



# Multidimensional competency construct for social entrepreneurs: A logistic regression approach

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## Abstract

Do social entrepreneurs running a for-profit (private, limited) enterprise require different competencies from those running a not-for-profit enterprise? The present research study aimed to answer the above question by proposing and vindicating a multidimensional competency construct that can serve as a succinct base to distinguish for-profit social entrepreneurs from not-for-profit social entrepreneurs. An online survey method was used to elicit responses from 400 Indian social entrepreneurs. Logistic regression analysis was used to analyze the data and to test the hypothesis. The empirical results revealed that for-profit social entrepreneurs did not differ not-for-profit social entrepreneurs in four competencies. By vindicating the competencies relevant for the two different forms of social enterprises, the study contributes to theory development in the field of social entrepreneurship. Furthermore, the study makes an attempt to explore new avenues for social entrepreneurial competencies research, which offer special insight with regard to enterprise form/type. The logistic regression model provides valuable insights for future enquiries by postulating and vindicating competencies as an underpinning for differentiation. The research study is limited to India; hence, it provides scope for further research in other geographical regions in order to generalize the results.

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## Introduction

Social entrepreneurs are the ones who imagine an innovative, sustainable model for social change (such as Dees, 1998; Leadbeater, 1997) and engrave them into reality (as a social enterprise). This notion of reality (social enterprise) cuts across a spectrum of organizational possibilities ranging from nonprofit organizations that engage in commercial activity to profit-making businesses that claim to be driven by social objectives (Dees, 1998). Selection of the enterprise form is a key strategic decision for a social purpose organization as it has an impact on firm performance and survival (Young, 2001). Being the initiator of the social

entrepreneurial endeavor, the social entrepreneur takes this key strategic decision of selecting a particular enterprise form over another. This decision molds the possible future course of actions related to the core processes of the establishment, success, and growth of a social enterprise. Hence, selection of the specific organizational forms decides the specific task/job roles associated with it.

To perform these task successfully, specific individual abilities (competencies) are required. These individual abilities (competencies) are specific to the task associated with the specific organizational form; therefore different competencies are required to perform different tasks associated with different organizational form/enterprise forms. Though individual (entrepreneurial) competencies are ubiquitously acknowledged as an important prognostic factor in enterprise establishment, success and growth (Olson & Booker,

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1995), little research has been done so far in terms of social enterprises. In parallel with this, there has been a long-growing interest and a plethora of literature and empirical evidence to vindicate that there are different sets of competencies required for success in management and entrepreneurship with little or no discussion over the different competencies essential for the different social enterprise forms (for-profit and not-for-profit).

The research study is structured as follows: to clear up ambiguity and to portray a more definite understanding of the two organizational forms, the author initially uses a literature review to argue the case for the meaning and differentiation, followed by the presentation of competencies identified through reviews of previous theory and research on entrepreneurship, and not-for-profit, social entrepreneurship. Next, the methodology for this research study is outlined, including, the sampling technique, data collection, and the respondent profile for the two sample groups. The results section then presents the outcomes of the LRA (logistic regression analysis) and the competencies that emerged as the best predictors for the two types of social enterprise. Finally, the study sums up the contribution of this research study and offers suggestions for practice and scope for further research along with limitations.

## Literature Review

The social entrepreneurship literature does not provide any common consensus on the definition, conceptualization of the term, and organizational form (Mair & Marti, 2006; Nicholls, 2006). The present study follows the definition given by Nicholls (2006), and further elaborates it by defining social entrepreneurship as a process of creating innovative solutions to meet pressing social problems (Austin, Stevenson, & Wei-Skillern, 2006) by the creative use of available resource to generate primarily social value along with economic value (Mair & Marti, 2006) and institutions undertaking this process as social enterprises. Although the definition by Nicholls (2006) classifies social enterprise into two types, it does not offer any differentiation between them. To offer a clear differentiation, this study differentiates between the two on the basis of descriptive differentiation (based on the definition as proposed by various researchers in the literature) and legal differentiation (based on the choice of the legal status and taxation structure available for the social enterprise).

### *Descriptive Differentiation*

Social enterprises are broadly defined and descriptively differentiated as companies operated by not-for-profit organizations (Baron & Ensley, 2006) and/or small, for-profit companies with an explicit commitment to social impact (Thompson, Alvy, & Lees, 2000). However, Abu-Saifan (2012), classified social enterprises on the basis of strategies adopted by social entrepreneurs to attain financial sustainability as: 1) non-profit with earned income strategies and 2) for-profit with mission-driven strategies in this scenario. Hence there are two forms that are being repeatedly differentiated in the literature—one as not-for-

profit enterprises and the other as for-profit enterprises with a social mission.

