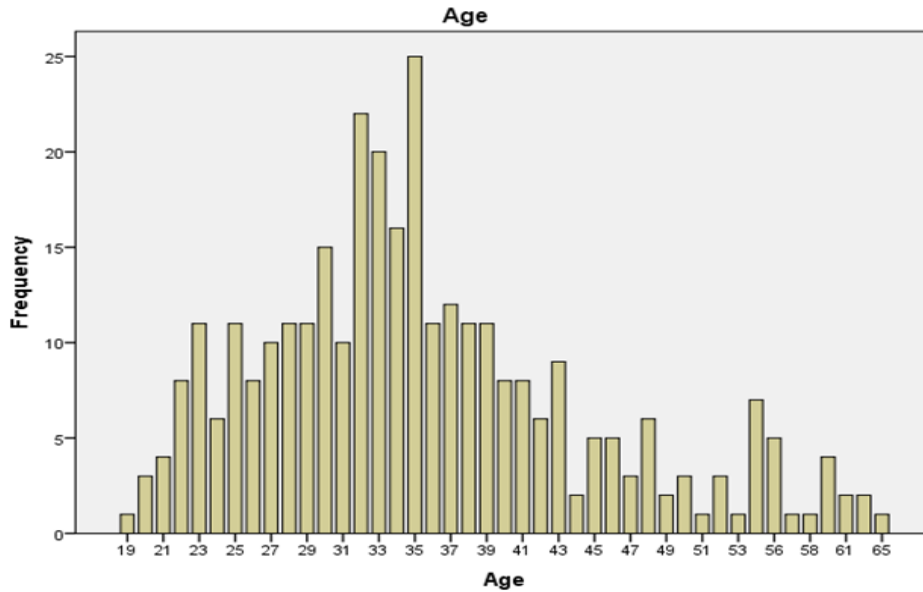
**Table 14: Descriptive statistics for multiple response**

	Frequency (N=308)	Valid Percent
<b><i>Social Entrepreneur Position</i></b>		
Founder	177	36.8
Board Member	80	16.6
CEO	114	23.7
Manager	53	11
Other	57	11.9
<b><i>SE Source of Funding</i></b>		
Equity	111	36
Grants	61	19.8
Family	25	8.1
Gov.Support	75	24.4
Sadaqa	39	12.7
Sponsorships	66	21.4
Waqf	29	9.4
Sales	90	29.2
Memberships	68	22.1
Loans	21	6.8
Other	52	16.9

A description of the demographic characteristics of the sample is discussed in this section, including social entrepreneur gender, age, education, years of experience and position in the SEs. In this study, there were 308 respondents; 58% were male and 42% were female. This is comparable to the Levie and Hart (2011) study on nascent social entrepreneurs in the United Kingdom, in which the study sample was 46% female and 54% male. The results are consistent with the Levie et al. (2006) finding that the percentage of social entrepreneurs is similar between female and male social entrepreneurs, while male entrepreneurs are twice as likely to be commercial entrepreneurs than female entrepreneurs. This is in stark contrast to the United States, where male entrepreneurs outnumber female entrepreneurs by a two-to-one ratio (GEM 2016–2017). However,

female entrepreneurs in the United States are twice as likely to be entrepreneurially active than their counterparts in the United Kingdom, whereas the entrepreneurial rate is more or less the same for men in the United States and the United Kingdom (Harding, 2007).

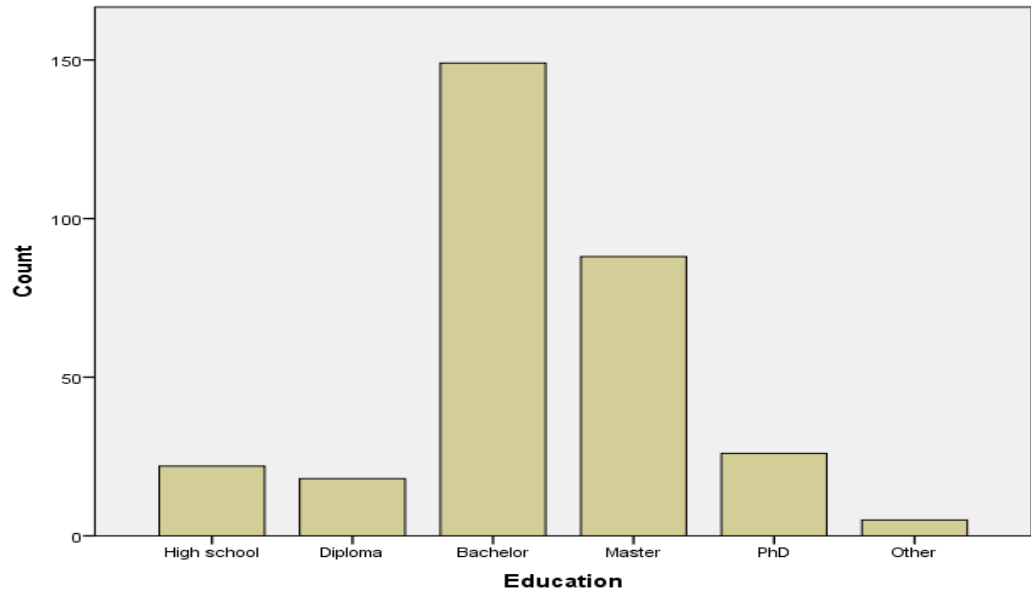
As shown in Figure 9, the youngest social entrepreneur in this study was 19 years old and the oldest was 65. The average age of the social entrepreneurs who participated in this study was 35 years old. The chart shows that 74% of the entrepreneurs were between 19–39 years of age, 15.6% were aged between 40–49 years old, and 10.4% were aged 50 years or older. The ages in these figures are young in comparison to the Korosec and Berman (2006) study in the United States where 34% of respondents were below 45 years old and 65.5% were over the age of 45. The young age of the respondents is not surprising because 75% of Saudi Arabia's population is under than 40 years of age (Saudi General Authority for Statistics, 2016).



**Figure 9. CEO/ social entrepreneur age**

Education also played a role in this study. According to Figure 10, 85.4% of respondents reported holding a university degree. Broken down by degree, 48.4% of respondents reported holding bachelor’s degrees, 28.6% reported holding master’s degrees and 8.4% reported holding PhDs. Aside from the previous mentioned degrees, other qualifications scored the lowest at 1.6%. The conclusion is that people with advanced levels of education are more likely to become social entrepreneurs, is consistent with Harding (2006) and Van Ryzin, Grossman, DiPadova-Stocks, and Bergrud (2009). According to Harding (2006), individuals with graduate or postsecondary educational qualifications are more involved in the early stages of entrepreneurial activity. This is also in agreement with Van Ryzin et al. (2009), who mentioned that college education and prior business experience are important factors in creating SEs.

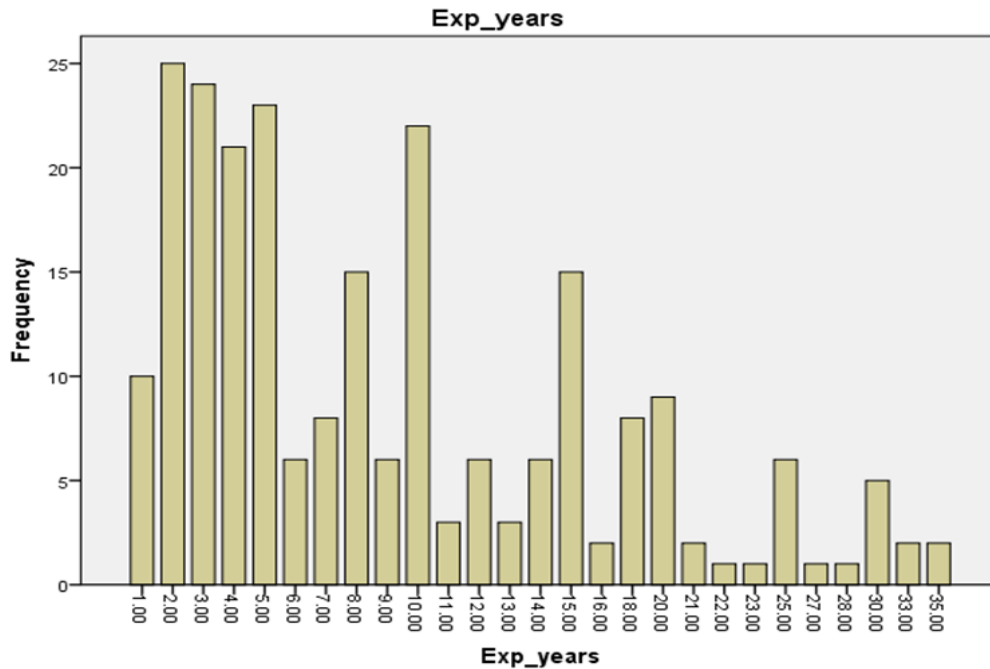




*Figure 10. CEO/social entrepreneur education*

The sample results showed that 60.2% reported owning one business and 39.8% reported owning more than one business and therefore, can be classified as habitual entrepreneurs. However, 47.2% of those habitual entrepreneurs reported having previously and currently owned a business. Moreover, habitual entrepreneurs are somewhat different from novice entrepreneurs. Habitual entrepreneurs can be of two types: serial entrepreneurs, or individuals who have prior experience in entrepreneurship; and portfolio investors, or individuals who have a stake in two or more businesses due to purchasing, inheriting or starting business ventures (Westhead, Ucbasaran, & Wright, 2005). In addition, serial entrepreneurs are more likely to define market opportunities actively. They are circumspect about business survival and motivated to grow a firm as large as possible (Gordon et al., 2009). In a sample study of 200 private firms in the United Kingdom,

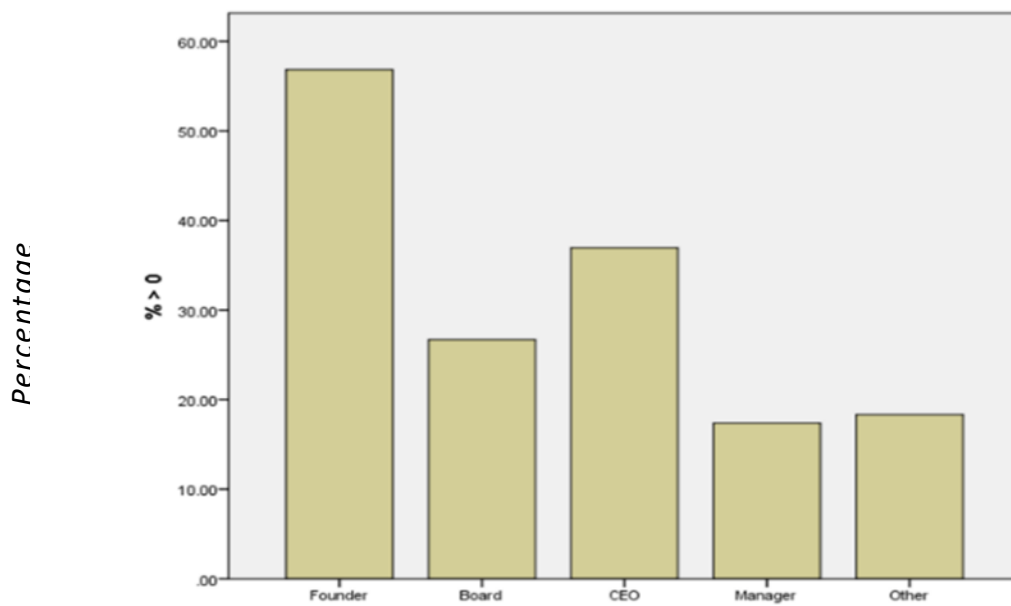
Westhead, Ucbasaran and Wright (2003) found that 56.5% of the firms were owned by novice entrepreneurs, 18.6% were owned by serial entrepreneurs and 24.9% were owned by portfolio investors.



*Figure 11: CEO/social entrepreneur years of experience*

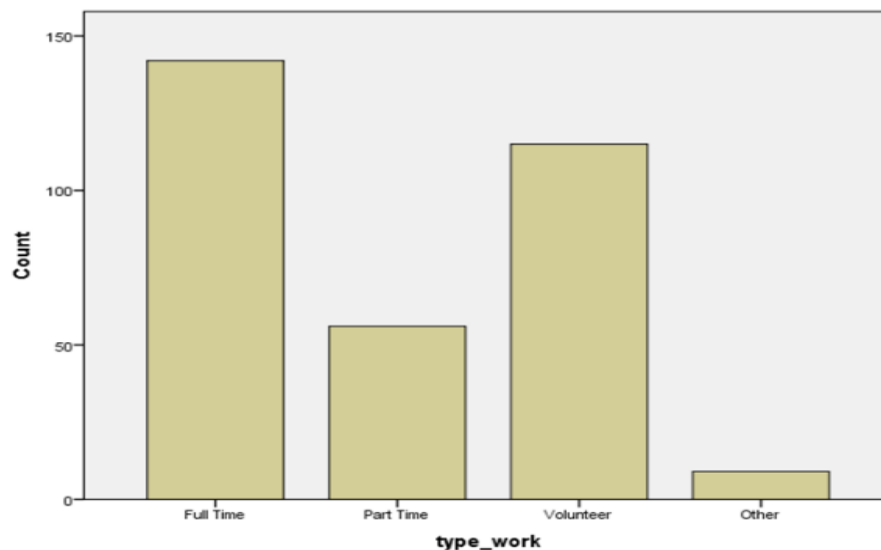
Figure 11 illustrates the cumulative distribution of the years of experience of the social entrepreneurs when answering the survey. The minimum number of years of experience in this sample was 1 year, and the maximum was 35 years. Noting that 84 respondents did not answer the question because they did not have a previous experience before starting the social enterprise. According to the results from the respondents in this sample, 4.5% have 1 year of experience in the specified field, while 50.9 % has less than 7

years of experience. The average number of years of work experience based on this sample is 9 years, while a small percentage had more than 30 years of experience. Shaw and Carter's (2007) research on social entrepreneurs in the UK found that 33% previously worked at social enterprise, 13% worked in the public sector, 12% at the voluntary sector and 8% in the private sector.



*Figure 12: CEO/social entrepreneur position*

Regarding ownership type, the participants had multiple responses that were classified into five positions: founder, board member, CEO, manager and other. Figure 12 shows 36.8% reported being a founder, followed by 23.7% reporting being a CEO. Then Board members were given by 16.6%. Manager was reported by 11%, which was the least mentioned. The type of work each respondent reported can be seen in Figure 13. Full-time employees made up 43.2% of the respondents, followed by volunteers at 36.7%, part-time employees at 17.2%, and those classified as other at 2.9%.

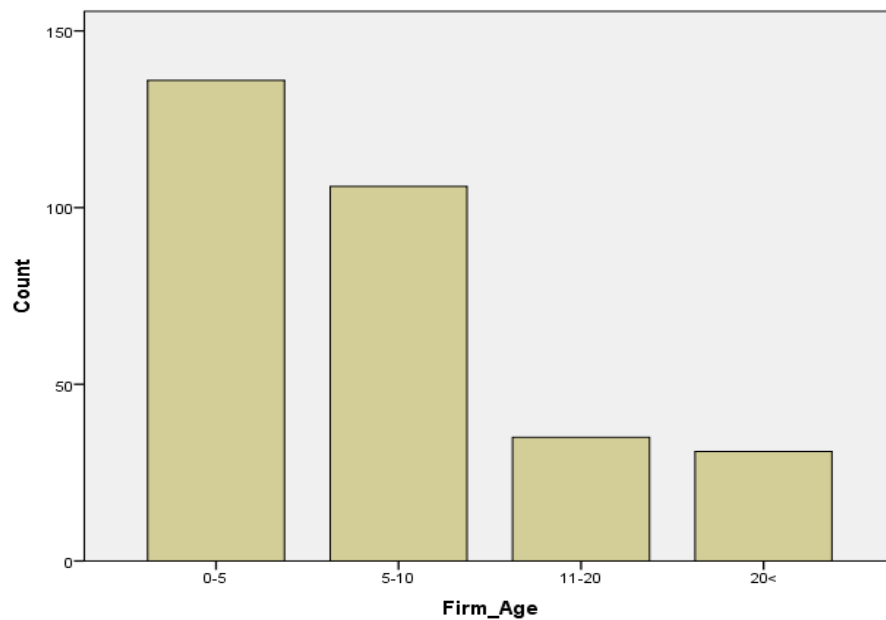


*Figure 13. CEO/social entrepreneur type of work*

#### **6.4.1.1 SEs Characteristics of the Sample**

The age of the SEs that participated in this study ranged from 1–60 years. The average SE age is around 8 years old, so they are young firms. This is comparable to the Desa’s (2012) study of 202 ventures operating in 45 countries, which found that the average

age of social ventures to be 7.2 years. In their study of 270 SEs in Belgium, Stevens, Moray and Bruneel (2015) found that most of the SEs in their sample were young, with a median age of 11 years. Figure 14 shows the cumulative percentage distribution of firm age and indicates that almost half of the sample (49%) are young businesses, which are less than 5 years old; 25% are between 5 and 10 years old; 14% are between 11 and 20 years old; and 12% are older than 20 years.

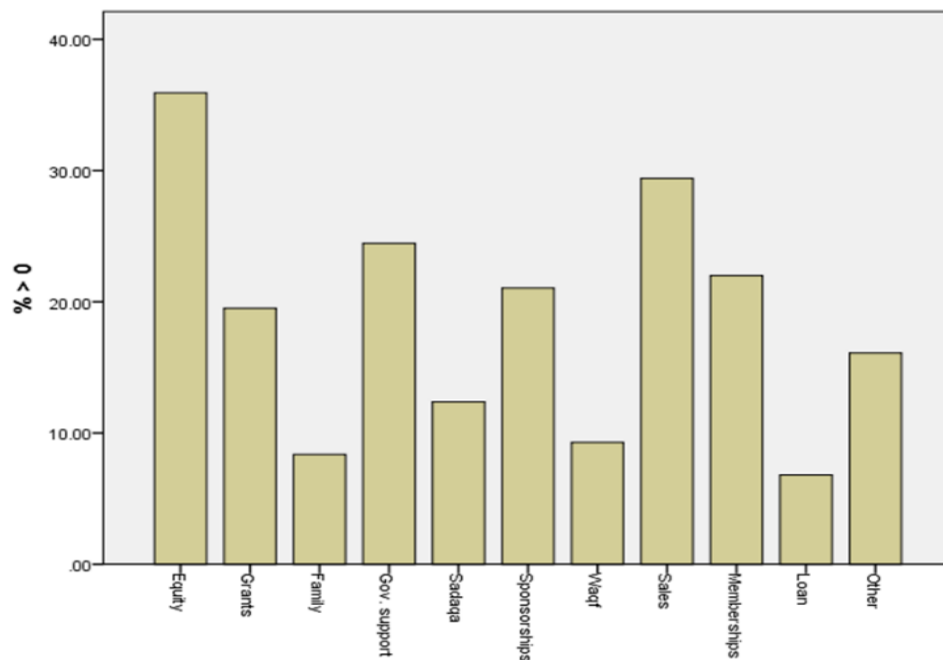


*Figure 14: The age of the Firm in years*

The number of full-time employees ranges between zero and 180 employees. With an average of 14 employees, the number of full-time employees and indicates that zero full-time employees comprise 23% of the sample, while 63% of the sample is comprised of micro to small-sized businesses with 1–7 full-time employees. This is consistent with

other studies such as Stevens et al. (2015), where the sample consists of mostly small enterprises (median ten full-time employees), and Choi (2015), where 92.2% of the sample is SMEs (> 50 employees) with a mean of 5.38 full-time employees. It is worth mentioning that 59% of all micro EU businesses have zero employees (Hope, 2015).

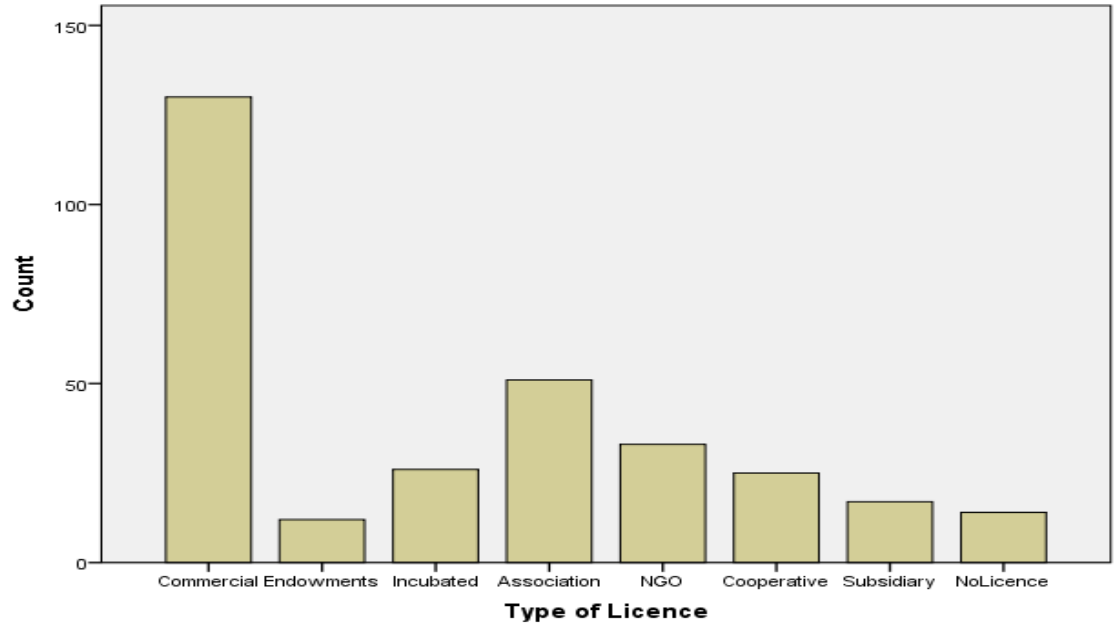
Figure 15 shows the source of income for firms included in the sample. Equity represents the highest percentage of firms at 36% then sales by 29.2%. Government support and memberships were reported by, 24.4% and 22.1%, respectively, followed by grants at 19.8%. *Sadqa* (charitable giving) were reported by 12.7% of firms and loans—the least reported source of income—was reported by 6.8%. This is consistent with the Tan and Yoo (2015) study, which found that their sample depended on donations (47.5%) and grants (37.6%), whereas 10.0% relied on earned income as their primary source of income.



**Figure 15: Source of Income**

Figure 16 shows the type of license the SEs use. Commercial licenses were reported by 42.2% of respondents, followed by association licenses at 16.6%, NGOs by 10.7%, incubated by an organisation 8.4%, cooperatives 8.1%, a subsidiary 5.5%, while 4.5% has no legal license 4.5% 96%. The commercial licences can range between (sole proprietorship, limited liability partnership, and general partnership) and their licences are issued from the Ministry of commerce and investment, while the cooperatives, associations and NGOs licences are issued from the Ministry of Labour and social development.

In the Stevens et al. (2015) study, 34% of organisations were non-profit organisations, whereas the remaining 66% were for-profit organisations (35%, 13% and 15% were cooperatives, limited liabilities and public limited firms, respectively). The type of license used by social enterprises varies across countries, according to Knife, Haughton and Dixon (2014), a sample in Jamaica included NGOs, foundations, endowments and faith-based organisations. Miles, Verreyne and Luke (2014) sampled 375 SEs in Australia, and the sample consisted of Christian organisations, which included cooperatives, charitable businesses, fair-trade entities, community enterprises, and disability enterprises.

