Complementary

or Contradictory?

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A Paradoxical Perspective on the Relationship Between Social Entrepreneurship and the Welfare State

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Contents

List of Tables

List of Figures

"Social ventures are fast becoming the vanguards of social transformation, enhancing the quality of life and enriching human existence around the globe" (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008, p. 129).

Introduction

In this PhD thesis, I study to what extent the context in which social entrepreneurs operate shapes different aspects of social entrepreneurship. The context of interest is the welfare state, which I approach as the state's commitment to addressing societal problems. Furthermore, I explore social entrepreneurship from multiple angles by connecting the academic literature on sociology (e.g., the welfare state) and organization management (e.g., organizational forms of social entrepreneurship). In doing so, I study the desire of people to become social (or commercial) entrepreneurs (chapter 2), the importance of social value creation goals for social and commercial entrepreneurs (chapter 3), the prevalence of different organizational forms of social entrepreneurship (chapter 4), and mechanisms related to why social entrepreneurs measure their social impact (chapter 5).

1 • SETTING THE SCENE: SOCIAL ENTREPRENEURSHIP AND THE WELFARE STATE

Are social entrepreneurship and the welfare state complementary or contradictory to each other? The answer may not be one-sided because the current academic debate is inconclusive. While some scholars suggest that social entrepreneurship competes with the welfare function of governments (Dacin, Dacin, & Matear, 2010; Estrin, Mickiewicz, & Stephan, 2013; Kerlin, 2013; Mair & Marti, 2009), others argue that it is complementary (Coskun, Monroe-White, & Kerlin, 2019; Monroe-White, Kerlin, & Zook, 2015). These findings contribute to a broader debate on the influence of the welfare state on en-

trepreneurship. From a 'welfare scepticism' perspective, the related scholarship finds that the welfare state creates negative incentives for entrepreneurship (Solomon, Bendickson, Liguori, & Marvel, 2021). Consequently, scholars suggest that policymakers should carefully weigh the consequences of policy regarding welfare state development on entrepreneurial activity (Solomon et al., 2021). However, the challenge for policymakers seems to become more intriguing as empirical research shows that social entrepreneurial activity is higher in stronger welfare state contexts (Coskun et al., 2019; Monroe-White et al., 2015). Therefore, welfare state development seems to trigger *social* entrepreneurship while hindering *commercial* entrepreneurship.

Although different interpretations exist, welfare states are institutional configurations of systematically intertwined social policies and institutions with multiple objectives, goals and values (Esping-Andersen, 1990b; Goodin, Headey, Muffels, & Dirven, 1999). The intended outcomes of welfare states reflect the prevailing principles of the quality of social rights, social stratification, and which actors are responsible for providing social services (Esping-Andersen, 1990a). Consequently, welfare states differ in the amount, eligibility criteria, and generosity of different grants, pensions, and social benefits regarding protecting citizens' health and social well-being (Castles, 2009; Muuri, 2010). Despite these variations, welfare states intend to decrease (national) poverty and social exclusion rates (Goodin et al., 1999). Achieving this overarching goal seems successful, as empirical research on welfare state consequences shows that welfare state social spending negatively correlates with social inequality at the country level (Castles, 2009).

Next to decreased levels of social inequality and economic deprivation, the welfare state creates positive outcomes related to increased levels of individuals' social well-being (Reeskens & van Oorschot, 2014) and social capital (Visser, Gesthuizen, & Scheepers, 2018). Furthermore, especially those who are the target recipients of welfare state benefits are more likely to participate in social volunteering activities in stronger welfare states (Stadelmann-Steffen,

2011). However, the public and academic debate about the consequences of the welfare state is not unambiguous. Whereas the welfare state literature finds evidence for a positive impact on individuals' social and economic well-being (e.g. Reeskens & van Oorschot, 2014), the entrepreneurship literature provides a different perspective. This literature shows that incentives for job search activity decrease when (unemployed) people can rely on relatively generous unemployment benefits (Koellinger & Minniti, 2009). In addition, some scholars argue that the welfare state is not a catalyst for entrepreneurial activity because social spending increases the opportunity cost of entrepreneurship (Solomon et al., 2021). However, scholars find empirical evidence that the welfare state supports entrepreneurial activities that aim to benefit society (Coskun et al., 2019; Folmer, Rebmann, & Stephan, 2016). For example, governments may use social enterprises as a specific implementation tool regarding work integration policy (Defourny & Nyssens, 2010b; Benjamin Gidron & Monnickendam-Givon, 2017).

This dissertation connects the relatively loose academic literature on sociology and entrepreneurship to study how governmental social intervention policy shapes social entrepreneurship. This type of entrepreneurship is becoming more popular in academics and among policymakers.

While the social entrepreneurship literature was in an 'embryonic state' more than a decade ago (Short, Moss, & Lumpkin, 2009, p. 161), the last ten years have seen a 'massive pace of growth' of academic interest (Alegre, Kislenko, & Berbegal-Mirabent, 2017, p. 249). This increasing interest reflects the growing appreciation of the efforts of entrepreneurs to enhance social wealth globally (Zahra et al., 2008). In line with this appreciation, the quantitative study of social entrepreneurship is on the rise, mainly due to the availability of large scale international and secondary data that permit the study of social entrepreneurship from an international comparative perspective (Gras, Moss, & Lumpkin, 2014).

Next to the increased interest from academics, policymakers worldwide are

increasingly recognising the potential of social enterprises as a vehicle to address social and environmental concerns. These organizational forms are perceived as a legitimate way of dealing with social problems (Kibler, Salmivaara, Stenholm, & Terjesen, 2018). This perception can stimulate governments worldwide to develop the social enterprise sector (Wilkinson, Medhurst, Henry, Wihlborg, & Braithwaite, 2015). Moreover, governments play a crucial role in developing the social enterprise sector by creating stimulating environments (Kerlin, 2017; Stephan, Uhlaner, & Stride, 2015). For example, social enterprises are rapidly emerging in Europe, where the Social Business Initiative – a policy program launched by the European Commission in 2011– recognizes social enterprises as legitimate agents in the battle against new and upcoming social needs, such as demographic changes and structural unemployment (Wilkinson et al., 2015). However, a recent multi-disciplinary and international research program has revealed that social enterprises call for more government promotion, support and regulation (Huysentruyt, Mair, Le Coq, Rimac, & Stephan, 2016).

The social entrepreneurship literature has also emphasised the influence of governments on social entrepreneurship (e.g., the Macro Institutional Social Enterprise framework of Kerlin, 2009, 2013, 2017). Although scarce, recent quantitative research on the influence of the welfare state on social entrepreneurship provides evidence for a crowding-in effect (Coskun et al., 2019; Monroe-White et al., 2015). A practical example is that governments can cooperate with social enterprises to implement social policy (Benjamin Gidron & Monnickendam-Givon, 2017), for example via the Work Integration Social Enterprise [WISE] that assist in the work integration of people with a (severe) distance to the labour market (Chan, Ryan, & Quarter, 2017; Spear & Bidet, 2005). While bearing in mind that welfare states no longer consider their citizens as subjects with *only* social rights, but as subjects with social rights *and* obligations (e.g., unemployed people can receive unemployment benefits as long as they actively seek and participate in training programmes (Roosma & Jeene, 2017)), it can be that WISEs assist the welfare state in achieving their

4

policy goals. While this may be one example of possible collaboration between social enterprises and the welfare state, many questions regarding the intended or unintended consequences of the welfare state on social entrepreneurship are unanswered.

First, it is relatively unclear to what extent the welfare state influences the desire of people to become social entrepreneurs. Engaging in social entrepreneurship is evoked by social entrepreneurial intentions and desires (Mair & Noboa, 2006). However, research using a welfare state perspective has not addressed this component. Although economics and welfare state research connects welfare state policy to the prevalence of entrepreneurship (Solomon et al., 2021) or the perceived feasibility of individuals in becoming an entrepreneur (Rapp, Shore, & Tosun, 2018), there remains a gap concerning the influence of welfare state policy on the perceived desirability of social entrepreneurship.

A second gap relates to the consequences of welfare state policy on the business operations of entrepreneurs. Welfare state scholars traditionally study the consequences of welfare state policy on the characteristics, attitudes and behaviour of people who are not an entrepreneur (Reeskens & van Oorschot, 2014; Van Oorschot & Arts, 2005; Visser et al., 2018). Consequently, there remains a gap regarding the influence on the business operations of entrepreneurs. More specifically, it is unclear to what extent the welfare state shapes the importance of organizational goals that entrepreneurs can pursue to create social value.

Third, and in relation to recent social entrepreneurship literature (Coskun et al., 2019; Monroe-White et al., 2015), a large-scale quantitative assessment of the consequences of welfare state policy on the prevalence of *different* organizational forms of social entrepreneurship to date is missing. The majority of quantitative social entrepreneurship research used a measure for assessing the overall social entrepreneurship activity (e.g., Coskun et al., 2019; Estrin et al., 2013; Griffiths, Henry, Gundry, & Kickul, 2013; Stephan et al., 2015). However, Stephan et al. (2015) call for more comparative research on different

institutional drivers for social entrepreneurship and propose that new research measure social entrepreneurship differently.

Last but not least, empirical research provides evidence for a supportive role of governments toward social entrepreneurs (Stephan et al., 2015). One activity, which is inherently related to social entrepreneurship, is social impact measurement. The literature perceives this as necessary for social entrepreneurs to gain legitimacy and recognition for what they do (Nicholls, 2009). Governments can support social entrepreneurs by providing financial and non-financial resources to sustain their activities (Stephan et al., 2015). However, a large-scale study regarding this collaborative style and its presumed influence on specific activities of social entrepreneurs, such as social impact measurement, is missing.

By attending to the gaps in the literature as mentioned above, I aim to connect the welfare state, organization-management, and economics literature to study welfare state consequences regarding different *aspects* of social entrepreneurship. Moreover, studying social entrepreneurship by focussing on different aspects contributes to theory building regarding the consequences of welfare state policy and social entrepreneurship. Therefore, the central research question asks: "*To what extent is social entrepreneurship shaped by state commitment toward alleviating societal problems?*". State commitment is an overarching term that I refer to in this dissertation as the strength of the welfare state, the social policy interventions of the government, and the government's commitment to tackling societal problems. The main research question thus addresses the consequences of state or government activity on different aspects of social entrepreneurship.

The central question of this thesis revolves around whether social entrepreneurship is complementary to or is contradictory to the welfare state. Before answering this question, it is important to note that both the welfare state and social entrepreneurs attend to the social needs of people. However, the relationship between welfare state institutions and social entrepreneurship is complex and deserves academic interest (Folmer et al., 2016). Despite

increasing scholarly interest in social entrepreneurship, recent results favour opposing perspectives on how the welfare state shapes different aspects of social entrepreneurship. Either way, social entrepreneurs are dedicated to creating a positive impact on society. The dedication to their social (or environmental) mission makes them an important agent in achieving the current UN Sustainable Development Goals (Rahdari, Sepasi, & Moradi, 2016). Examples include providing work-integration opportunities to people with a severe distance to the labour market (Chan et al., 2017), providing innovative and sustainable public health interventions (Roy, Donaldson, Baker, & Kay, 2013), or fighting climate change by facilitating the energy transition (Becker, Kunze, & Vancea, 2017).

Next to pursuing distinct goals related to creating value for society, social entrepreneurship operates at the crossroads of policy, business and civil society (Defourny & Nyssens, 2010b; Nyssens, 2006). In other words, it relates to social, business and governmental aspects (Wilkinson et al., 2015). Therefore, it is important to approach social entrepreneurship as a dynamic concept. Furthermore, this dissertation is positioned at the intersections of sociology and organization studies as it builds upon theory originated within the two social science disciplines. Because I refer to different aspects of social entrepreneurship, it is important to clarify these aspects before proceeding.

In the following sections, I first provide a working definition of social entrepreneurship, social entrepreneur, social enterprise (see Table 1.1) and the welfare state. Second, I address the relevance of a macro perspective by providing a brief overview of the main theories used in the quantitative social entrepreneurship literature that emphasises the influence of 'government' on social entrepreneurship. Third, I identify the gaps in the literature and discuss the contributions of four empirical multi-authored chapters. Fourth, I then introduce the data and methods that are used in the different chapters of this dissertation. Finally, I present the outline of this dissertation.

2 • CONCEPT CLARIFICATION

Social entrepreneurship: using market-based activities to create social value

Despite the ongoing public and scholarly attention on social entrepreneurship, definitional debates seem far from settled (Saebi, Foss, & Linder, 2019). On the one hand, some scholars argue that defining social entrepreneurship is problematic because it means different things to different people and differs between contexts (Mair, 2010). Hence making it a 'fuzzy' (Choi & Majumdar, 2014) or an 'unclear and contested' concept (Saebi et al., 2019). On the other hand, others argue that a widespread consensus exists within the academic community on what defines social entrepreneurship, social entrepreneur and social enterprise (Alegre et al., 2017).

The most popular definitions stress a double objective of creating financial and social value (Alegre et al., 2017). For example, social entrepreneurship is the "process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities" (Bacq & Janssen, 2011, p. 388). Therefore, to assess social entrepreneurship, both the *social* and *entrepreneurial* dimensions must be recognized (Defourny & Nyssens, 2010a). Compared to non-profit activity, social entrepreneurs use market-based activities to create social value rather than entirely rely upon external financial funding (Bacq & Janssen, 2011; Lepoutre, Justo, Terjesen, & Bosma, 2013).

Contrary to traditional or commercial entrepreneurship, financial value creation is a means to an end for creating social impact by social entrepreneurs and social enterprises (Austin, Stevenson, & Wei-Skillern, 2006). It is important to stress that creating social value for the public good is social entrepreneurship's fundamental and explicit purpose. In contrast, the central goal of commercial entrepreneurship is related to achieving personal or stakeholder financial value (Austin et al., 2006). However, this is not to say that commercial en-

trepreneurship does not create value for society. In rejecting the dichotomy of 'social' versus 'economic' value for the development of a 'positive theory of social entrepreneurship', Santos (2012, p.337) argues that "economic value creation is inherently social in the sense that actions that create economic value also improve society's welfare through a better allocation of resources". Furthermore, Santos (2012) argues that the most relevant distinction between social and commercial entrepreneurship is the emphasis that is placed on 'value creation' and 'value capture'. Social entrepreneurship has a predominant focus on value creation as opposed to value capture. While value creation occurs when 'neglected problems with positive externalities' are addressed which create value for society that goes beyond the value created to the recipient of the services or goods provided by (social) entrepreneurs, value capture refers to the organizational-level economic profit maximization (Santos, 2012). Not surprisingly, most definitions on social entrepreneurship include that social entrepreneurs are mostly active by offering services to the disadvantaged or powerless segments of society, such as the poor, long-term unemployed, disabled, and socially excluded people (Seelos & Mairs, 2005).

Social entrepreneurs create beneficial outcomes for their "intended targets and/or the broader community of individuals, organizations, and/or environments" (Rawhouser, Cummings, & Newbert, 2019, p. 83; Stephan, Patterson, Kelly, & Mair, 2016). The impact of social entrepreneurship typically exists beyond the exchange between transaction parties (Chell, Spence, Perrini, & Harris, 2014), which "can occur within or across the non-profit, business, or government sectors" (Austin et al., 2006, p. 2). This relates to the 'value creation' notion of social entrepreneurship (Santos, 2012). For some social enterprises, the beneficiaries can be the only recipients of their services or are part of the social value creation process (Saebi et al., 2019).

The *agent* in social entrepreneurship is the social entrepreneur, who can be perceived as a change-maker (Chell, Spence, Perrini, & Harris, 2014) and finds innovative solutions to complex social issues (Dees & Anderson, 2006).

TABLE 1.1 Working definition of aspects of social entrepreneurship

Topic	Working definition
Social entrepreneurship	The "process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities" (Bacq & Janssen, 2011, p 388) and "can occur within or across the non-profit, business, or government sectors" (Austin et al., 2006, p. 2).
Social entrepreneur	The agent in social entrepreneurship. It is an individual, or group of individuals, actively leading or owning a social enterprise (Bacq, Hartog, & Hoogendoorn, 2016).
Social enterprise	The tangible outcome of social entrepreneurship (Mair & Martí, 2006). The organizational form is financially independent – at least to a certain extent – and an explicit social or environmental mission is part of the core strategy, values, and identity (Lepoutre et al., 2013).

Foremost, they can identify and exploit opportunities, leverage the resources necessary to achieve their social mission, and find innovative solutions to social problems of their community that the local system does not adequately attend to (Bacq & Janssen, 2011, p. 382). For example, they provide new services, have new production methods and factors, engage in new forms of organizations or engage in new markets to create social impact (Defourny & Nyssens, 2010a). What separates them from commercial entrepreneurs is their explicit interest in social value creation by pursuing collective interest over economic self-interest (Bacq et al., 2016). Thus, making a social impact by helping others is the main

goal for social entrepreneurs (Smith & Stevens, 2010). In addition, Santos (2012) argues that being 'passionate' about the needs of a particular group or about the characteristics of the problem may trigger individuals into entering the domain of social entrepreneurship.

As for the tangible outcome of social entrepreneurship, the social entrepreneur can operate through different organizational forms (Austin et al., 2006). For example, in the United Kingdom or Italy, social entrepreneurs can choose a distinct legal form for social enterprises. However, many countries today have not implemented a specific legal form for *social enterprises* (Wilkinson et al., 2015)[1]. Hence social entrepreneurship is not limited to a specific legal form (Mair & Martí, 2006). The sample of organizational forms of social entrepreneurship is heterogeneous because these can originate from different areas, such as the private, governmental, and civil-society sectors (Defourny & Nyssens, 2010b). As a result, researchers, practitioners, and policymakers can use different criteria to identify the organizational forms of social entrepreneurship. Therefore, the organizational forms can be interpreted best as "an abstract construction that enables researchers to position themselves within the 'galaxy' of social enterprises" (Defourny & Nyssens, 2010a, p. 43). Organizational forms are what Hannan and Freeman (1977, p. 935) call a "common blueprint for transforming inputs into outputs" by organizations. Organizational forms can thus be defined as a class or type of organizations that show similar traits.

One way to visualize the variety of the organizational forms of social entrepreneurship is through a spectrum. This spectrum locates different organizational forms based on an explicit social mission statement and the relative

[1] Some countries are currently developing the legal form of social enterprise. In March 2021, the Dutch government stated that it is willing to stimulate social entrepreneurship by designing a legal form of the social enterprise in the Netherlands, known as the *Maatschappelijke B.V.*: https://www.rijksoverheid.nl/actueel/nieuws/2021/03/05/consultatie-maatschappelijke-bv-bvm-volgende-stap-in-erkenning-sociale-ondernemers

importance of financial sustainability or independence (Alter, 2007; Lepoutre et al., 2013; see Figure 1.1). Organizations that only pursue financial objectives typically fall outside the social entrepreneurship domain because these organizations do not satisfy the social dimension (Austin et al., 2006; Doherty, Haugh, & Lyon, 2014; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Such for-profit corporations usually have a clear goal of maximizing (financial) value capture (Santos, 2012). However, a financial orientation or business logic is necessary for capturing the entrepreneurial dimension (Defourny & Nyssens, 2010a; Townsend & Hart, 2008).

The Global Entrepreneurship Monitor consortium provides data on entrepreneurship that various scholars from different disciplines use. The data, which I describe later, allows for studying social entrepreneurship with a cross-national perspective in two ways. First, a 'broad measure' of social entrepreneurship can be used, referring to "any kind of activity, organization, or initiative that has a particular social, environmental, or community objective" (Bosma, Schøtt, Terjesen, & Kew, 2016, p. 2). Second, a 'narrow measure' can be used, stressing that social entrepreneurial organizations self-generate income by producing goods or services (Bosma et al., 2016). Among others, Monge (2018) uses both measures for social entrepreneurship in his correlational analysis regarding different contextual antecedents of social entrepreneurship. Although he listed 83 variables as possible cross-country drivers for social entrepreneurial activity, a measure for the welfare state was not included. This lack of inclusion of welfare state variables contributes to the relevance of using a welfare state perspective on social entrepreneurship.