### *Legal Differentiation*

It is clear from the above discussion that the term social enterprise (either for-profit or not-for-profit) describes the purpose (strategies) of a business, not its legal form. The differentiation based on the legal form encompasses the legal restrictions that a social enterprise seeks to bind with and the extent of associated benefits it enjoys. This emphasizes an important distinction between setting up an organization (NGO or otherwise) which simply involves the decision to trade in goods and services and establishing a company (a for-profit entity) which involves stringent laws being subject to registration and other legal requirements along with juxtaposition of the social and economic purpose. The positioning of the social enterprises in relation to certain key legal, regulatory and taxation norms varies across the globe as social enterprises in the USA can register as a limited company, community interest company (CIC), and as an industrial and provident society, while in Germany (Europe), they are partnerships, corporations, foundations, or registered associations among others. Discussing the associated legal, regulatory, and taxation norms with respect to countries all over the world is beyond the scope of this study, as the study primarily focuses on the Indian context. The key legal, regulatory, and taxation norms with respect to India are discussed.

The legitimate nomenclature of “social enterprises” is not being used in India. In India social enterprises can register as a public charitable trust, registered society, cooperative society, producers' company, non-banking financial company (NBFC), private or public limited company, or a limited liability partnership (Shukla, 2011). Furthermore, public charitable trust, registered society, cooperative society, and producers' company are classified as not-for-profit social enterprises whereas NBFC, private or public limited company, and limited liability partnership are classified as for-profit social enterprises on the basis of legal, regulatory, and taxation norms (Shukla, 2011).

Though separate legal, regulatory, and taxation norms govern each type of the above-mentioned legal entities, these norms in general can serve as a basis of differentiation between the two forms (for-profit and not-for-profit) that have been discussed in the present study. The norms with respect to governing not-for profit social enterprises are very clumsy, while clear and stringent norms are there regarding for-profit. Additionally, not-for-profit enterprises enjoy tax benefits and easy access to soft funding, while for-profit social ventures do not and for them, the tax laws are similar to those for purely commercial ventures but they do have easier access to institutional funds/credit. Hence, it is clear that for-profit social enterprises can be differentiated from not-for-profit social enterprises on the basis of the strategies and legal structures they adopt.

### *The Content of Competence*

Entrepreneurial competence is an ambiguous concept in the entrepreneurship literature which has numerous meanings and definitions (Mitchellmore & Rowley, 2010)

but is ubiquitously acknowledged as an important predictive factor for venture establishment and growth (Bird, 1995). Entrepreneurial competencies are defined as the specific set of knowledge, skills, and attitudes that are necessary to perform a job successfully (Bird, 1995). For the present research, the author has defined competencies as the set of knowledge, skills, and attitudes that are necessary to perform a job successfully.

The author performed a systematic review of the literature of competencies in the domain of social entrepreneurship, entrepreneurship, and nonprofit management (Austin et al., 2006; Dees, 1998; Man, Lau, & Chan, 2002) and developed an exhaustive list of competencies. Kupolokun (2014) postulated that creativity, social skills, and resilience and adaptability are relevant to for-profit social enterprises because of their juxtaposing objectives. Similarly, Weerawardena and Mort (2006) postulated risk taking and financial capital management competency as critical competencies for not-for profit social enterprises because of their fund raising constraints.

However, the final selection of competencies was done on the basis of the following three criteria.

- (1) Most common competencies in the entrepreneurship literature in general: a) recognizing, evaluation, and exploitation of opportunities (OPP); b) innovativeness and creativity (IC); c) leadership (LC); and d) risk taking (RTC) are perhaps the most characteristic attributes of entrepreneurship in general (Covin & Slevin, 1991).
- (2) Specific characteristic attributes of social entrepreneurship: a) empathy and sense of moral judgment (ESJM); and b) desire and ability to bring significant social change and impact (SC) (Dees, 1998; Mair & Marti, 2006).
- (3) Competencies that can serve as differentiation for the course of action and choice of legal status for the two types of social enterprise: a) ability to sell and/or market the organization (MPS) (Hitt & Ireland, 1986; Thompson et al., 2000); b) ability to budget the allocation and make optimal use of available resources (RU) (Dees, 1998; Leadbeater, 1997; Mair & Marti, 2006; Thompson, 2002); and c) management of financial capital (FCM) (Hitt & Ireland, 1986; Thompson, 2002).

The following hypothesis was formed on the basis of literature.