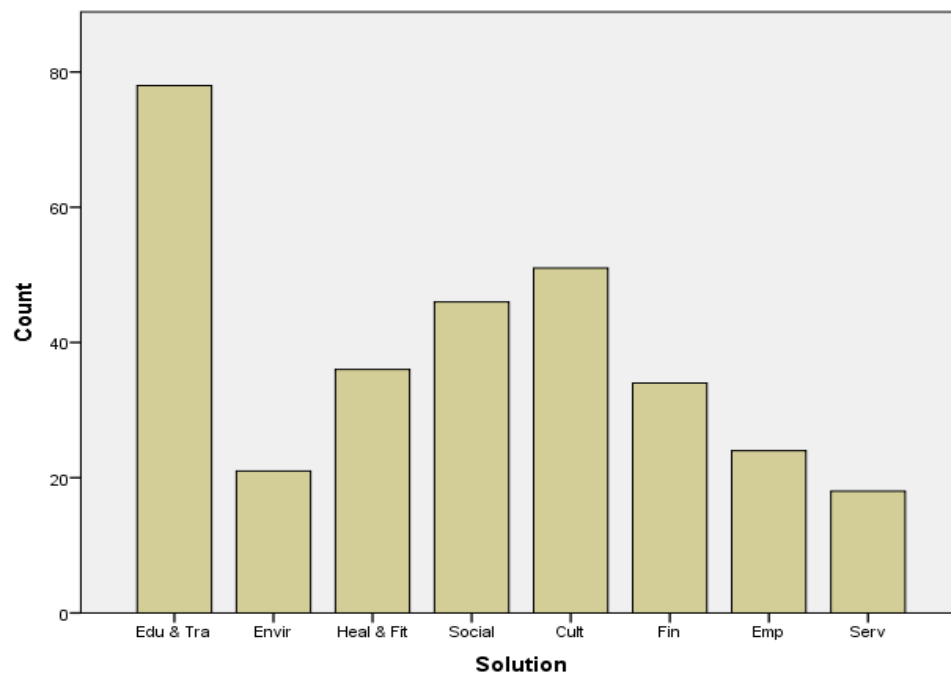


**Figure 16. Type of legal license**

In terms of industry/solution, SEs in this sample are mainly concentrated in education and training (25%), followed by cultural (16.6%), social (15), health and fitness (12%), finance (12%), employment (7.8%), environmental (6.8%); and thereafter, services (5.8%), as shown in Figure 17. According to Liu, Eng and Takeda (2015), of the SEs sampled in the United Kingdom and Japan, 29 educational institutions, 43 health organisations, 49 general care organisations, 24 housing societies, 9 animal welfare organisations, 27 arts-related organisations, 13 religious organisations, eight environmental organisations and 95 social enterprises were interviewed in the United Kingdom. In Japan, the sampled social enterprises included 21 educational institutions, 22 health organisations, 39 general care organisations, 5 housing societies, 7 arts-related



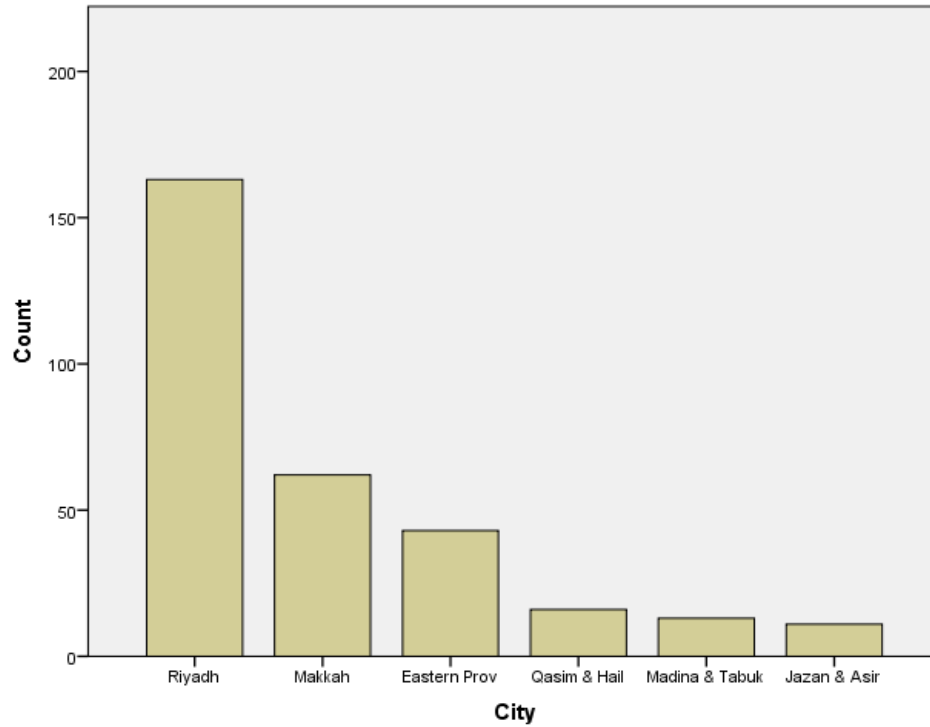
organisations, 3 animal welfare organisations, 35 environmental organisations and 106 other institutions. According to the Ruvio and Shoham (2011) study of 162 Jewish social firms, all of which were in their second year of operations, 26% were cultural organisations, 23% were welfare organisations, 22% were related to education, 19% of these organisations were law firms, 6% were health organisations and 4% were environmental firms.



**Figure 17: Firms industry/solution**

In terms of region of operations, firms in this sample are mainly concentrated in the central region of Riyadh (53%), followed in rank order by Makkah (20%), Eastern region (14%), Qasim and Hail (5.2%), Almadinah and Tabuk (4.2%) and lastly Asir and Jazan (3.6%) as shown in Figure 18. Table 15 include a list of all Saudi regions, the area of the

region, the population, the average household income, average family size, number of establishment, number of employees and the number of SE respondents in this study.



*Figure 18: SE region*

*Table 15: Saudi regions information*

Administrative Area	Area(km <sup>2</sup> )	Population*	Average House Hold Income*	Average Family size	Number of establishments*	Number of Employees**	RR%
1.Riyadh	404,240	6,903,920	10,686	5.7	253,697	1,721,805	53%
2.Makkah	153,128	7,092,377	10,121	5.2	238,878	1,486,349	20%
3.Madinah	151,990	2,00,1998	8,907	5.6	59,682	275,716	4.2%

4.Qassim	58,046	1,404,303	9,280	5.8	53,555	298,057	5.2%
5.EasternProv.	672,522	4,564,548	13,227	6.3	153,173	1,454,673	14%
6.Asir	76,693	1,801,967	10,886	5.6	57,480	234,701	3.6%
7.Tabuk	146,072	885,025	10,488	6.0	27,581	104,907	4.2%
8.Hail	103,887	698,019	10,687	6.2	28,126	105,665	5.2%
9.North Bord	111,797	376,296	11,507	7.3	10,432	38,379	---
10.Jazan	11,671	1,626,002	10,507	6.7	33,704	117,566	3.6%
11.Najran	149,511	535,754	10,121	5.8	16,877	80,396	----
12.Al-Baha	9,921	395,818	13,395	5.2	11,081	44,535	----
13.Al-Jouf	100,212	540,016	8,922	5.7	18,217	60,486	----
Total	2,149,690	28,826,043	10,723	5.7	962,483	6,023,235	

Source: Saudi General Authority for Statistics \*2013 \*\*2015

## 6.4.2 Firm Performance

For the SEs, a key set of stakeholders includes funders, volunteers and supporters is vital in supporting the firm performance and for its legitimacy. However, one of the biggest challenges faced by SMEs is that they fall short of the legitimacy larger firms enjoy's. SEs sometimes struggle to secure needed resources to survive and grow, being usually an SME where "SMEs often face the liability of smallness in that they lack the

legitimacy that larger firms have. As a result, SMEs find it more difficult to gain access to critical resources” (Gaur, Vasudevan, & Gaur, 2011: 1177).

According to Gumpert and Stevenson (1985), gaining recognition and acquiring resources are two key factors that determine a firm’s longevity. This holds true even more so for SMEs. Small firms face various constraints in acquiring resources and this is an underlying reason for failure (Gaskill, Van Auken, & Manning, 1993). Acquisition of critical resources requires a thorough grasp of prevailing resources – both tangible and intangible, as also the asset requirements that a firm has. This understanding completely lies in the knowledge, abilities and skills of the management team of a firm, that is, its human capital (Clinton, Sciascia, Yadav, & Roche, 2013).

It has been acknowledged that the duty of a small business manager is one of the most underdeveloped components in RBV – not the human capital of a manager, but rather the resource related actions and processes that they oversee and initiate (Kraaijenbrink, Spender, & Groen, 2010; Sirmon, Hitt, Ireland, & Gilbert, 2011). Research studies indicate that simply possessing resources cannot guarantee the development of competitive advantage and excel in their performance. Rather, the true value of resources in creating competitive advantage can only be fully realized if resources are bundled, accumulated, leveraged and managed effectively (Sirmon & Hitt, 2003; Sirmon, Hitt, & Ireland, 2007; Sirmon, et al., 2011).

Furthermore, Sirmon et al. (2007) demonstrated the importance of the role of small business managers within resource based logic by developing a unique resource

management framework pivoted on the action of a manager. They used this framework to define resource management as the all-inclusive process of bundling, structuring and leveraging a firm's resources with the intent of generating competitive advantage and driving customer value. They defined sub-processes to be associated with every process. Structuring consists of accumulating, acquiring and divesting resources to create the resource portfolio of a firm. Bundling involves integrating existing resources to establish a firm's capabilities. Finally, leveraging includes the course of processes that can be used to exploit a firm's capacity and take advantage of specific market opportunities and that will contribute to the successful performance.

Scholars have increasingly begun examining the various challenges and enablers that social entrepreneurs face (Zhao & Lounsbury, 2016). This comes as a reflection on the importance of creating a successful social venture, to do so the social venture needs to the acquisition of resource this involves interaction between acquirers and providers. Past studies in SE have only focused on acquirers and inspected the strategies involved in accessing resources while neglecting the all-important role that providers play in this process (Shepherd, 2015; Zhao & Lounsbury, 2016). Still, resource providers may welcome unique expectations and values, which form the basis of choosing which social venture to support (Fisher, Kotha, & Lahiri, 2015; Zhao & Lounsbury, 2016). This research measure performance by the social enterprise ability to create social value, in order to do so a firm should achieve its social objectives and successful in building its capability by being resourceful and gaining legitimacy.

### 6.4.2.1 Performance Survey instrument and scale validation

In the SE literature and the non-profit literature there is no widely accepted measure of firm performance (Herman & Renz, 2004; Ritchie & Kolodinsky, 2003). This is because of measurement complexity of the social value creation of those organisations as it is difficult to financially measured and intangibly quantify (Coombes, Morris, Allen, & Webb, 2011); therefore, subjective measures are usually used. This research used items adapted from the subjective opinion of Bagnoli and Megali (2011) and subjective scale developed by Schmidt, Baumgarth, Wiedmann, and Lückenbach (2015) to measured SEs performance using a three dimensional model (economic performance, social effectiveness and institutional legitimacy). The aforementioned was augmented with some items from Tan and Yoo (2015) (three item scale) to measure resource availability in non-profit organisations (Table 16). In addition, drawing on Sirmon et al. (2011) for resource management concepts.

*Table 16. Scale Items to measure SEs performance*

Author/ Year	Items
Tan and Yoo (2015)	‘Our organization can raise enough funds to start a social enterprise,’ ‘We can staff a new social enterprise using existing manpower resources,’ ‘Our organization can start a social enterprise without any form of assistance (such as subsidies or funding) from the government.’
Schmidt et al, (2015)	<b>Economic performance:</b> Our organisation works efficiently.

	<p>Our organisation is profitable.</p> <p><b>Social effectiveness:</b></p> <p>Our organisation provides products and/or services that are beneficial to the direct recipients of our outputs.</p> <p>The output provided by our organisation has a significant impact on general well-being.</p> <p><b>Institutional legitimacy:</b></p> <p>There is a high correspondence among activities undertaken, the results achieved, and the goals established by our organisation.</p> <p>Our organisation respects the general and particular legal rules that govern an organisation like ours.</p>
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To make sure of that the questioner face validity, it was reviewed by three independent academics and three social entrepreneurship experts in Saudi Arabia. Furthermore, following Dillman’s (1978) suggestions, a pilot test of the instrument was preformed to detect any questions that are ambiguous or considerably unclear on a sample of eight social entrepreneurs.

**6.5 Construct Validity and Reliability**

The validity and reliability of data are frequently estimated in social science research. Validity refers to the ability of data to measure what it intends to measure. Reliability refers to whether a test generates consistent and stable results over repeated trials (Coughian, Cronin, & Ryan, 2007). Reliability is also referred to as the dependability,

predictability and consistency of data (Suen & Ary, 2014). Various instruments like questionnaires, interviews and observations are used to collect data. The reliability and validity of data are commonly assumed as properties of the data collection instrument. However, reliability and validity are not characteristics of the instrument, and they depend upon a number of other factors as well (Herbert & Attridge, 1975). Accordingly, Suen and Ary (2014) described validity and reliability as outcomes of the entire research design.

There are different types of validity such as construct validity, content validity, concurrent validity, and predictive validity (Drost, 2011). Scruggs and Mastropieri (2006) referred to construct validity as the extent to which a tool measures what it claims to measure. Criterion validity determines the extent to which an outcome can predict a target value or gold standard (Arnold & Schilling, 2016). Concurrent validity is a form of criterion validity, and it refers to the extent to which two measuring devices approve of each other. Predictive validity is also a type of criterion validity, which refers to the ability of an instrument to predict an event in the future (Arnold & Schilling, 2016). Content validity is defined as the degree to which a measure covers the phenomena that it intends to measure sufficiently (Chin & Lee, 2008).

Reliability has four major types: inter-observer, test-retest, parallel-forms and internal-consistency. Inter-observer reliability determines the reliability of measure across multiple individuals. Test-retest reliability assesses reliability over different periods of time. Internal consistency reliability compares measures for their ability to generate consistently appropriate results (Rubin & Babbie, 2009).



a. *Firm Performance (FP)*

As indicated earlier, the dependent variables in the first hypothesis is firm performance. This variable was measured using a nine-item scale that represents the social, economic and legitimacy performance. A principal components analysis (PCA) was done on a nine-question questionnaire that measured firm performance on the 308 social enterprises. The suitability of PCA was assessed prior to analysis, as it is the most used factoring tool in scale formation (Hinkin, 1995). Inspection of the correlation matrix showed that all variables had at least one correlation coefficient greater than  $r=0.3$ . The overall Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.760 with individual KMO measures all greater than 0.6, classifications of 'mediocre' to 'middling' according to (Kaiser,1974). Bartlett's test of sphericity was statistically significant (733.780,  $p < .0001$ ) indicating the multivariate normality of the data (Bartlett, 1954).

The PCA revealed three components that had eigenvalues greater than one and which explained 36.9%, 15.3% and 13% of the total variance, respectively. Visual inspection of the scree plot indicated that three components have to be retained (Cattell, 1966). In addition, a three-component solution met the interpretability criterion. As such, three components were retained. The three-component solution explained 65.2% of the total variance as illustrated in Table 17A Varimax rotation was conducted to aid interpretability (Chatfield & Collins 1980). The rotated solution exhibited 'simple structure' (Thurstone, 1947) meaning that every item strongly loads on one component only. A

Cronbach's alpha ( $\alpha$ ) test was performed to examine the internal reliability of the multi-item scale (Cronbach, 1951). The nine items alpha ( $\alpha = 0.770$ ) suggest a sound level of internal consistency as Malhotra and Birks (2006:314) state, "a value of 0.6 or less generally indicates unsatisfactory internal consistency reliability".

**Table 17. Principal components analysis (PCA) of firm performance (FP)**

Item		1	2	3
Volunteers	Our organization capable of growing a large volunteer base.	.807	.044	.069
New_ways	Our organization Always looking for new ways to address social needs.	.707	.117	.342
Donors	Our organization capable of growing a larger donor base.	.645	.474	-.141
Programs	Our organisation priority is to run programs that directly tie to our social mission	.638	-.026	.354
Funding	Our organization Capable of raising enough funds.	.157	.843	.014
Sustainable	Our organization Financially sustainable.	-.097	.766	.194
Staffing	Our organization Capable of staffing human resources.	.276	.550	.328
Credibility	Our organization has gained credibility (good reputation ).	.224	.064	.850
Stakeholders	Our organization Well connected to stakeholders.	.111	.250	.822

*b. Entrepreneurial Orientation (EO)*

The EO scale used in this study was developed by Covin and Slevin (1989) and it is thus a previously tested, widely used and validated measure. Therefore, construct validity is not an issue as it is mostly associated with newly established scales. This study adapted the Covin and Slevin (1989) scale without any changes to the nine items representing the three dimensions of proactiveness, innovativeness and risk-taking of EO. The EO scale in this study considered an acceptable reliability ( $\alpha = 0.8$ ).

*c. Institutional Environment*

As indicated earlier, the independent variables in this research are the dimensions of the institutional environment. The institutional environment instrument used in this study is developed and tested by Busenitz, Gomez and Spencer (2000) to measure the three institutional dimensions (regulative, cognitive, and normative) using a 13-item scale. This instrument was validated by Manolova, Eunnii and Gyoshev (2008), while Baughn et al., (2006) used the four items of the normative dimension of the instrument in their research. This research adapted the instrument developed by Busenitz et al., (2000) and further added 6 items to the scale, four items to the cognitive dimension and two items to the normative dimension.

Principal components analysis (PCA) was conducted to verify the institutional environment scale in 280 social SMEs. The first PCA using a varimax rotation and extraction based on eigenvalues greater than one were applied to the 19-items measuring the three dimensions of the institutional environment. The Kaiser-Meyer-Olkin (KMO)

measure of sampling adequacy is 0.877. Bartlett's test is highly significant (2947.464,  $p < 0.0001$ ). However, the correlation matrix shows that all variables but one have at least one correlation above  $r=0.3$ . The PCA resulted in four components that had eigenvalues above than one, explaining 38.2%, 11.1%, 9.7% and 5.4% of the total variance, respectively. The fourth component emerged in the PCA because of the new items added to the scale furthermore; number of the new added items were loading on two components, leading to validity problem. Therefore, any of the new items exhibiting loading issues were excluded from the analysis to ensure the stability of the constructs.

The second PCA used a varimax rotation, and extraction was applied to 16-items measuring the three dimensions of the institutional environment (Table 18). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.869. Bartlett's test is highly significant (2766.088,  $p < 0.0001$ ). Inspection of the correlation matrix shows that all variables have at least one correlation coefficient above  $r=0.3$ . The PCA revealed three components, explaining 42.8%, 12.9% and 10.7% of the total variance, respectively. A visual inspection of the screen plot implies that the three components should be retained (Cattell, 1966).

The second and final PCA is illustrated in Table 18 revealing three clear components and explaining 66.4% of the total variance. Items were selected depending on the largest loading for each component. The data is consistent with the three institutional dimensions: regulative (five items:  $\alpha = 0.877$ ); cognitive (six items:  $\alpha = 0.893$ ) and

normative (four items:  $\alpha = 0.828$ ). The overall scale alpha (16 items:  $\alpha = 0.908$ ) all of the alpha values indicate good level of internal consistency.

**Table 18. Principal components analysis (PCA) of institutional dimensions**

Item		1	2	3
INS_C2	Those who start new businesses know how to deal with much risk	.823	.254	.022
INS_C3	Those who start new businesses know how to manage risk.	.822	.189	.065
INS_C4n	Those who start new businesses have the skills to adapt to business environmental changes.	.776	.117	.013
INS_C6n	Most people know where to find learning resources on starting a new business.	.725	.112	.280
INS_C5n	Most people know where to find information about markets for their products.	.716	.090	.340
INS_C8	Those who start new businesses share knowledge in their local business community	.658	.135	.379
INS_C1	Individuals know how to legally protect a new business.	.615	.419	.138
INS_R3	Local and national governments have special support available for individuals who want to start a new business.	.042	.812	.240
INS_R4	The government sponsors organizations that help new businesses develop.	.222	.789	.248
INS_R2	The government sets aside government contracts for new and small businesses.	.188	.786	.003
INS_R5	Even after failing in an earlier business, the government assists entrepreneurs in starting again	.205	.779	.054
INS_R1	Government regulations in this country assist individuals with starting their businesses.	.203	.755	.184
INS_N3	Entrepreneurs are admired in this country.	.091	.208	.841
INS_N4	People in this country tend to greatly admire those who start their own business.	.067	.003	.784

INS_N2	In this country, innovative and creative thinking is viewed as a route to success.	.297	.273	.724
INS_N1	Turning new ideas into businesses is an admired career path in this country.	.434	.284	.616

Other PCA of the original institutional environment dimensions scale items developed by Busenitz et al., (2000) were used to check for any differences between both results; however, there are no substantial differences between both results. The PCA is illustrated in Table 19 revealing three clear components and explaining 70% of the total variance. Items were selected depending on the largest loading for each component. The data is consistent with the three institutional dimensions: regulative (five items:  $\alpha = 0.851$ ), cognitive (four items:  $\alpha = 0.730$ ) and normative (three items:  $\alpha = 0.628$ ). The overall scale alpha (12 items:  $\alpha = 0.845$ ) the alpha values indicate good level of internal consistency.

**Table 19: Principal components analysis (PCA) of institutional dimensions (Original scale)**

Item		1	2	3
INS_R1	Government regulations in this country assist individuals with starting their businesses.	.762	.229	.164
INS_R2	The government sets aside government contracts for new and small businesses.	.786	.192	-.019

INS_R3	Local and national governments have special support available for individuals who want to start a new business.	.827	.030	.226
INS_R4	The government sponsors organizations that help new businesses develop.	.797	.206	.237
INS_R5	Even after failing in an earlier business, the government assists entrepreneurs in starting again	.752	.263	.041
INS_C1	Individuals know how to legally protect a new business.	.380	.700	.102
INS_C2	Those who start new businesses know how to deal with much risk	.204	.880	.052
INS_C3	Those who start new businesses know how to manage risk.	.142	.868	.112
INS_C4	Those who start new businesses share knowledge in their local business community	.126	.674	.338
INS_N2	In this country, innovative and creative thinking is viewed as a route to success.	.266	.319	.698
INS_N3	Entrepreneurs are admired in this country.	.213	.108	.872
INS_N4	People in this country tend to greatly admire those who start their own business.	.002	.070	.834

## 6.6 Entrepreneurial Orientation (EO)

The research questions in this study are:

**RQ.1:** What is the correlation between EO dimensions and performance of Saudi

SEs?

**RQ.2:** What is the correlation between the institutional environment dimensions and EO in Saudi SEs?

**RQ.3:** What is the interaction between EO and the institutional environment with SEs performance?

Four hypotheses were developed in chapter three in order to answer those research questions and they are as follows:

**Hypothesis 1a:** SEs proactive behaviours are positively associated with organisation performance.

**Hypothesis 1b:** SEs risk-taking is positively associated with organisation performance.

**Hypothesis 1c:** SEs innovativeness is positively associated with organisation performance.

**Hypothesis 2a:** There is a positive relationship between regulative institutions and EO in SEs.

**Hypothesis 2b:** There is a negative relationship between cognitive intuitions and EO in SEs.

**Hypothesis 2c:** There is a positive relationship between normative institutions and EO in SEs.

**Hypothesis 3a:** The institutional environment effects Saudi SEs performance positively.



**Hypothesis 3b:** EO moderates the relationship between the institutional environment and Saudi SEs performance.

To test the three hypotheses and answer the research questions common statistical techniques are used. First, common method bias and multicollinearity were tested. Thereafter, regression analysis to test H1, H2 and H3 were performed.