Taken together, the most promising perspective on how to study social entrepreneurship empirically assumes that organizational forms of social entrepreneurship have at least a 'double bottom line' strategy by balancing the social and economic dimensions (Zahra et al., 2009). Some scholars additionally argue that commercial activities must serve the explicit social mission and

that the organizational forms should not be defined by the legal framework (Austin et al., 2006; Townsend & Hart, 2008).

In conclusion, to create a spectrum of social entrepreneurship, it is important to assess both the social and entrepreneurial dimensions. Although Figure 1.1 is not exhaustive, it shows how different organizational forms can be located along these dimensions. Regarding the tangible form of social entrepreneurship, two particular types of organizational forms are described in the academic literature. The first type encompasses organizations whose social (or environmental) objective is part of their core mission or identity and generates market-based income. These organizations can be labelled as *explicit* social enterprises. Organizations with a similar mission but do not provide products and/or services via the economic market, such as non-profits or non-governmental organizations, are primarily dependent on non-market income or financial support (Lepoutre et al., 2013). Because these organizations do not satisfy the entrepreneurial dimensions, they cannot be labelled as typical social enterprises.

The second type consists of *implicit* social enterprises or socially responsible businesses. While these organizations do not identify with an exclusive social mission, they may prioritize social goals over the financial goals in their total decision making (Battilana & Lee, 2014; Lepoutre et al., 2013). Therefore, a 'tipping point criterion' can help identify this type of organization (Zahra, Newey, & Li, 2014). As such, the social entrepreneurship spectrum includes different organizational forms that mirror a *degree and type* of social entrepreneurship (Alter, 2007; Douglas, 2010; Lepoutre et al., 2013; Peredo & McLean, 2006; Zahra et al., 2009). The unifying characteristic of these organizational forms is that they are "creating social value, either directly or through facilitating the creation of social value with or by others" (Austin et al., 2006, p. 18; Saebi et al., 2019). Although these organizations usually try to maximize on value creation, they simultaneously aim to capture just enough
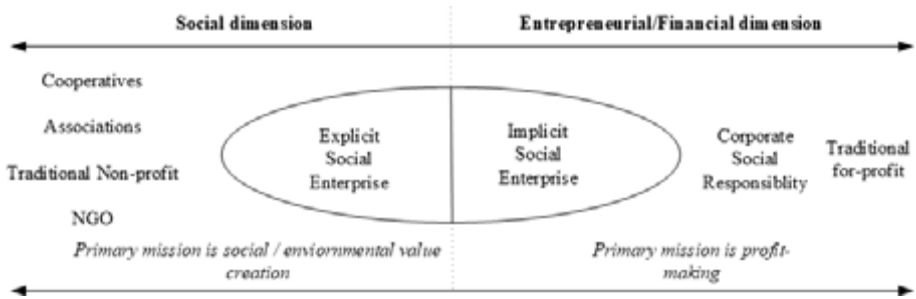
FIGURE 1.1   Organizational forms along a social and financial dimension (Adapted from Alter, 2007; Lepoutre et al., 2013)

(financial) value to sustain operations and re-invest in growth (Santos, 2012, p.339).

Figure 1.1 shows how the degree and type of social entrepreneurship may differ between organizational forms. Organizational forms placed within the inner circle of Figure 1.1 satisfy both the social and entrepreneurial dimensions. However, the difference lies in the exclusive social mission statement of the social enterprise, which could be missing for the socially responsible businesses (implicit social enterprises). The organizational forms placed more on the left of the spectrum satisfy the social dimension and, to a lesser extent, the entrepreneurial dimension. For example, the financial dimension is not substantially present among traditional non-profits and NGOs. The emphasis on the social dimension decreases on the right side of the spectrum, implying that a for-profit orientation is working detrimental to a social value creation orientation.

THE WELFARE STATE

The second central concept in this PhD thesis is the welfare state. Therefore, it is important to define the welfare state before analysing its relationship with

social entrepreneurship. As emphasised in the *Routledge Handbook of the Welfare State*, most welfare state scholars deal with the public sector and its spending on welfare issues (Greve, 2018b). In essence, the state provides or arranges welfare, which is the access to economic resources to prevent living in poverty and can safeguard the welfare recipient with 'a good life' (Goodin et al., 1999; Greve, 2008). Consequently, the welfare state can be viewed as the responsible institution for securing the wealth of its citizens (Esping-Andersen, 1990b) and includes the domains of health, autonomy, education and well-being (Giddens, 1998).

Sociologists argue that welfare states, as a specific form of governmentality, differ in how various dimensions regarding social protection and social services are implemented (Roosma, Gelissen, & Van Oorschot, 2013). While these include different configurations regarding how resources are allocated and by which institutions, the goal of this PhD thesis is to study how the *consequences* of the welfare state relate to social entrepreneurship. These consequences, or outcomes, can be intended or unintended (Roller, 1995; Roosma et al., 2013). The overarching goals typically include enhancing economic equality, labour activation, and fighting poverty and social exclusion (Goodin et al., 1999; Van Oorschot, 2010). For example, welfare states implement social interventions to reduce the general unemployment level and replace - to some extent - the dependency of people upon the market in securing their livelihood (Esping-Andersen, 1990a). Furthermore, the consequences can be found in reduced poverty levels and social exclusion (Brady, 2009; Castles, 2009). However, entrepreneurship scholars find that some interventions contribute to unintended consequences, such as a lower willingness of the unemployed to engage in entrepreneurship (Koellinger & Minniti, 2009). This fuels the 'welfare criticism' perspective as welfare state interventions can negatively affect the economy and individual morale (Van Oorschot, 2010). Moreover, if people rely too much on the welfare state, it could lead them to become lazy or take less responsibility for their financial and social well-being (Van Oorschot, 2010).

Next to providing income transfers, welfare states provide welfare services. These can include child and elderly care, education, and health care (Greve, 2018a). It is not surprising that academic scholars have approached the welfare state differently. For example, Esping-Andersen's original approach focuses on how welfare states cluster regarding the principles of decommodification and stratification (Esping-Andersen, 1990a, 1990b, 1999). Korpi and Palme (2003) make a compelling case for studying the configurations of socioeconomic classes and class-related politics on "who gets what, when, and how". The most dominant approach in welfare state research is studying the welfare state's commitment through government expenditures on health, education and welfare (Esping-Andersen, 1990a, 1999). However, each approach has its unique strengths and weaknesses (Scruggs & Allan, 2006).

Regarding current social entrepreneurship research, the expenditure approach has been applied by several scholars to study the consequences of the welfare state (Coskun et al., 2019; Kerlin, 2017; Monroe-White et al., 2015) and government more broadly (Hoogendoorn, 2016; Stephan et al., 2015). However, a discrepancy appears in how sociologists and social entrepreneurship scholars operationalize welfare state strength. The most recent approach by social entrepreneurship scholars is to use the sum of expenditure on health and education as a percentage of GDP (Coskun et al., 2019; Kerlin, 2017; Monroe-White et al., 2015). Welfare state scholars exclude the educational expenditure component and use social protection expenditures to study how financial resources are distributed across social risk categories (Reeskens & van Oorschot, 2014; Van Oorschot, Reeskens, & Meuleman, 2012; Visser et al., 2018). This approach is probably dominant in sociological research on the welfare state (van Oorschot, Roosma, Meuleman, & Reeskens, 2017). Nevertheless, both expenditure approaches provide information on a state's commitment to welfare provision (Esping-Andersen, 1990a; Stadelmann-Steffen, 2011) and enable studying to what extent government commitment to attending to public social needs influences social entrepreneurship. Moreover, expenditure data provides

information on what welfare states do and contributes to understanding the determinants and outcomes of specific government social interventions (Castles, 2009; van Oorschot et al., 2017).

3 • CONTEXT MATTERS: INSTITUTIONAL PERSPECTIVES ON SOCIAL ENTREPRENEURSHIP

Earlier qualitative contributions have discussed the context-dependency of social entrepreneurship (Weerawardena & Mort, 2006). More recently, the share of quantitative social entrepreneurship research that explores contextual antecedents of social entrepreneurship is increasing (e.g., Brieger, Bäro, Criaco, & Terjesen, 2020; Estrin et al., 2013; Griffiths et al., 2013; Stephan et al., 2015). Much of the economics, organizations and management literature on social entrepreneurship uses institutional theory to study how individual, organizational, and contextual characteristics are related to social entrepreneurship (Brieger et al., 2020; Estrin et al., 2013; Hoogendoorn, 2016; Stephan et al., 2015). The subsequent *institutional void* and *institutional support* perspectives are both supported in research on the influence of governmental regulations and policies on the prevalence of social entrepreneurship. These perspectives prove fruitful in entrepreneurship research because institutions (e.g., government policy) shape the conditions for entrepreneurship (Álvarez, Urbano, & Amorós, 2014). Subsequently, social entrepreneurship research acknowledges the importance of formal institutions in shaping the demand – or need - for social entrepreneurship (Dacin et al., 2010; Estrin et al., 2013). These formal institutions are viewed as the objective constraints and incentives of government regulation of individual and organizational behaviour (Scott, 2005).

The institutional void and institutional support perspectives originate in broader institutional theory. The institutional void perspective postulates that the absence of government social programs and policies (e.g., the welfare

17

TABLE 1.2   Theoretical mechanisms regarding the government, welfare state and social entrepreneurship

High prevalence SE	Institutional void	Crowding-in /Institutional support
Low prevalence SE	Response failure	Crowding-out
	Weak welfare state	**Strong welfare state**

Note: SE = Social Entrepreneurship; This table is my interpretation of the resemblances and differences of the theoretical mechanisms

state) can trigger a demand for social entrepreneurship to deal with societal challenges. Table 1.2 shows this in the upper left quadrant. Conversely, the presence of these programs would lower the demand for pro-social activities by individuals or organizations. In such conditions, the crowding-out hypothesis postulates that welfare states create unintended and often negative social and moral consequences (Van Oorschot & Arts, 2005). Therefore, my interpretation is that the institutional perspectives correspond with two theoretical mechanisms from welfare state literature: the *crowding-out* and *crowding-in* hypotheses. The crowding-out hypothesis suggests that "voluntary, familial, communal and other inter-personal ties tend to weaken [...] *and* [...] people will lose their moral sense of collective and communal duties and responsibilities" as a result of a strongly engaged welfare state (Van Oorschot & Arts, 2005, p. 6). If people feel less concern for others in more extensive welfare states, it might be that the welfare state negatively influences social entrepreneurial activity.

Social entrepreneurs operate in different organizational forms to provide services to those in social need (Mair & Marti, 2009; Weisbrod, 1977) and are more frequently seen as legitimate agents to "mend holes in the social fabric left unaddressed by governments and NGOs" (Kibler et al., 2018; Zahra et

al., 2008, p. 129. Furthermore, economic inequality can trigger a response of compassion and pro-social behaviour from people (Warr, 1982). Because social entrepreneurship is an activity born out of compassion to help others (Dees, 1998; Santos, 2012; Zahra et al., 2009), it appears to be more prevalent in contexts with higher levels of economic inequality (Pathak & Muralidharan, 2018). Thus, when welfare states fail to address the social needs of their citizens, the institutional void perspective suggests that social entrepreneurs operate as competitors to the welfare state to provide social services. The relationship between social entrepreneurship and government response as postulated by the crowding-out hypothesis is shown in the lower right quadrant of Table 1.2.

While the mechanisms underlying the institutional void perspective and the crowding-out hypothesis are similar, the difference is the starting point regarding the welfare state's position (or strength). On the one hand, the institutional void perspective describes that social entrepreneurs respond to government (or market) failure regarding social service provision (Dacin et al., 2010; Estrin et al., 2013; Mair & Marti, 2009; Zahra et al., 2009). Therefore, unmet social needs serve as an opportunity (or trigger) for social entrepreneurs to operate (Kerlin, 2009; Zahra et al., 2008). Santos (2012) argues that social entrepreneurship is more likely to occur when governments and markets fail to address societal problems with positive externalities. This means that commercial or profit-oriented entrepreneurs will not act because of the low likelihood of capturing (financial) value. And governments may not act because of a weaker mandate to intervene by using public funds for addressing the needs of powerless segments of society. For example, governments may be reluctant to use public funds when they are faced with many priorities and generally scarce resources. Governments may then not notice, are not motived, or cannot easily justify spending the scare resources in benefiting the segment of society in need. Particularly in such conditions, and when social entrepreneurs feel passionate about the unaddressed problem, social entrepreneurship is likely to occur (Santos, 2012). On the other hand, according to the crowding-out hypothesis,

a strong welfare state would decrease the need for social entrepreneurship. The economics literature has found evidence for a likely welfare state's crowding-out effect that showed that fewer people start a social enterprise in contexts with higher government expenditures (Estrin et al., 2013). This implies that social entrepreneurs are more active in contexts where governments fail to provide adequate social services (Mair, Battilana, & Cardenas, 2012; Mair, Martí, et al., 2012). When governments become more successful in solving social, public health, and environmental problems, the demand for social entrepreneurial activity is expected to decrease. In other words, a stronger welfare state competes with social enterprises' activities (Kerlin, 2013). In addition, welfare state literature finds that fewer people engage in social volunteering activities if social expenditure increases (Stadelmann-Steffen, 2011).

Regarding the consequences of the welfare state on entrepreneurship more broadly, the crowding-out effect finds merit in the economics literature. An encompassing welfare state (e.g., one that pays generous unemployment benefits) reduces the incentives for job search among the unemployed population as it raises their reservation wages (Cowling & Bygrave, 2006; Koellinger & Minniti, 2009). Moreover, both opportunity and necessity entrepreneurship seem to be negatively influenced by the welfare state (Henrekson, 2005), which is shown by a lower start-up rate of businesses at the country level (Islam, 2015). Furthermore, the tax burden for entrepreneurs is higher in stronger welfare states to (indirectly) fund the social benefits (Henrekson & Roine, 2006). These welfare state characteristics may weaken the incentives for opportunity-driven entrepreneurship as it lowers the expected returns of entrepreneurial activity (Parker, 2009). Therefore, the welfare state may not be a catalyst for entrepreneurship because a trade-off exists between social spending and entrepreneurship (Solomon et al., 2021).

The second perspective linked to institutional theory is the institutional support perspective. The corresponding mechanism shows that governments can take on a supportive role when they redistribute economic wealth through

progressive tax structures and spending to enhance the well-being of their citizens (Aidis, Estrin, & Mickiewicz, 2012). This 'government activism' also refers to the ability of governments to address social issues and provide public goods. Accordingly, governments can provide resources (e.g., grants, subsidies, direct funding, endorsements, sponsorship) to support social entrepreneurs as part of public policies (Stephan et al., 2015; Zahra & Wright, 2011). Others conclude that the share of social start-ups in all start-ups may benefit from favourable institutional circumstances resulting from public sector expenditure and regulatory quality (Hoogendoorn, 2016). Thus, governments can play a crucial role in developing the social enterprise sector by working together with social enterprises to achieve public policy goals related to alleviating social needs (Sud, VanSandt, & Baugous, 2009; Zahra & Wright, 2011). In other words, governments can 'crowd-in' social entrepreneurship.

The 'crowding-in' hypothesis resonates with the institutional support perspective, as both can view social entrepreneurship as complementary to the welfare state (see the upper right quadrant of Table 1.2). Regarding the influences of the welfare state, a strong welfare state can stimulate the development of the non-profit sector (Salamon & Sokolowski, 2003). People also experience higher levels of social capital due to increased social welfare expenditures (Gelissen, Van Oorschot, & Finsveen, 2012; Van Oorschot, Arts, & Halman, 2005; Visser et al., 2018). For example, people are more likely to have social interactions with others (e.g., with friends, family, work colleagues) and discuss intimate and personal matters with them in contexts with higher levels of social spending (Visser et al., 2018). Furthermore, the crowding-in hypothesis suggests that the resources provided by the welfare state can stimulate the non-financial motivation to work (Van der Wel & Halvorsen, 2015).

Following the institutional support perspective and crowding-in hypothesis, it can be argued that social entrepreneurship is not just a residual of a strong welfare state. Namely, the mechanisms suggest that organizational forms of social entrepreneurship can collectively deliver financed social services on behalf

of the government (Young, 2000, 2008). Furthermore, governments can design programs and policies that may favour social entrepreneurial entry (Kerlin, 2009; Zahra et al., 2008). For example, some countries implement procurement rules that favour organizations that serve the community to provide social welfare provisions on behalf of the government (Borzaga & Defourny, 2001; Nyssens, 2006; Young, 2008).

The academic literature shows conflicting results regarding the impact of the welfare state on entrepreneurship. However, regarding social entrepreneurship, the dominant perspective in international comparative research is that the welfare state and social entrepreneurship are complementary. While welfare states can enhance feelings of social solidarity (Visser et al., 2018), a higher prevalence of businesses that address social or ecological needs can be observed when more people endorse a strong welfare state (Folmer et al., 2016). Nevertheless, government and social entrepreneurs can have a 'response failure' to attend to social needs (see lower-left quadrant of Table 1.2). The response failure implies that both government and social entrepreneurs are not active in providing social services, which may cause a high prevalence of societal problems.

Organizational forms of social entrepreneurship can be used to achieve the social and economic goals of the welfare state as a way to substitute for a large welfare state or to deal with welfare state retrenchment (Kerlin, 2013, 2017). Both *explicit* social enterprises and financially dependent social organizations can collaborate with governments by being part of the implementation of welfare state policy (Coskun et al., 2019; Monroe-White et al., 2015; Salamon, Sokolowski, & Anheier, 2000). The consequences of the welfare state on social entrepreneurship are recognised explicitly by the qualitative work of Kerlin (2009, 2013, 2017), who argues that the welfare state shapes the presence and collaboration style with social enterprises. For example, a large welfare state may leave less operation space for organizations that address social problems. Furthermore, organizations that have proven effective in solving social problems run the danger of becoming captured by the welfare state and becoming

dependent upon state funding (Kerlin, 2013, 2017). Other organizational forms of social entrepreneurship (e.g., the financially independent with a sustainable income model) may be more likely to emerge in contexts with limited government funding for social enterprises (Kerlin, 2017).

Despite the ongoing research interest in whether the welfare state is in a competitive or complementary relationship with social entrepreneurship, several gaps exist in the academic literature. For example, social entrepreneurship is primarily studied as the *prevalence* of 'any social entrepreneurial activity' in quantitative research (Coskun et al., 2019; Monroe-White et al., 2015). However, social entrepreneurship is more than its prevalence. Therefore, I study how the welfare state shapes different aspects of social entrepreneurship in this dissertation.

4 • THE SCIENTIFIC RELEVANCE OF THIS DISSERTATION

This dissertation bridges the literature on the welfare state, economics, organization and management, and social entrepreneurship to explore the relationship between government regulations, the welfare state and different aspects of social entrepreneurship. It adheres to specific research implications of how contextual forces shape opportunities for creating and up-scaling social entrepreneurship and social enterprise (Austin et al., 2006). In doing so, I explore how different aspects of social entrepreneurship are related to government programs and policies and engage in the 'welfare state – entrepreneurship' debate. Consequently, the contributions of my dissertation apply to different aspects of social entrepreneurship, including welfare state consequences on the desire to become a (social) entrepreneur, welfare state consequences on the importance of social goals for (social) entrepreneurs, welfare state consequences on the prevalence of different organizational forms of social entrepreneurship, and motivations for social entrepreneurs to measure their social impact. The

proposed research questions regarding the four empirical chapters are shown in Table 1.3.