**H0.** There is no significant relationship between the individual competency and social enterprise form/type.

## Methods

### Sampling Techniques and Data Collection

Convenience and snowball sampling techniques were executed to collect data. Sample size was determined on the basis of Hair, Black, Babin, Anderson, and Tatham (2008) recommendations.

Data were collected through a non-disguised, structured questionnaire involving a five-point scale using an online survey method. To facilitate an increased response rate initially, informal contacts were established by the author before providing the final survey instrument. An introductory email was sent to each respondent to explain the purpose of the survey along with a confidentiality agreement and the link to the online survey.

For the present study, the questionnaire was sent to a sample of 400 social entrepreneurs and other top professionals associated with social enterprises (out of 400, 23 e-mail addresses were not in use, resulting into 377 respondents). One hundred thirty-eight people responded, yielding a 34.78 percent response rate. This response rate is consistent with response rates in studies soliciting entrepreneurs and top professionals in organizations (Shepherd, 1999). Because of missing values and incomplete surveys; the final usable sample was 131. Two sample sets (groups) from two different organizational types were included: 1) nonprofit organizations: 64 social entrepreneurs from the not-for-profit organization type; and 2) for-profit organizations: 67 social entrepreneurs from for the profit organization type.

### Data Analysis

#### Brief Profile of the Respondents

In the sample of not-for profit social enterprises, 83 percent were led by males compared with 87 percent in the for-profit social enterprises, whereas 73 percent of the not-for-profit social entrepreneurs had postgraduate degrees, compared with 52 percent of the for-profit social entrepreneurs.

## Results

The mean and standard deviation of the nine competencies items for the total sample, for-profit and not-for-profit organization type sub-samples are given in Table 1.

Logistic regression analysis was carried out with for-profit and not-for-profit as the dependent variable (0 = not-for-profit; 1 = for-profit) and the nine items were used to measure the independent variable. The overall Cronbach alpha reliability of the scale was .88. Table 2 shows the resulting model using the forward stepwise

**Table 1**  
Mean<sup>a</sup> and standard deviation (SD) for nine competencies items

Competency	Total sample (n = 128)		Not-for-profit (n = 64)		For-profit (n = 67)	
	Mean	SD	Mean	SD	Mean	SD
OPP	<b>4.25</b>	.997	3.95	.951	<b>4.55</b>	.959
RTC	3.75	.882	3.62	.952	3.87	.795
FCM	4.08	.651	3.91	.586	<b>4.25</b>	.673
ESJM	3.97	.723	4.00	.509	3.95	.891
SC	<b>4.39</b>	.847	<b>4.67</b>	.474	4.11	1.031
LC	3.65	1.079	3.51	1.052	3.80	1.095
RU	4.07	1.064	<b>4.35</b>	.799	3.80	1.223
MPS	4.20	.810	4.27	.560	4.13	1.001
IC	4.04	.620	4.02	.593	4.05	.650

<sup>a</sup> Highest score in boldface, lowest score in italics

(likelihood ratio) method, while Table 3 lists those variables not included in the model. Although nine items were included as predictors, only four items were found significant: opportunity recognition (OPP), resource utilization (RU), social change (SC), and financial capital management (FCM).

Two variables—opportunity recognition (OPP) and financial capital management (FCM)—had positive values while the remaining two variables—resource utilization (RU) and social change (SC)—had negative values.

The researchers found a significant result for the null hypothesis ( $\chi^2 = 64.64$ ,  $df = 4$ ,  $p < .00$ ), as shown in Table 4; hence  $H_0$  is rejected. The model accounts for between 49.3 percent and 65.7 percent of the variance (Cox and Snell  $R^2$  and Nagelkerke  $R^2$ ), indicating moderate association between the independent variables and the dependent variable.

Table 5 shows the results of the classification matrices for observations in both categories. The classification accuracy is higher for not-for-profit social entrepreneurs (87.5%) than with the for-profit social entrepreneurs (82.3%), but both are high which indicates an excellent classification (Hair et al., 2008). The overall classification accuracy of the model was 84.7 percent.

The classification accuracy levels are higher than the proportional chance creation (Cpro) of 50 percent. Furthermore, Press's Q (45.39) exceeds the threshold (6.63) at  $p .001$  (1  $df$ ). Both proportional chance creation (Cpro) and Press's Q suggest more accurate classifications than expected by chance or by subsampling (Hair et al., 2008).