### **6.6.1 Common Method Bias and Multicollinearity**

Common method bias, also known as common method variance, has been defined as the difference that can be attributed to methods of measurement, rather than to the constructs represented by the measure (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Researchers in the social sciences often experience common method bias, and it needs to be controlled. Common method bias can be minimized by performing a multi-trait study, which analyses the same subject through different methods (Conway & Lance, 2010).

Considering that all variables were obtained from the same respondent (the social entrepreneur), variables intercorrelations might be influenced by common method variance (CMV). To test for CMV a principal component analysis should be conducted on all variables used in the model (Podsakoff and Organ, 1986). The PCA was conducted and the eigenvalue explained 13.49% of the variance; therefore, there is no concern of CMV as the variance is less than 50%.

Multicollinearity is an adverse situation of the regression model where the correlation amongst some or all of the independent variables is very strong (Kennedy,

2003). There are numerous causes of multicollinearity, including the method of data collection employed, constraints in the population or on the model being employed, statistical model specification and an overdetermined model—when the explanatory variables are more than the number of observations in the model (Su, 1996). Multicollinearity has negative consequences. For example, it inflates the variance of regression coefficient estimators (Aczel, 2008). Furthermore, it can be difficult to define the effect of any variable when multicollinearity arises.

Multicollinearity is examined by performing a variance inflation factors (VIF) analysis. A VIF score equal or greater than 10 suggests a problem of multicollinearity between the variables (Mason & Perreault, 1991). Hair, Black, Babin, and Anderson (2010) suggested that developing a correlation matrix for independent variables is the simplest method to identify collinearity between variables, a correlation of 0.8 or less is acceptable. The Pearson Correlation Matrix is used to assess the relationship between independent variables. Therefore, a correlation matrix was computed and is shown in Table 20, which also reports summary statistics and VIF results of variables of hypothesis one and Tables (21 and 22), which also reports summary statistics and VIF results of variables of hypothesis two and Table 23 reports summary statistics and VIF results of variables of hypothesis three. The results show no evidence of significant multicollinearity.

*Table 20. Summary statistics and correlation matrix of Firm Performance (n=308)*

	Mean	SD	VIF	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.FP	5.30	.90															
2.INNO	4.60	1.47	1.66	.29 <sup>a</sup>	1.00												
3.Pro	4.30	1.22	1.90	.26 <sup>a</sup>	.59 <sup>a</sup>	1.00											
4.Risk	3.78	1.50	1.38	.14 <sup>b</sup>	.36 <sup>a</sup>	.48 <sup>a</sup>	1.00										
5.Gender	.58	.49	1.23	-.10	-.07	-.14 <sup>b</sup>	-.05	1.00									
6.Age_Log	3.53	.25	1.68	.05	-.04	.014	-.10	.13 <sup>b</sup>	1.00								
7.HighSchool	.071	.25	1.18	.04	-.03	-.05	-.04	.03	-.25 <sup>a</sup>	1.00							
8.Diploma	.058	.23	1.10	-.05	.014	.01	-.07	.04	.02	-.07	1.00						
9.Bachelor	.48	.50		-.16 <sup>a</sup>	-.02	.02	.03	-.02	-.11 <sup>a</sup>	-.27 <sup>a</sup>	-.24 <sup>a</sup>	1.00					
10.Master	.28	.45	1.19	.16 <sup>a</sup>	.06	.08	.11	-.10	.03	-.18 <sup>a</sup>	-.16 <sup>a</sup>	-.61 <sup>a</sup>	1.00				
11.PhD	.08	.27	1.27	-.01	-.03	-.09	-.08	.14 <sup>b</sup>	.33 <sup>a</sup>	-.08	-.08	-.29 <sup>a</sup>	-.19 <sup>a</sup>	1.00			
12.OtherEdu	.016	.12	1.05	.06	-.04	-.08	-.13 <sup>b</sup>	-.05	.06	-.04	-.03	-.12 <sup>b</sup>	-.08	-.04	1.00		
13.Experiance	.72	.44	1.18	.19 <sup>a</sup>	.07	.04	.05	.20 <sup>a</sup>	.29 <sup>a</sup>	-.14 <sup>b</sup>	.06	-.08	.08	.08	.02	1.00	
14.Log_FirmAge	.82	.35	1.67	-.08	-.05	-.07	-.11	.19 <sup>a</sup>	.43 <sup>a</sup>	-.06	.12 <sup>b</sup>	.03	-.10	.07	-.02	.17 <sup>a</sup>	1.00

15.Log_Firmsize	.77	.61	1.70	.20 <sup>a</sup>	.11	.09	-.05	-.11	.35 <sup>a</sup>	-.09	.04	.00	.01	.02	.04	.15 <sup>a</sup>	.49 <sup>a</sup>
16.Regesterd	.82	.38	1.31	.15 <sup>a</sup>	.15 <sup>a</sup>	-.03	-.01	.02	.28 <sup>a</sup>	-.13 <sup>b</sup>	.04	.01	-.01	.05	.06	.21 <sup>a</sup>	.27 <sup>a</sup>
17.Riyadh	.52	.49		.05	.03	.10	.10	-.23 <sup>a</sup>	-.20 <sup>a</sup>	.06	-.07	-.01	.06	-.04	-.09	-.08	-.27 <sup>a</sup>
18.Makkah	.20	.40	1.16	-.04	.08	.08	.016	.07	.06	-.05	-.02	-.03	.04	.05	.00	.05	.06
19.Eastern_Prov	.13	.34	1.16	.12 <sup>b</sup>	-.08	-.15 <sup>a</sup>	-.11	.10	.04	-.08	-.02	.08	-.05	.01	.02	-.01	.10
20.Qasim_Hail	.051	.22	1.25	-.05	-.06	-.06	-.09	.14 <sup>b</sup>	.21 <sup>a</sup>	.105	.13 <sup>b</sup>	-.08	-.05	-.02	.09	.08	.24 <sup>a</sup>
21.Madina_Tabuk	.04	.20	1.11	-.14 <sup>b</sup>	-.01	-.01	.05	.02	.06	-.06	.02	.12 <sup>b</sup>	-.10	-.06	.10	-.05	.08
22.Asir_Jazan	.035	.18	1.08	-.06	-.02	-.09	-.04	.13 <sup>b</sup>	.01	.02	.10	-.08	-.01	.07	-.03	.08	.03

a Significant at the 0.01 level; b Significant at the 0.05 level.

**Table 20 continued**

15.Log_Firmsize	1.00							
16.Regesterd	.44 <sup>a</sup>	1.00						
17.Riyadh	-.10	-.07	1.00					
18.Makkah	.07	.02	-.53 <sup>a</sup>	1.00				
19.Eastern_Prov	.000	.02	-.43 <sup>a</sup>	-.20 <sup>a</sup>	1.00			
20.Qasim_Hail	.18 <sup>a</sup>	.11	-.25 <sup>a</sup>	-.12 <sup>b</sup>	-.09	1.00		
21.Madina_Tabuk	-.05	-.03	-.22 <sup>a</sup>	-.11	-.09	-.05	1.00	
22.Asir_Jazan	-.05	-.01	-.20 <sup>a</sup>	-.10	-.08	-.05	-.04	1.00

*Table 21. Summary statistics and correlation matrix of EO (n=280)*

	Mean	SD	VIF	1	2	3	4	6	7	8	9	10	11	12	13
1.EO	4.24	1.01		1.00											
2.INS_Reg	4.02	1.54	1.50	-.03	1.00										
3.INS_Cog	3.63	1.22	1.61	-.19 <sup>a</sup>	.40 <sup>a</sup>	1.00									
4.INS_Nor	4.89	1.21	1.55	.03	.43 <sup>a</sup>	.52 <sup>a</sup>	1.00								
5.Firm Age	0.81	0.34	1.81	-.21 <sup>a</sup>	.05	.04	.06	1.00							
6. Firm Size	0.78	0.61	1.68	.04	.015	-.05	.02	.48 <sup>a</sup>	1.00						
7.Educat_Tra	0.26	0.43		.04	.03	-.05	-.02	-.12 <sup>b</sup>	.04	1.00					
8.Environment	0.06	0.24	1.25	.09	-.02	.02	.05	-.00	.03	-.16 <sup>a</sup>	1.00				
9.Health_Fit	0.11	0.31	1.32	-.09	-.10	-.02	-.09	-.08	.015	-.21 <sup>a</sup>	-.09	1.00			
10.Social	0.14	0.35	1.73	-.02	.09	.02	.03	.21 <sup>a</sup>	.24 <sup>a</sup>	-.25 <sup>a</sup>	-.11	-.15 <sup>b</sup>	1.00		
11.Cultural	0.17	0.38	1.54	-.03	.07	.06	-.01	-.02	-.18 <sup>a</sup>	-.27 <sup>a</sup>	-.12 <sup>b</sup>	-.16 <sup>a</sup>	-.19 <sup>a</sup>	1.00	
12.Finance	0.10	0.30	1.54	-.21 <sup>a</sup>	-.13 <sup>b</sup>	.02	.00	.17 <sup>a</sup>	-.05	-.20 <sup>a</sup>	-.09	-.12 <sup>b</sup>	-.14 <sup>b</sup>	-.15 <sup>b</sup>	1.00

13.Employment	0.08	0.28	1.25	.15 <sup>b</sup>	.03	.03	.14 <sup>b</sup>	-.06	-.04	-.18 <sup>a</sup>	.08	-.11	-.12 <sup>b</sup>	-.14 <sup>b</sup>	-.10
14.Services	0.06	0.24	1.22	.13 <sup>b</sup>	-.03	-.09	-.09	-.08	-.07	-.15 <sup>b</sup>	-.07	-.09	-.11	-.12	-.09
15.Commercial	0.41	0.49		.20 <sup>a</sup>	-.09	-.06	-.04	-.27 <sup>a</sup>	.05	.26 <sup>a</sup>	.10	.09	-.28 <sup>a</sup>	-.17 <sup>a</sup>	-.14 <sup>b</sup>
16.Endowment	0.03	0.17	1.11	.07	-.15 <sup>b</sup>	-.15 <sup>b</sup>	-.20 <sup>a</sup>	.00	-.02	-.06	-.05	.00	-.04	-.03	.01
17.Incubated	0.07	0.26	1.21	-.10	-.01	.04	-.03	-.14 <sup>b</sup>	-.22 <sup>a</sup>	.04	-.02	-.02	-.05	.15 <sup>b</sup>	-.10
18.Association	0.17	0.38	1.67	-.10	.13 <sup>b</sup>	.01	.05	.27 <sup>a</sup>	.20 <sup>a</sup>	-.18 <sup>a</sup>	-.08	-.07	.40 <sup>a</sup>	.015	.01
19.NGO	0.11	0.31	1.21	.00	-.03	-.05	-.06	-.01	-.05	-.06	-.09	.09	-.02	.04	-.03
20.Cooperative	0.08	0.27	1.60	-.23 <sup>a</sup>	.08	.15 <sup>a</sup>	.16 <sup>a</sup>	.35 <sup>a</sup>	.04	-.14 <sup>b</sup>	.14 <sup>b</sup>	-.10	.03	-.03	.30 <sup>a</sup>
21.Subsidiary	0.04	0.19	1.10	.04	.01	.03	.06	.00	.05	.00	-.06	-.03	-.01	.10	-.03
22.NoLicence	0.09	0.29	1.24	.02	.04	.01	.03	-.13 <sup>b</sup>	-.25 <sup>a</sup>	-.01	.02	-.02	-.04	.09	.05

a Significant at the 0.01 level; b Significant at the 0.05 level

**Table 21 Continued**

14.Employment	1.00									
15.Services	-.08	1.00								
16.Commercial	.08	.08	1.00							
17.Endowment	.02	.12 <sup>b</sup>	-.16 <sup>a</sup>	1.00						
18.Incubated	-.01	-.07	-.23 <sup>a</sup>	-.05	1.00					
19.Association	-.03	-.08	-.39 <sup>a</sup>	-.08	-.13 <sup>b</sup>	1.00				
20.NGO	.02	.003	-.32 <sup>a</sup>	-.07	-.11	-.16 <sup>a</sup>	1.00			
21.Cooperative	-.04	-.07	-.25 <sup>a</sup>	-.05	-.09	-.13 <sup>b</sup>	-.11	1.00		
22.Subsidiary	-.07	.07	-.21 <sup>a</sup>	-.04	-.07	-.11	-.09	-.07	1.00	
23.No_Licence	-.06	-.05	-.18 <sup>a</sup>	-.04	-.06	-.10	-.08	-.06	-.05	1.00



*Table 22. Summary statistics and correlation matrix of EO (using Institutions original scale) (n=280)*

	Mean	SD	VIF	1.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. EO	4.24	1.01		1.00									
3. Firm Age	0.81	0.34	1.73	-.21 <sup>a</sup>	1.00								
4. Firm Size	0.78	0.61	1.62	.04	.48 <sup>a</sup>	1.00							
5. Educat&Training	0.26	0.43	2.05	.04	-.12 <sup>b</sup>	.04	1.00						
6. Cultural	0.17	0.38	1.54	-.03	-.02	-.18 <sup>a</sup>	-.27 <sup>a</sup>	1.00					
7. Environment	0.06	0.24	1.39	.09	-.00	.03	-.16 <sup>a</sup>	-.12 <sup>b</sup>	1.00				
8. Health & Fitness	0.11	0.31	1.56	-.09	-.08	.02	-.21 <sup>a</sup>	-.16 <sup>a</sup>	-.09	1.00			
9. Social	0.14	0.35	1.83	-.02	.21 <sup>a</sup>	.24 <sup>a</sup>	-.25 <sup>a</sup>	-.19 <sup>a</sup>	-.11 <sup>b</sup>	-.15 <sup>a</sup>	1.00		
10. Finance	0.10	0.30	1.60	-.21 <sup>a</sup>	.17 <sup>a</sup>	-.05	-.20 <sup>a</sup>	-.15 <sup>a</sup>	-.09	-.12 <sup>b</sup>	-.14 <sup>a</sup>	1.00	
11. Employment	0.08	0.28	1.43	.15 <sup>a</sup>	-.06	-.04	-.18 <sup>a</sup>	-.14 <sup>b</sup>	-.08	-.11 <sup>b</sup>	-.12 <sup>b</sup>	-.10 <sup>b</sup>	1.00
12. Services	0.06	0.24	1.12	.13 <sup>b</sup>	-.08	-.07	-.15 <sup>a</sup>	-.12 <sup>b</sup>	-.07	-.09	-.11 <sup>b</sup>	-.09	-.08
13. Commercial	0.41	0.49	1.34	.20 <sup>a</sup>	-.27 <sup>a</sup>	.05	.26 <sup>a</sup>	-.17 <sup>a</sup>	.10	.09	-.28 <sup>a</sup>	-.14 <sup>a</sup>	.08
14. Endowment	0.03	0.17	1.12	.07	.00	-.02	-.06	-.03	-.05	.00	.04	.01	.02

15. Incubated	0.07	0.26	1.20	-.10 <sup>b</sup>	-.14 <sup>b</sup>	-.22 <sup>a</sup>	.04	.15 <sup>b</sup>	-.02	-.02	-.05	-.10	-.01
16. Association	0.17	0.38	1.68	-.10	.27 <sup>a</sup>	.20 <sup>a</sup>	-.18 <sup>a</sup>	.02	-.08	-.07	.40 <sup>a</sup>	.01	-.03
17. NGO	0.11	0.31	1.21	.00	-.01	-.05	-.06	.04	-.09	.09	-.02	.03	.02
18. Cooperative	0.08	0.27	1.62	-.23 <sup>a</sup>	.35 <sup>a</sup>	.04	-.14 <sup>a</sup>	-.03	.14 <sup>a</sup>	-.10 <sup>b</sup>	.03	.30 <sup>a</sup>	-.04
19. Subsidiary	0.05	0.23	1.14	.04	.00	.06	.00	.10 <sup>b</sup>	-.06	-.03	-.01	-.03	-.07
20. No License	0.04	0.20	1.19	.02	-.13 <sup>b</sup>	-.25 <sup>a</sup>	-.01	.09	.02	-.02	-.04	.05	-.06
21. Regulative	4.02	1.54	1.48	-.03	.05	.02	.03	.07	-.02	-.10	.09	-.13 <sup>b</sup>	.03
22. Cognitive	3.54	1.32	1.51	-.19 <sup>a</sup>	.04	-.05	-.05	.06	.02	-.02	.02	.02	.03
23. Normative	5.08	1.35	1.35	.09	.03	-.01	.00	.01	.02	-.11 <sup>b</sup>	-.00	.00	.14 <sup>b</sup>

a Significant at the 0.01 level; b Significant at the 0.05 level

**Table 22 Continued**

	<b>12.</b>	<b>13.</b>	<b>14.</b>	<b>15.</b>	<b>16.</b>	<b>17.</b>	<b>18.</b>	<b>19.</b>	<b>20.</b>	<b>21.</b>	<b>22.</b>	<b>23.</b>
12. Services	1.00											
13. Commercial	.08	1.00										
14. Endowment	.12 <sup>b</sup>	-.16 <sup>a</sup>	1.00									
15. Incubated	-.07	-.25 <sup>a</sup>	-.05	1.00								
16. Association	-.08	-.39 <sup>a</sup>	-.08	-.13 <sup>b</sup>	1.00							
17. NGO	.00	-.31 <sup>a</sup>	-.07	-.11 <sup>b</sup>	-.16 <sup>a</sup>	1.00						
18. Cooperative	-.07	-.25 <sup>a</sup>	-.05	-.09	-.13 <sup>b</sup>	-.11 <sup>b</sup>	1.00					
19. Subsidiary	.07	-.21 <sup>a</sup>	-.04	-.07	-.11 <sup>b</sup>	-.09	-.07	1.00				
20. No License	-.05	-.18 <sup>a</sup>	-.04	-.06	-.10	-.08	-.06	-.05	1.00			
21. Regulative	-.03	-.09	-.15 <sup>a</sup>	-.01	-.13 <sup>b</sup>	-.03	.08 <sup>b</sup>	.01	.04	1.00		
22. Cognitive	-.09	-.06	-.15 <sup>a</sup>	-.04	.01	-.05	.18 <sup>a</sup>	.03	.01	.47 <sup>a</sup>	1.00	
23. Normative	-.03	-.05	-.16 <sup>a</sup>	-.04	.05	-.08	.15 <sup>a</sup>	.10	.05	.38 <sup>a</sup>	.43 <sup>a</sup>	1.00

*Table 23: Summary statistics and correlation matrix of Firm Performance (n=308)*

	Mean	SD	VIF	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.Firm Performance	5.31	.90		1.00											
2. Firm Age	.83	.35	1.476	-.08	1.00										
3. Firm Size	.78	.61	1.503	.20 <sup>a</sup>	.49 <sup>a</sup>	1.00									
4. Riyadh	.53	.50	1.036	.05	-.27 <sup>a</sup>	-.10	1.00								
5. Makkah	.20	.40	1.144	-.04	.06	.07	-.53 <sup>a</sup>	1.00							
6. Eastern_Prov	.14	.35	1.130	.12 <sup>b</sup>	.10	.00	-.43 <sup>a</sup>	-.20 <sup>a</sup>	1.00						
7. Qasim_Hail	.05	.22	1.172	-.05	.24 <sup>a</sup>	.19 <sup>a</sup>	-.25 <sup>a</sup>	-.12 <sup>b</sup>	-.09	1.00					
8. Madina_Tabuk	.04	.20	1.074	-.14 <sup>b</sup>	.08	-.05	-.22 <sup>a</sup>	-.12	-.09	-.05	1.00				
9. Asir_Jazan	.04	.19	1.051	-.06	.03	-.05	-.20 <sup>a</sup>	-.10	-.08	-.05	-.04	1.00			
10. Salary	.68	.47	1.128	.18 <sup>a</sup>	.05	.29 <sup>a</sup>	.07	-.07	-.00	-.03	.01	-.02	1.00		
11. Experience	.73	.45	1.058	.19 <sup>a</sup>	.17 <sup>a</sup>	.15 <sup>a</sup>	-.08	.05	-.01	.08	-.05	.08	.09	1.00	
12. Institutions	4.19	1.09	1.036	.19 <sup>a</sup>	.05	-.00	-.08	-.05	.03	.08	.08	.00	.03	-.02	1.00

a Significant at the 0.01 level; b Significant at the 0.05 level

## 6.6.2 OLS Regression

Regression analysis is a statistical method employed to investigate the relationship between variables. According to Field (2013), regression analysis estimates the outcome variable from one predictor variable in the case of simple regression; however, in the case of multiple regressions, the outcome variable is estimated from multiple predictor variables. Hair, Celsi, Money, Samouel, and Page (2015) suggested that regression analysis is commonly used in business research studies. Ordinary least squares (OLS), or linear least squares, is used to predict the unknown criteria in a linear regression model. According to Moutinho and Hutcheson (2011), OLS regression can be applied to single and multiple explanatory variables and to coded categorical explanatory variables.

Wooldridge (2010) mentioned that OLS regression is used for three main reasons: (a) to define the linearity of one variable on another; (b) to calculate the values of one variable from the values of another, from a large number of available data; and (3) to be precise about the linearity of one variable on another, for the clarification of other features of its variability.

There are some limitations of the OLS regression analysis. It is not an appropriate measure to assess non-linear or less than interval level data because OLS relies upon the sum of squares, mean and variance. Furthermore, the sample size has a strong effect on regression, when the sample is large, then weak correlations seem as significant (Hayes & Cai, 2007). Another drawback of OLS regression is its inability to consider the hierarchical nature of data (Leong & Austin, 2006).

Ordinary least squares (OLS) regression analysis is based on several assumptions. First, it holds that the model is linear in parameters, which means the relationship between independent and dependent variables should be linear (Chin, 1998). As linearity is sensitive to effects incurred by outliers, it is important to check for outliers that might interfere with the linearity of the OLS regression model. Schwester (2015) explained that if the relationship between a dependent variable and any explanatory variable is not linear, the regression model will be inaccurate. Second, this model assumes ‘normality’ with regards to residuals (i.e. the difference between observed and predicted values). OLS holds that residuals are normally distributed and they take the shape of a classic bell curve (Schwester, 2015). ‘Homoscedasticity’ is another assumption of OLS, which holds that the variance of residuals is relatively equal or the variance of error is constant. When this assumption does not hold true in regression models, the phenomenon is known as heteroscedasticity (Wang & Jain, 2003).

Another assumption of OLS models is multicollinearity, which assumes that independent variables are not independent of each other. Four criteria are used to test multicollinearity: correlational matrix, tolerance, variance inflation factor, and condition index. Furthermore, OLS regression analysis assumes that there is little or no autocorrelation in data. When residuals are not independent, autocorrelation exists.