Contribution chapter 2. Welfare state consequences on individuals' desire to engage in (social) entrepreneurship

The contribution of chapter 2, which is the first of four empirical multi-authored chapters, is three-fold. First, one aspect of social entrepreneurship is the desire of people to become social entrepreneurs. While current research accentuates the association between the welfare state and the prevalence of social entrepreneurship (Coskun et al., 2019) or the feasibility of an entrepreneurial career (Rapp et al., 2018), I focus in this chapter on individual preferences for entrepreneurship. People who desire or prefer to engage in entrepreneurship instead of employment are more likely to translate their desire into starting an enterprise or becoming self-employed (Kautonen, Van Gelderen, & Fink, 2015; Mair & Noboa, 2006; Schlaegel & Koenig, 2014). Therefore, understanding how the welfare state may affect such desires contributes to theory building on the welfare state and entrepreneurship in general, and social entrepreneurship in specific. Second, from a labour sociology perspective, I explore to what extent occupational class membership is related to such desires for (social) entrepreneurship. Therefore, I build upon Block, Thurik, Van der Zwan, and Walter (2013), who linked occupational class to the preferred entry mode into entrepreneurship (e.g., self-employment or business takeover). Third, I explore whether the welfare state creates different side-effects for different occupational classes concerning their preferences for entrepreneurship. The chapter seeks to make sociological understandings of entrepreneurship by exploring the impact of social policy on different segments of the labour force.

TABLE I.3   Overview of research questions

Position in dissertation	Question
Main research question	
Chapter 6	To what extent is social entrepreneurship shaped by state commitment toward alleviating societal problems?
Sub-questions	
Chapter 2	(1) What is the influence of occupational class membership on entrepreneurship preferences?
	(2) What is the influence of welfare state strength on entrepreneurship preferences?
	(3) To what extent does the welfare state moderate the impact of occupational class membership on entrepreneurship preferences?
Chapter 3	(1) What is the influence of welfare state strength on the willingness of entrepreneurs to pursue social value creation goals?
	(2) To what extent is the effect of welfare state strength on the social orientation different for commercial and social entrepreneurs?
Chapter 4	(1) What type of organizational forms of social entrepreneurship can be empirically observed?
	(2) To what extent do societal problems influence the prevalence of different organizational forms of social entrepreneurship?
	(3) To what extent does government response to pressing societal problems influence the prevalence of different organizational forms of social entrepreneurship?
	(4) How are societal problems and related government responses interrelated regarding the prevalence of different organizational forms of social entrepreneurship?
Chapter 5	(1) To what extent do the 'measuring to prove' and 'measuring to improve' motivations influence social impact measurement by social entrepreneurs?
	(2) To what extent are these mechanisms interrelated?

Contribution chapter 3. Welfare state consequences on the importance of entrepreneurs' social goals

The relevance of chapter 3 is that it seeks to understand the impact of social policy on the social orientation of entrepreneurs. To empirically identify social entrepreneurial activity, it is important to determine to what extent entrepreneurs pursue social value creation goals (Zahra et al., 2014) while considering the entrepreneurial dimension of social entrepreneurship (Alegre et al., 2017). As such, I study the *degree* of social entrepreneurship among the broader entrepreneurial population in contrast to the popular interest in quantitative research on the *prevalence* of social entrepreneurship (e.g. Estrin et al., 2013; Griffiths et al., 2013; Hoogendoorn, 2016; Stephan et al., 2015).

The general contribution lies in exploring the significance of welfare state perspectives, such as the crowding-out and crowding-in hypotheses, regarding the willingness of entrepreneurs to contribute to society. Next, and building upon insights about the association between welfare state expenditure and the prevalence of social entrepreneurship (Coskun et al., 2019), I explore whether the impact of the welfare state is stronger for social entrepreneurs than for commercial entrepreneurs. This approach adds a more nuanced view on the consequences of the welfare state on the willingness to create social value by social and commercial entrepreneurs.

Contribution chapter 4. The influence of the welfare state and societal problems on the prevalence of organizational forms of social entrepreneurship

Chapter 4 builds upon a theoretical framework that emphasizes the influence of government interventions, for example, social welfare provision, on social entrepreneurship (Kerlin, 2017). However, the corresponding quantitative research only explores the association between the welfare state and the prevalence of *any* social entrepreneurial activity (Coskun et al., 2019; Monroe-White

et al., 2015). As discussed before, different organizational forms of social entrepreneurship exist (Kerlin, 2017; Kerlin, Monroe-White, & Zook, 2016; Lepoutre et al., 2013). Therefore, an inductive approach is used to explore what type of organizational forms of social entrepreneurship can be found in the empirical data.

Furthermore, social entrepreneurship is an "opportunity-based" activity by individuals willing to make a difference (Mair & Noboa, 2006). Social entrepreneurial opportunities may depend on market or government failure to serve basic, long-standing needs more effectively through innovative approaches (Austin et al., 2006). In other words, the opportunities can relate to social needs inadequately or not addressed by governments. For example, societal problems such as social inequality (Austin et al., 2006; Pathak & Muralidharan, 2018) or environmental pressure (Hörisch, Kollat, & Brieger, 2017) may trigger a response by social entrepreneurs. However, the direct effect of societal problems is not included in larger theoretical frameworks seeking to explain the prevalence of social entrepreneurship (e.g., Kerlin, 2017).

The outcomes contribute to understanding how societal problems and government response influence the prevalence of different organizational forms of social entrepreneurship. The overall aim is to investigate whether these contextual circumstances trigger the prevalence of specific organizational forms of social entrepreneurship and whether government commitment decreases the impact of social inequality and environmental pressure.

Contribution chapter 5. Quantitative validation for 'measuring to prove' and 'measuring to improve'

The last empirical chapter contributes to the literature by attending to two particular knowledge gaps regarding the antecedents of social impact measurement. Social impact measurement is the activity performed to assess the success of a single program or the overall mission and goals of the social en-

terprise (Campbell, Lambright, & Bronstein, 2012; Rawhouser, Cummings, & Newbert, 2019). However, in contrast to financial performance measurement, assessing the impact of social entrepreneurship is more difficult because it often relates to non-quantifiable, multi-causal and temporal dimensions and even perceptive differences regarding what and where social impact is created (Austin et al., 2006).

The first contribution of this chapter is that it extends the knowledge on social impact measurement, which is primarily built through qualitative case-based research (e.g., Nguyen, Szkudlarek, & Seymour, 2015). The quantitative approach can provide further empirical support for different mechanisms for social impact measurement. Hence it can statistically and simultaneously test the significance of these mechanisms. These mechanisms include establishing a learning cycle (e.g., measuring to improve) or providing evidence of their achieved social impact to financial funders and stakeholders (e.g., measuring to prove) (Ebrahim & Rangan, 2014; Lall, 2017).

The second contribution lies in the ability to separate different financial funding sources. These include informal sources, formal financial institutions and formal government institutions. In line with research findings on 'institutional support' mechanisms between governments and social entrepreneurs (e.g., providing resources to scale up) (Stephan et al., 2015), it is plausible that governmental funding influences the motivation for social impact measurement.

5 • DATA AND METHODS

In this PhD thesis, I use a quantitative and macro-approach by implementing statistical methods of the social sciences to find answers to the research questions, as presented in Table 1.3. A decade ago, only a small proportion of published social entrepreneurship research papers applied quantitative analysis (Short et al., 2009). Nowadays, 'fruitful opportunities' for quantitative schol-

ars exist to empirically study social entrepreneurship from an international and comparative perspective (Gras et al., 2014). Exemplary large-scale datasets are the Global Entrepreneurship Monitor [GEM] and the Flash Eurobarometer surveys (Bacq, Hartog, & Hoogendoorn, 2013). The research opportunities will only grow because new data projects emerge from multidisciplinary research programmes. Examples include the 'Social Enterprise as Force for more Inclusive and Innovative Societies' [SEFORIS] research project[2] or the European Social Enterprise Monitor from the 'European Network for Social Enterprises and Impact-Driven Leaders' [EUCLID][3].

Individual-level data

The benefit of using different datasets is to explore the cross-validity of social entrepreneurship measurement over time and between different countries. In chapter 2, I use the Flash Eurobarometer series 283 (2009) and 354 (2012), which are both titled "*Entrepreneurship in the EU and beyond*". These surveys include data on why people have a desire to engage in entrepreneurship. Usually, these desires include a wish to satisfy financial or psychologically fulfilling interests. However, the data also contains information on a desire 'to contribute to society', which can be associated with the perceived desirability of social entrepreneurship[4]. Despite the strength of exploring the heterogeneity of underlying preferences for (social) entrepreneurship, the Flash Eurobarometer's weakness is that it is not possible to study whether such preference has led to actual engagement in (social) entrepreneurship. Nevertheless, research on

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[2] http://www.seforis.eu/
[3] https://euclidnetwork.eu/portfolio-posts/european-social-enterprise-monitor-esem/
[4] Please note that the perceived desirability of social entrepreneurship refers to the desire of individuals to become social entrepreneurs.

entrepreneurial intentions and behaviour provides evidence that such desires do likely lead to engaging in entrepreneurial behaviour (Krueger, Reilly, & Carsrud, 2000).

The GEM data are used in chapters 3, 4 and 5. The GEM provides probably the most 'state-of-the-art' cross-national data on social entrepreneurship (Bacq et al., 2013, p. 42) by asking people about their social entrepreneurial intentions and activity in more than 50 economies worldwide. Although the GEM fielded the social entrepreneurship module in 2009 and 2015, the corresponding data are not identical because different questions are used. Guided by the research questions and available data in both GEM surveys, I used the 2009 data in chapters 3 and 4 and the 2015 data in chapter 5. The GEM's conventional method of studying social entrepreneurship is through a self-identification item to identify respondents who are active in "any kind of activity, organization or initiative that has a particular social, environmental or community objective" (Bosma & Levie, 2010; Bosma et al., 2016, p. 2). This identification procedure for social entrepreneurship is applied in chapters 3, 4, and 5.

In chapter 3, the dependent variable measures the social orientation of entrepreneurs, which is the importance of pursuing organizational goals regarding social value creation (e.g., to contribute to society). Because I focus on organizational forms of social entrepreneurship in chapter 4, I follow the suggestions that a measure for organizational forms of social entrepreneurship needs to be multi-faceted; it should account for financial performance and social value creation (Cohen & Winn, 2007). Moreover, a social entrepreneurial organization has a social objective, prioritizes social goals over financial goals, and self-generates income by producing goods or services (Bosma et al., 2016). Therefore, information on the self-identification of social entrepreneurship, the importance of different organizational goals, and the significance of market-based income are used in chapter 4 to guide the inductive approach explained in section *Statistical methods for studying individual-level and country-level influences* of Chapter 1. Chapter 5 uses the most recent GEM social en-

trepreneurship data (2015) and measures to what extent self-identified social entrepreneurs put effort into measuring the social (or environmental) impact of their social entrepreneurial activity. In comparison, the GEM 2009 asks social entrepreneurs whether they measured impact along any of their organization's social, environmental, or financial goals. This approach makes it impossible to differentiate between social entrepreneurs measuring social impact or only financial impact. Furthermore, the influence of 'government' on social impact measurement is explored by using data on whether and from what sources social entrepreneurs received funding for sustaining their business operations. Consequently, the GEM 2015 is particularly suitable for quantitatively testing the validity of social impact measurement mechanisms as provided by the dominating qualitative social entrepreneurship literature.

Despite these strengths, a limitation of the GEM data is that it includes a population survey rather than registry data. Therefore, country-level social entrepreneurial activity based on the survey responses can differ from the actual social entrepreneurship rate. However, the GEM provides a representative adult population sample, enabling scholars to study the statistical association between individual propensity for social entrepreneurship and country-level variables. Another general limitation of the GEM's assessment of social entrepreneurship is that it may "not measure the prevalence of 'social entrepreneurship' but rather the active involvement or active leadership in addressing social, environmental or community needs" (Bacq et al., 2013, pp. 61 - 62). For this reason, it is important to consider the *entrepreneurial dimension* by including information on the use of commercial activities. In addition, as with many survey data, respondents could provide socially desirable answers. Last, another limitation is that the multi-country nature of the GEM requires scholars to make a "significant assumption about homogeneity in interpreting the term "social" across their samples" (Gras et al., 2014, p. 66). It could be problematic as the notion of 'social' can be interpreted differently across various regions around the world (Lepoutre et al., 2013; Mair, 2010). However,

recent literature studies on the definition of social entrepreneurship conclude that there is a considerable consensus on what social entrepreneurship means (Alegre et al., 2017).

Setting its limitations aside, the GEM proves to be a trustworthy institution as the data is used to advise experts and policymakers in the field of (social) entrepreneurship and contributes to the development of (social) entrepreneurship research (Álvarez et al., 2014; Bosma, 2013). Hence the GEM is one of the most widely used secondary datasets in the quantitative social entrepreneurship scholarship (among others are Brieger, Terjesen, Hechavarría, & Welzel, 2018; Hechavarría, 2016; Hechavarría et al., 2017; Hoogendoorn, 2016; Stephan et al., 2015).

Country-level data

Because the Flash Eurobarometer covers primarily European countries, I harmonized the individual-level data with social protection expenditure data from Eurostat to study welfare state consequences as performed in chapter 2. The European Commission gathers detailed spending data for different functions, such as sickness, health care, disability, old age, survivors, family/children, unemployment, housing, and social exclusion. Such data can be retrieved from the 'European System of integrated Social PROtection Statistics' [ESSPROS]. One advantage of using the ESSPROS-data is that it allows for a coherent and detailed comparison between European countries of social benefits to households and their financing. Chapter 3, however, requires a different macro-level dataset given the scope of countries included. As such, it would not suffice if I used the data from the ESSPROS. To obtain detailed and reliable data on social protection expenditure for a substantial sample size of countries, I use the Government Finance Statistics of the International Monetary Fund [IMF GFS] instead. The IMF GFS includes expenditures on different classifications of government functions (known as the COFOG), such as social protection.

Social protection expenditures include spending on sickness, disability, old age, survivors, family and children, unemployment, housing, and social exclusion. Unlike the COFOG expenditures from the ESSPROSS, the IMF GFS social protection expenditure does not include expenditure on health. Furthermore, the IMF GFS provides annual data for the general government and social security funds (e.g., central government, local government, state government, and social security funds). However, I only used expenditure data on the general government as this data is consolidated. The consolidated data prevent 'double counting' and avoid uncertainties regarding the data's reliability and validity as some expenditures can flow between the different sub-sectors of the government rather than to individuals or households. In chapter 4, I use a different measure for the welfare state because the chapter is rooted in social entrepreneurship literature (Coskun et al., 2019; Kerlin, 2017; Monroe-White et al., 2015). As such, I follow Kerlin's welfare state measure by using data from the World Bank on government expenditure on education and health. As recognized earlier, the welfare state is approached differently by academic scholars in the field of sociology and entrepreneurship. Although most sociologists use expenditure data on social protection benefits in welfare state research, I discuss the findings of chapter 4 in relation to the operationalization of variables used to test the validity of the theoretical Macro Institutional Social Enterprise framework (Coskun et al., 2019; Kerlin, 2017; Monroe-White et al., 2015).

Statistical methods for studying individual-level and country-level influences

As displayed in Table 1.3, the research questions signify the focus on how country characteristics influence the behaviour of individuals. The pooled data for chapters 2, 3, and 4 have a 'hierarchical' or 'nested' structure, which requires specific multilevel statistical methods for hypothesis testing (Snijders & Bosker, 2012). Such data structure implies "that 'something' observed at

one level is related to 'something' observed at another level" (Snijders & Bosker, 2012; Steenbergen & Jones, 2002, p. 218). The assumption is that contextual circumstances can influence individual-level behaviour, which can be detected using multilevel methods.

In this PhD thesis, different multilevel techniques are used because of the variation in the measurement of the dependent variables. These include multilevel linear regression, multilevel logistic regression, and multilevel multinomial logistic regression (Heck, Tabata, & Thomas, 2013; Heck, Thomas, & Tabata, 2013; Snijders & Bosker, 2012). To identify organizational forms of social entrepreneurship, I use cluster analysis in chapter 4. This statistical method is particularly suitable to explore how organizations cluster on different identifying variables related to social entrepreneurship. Due to data limitations regarding the data clustering at the country level and primary focus on individual-level hypotheses, I use a fixed-effect logistic regression approach in chapter 5. The separate empirical chapters include more detailed discussions of the data and methods.

6 • OUTLINE OF THIS DISSERTATION

In chapter 2 of this dissertation, I seek to answer the question of to what extent individual occupational class and welfare state context shape various preferences for an entrepreneurial career. As such, I focus on four different preferences. These relate to financial prospects, work-related autonomy, necessity, and a desire to contribute to society. Having a desire to help others can be necessary for forming a social entrepreneurial intention.

Having studied how the welfare state context can shape a social entrepreneurial intention, chapter 3 focuses on to what extent the welfare state can shape a social orientation among the entrepreneurial population. Entrepreneurs can have different organizational goals according to their ability or willingness to create economic and social value. Whereas economic value

refers to financial performance, social value includes the ability to benefit society. I study to what extent the strength of the welfare state shapes this willingness to create social value and whether this effect is different between commercial and social entrepreneurs.

In chapter 4, I first explore, through a cluster analysis, how organizations cluster on specific variables that can be used to identify social entrepreneurial activity empirically. I then study how the demand for social entrepreneurial activity (e.g., prevailing social inequality or environmental degradation) and government response to societal issues shape the prevalence of different organizational forms of social entrepreneurship.

In chapter 5, the last and fourth empirical chapter of this dissertation, I study another component of social entrepreneurship: social impact measurement. This chapter builds upon qualitative literature by exploring antecedents for social impact measurement. Regarding the influence of government on this practice, I study how government funding influences the likelihood that social entrepreneurs put substantial effort into measuring their social impact.

I conclude my research findings in chapter 6. The chapter summarizes and evaluates the result of the empirical studies in the different chapters. Here I draw an overarching conclusion and illustrate how this dissertation contributes to the current academic debate on social entrepreneurship and the welfare state. A schematic overview of the empirical chapters of this dissertation is presented in Table 1.4.