The author assessed the classification accuracy in two additional ways. First, the author examined cross-validated accuracy, classifying each case by the functions derived from all cases other than the one classified. Second, the author conducted the analysis with a holdout sample. Specifically, she selected 75 percent of the sample, conducted the logistic regression analysis, and treated the remaining 25 percent as a holdout sample. In total, this classified 84.7 percent and 75 percent of the total analysis and holdout samples, respectively. These results provide further support for the classification power of the independent variables used in the original analysis.

## Discussion

Both groups rated opportunity exploitation and social change competency as highly significant in starting and scaling social ventures, whereas both groups rated leadership and risk taking competency least significant in starting and scaling social ventures.

**Table 2**  
Equation variables

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
SC	−2.123	.648	10.749	1	.001	.120
OPP	2.714	.659	16.958	1	.000	15.094
FCM	1.038	.538	3.720	1	.054	2.823
RU	−1.476	.440	11.248	1	.001	.228
Constant	−.237	3.425	.005	1	.945	.789

Notes: Variable entered step1: SC, step 2: OPP, step 3: RU, step 4: FCM

**Table 3**  
Variables not included in the equation

Variable	Score	df	Sig.
MPS	2.082	1	.149
IC	.705	1	.401
EMP	.112	1	.738
RTC	.228	1	.633
LC	.353	1	.552
Overall statistics	4.304	5	.506

The final model included four variables (SC, OPP, FCM, and RU) with logistic regression coefficients of −2.123, 2.714, 1.038 and −1.176, respectively. In line with the recommendation of Hair et al. (2008), the author examined the logistic coefficients to assess the direction and impact each variable has on predicted probability and group membership. These coefficients imply that the recognizing, evaluation, and exploitation of opportunities (OPP) and the management of financial capital (FCM) have a positive relationship, whereas ability to budget allocation and make optimal use of available resources (RU) and desire and ability to bring significant social change and impact (SC) have a negative relationship between independent variable and predictive probability. Hence, the likelihood that a social entrepreneur will be a for-profit social entrepreneur will increase as the values of OPP and FCM increase and *vice versa* for RU and SC. The predictive power of the model is acceptable for identifying/distinguishing both for-profit social entrepreneurs and not-for profit social entrepreneurs. The model is therefore, accepted.

## Conclusion, Study Limitation and Suggestions for Future Research

The study identified competencies that differentiate for-profit and not-for-profit social entrepreneurs and it also examined the ability of different competencies to empirically classify them. Social entrepreneurship research involves exploring those who are social entrepreneurs, and how they perform their functions. Using the significance attached to a given competency as a parameter, the author identified and tested a set of competencies that can provide a rather succinct and powerful distinction between the two groups of for-profit social entrepreneurs and not-for-profit social entrepreneurs.

Moreover, it seems that a core set of skills seems indispensable for undertaking social entrepreneurship, even though a large number of elements play a role in social entrepreneurship, such as local culture, community management practices, previous occupational or technical skills, and perceptions of the macroeconomic, legal, social, and political environments (Peredo & McLean, 2006). The difficulties experienced by social enterprises in balancing and achieving juxtaposing objectives become apparent during resource allocation between profit-making and welfare-providing activities.

The study was limited by the ambiguity and absence of legitimate nomenclature for social enterprises in India. Moreover, the research was limited by the geographical region, the sampling frame, and the selection of competencies. The selection of a broader sample would have

**Table 4**

Summary statistics for prediction model

Initial –2 Log likelihood	Chi-square	df	Sig.	–2 Log likelihood	Cox & Snell R <sup>2</sup>	Nagelkerke R <sup>2</sup>
135.81	64.64	4	.00	69.33	.493	.657

**Table 5**

Predicted group membership

Observed	Original sample			Holdout sample		
	Predicted		Percentage correct	Predicted		Percentage correct
	Not-for-profit	For-profit		Not-for-profit	For-profit	
Not for profit	42	6	87.5	13	3	81.3
For profit	9	41	82.3	5	11	68.8
Overall			84.7			75.0

Note: The cut off value is .500

required additional stages of refinement and alignment, but because of the time constraints on conducting the research, it was necessary to consider the sample obtained as sufficiently representative.

Finally, an extensive agenda for further research can be developed in social entrepreneurship. Significant areas for further research include: the development and adaptation of a common consensus in the literature on the use of terminology for social entrepreneurship, social enterprise, social entrepreneurs, and competency, both in academic and practical arenas; and replication of this exploratory study in different contexts, including different geographical regions, sectors, beneficiaries, and stages in the growth of a business. Further research in this area will contribute to a greater understanding of how social entrepreneurs develop their competencies and how these competencies can be nurtured.

### Conflict of Interest

There is no conflict of interest.

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