***a. Firm Performance***

A hierarchical regression analysis for the dependent variable Resources was performed to test H1a, H1b, and H1c. The control variables are included in Model 1. The

EO dimensions variables are added to the control variables one by one in Model 2, Model 3 and Model 4 then in Model 5 they are all added together. The assumptions of linearity, homoscedasticity, unusual points, and normality of residuals were all met.

Model 1 has an  $R^2$  of .190 and an adjusted  $R^2$  of 0.145. Model 5 has an  $R^2$  of 0.261 and an adjusted  $R^2$  of 0.213. For each of the models, the F test statistic is highly statistically significant and shows that the variables included in the model taken together have a relationship with Performance. Six out of the eight control variables (namely: experience, firm age, firm size, two education dummy variables, and one city dummy variable) can be seen to be statistically significantly related to Performance at the 0.05 level, or better.

The EO dimensions of innovativeness and proactiveness variables are positively statistically significantly related to Performance in model 5 at the 0.05 level (see Table 24). This supports hypothesis H1a and H1c. However, the EO dimension of risk taking and Performance is not statistically significant at the 0.10 level, or better. Thus, hypothesis H1b is not supported.

*Table 24. Regression models of Social Enterprises' Performance*

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>
<b>Control Variables</b>					
High School	<b>.48 (.20)<sup>b</sup></b>	<b>.48 (.19)<sup>b</sup></b>	<b>.50 (.19)<sup>b</sup></b>	<b>.50 (.20)<sup>b</sup></b>	<b>.50 (.19)<sup>b</sup></b>
Diploma	.02 (.21)	-.00 (.21)	.00 (.21)	.05 (.21)	.00 (.21)
Master	<b>.31 (.12)<sup>b</sup></b>	<b>.29 (.11)<sup>b</sup></b>	<b>.30 (.11)<sup>b</sup></b>	<b>.29 (.11)<sup>b</sup></b>	<b>.29 (.11)<sup>b</sup></b>
PhD	.11 (.19)	.11 (.19)	.18 (.19)	.14 (.19)	.16 (.19)
Other Education	.43 (.39)	.50 (.37)	.59 (.38)	.56 (.39)	.58 (.37)
Experience	<b>.39 (.12)<sup>a</sup></b>	<b>.35 (.11)<sup>a</sup></b>	<b>.36 (.11)<sup>a</sup></b>	<b>.37 (.12)<sup>a</sup></b>	<b>.35 (.11)<sup>a</sup></b>
Firm Age	<b>-.57 (.17)<sup>a</sup></b>	<b>-.50 (.17)<sup>a</sup></b>	<b>-.49 (.17)<sup>a</sup></b>	<b>-.54 (.17)<sup>a</sup></b>	<b>-.48 (.17)<sup>b</sup></b>
Firm size	<b>.39 (.10)<sup>a</sup></b>	<b>.34 (.10)<sup>a</sup></b>	<b>.32 (.10)<sup>a</sup></b>	<b>.38 (.10)<sup>a</sup></b>	<b>.32 (.10)<sup>a</sup></b>
Registered	.16 (.14)	.08 (.14)	.21 (.14)	.15 (.14)	.14 (.14)
Makkah Region	-.10 (.13)	-.14 (.12)	-.12 (.12)	-.10 (.13)	-.13 (.12)
Eastern Provence	<b>.35 (.15)<sup>b</sup></b>	<b>.38 (.14)<sup>b</sup></b>	<b>.43 (.14)<sup>a</sup></b>	<b>.39 (.15)<sup>b</sup></b>	<b>.42 (.14)<sup>a</sup></b>
Qasim & Hail Region	-.28 (.24)	-.23 (.23)	-.22 (.23)	-.25 (.24)	-.21 (.23)
AlMadinah & Tabuk Region	-.34 (.25)	-.37 (.24)	-.34 (.24)	-.39 (.25)	-.37 (.24)
Asir & Jazan Region	-.25 (.27)	-.23 (.26)	-.15 (.26)	-.22 (.26)	-.18 (.26)



Entrepreneur Gender	-.10 (.11)	-.08 (.10)	-.06 (.10)	-.10 (.11)	-.07 (.10)
Entrepreneur Age	.05 (.24)	.11 (.24)	-.01 (.24)	.07 (.24)	.06 (.24)
<b>EO variables</b>					
Innovation	-----	<b>.15 (.03)<sup>a</sup></b>	-----	-----	<b>.10 (.04)<sup>b</sup></b>
Proactiveness	-----	-----	<b>.18 (.04)<sup>a</sup></b>	-----	<b>.11 (.05)<sup>b</sup></b>
Risk taking	-----	-----	-----	<b>.08 (.03)<sup>b</sup></b>	.01 (.04)
Constant	<b>4.82 (.79)<sup>a</sup></b>	<b>3.94 (.79)<sup>a</sup></b>	<b>4.18 (.78)<sup>a</sup></b>	<b>4.43 (.80)<sup>a</sup></b>	<b>3.83 (.79)<sup>a</sup></b>
F-value	<b>4.27<sup>a</sup></b>	<b>5.60<sup>a</sup></b>	<b>5.55<sup>a</sup></b>	<b>4.48<sup>a</sup></b>	<b>5.36<sup>a</sup></b>
$\Delta F$	<b>4.27<sup>a</sup></b>	<b>22.08<sup>a</sup></b>	<b>21.33<sup>a</sup></b>	<b>6.65<sup>b</sup></b>	<b>9.26<sup>a</sup></b>
R <sup>2</sup>	0.19	.25	.25	.208	0.26
Adjusted R <sup>2</sup>	0.15	.20	.20	.16	0.21
$\Delta R^2$	0.19	.06	.06	.02	0.07

a Significant at the 0.01 level; b Significant at the 0.05 level.

**b. Entrepreneurship Orientation (EO)**

A hierarchical regression analysis for the dependent variable EO was performed to test H2a, H2b and H2c. The control variables are included in Model 6 and Model 6a (for the original institutional environment scale). The institutional dimensions variables of regulative, cognitive and normative are added to the control variables in Model 7 and Model 7a, Model 8 and Model 8a, Model 9 and Model 9a individually then they are all add together in Model 10 and Model 10a. The assumptions of linearity, homoscedasticity, unusual points, and normality of residuals were all met.

Model 6/ Model 6a has an  $R^2$  of 0.200 / 0.19 and an adjusted  $R^2$  of 0.148/ 0.141 while Model 10 has an  $R^2$  of 0.235/ 0.232 and an adjusted  $R^2$  of 0.176 / 0.176. For each of the models, the F test statistic is statistically significant and shows that the variables included in the model taken together have a relationship with the EO variable. One control variable Cooperative can be seen to be statistically significantly related to EO at the 0.01 level, three control variables; firm age and two legal license dummy variables; can be seen to be statistically significantly related to EO at the 0.05 level, while five control variables; three solution dummy variables and two legal license dummy variables are significantly related to EO at the 0.1 level (see Table 25 and Table 26).

The institutional dimension of cognitive is highly negatively statistically significantly related to EO in model 10 at the 0.01 level while normative variables are highly positively statistically significant at the 0.01 level. This supports hypothesis H2b and H2c. However, the regulative dimension and EO is not statistically significant at the 0.10 level, or better. Thus, hypothesis H1b is not support.

*Table 25. Regression models of EO (With added Institutional items)*

	<b>Model 6</b>	<b>Model 7</b>	<b>Model 8</b>	<b>Model 9</b>	<b>Model 10</b>
<b>Control Variables</b>					
Firm Age	<b>-.53 (.21)<sup>b</sup></b>	<b>-.53 (.21)<sup>b</sup></b>	<b>-.53 (.21)<sup>b</sup></b>	<b>-.52 (.21)<sup>b</sup></b>	<b>-.51 (.21)<sup>b</sup></b>
Firm Size	<b>.23 (.12)<sup>b</sup></b>	<b>.23 (.21)<sup>b</sup></b>	<b>.22 (.12)<sup>c</sup></b>	<b>.23 (.21)<sup>b</sup></b>	<b>.21 (.11)<sup>c</sup></b>
Educat_Tra	-.07 (.18)	-.07 (.18)	-.09 (.18)	-.08 (.18)	-.11 (.18)
Environment	.37(.27)	.37 (.27)	.36 (.27)	.37 (.27)	.35 (.26)
Health & Fitness	<b>-.41 (.22)<sup>c</sup></b>	<b>-.41 (.22)<sup>c</sup></b>	<b>-.41 (.22)<sup>c</sup></b>	<b>-.38 (.22)<sup>c</sup></b>	<b>-.37 (.22)<sup>c</sup></b>
Social	.05(.21)	.05 (.21)	.05 (.21)	.06 (.21)	.06 (.21)
Finance	<b>-.42 (.23)<sup>c</sup></b>	<b>-.43 (.24)<sup>c</sup></b>	<b>-.45 (.23)<sup>c</sup></b>	<b>-.41 (.23)<sup>c</sup></b>	<b>-.42 (.23)<sup>c</sup></b>
Employment	<b>.45 (.24)<sup>c</sup></b>	<b>.45 (.24)<sup>c</sup></b>	<b>.46 (.24)<sup>c</sup></b>	<b>.40 (.24)<sup>c</sup></b>	.37 (.24)
Services	.35 (.27)	.35 (.27)	.30 (.27)	.35 (.27)	.27 (.27)
Endowment	.22 (.33)	.21 (.33)	.12 (.33)	.31 (.33)	.22 (.33)
Incubated	<b>-.50 (.23)<sup>b</sup></b>	<b>-.50 (.23)<sup>b</sup></b>	<b>-.49 (.23)<sup>b</sup></b>	<b>-.49 (.23)<sup>b</sup></b>	<b>-.46 (.22)<sup>b</sup></b>
Association	<b>-.32 (.19)<sup>c</sup></b>	-.31 (.19)	-.31 (.19)	<b>-.35 (.19)<sup>c</sup></b>	<b>-.36 (.19)<sup>b</sup></b>
NGO	-.07 (.19)	-.07 (.19)	-.09 (.19)	-.06 (.19)	-.08 (.19)
Cooperative	<b>-.69 (.26)<sup>a</sup></b>	<b>-.68 (.26)<sup>a</sup></b>	<b>-.58 (.26)<sup>b</sup></b>	<b>-.77 (.26)<sup>a</sup></b>	<b>-.68 (.26)<sup>a</sup></b>
Subsidiary	-.02 (.26)	-.20 (.26)	.01 (.26)	-.08 (.26)	-.08 (.26)
No License	.05 (.30)	-.01 (.04)	.05 (.30)	-.01 (.30)	-.01 (.30)
<b>Institutional Dimensions</b>					
Regulative	-----	-.02 (.04)	-----	-----	.01 (.04)
Cognitive	-----	-----	<b>-.11 (.05)<sup>b</sup></b>	-----	<b>-.18 (.05)<sup>a</sup></b>
Normative	-----	-----	-----	<b>.09 (.04)<sup>b</sup></b>	<b>.15 (.05)<sup>a</sup></b>
Constant	<b>4.66 (.21)<sup>a</sup></b>	<b>4.7 (.26)<sup>a</sup></b>	<b>5.08 (.28)<sup>a</sup></b>	<b>4.23 (.30)<sup>a</sup></b>	<b>4.55 (.32)<sup>a</sup></b>

F-value	<b>3.87<sup>a</sup></b>	<b>3.63<sup>a</sup></b>	<b>4.04<sup>a</sup></b>	<b>3.91<sup>a</sup></b>	<b>4.29<sup>a</sup></b>
$\Delta F$	<b>3.87<sup>a</sup></b>	<b>0.08</b>	<b>5.67<sup>b</sup></b>	<b>3.84<sup>c</sup></b>	<b>5.49<sup>a</sup></b>
R <sup>2</sup>	.19	.19	.21	.20	.24
Adjusted R <sup>2</sup>	.14	.14	.16	.15	.18
$\Delta R^2$	.200	.001	.017	.003	.036

a Significant at the 0.01 level; b Significant at the 0.05 level; c Significant at the 0.10 level.

*Table 26. Regression models of EO (With original Institutional items)*

Control Variables	Model 6a	Model 7a	Model 8a	Model 9a	Model 10a
Firm Age	<b>-.53 (.22)<sup>b</sup></b>	<b>-.53 (.21)<sup>b</sup></b>	<b>-.54 (.21)<sup>b</sup></b>	<b>-.52 (.21)<sup>b</sup></b>	<b>-.52 (.21)<sup>b</sup></b>
Firm Size	<b>.23 (.12)<sup>b</sup></b>	<b>.23 (.21)<sup>b</sup></b>	<b>.22 (.12)<sup>c</sup></b>	<b>.23 (.21)<sup>b</sup></b>	<b>.21 (.11)<sup>c</sup></b>
Educat_Tra	-.07 (.18)	-.07 (.18)	-.08 (.18)	-.08 (.18)	-.09 (.18)
Environment	.37(.27)	.37 (.27)	.34 (.27)	.37 (.27)	.33 (.27)
Health & Fitness	<b>-.41 (.22)<sup>c</sup></b>	<b>-.41 (.22)<sup>c</sup></b>	<b>-.42 (.22)<sup>c</sup></b>	<b>-.38 (.22)<sup>c</sup></b>	<b>-.39 (.22)<sup>c</sup></b>
Social	.09 (.21)	.05 (.21)	.05 (.21)	.06 (.21)	.06 (.21)
Finance	<b>-.42 (.23)<sup>c</sup></b>	<b>-.43 (.24)<sup>c</sup></b>	<b>-.45 (.23)<sup>c</sup></b>	<b>-.41 (.23)<sup>c</sup></b>	<b>-.43 (.2)<sup>c</sup></b>
Employment	<b>.45 (.24)<sup>c</sup></b>	<b>.45 (.24)<sup>c</sup></b>	<b>.46 (.24)<sup>c</sup></b>	<b>.40 (.24)<sup>c</sup></b>	.45 (.24)
Services	.35 (.27)	.35 (.27)	.35 (.27)	.35 (.27)	.27 (.27)
Endowment	.22 (.33)	.21 (.33)	.14 (.33)	.31 (.33)	.24 (.33)
Incubated	<b>-.50 (.23)<sup>b</sup></b>	<b>-.50 (.23)<sup>b</sup></b>	<b>-.49 (.23)<sup>b</sup></b>	<b>-.49 (.23)<sup>b</sup></b>	<b>-.46 (.22)<sup>b</sup></b>
Association	<b>-.32 (.19)<sup>c</sup></b>	-.31 (.19)	<b>-.31 (.19)<sup>c</sup></b>	<b>-.35 (.19)<sup>c</sup></b>	<b>-.35 (.19)<sup>c</sup></b>
NGO	-.07 (.19)	-.07 (.19)	-.09 (.19)	-.06 (.19)	-.08 (.19)
Cooperative	<b>-.69 (.26)<sup>a</sup></b>	<b>-.68 (.26)<sup>a</sup></b>	<b>-.58 (.26)<sup>b</sup></b>	<b>-.77 (.26)<sup>a</sup></b>	<b>-.65 (.26)<sup>a</sup></b>
Subsidiary	-.02 (.26)	-.20 (.26)	.01 (.26)	-.08 (.26)	-.10 (.26)

No License	.05 (.30)	-.01 (.04)	.03 (.30)	-.01 (.30)	-.04 (.30)
<b>Institutional Dimensions</b>					
Regulative	-----	-.02 (.04)	-----	-----	.01 (.04)
Cognitive	-----	-----	<b>-.01 (.04)<sup>b</sup></b>	-----	<b>-.16 (.5)<sup>a</sup></b>
Normative	-----	-----	-----	<b>.09 (.04)<sup>b</sup></b>	<b>.14 (.05)<sup>a</sup></b>
Constant	<b>4.66 (.21)<sup>a</sup></b>	<b>4.70 (.26)<sup>a</sup></b>	<b>5.01 (.27)<sup>a</sup></b>	<b>4.23 (.30)<sup>a</sup></b>	<b>4.49 (.32)<sup>a</sup></b>
F-value	<b>3.87<sup>a</sup></b>	<b>3.63<sup>a</sup></b>	<b>3.97<sup>a</sup></b>	<b>3.91<sup>a</sup></b>	<b>4.15<sup>a</sup></b>
$\Delta F$	<b>3.87<sup>a</sup></b>	0.08	<b>4.71<sup>a</sup></b>	<b>3.84<sup>c</sup></b>	<b>4.74<sup>a</sup></b>
R <sup>2</sup>	.19	.19	.21	.20	.23
Adjusted R <sup>2</sup>	.15	.14	.15	.15	.18
$\Delta R^2$	.19	.000	.014	.012	.042

a Significant at the 0.01 level; b Significant at the 0.05 level; c Significant at the 0.10 level.

**c. Social Enterprise Organisation Performance (FP)**

A hierarchical regression analysis for the dependent variable Social Enterprise Organisation Performance was performed to test H3. The control variables are included in Model 11. The institutional variable was added to the control variables in Model 12. The assumptions of linearity, homoscedasticity, unusual points, and normality of residuals were all met.

Model 11 has an R<sup>2</sup> of 0.16 and an adjusted R<sup>2</sup> of 0.14 while Model 12 has an R<sup>2</sup> of 0.21 and an adjusted R<sup>2</sup> of 0.18. For each of the models, the F test statistic is highly statistically significant and shows that the variables included in the model taken together have a relationship with the FP variable. Three control variables – firm age, firm size and experience – can be seen to be highly statistically significantly related to FP at the 0.01

level, while one control variables; city dummy variables are significantly related to FP at the 0.05 level, while one control variables; city dummy variables are significantly related to FP at the 0.1 level (see Table 27). The institutional environment variable is highly positively statistically significantly related to FP in model 12 at the 0.01 level. This supports hypothesis H3a.

**Table 27. Regression models of Firm Performance and Institution**

	<b>Model 11</b>	<b>Model 12</b>
<b>Control Variables</b>		
Firm Age	-.63 (.17) <sup>a</sup>	-.64 (.16) <sup>a</sup>
Firm Size	<b>.40 (.10) <sup>a</sup></b>	<b>.41 (.10) <sup>a</sup></b>
Makkah	-.09 (.13)	-.09 (.12)
Eastern_Prov	<b>.30 (.15) <sup>b</sup></b>	<b>.27 (.14) <sup>c</sup></b>
Qasim_Hail	-.21 (.23)	-.35 (.23)
Madina_Tabuk	<b>-.44 (.25) <sup>c</sup></b>	<b>-.53 (.24) <sup>b</sup></b>
Asir_Jazan	-.26 (.26)	-.28 (.26)
Salary	<b>.18 (.11) <sup>c</sup></b>	.16 (.11)
Experience	<b>.38 (.11) <sup>a</sup></b>	<b>.40 (.11) <sup>a</sup></b>
<b>Institutional variable</b>		
Institutions	-----	<b>.18 (.04) <sup>a</sup></b>
Constant	<b>5.13 (.15) <sup>a</sup></b>	<b>4.40 (.23) <sup>a</sup></b>
F-value	<b>6.35 <sup>a</sup></b>	<b>7.75 <sup>a</sup></b>
$\Delta F$	<b>6.35 <sup>a</sup></b>	<b>17.23 <sup>a</sup></b>

R <sup>2</sup>	.16	.21
Adjusted R <sup>2</sup>	<b>.14<sup>a</sup></b>	<b>.18<sup>a</sup></b>

a Significant at the 0.01 level; b Significant at the 0.05 level; c Significant at the 0.10 level.

***d. Entrepreneurship Orientation Moderation effects (EO)***

A hierarchical regression analysis for the dependent variable firm performance to check for moderation effects by EO was performed to test H4. The control variables are included in Model 13. The institutional environment variable is added to the control variables in Model 14, The EO variable was added in Model 15 and the interaction variable was added in Model 16. The assumptions of linearity, homoscedasticity, unusual points, and normality of residuals were all met.

Model 13 has an R<sup>2</sup> of 0.19 and an adjusted R<sup>2</sup> of 0.15 while Model 16 has an R<sup>2</sup> of 0.32 and an adjusted R<sup>2</sup> of 0.27. For each of the models, the F test statistic is highly statistically significant and shows that the variables included in the model taken together have a relationship with the FP variable. Five control variables – two dummy variables, firm age, firm size and experience – can be seen to be statistically significantly related to FP at the 0.01 level. One dummy control variables (high school) is statistically significantly related to FP at the 0.05 level, while one city dummy control variable is significantly related to FP at the 0.1 level (see Table 28). The interaction variable is highly statistically significantly related to FP in model 16 at the 0.01 level. This supports hypothesis H3b.

**Table 28. Regression models of EO interaction with Performance and Institutions**

<b>Control Variables</b>	<b>Model 13</b>	<b>Model 14</b>	<b>Model 15</b>	<b>Model 16</b>
Gender	-.10 (.11)	-.06 (.11)	-.03 (.10)	-.04 (.10)
Entrepreneur Age	.05 (.24)	.02 (.24)	.04 (.23)	.03 (.23)
High School	<b>.48 (.20)<sup>b</sup></b>	<b>.47 (.20)<sup>b</sup></b>	<b>.49 (.19)<sup>a</sup></b>	<b>.45 (.19)<sup>b</sup></b>
Diploma	.02 (.21)	-.05 (.21)	-.05 (.20)	-.06 (.20)
Master	<b>.31 (.12)<sup>a</sup></b>	<b>.32 (.11)<sup>a</sup></b>	<b>.30 (.11)<sup>a</sup></b>	<b>.28 (.11)<sup>a</sup></b>
PhD	.11 (.19)	.13 (.19)	.18 (.18)	.18 (.18)
Other Education	.43 (.39)	.28 (.38)	.49 (.36)	.32 (.37)
Experience	<b>.39 (.12)<sup>a</sup></b>	<b>.40 (.11)<sup>a</sup></b>	<b>.35 (.11)<sup>a</sup></b>	<b>.35 (.11)<sup>a</sup></b>
Firm Age	<b>-.57 (.17)<sup>a</sup></b>	<b>-.59 (.17)<sup>a</sup></b>	<b>-.50 (.16)<sup>a</sup></b>	<b>-.52 (.16)<sup>a</sup></b>
Firm size	<b>.38 (.10)<sup>a</sup></b>	<b>.41 (.10)<sup>a</sup></b>	<b>.37 (.10)<sup>a</sup></b>	<b>.37 (.10)<sup>a</sup></b>
Registered	.16 (.14)	.13 (.14)	.10 (.13)	.10 (.13)
Makkah	-.10 (.13)	-.10 (.12)	-.12 (.12)	-.09 (.12)
Eastern_Prov	<b>.35 (.15)<sup>b</sup></b>	<b>.32 (.14)<sup>b</sup></b>	<b>.40 (.14)<sup>a</sup></b>	<b>.40 (.14)<sup>a</sup></b>
Qasim_Hail	-.28 (.24)	-.38 (.24)	-.31 (.23)	-.29 (.22)
Madina_Tabuk	-.34 (.25)	-.40 (.24)	<b>-.45 (.23)<sup>c</sup></b>	<b>-.41 (.23)<sup>c</sup></b>
Asir_Jazan	-.25 (.27)	-.27 (.26)	-.20 (.25)	-.14 (.25)
<b>Main effects and interactions</b>				
INSTITUTIONS	-----	<b>.18 (.05)<sup>a</sup></b>	<b>.19 (.04)<sup>a</sup></b>	<b>.18 (.04)<sup>a</sup></b>
EO	-----	-----	<b>.22 (.04)<sup>a</sup></b>	<b>.21 (.04)<sup>a</sup></b>
INS_EO_Centered	-----	-----	-----	<b>-.10 (.04)<sup>a</sup></b>



Constant	<b>4.82 (.79) <sup>a</sup></b>	<b>4.19 (.79) <sup>a</sup></b>	<b>3.13 (.78) <sup>a</sup></b>	<b>3.28 (.78) <sup>a</sup></b>
F-value	<b>4.27 <sup>a</sup></b>	<b>5.09 <sup>a</sup></b>	<b>6.82 <sup>a</sup></b>	<b>6.97 <sup>a</sup></b>
$\Delta F$	<b>4.27 <sup>a</sup></b>	<b>14.97 <sup>a</sup></b>	<b>28.17 <sup>a</sup></b>	<b>7.11 <sup>a</sup></b>
R <sup>2</sup>	.19	.23	.30	.32
Adjusted R <sup>2</sup>	.15	.19	.25	.27

a Significant at the 0.01 level; b Significant at the 0.05 level; c Significant at the 0.10 level.