TABLE 1.4   Schematic overview of the four empirical chapters in this dissertation

Chapter	Dependent variable	Independent variables	Perspective	Sample	Data	Method
2	Entrepreneurship preference (financial self-interest / autonomy self-interest / necessity / contribution to society)	• Occupational class • Welfare state strength	Micro and macro	2009, 2012	Flash Euro-barometer 283 & 354	Multilevel logistic regression
Countries:	AT, BE, BG, CH, CY, CZ, DE, DK, EE, ES, FI, FR, GR, HR, HU, IE, IS, IT, LT, LV, LU, MT, NL, NO, PL, PT, RO, SE, SI, SK, TR, UK					
3	The social orienta-tion of entrepreneurs	• Self-identification as a social entrepreneur • Welfare state strength	Micro and macro	2009	GEM 2009	Multilevel linear regression
Countries:	AR, BE, BR, CH, CL, CN, CO, DE, DK, DO, DZ, EC, ES, FI, FR, GR, GT, HR, HU, IL, IS, IT, JM, JO, LB, LV, MA, MY, NL, NO, PA, PE, RO, RS, RU, SI, SY, TO, UG, UK, US, UY, VE, YE, ZA					
4	Organizational forms of social entrepreneurship	• Social inequality • Environmental pressure • Welfare state strength • Environmental Performance Index	Micro and macro	2009	GEM 2009	• Two-step cluster analysis • Multilevel multinomial logistic regression
Countries:	AR, BA, BE, BR, CH, CL, CN, CO, DE, DK, DO, DZ, EC, ES, FI, FR, GR, GT, HR, HU, IL, IS, IT, JM, JO, LB, LV, MA, MY, NL, NO, PA, PE, RO, RS, RU, SI, SY, TO, UG, UK, US, UY, VE, YE, ZA					
5	Social impact measurement	• Prioritization of social mission • Innovativeness • Source of fund-ing (government / informal / financial sector)	Micro	2015	GEM 2015	Fixed effect logistic regression
Countries:	AU, BE, BG, BR, BW, CH, CL, CM, CN, CO, EC, EE, EG, ES, GR, HR, HU, ID, IL, IR, KR, KZ, LU, LV, MK, MY, PE, PH, PR, PT, RO, SE, SI, SK, VN, ZA					

For Self-interest or Helping Others?
Exploring how occupational class and welfare state strength influence entrepreneurship preferences

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ABSTRACT

Building upon labour sociology and welfare state literature, this chapter investigates to what extent occupational class, entrepreneurial motivations, and welfare state strength are related. The chapter shows that the salience of specific preferences for entrepreneurship, such as financial, autonomy, and societal motivations, differ significantly between members of the salariat and the working class. Furthermore, the chapter demonstrates that welfare state strength does influence the salience of these motivations as well. However, welfare state strength does not affect the differences between the occupational classes. The results are based on several multi-level logistic regression models applied to individual-level data from a 2009 and 2012 Flash Eurobarometer survey and country-level data on welfare state strength.

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I • INTRODUCTION

Around 32.6 million European citizens were self-employed in 2018, which accounted for 14 per cent of the total employment in the European Union[1]. Although 1 in 2 self-employed persons are highly satisfied with their current jobs[2], around 16 per cent prefer to work as an employee. At the same time, almost 10 per cent of the employed people desire to be self-employed[3]. These statistics suggest that the current occupation of people can trigger a desire for engaging in entrepreneurship. Moreover, those who desire self-employment are likely to form entrepreneurial intentions and start an enterprise in the future (Hessels, van Gelderen, & Thurik, 2008; Kolvereid, 2016). While entrepreneurship can be motivated by 'opportunity' or 'necessity' to satisfy utilitarian self-interest needs (Acs, 2006), members of the classical white-collar and blue-collar occupational classes are similar in their preferred entry mode into entrepreneurship (e.g., through self-employment or business take-over) (Block et al., 2013). These motivations include that people perceive a business opportunity to obtain financial or immaterial benefits or perceive self-employment as a necessary means to an end. However, entrepreneurship can also be 'socially' oriented. The social entrepreneurship literature shows that a desire to contribute to the greater good, rather than satisfying self-interest needs, can contribute to social enterprise founding (Mair & Noboa, 2006). Despite the heterogeneity of these desires, the current academic attention on the relationship between occupational class and different motivations for entrepreneurship is scarce.

Next to the importance of individual background, research shows that the social policy context of countries can play a stimulating role as well (Rapp et

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[1] https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20190430-1

[2] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Self-employment_statistics#in_2_self-employed_persons_highly_satisfied_with_their_current_job

[3] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Self-employment_statistics

al., 2018). However, the 'welfare state – entrepreneurship' debate is inconclusive (Solomon et al., 2021). On the one hand, the public and the academic discourse often claim that the welfare state creates negative incentives for entrepreneurship (Koellinger & Minniti, 2009; Solomon et al., 2021). On the other hand, empirical research shows that people perceive entrepreneurship as more feasible when governments provide a comprehensive safety net (Rapp et al., 2018).

Given the puzzle regarding the relationship between occupational class, the welfare state and different preferences for entrepreneurship, the goal of this chapter is two-fold. First, this chapter explores the relationship between occupational class and underlying reasons for individual preferences for entrepreneurship. Contrary to earlier studies on the traditional cleavage between white-collar and blue-collar occupational classes and their entrepreneurship preferences (Block et al., 2013), this chapter uses a more nuanced perspective on occupational classes by exploring the differences between two subsets of traditional blue-collar white-collar cleavage. In doing so, it explores to what extent members of the salariat and working-class have different preferences for entrepreneurship. Moreover, self-employment as a form of entrepreneurship is strongly associated with being in a professional/managerial or unskilled occupation (Henley, 2004).

Second, this chapter extends the 'welfare state – entrepreneurship' debate by exploring the effect of the welfare state on forming different preferences for entrepreneurship and to what extent it influences the relationship between occupational class and entrepreneurship preferences. While empirical studies commonly find evidence that the welfare state is 'crowding-out' entrepreneurship (e.g., Solomon et al., 2021), social entrepreneurship literature provides evidence for a 'crowding-in' effect (Coskun et al., 2019). However, this knowledge is mainly based on welfare state consequences on the *prevalence* of the subsequent entrepreneurial activity. This chapter studies whether these effects can be observed at the underlying dimensions for engaging in commercial

and social entrepreneurship. Moreover, desiring a particular outcome (e.g., self-employment) is an essential first step in forming entrepreneurial intentions (Segal, Borgia, & Schoenfeld, 2005). Therefore, it resonates with empirical research on the influence of the social policy context on the perceived ability of people to become an entrepreneur (Rapp et al., 2018).

This chapter aims to fill the gaps mentioned above by exploring to what extent occupational class, the welfare state, and its interrelations influence underlying preferences for engaging in commercial and social entrepreneurship. Gaining insight into the welfare state's influences is relevant for social policy because policymakers must deal with the 'trade-off' between social spending and entrepreneurship (Solomon et al., 2021). Therefore, the chapter contributes to the 'welfare state - entrepreneurship' debate. The following research questions are central: "To what extent are entrepreneurship preferences influenced by occupational class membership", and "to what extent are these influenced by welfare state policy?". This chapter uses a representative sample of 13,529 individuals from 32 countries in two waves of the cross-national Flash Eurobarometer survey from 2009 and 2012 to answer the research questions. The analytical method includes multilevel logistic regression to explore differences in entrepreneurship preferences between welfare states.

2 • THEORETICAL FRAMEWORK

Different preferences for entrepreneurship

Self-employment as a form of entrepreneurship received considerable attention in the entrepreneurship literature (e.g., Wennekers, Van Wennekers, Thurik, & Reynolds, 2005) and is argued to be attractive to people for different reasons (Carter, Gartner, Shaver, & Gatewood, 2003; Hessels et al., 2008)[4]. For exam-

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[4] https://www.eurofound.europa.eu/publications/report/2009/self-employed-workers-industrial-relations-and-working-conditions

ple, active entrepreneurs pursued an opportunity or were motivated out of necessity to start their activity. The former includes an active choice to pursue a business opportunity. The latter refers to a motivation to maintain a financial income due to a lack of (attractive) employment opportunities in the region where people live (Acs, 2006).

While the desire to increase financial wealth or achieve more work independence commonly refers to opportunity entrepreneurship (Hessels et al., 2008), the 'classical' entrepreneur primarily focuses on achieving goals related to their financial self-interest (Schumpeter, 1942). However, people are triggered mainly by the non-financial outcomes of entrepreneurship, resulting in having a desire for more work-related independence and autonomy (Croson & Minniti, 2012; Dawson, Henley, & Latreille, 2014). The congruence between the financial and autonomy preference is that a utility is met by the individual self (Benz & Frey, 2008).

Next to these individual utilitarian preferences, the social entrepreneurship literature shows that a desire to contribute primarily to the welfare of a community is predominantly present among *social* entrepreneurs (Barton, Schaefer, & Canavati, 2018; Zahra et al., 2009). These entrepreneurs are primarily inclined to achieve social objectives by catering their services to those in social need rather than focusing on personal self-interest objectives (Stephan & Drencheva, 2017). Social entrepreneurship is usually motivated by empathy, a sense of identification with, or being passionate about the needs of a particular group or about the characteristics of the problem (Santos, 2012).

This chapter includes the following entrepreneurship preferences: a desire to satisfy financial self-interest (opportune wealth increase or a necessity), autonomy self-interest (independence), and societal contribution. These are not mutually exclusive because people may rely on multiple reasons that underlie their general desirability of entrepreneurship (Dawson et al., 2014).

OCCUPATIONAL CLASS AND PREFERENCES FOR ENTREPRENEURSHIP
Occupational class refers to occupations with similar job traits, such as duties, skills and prestige (Erikson & Goldthorpe, 1992). One assumption applied in this chapter is that occupational class is both an individual trait and a social context in which individuals are socialised and embedded, i.e., build valuable relations for entrepreneurial activity (Granovetter, 1985). Furthermore, it plays a vital role in people's lives as it broadly defines their life chances and is related to the structure of social inequality at the broader societal level (Rose & Harrison, 2007). Although transitions into entrepreneurship (e.g., through self-employment) are not restricted to a particular occupational class (Kolvereid, 2016), the underlying preferences may differ between occupational classes.

Due to the concentration of self-employed jobs in particular professions (Henley, 2004), this chapter focuses on the salariat and working class which differ substantially in their current job prestige and salary. Individuals that belong to the salariat class are employed in white-collar jobs with relatively high prestige and salary level. Examples include any managerial, professional, or senior administrative occupation. On the contrary, working-class members are typically employed in blue-collar jobs, such as the (un)skilled manual labour jobs with relatively lower prestige and salary levels (Rose & Harrison, 2007). A characteristic of the working class is that people sell their (manual) labour in return for a wage calculated by the amount of work performed or time worked. In addition, the prospective elements of their employment contract are lower (e.g., benefits, salary) due to a lower job prestige (Erikson & Goldthorpe, 1992).

ENTREPRENEURSHIP AND FINANCIAL PROSPECTS
Entrepreneurship becomes more attractive when people perceive it as a way to climb the social ladder (Abebe & Alvarado, 2018). One aspect that enables such transition is the accumulation of financial wealth. Social-psychology literature shows that financial wealth accumulation amplifies a recurring interest

in financial capital (Piff, Stancato, Martinez, Kraus, & Keltner, 2012). Consequently, this process becomes a significant part of self-identification for people with relatively higher levels of financial capital (Wang, Jetten, & Steffens, 2019). As the salariat class is, on average, more generously financially compensated for their work performed, the mechanism suggests that the financial prospects of entrepreneurship become particularly of interest among them.

In contrast, a focus on financial prospects may appear particularly among people with less financial capital (Maslow, 1970). The related 'scarcity hypothesis' assumes that people prioritize satisfying those needs in short supply (Inglehart, 1981). This implies that individuals who are relatively more financially deprived focus more on the financial prospects of their occupational choices. An example of the related benefits is gaining access to accumulated business assets that the entrepreneurs would control over time (Horemans & Marx, 2017). Therefore, the working class may be particularly interested in entrepreneurship because of these financial prospects. Because (un)skilled manual workers have a relatively lower income level compared to members of the salariat class, it may be that they are more likely to prefer entrepreneurship when this would improve their financial living standard.

> **Hypothesis 1a:** Members of the salariat class are more likely to prefer entrepreneurship because of expected financial prospects than working-class members.

> **Hypothesis 1b:** Members of the working class are more likely to prefer entrepreneurship because of expected financial prospects than salariat-class members.

Entrepreneurship and autonomy prospects

Another motivation relates to the desire for more work-related autonomy (Brown, Fukunaga, Umemoto, & Wicker, 1996). Next to generous financial

compensation, work-related autonomy increases job satisfaction (Schjoedt, 2009). The self-employed are, regardless of their level of prestige, the most satisfied with their occupation in specific (Millán, Hessels, Thurik, & Aguado, 2013) and life in general (Hessels, Arampatzi, van der Zwan, & Burger, 2018) compared to any occupational employee class. However, the level of work autonomy can differ substantially between occupational classes. For example, members of the salariat class - who fulfil a managerial function – commonly exercise delegated authority by supervising other employees. Moreover, they are more likely to seek positions of job-related power (Belmi & Laurin, 2016). While higher levels of financial capital may instigate an enhanced focus on non-material aspects of life (Inglehart, 1977), it may be that immaterial prospects, such as autonomy, become an attractive component of self-employed entrepreneurship for the salariat class.

However, working in a blue-collar profession might also trigger a desire for entrepreneurship to achieve more work independence. The routine blue-collar and lower grade white-collar occupations may have to deal with less work autonomy because of their lower position on the hierarchical occupational ladder. Next to a relative lack of autonomy, the working class has, on average, the lowest level of life satisfaction compared to other occupational classes (Hessels et al., 2018). A transition into self-employed entrepreneurship might contribute to higher life satisfaction because it corresponds with having more work-related autonomy and other perceived benefits related to entrepreneurship (Hessels et al., 2018; Millán et al., 2013). Because lower and unskilled manual employees have less work-related autonomy and consequently may be less satisfied with their job (Millán et al., 2013), it is plausible that they desire entrepreneurship for the immaterial benefits.

> **Hypothesis 2a:** Members of the salariat class are more likely to prefer entrepreneurship because of the expected immaterial benefits than the working-class members.

44

Hypothesis 2b: Members of the working class are more likely to prefer entrepreneurship because of the expected immaterial benefits than the salariat-class members.

Entrepreneurship as a necessity

While entrepreneurship can be opportunity motivated, some may see no other option to become self-employed out of necessity. Next to a more obvious population, such as the long-term unemployed, it could be that members of the working class may prefer entrepreneurship out of necessity. For example, negative external factors, such as job dissatisfaction due to insufficient salary or inflexible work schedules, may enhance a desire for entrepreneurship (Acs, 2006). In addition, individuals employed in a profession with relatively lower prestige and salary levels may face more competition in the labour market. Consequently, individuals employed in the manual blue-collar sector are more likely to prefer entrepreneurship out of necessity (Dawson et al., 2014). Moreover, the salariat class members have an advantage over the working-class members in terms of long-term income security and are more difficult to replace, given their organizational asset specificity and knowledge (Goldthorpe & McKnight, 2006).

Hypothesis 3: Members of the working class are more likely to prefer entrepreneurship out of necessity than the salariat-class members.

Entrepreneurship to contribute to society

Next to the motivations that serve the self-interest of individuals, a desire to help others by contributing to the greater good may also translate into self-employed entrepreneurship. Pro-social behaviour is often enabled by more

financial and human capital (Korndörfer, Egloff, & Schmukle, 2015). This enables people to start a social enterprise to benefit their local community (Stephan et al., 2015), especially when people feel an ethical desire to contribute to society (Mair & Noboa, 2006; Stirzaker, Galloway, Muhonen, & Christopoulos, 2021). Such interests, and individual-related immaterial goals, are evoked by relatively higher levels of financial capital (Inglehart, 1977; Kraus, Piff, Mendoza-Denton, Rheinschmidt, & Keltner, 2012). This is in line with the argument made by Inglehart (1977), who argues that higher levels of financial capital may provide the basis for caring and pro-actively protecting the ecological environment (Franzen & Vogl, 2013). Furthermore, higher levels of human capital are associated with the propensity to start a *social* enterprise (Pathak & Muralidharan, 2016; Stephan et al., 2015).

> **Hypothesis 4:** Members of the salariat class are more likely to prefer entrepreneurship to contribute to society than working-class members.

Welfare state policy and consequences for entrepreneurship

Two perspectives about the consequences of welfare state policy on entrepreneurship contradict each other. On the one hand, while welfare state policies aim to protect and promote citizens' economic and social well-being, they create negative consequences for the labour market (Ilmakunnas & Kanniainen, 2001; Lindbeck, 1994). For example, generous unemployment benefits reduce the incentives for job search among the unemployed by raising reservation wages (Koellinger & Minniti, 2009). Moreover, the eligibility for social benefits would lead to a preference for not working at all (Lindbeck & Nyberg, 2006). Consequently, welfare benefits have a detrimental effect on the willingness of people to engage in entrepreneurship (Cowling & Bygrave, 2006; Koellinger & Minniti, 2009).

46

Using Sweden as the prototype for a mature welfare state, Henrekson (2005) argues that stronger welfare states tend to reduce the incentives for opportunity and necessity entrepreneurship. A more extensive statistical study by Islam (2015) supports the crowding-out effect of total government spending on the start-up rate of businesses. Higher government spending increases the financial burden for entrepreneurs, as they are required to pay higher levels of taxes. Consequently, this may weaken the incentives for opportunity-driven entrepreneurs by reducing the potential financial prospects. Furthermore, necessity entrepreneurship may become uncommon in countries with more generous social security systems because the unemployed have less necessity to turn to entrepreneurship when they can claim relatively generous social benefits (Koellinger & Minniti, 2009). Therefore, Solomon et al. (2021) argue that the welfare state is not a catalyst for entrepreneurship and that a trade-off between entrepreneurship and social spending exists because the welfare state increases the opportunity cost of entrepreneurship.

On the other hand, the contradicting 'welfare resources perspective' argues that generous welfare state policies stimulate a non-financial motivation to work (Van der Wel & Halvorsen, 2015). Furthermore, individuals perceive self-employed entrepreneurship as more feasible when the welfare state provides a more encompassing safety net if their business fails (Rapp et al., 2018). While welfare states may create consequences regarding more freedom in pursuing im-material self-interest goals, social entrepreneurship literature provides evidence for the crowding-in of social entrepreneurial activity. Starting a business to address social or ecological needs tends to be more prevalent in contexts where the public has a positive attitude towards welfare state redistribution (Folmer et al., 2016). Moreover, social entrepreneurial activity is more prevalent in contexts with higher government spending (Stephan et al., 2015) and welfare spending (Coskun et al., 2019).

Hypothesis 5: Welfare state strength has a negative effect on the

(*a*) financial and (*b*) necessity preferences and a positive effect on the (*c*) autonomy and (*d*) societal preferences for entrepreneurship.

The moderating role of welfare state context

The relationship between individual characteristics, such as income and entrepreneurial intentions and actions, depends on the context in which it occurs (Brieger & De Clercq, 2019; De Clercq, Lim, & Oh, 2013). In line with this literature, this chapter explores whether the influence of the welfare state on entrepreneurship preferences is different between occupational classes. It could be that the welfare state influences these preferences differently for the occupational classes. For example, stronger welfare states require that business owners and the self-employed contribute substantially to subsidising welfare benefits by paying social security contributions. Moreover, the salience of different preferences among the occupational classes is expected to become similar in stronger welfare states. If either the salariat or working class is more interested in the financial prospects, this might decrease when the financial burden of self-employed entrepreneurship becomes higher in stronger welfare state contexts. At the same time, the welfare state can stimulate risky occupational behaviour (see Rapp et al., 2018) and enhance autonomy prospects. However, if the salariat class desires entrepreneurship primarily because of the autonomy prospects, the welfare state can cause an upsurge in the salience of this desire among the working class.

Regarding the necessity motivation, it is plausible that welfare spending does not influence the need for necessity entrepreneurship among the salariat class. However, it could substantially decrease this need among the working class. Furthermore, generous unemployment benefits decrease incentives for job search (Koellinger & Minniti, 2009).

Stadelmann-Steffen (2011) shows that social expenditure has a particular

crowding-in effect on the probability of social volunteering for those with a lower income. For those individuals, as the most likely target group of welfare state services, the welfare state compensates for their lack of individual resources. Therefore, the welfare state can decrease the differences in the salience of the societal motive for entrepreneurship between the salariat and working class.

> **Hypothesis 6**: Welfare state strength levels out the expected differences between the salariat and working-class members regarding their entrepreneurship preferences.

3 • DATA AND METHODS

Sample

The Flash Eurobarometer surveys 283 (European Commission, 2011) and 354 (European Commission, 2013), titled "*Entrepreneurship in the EU and beyond*", are used to explore individuals' preferences for entrepreneurship. The corresponding surveys used probability sampling to obtain nationally representative population samples via face-to-face or telephone interviews. Each country was surveyed with different representative samples in 2009 and 2012. All country-level data are retrieved from Eurostat by calculating the average value of three years prior to the survey to level out diverging year-specific values. Given individual and country-level data availability, the total sample resulted in 13,529 respondents from 32 countries and 64 country-year combinations.

Operationalization of variables

DEPENDENT VARIABLE: DESIRES FOR ENTREPRENEURSHIP
The preferences for (self-employed) entrepreneurship are measured with the
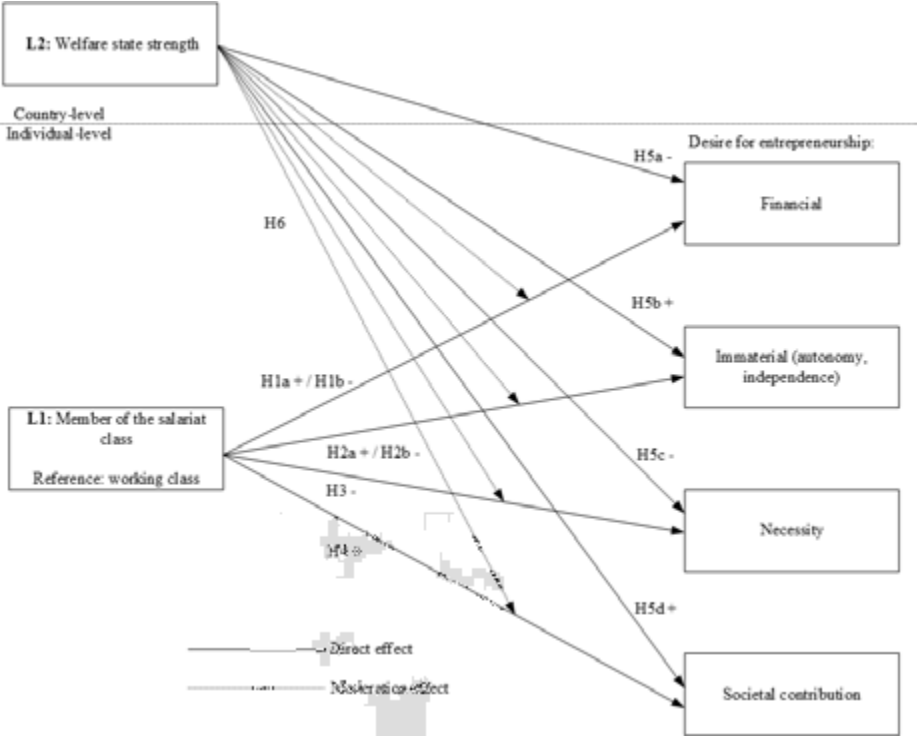
FIGURE 2.1   Conceptual model

question: "*Suppose you could choose between different kinds of jobs, which one would you prefer?*" Respondents could answer '*Being an employee*', '*or being self-employed*', '*none of these*', or '*don't know, not applicable*'. Those who preferred self-employment were asked about their underlying reason. Possible outcomes were listed *a priori* in the survey and were not read out by the interviewer. The outcomes were not mutually exclusive and included a preference for self-employment because of financial self-interest (*better income prospects*), autonomy self-interest (*freedom to choose place and time of working*; *personal*

independence/self-fulfilment/interesting tasks), necessity (*lack of attractive employment opportunities*) and/or unmet societal needs (*to contribute to society*). Each desire forms a unique dependent variable.

EXPLANATORY VARIABLES: OCCUPATIONAL CLASS AND WELFARE STATE STRENGTH

Occupational class includes the current occupation of the respondent[5]. The following occupational classes were identified: employed salariat [n = 1,977], working-class [n = 1,313], unemployed [n = 1,130], employed intermediate class [n = 3,720], two self-employed classes existing of the self-employed salariat [n = 1,793] and the 'petit bourgeois' [n = 1,790], and a non-working population existing of full-time students [n = 1,806]. At the contextual level, the main explanatory variable is welfare state strength, measured as the total expenditure on social protection benefits as a percentage of GDP. All contextual level variables (and age) with a continuous measurement scale are z-standardized (e.g., to obtain a mean of 0 and a standard deviation of 1) to allow simple comparability of the effects. The main effect is interpreted as changes in standard deviations of these predictor variables.

CONTROL VARIABLES

The following control variables are included on the individual level: risk avoidance (not avoidant / avoidant) (Rapp et al., 2018), residence area (metropolitan or town / rural), age (in years), gender (male / female) (Kolvereid, 2016), having self-employed parent(s) (no / yes) (Audretsch, Boente, & Tamvada, 2013), subjective household income (negative feelings / positive feelings). On the contextual level, economic wealth (measured as GDP per capita in euros) was

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[5] See Appendix Table 2.1 for information on the measurement of occupational class. Retired people and homemakers were not included in the analyses as they are not part of the active labour force.

used as a control variable because a more prosperous economy stimulates entrepreneurial activity (Schlaegel & Koenig, 2014). Furthermore, information on the national unemployment rate (percentage of the population aged 15 to 74 who are unemployed) was included because it influences entrepreneurial intentions (Verheul, Wennekers, Audretsch, & Thurik, 2002) and social entrepreneurial activity (Monge, 2018). Last, a time-dummy for the year of the survey admission was included to control for temporal effects. See Appendix Table 2.1 for the exact measurement, source, and descriptive statistics of all variables.

Methodology

Given the nested structure of the data and measurement of the dependent variables, this chapter uses multilevel logistic regression to test the hypotheses. This statistical method estimates the odds that an event will occur (i.e., a respondent prefers self-employment because of financial prospects) while taking the dependency of data into account (i.e., individuals are nested in countries). It allows for estimating these odds as a function of lower-level variables (i.e., occupational class) and higher-level variables (i.e., welfare state expenditure) (Sommet & Morselli, 2017). It is suggested that at least 50 higher-level units (i.e., contexts) are necessary to accurately estimate standard errors (Maas & Hox, 2005). Therefore, the three-level data structure shows that individuals are nested in 64 country-year combinations and 32 countries. Standard errors are clustered at the country level.

The variance at the contextual level provides information on the extent to which contexts are different in the expected outcomes of self-employment. The larger the variation, the lower the degree of homogeneity in the expected outcomes between the contexts (Sommet & Morselli, 2017). This is captured by the intra-class correlation coefficient (ICC) for the four different entrepreneurship preferences in the 64 contextual units of this chapter: financial self-interest

9.53%, autonomy self-interest 4.68%, necessity 8.86%, and societal 10.37%. This implies that the variance between countries is lowest regarding autonomy motivation and highest regarding the societal motivation for self-employment. Consequently, multilevel analysis of the data is justified.

4 • RESULTS

Main effect of occupational class and welfare state strength on preferences for entrepreneurship

Figure 2.2 to 2.5 show the predicted odds ratios with 95 per cent confidence intervals for the explanatory variables associated with expected outcomes of entrepreneurship. In all figures, the salariat class is shown as the reference category to compare the effect between the occupational classes. As depicted in Figure 2.2, the financial prospects of entrepreneurship are the most attractive among the working class. They may perceive that self-employed entrepreneurship might improve their living standards more considerably compared to the salariat class. In addition, the effect of subjective household income is negative, which provides additional backing for this mechanism. Based on these results, hypothesis 1b is accepted, and hypothesis 1a is rejected.

The welfare state tends to reduce the financial attractiveness of self-employment. A one standard deviation increase in social expenditure decreases the odds that someone prefers entrepreneurship because of the financial prospects by 13.5% (Odds Ratio = 0.865). However, the effect is not statistically significant when controlled for occupational class, socio-demographic variables, unemployment rate and GDP per capita. One explanation could be the strong association between economic wealth and welfare state strength. A stronger welfare state is more likely to be found in a context with a high level of GDP per capita (Pierson, 1996). The proportion of variance explained uniquely by social expenditure as a percentage of GDP decreases when the
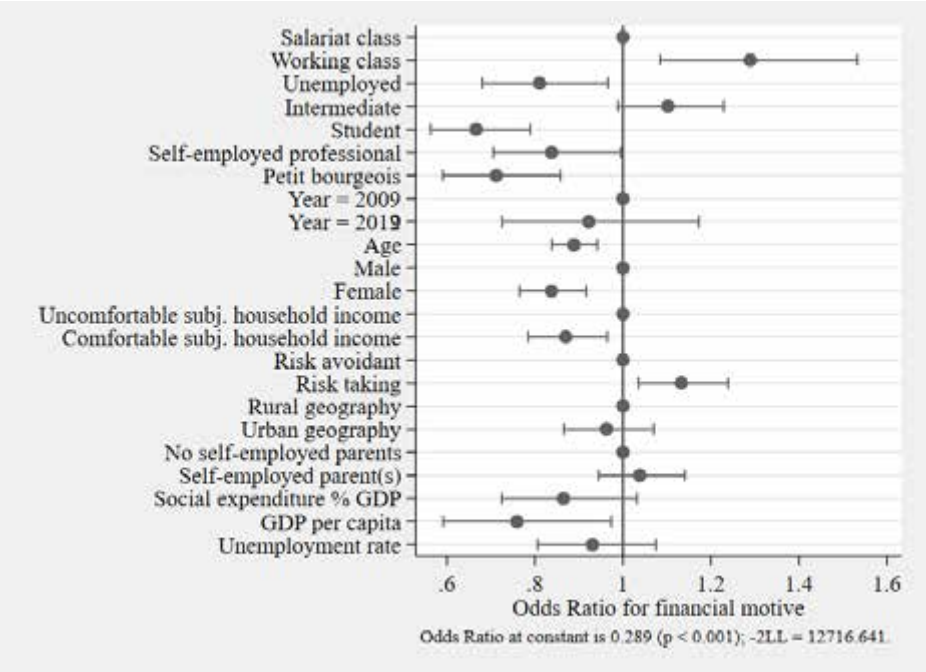
FIGURE 2.2   Coefficient plot with multilevel logistic regression odds ratio estimates on financial motive

logistic model also controls for the contextual variables. Therefore, hypothesis 5a is rejected. The change in estimates can be seen in Appendix Table 2.2.

Figure 2.3 shows a different effect of occupational class and welfare state expenditure regarding the autonomy motive. The figure shows that people belonging to the working class are statistically significantly less likely to be attracted to entrepreneurship to achieve more work-related autonomy. This suggests that higher occupational salary and prestige levels likely trigger an enhanced positive view of the immaterial self-interest benefits of working on

your own account. In addition, when people feel more comfortable with their household income, they are more likely to evaluate these prospects of self-employment positively. Therefore, hypothesis 2a is accepted, and 2b is rejected.

A one standard deviation increase in welfare state expenditure enhances a desire for entrepreneurship to gain autonomy. However, the effect is not statistically significant when controlled for all other variables (see Figure 2.3). Notably, as shown in Appendix Table 2.3, the effect decreases and loses significance when the country-level variables are added to the model, similar to the results regarding the financial motive. This implies that the effect of welfare state expenditure on entrepreneurship preferences is to a certain extent dependent upon these variables. Therefore, the unique explained variance decreases due to the composition effect. Consequently, hypothesis 5b is rejected.

Figure 2.4 shows that all occupational classes have similar odds of becoming a 'necessity entrepreneur'. While the odds for the working class, compared to the salariat class, are 1.14 times higher in preferring entrepreneurship out of necessity, the effect is not statistically significant. However, regardless of socio-demographic background and country-level context, the effect of subjective household income is statistically significant. The less comfortable someone is with their household income, the more likely they would be 'pushed' into entrepreneurship to maintain a (or enhance their) financial income.

A one standard deviation increase in welfare state expenditure reduces the odds for the necessity motivation by 12.89%. However, the effect is not statistically significant. Again, the country-level variables seem to influence the effect of welfare state expenditure to such an extent that welfare state expenditure is not a statistically significant predictor of the necessity motivation (see Appendix Table 2.4). Consequently, hypothesis 5c is rejected.

Figure 2.5 shows that the working class's odds of preferring entrepreneurship to contribute to society are 37.93% lower than the salariat class. However, the effect is *ceteris paribus* statistically significant at the alpha 0.1 level ($p =$
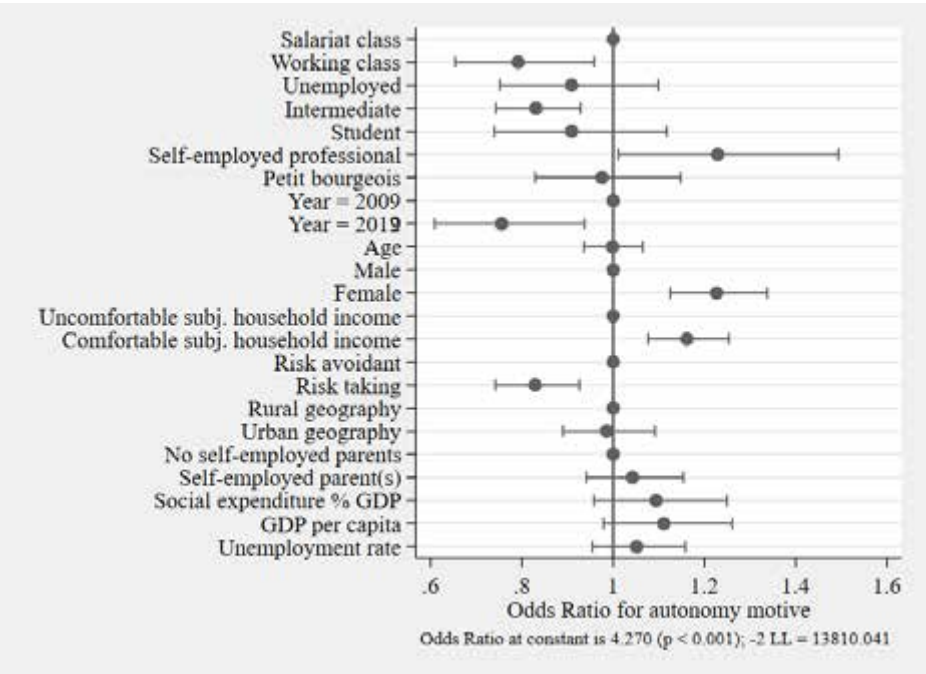
FIGURE 2.3 Coefficient plot with multilevel logistic regression odds ratio estimates on autonomy motive

0.059). This implies that the salariat class, compared to the working class, perceives pursuing an entrepreneurial career to benefit others as more attractive. Therefore, with some caution, hypothesis 4 is accepted.

Furthermore, the salience of the societal motive decreases when welfare states spend more on social benefits. The average odds that someone desires to contribute to society through self-employment become 27.17% less likely due to a one standard deviation increase in welfare spending. These results imply that the welfare state would crowd out social entrepreneurship. Therefore,
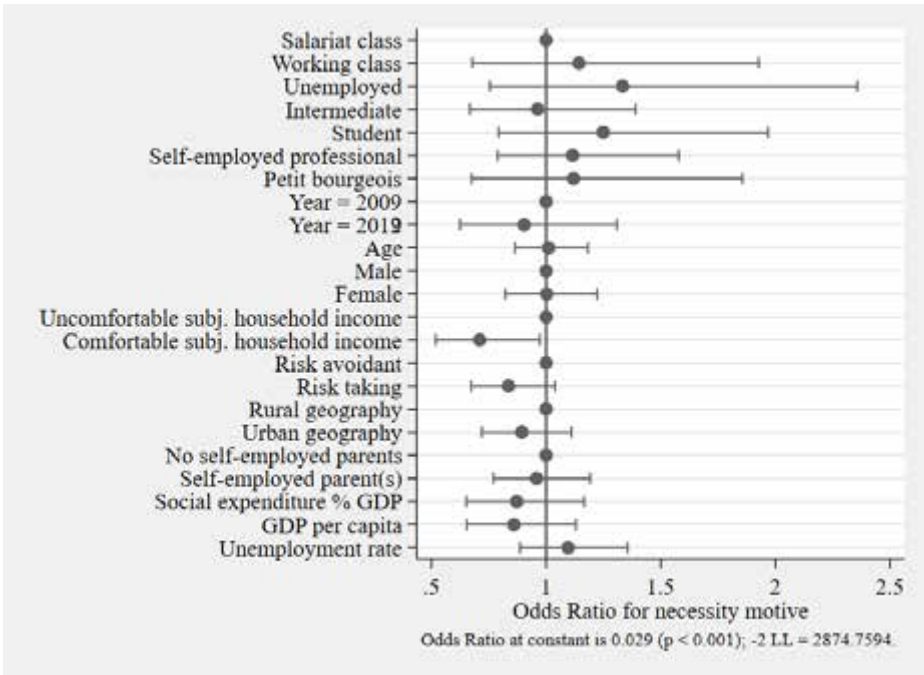
FIGURE 2.4   Coefficient plot with multilevel logistic regression odds ratio estimates on necessity motive

hypothesis 5d is rejected. Appendix Table 2.5 shows the results of a more parsimonious logistic regression model on the societal motive.

Interaction between welfare state expenditure and occupational class

Random slopes for occupational class and a cross-level interaction between occupational class and welfare state expenditure were added to the multilevel
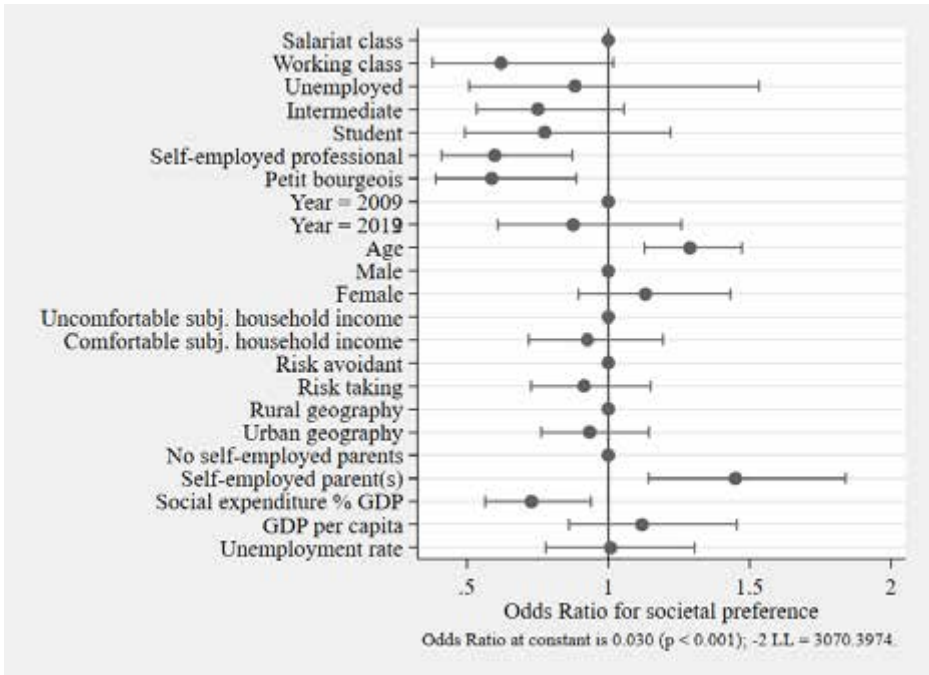
FIGURE 2.5   Coefficient plot with multilevel logistic regression odds ratio estimates on societal motive

logistic regression to test hypothesis 6[6]. However, the interaction terms for none of the preferences for entrepreneurship were statistically significant. This implies that the effect of welfare state expenditure was equal for both the salariat

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[6] Appendix Table 2.6 shows the results of the cross-level interaction between occupational class and total social expenditure. Occupational class was recoded into 3 categories: 'salariat class', 'working class', and 'other classes'. Consequently, random slopes (or random differentials) for the working class and 'all other occupational classes' were added to the model.

and working class[7]. Consequently, hypothesis 6 is rejected (see Appendix Table 2.6).