Table 29 presents a list of the hypotheses investigated in this section and whether they are supported. Thus, the reader is reminded that hypotheses H1a, H1c, H2b, H2c, H3a and H3b are supported.

*Table 29. Support of hypotheses*

<b>H1a:</b> SEs proactive behaviors is positively associated with organisation performance.	<b>Supported</b>
<b>H1b:</b> SEs risk-taking is positively associated with organisation performance.	Not Supported
<b>H1c:</b> SEs innovativeness is positively associated with organisation performance.	<b>Supported</b>
<b>H2a:</b> There is a positive relationship between regulative institutions and EO in SEs.	Not Supported

<b>H2b:</b> There is a negative relationship between cognitive intuitions and EO in SEs.	<b>Supported</b>
<b>H2c:</b> There is a positive relationship between normative institutions and EO in SEs.	<b>Supported</b>
<b>H3a:</b> The institutional environment effects Saudi SEs performance positively.	<b>Supported</b>
<b>H3b:</b> EO moderates the relationship between the institutional environment and Saudi SEs performance.	<b>Supported</b>

## 6.7 Summary

This chapter presented the statistical analyses used in this research to examine the data collected. First, a sample descriptive statistics of the data was represented. Second, to assess the constructs validity and reliability a Chi-square and Mann Whitney test was done on the sample and the results showed no concerns regarding non-response bias. Third, a PCA was performed to examine the construct multidimensionality of the institutional environment scale that resulted in three dimensions. Another PCA of firm performance resulted in three components. However, the firm performance construct has been used as unidimensional construct. Fourth, a hierarchical regression analysis was performed to test the hypotheses. Table 29 presents a list of the hypotheses tested in this research.

## Chapter 7 Discussion

### 7.1 Introduction

Based on the findings presented in Chapter 6, the current chapter examines the results of this research, interpreting and explaining them in relation to the existing academic literature on this topic. It also answers the research questions—both primary and secondary—posed in the introductory chapter by showing how the hypotheses generated from these questions are supported (or not) through statistical analysis and, subsequently, by scholarly literature. The research question is: What is the impact of the institutional environment on social enterprises' EO and performance in the context of Saudi Arabia?

To answer the above question, this research investigates the following secondary questions:

**RQ.1:** What is the correlation between EO dimensions and performance of Saudi SEs?

**RQ.2:** What is the correlation between the institutional environment dimensions and EO in Saudi SEs?

**RQ.3:** What are the interactions between EO and the institutional environment with SEs performance?

Although there are quite a few reports in the literature about the correlation between the institutional environment dimensions and entrepreneurship orientation (look at chapter four), the relationship between institutional dimensions and social enterprises' EO and

performance, the results of this thesis are broadly consistent with these studies, showing that the researcher's observations are supported by academic and practical evidence. Furthermore, this chapter critically evaluates the research approach by discussing the limitations and practical applications of this study and provides some recommendations for further research.

The present study investigates the impact of institutional environmental dimensions on social enterprises activities and firm performance in the economic context of Saudi Arabia by assessing the effects of EO dimensions of proactiveness, risk-taking, and innovativeness. It also examines these effects on social enterprises' performance and EO using the RBV and IT as a framework by adapting a previous measure of firm performance and extending it by adding measurements of manager talent and intangible resources such as legitimacy. The thesis uses a new data set that was brought together from the responses of 308 SEs who completed a questionnaire in Saudi Arabia. The main finding of this thesis after empirically testing an instrument for measuring the effects of the country's institutional environment on a sample of SEs, reveals the normative dimension affects EO if SEs positively while the cognitive dimension has a negatively affect. This is the first study, to the researcher knowledge, to examine this issue.

The chapter first discusses the effect of EO dimensions of proactiveness, risk-taking, and innovativeness (Covin & Slevin, 1989) on the performance process in SE firms, then discusses the influence of the institutional environment dimensions (regulative, cognitive and normative) (Busenitz, Gomez, & Spencer, 2000) on the EO in SE firms thereafter, checking for the institutional environment effect on SEs performance and if EO

influence this relationship. Following this, the key research contributions are illustrated. The generalisability of the results is discussed. The limitations of the current research are then presented, after which a discussion on practical implication is provided. Then future research implications and suggestions are presented. This chapter ends by concluding the discussion of the findings, in light of the stated research questions.

## **7.2 SE Performance**

This section will discuss the results of the use of a uni-dimensional EO scale (proactiveness, risk-taking, and innovativeness) on SEs' performance, the results will be explained in the following sections. As indicated in Chapter 6, regarding the principle component analysis (PCA) of the firm performance nine items scale alpha ( $\alpha = 0.770$ ) and EO scale alpha ( $\alpha = 0.8$ ), all of the alpha values have a good level of internal consistency (Malhotra and Birks, 2006). These results are consistent with the RBV and show that the theory can be successfully applied to SEs. A resource based view of strategic management helps in examining the resources and capabilities, and then helps in generating above normal returns in order to sustain a long term competitive advantage of the firm (Gillis, Combs, & Ketchen, 2014; Ghapanchi, Wohlin, & Aurum, 2014). The RBV is of the opinion that selection and accumulation of the resources are both an internal and strategic decision making of the firm, which have to be addressed to lead to a better firm performance.

One of the main strengths of the RBV is that it allows a focus on the economic rationality and the use of the resources as the main issue for any manager (Barney, 2014; Barney, Ketchen, & Wright, 2011). This allows managers to ensure that they have the appropriate resources put into place, leading to improvement and innovation for the different stakeholders (McWilliams & Siegel, 2011; Esteve-Perez & Manez-Castillejo, 2008). This is also important to take into account, as this allows managers to improve their performance, which can lead to long term improvement in the output of the company not only economically but socially too when applied in the social context. Recent advances in research on sustainability have stretched the word beyond the notion of economic, social, and environmental efficiency to effectiveness. This applies to practices that preserve or improve economic, social, and environmental wellbeing (Zhang & Swanson, 2014). For instance, SEs address adverse social conditions particularly in emerging and underdeveloped economies, where resources are scarce, in order to reduce social problems like poverty (Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

Grande, Madsen, and Borch (2011) studied the relationships among resources, entrepreneurial orientation, and performance in agricultural firms facing resource limitations. They used the RBV of firms as a framework for their study and explained that organisations need a variety of resources in order to generate value, as suggested by Priem and Butler (2001). It is important to note here that Grande et al. (2011) observed a positive correlation between firms' performance and entrepreneurial orientation, including the three dimensions of risk-taking, innovativeness, and proactiveness. Taylor (2013) explained that SMEs, in both developed and developing countries, with high levels of EO are able to

innovate and beat the competition. Similarly, Wiklund and Shepherd (2005) mentioned that as the level of EO in SMEs increases, it is more likely for SMEs to gaining a competitive advantage and performing better in the market.

Generally, SEs face resource constraints (Desa & Basu, 2013) as they operate in environments where resources are scarce and expensive (Zahra et al., 2009; Zahra, Newey & Li, 2014). Therefore, the bundling of resources through building capabilities is important for the success and sustainability of the SEs like any other firm where a combination of acquired resources is crucial for their performance. This study suggests that SEs need to be innovative and proactive to be able perform well, as they are key factors of their successes. A commercial entrepreneur will be more concerned with the end goal of economic wealth creation, whereas the social entrepreneur will be more concerned with social wealth creation (Mair & Marti, 2006) Waddock and Post (1991: 393), EO at the company level improves social entrepreneurs, a particular trait of theirs described as ‘private sector citizens who play critical roles to bring about ‘catalytic changes’ in the public sector agenda and the perception of certain social issues’. The leadership characteristic used by Waddock and Post (1991) to distinguish social entrepreneurs from other leaders is their capacity to outline intricate social matters to create a sense of significance that goes beyond economic performance to construct significant social performance. Social and commercial entrepreneurs have different performance objectives; therefore, they face different challenges and different kinds of risks such as losing their credibility and legitimacy in their local communities (Hoogendoorn, Zwan, & Thurik, 2011).

SE is a vibrant endeavour, especially in environments with scarce resources and areas where social problems are abundant (Granados et al., 2010). In this view, it is essential to have access to tangible and intangible resources that initiate change in society (Meyskens et al., 2010). As a result, access to resources enables effectively carrying out SEs activities (Smith & Woodworth, 2012). Therefore, this study will benefit the field of SE as suggested by Lumpkin, Moss, Grass, Kato, and Amezcua (2013) that EO is necessary for SEs to succeed in their quest to tackle social problems. In other words, by investigating the phenomenon of social entrepreneurship through the empirical examination of firm performance, EO, and the institutional environment, this study extends the research landscape of EO, RBV, and IT and reinforces the development of a modern approach to social entrepreneurship in Saudi Arabia. This study furthers the discussion and understanding of social entrepreneurship and prompts new research directions.

The following discussion section focuses on examining the data that were collected and analysed to explore and understand the major findings.

### **7.2.1 Proactiveness and Firm Performance**

The first statement of the first hypothesis (H1a) assumed that SEs proactive behaviours are positively associated with firm performance. Based on the statistical analysis, this hypothesis was accepted as being valid and in line with studies that asserted that EO dimensions of proactiveness are associated with the social value creation of social enterprises (Weerawardena & Mort, 2006). Like other firms, SEs aim to achieve economic



value, which is directly associated with firm performance because organisations try to avail themselves of efficient resources in order to minimise costs (Chell, 2007; Darby & Jenkins, 2006).

SEs have an obligation to construct an enterprise that sustains and efficiently employs limited financial and other resources. Concerning opportunity identification, increased understanding of social problems could contribute to the anticipation of future needs. Tan and Yoo (2015) further agree with other researchers that SEs pursue mission-attending opportunities while being resourceful and accountable. Both Mort, Weerawardena, and Carnegie (2003) and Lumpkin et al.'s (2013) studies suggest that SEs display proactiveness attributes. While SEs mainly depend on resources that are outside their organisation, commercial enterprises depend on resources that are inside their organisation (Gras & Lumpkin, 2012). Therefore, they are faced with greater difficulties in the acquisition of resources than a CE, especially financial resources, as SEs face great constraints from funders. Thus, they seek a wider range of stakeholders for financial support (Austin, Stevenson, & Wei-Skillern, 2006; Newth & Woods, 2014; Nicholls & Cho, 2006). Similarly, Miller (2011) argued that while knowledge-based firms foster innovation, financial resources influence proactiveness. This suggests again that SEs should show high levels of proactive behaviour to flourish. Furthermore, in such a context of limited access to resources and knowledge, high EO facilitates SMEs to enhance their performance (Kusumawardhani, McCarthy & Perera, 2009). This suggests that in a limited resources environment like Saudi Arabia it is vital for any micro or SMEs to act in a proactive manner to succeed. Furthermore, Ferreira and Azevedo (2007) asserted that

proactive organisations search for particular resources that can add value to these firms so that they can gain a competitive advantage. Social capital may often serve as a source of legitimacy that requires a commitment to stakeholders while not losing sight of the social mission (Nicolopoulou & Karatas-Ozkan, 2009), this type of proactive engagement with stakeholders further expands the SEs's legitimacy.

Social capital may be advanced by the use social media. With regard to the context of the study, the number of Saudi Arabia's internet users have increased rapidly reaching 24 million at the end of 2017, with an internet penetration of 74.88%. This increased demand is due to the high usage of social media applications (according to Ministry of communications and Information Technology, 2017). In 2016, 21.7 million people accessed the internet through their mobile phone (statista.com) being a highly connected country with a young population and social media adoption above global averages. Furthermore, Saudi Arabia has been ranked as the 7<sup>th</sup> social media user globally (Arab news, 14 Nov 2015; Go Gulf, 18 Jan 2016). Businesses are using social media proactively and innovatively. In the Arab world, social media is considered a business enabler by increasing market share, market penetration, higher sales and customers' engagement (Basri, 2016). SEs are no exception, they use social media proactively with their stakeholders and community, by having an account on most of the popular social media outlets. For example, they use twitter to share the latest news, run twitter polls to gain information and create hashtags to discuss a topic. Other example is that, SEs use WhatsApp as a source of communicating with different stakeholders by creating different WhatsApp groups for different needs and joining community WhatsApp groups. A

WhatsApp group could be established to discuss a future project involving relative stakeholders such as targeted volunteers or networking opportunity with community members, government members, staff and funders. Thus, Sharir and Lerner (2006) and Shaw and Carter (2007) found that SEs proactively establish social networks to implement their social projects. It is essential to be proactive for the survival and sustainability of any social enterprise, this proactive behaviour will not only support the firm performance but will support the legitimacy of this social enterprise and thereafter its success.

Based on the results the first statement of the first hypothesis is supported. It stresses again that in the context of limited access to resources, the only way SE firms can survive on the market is to display high levels of proactive behaviour in order to ensure a high firm performance. It also encourages the use of social media as an intelligent tool to help their proactiveness. The next section will continue the discussion of the other aspects of EO in relation to the firm performance.

### **7.2.2 Risk-Taking and Firm Performance**

The second statement of the first hypothesis (H1b) assumed that SEs risk-taking behaviours are positively associated with firm performance, but this statement is not supported by the results presented in the previous chapter. SE is different from commercial entrepreneurship, and Peredo and McLean (2006) explain that the goal of SE is to address social problems through a solution that the social entrepreneurs have designed themselves. Going further, Estrin, Mickiewicz, and Stephan (2016) explained that both social and commercial entrepreneurship create value, but SEs is different because it offers products

and services that are neither supplied by the government nor sold in markets. In this regard, SEs create social value by pursuing welfare projects. Whereas commercial enterprises focus on profit maximisation, as the authors further illustrated in the above-mentioned study, in the case of SEs, SEs try to benefit the community at large, which is why the financial viability of projects is the major concern of SEs (Estrin et al., 2016). This seems to contradict what the first hypothesis says about how SEs aim to achieve economic goals like other firms, because organisations try to avail themselves of efficient resources in order to minimise costs (Chell, 2007; Darby & Jenkins, 2006). However, this contradiction is only apparent because social entrepreneurs see economic goals as a means, not as an end, to their purpose, and this is the reason that they are not willing to take risks.

From another point of view, Hofstede (1980) explained that national cultures have different dimensions, uncertainty avoidance being one of them: when uncertainty avoidance is high, people feel uncomfortable and display uncertainty regarding their future. This dimension is directly related to risk avoidance, resistance to change, and new product development, and it also regulates the SEs approach to risk-taking behaviours in particular. Kreiser, Marino, Dickson, and Weaver (2010) conducted an extensive study of 1,048 firms in six countries to determine the effect of national culture on the risk-taking aspect and revealed that uncertainty avoidance had a negative effect on risk-taking firms. Saudi Arabia is one of the best examples of how this dimension is working in a national culture because that country is going through a huge governmental transformation plan to achieve its 2030 vision. Because of this new plan and vision, announced in 2016, particularly related to new laws and unexpected taxes announcements. The Saudi vision 2030 has three themes: (1) A

vibrant society, (2) A thriving economy and (3) An Ambitious Nation, which aims to diversify the Saudi economy away from its oil dependency. To achieve the goals of this vision the government have launched a national transformation plan (NTP), which is considered the action plan of Vision 2030 to achieve socio-economic development and growth (Nurunnabi, 2017; Alshuwaikhat & Mohammed, 2017).

Moreover, recent studies have demonstrated that the entrepreneurial orientation is less powerful in collectivistic cultures as compared to individualistic cultures (Thomas & Muller, 2000). In Saudi Arabia, considered a collectivistic culture, kinship, family ties, and tribal bonds are extremely important; therefore, this might be one of the reasons that the risk-taking dimension of EO is not significant there. This is yet another explanation for why the entrepreneurs working in Saudi Arabia are less likely than their counterparts from individualistic cultures to act in a risky way.

Since the second statement of the first hypothesis was not supported by the results, this section asserts that the main explanations for this result are (1) the fact that SEs are not focused on profit maximisation, but on the social value creation; (2) the Saudi Arabia cultural approach to risk-taking activities, as collectivistic culture is dominated with much risk aversion.

### **7.2.3 Innovativeness and Firm Performance**

The third statement of the first hypothesis (H1c) assumed that SEs innovative behaviours are positively associated with firm performance. Unlike the second statement, this hypothesis was accepted based on the statistical analysis and on the results presented

in Chapter 6. Weerawardena and Mort (2006) linked this dimension of innovativeness to the social-value creation of social enterprises, but this was already mentioned in the discussion of the first hypothetical statement. In another study, Troilo, Luca, and Gima (2014) explained that slack resources are positively associated with radical innovation through direct and indirect approaches.

According to Lumpkin et al. (2013), the mixed expectations and motivations of stakeholders led to restricted resources for non-profits, and such a lack of resources compels SEs to become innovative. Even where government funds are available for non-profits, these funds are subject to usage restrictions (Powel & Steinberg, 2006) and cannot be used for experimentation (Dees, 2007). Challenged to find financial resources, SEs are forced to become innovative for the sake of their organisations. Under such circumstances, SEs look for creative ways to raise funds, become more receptive to new channels of communication, and are more likely to broaden their perspective.

Morris, Webb, and Franklin (2011) also stressed the fact that non-profits look for innovative sources of funding—other than traditional donations and grants—because of the competition for financial resources. As firms begin to proactively acquire resources, they use different innovative measures, such as adopting micro-franchising models (Fairbourne, Gibson, & Dyer, 2007) and forming partnerships with multinational enterprises (Webb, Kistruck, Ireland, & Ketchen, 2010) to gain resources from different market domains (Morris et al., 2011). SEs in Saudi Arabia face the same challenges of firm performance as most SEs globally; furthermore, they compete with commercial enterprises on resources this leads SEs to find innovative methods in acquiring financial, human, social

and other resources. They use a mix of traditional financing sources and creative collaborative funding mechanism such as crowd funding and buy one and we donate one scheme.

Today, micro and small and medium enterprises can market themselves in less costly ways by using the Internet and social media platforms (Meske & Stieglitz, 2013). Social media usage by SMEs in the Arab world is considered to be an ‘an innovative edge’ (Basri, 2016: 1). In this regard SEs in Saudi Arabia use social media in advertisements, awareness campaigns and community led involvement. This use of social media in an innovative way supports collaboration and firm performance, for example: in recruiting staff or volunteers some SEs use creative recruiting adds that may reach thousands of retweets: another use of social media is in targeting funders, donors and other stockholders. Another innovative use of social media is the use of YouTube (Saudi Arabia is ranked first globally in YouTube views per capita with 90 million views a day (Ensour, 2015) as a learning free platform. SEs are considered innovative by definition, as stated by Mair and Marti (2006), and this study goes even further, by proving quantitatively that SEs build innovative ventures and this innovativeness affects the firm performance process positively.

The results of this study support the third statement of the first hypothesis and this section confirm that the lack of resources, encourage the social entrepreneurs to become more innovative in acquiring and combining resource by the adoption of innovative measures and models that fit best their endeavours to achieve their performance goals.

While the last three sub-sections focused on the EO dimensions in relation to the firm performance, the next section will proceed to analysing another aspect, namely the EO in relation to the institutional environment, and the results will be discussed in detail.

#### **7.2.4 Entrepreneurship Orientation and the Institutional Environment**

This section aims to answer the second question raised in the introduction of this research by revealing the relationship between EO and the institutional environment and empirically testing an instrument for measuring the country institutional environment on a sample of social enterprises. In this section, the institutional forces are divided to formal, known as regulative institutions, and informal, referred to as cognitive and normative institutions. The findings from the previous chapter show the negative impact of cognitive and a positive effect of normative institutions on EO in micro, small and medium social enterprises, and they are discussed in the following subheadings. As indicated in Chapter 6, the PCA that has been used in the three institutional environment dimensions resulted in regulative (five items:  $\alpha = 0.851$ ), cognitive (four items:  $\alpha = 0.730$ ) and normative (three items:  $\alpha = 0.628$ ). The overall scale alpha (12 items:  $\alpha = 0.845$ ), alpha values indicate a good level of internal consistency.

#### **7.2.5 Regulative institutions and EO**

The first hypothesis argued there is a positive relationship between regulative institutions and EO in SEs. This hypothesis was rejected based on the results of this study. This finding seems



unexpected even though some previous studies found positive relationships between regulative institutions and EO (Arasti, Zarei, & Didehvar, 2015). Snaith (2007) emphasised the need for developing laws and regulations that could help social enterprises grow. Unfortunately, such government support for SEs does not exist in the KSA, and neither do such laws and regulations that could legally help SEs. The findings of this study demonstrate that regulative institutions have no influences on EO in Saudi SEs suggesting the importance of government adaption of policies that support the establishment and growth of SEs. In order to do that, the government should concentrate on devising specific regulations on the establishment of SEs, but also offering fees and tariff exemption, and giving them part of government tenders. When such regulations are in place, it is expected that regulative institutions will influence EO in Saudi SEs positively.

This inconsistency in results could also be explained by the use of different measurements of the regulative institutions' variables or for measurements of entrepreneurship. Regulatory institutions are often referred to as formal institutions in research. For example, a study on regulatory institutions in Europe came to the same conclusion that formal institutions have a minimal impact on nascent entrepreneurship because they do not influence the early stages of entrepreneurial activity (Bosma & Schutjens, 2011). However, it is worth mentioning that Bosma and Schutjens' (2011) measurement of entrepreneurial attitude and activity across 127 regions used three variables relating to entrepreneurial attitudes (risk avoidance, opportunities, self-efficacy), while entrepreneurial activity was measured by the age of the business, which is not consistent with this study measurement which uses EO. Similarly, Spencer and Gomez (2004) in a study of formal and informal institutions and entrepreneurial activities in 23 countries from six continents found a negative association between regulatory institutions and self-employment (which, according to them, is the most basic form of entrepreneurship), and no relationship between small businesses and the regulatory dimension of the institutional framework. These examples are consistent with this study, confirming that there is no relationship between regulative institutions and social enterprises in the KSA. This means that even though the regulative institutions in the KSA are considered bureaucratic and unsupportive for SEs this has no effect on the social enterprise's entrepreneurial behaviour, including risk-taking, innovativeness and proactiveness.

While Urbano et al.'s (2010) findings support that formal institutions support SE this study found no such relationship. This is due to the aspect of formal institutions that Urbano et al. (2010) looked at, as they looked only at the financial support. The above study used the financial support

as indicator of formal institutions biased. Also, the authors measured informal institutions partly by involving social networks as an indicator, which is not consistent with this research measurements. The research confuses the resources available to the company with formal and informal institutions. Therefore, their findings are no longer applicable in the case of highly entrepreneurial areas, and even less in the specific case in discussion - Saudi Arabia. This is the most likely explanation why the above hypothesis is not supported, and so, finally, it can be implied that laws and regulations coming from the regulatory environment cannot be consistently associated with SEs in this context.

Another study that covered a larger part of Europe and assessed the significance of regulatory institutions came to the same conclusion. Bosma and Schutjens (2011) conducted a study to analyse the impact of formal and informal institutions on entrepreneurial activity and attitudes across 17 countries in Europe. In this study, formal institutions referred to regulation, legislation, and tax systems, whereas informal institutions referred to entrepreneurial attitudes. Again, the outcome was similar, as the authors concluded that formal institutions have a minimal impact on nascent entrepreneurship because formal institutions, including regulations, do not influence the early stages of entrepreneurial activity. Compared to formal institutions, informal institutions are of vital importance for early stage entrepreneurship (Bosma and Schutjens, 2011). However, it is worth mentioning that Bosma and Schutjens's (2011) measurement of entrepreneurial attitude and activity across 127 regions used three variables relating to entrepreneurial attitudes (risk avoidance, opportunities, self-efficacy), while entrepreneurial activity was measured by the age of the business, which is not consistent with this study

measurement which uses EO. From these examples, we may conclude again that the findings prove that the above hypothesis is not supported.

Spencer and Gómez (2004) carried out a study to explore the association between formal and informal institutions and entrepreneurial activities in 23 countries from six continents. In this study, the authors began with the hypothesis that regulatory institutions are positively associated with the number of small firms in a country. They explained that there are three forms of entrepreneurship: basic (self-employed), moderate (SMEs), and advanced (companies listed in the stock exchange); small businesses are considered a moderate form of entrepreneurship. However, the authors found that regulatory institutions do not predict the prevalence of small firms in a country. Actually, they found a negative association between regulatory institutions and self-employment (which, according to them, is the most basic form of entrepreneurship), and no relationship between small businesses and the regulatory dimension of the institutional framework (Spencer & Gómez, 2004). It is important to mention here that the authors discovered the regulatory dimension was positively related to advanced forms of entrepreneurship, such as new listings on a country's stock exchange. Furthermore, Spencer and Gómez's (2004) findings support the findings of this study, as the SEs in this research sample are SMEs rather than large companies listed on the stock market or self-employed entrepreneurs. The results show again that there is no relationship between regulative institutions and SMEs SE firms in Saudi Arabia.

In the previous paragraphs, it had been pointed out that some researchers found some relationship between regulative institutions and entrepreneurial attitudes and activity in the regions of their studies, but since they limited their scope of research only to several indicators, they finally led to inconsistent results. Coming from a different direction, this study looks at the multi-

dimensional construct of EO at an organisational level and how the regulative institutions affect it in SEs. This study fills a gap in the literature by investigating entrepreneurial orientation on SEs using a new data set, which is opening more avenues of future research. EO is tested for the first time in SEs. Results are tied to organisational behaviour insofar as they rely on the content that the SEs provides to the public. EO is associated with enhanced financial performance, though it is unclear if it affects SEs outcomes (Lumpkin et al., 2013). Lumpkin et al. (2013) suggested that EO is necessary for SEs to succeed in their quest to tackle social problems. This study encourages researchers to use the EO construct as measurement for micro, small, medium and large enterprises to test entrepreneurial attitudes to unify measurements across studies.

Other important findings of this study, based particularly on this hypothesis and its results and undermining the results of the above-mentioned examples, suggest that the regulative institutions have no effect on the EO of SEs. Such a finding is an extremely important point for the entrepreneurial context not only of Saudi Arabia, but also of other parts of the world that are confronted with the same issues. This means that even though the regulative institutions in Saudi Arabia are considered bureaucratic and unsupportive for SEs this has no effect on the SEs's entrepreneurial behaviour, including risk-taking, innovativeness and pro-activeness. However, it would be interesting to retest this hypothesis post the 2030 vision governmental reforms to check for a positive relationship.

SEs in Saudi Arabia face some difficulties with the regulatory system due to its complexity (Spencer, 2016). The Saudi government has acknowledged on one hand that the bureaucratic regulative system is hindering the SMEs establishment and development in the country, while on another hand the importance of SMEs to the economic growth of the country. Therefore, the Saudi

government gave SMEs great importance in Vision 2030 as one of the vision goals is to increase the contribution of SMEs from 2% to 35% of the GDP. To achieve this goal, the government has established the SMEs Authority (SMEA) in 2016 to support and promote entrepreneurship in Saudi. This includes proposing new regulating or changing current ones to the Saudi Ministry of Commerce and Investment. In this regards SMEA is looking at best practices worldwide and conducting workshops with entrepreneurs and other stockholders. Furthermore, SMEA can benefit from this research as the findings show no correlation between EO and regulative institutions, this suggests that SMEA should not only work on changing the regulative environment in Saudi Arabia but should focus also on other aspects of the institutional environment such as the cognitive and normative institutions that will be explained in the next sections.

Although the literature is not conclusive on the relationship between regulative institutions and EO because studies argued either a positive or negative relationship, this study rejected the hypothesis of a positive relationship as this research results did not find any relationship between them, partly based on the lack of governmental regulation in regards to SE in the KSA. However, this section proposed some specific steps that the government could take to improve the legal support for SEs.

### **7.2.6 Cognitive institutions and EO**

The second statement of the second hypothesis (H2b) of this research assumed that there is a negative relationship between cognitive institutions and EO in SEs. This hypothesis was proved valid by the results of this study. When speaking of cognitive institutions, this study means

the cognitive function of institutions, which includes learning, shared knowledge, and uncertainty. In the context of SEs, environmental uncertainty is a factor that generates various decisions that have an impact on the functioning of those firms, including their strategic orientation and strategic marketing objectives (Mukherji, Mukherji, & Hurtado, 2015). This idea is consistent with the findings of Freel (2005), who explained that high innovation leads to increased competition and, thus, high uncertainty.

According to some researchers, an entrepreneur's previous knowledge is strongly connected with the EO of a firm (Fuentes-Fuentes, Bojica, & Ruiz-Arroyo, 2015). Studdard (2006) explained that when entrepreneurial firms acquire knowledge related to business processes, they tend to develop more new products. This development implies an increase in entrepreneurial orientation and vice versa, as suggested by Wong (2012). Even though the previous studies were not in the SE context but in the general entrepreneurship context and mostly in developed countries or non-Islamic developing country such as China, they support the hypothesis that there is a positive relationship between entrepreneurial previous knowledge and EO in a developed and non-Islamic context. However, such studies have not been applied in the context of SE, but researchers focus on the importance of SE university education on the developing social enterprises' competence (Miller, Wesley, & Williams, 2012).

The values associated with learning include the commitment to learning, open-mindedness, and a shared vision (Sackmann, 1991; Sinkula et al., 1997). Wang (2008) suggested that entrepreneurial firms should foster collaborative learning because such features make organisations more oriented towards flexible structures rather than traditional and hierarchical structures. According to some researchers, an entrepreneur's previous knowledge is strongly

connected with the EO of a firm. Fuentes-Fuentes, Bojica, and Ruiz-Arroyo (2015) carried out a study on EO, knowledge acquisition, and firm performance in Spanish organisations owned by women and discovered that knowledge acquisition mediates entrepreneurial orientation. Through a cross-cultural study on Finland and the United States, Studdard (2006) explained that when entrepreneurial firms acquire knowledge related to business processes, they tend to develop more new products. This development implies an increase in entrepreneurial orientation and vice versa, as suggested by Wong (2012). Even though the previous studies were not in the SE context but in the general entrepreneurship context and mostly in developed countries or non-Islamic developing country such as China, they support namely that there is a positive relationship between entrepreneurial previous knowledge and EO in a developed and non-Islamic context. However, such studies have not been applied in the context of SE, but researchers focus on the importance of SE university education on the developing social enterprises' competence (Miller, Wesley, & Williams, 2012).

The findings of this study suggest that culture and religion seems to play an important role in shaping cognitive institutional dimension that affect EO in social enterprises in the KSA. In the culture of Arab countries (which include the KSA), Hofstede (1980) mentioned that they (Arab Countries) tend to have high power distance, high uncertainty avoidance, collectivism and masculinity. Alamri, Cristea and Al-Zaidi (2014) also found that the KSA was characterised by the same dimensions as the rest of Arab world i.e. high uncertainty avoidance, collectivism and masculinity. Lewis explains that speculative transactions are discouraged in Islam because of the fact their "*inherent uncertainty*" (2001: 119). The author illustrates that '*Gharar*' is "*to undertake a venture blindly without sufficient knowledge or to undertake an excessively risky transaction*"



(2001: 119). Lewis (2001) mentions that Ahadith i.e. sayings of Prophet Muhammad (saw), condemns 'Gharar'. Gharar is applicable to investing in futures and option markets, as these investments are highly uncertain. Furthermore, Muslims believe that they should abstain from being in a state of risk or destruction, which is why they avoid risks.

Apart from religion, education also plays its part in shaping the entrepreneurial context of the KSA. The formal education in Saudi schools and Universities is not designed in a manner to shape entrepreneurial tendencies of students. The KSA has 24 governmental universities (1,400,272 students) and 10 private universities (88,716 students) according to the Ministry of Education 2016 statistics report. The researcher of this study reviewed all 24 subjects in governmental universities and has not found any SE taught subjects at those universities, except one university that had entrepreneurship as an elective for business students. Iqbal, Melhem, and Kokash (2012) suggested that Saudi universities should focus more on introducing entrepreneurship subjects and training. Danish and Smith (2012) in their research on Saudi female entrepreneurs, encourage Saudi policy makers to focus on entrepreneurship education and training programs that will aide them with skills needed to succeed. The evidence that the Saudi education system does not encourage an embedded knowledge of entrepreneurship supports this research finding of a negative relationship between cognitive institutions and EO in Saudi social enterprises.

In light of the Saudi 2030 Vision, this finding is important for policy makers, as the government focuses on entrepreneurship support, but also on the support of other institutional logics that currently coexist and have a positive influence on EO. The Vision 2030 is considered a reform that the country will go through in the coming years. This reform may influence the institutional logics currently existing in Saudi Arabia: some may change and others may grow

weaker. For example, the strength of the religious logic on the individual has weakened than what it used to be, it started in the first decade of the 21<sup>st</sup> century by educational reforms including a reduction of the total curriculum percentage of religious subjects that used to account for 40% of the total curriculum (Allam, 2011; Pokrop, 2003) and in 2016 a new law was announced reducing the power of the religious police (BBC,2016). This religious logic may further weaken and this could affect EO in unexpected ways. Saudi community is considered to be a collective community, but as it modernises, changes will happen within this community, which again might affect the EO of Saudi firms.

By discussing the cognitive institutions in relation to EO, this section reinforced the negative relationship between them taking into account the context of this study, given the Saudi Arabia's culture, and this is a collective and risk avoiding culture. The culture still plays a very important role in shaping the cognition of individuals and institutions, although it is expected if the government focus on formal and unformal education supporting entrepreneurship there will be a positive shift in the cognitive effects on EO.

To summarise, the influence of religion, culture, lack of entrepreneurial and SE education and uncertainty avoidance as cognitive institutional dimension lead to a decrease in EO, in addition to multiple institutional logics of religion and community coexisting in the KSA, especially in the context of social enterprises, as explained by Dacin, Dacin, and Tracey (2011). The existence of those institutional logics influences the cognitive environment and the social enterprises' EO negatively.

### **7.2.7 Normative institutions and EO**

The third statement of the second hypothesis (H2c) assumed that there is a positive relationship between normative institutions and EO in SEs, and this statement is supported by the results presented in the previous chapters. Hennisz and Levitt (2011) explained that normative institutions are socially shared expectations of appropriate behaviour and social exchange processes. From the academic literature, supporting this hypothesis, Krueger, Reilly, and Carsrud (2000) emphasised the notion that normative institutions influence people's entrepreneurial intentions. Stenholm, Acs, and Wuebker (2013) reported similar results. Those studies found that normative institutions affect positively the entrepreneurial intentions, however, there is not too much research done on how normative institutions influence EO in established SMEs. This study concentrates more on this aspect and brings to light some relevant issues that add insightful knowledge to the field and especially to the analysis of the Saudi Arabia's entrepreneurial environment.

One important factor here is that entrepreneurship is viewed and interpreted differently within different cultural and social codes. Dodd, Jack, and Anderson (2013) explained that socially constructed concepts about entrepreneurship vary significantly across countries, and these concepts have a strong impact on the attractiveness of the entrepreneurial sector. They conducted a study across seven different European countries and found that some cultures consider entrepreneurship as a source of 'admiration', whereas in others it is perceived as an 'abhorrence'. In cultures where entrepreneurship was admired, it was considered an attractive option (Dodd et al., 2013). The previous study was done in Europe, but it can be applied to Saudi Arabia as well,

because the Saudi culture supports entrepreneurship and has a positive outlook towards it, as Islam encourages people to take on trade and commerce.

Regarding human behaviour, Stenholm et al. (2013) suggested that norms and values exert an impact on the relative social tendency of individuals to select entrepreneurship as an occupation. Stephan, Uhlaner, and Stride (2015) used the term 'socially supportive culture' (SSC) to refer to informal cultural norms that facilitate cooperation pertaining to friendliness and supportiveness. The term was borrowed from a former study by Stephan and Uhlaner (2010), in which they explained that SSC, as a part of the informal institutions, influences social entrepreneurship in two ways. First, SSC is based on cooperativeness and a caring attitude that leads people to adopt SE, thereby increasing the supply of SEs in a country; second, collaboration and cooperativeness make it easier for SEs to access resources by reducing transaction costs (Stephan et al., 2015). Going in the same direction, Urbano et al. (2010) studied social entrepreneurs in the context of informal institutions and found that two types of informal institution (normative and cognitive) triggered SE, including the social values that form a part of the environmental culture and the entrepreneurial attitudes of people who become entrepreneurs, to create social wealth and value.

Saudi Arabia is an Islamic country and its people are considered a collaborative and collective culture with strong kinship ties. Several institutional logics coexist in this context such as religion, family, community and the state. The normative institutions are enforced by the Islamic Law in Saudi Arabia. Islam teaching advances the concepts of helping those in need, Ehsan (giving care) and compassion for others. One of the five pillar of Islam is Zakat (almsgiving), and this is rewarded in the afterlife (Lambarraa & Riener, 2015). Waqf (endowment) is an act of worshipping God and it is rewarded as long as the Waqf is used in this life and afterlife of the donor. Salarzahi,

Armesh and Nikbin (2010: 183) further explain “Waqf is an Islamic charity foundation for the realization of goals through the property and finance allocated to legal foundation”. They suggest that Waqf is a mechanism for development and social welfare. Furthermore, Islam support people going into trade and commerce as the Holy Quran verses encourage people to trade and the prophet Mohammad promoted individuals to work (Lewis, 2001)

The Saudi state rules by sharia law (Islamic Law), therefore the religion logic is the most dominant of all logics. The social norms and values originate and are developed through religion: in contrast to other countries, the religion plays a crucial role in establishing the institutional logics, so in a certain way, the normative institution seems to take over the regulatory and cognitive institutions in the entrepreneurial context of Saudi Arabia. It might be true for the time being, as the regulatory institutions are underdeveloped in Saudi Arabia now and the cognitive institutions are in ascension, but as mentioned in the previous chapters, things are supposed to change with this Vision 2030 that urges the government to establish entrepreneurs-friendly regulations. Also, the strength of the religious logic on the individual has weakened than what it used to be in the 90’s or the first decade of the 21<sup>st</sup> century, so that the place of religion in the normative institutions will change over the next decades, changing the balance between the normative, regulatory and cognitive institutions as well.

From another perspective, however, the last years have seen a shift in the government decisions regarding the economic sector, a shift that could generate some conflicts between these multiple institutional logics, because it throws the light on the worldly, not on the religious cultural views. Since the ninth Development Plan (2010-14), the government is seeking to diversify the economy. One of the major goals of this diversification plans is to increase the private sector GDP.

Recently the 2030 Vision has aimed to increase the number of SMEs. This movement by the government to promote entrepreneurship since 2010 shed the light to successful entrepreneurs' role models, and this has encouraged more people to be entrepreneurs. This further explains the important role of the normative institution on EO in this context.

Furthermore, the previous assessment of studies on linking the institutional normative dimensions with EO in SMEs in general and SEs in particular is underdeveloped in the first and non-existent in the later. This research addresses this gap in the literature. This outcome supports the call for a more research in this area to advance our understanding of the effect of the institutional dimensions on EO in firms, as well as to support the construction of a theory driven research of SEs.

This part of the study discussed the positive relationship between normative institutions and EO, although there is not much research on how normative institutions influence EO in SEs. However, by extrapolation, this study found out that that the Saudi cultural and religious context shows admiration and supports entrepreneurship in general. Even though the cognitive institutions do not support EO in SEs, it is suggested that religion – the most dominant logic of all in this context– influenced the normative institutions heavily to have this positive effect on EO.

While the first hypothesis of the study concentrated individually on different dimensions of EO and the second hypothesis focused on the relationship between regulative, cognitive and normative institutions and EO, the next section will link them together with firm performance in an overarching attempt to answer and discuss the findings of the third and last question of the research.

### **7.3 Linking the Institutional Environment, EO and Performance relationship**

This section aims to answer the third and last questions of this research by revealing the interactions between the institutional environment, EO and SEs performance by empirically testing the country institutional environment effect on SEs performance and thereafter checking if EO moderate this relationship. The findings from the previous chapter show a positive impact of the institutions environment on SEs performance and EO moderate this relationship. Noting that the institutional environment and EO scales used in the analyses both were used as unidimensional construct. Furthermore, this section will reflect on the dual model that was proposed in chapter two.

In entrepreneurship research number of studies have examined the linkage between EO and performance while examining different moderating variables effects between them (Rauch et al., 2009; Saeed, Yousafzai & Engelen, 2014). However, little empirical research has been dedicated to examining EO as the moderator in the firm performance relationship. Research showed that regardless of the firm type, the performance of the firm benefits from entrepreneurial orientation (Saeed, Yousafzai, & Engelen, 2014). Covin and Lumpkin (2011) argued that the firms with high entrepreneurial orientation, which pursue new alternative courses, take risks and have high orientation towards innovation; have more probability to tap and optimise new business opportunities and achieve higher performance. Entrepreneurial orientation enables firms to move beyond the traditional practices and it enhances firm performance therefore, EO enhance the effect of the institutional environment on firm performance.

It has been established from previous discussions that SEs operate in challenging environments with scarce resources while building their dynamic capabilities to survive, sustain their venture and thereafter succeed in achieving their social goals. While doing so, they use entrepreneurial behaviour (Anderson et al., 2015) and act in a calculated risk manner to avoid tainting the firm's social identity. Applying EO strategies help smooth the complex relationship between ventures and their environments, as suggested by Rosenbusch, Rauch, and Bausch (2013: 1) "firms adjust their entrepreneurial orientation (EO) to the external environment and use it as a mechanism to transform the advantages provided by the environment into above-average performance levels."

The IT suggest that all organisations are homogeneous because they all act according to the norms and law while the RBV suggest that they are heterogeneous because they try to reach a competitive advantage to achieve profit maximisation. In the context of SE, SEs need to abide to rules and norms to be legitimate by doing so this legitimacy help them build their capabilities to achieve their social goals not their profit maximisation ones and here comes the importance of EO, as it makes SEs exhibit innovative methods of serving the firm's social purpose and generating income. Therefore, EO help firms to take advantages of their institutional environment to reach a competitive advantage by reaching successful performance levels.

To establish an overarching relationship between the institutional environment, EO, and performance respectively, this section used a unidimensional construct in the analyses and discussed a dual model that took into account both RBV and IT theories. It concluded that EO plays a very important role in helping SEs to profit from the institutional environment for the



specific purpose of improving their performance. Therefore, their interdependence on each other makes it possible for the firms to reach their full potential.

#### **7.4 Summary**

This chapter discusses the results of this research which are as follows. The first section focused on the first hypothesis which concentrated on the three dimensions of EO effect on SEs performance, and that is followed by the second section focusing on the second hypothesis that emphasised on the relationship between regulative, cognitive and normative institutions and SEs EO. The last section linked those variables together with firm performance in attempt to answer and discuss the findings of the three research questions.

## **Chapter 8 The Conclusion**

### **8.1 Introduction**

This chapter propose to provide an overview of the main contributions of the study, followed by presenting the implication of the research; including generalisability of the results, the main limitations of this research, practical application for practitioners, managers and policy makers. Thereafter, discussing possible directions for future research and then ending the chapter with some concluding thoughts.

### **8.2 The Main Contributions of the Study**

By investigating the phenomenon of SE through the empirical examination of performance, EO, and the institutional environment, this study extends the research landscape of EO, RBV, and IT and reinforces the development of a modern approach to SE in Saudi Arabia. This research aims to further the discussion and understanding of SE and that it prompts new research directions. Furthermore, the main contributions of this study can be summarised in the following points:

First, the study extends the RBV by examining the firm performance process that has been influenced by the EO dimensions of risk-taking, proactiveness, and innovativeness in the specific context of social entrepreneurship. This study acknowledge Anderson, Kreiser, Kuratko, Hornsby, and Eshima (2015) conceptualisation of EO by collapsing the innovativeness dimension with the proactiveness into one dimension of ‘entrepreneurial behaviours’ this study encourage researchers to use this conceptualisation

in SE literature and as a promoter of SEs performance. Entrepreneurial behaviours will aid SEs to gain the support as well as acceptance of multiple stakeholders while seeking to achieve the enterprise's social objective to create the necessary social impact and represent potential success factor and outstanding performance.

Second, the study links EO and IT (Scott, 1995) by exploring the different effects of various dimensions of the institutional environment (regulative, cognitive, and normative), and it particularly emphasises that it can influence EO either positively or negatively depending on the national context. In the context of Saudi, this research found that the regulative institutions have no significant effect on EO; however, the cognitive and normative institutions have a significant effect on EO. In some contexts, the cognitive environment (such as the absence of entrepreneurship education and learning, the unavailability of shared market information and uncertainty avoidance) will have a negative effect on EO and vice versa. However, if national norms favour entrepreneurship, then this institutional dimension will have a positive influence on EO and the management of the SEs.

Third, in general this study reinforces the more recent efforts in the social entrepreneurship literature that stress the importance of institutional contexts. The findings also draw attention to how developments in the IT and RBV can enhance our understanding of social entrepreneurship as phenomena and how it can help social enterprises thrive in their social quest of transforming societies and creating social value.

Fourth, this study is filling a gap in literature by investigating entrepreneurial orientation (EO) on social entrepreneurs using a new data set. EO is associated with

enhanced financial performance, though it is unclear if it affects SE outcomes (Lumpkin, Moss, Gras, Kato, & Amezcua, 2013). Lumpkin et al. (2013) suggested that EO is necessary for social entrepreneurs to succeed in their quest to tackle social problems. Social entrepreneurs promote societal innovation by taking ideas, building capacity, and demonstrating positive social impact (Perrini & Vurro, 2006). From a methodological point of view, the study applied measures developed by other studies on EO and SEs performance, considering the three main approaches to measuring entrepreneurial orientation: managerial perceptions, firm behaviours, and resource allocations (Lyon, Lumpkin, & Dess, 2000). While addressing issues of understanding the influence of dimensions of EO on a firm outcome such as firm performance (Wales et al 2013). The literature suggests that EO affect performance positively in entrepreneurial firms, but it was not conclusive if EO is usable without any modifications to its scale in the SE context. Therefore, this study checked if EO can influence performance in this context by testing each EO dimension separately to see the positive effects on firm performance.