5 • ROBUSTNESS CHECKS

Different measures for the welfare state were used to obtain the validity of the welfare state effects. The following variables were included: expenditure on unemployment benefits as a percentage of GDP, the generosity level of unemployment benefits (e.g., for a married couple that earned an average wage, has two children and are unemployed for at least 60 months) and the availability of unemployment insurance for the self-employed. The results showed that the main effect of expenditure on unemployment benefits and the generosity level of unemployment benefits for the long-term unemployed is similar to the previously found for welfare state strength (measured as expenditure on all social protection benefits as a percentage of GDP). The financial prospects of self-employment are less mentioned in contexts with voluntary or similar unemployment insurance for the self-employed than in contexts with no or conditional unemployment insurance ($p < 0.1$). The results are presented in Appendix Table 2.7a, 2.8a and 2.9b.

The results vary regarding the interaction between occupational class and the different measures for the welfare state. Similar to the effect of total social expenditure, unemployment benefit expenditure does not moderate occupational class's direct effect on any preference for self-employment. However, concerning the necessity motivation, the results showed that the effect of welfare generosity is positive for the working class and negative for the salariat class. This implies that the working class may be more ready to take action to perceive

[7] The regression tables of the robustness checks are presented in Appendix Tables 2.7 to 2.10. These include using different measures for the welfare state (unemployment benefit expenditures, welfare generosity, and availability of unemployment insurance policy for self-employed individuals) and a focus on a general preference for self-employment.

entrepreneurship as a necessity when they are more dependent upon benefits. The salariat class may feel less necessity to prefer entrepreneurship when they can rely on relatively generous unemployment benefits. Furthermore, regarding the importance of autonomy and the necessity motivation, the difference between the salariat and the working-class increases when the self-employed can fall back upon unemployment insurance when their business fails. These results are presented in Appendix Table 2.7b, 2.8b, and 2.9b.

Next, this chapter has analysed the probability that the respondent would prefer entrepreneurship in general by using the same set of explanatory variables as applied in the main multilevel logistic regression. While occupational class contributes to forming specific motivations for preferring entrepreneurship, the additional results show that the salariat and working class do not differ statistically in a general preference for entrepreneurship. This is in line with Block et al. (2013), who observed that the white-collar and blue-collar occupational classes are similar in their preferred mode to become self-employed. Additionally, all measures for the welfare state were negatively associated with an entrepreneurship preference in general, providing evidence for a detrimental effect of welfare state policy on (potential) entrepreneurship (Koellinger & Minniti, 2009; Solomon et al., 2021). However, while unemployment insurance for the self-employed stimulates entrepreneurship's feasibility (Rapp et al., 2018), it does not influence the general desirability of entrepreneurship. The more a country spends on social protection in general, on specific unemployment benefits, or has higher generosity levels of unemployment benefits for the long-term unemployed, the less likely people would prefer self-employment over organizational employment. Therefore, it is important to be aware of the specific main effects of welfare state policy on a general entrepreneurship preference and the underlying motivations. These results are presented in Appendix Table 2.10.

6 • DISCUSSION

Regarding the intention to become an entrepreneur, the labour force population can have distinct motivations that form their intention to become entrepreneurs. For example, people pursue opportunities or act out of necessity (Acs, 2006). Most of the entrepreneurship research on the formation of entrepreneurial intentions and behaviour views entrepreneurship as the result of fulfilling self-interest goals (Hessels et al., 2008; Kolvereid, 2016). However, the social entrepreneurship literature also shows that entrepreneurship can primarily be born out of a desire to help others (Mair & Noboa, 2006).

From a labour sociological perspective, the first goal of this chapter was to empirically study how current membership in specific occupational classes affects underlying desires to become an entrepreneur. This study then contributes to the identified gap regarding occupational class and employment status preferences. The findings align with recent research that suggests that self-employment is not a homogeneous phenomenon (Van Den Groenendaal, Rossetti, Van Den Bergh, Kooij, & Poell, 2021). Hence, different *motivational* profiles for self-employment exist, and current occupational class contributes significantly to specific preferences. The results imply that working-class members prefer self-employment for financial reasons, as postulated by the 'scarcity hypothesis' (Inglehart, 1981). At the same time, a higher level of financial capital and relatively more experience with work-related autonomy can stimulate an appreciation for entrepreneurship's immaterial benefits. This suggests that the post-materialism mechanism (Inglehart, 1981) is likely to occur among the members of the salariat class. However, a caveat is that autonomy prospects of entrepreneurship are the most attractive among all occupational classes, which is in line with previous research (Croson & Minniti, 2012; Dawson, Henley, & Latreille, 2014). Furthermore, a relatively high living standard, job security, and the benefits of having a higher prestigious occupation – as is likely among members of the salariat class - may contribute to forming social en-

trepreneurial intentions. Other scholars find evidence for similar mechanisms regarding forming environmental friendly attitudes and behaviour (Franzen & Vogl, 2013). While the occupational classes differed significantly in the salience of particular opportunity-based entrepreneurship preferences, there were no observed statistical differences between the working class and the salariat class regarding the necessity motivation. Moreover, the data shows that the average probability that someone would choose an entrepreneurial career out of necessity is very low among the sample.

The second goal of this chapter was to explore how the underlying preferences for self-employment and the impact of an occupational class depend on the welfare state context. Current scholarship shows that welfare states can negatively affect entrepreneurial activity in general (Solomon et al., 2021). For example, a national entrepreneurship rate is at the expense of welfare state strength (Henrekson, 2005; Henrekson & Stenkula, 2010; Koellinger & Minniti, 2009; Solomon et al., 2021). The robustness checks provide additional evidence on the negative effect of welfare spending on a general preference for entrepreneurship. Thus, when intentions to become an entrepreneur are less present in society, the actual entrepreneurship rate decreases. However, the main contribution of this chapter is that welfare states do not impact entrepreneurship preferences equally.

Nevertheless, it is important to note that the effect of social protection expenditures on the financial, autonomy, and necessity motivation is captured by a composition effect of GDP per capita. As a country's level of economic wealth is positively related to the strength of the welfare state (Pierson, 1996), it can be that the impact is rather dependent upon the economic prosperity of a country than its effort to alleviate the social need.

The results are at odds with research that finds evidence for a crowding-in effect of the welfare state on social entrepreneurship (Coskun et al., 2019; Folmer et al., 2016). The prevailing assumption is that the welfare state creates the necessary conditions for social entrepreneurship to thrive. However, it

is interesting to note that the desire to engage in social entrepreneurship becomes weaker in European welfare states with higher social expenditure. Thus, stronger welfare states would create a smaller pool of new social entrepreneurs. A similar mechanism is identified by Stadelmann-Steffen (2011), who found that the welfare state has a negative effect on the average willingness of people to engage in social volunteering activities.

7 • CONCLUSION

This chapter provides an empirical study of different preferences for entrepreneurship. The central research question asked to what extent occupational class membership and welfare state social expenditure are associated with forming preferences for entrepreneurship. Generally speaking, entrepreneurship creates benefits for the entrepreneur. However, a desire to help others through entrepreneurship suggests that entrepreneurship is not only behaviour that is instigated by pursuing self-interest goals.

The results show that occupational class membership can be an important driver in forming preferences for entrepreneurship. Individuals that work in manual labour occupations are relatively the most attracted to entrepreneurship because of the possible financial prospects. Those employed in managerial occupations are more likely to favour the immaterial benefits, such as work autonomy. However, the immaterial benefits of entrepreneurship are the most favourite among the working and salariat class. Thus, entrepreneurship (through starting a business or self-employment) can be attractive for people to fulfil their work-related desires. Working in labour occupations with a relatively low wage is likely to enhance people's focus on the financial prospects of future career choices. Furthermore, different aspects of entrepreneurship become relevant among those working in relatively highly esteemed occupations. For example, the salariat class is more attracted to entrepreneurship because of the immaterial benefits or as a means to help others. These differences between the

occupational classes seem relatively independent from the welfare state context. However, the welfare state does influence the attractiveness of entrepreneurship differently. This chapter thus finds evidence for the importance of occupational class and welfare state policy in explaining different entrepreneurship preferences.

Policy implications

This study's international scope allows us to explore to what extent welfare state strength influences entrepreneurship desires by members of the occupational classes of interest. While the intended welfare state consequences are perceived from the perspective that individuals' social and economic well-being increases, unintended side-effects of the welfare state can be observed outside its typical domain. The results show diverse welfare state effects. On the one hand, the financial prospects, the necessity component of entrepreneurship, and the communitarian desire are less mentioned by people wanting to engage in entrepreneurship in stronger welfare state contexts. On the other hand, autonomy preference becomes more likely when welfare states spend more on social protection. This suggests that a "one size fits all" approach to promoting entrepreneurial activity in the labour force is likely a fallacy (Van Den Groenendaal et al., 2021). However, the welfare state's effect on individual utilitarian preferences loses statistical significance after controlling for a country's level of economic wealth and unemployment rate. This study may be helpful to policymakers that want to promote social entrepreneurship. The results are also useful for the decision making about welfare state development.

Research limitations and suggestions for future research

This chapter is not without limitations. First, it could not fully explore whether the underlying theoretical assumptions are accurate because the hypotheses

are tested as a black box. Moreover, the research design is not suitable to make any claims about causality. Although data for two years (2009 and 2012) was used, a longitudinal design in order to explore the causality of welfare state expenditure on the different motivations for entrepreneurship would require data on more years. Furthermore, more research is needed to understand better the underlying mechanisms for how exactly occupational class membership influences different preferences for self-employment and whether it would translate into actual entrepreneurial activity. In addition, the sample consists of European countries only. More research is thus needed to explore whether the same occupational class and welfare state mechanisms occur in non-Western countries.

Second, this chapter could not use a more detailed occupational class measure. For example, Oesch's (2008) occupational class schema differentiates within the salariat class based on specific marketable skills and work logic to identify socio-cultural professionals and technical experts. These specific occupational classes tend to have distinct political ideologies while belonging to the same salariat class hierarchy (Oesch, 2008), which may impact self-employment preferences differently. Due to the measurement of occupational professions by the Flash Eurobarometer surveys, a more detailed and heterogeneous perspective on occupational class was not possible. Therefore, future data collection may acquire a more diverse set of occupational professions by including the ISCO-88 codes (Oesch, 2008).

Third, from an economic perspective, labour market circumstances influence job opportunities and the wage structure of occupations (Castellano, Musella, & Punzo, 2017), which could be an important omitted variable in this chapter. Research shows that labour markets directly affect self-employment (Parker, 2006) and poverty dynamics (Dewilde, 2006). However, welfare states aim to reduce economic risk and labour market uncertainty (Iversen, 2005). The measurement of the welfare state in this chapter may also reflect specific labour market situations. For example, higher levels of welfare state expendi-

ture may reflect more open labour markets. However, future research could focus on the impact of labour market variables more directly.

Fourth, it can be that a motivation to contribute to society through entrepreneurship may not equate with a motivation for social entrepreneurship. Santos (2012) argues that all types of entrepreneurship create value for society. However, (future) social entrepreneurs clarify that their overarching goal is predominantly value creation (Santos, 2012). Following the perspective on social entrepreneurship with the most scholarly consensus (Alegre et al, 2017), value creation is perceived as the activities and processes that enhance social wealth (Zahra et al, 2009). Hence, the primary mission of social entrepreneurs is to create social value by providing solutions to social problems. Thus, if a person has a specific and outspoken desire to contribute to society by means of entrepreneurship – as measured in this chapter with the Flash Eurobarometer data - it can be argued that these persons are tomorrows social entrepreneurs.

Last, it may be that a desire to help others through entrepreneurship is currently more prevalent within contemporary European society than this chapter has found. Nowadays, many secondary and university education programs provide social entrepreneurship courses and seminars that stimulate a social entrepreneurial orientation among the public and especially among the student population (Hockerts, 2018; Kickul, Gundry, Mitra, & Berçot, 2018). Therefore, future research could explore the importance of making a societal contribution through entrepreneurship in present-day Europe.

Crowding-in or Crowding-out?

A welfare state perspective on the social orientation of commercial and social entrepreneurs.

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ABSTRACT

The cross-country study in this chapter empirically investigates to what extent the welfare state influences the emphasis given to social value creation goals among the entrepreneurial population. By pooling the Global Entrepreneurship Monitor 2009-survey with several macro-level databases, the sample consists of 12,089 entrepreneurs from 29 countries. Multilevel linear regression analysis is performed to test the hypotheses. The key findings are threefold: First, there is empirical evidence that there is a trade-off between social and financial goals when engaging in entrepreneurship with a social motive. Second, the emphasis of entrepreneurs on social value creation goals is independent of the welfare state. However, and third, the effect of welfare state expenditure on the social orientation of entrepreneurs depends on the type of entrepreneurship. The findings of this chapter extend both entrepreneurship and welfare state literature by exploring the significance of the crowding-in and crowding-

out hypotheses regarding the social orientation of the entrepreneurial population. Hence, the results contribute to the 'welfare state – entrepreneurship' debate because it highlights that the welfare state can influence the significance of specific organizational goals for commercial and social entrepreneurs differently.

1 • INTRODUCTION

Policymakers face a challenging task regarding the 'trade-off' between welfare state development and entrepreneurial activity. Recent entrepreneurship research finds that the welfare state is crowding-out entrepreneurship in developed economies (Solomon et al., 2021). These findings align with earlier work on the disincentivising effects of the welfare state on entrepreneurship (Cowling & Bygrave, 2006; Koellinger & Minniti, 2009). However, the social entrepreneurship literature shows that the welfare state creates positive effects on entrepreneurship that exclusively focuses on creating social impact (Coskun et al., 2019; Monroe-White et al., 2015). Consequently, it can be argued that the 'welfare state – entrepreneurship' debate is inconclusive. This could be problematic for policymakers who "weigh the social returns of entrepreneurship versus social spending" (Solomon et al., 2021).

The scarce empirical research on the consequences of the welfare state on *social* entrepreneurship is limited to the prevalence of social entrepreneurial activity (e.g., Coskun et al., 2019; Folmer et al., 2016). The related literature suggests that social entrepreneurship manifests itself in various forms and concepts. By definition, social entrepreneurs have an exclusive social mission, whereas commercial entrepreneurs primarily focus on the financial returns on investment (Austin et al., 2006). Social entrepreneurship can then be explored as a *degree* to which entrepreneurs give attention to *social value creation* goals (Austin et al., 2006; Peredo & McLean, 2006; Zahra et al., 2014).

Entrepreneurs are usually outside the scope of welfare state scholarship. Wel-

fare state scholars typically study how the welfare state influences people's social well-being and caring orientation towards others (Reeskens & van Oorschot, 2014), their participation in social volunteering activities (Stadelmann-Steffen, 2011) or the strength and type of their social capital (Van Oorschot & Arts, 2005; Visser et al., 2018). Some scholars bridge the literature on the welfare state and economics by exploring the consequences of the welfare state on the prevalence of both commercial (Solomon et al., 2021) and social entrepreneurship (Coskun et al., 2019). However, a possible gap in this literature is that such research refrains from studying welfare state consequences on entrepreneurs' particular business activities. For example, it is unclear how entrepreneurs' prioritization of different organizational goals depends on the welfare state context in which they operate. Building upon the empirical assessment of social entrepreneurship as the *degree* to which social goals are important, this chapter explores how welfare states influence the social orientation of commercial and social entrepreneurs. Therefore, this chapter empirically focuses on the 'welfare state - entrepreneurship' debate.

The two central research questions are: (1) "What is the influence of welfare state strength on the willingness of entrepreneurs to pursue social value creation goals?" and (2) "To what extent is the effect of welfare state strength on the social orientation different for commercial and social entrepreneurs?". Data from the Global Entrepreneurship Monitor Adult Population Survey [GEM] 2009-survey and country-level data from several macro-level databases were merged to answer these research questions. Given the cross-sectional and hierarchical structure of the data, a multilevel linear regression on a sample of 12089 entrepreneurs in 29 countries was performed.

The subsequent sections are structured as follows. The following section presents the theoretical framework regarding the crowding-in and crowding-out hypotheses. The third section introduces the data and methods. The results are presented in section four. The last section includes discussions and

interpretations of this study's results, limitations and suggestions for future research.

2 • THEORETICAL BACKGROUND AND HYPOTHESES

Social and commercial entrepreneurship: Pursuing different or similar goals?

Whether social and commercial entrepreneurship are the same, different, or both, Austin et al. (2006) argue that social entrepreneurs, unlike commercial entrepreneurs, operate with an exclusive goal to create social value. Whereas commercial entrepreneurs tend to give priority to economic goals and efficiency demands (Schumpeter, 1934), social entrepreneurs specifically aim at addressing (unmet) social needs (Dees, 1998) by using commercial activities (Bacq & Janssen, 2011). Therefore, the entrepreneurial mission of social entrepreneurs is related to achieving social impact rather than – or to a lesser extent – the accumulation of personal financial wealth. The success of social entrepreneurship is viewed as the creation of social impact (Stephan, Patterson, Kelly, & Mair, 2016), for example, through local job creation (Rey-Martí, Ribeiro-Soriano, & Sánchez-García, 2016) or its contribution to the achievement of the Sustainable Development Goals on a global scale (Rahdari et al., 2016).

   Next to prioritizing different organizational goals, the literature shows that commercial and social entrepreneurship can have different starting points. In general, people rely on a variety of individual self-interest motivations to start their entrepreneurial activity, for example, to increase their income or to fulfil desires related to work autonomy (Boden Jr, 1999; Hessels et al., 2008; Hughes, 2003; Kolvereid, 1996; Moore & Mueller, 2002). However, people may also be primarily motivated to deliver a product or service that benefits others rather than themselves by attending to a certain social need. This runs parallel to the likely differences between commercial and social entrepreneurship regarding

its conceptualization. Motivations that relate to a desire to generate a positive impact on the environment or society, when viewed as the opposite of individual financial satisfaction, capture the 'altruistic' component of social entrepreneurship (Mair & Noboa, 2006; Nga & Shamuganathan, 2010; Tan, Le, & Xuan, 2020). Moreover, a focus on individual financial satisfaction is less prevalent among social entrepreneurs as they are, in general, more willing to accept lower revenues if this serves their social mission (Austin et al., 2006). In addition, social entrepreneurs base their activities on collectivistic (e.g., to improve group well-being) and altruistic values (e.g., to improve the well-being of a particular person other than themselves) (Batson, Ahmad, & Tsang, 2002).

Commercial entrepreneurs differ from social entrepreneurs in their core organizational goals (Dees, 1998; Peredo & McLean, 2006) and underlying primary motivation (Austin et al., 2006; Zahra et al., 2009). Furthermore, Bacq et al. (2013) propose that social entrepreneurs are less ambitious in employment growth than commercial entrepreneurs. Regarding their primary motivation, social entrepreneurs pursue their opportunities for social value creation because they are motivated by their regard for others. In addition, they identify neglected social problems with positive externalities and help develop mechanisms to incorporate these externalities into the economic system (Santos, 2012). Consequently, social impact can be achieved at different levels, ranging from local job creation for people with a distance to the labour market to achieving larger-scale systemic change (Smith & Stevens, 2010). Taken together:

> **Hypothesis 1:** *Social entrepreneurs give more importance to social value creation goals than commercial entrepreneurs.*

The rationale of adding this hypothesis concerns the often taken for granted differences between social and commercial entrepreneurs. While economic activities of all entrepreneurs are inherently social (Santos, 2012), it is of interest to

71

explore how different social entrepreneurs are from commercial entrepreneurs regarding their extent to prioritize social goals over financial goals.

Welfare state strength and the social orientation of entrepreneurs

Social entrepreneurship scholarship verifies the influence of context in shaping entrepreneurs' orientation towards social value creation goals (Brieger et al., 2020; Brieger & De Clercq, 2019; Hechavarría et al., 2017; Hörisch et al., 2017). Whether intended or unintended, all entrepreneurs create social value. However, it is not the *moral* obligation of the entrepreneurial population to care for other people. By definition, a government is responsible for taking care of its citizens when they cannot meet their own needs. Welfare states, and the underlying diverse set of programs, institutions and policies, aim to reduce inequality in economic and human capital by providing welfare benefits and services to those who require them (Esping-Andersen, 1990b; Goodin et al., 1999). Regardless of the different logic between welfare states (Esping-Andersen, 1990b; Korpi & Palme, 2003), the common denominator is its care for citizens in social need. Political proponents of the welfare state argue that a well-developed welfare state creates the structural and cultural conditions for a thriving and pluralist civil society (Van Oorschot & Arts, 2005).

Regarding the welfare state's positive consequences, scholarship suggests that strong welfare states can set an example for their citizens (Rothstein, 2001; Visser et al., 2018). For example, stronger welfare states show increased activity in socially inclusive activities as it promotes norms of social solidarity (Gelissen et al., 2012; Reeskens & van Oorschot, 2014; Stadelmann-Steffen, 2011; Van Oorschot & Arts, 2005). It may be evident that context matters because feelings of solidarity towards people in social need are a matter of personal value predispositions and the broader social or cultural context they live in (Blekesaune & Quadagno, 2003). Furthermore, empirical research shows that egalitarian values at the country level reflect a more inclusive society, which

stimulates a higher social orientation among entrepreneurs (Brieger & De Clercq, 2019; Brieger et al., 2018; Hechavarría et al., 2017). Such inclusiveness in terms of prevailing positive attitudes towards welfare state redistribution in European countries is associated with higher levels of social entrepreneurial activity (Folmer et al., 2016; Stephan & Folmer, 2017).

One view on the association between the welfare state and social entrepreneurship emphasises its interdependency (Kerlin, 2017). For example, governments collaborate with innovative organizations with a social mission for their skills and knowledge in providing solutions for the precarious situation of certain marginalized groups in society (Defourny & Nyssens, 2010b; Benjamin Gidron & Monnickendam-Givon, 2017). Moreover, empirical research shows a higher prevalence of social entrepreneurship in contexts with higher public expenditure (Hoogendoorn, 2016; Stephan et al., 2015) and, in particular, higher levels of welfare expenditure (Coskun et al., 2019; Monroe-White et al., 2015). Conversely, retrenchment in government spending is unlikely to motivate individuals to engage in social entrepreneurship (Stephan et al., 2015). This suggests that stronger welfare states can evoke the importance of organizational goals that relate to creating value outside the organization, for example, by contributing to the wellbeing of people in the broader society or communities in specific. Furthermore, social enterprises – as the organizational form of social entrepreneurship that the social entrepreneur operates - are perceived as an efficient solution to social problems in stronger welfare state contexts (Kibler et al., 2018).

> **Hypothesis 2:** *Entrepreneurs in stronger welfare states give more importance to social value creation goals than entrepreneurs in weaker welfare states.*

However, a critique of the welfare state is a concern for its alleged unintended, negative, social, and moral consequences. This critique supports the idea that

despite its good intentions, the welfare state has a detrimental (crowding-out) effect on people's social capital (Van Oorschot & Arts, 2005). For example, it would make people dependent upon the welfare state, especially when it starts to undertake activities that "are better left to the private sector or civil society" (Fukuyama, 2001, p. 18). Moreover, crowding-out can be expected for those voluntary activities that most directly compete with welfare state services (Stadelmann-Steffen, 2011). This suggests that a need for social value creation by other actors than the welfare state is unnecessary because an extensive welfare state already cares for its population. Although limited to more affluent social classes, levels of civic engagement are, in general, lower in more extensive welfare states (Stadelmann-Steffen, 2011). Some scholars also found that stronger welfare states crowd out informal solidarity with others in social need among the population (Van Oorschot et al., 2005). In other words, governments that spend relatively high levels on reducing poverty and inequality could create negative consequences on a moral sense of collective and communal duties and responsibilities (Van Oorschot & Arts, 2005). Therefore, the crowding-out hypothesis suggests that a more socially engaged government decreases private incentives for social value creation due to lower levels of social need. Moreover, it creates the attitude that the state is responsible for helping citizens in need. Reversely, entrepreneurs' need for social welfare provision is higher when the government is less active (Dacin et al., 2010; Estrin et al., 2013; Mair & Marti, 2009; Salamon et al., 2000).

Hypothesis 3: *Entrepreneurs in stronger welfare states give less importance to social value creation goals than entrepreneurs in weaker welfare states.*

The interrelation between welfare state strength and type of entrepreneur on the social orientation of entrepreneurship

Given the contradictory findings regarding the consequences of the welfare state on commercial entrepreneurship and social entrepreneurship (Coskun et al., 2019; Solomon et al., 2021), it seems plausible that the welfare state's effect on the social orientation of entrepreneurs depends on the type of entrepreneurship. The possible mechanism could be that the welfare state stimulates social entrepreneurs' social orientation, while the opposite might be true for commercial entrepreneurs.

Assuming a supportive role from the welfare state (Coskun et al., 2019; Monroe-White et al., 2015), social entrepreneurs may perceive less need to focus on the financial performance in countries with a strong welfare state. Governments may cooperate with social entrepreneurs to achieve policy goals targeting social and environmental well-being. For example, specific welfare state configurations can signify a partnership model between government and civil society (Kerlin, 2013; Salamon et al., 2000). Consequently, different models of social enterprise emerge that either fill the gaps left in the economy and state social welfare or are (to become) an extended arm of the welfare state in providing services to socially deprived people (Kerlin, 2013).

Conversely, a strong welfare state can work detrimental to commercial entrepreneurs' social orientation. Entrepreneurs contribute to financing social benefits by paying taxes on their entrepreneurial income (Henrekson, 2005). Consequently, those 'financial constraints' evoke a 'welfare loss' for entrepreneurs (Henrekson & Stenkula, 2010). Therefore, it could be those entrepreneurs who are primarily interested in the financial prospects of their activity perceive a strong welfare state as more burdensome than social entrepreneurs. Figure 3.1 summarizes these four theoretically deduced expectations that are empirically tested in this chapter
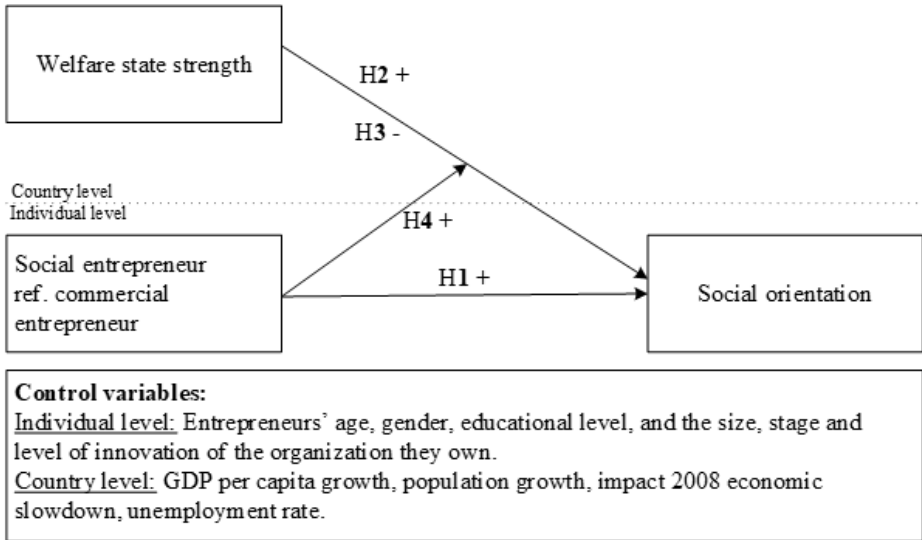
FIGURE 3.1   Conceptual model

> **Hypothesis 4:** *The effect of welfare state strength on the social orientation is positive for social entrepreneurs while negative for commercial entrepreneurs.*

3 • DATA AND METHODS

Data from different sources were pooled to find answers to the research questions. At the individual level, data from the GEM 2009 was used. The corresponding survey is part of the more comprehensive GEM project that annually surveys a representative sample of the adult population in multiple countries via face-to-face or telephone interviews to measure differences in entrepreneurial intentions and activities (Bosma & Levie, 2010; Reynolds et al., 2005). The

2009-survey is particularly suitable for testing this chapter's hypotheses because it includes a question on how important organizational goals are regarding the ability to generate social value among self-identified commercial and social entrepreneurs[1]. The survey structure makes it possible for respondents to self-select in being involved in starting or leading multiple businesses. However, it was not possible to verify the main business of entrepreneurs active in more than one business. As such, those involved in multiple businesses were removed from the sample. The sample is further restricted to respondents who are actively involved in the starting or operational phase of their business, who are (partly) the owner of the business, the activity is part of their daily job, regardless of having a specific social, environmental or community objective, to assure the respondents are active entrepreneurs. The final sample size resulted in 12089 entrepreneurs from 29 countries.

Dependent variable: Entrepreneurs' social orientation

The dependent measure - the social orientation of the entrepreneur - refers to the ability of the entrepreneur's organization to contribute to society. Given the varying goals between commercial and social entrepreneurship, the 2009 GEM survey asks respondents to distribute 100 points over economic (e.g., the financial performance of the venture), social (e.g., benefit to people living in their society or community), and environmental goals (e.g., nature or ecology). The absolute scores allocated to the social goals of the organization are used as the dependent measure, which is similar to previous research (Brieger et al., 2020; Brieger & De Clercq, 2019; Brieger et al., 2018; Hechavarría et al., 2017;

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[1] The GEM 2009 and 2015 are probably the most promising survey data on social entrepreneurship publicly available. However, the GEM 2015 survey only includes information on the importance of social objectives for self-identified social entrepreneurs and not for the broader entrepreneurial population. Information on the relative prioritization of different organizational goals (financial, societal, and environmental) is only included in the GEM 2009.

Hörisch et al., 2017; Lepoutre et al., 2013). Country descriptive statistics on the social orientation of entrepreneurs are shown in Appendix Table 3.1.

Explanatory variables

The self-identification of social entrepreneurship refers to involvement in 'any activity, organization or initiative that has a particular social, environmental or community objective'. Examples include providing services or training to socially deprived or disabled persons, using profits for socially oriented purposes, or organizing self-help groups for community action. Entrepreneurs who self-identified as social entrepreneurs and were not active in the market were excluded from the sample. As such, the social and entrepreneurial dimensions are both present among the sample of self-identified social entrepreneurs (Bacq & Janssen, 2011). Commercial entrepreneurs only self-identified with starting or leading a business activity, including self-employment or selling goods or services to others.

At the country level, the strength of the welfare state was measured with data on social protection expenditure as a percentage of GDP. The government finance statistics database of the International Monetary Fund [IMF GFS] provides information on macroeconomic and financial data of virtually all countries around the world. It has been used, for example, in cross-national research on government budget expenditures (e.g. Fagan, Jones, & Wlezien, 2017). The database includes information on consolidated general government expenditure for different classifications of government functions [COFOG], such as social protection. These include expenditures on sickness and disability, old age, survivors, unemployment, housing, and social exclusion. Due to the availability and comparability of consolidated expenditure data, expenditures were obtained for 29 countries (see Figure 3.3).

Control variables

Several control variables were included in the analysis at the individual level. Social entrepreneurship literature shows that innovative solutions are often applied to solve social issues by social entrepreneurs (Alegre et al., 2017). Therefore, innovation may be linked to social value creation goals. A binary measure identifying innovation among entrepreneurs was included when they provided new products or services (Bosma & Levie, 2010; Lepoutre et al., 2013). Other control variables include the entrepreneur's age, educational background, and gender, as these are associated with pursuing social value creation goals (Brieger & De Clercq, 2019; Brieger et al., 2018; Estrin et al., 2013; Hechavarría et al., 2017; Hörisch et al., 2017; Stephan et al., 2015). Furthermore, the organization's size is controlled for as it is likely that larger organizations pay more social contributions, which may influence the importance of financial self-sustainability. In addition, the analysis will control for the influence of the stage of the organization. Start-ups might focus more on financial sustainability to survive, while established organizations may have a firmer grounding and find more margin to commit to non-commercial goals.

Regarding relevant control variables at the contextual level, Castles (2009) argues that specific developments related to a country's economy and demographic composition can inflate welfare expenditure levels. As such, GDP growth and population growth are used as control variables. Given the timing of the survey, another control variable measures a country's average perception of entrepreneurs on the impact of the economic slowdown on business opportunities. While the economic crisis is found to influence the motivation for people to turn to entrepreneurship (Mühlböck, Warmuth, Holienka, & Kittel, 2018), it could impact the orientation of entrepreneurs towards different organizational goals. Therefore, data on a country's proportion of entrepreneurs who perceived fewer business opportunities were used. Lastly, concerning a particular opportunity structure for social entrepreneurial activity (Zahra et

al., 2008), the unemployment rate was included as a control variable (Monge, 2018). Table 3.1 shows the descriptive statistics for the sample of entrepreneurs and countries[2]. See Appendix Table 3.1 for additional descriptive statistics.

Research method

A multilevel linear regression is used to analyse the continuous outcome variable (*entrepreneurs' social orientation*) because the units of interest (*the entrepreneurs*) are nested within higher-level categories (*countries*) (see Snijders & Bosker, 2012; Steenbergen & Jones, 2002). As shown in Table 3.2 with **Model 0**, the unconditional model shows the average social orientation in the sample and provides an intra-class correlation coefficient [ICC] of 10.01 %. The ICC indicates that a substantial amount of the variance (Snijders & Bosker, 2012) in entrepreneurs' social orientation can be attributed to differences between the countries in the 29-country sample. Therefore, multilevel analysis is performed to assess individual and country-level effects. All explanatory variables with a continuous measurement scale are standardized with a mean of 0 and a standard deviation of 1 for comparability.

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[2] All individual-level variables are retrieved from GEM APS 2009. Country-level variables are retrieved from different international datasets. Social protection expenditure is retrieved from the IMF GFS. Data on GDP per capita annual growth [*NY.GDP.PCAP.KD.ZG*], population annual growth [*SP.POP.GROW*] and the unemployment rate [*SL.UEM.TOTL.ZS*] are retrieved from the World Bank. These country-level variables are retrieved for the year 2008. The GEM APS 2009 additionally provides information on the average perception of entrepreneurs on the consequences of the economic downturn of 2008 on their business opportunities ['*suoppt*' and '*omoppt*'].

TABLE 3.1 Descriptive statistics of individual and country-level variables

Variable	N	Mean	SD	Min	Max
Dependent variable					
Social orientation	12.089	23.922	20.002	0	100
Explanatory variables					
Individual-level					
Social entrepreneur	12.089	0.082	0.275	0	1
Size of the organization	12.089				
/Small, Medium, Large	0.105	0.306	0	1	
/Micro	0.427	0.495	0	1	
/Self-employed or no personnel	0.468	0.499	0	1	
Stage of the organization	12.089				
/Nascent	0.316	0.465	0	1	
/New	0.191	0.393	0	1	
/Established	0.492	0.500	0	1	
Innovation	12.089	0.220	0.414	0	1
Age of entrepreneur	12.089	43.508	12.256	18	64
Gender (Female) of entrepreneur	12.089	0.331	0.471	0	1
Educational level of entrepreneur	12.089				
/Lower	0.202	0.402	0	1	
/Middle	0.486	0.500	0	1	
/Higher	0.312	0.463	0	1	
Country-level					
Social protection expenditure % GDP	29	12.145	6.029	0.095	21.847
Perceived impact economic crisis 2008	29	53.770	11.925	32.314	76.873
Unemployment rate	29	6.979	4.133	2.550	22.410
GDP per capita annual growth	29	1.024	3.756	-10.209	11.144
Population annual growth	29	1.063	2.626	-1.666	13.910

4 • RESULTS

Bivariate results

To observe and to compare the distributions of the dependent variable between social and commercial entrepreneurs, a violin plot is presented in Figure 3.2[3]. While similar to a box plot, a violin plot shows the probability density of the data at different values. A two independent samples t-test was performed to assess the difference in the social orientation between 11063 commercial (M = 23.22, SD = 19.89, Mo = 10) and 1026 social entrepreneurs (M = 29.96, SD = 25.24, Mo = 20). The result showed a significantly lower social orientation among commercial entrepreneurs: $t(12087)$ = -10.123, $p < 0.001$.

Figure 3.3 demonstrates no statistical association between the average social orientation of entrepreneurs and social protection expenditure at the country level. Entrepreneurs seem to pay equal attention to social goals in countries with below-average social protection expenditure as those with above-average expenditure levels.