Fifth, this research looked at the managers of those SEs roles in managing their firms by taking competitive advantage actions. Such actions include enhancing performance strategies by adapting a previous measure of firm performance and extending it by adding measurements of manager talent and intangible resources (such as legitimacy), It is important to add too any performance measure of SEs a legitimacy variable as it is one of the important indicators of SEs success. This study has tested a subjective measure of SEs performance and suggests that subjective measures are better indicators of SEs performance than objective indicators.

Sixth, this investigation will contribute to the RBV, as the role of managers is underdeveloped in the RBV (Sirmon, Hitt, Ireland, & Gilbert, 2011) and respond to calls to focus on targeted areas of performance (Gupta & Wales, 2017). We draw lessons for entrepreneurs, managers and policy-makers on the institutional dimensions that could help to facilitate and develop EO in SE in the KSA, a country which has seen rapid population growth from 9.74 million in 1980 to 32.28 million in 2016 (World Bank, 2017) and an increase in problems which need to be addressed by SEs (Alzalabani, Modi, & Haque, 2013).

Last, this study responds to calls for more research on the relationship between SE and the environment (Bacq & Janssen, 2011; Mair & Martí, 2006) by exploring the relationship between regulative, cognitive and normative institutional theory forces (Scott, 1995; Busenitz, Gómez, & Spencer, 2000) and EO in SEs in the KSA. We find that a cognitive and normative environment that encourages a more favorable entrepreneurship environment in a country can facilitate greater EO in social entrepreneurship firms.

### **8.3 Implications of the research**

#### **8.3.1 Generalisation of the results**

The validation analyses conducted here indicate that the construct was, in fact, valid and that the findings would also be beneficial to other areas of social entrepreneurship as well. Now, the question is whether the application scope of these findings can be extended to other countries such as the Middle East and North Africa (MENA) countries and

developing countries or whether they are limited only to the Saudi Arabian business context. On one hand, Saudi is part of the MENA countries where the socio-economic landscape is similar therefore, people in those countries face similar challenges such as high unemployment rates and gender inequality (Jamali & Lanteri, 2016). On the other hand, Saudi is considered a developing country and Saudi SEs face similar resources constraints as other SEs in other developing countries hence, some researchers found that even SEs in developed countries face challenges in resources mobilisation (Austin et al., 2006; Desa & Basu, 2013). In this context, this study advances existing knowledge in the context of EO and SEs's performance in developing countries, setting theoretical and empirical foundation for a better understanding of such phenomena in developed countries as well.

Although EO is one of the few entrepreneurship constructs applied differently across countries and regions because of the differences in business cultures, it cannot be ruled out as totally dependent on this factor. However, this study argued that the inconsistencies in findings concerning the association between the EO dimension of risk-taking and firm performance in SEs are due to the external environment and have found empirical support for this argument. Therefore, it is important to interpret the results of this study in the context of Saudi Arabian entrepreneurship endeavours and, when applicable, to implement them in other contexts as well. As Lumpkin et al. (2013) warned,

“We also suggest that EO scale measurement should be modified to better capture SE phenomena. EO dimensions have been applied to non-profit contexts without definitional change (e.g., Barrett, Balloun, & Weinstein, 2005), yet as we have shown,

entrepreneurial processes may differ in social contexts versus more traditional venture contexts” (p. 779).

Further research is needed to establish to what extent such findings could be applied to contexts other than specific SE in contemporary Saudi Arabia. Because the results cannot be expanded to other business contexts, there are some obvious limitations to the study. The next section will discuss these limitations, focusing particularly on those that restrict the generalisability of the results.

### **8.3.2 Limitations**

Like any other study, this research has limitations that open avenues for further inquiry. First, this study does not enable us to determine causal relationships in the strict meaning of the concept because both the dependent and independent variables were examined at a specific point in time rather a wider span of sequential or arbitrary moments chosen in advance. This approach limits the possibility of inferring full causality from emerging relationships. Even though this research has addressed this issue empirically in chapter four, a longitudinal study would open a new avenue of research that would enrich the findings of the present study. Because this PhD study was conducted within limited time and resources, a longitudinal study was not possible. However, the researcher plans to resurvey the SEs firms in the future and also reach out to new SEs.

Second, the sample primarily comprises of Saudi social enterprises and, thus, the generalisability of the findings may be questioned. However, the Saudi is a Muslim country

that shares a similar culture and norms with other Islamic countries such as Pakistan, Malaysia and Indonesia. Furthermore, the Saudi is part of the MENA countries where the socio-economic landscape is similar. Furthermore, the Saudi is considered a developing country and its SEs face similar performance challenges as other SEs in other developing countries.

On the other hand, what seems quite obvious in the specialised literature about this correlation between EO dimensions and performance of SEs, between the institutional environment dimensions and EO in SEs turns to be quite complicated in practice in a country like Saudi Arabia, where the relationship between the institutional environment, EO and SEs plays a different role than in the Western parts of the world. In a country, where the social norms and values originate and are developed through religion, the understanding of institutions, EO and SE are filtered through the religious principles and tend to act according to these long-established norms. For example, while the social proactiveness was a central part of the Muslim religion, the Quran urging people to get involved into the solving of social issues, the other dimension of risk-taking is shunned by religious standards. Muslims believe that they should abstain from being in a state of risk or destruction, which generally results in them avoiding risk. This simple example showed that the religion shapes institutional environment and social entrepreneurs' activities and performance in a different way, so when discussing the findings of the other studies, it posed a limitation to this particular research in terms of what is applicable to western countries for example, and what is not to the specific context of Saudi Arabia.



Therefore, taking into account all these limitations – the limited time for research, the impossibility to generalize the findings, the versatile approach to entrepreneurship in Saudi Arabia, the lack of regulations to get the assessment, and the literature gap – the study prompts for expanding the research to other countries and a longer period of time.

### **8.3.3 Practical applications**

The results of this study are of direct practical relevance to three areas in Saudi Arabia SE context, but they can be extrapolated to other regions of the world that face the same challenges as well: (1) the cooperation between SEs and other institutions, such as government, religious entities, corporations, and universities; (2) the management of SEs; and (3) the government involvement through regulations and policies that encourage the development of SE.

This study suggests that the government has neither a positive nor a negative effect on SEs in Saudi Arabia; however, with the establishment of the SMEA there has been several stimulation packages and laws supporting SMEs, and more are expected to be announced in 2018. In general, governments can reduce the challenges pertaining to regulatory frameworks by implementing laws and regulations that foster SE in a country. More studies support this finding: Sulphey and Alkahtani (2017) mentioned that it is high time for the Middle East in general, and Saudi Arabia in particular, to foster social entrepreneurship amid growing problems such as poverty and social issues. In Islam, the

rich are supposed to give to the poor, there are old practices such as giving to charities and there are new practices, which include supporting SEs.

One of the major difficulties facing SEs general is financing. It is important for SEs to find access to capital market funding while not moving them away from their social mission, Wainwright and Manville (2017) argue that financialisation to meet the third sector demand may challenge their social objectives. One particular application that can help in such situation, is to channel the old Islamic practices of alms giving and Waqf generated money to government managed funds that support the financing needs of SEs, through (1) well governed regulations, (2) legitimising of SEs (3) Issuing a fatwa (Islamic ruling) from the Saudi supreme court of religious Islamic scholars that approves giving the money of Zakat, Sadaqa and Waqf to SEs. On the other hand, the government could take the same regulations that apply to charitable organisations and adjust them to fit the needs of SEs in an effort to promote the image of social objectives associated to SEs's performance outcomes. This would not be difficult, as in Islam, as mentioned before, the rich are supposed to donate to the poor, so a part of these funds could be converted into financial resources for SEs.

Dhillon and Yousaf (2011) illustrated that Middle Eastern countries face some unique problems, such as an increase in population coupled with stretched resources and high rates of youth unemployment. In this context, Sulphery and Alkahtani (2017) identified a particular need for developing SEs in Saudi Arabia and emphasised the importance of developing partnerships between corporations and social organisations, recognising and appreciating SEs efforts, and funding these efforts using innovative and sustainable

methods. Partnerships would benefit both parties, as these partnerships could generate finances for the social organisations and innovative contributions from the external parties for the SEs. In this way, the government's responsibility to foster social entrepreneurship will be shared with the large corporations and the burden would not be perceived as too heavy by the regulatory institutions. It is important for companies and universities to get involved in supporting the SE environment by collaborating in offering SE competitions that could have some focus on the environmental effects of those companies and how the students can come up with creative solutions for them. Again, the government plays a key-role not only in changing the common perspective on SE, but also in delegating tasks to other institutions in order support the development of SEs in Saudi Arabia.

Regulative institutions play a major role in influencing innovation in an organisation. Leyden (2016) suggested that two types of public sector policies should be considered here: indirect and direct policies. Regulative institutions can indirectly intervene to provide firms with a creative environment that facilitates innovation (Leyden, 2016). Schacht (2009) gave the example of the 1980 Bayh–Dole Act in the United States, which enhanced the ability of entrepreneurs to exploit social networks in the form of government-funded university research. The result of this law was an increase in the transfer of technological knowledge between organisations and universities at lower costs (Schacht, 2009). On one hand direct policies also influence innovation. Leyden (2016) implied that if a policy facilitates competition, it will also increase innovation. Therefore, another way in which the government can support the development of SE in Saudi Arabia is to help them indirectly:

- (1) Funding universities SE centres. This would benefit both parties, as the social entrepreneurs would develop their talent, build their capabilities and expand their social networks, while the universities would have a hands-on experience into a domain that has been overlooked over the years, thus contributing to the better understanding of the advantages, opportunities, and challenges of SEs in Saudi Arabia.
- (2) Encourage the chamber of commerce in each region to support building networks within the SEs communities, this will encourage collaboration, innovation and knowledge transfer. In support, McAdam, McAdam, Dunn, and McCall (2016) found when government local agencies manage agri-food sector SMEs networks, members of network share knowledge and innovation through collaborative product meeting market demands.

Besides the above-mentioned practical types of indirect involvement of the government into the promotion and support of the social entrepreneurship, there are of course direct ways in which the government could contribute to SE development. The results of this study are of direct practical relevance to policy makers. First, this study suggests that the regulative environment has neither a positive nor a negative effect on SE in the KSA; however, legislators can reduce the challenges pertaining to regulatory frameworks by implementing laws and regulations that foster SE in this country and therefore moving from a neutral impact to more positive impact. Second, policy makers can take advantage of the positive impact of the normative environment on EO and cultivate that to developing partnerships between the government and the people to support social enterprises' efforts, and funding these efforts using Zakat and Waqf money. Third,

policy makers can foster the entrepreneurial orientation by offering formal and informal entrepreneurial education and training that focus on cultivating entrepreneurial behaviour.

Sahni, Wessel, and Christensen (2013) emphasised the importance of eliminating uncertainty in public-sector entrepreneurs. These entrepreneurs need to be convinced that their ideas will not be dismissed. Their confidence and faith in the system will encourage them to be innovative. Furthermore, Letaifa and Rabeau (2013) suggested that the government can intervene by giving direct financing, creating specific development programs, and supervising various initiatives to boost innovation. Sales tax, excise tax, laws regarding bribery and corruption, laws regarding bankruptcy, and business tax are some other areas through which government can indirectly affect innovation (Leyden & Link, 2015). On the other hand, regulative institutions can be a barrier to social innovation (Moulaert, 2009).

The institutional environment matters when it comes to innovation. Anokhin and Schulze (2009) stated, “Institutional factors appear to play an important role in determining whether entrepreneurial and innovative initiative will arise” (p.2). Their study found that an increased level of corruption would hinder innovation and entrepreneurship. Policy makers should seek to have a better understanding of these innovative drivers. The institutional variables that hindered the innovative process of an organisation included: High cost of research, high taxes on the activities of innovative corporations, ineffective federal government programs, weak regional innovation policy, and weak civil infrastructure for innovative firms (Prokin, Lepikhina, Anisimova, & Karpovich, 2015). On this note, Robson et al. (2009) stated, “The lack of government policies towards the

promotion of small businesses has hindered their innovation abilities and hence their development” (p. 337). Basically, it is essential for the support infrastructure of a business to be innovative in order to achieve optimum success for the enterprise (Beaver & Prince, 2002).

Government can play a vital and direct role in shifting the negative impact of the cognitive environment into a positive one by supporting SE formal and informal learning such as offering SE models in Saudi Universities, SE courses, webinars. One more suggestion is to focus on offering Arabic material on SE online, such as online courses, educational videos, books, how to tool kits and readymade templates such as visibility study. Government can support the establishment of SE incubators and accelerators as they currently do not exist in the country, although they have contributed much to the entrepreneurship eco-system in Saudi Arabia and it is expected to do the same for SE.

The researcher would like to underline two major implications for managers as well. The first is that although the effects of EO vary across firms depending on their institutional environment, there is a generally positive effect of EO across the contexts that have been investigated. In other words, based on the outcomes of this study, it appears that EO generally contributes to firm performance. Therefore, the managers’ proactive behaviour and innovativeness are at stake when it comes to talk about the performance of their organisation. They should implement strategies that are mirroring their efforts to be proactive and innovative in the given context. The second is that EO can be used as a mechanism to overcome constraints imposed by limited resources and an environment in which new opportunities rarely occur. It is under these conditions that managers can truly

benefit from being innovative and proactive, thus gaining legitimacy and expanding their business' respective stakeholder pools. The innovation, proactiveness and consequently, the gained legitimacy of the organisations helps them to get more visible in the public domain, which can lead to enhancement public awareness of SE in Saudi Arabia. Often, these movements do a better job in promoting the social entrepreneurship than other external factors and the managers should be well aware of that and take advantage of such opportunities.

#### **8.3.4 Recommendations for future research**

Further studies are necessary to establish more accurate measurements of EO dimensions. In highlighting the unique ways in which EO may apply to the particular SE contexts, it is also suggested that the obvious differences in EO dimensions require unique conceptualisation and that the measurements require unique instruments in order to appropriately account for these differences. Therefore, a modification of the EO scale to be more consistent with the context of SE is suggested in term of the risk-taking dimension. For example, risk-taking items need to be changed to fit this specific context considering that SEs may not take such large risks as do commercial entrepreneurs because with increased risk there is an increase potential for failure. This means two things: first, SEs could lose their legitimacy, and second, if said SEs go bankrupt, the beneficiaries of their services may not be helped by others in the market (e.g., dying people, poor people receiving health care, those receiving SE-provided education). Other items should focus

more on collaboration rather than rivalry and competition, SE firms should explore partnerships and alliances to expand their impact and spread their methods of creating social value. In the future, larger studies with longitudinal statistical evidence would be helpful in this particular field because these issues need to be resolved to advance a more accurate assessment of EO and social entrepreneurship.

Other area of exploration is to establish a comparison between CEs and SEs when it comes to EO and the effect of the institutional environment on their EO empirically to find similarities and differences. Even though this research did not test for the EO dimensions of autonomy and competitive aggressiveness, it would be interesting to be included in such a research. We suggest that research in the same country will take a sample of CEs and SEs and compare their EO against each other and find out on which dimensions each sample will have higher levels. After doing so, the researchers may compare both samples on the effect of the institutional dimensions (regulative, cognitive and normative) on each EO dimension (proactiveness, risk taking, innovativeness, autonomy and competitive aggressiveness). Such research would firstly help us understand more about the similarities and differences between CE and SE; secondly, it would help us understand how each dimension of the institutional environment affect the EO in commercial enterprises and SEs and that will help policy makers to create a better ecosystem for fostering both CE and SE.

Other suggestion may be a comparison between gender differences between commercial enterprises and SEs when it comes to EO and the effect of the institutional environment on their EO. Past researches have showed that the number of female



entrepreneurs is much lower than the number of female social entrepreneurs when compared to their male counterparts. This gender difference could be explained by a study that will test the gender entrepreneurial differences in attitude between both samples and if the institutional environmental dimensions contribute to such differences.

Future research may examine to what extent the researcher's findings could be applied to contexts other than specific social entrepreneurship in contemporary the KSA. While this study focuses on the institutional dimensions, institutional logics are as important in this context but not tested empirically in this study. Future research can apply institutional logics frameworks and expand on Busenitz et al. (2000) scale to develop a richer understanding of institutional logics and their effect on EO and SE implications within a specific context. Other area of exploration can focus on the moderating effects of EO dimensions of innovativeness, proactiveness and risk-taking on performance. In this study, the researcher added an item related to religion to the institutional environmental scale that has emerged alone in a fourth factor in addition to the other three factors (regulative, cognitive and normative) in the PCA. This result could suggest that the religion logic is of a great importance in such a context and exploring it with other institutional logics could be a fruitful area of research.

#### **8.4 Conclusion**

As stated previously, the main question of this research was, "What is the impact of the institutional environment on SEs' EO and performance in the context of Saudi Arabia?" In order to answer the question, this research has presented new insights into an

under-researched area, the links between the institutional environment, EO and SEs' performance. This study used a new data set of 308 SEs in Saudi Arabia and has found that innovativeness and also proactiveness but not risk-taking are related to SEs's performance. The study investigated the phenomenon of SE through the empirical examination of firm performance, EO, and the institutional environment. Extending the research landscape of EO, RBV, and IT, by finding relevant connections between them, connections that could reinforce the development of a modern approach to SE in Saudi Arabia. This research also applied the institutional theory in order to have a better understanding of EO in SE research by looking at the regulative, cognitive and normative institutional dimension (Scott, 1995; Busenitz, Gómez, & Spencer, 2000). In doing so, this research explored the relationship between SE and the institutional environment considering both entrepreneurial behaviour within context (Welter, 2011; Zahra & Wright, 2011) and the influence of culture and institutions on SEs activities (Zahra, Newey, & Li, 2014). In this way, this study furthers the discussion and understanding of social entrepreneurship and prompts new research directions.

This research used the RBV theoretical lense by examining the firm performance process in SEs. The results indicate that the EO dimensions of proactiveness and innovativeness influenced SEs performance positively while, the dimension of risk-taking has no influence on SEs performance. Also, the research suggest that EO can be used as a mechanism by SEs to overcome constraints imposed by limited resources in constrained environment. Furthermore, the duel theoretical model of IT and RBV expanded our comprehension of the SE phenomenon by understanding how SEs can take advantages of

their institutional environment to reach a competitive advantage by reaching successful performance levels.

This study adds to our current knowledge on whether the institutional environment fosters EO in SE in social enterprises in a developing country such as the KSA. Building on IT, this study addresses the relationships among them and found that regulative institutional dimension have no effect on EO. This research looks at institutional dimensions on a national level, and their dynamics on the entrepreneurship processes of EO (risk-taking, innovativeness and proactiveness) while cognitive institutions and EO are negatively correlated, and EO is positively related to normative institutions. This study contributes to the EO literature by theorising and testing how the institutional environment dimensions of a country can foster or hinder EO, and by doing so address a gap in the literature of testing the role of national culture on EO (Fayolle, Basso, & Bouchard, 2010). Furthermore, the findings indicate that IT is a useful theoretical lens for SE and EO research, especially for studies in the context of developing countries.

The EO original scale is econometrically tested for the first time in social enterprises. Results are tied to organisational behaviour insofar as they rely on the content that the SEs provides to the public. EO is associated with enhanced financial performance, though it remains unclear if it affects social enterprise outcomes (Lumpkin et al., 2013). Furthermore, EO can help SEs in take advantage of their institutional environments by applying innovative and proactive strategies in gathering and transforming resources to enhance their performance levels. Therefore, this study encourages researchers to use the EO construct as measurement for social enterprises to test entrepreneurial attitudes to unify

measurements across studies. This research represents a start toward comprehending the linkage between the institutional dimensions and EO in SEs and thus, encouraging future studies on this significant nexus.

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## Appendix I

### English and Arabic Questionnaire



Dear owner/manager,

This letter is to invite you to participate in my research project by kindly completing the attached questionnaire. It will take around 15 minutes to complete it.

My name is Ghadah Alarifi. I am a lecturer at Princess Nora University and sponsored to complete my Doctor of Philosophy PhD studies at Royal Holloway, University of London, UK, under the supervision of Professor Paul Robson and Dr. Endrit Kromidha.

The title of my research is "Social Entrepreneurship\*: challenges and sustainability in the context of Saudi Arabia ". The aim of the research is to examine institutional challenges facing Saudi social entrepreneurs and understand their success factors, and shed some light into the entrepreneurial attitudes of social entrepreneurs. This will insure social entrepreneurs' sustainability and enhance their stability over time, resulting in a more stable and diverse economy.

All information provided in this questionnaire will be kept confidential and anonymous, and will be used for academic research only. Your participation in this study is voluntary and you are free to withdraw your participation from this study at any time.

Please fill in your details at the end of the questionnaire if you want to receive a copy of the study findings and recommendations, which will assist you in making decisions to ensure your business continuity.

If you have any questions regarding the questionnaire or the study in general, please contact me. Thank you for your time.

Ghadah Alarifi (PhD Candidate)

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\* Social Entrepreneurship: "is the use of start up company-style business venture techniques to develop, fund and implement innovative solutions to social, cultural, or environmental issues" (Broadcasting, 2005).

**Section One:** Social Entrepreneur

Please tick (✓) the appropriate boxes and fill in the appropriate blanks

<b>1.1 Gender</b>	<input type="checkbox"/> Male	<input type="checkbox"/> Female
<b>1.2 Age..... years</b>		
<b>1.3 Education level</b>	<input type="checkbox"/> High school	<input type="checkbox"/> Diploma
	<input type="checkbox"/> Bachelor	<input type="checkbox"/> Master
	<input type="checkbox"/> PhD	Other: _____
<b>1.4 Have you fully own or partially own a business in addition to your current business?</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If <b>Yes</b> , how many businesses do you currently own or partly own .....		
How many businesses have you owned or partly owned <b>in the past</b> and had sold / closed .....		
<b>1.5 Do you have any previous experience in management</b> before your current position?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If Yes how many years.....		
<b>1.6 What is your position in the Social enterprise? Please tick as many as applies</b>		
<input type="checkbox"/> Founder	<input type="checkbox"/> Board member	<input type="checkbox"/> CEO/ President
<input type="checkbox"/> Manager	<input type="checkbox"/> Other, please specify .....	
<b>1.7 Do you work in the Social enterprise:</b>	<input type="checkbox"/> Full time	<input type="checkbox"/> Part-time
	<input type="checkbox"/> Volunteer	<input type="checkbox"/> Other _____

<b>Section Two: General Social Enterprise Characteristics</b>								
<b>In this section, please focus on your social enterprise</b>								
<b>2.1 Please indicate the year this social enterprise started/established .....</b>								
<b>2.2 Kindly specify the current number of:</b>								
A- Full time employees ..... B- Part time employees ..... C- Volunteers.....								
<b>2.3 What social problem does your social enterprise try to solve (the focus)?</b>								
<input type="checkbox"/> Education and training	<input type="checkbox"/> Environment	<input type="checkbox"/> Health & fitness	<input type="checkbox"/> Poverty	<input type="checkbox"/> Cultural	<input type="checkbox"/> Unemployment			
<input type="checkbox"/> Other, please specify .....								
<b>2.4 What is the legal form of the social enterprise?</b>								
<input type="checkbox"/> Commercial license	<input type="checkbox"/> Endowments Company	<input type="checkbox"/> Incubated by another organization						
<input type="checkbox"/> NGO	<input type="checkbox"/> Cooperative	<input type="checkbox"/> Subsidiary of another organization						
<input type="checkbox"/> Other, please specify.....								
<b>2.5 What sources of income did your social enterprise receive in the last year? (Please tick as many as applies)</b>								
<input type="checkbox"/> Equity	<input type="checkbox"/> Grants	<input type="checkbox"/> Family	<input type="checkbox"/> Gov. support	<input type="checkbox"/> Sadaqa	<input type="checkbox"/> Sponsorships	<input type="checkbox"/> Waqf	<input type="checkbox"/> Loan	
<input type="checkbox"/> Sales	<input type="checkbox"/> Memberships	<input type="checkbox"/> Other, please specify.....						
<b>2.6 Is this Social enterprise formally registered?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No ( if "No" move to question 2.10)								
<b>Indicate the Degree of support to each of the following statements by circling a number.</b>		Never	Almost never	Rarely	Occasionally	Often	Very Often	Always

<b>2.7</b> It is common for firms in my line of business to have long and time-consuming government procedures.	1	2	3	4	5	6	7	
<b>2.8</b> It is common for firms in my line of business to have to pay some irregular additional payments to get things done.	1	2	3	4	5	6	7	
<b>2.9</b> If a government agent acts against the rules I can usually go to another official or to his superior and get the correct treatment without recourse to unofficial payments.	1	2	3	4	5	6	7	
<b>2.10</b> Has the social enterprise paid any salaries, wages, or payments of any kind, including your own salary, for more than three months? <input type="checkbox"/> Yes <input type="checkbox"/> No								
<b>2.11</b> The city your social enterprise is currently operating in: <input type="checkbox"/> Riyadh <input type="checkbox"/> Jeddah <input type="checkbox"/> Makkah <input type="checkbox"/> Eastern Provence <input type="checkbox"/> Other, please specify.....								
<b>2.12</b> Indicate the Degree of agreeableness to each of the following statements by circling a number.								
<b>Our organization.....</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Slightly Disagree</b>	<b>Neither Disagree or Agree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly Agree</b>	
Beneficiaries satisfied (clients, donors, staff and volunteers).	1	2	3	4	5	6	7	
Receive adequate funding to implement its programs.	1	2	3	4	5	6	7	
Efficient in operations.	1	2	3	4	5	6	7	
Attaining its stated goals and objectives.	1	2	3	4	5	6	7	
Able to adapt to the changing environment so as to attain its mission and vision during changing circumstances.	1	2	3	4	5	6	7	
<b>2.13</b> How do you view your social enterprise? Please indicate the extent of agreeableness to each of the following statements by circling a number. If an item does not apply to your company, please circle not applicable (NA).								
<b>Our organization.....</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Slightly Disagree</b>	<b>Neither Disagree or Agree</b>	<b>slightly agree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Not applicable</b>
Priority is to run programs that directly tie to our social mission.	1	2	3	4	5	6	7	N/A
Capable of growing a large volunteer base.	1	2	3	4	5	6	7	N/A
Capable of growing a larger donor base.	1	2	3	4	5	6	7	N/A
Always looking for new ways to address social needs.	1	2	3	4	5	6	7	N/A
Capable of raising enough funds.	1	2	3	4	5	6	7	N/A
Capable of staffing human resources.	1	2	3	4	5	6	7	N/A
Has gained credibility (good reputation ).	1	2	3	4	5	6	7	N/A
Well connected to stakeholders.	1	2	3	4	5	6	7	N/A



Financially sustainable.	1	2	3	4	5	6	7	N/A
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**Section Three: Innovativeness Dimensions**

**3.1 In this section, the focus is on your organisation in the past five years. Below is a scale from 1 to 7. Please circle a number in each row that best represent your agreeableness of the statement (1, least agreeableness, to 7, most agreeableness).**

	Strongly disagree	disagree	slightly disagree	neither disagree or agree	slightly agree	agree	Strongly agree	Not applicable
In new product and service introductions, our company is often first-to-market.	1	2	3	4	5	6	7	N/A
Our new products and services are often perceived as very novel by customers.	1	2	3	4	5	6	7	N/A
In comparison with our competitors, our company has introduced more innovative products and services during the past five years.	1	2	3	4	5	6	7	N/A
In comparison with our competitors, our company has a lower success rate in new products and services launch.	1	2	3	4	5	6	7	N/A
Our company attracts extensive new customer group and/or creates new market	1	2	3	4	5	6	7	N/A
Our company build new channels of distribution and/or new service	1	2	3	4	5	6	7	N/A
Our company established a new modes of communication with our customers	1	2	3	4	5	6	7	N/A
Our company collaborate with others to improves the likelihood of developing new products and services	1	2	3	4	5	6	7	N/A
Our company collaborate with others in the market to exchange information and market knowledge	1	2	3	4	5	6	7	N/A
In new product and service introductions, our company is often collaborating with other firms to market it.	1	2	3	4	5	6	7	N/A
Our company adapt to markets needs to develop or/and introduce new product and service	1	2	3	4	5	6	7	N/A
New products have been completed in less time than what was considered normal for customary for our industry.	1	2	3	4	5	6	7	N/A
Our company offering a new way of promoting or marketing a product or service (i.e. the first time use of a new advertising media such as social	1	2	3	4	5	6	7	N/A

<i>media , a new brand image, introduction of loyalty cards, etc.)</i>								
If our products or services did not exist, our customers' needs would be served elsewhere in the market.	1	2	3	4	5	6	7	N/A
We are constantly improving our business processes.	1	2	3	4	5	6	7	N/A
Our company changes production methods at a great speed in comparison with our competitors.	1	2	3	4	5	6	7	N/A
During the past five years, our company has developed many new management approaches.	1	2	3	4	5	6	7	N/A
When we cannot solve a problem using conventional methods, we improvise on new methods.	1	2	3	4	5	6	7	N/A
We get a lot of support from managers/staff if we want to try new ways of doing things.	1	2	3	4	5	6	7	N/A
In our company, we tolerate individuals who do things in a different way.	1	2	3	4	5	6	7	N/A
We are willing to try new ways of doing things and seek unusual, novel solutions.	1	2	3	4	5	6	7	N/A
We encourage people to think and behave in original and novel ways.	1	2	3	4	5	6	7	N/A

#### **Section Four: Institutional Dimensions**

**4.1 In this section, the focus is on Saudi Arabia. Below is a scale from 1 to 7. Please circle a number in each row that best represent your agreeableness of the statement (1, least agreeableness, to 7, most agreeableness). If an item does not apply to your company, please circle not applicable (NA).**

	Strongly disagree	disagree	slightly disagree	neither disagree or agree	slightly agree	agree	Strongly agree	Not applicable
Government regulations in this country assist individuals with starting their businesses.	1	2	3	4	5	6	7	N/A
The government sets aside government contracts for new and small businesses.	1	2	3	4	5	6	7	N/A
Local and national governments have special support available for individuals who want to start a new business.	1	2	3	4	5	6	7	N/A
The government sponsors organizations that help new businesses develop.	1	2	3	4	5	6	7	N/A
Even after failing in an earlier business, the government assists entrepreneurs in starting again.	1	2	3	4	5	6	7	N/A
Individuals know how to legally protect a new business.	1	2	3	4	5	6	7	N/A

Those who start new businesses know how to deal with much risk	1	2	3	4	5	6	7	N/A
Those who start new businesses know how to manage risk.	1	2	3	4	5	6	7	N/A
Those who start new businesses have the skills to adapt to business environmental changes.	1	2	3	4	5	6	7	N/A
Most people know where to find information about markets for their products.	1	2	3	4	5	6	7	N/A
Most people know where to find learning resources on starting a new business.	1	2	3	4	5	6	7	N/A
Most people know where to find information about good business practices.	1	2	3	4	5	6	7	N/A
Those who start new businesses share knowledge in their local business community	1	2	3	4	5	6	7	N/A
Turning new ideas into businesses is an admired career path in this country.	1	2	3	4	5	6	7	N/A
In this country, innovative and creative thinking is viewed as a route to success.	1	2	3	4	5	6	7	N/A
Entrepreneurs are admired in this country.	1	2	3	4	5	6	7	N/A
People in this country tend to greatly admire those who start their own business.	1	2	3	4	5	6	7	N/A
People choice to start a business in this country is influenced by their religious believes.	1	2	3	4	5	6	7	N/A
Families in this country support individuals to start their businesses.	1	2	3	4	5	6	7	N/A

**Section Five: Entrepreneurial Orientation EO**

**5.1 In this section, the focus is on your company's entrepreneurship. Below are pairs of statement with different positions. Please circle a number in each row between the statements that best represent your company, where 1 indicates the left statement while 7 indicates the right statement and 4 is neutral**

**Generally our company prefers to . . .**

Strongly emphasize the marketing of tried-and-true products or services.      1 2 3 4 5 6 7      Strongly emphasize R&D, technological leadership, and innovation in products or services.

**How many new lines of products or services has your firm marketed in the past five years?**

No new lines of products or services.      1 2 3 4 5 6 7      Very many new lines of products or services.

Changes in product or service lines have been mostly of a minor nature.      1 2 3 4 5 6 7      Changes in product or service lines have usually been quite dramatic.

**In dealing with its competitors, my firm . . .**

Typically responds to actions which competitors Initiate.      1 2 3 4 5 6 7      Typically initiates actions to which competitors then respond.

Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.	1 2 3 4 5 6 7	Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.
Typically seeks to avoid competitive clashes, preferring a “live-and-let-live” posture.	1 2 3 4 5 6 7	Typically adopts a very competitive, “undo-the-competitors” posture.
<b>Generally our company has . . .</b>		
A strong tendency toward projects with low risk (with normal and certain rates of return).	1 2 3 4 5 6 7	A strong tendency toward getting involved in high risk projects (with a chance of very high return).
<b>Generally we believe that . . .</b>		
The business environment of the company is such that it is better to explore it carefully and gradually in order to achieve the company’s objectives.	1 2 3 4 5 6 7	The business environment of the company is such that bold, wide-ranging acts are needed to achieve the company’s objectives.
<b>When we are facing insecure decision-making situations . . .</b>		
The business typically adopts a cautious, “wait-and-see” posture in order to minimize the probability of making costly decisions.	1 2 3 4 5 6 7	The business typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.

**Thank you! Please fill in your contact details if you would like a copy of the study findings.**

<b>Name</b>	
<b>Business</b>	
<b>Email</b>	
<b>Telephone</b>	
<b>Mobile</b>	



سعادة / الرئيس التنفيذي/المدير/المالك/ عضو مجلس الإدارة  
السلام عليكم ورحمة الله وبركاته

أدعوكم للمشاركة في مشروع بحثي بعنوان "الريادة الاجتماعية \* المعوقات والاستدامة في المنشآت السعودية" وذلك بتعبئة الاستبيان المرفق الذي سيستغرق تقريباً 15 دقيقة من وقتك فقط. (\*الريادة الاجتماعية: هي نوع من ريادة الأعمال التي تهدف الى تحقيق تأثير اجتماعي. وقد تأخذ مختلف الأشكال القانونية سواء منشأة تجارية أو جمعية تعاونية المهم بالمنشأة أنها تهدف الى تحقيق تأثير اجتماعي سواء كانت المنشأة ربحية أو غير ربحية).

يهدف هذا البحث إلى دراسة التحديات التي تواجه الريادة الاجتماعية في المنشآت السعودية والتوجه لديها نحو الابتكار لإيجاد الحلول للمشاكل الاجتماعية/البيئية/الصحية/الاقتصادية/الثقافية وغيرها. نتائج هذا البحث ستساعد بدراسة الأهداف غير المادية في هذه المنشآت وفهم عقبات تحقيقها. وإلقاء الضوء على التوجه الريادي الاجتماعي لدى المنشآت السعودية، مما سيحقق استقرار واستدامة أكبر لهذه المنشآت وبالتالي المساهمة في تنويع الاقتصاد الوطني بأذن الله.

جميع المعلومات المزودة من قبلكم ستكون سرية ومجهولة الهوية وستستخدم في البحث الأكاديمي فقط، إن مشاركتكم في هذا الاستبيان تطوعية ولكم كامل الحرية بالانسحاب في أي وقت تشاؤون.

يرجى كتابة المعلومات الخاصة بكم في نهاية الاستبيان عند الرغبة في الحصول على نسخة من ملخص نتائج البحث وتوصياته والتي ستساعدكم في اتخاذ قرارات تضمن استمرارية واستدامة منشآتكم بأذن الله، في حال كان لديكم أي استفسار بخصوص الاستبيان أو بخصوص البحث بشكل عام يرجى التواصل معي:

اسمي غادة بنت عبد الرحمن العريفي، وأعمل محاضرة في جامعة الأميرة نورة بنت عبد الرحمن. تم ابتعائي لإكمال درجة الدكتوراه في كلية رويال هولواي/ جامعة لندن وتحت إشراف البروفيسور بول روبسون و د.أندرد كورميدها.

شاكراً ومقدرة تعاونكم ،،،

طالبة الدكتوراه /غادة بنت عبد الرحمن العريفي

البريد الإلكتروني: Ghadah.alarifi.2015@rhul.ac.uk

<p><b>الجزء الأول: خصائص الرئيس التنفيذي/المدير/المالك/ عضو مجلس الإدارة</b></p> <p>يرجى وضع العلامة (✓) في الخانات المناسبة وملء الفراغات بالبيانات كاملة.</p>	
1. الجنس	<input type="checkbox"/> ذكر <input type="checkbox"/> أنثى
2. العمر:	سنة _____
3. المؤهلات العلمية	<input type="checkbox"/> شهادة ثانوية <input type="checkbox"/> دبلوم <input type="checkbox"/> شهادة جامعية <input type="checkbox"/> ماجستير <input type="checkbox"/> دكتوراه <input type="checkbox"/> أخرى: _____
4. هل تمتلك حالياً أو امتلكت بالسابق منشأة (بالكامل) أو حصة في منشأة (شريك) غير منشآتكم الرئيسية؟	<input type="checkbox"/> نعم <input type="checkbox"/> لا إذا كانت الإجابة بنعم، فكم منشأة أو حصة في منشأة تمتلك حالياً؟ _____ وكم منشأة أو حصة في منشأة بعت أو أقفلت بالسابق؟ _____
5. هل لديك خبرة سابقة في مجال الإدارة قبل منصبك الحالي؟	<input type="checkbox"/> نعم <input type="checkbox"/> لا عدد سنوات الخبرة الإدارية: _____

٦. ما هو منصبك في المنشأة ذات التوجه الريادي الاجتماعي؟ يرجى تحديد خيار واحد أو أكثر كما ينطبق الأمر

مؤسس  عضو مجلس إدارة  المدير التنفيذي/ المدير العام

مدير إدارة  أخرى، يرجى التحديد: \_\_\_\_\_

٧. هل تعمل في المنشأة ذات التوجه الريادي الاجتماعي بـ:

وظيفة بدوام كامل  وظيفة بدوام جزئي  وظيفة على أساس تطوعي  أخرى: \_\_\_\_\_

### الجزء الثاني: الخصائص العامة لمنشأة الريادة الاجتماعية

١. يرجى ذكر سنة إطلاق /تأسيس هذه المنشأة .....

٢. ما هو العدد الحالي للموظفين بالمنشأة : أ- بدوام كامل ..... ب- بدوام جزئي ..... ج- المتطوعين .....

٣. ما المشكلة الاجتماعية التي تسعى منشأتك إلى إيجاد حل لها؟

التعليم والتدريب  البيئة  الصحة واللياقة  الفقر  ثقافية  مالية  البطالة  أخرى، يرجى التحديد .....

٤. ما هو الشكل القانوني لمنشأتك؟

رخصة تجارية  مؤسسة وقفية  محتضنة من قبل منشأة أخرى  جمعية خيرية أو أهلية

مؤسسة غير ربحية  جمعية تعاونية  شركة تابعة لمنشأة أخرى (حكومية أو خاصة)

أخرى، يرجى التحديد .....

٥. ما هي مصادر الدخل التي حصلت عليها منشأتك في العام الماضي؟ (يرجى تحديد خيار واحد أو أكثر كما ينطبق الأمر)

استثمار بالمنشأة  هبات  الأسرة  دعم حكومي  صدقة  رعاية  الوقف  بيع سلعة أو تقديم خدمة

اشتراكات عضوية  قروض  أخرى، يرجى التحديد .....

٦. هل هذه المنشأة مسجلة رسمياً؟  نعم  لا

٧. هل دفعت منشأتك أي رواتب أو أجور أو مبالغ من أي نوع بما في ذلك مرتبك الخاص (ان كنت موظفاً فيها) لأكثر من ثلاثة أشهر؟  نعم  لا

81.1.1.1.1. ما هي المدينة التي تعمل بها منشأتك حالياً؟  الرياض  جدة  مكة المكرمة  المنطقة الشرقية  أخرى، يرجى التحديد ...

9. اذكر مدى موافقتك عن كل من العبارات التالية من خلال وضع دائرة حول الرقم الذي يعكس إجابتك. في حالة عدم انطباق أحد البنود على منشأتك، يرجى وضع دائرة حول "لا ينطبق".

منشأتنا ...	لا أوافق بشدة	لا أوافق	لا أوافق إلى حد ما	محايد	أوافق إلى حد ما	أوافق بشدة
لديها مستفيدون يشعرون بالرضا (العملاء والمتبرعون والعاملون والمتطوعون)	1	2	3	4	5	6
تتلقى التمويل الكافي لتنفيذ برامجها	1	2	3	4	5	6



لا ينطبق	7	6	5	4	3	2	1	حتى بعد الإخفاق في عمل سابق، تساعد الحكومة رواد الأعمال الذين أخفقوا في البدء مرة أخرى
لا ينطبق	7	6	5	4	3	2	1	يعرف الأشخاص كيفية حماية منشاتهم الجديدة من الناحية القانونية
لا ينطبق	7	6	5	4	3	2	1	الأشخاص الذين أسسوا منشآت جديدة يعرفون كيفية <u>مواجهة المخاطر العالية</u>
لا ينطبق	7	6	5	4	3	2	1	الأشخاص الذين أسسوا منشآت جديدة يعلمون كيفية <u>إدارة المخاطر</u>
لا ينطبق	7	6	5	4	3	2	1	يملك الأشخاص الذين أسسوا منشآت جديدة مهاراتٍ للتكيف مع المتغيرات التي تطرأ على بيئة الأعمال.
لا ينطبق	7	6	5	4	3	2	1	معظم الناس يعرفون أين يجدون مصادر التعلم المتعلقة ببدء أعمال تجارية جديدة.
لا ينطبق	7	6	5	4	3	2	1	معظم الناس يعرفون أين يجدون معلومات حول الممارسات التجارية الجيدة
لا ينطبق	7	6	5	4	3	2	1	الأشخاص الذين أسسوا منشآت جديدة يتشاركون المعرفة و التجارب في أوساط مجتمع الأعمال المحلي.
لا ينطبق	7	6	5	4	3	2	1	يعرف معظم الناس أين يجدون معلومات حول الأسواق الخاصة بمنتجاتهم.
لا ينطبق	7	6	5	4	3	2	1	في السعودية، يعد تحويل الأفكار الجديدة إلى أعمال تجارية هو مسار مهني يتم تشجيعه
لا ينطبق	7	6	5	4	3	2	1	في السعودية، يتم النظر إلى التفكير المبتكر والإبداعي على أنه الطريق إلى النجاح
لا ينطبق	7	6	5	4	3	2	1	في السعودية يتم النظر باحترام وتقدير إلى رواد الأعمال
لا ينطبق	7	6	5	4	3	2	1	في السعودية يميل الناس إلى الإعجاب بالأشخاص الذين يطلقون أعمالهم الخاصة
لا ينطبق	7	6	5	4	3	2	1	في السعودية، تؤثر المعتقدات الدينية على قرار الأشخاص لبدء أعمالهم الخاصة
لا ينطبق	7	6	5	4	3	2	1	في السعودية يدعم الأهل الأبناء لبدء أعمالهم الخاصة

#### الجزء الرابع: التوجه الريادي

4. يركز هذا الجزء على الأعمال الريادية للمنشأة، فيما يلي مجموعتين من العبارات ذات مواقف مختلفة. يرجى وضع دائرة على الرقم الذي يحدد موقع منشأتك بين الجملتين حيث أن الرقم (1) يميل إلى العبارات على اليمين و رقم (7) يميل إلى العبارات على اليسار و (4) محايد

بشكل عام تفضل منشأتنا:

التأكيد بقوة على المنتجات أو الخدمات المجربة والتي تم اختبارها من قبل	6 5 4 3 2 1 7	التأكيد على ضرورة البحث والتطوير، والريادة التقنية، والابتكار في المنتجات أو الخدمات
كم أنواع المنتجات أو الخدمات التي سوقت لها منشأتكم في الأعوام الخمسة الماضية؟		



ليس هناك أنواع جديدة للمنتجات أو الخدمات المقدمة	6 5 4 3 2 1 7	قدمنا أنواع متعددة من المنتجات والخدمات
هناك تغير طفيف على المنتجات أو الخدمات المقدمة	6 5 4 3 2 1 7	التغير كان ملحوظاً في أنواع المنتجات أو الخدمات المقدمة
<b>أثناء التعامل مع المنافسين، فإن منشأتنا</b>		
عادة ما تستجيب لأي مبادرة من المنافسين	6 5 4 3 2 1 7	عادة ما تبدأ بمبادرة يتجاوب لها المنافسون
من النادر أن تكون سباقاً في تقديم الجديد من المنتجات\الخدمات أو استراتيجية إدارية أو تقنية جديدة	6 5 4 3 2 1 7	عادة ما تكون سباقاً في تقديم الجديد من المنتجات\الخدمات أو استراتيجية إدارية أو تقنية جديدة
عادة ما تتجنب الاصطدام مع المنافسين متبعة سياسة "دع الخلق للخالق"	6 5 4 3 2 1 7	عادة ما تتبع سياسة تنافسية عالية وترغم المنافس على التراجع
<b>بشكل عام تملك منشأتنا بشكل عام تملك منشأتنا</b>		
نزعة قوية تجاه المشاريع الآمنة والتي لها نسبة عائد طبيعي ومحدد	6 5 4 3 2 1 7	نزعة قوية في تبني المشاريع عالية المخاطر والتي تكون لها نسبة عائد عالية جداً
<b>بشكل عام نؤمن</b>		
أن تكون طريقة العمل من النوع الذي يفضل التحري بعناية وبشكل تدريجي من أجل تحقيق أهداف المنشأة	6 5 4 3 2 1 7	أن تكون طريقة العمل من النوع الذي يتوجب القيام بأعمال جريئة وواسعة النطاق من أجل تحقيق أهداف المنشأة
<b>عندما يبتابنا الشك عند اتخاذ القرارات</b>		
تتبنى المنشأة مبدأ الانتظار والترقب حتى تقلل من نسبة اتخاذ قرارات مكلفة	6 5 4 3 2 1 7	تتبنى المنشأة اتجاه مغامر وجريء لتحقيق أقصى استغلال للفرص المحتملة

شكراً لك، إذا كنت ترغب في الحصول على ملخص نتائج الدراسة يرجى ملء معلومات التواصل الخاصة

الاسم	
اسم المنشأة	
البريد الإلكتروني	الهاتف/الجوال

	ملاحظات
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