Multilevel results

The results of a linear multilevel regression method are presented in Table 3.2. **Model 1** shows the regression estimates of entrepreneurship type on the social orientation. On average, social entrepreneurs have a significantly higher social orientation than commercial entrepreneurs (b = 8.384, $p < .001$). There is a slight decrease in the difference when controlled for the individual level covariates (**Model 2**). Being a female, higher educated, and an innovative en-

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[3] The observant reader will have noticed that the violin plot for social entrepreneurs is more shaped like a Christmas tree and that for commercial entrepreneurs, it takes the shape of the head of 'the Grinch'. Further research will have to show why this is the case.
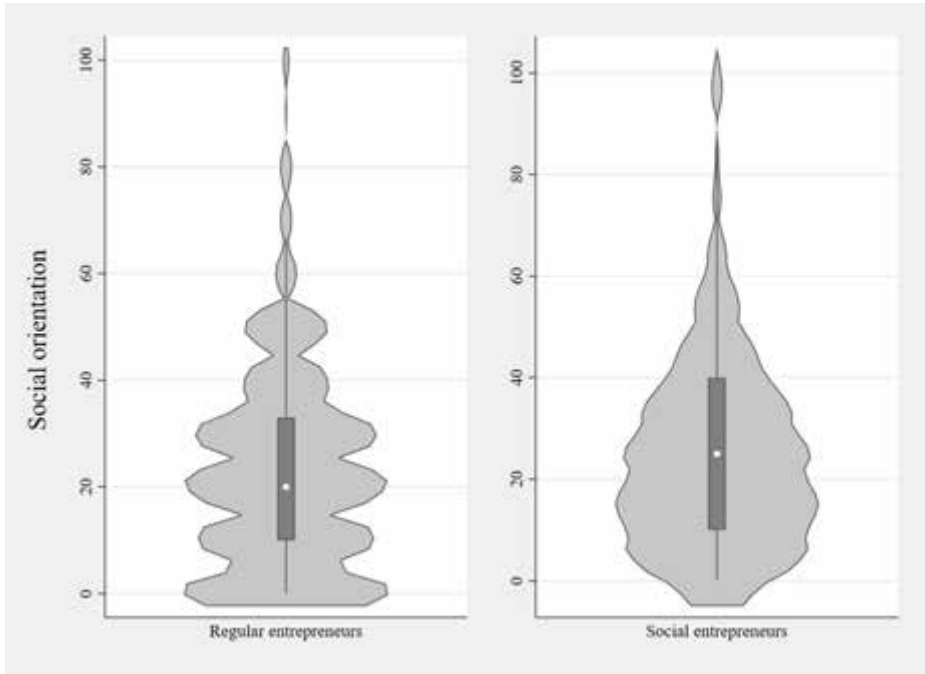
FIGURE 3.2   Violin plot on the social orientation of regular and social entrepreneurs

trepreneur increases the focus on social goals. **Model 3** shows the effect of social protection expenditure controlled for only the individual-level variables. As welfare spending was standardized, the multilevel linear regression shows that the social orientation of entrepreneurs in a context with relatively high social protection spending was not significantly different from that within a context with an average level of social protection spending ($b = 0.848$, p = ns). **Model 4** and **Model 5** show the regression estimates of all variables. The effect of the type of entrepreneur on the social orientation is highly significant throughout all models of Table 2. Adding a random slope for being a social entrepreneur
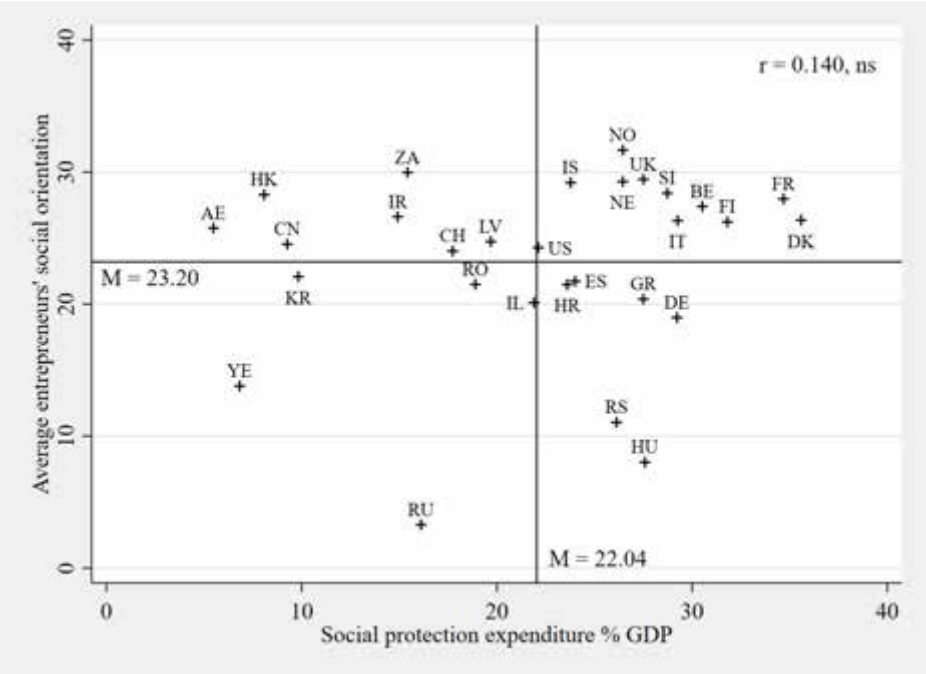
FIGURE 3.3   Scatter plot of social protection expenditure % GDP with average social orientation of entrepreneurs

significantly improves the model's fit (Chi-square = 72.95, $p < .001$). This implies that the effect of being a social entrepreneur varies in strength between countries. Based on the results, hypothesis 1 is accepted: social entrepreneurs have a higher social orientation than commercial entrepreneurs. Regarding hypotheses 2 and 3, the results indicate that social protection expenditure as a percentage of GDP is not significantly associated with the social orientation of entrepreneurs in general. Therefore, these hypotheses are rejected, as there is

no statistical evidence that the welfare state has a crowding-in or crowding-out effect on the social orientation of entrepreneurs in general.

However, the results regarding hypothesis 4, as displayed in **Model 6** and **Model 7** of Table 3.2, imply that the side-effects of welfare state expenditure are different for social and commercial entrepreneurs. Social entrepreneurs tend to have a higher social orientation when social protection increases, while commercial entrepreneurs tend to pay less attention to their organization's social value creation goals (see Figure 3.4). This implies that hypothesis 4 is accepted. Extending previous research on the consequences of the welfare state on entrepreneurship, the results show that stronger welfare states can have a deterring effect on creating societal impact among commercial entrepreneurs. In contrast, entrepreneurs who identify with a social mission pay more attention to social value creation goals in similar contexts.

Robustness checks

Several robustness checks were performed to test the sensitivity of the results to the features of the regression analysis and to detect whether there is an omitted variable bias. First, the effect of social protection expenditure is controlled for an informal dimension of the welfare state, which is the perceived government's responsibility to take care of its citizens. A general population that argues that the government is mainly responsible for taking care of its citizens may reflect a positive attitude towards the welfare state. Corresponding data were retrieved from the European Values Study (2008) and World Values Study (2005-2009). Some scholars suggest that positive welfare attitudes at the country level are positively related to the prevalence of social entrepreneurship (Folmer et al., 2016). However, the direct effect of government responsibility is negative and not significant regarding the social orientation of the broader entrepreneurial population. The results are presented in Appendix Table 3.1.

Second, data were retrieved from the Varieties of Democracy 2008 dataset

TABLE 3.2   Multilevel linear regression estimates on the social orientation of entrepreneurs

	Model 0 b / (se)	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)	Model 4 b / (se)	Model 5 b / (se)	Model 6 b / (se)	Model 7 b / (se)
Social entrepreneur	8.384***	7.123***	7.125***	7.112***	8.392***	8.487***	8.498***
	(0.661)	(0.667)	(0.667)	(0.667)	(1.622)	(1.447)	(1.430)
Age		-0.125	-0.129	-0.136	-0.139	-0.128	-0.135
		(0.200)	(0.200)	(0.200)	(0.199)	(0.199)	(0.199)
Female		3.074***	3.073***	3.076***	3.024***	3.028***	3.031***
		(0.372)	(0.372)	(0.372)	(0.371)	(0.371)	(0.371)
Education (ref. lower)							
Middle		-0.422	-0.428	-0.458	-0.352	-0.318	-0.346
		(0.506)	(0.506)	(0.506)	(0.504)	(0.504)	(0.504)
Higher		2.771***	2.764***	2.720***	2.697***	2.739***	2.697***
		(0.555)	(0.555)	(0.555)	(0.553)	(0.553)	(0.553)
Size of the organization (ref. small, medium, and large)							
Micro		-1.031+	-1.033+	-1.013	-0.492	-0.516	-0.499
		(0.623)	(0.624)	(0.624)	(0.625)	(0.625)	(0.625)
Self-employed		-1.227+	-1.232+	-1.227+	-0.549	-0.557	-0.553
		(0.648)	(0.648)	(0.648)	(0.652)	(0.652)	(0.652)
Stage of the organization (ref. Nascent)							
New		-1.127+	-1.131+	-1.125+	-1.191*	-1.199*	-1.192*
		(0.588)	(0.588)	(0.588)	(0.586)	(0.586)	(0.586)
Established		-1.613**	-1.619**	-1.618**	-1.627**	-1.627**	-1.625**
		(0.501)	(0.501)	(0.501)	(0.499)	(0.499)	(0.499)
Innovative		2.921***	2.926***	2.930***	2.746***	2.735***	2.739***
		(0.482)	(0.482)	(0.482)	(0.481)	(0.481)	(0.481)

Continued on the next page

[V-DEM] (Coppedge et al., 2021) to explore whether the quality of the welfare state influences entrepreneurs' social orientation. The V-DEM project provides data on the composition of welfare state policies, such as how many welfare programs of a country are means-tested or universalistic[4]. The counties in

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[4] Item '*v2dlunivl*' of the V-DEM measures how many welfare programs are means-tested and how many benefits (virtually) all members of society. The information is based on social scientists' and other country-level experts' answers in 2008.

TABLE 3.2 *continued*

	Model 0 b / (se)	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)	Model 4 b / (se)	Model 5 b / (se)	Model 6 b / (se)	Model 7 b / (se)
Social protection expenditure % GDP				0.848 (1.104)	-0.329 (1.185)	-0.707 (1.184)	0.316 (1.091)	-0.811 (1.182)
Unemployment rate					-1.715+ (0.954)	-1.491 (0.954)		-1.494 (0.951)
Perceived fewer business opportunities					-2.197+ (1.19)	-2.246+ (1.188)		-2.257+ (1.185)
Annual population growth					-2.198 (1.398)	-2.147 (1.396)		-2.158 (1.392)
Annual GDP per capita growth					-2.777+ (1.446)	-2.652+ (1.443)		-2.677+ (1.439)
Interaction social entrepreneur * social protection expenditure % GDP							3.035* (1.206)	3.037* (1.191)
Constant	23.459*** (1.256)	22.573*** (1.280)	22.296*** (1.535)	22.351*** (1.526)	21.900*** (1.420)	21.380*** (1.416)	21.827*** (1.509)	21.382*** (1.413)
Variance estimates								
Country	43.577*** (12.191)	45.212*** (12.582)	46.026*** (12.813)	45.013*** (12.554)	32.878*** (9.313)	52.750*** (20.367)	37.996*** (17.018)	36.723*** (16.563)
Individual	389.443*** (5.015)	384.285*** (4.949)	377.739*** (4.865)	377.740*** (4.865)	377.740*** (4.865)	374.219*** (4.826)	374.243*** (4.826)	374.265*** (4.827)
Social entrepreneur						32.604*** (9.320)	43.603*** (12.238)	32.424*** (9.268)
N individuals	12089	12089	12089	12089	12089	12089	12089	12089
N country	29	29	29	29	29	29	29	29
AIC	106519	106361.2	106172.4	106173.9	106173.2	106102.3	106098.7	106098.7
BIC	106541.2	106390.8	106268.6	106277.5	106306.4	106242.9	106217.1	106246.7
ICC	0.101	0.105	0.109	0.106	0.0801	0.0801	0.104	0.0797
-2LL	106513	106353.2	106146.4	106145.8	106137.2	106064.2	106066.6	106058.6
df	—	1	10	11	15	15	12	16
Chi2	—	160.9	372.3	372.8	382.5	241.1	247.2	257.4

*** p <0.001, ** p <0.01, * p <0.05, + p <0.1
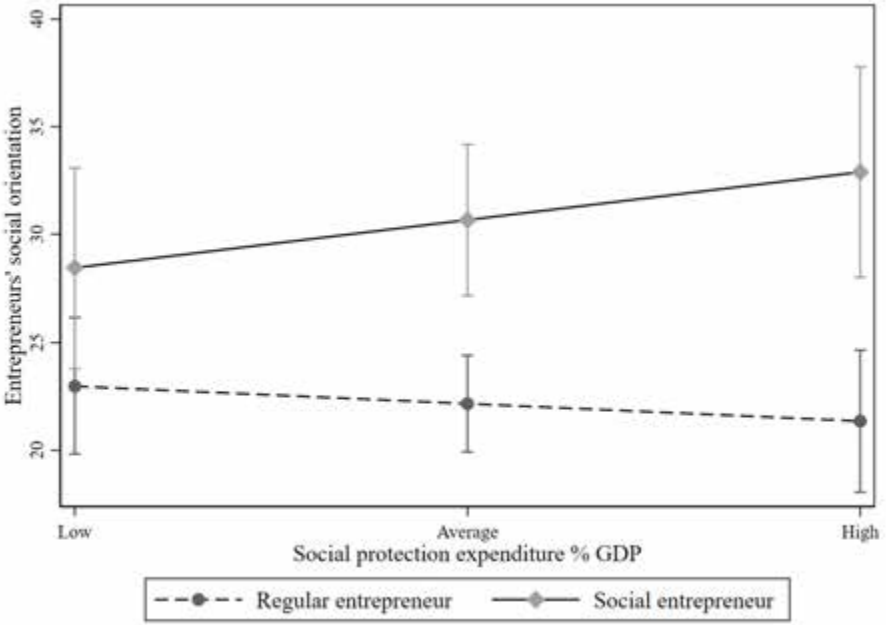
FIGURE 3.4   Interaction effect between social protection expenditure % GDP and type of entrepreneur on the social orientation

the sample either had an equal distribution of means-tested and universalistic welfare policies, or most welfare policies had a universalistic logic. Nevertheless, the results show that the quality of the welfare state did not statistically significantly influence the social orientation of the entrepreneurs. The results are presented in Appendix Table 3.2.

   Third, a possible omitted variable is entrepreneurs' primary motivation to start their activity. In chapter 2, I distinguished between different motivations for people to engage in entrepreneurship. Moreover, such information is use-

ful in creating different entrepreneurial profiles (Fauchart & Gruber, 2011). The GEM-2009 survey also includes information on entrepreneurs' primary motivation. For instance, respondents could indicate whether they were taking advantage of a business opportunity, whether there were no better choices for employment, whether they were seeking better opportunities but were already employed, or whether there were other reasons. The 'other' reasons could include the motivation 'to contribute to society' as applied in chapter 2. Entrepreneurs who took advantage of a business opportunity were asked why. The answer categories include a desire for greater independence, increasing personal income, or maintaining their income. However, the question was not asked of respondents who only self-identified as social entrepreneurs. Consequently, the sample was significantly influenced because not all who self-identified with the social entrepreneurship item also identified with the GEM's primary entrepreneurship indicators. This poses challenges to measuring social entrepreneurship worldwide, as people can have different understandings of the terms 'social' and 'business' (Lepoutre et al., 2013). Nevertheless, the results show that entrepreneurs who started their activity for financial prospects have, on average, a lower social orientation compared to entrepreneurs who were motivated by a desire for more work autonomy or 'other' reasons. Therefore, a financial motivation to engage in entrepreneurship negatively presses the importance of social value creation goals. This corresponds with findings on the negative association between the financial capital of entrepreneurs and their social orientation (Brieger & De Clercq, 2019). The results are presented in Appendix Table 3.3.

Last, and in line with previous social entrepreneurship research (Coskun et al., 2019; Monroe-White et al., 2015), data from the World Bank on health and education expenditure as a percentage of GDP (2008 data) was used to measure the welfare state as suggested by Kerlin (2009, 2013). Consequently, the country sample size increased from 29 to 47. Whereas developed economies overrepresented the sample in the main analysis, the sample now consists of

more countries from developing economies, causing more heterogeneity regarding economic wealth. This seems to impact the results in the following ways: First, the sum of welfare expenditure on health and education has a positive effect on the *degree* of social entrepreneurship among the entrepreneurial population, which is in line with what could be expected based on previous research (Coskun et al., 2019; Monroe-White et al., 2015). However, the effect loses statistical significance when the country-level control variables are added to the regression model. Second, the interaction effect between this measure for welfare expenditure and 'entrepreneur type' is not significant. Moreover, social protection expenditures serve another function than expenditures on health and education. This implies that international comparative research on the association between the welfare state and social entrepreneurship must take note of the country sample and the measurement of the welfare state. The results are presented in Appendix Table 3.4.

5 • DISCUSSION AND CONCLUSION

This study builds upon entrepreneurship and welfare state literature and extends the debate on contextual antecedents of specific organizational goal orientations of entrepreneurs (Brieger & De Clercq, 2019; Brieger et al., 2018; Hechavarría et al., 2017; Hörisch et al., 2017). It has responded directly to the call for more comparative entrepreneurship studies that examine how individual and country-level characteristics shape the behaviour or attitudes of entrepreneurs (Stephan et al., 2015). Moreover, as supported by this chapter's findings, policy programs on entrepreneurship should consider entrepreneurs' individual and contextual characteristics (Dileo & Pereiro, 2019).

At the individual level, the results provide empirical support for the proposition that social entrepreneurs pursue social value creation goals to a greater extent than commercial entrepreneurs (Austin et al., 2006; Zahra et al., 2014). Entrepreneurs' goals are deeply rooted in their values and guided by their

motives (Zahra et al., 2009). This leads to a unique challenge for social entrepreneurs as they must deal with a trade-off between pursuing social and financial goals. The consequences may relate to possible mission drift and potential problems with their stakeholders (Nicholls, 2010b). Therefore, the dual missions of financial sustainability and social purpose are viewed as 'competing logics' while being the defining characteristics of social entrepreneurship (Doherty et al., 2014). Related to the association between social and financial goals, Brieger and De Clercq (2019) show that entrepreneurs with higher levels of financial capital (e.g., their current income) tend to focus less on the social value creation goals of their entrepreneurial activity. In sum, self-identifying as a social entrepreneur with a social cause decreases the focus on organizational goals related to financial performance.

The results show no side effects of welfare state social policy on the entrepreneurial population's importance to social value creation goals at the country level. This contributes to the literature addressing the debate about the 'welfare state – entrepreneurship'. However, the subsequent literature highlights that unintended effects of social policy can occur. For example, the prevalence of entrepreneurship is lower in contexts with higher levels of social spending. This implies that the welfare state is increasing the opportunity costs of entrepreneurship (Koellinger & Minniti, 2009; Solomon et al., 2021). A possible underlying mechanism is that higher social expenditures correspond to decreasing levels of people's perceived feasibility of self-employment (Rapp et al., 2018). While social spending, in general, may crowd-out entrepreneurship, when welfare states implement unemployment insurance programs for the self-employed (entrepreneurs), more people will perceive engaging in entrepreneurship as a possibility in the future (Rapp et al., 2018). In other words, targeted welfare state policy can evoke entrepreneurial activity among the population (Rapp et al., 2018). While previous research finds that welfare state expenditures negatively correspond to the prevalence and feasibility of entrepreneurship, this study did not find that the consequences of social pol-

icy trickle down to an enhanced or decreased attention towards social value creation goals in general.

However, the results show that an average direct effect is absent due to opposite welfare state effects for commercial and social entrepreneurs. While the results show that the social orientation of commercial entrepreneurs is relatively independent of welfare state strength, the opposite is true for social entrepreneurs. Social entrepreneurs tend to prioritize to a more significant extent their social value creation goals – relative to other organizational goals, such as financial performance – in stronger welfare states. Social entrepreneurship literature has highlighted an interdependency between the welfare state and social enterprises. For example, the collaboration of the welfare state with social enterprises in providing social services has been described qualitatively by Kerlin (2009, 2013). The welfare state is viewed as a large institution that influences social entrepreneurial activity. Following the Macro Institutional Social Enterprise framework, Kerlin suggests that a country's economy, civil society, and state are important factors that shape the social enterprise sector regarding their activities, scope, intensity, and legitimacy. More recently, quantitative scholarship finds empirical evidence for social entrepreneurship being more prevalent in stronger welfare states (Coskun et al., 2019). This is in line with research on how specific institutional configurations trigger social entrepreneurship. For example, Stephan et al. (2015) suggest that their empirical findings indicate that governments can provide resources, such as grants, subsidies, direct funding, or sponsorship of activities, making the government a key enabler of social entrepreneurship (Zahra & Wright, 2011). Consequently, as social entrepreneurship is more prevalent in stronger welfare states (Coskun et al., 2019), the results show that stronger welfare states can create a stimulative eco-system for social entrepreneurs by enabling them to focus to a larger extent on social value creation goals. For example, welfare state sponsorship and subsidies can allow social entrepreneurs to balance the scales between social value creation and financial sustainability, favouring their social

mission. On the contrary, when entrepreneurs do not pursue a social mission but rather a financial self-interest goal, the results show that the willingness to contribute to society decreases when social spending increases.

Furthermore, welfare state scholarship is commonly focused on public attitudes among welfare recipients (e.g. Gelissen et al., 2012; Van Oorschot & Arts, 2005; Visser et al., 2018) or towards them (e.g. Kulin & Meuleman, 2015; Van Oorschot et al., 2005). This study has extended welfare state research by focusing on the entrepreneurial population as the unit of interest. Therefore, this chapter contributes to the 'welfare state – entrepreneurship' debate by empirically exploring to what extent social spending affects the willingness to create social value by commercial and social entrepreneurs. Policymakers that face the challenging task of 'weighing' the consequences of social spending on entrepreneurship (Solomon et al., 2021) should note the impact of such spending on the willingness to create social value by commercial and social entrepreneurs.

Limitations and further research

Despite these contributions, several limitations of the study must be discussed. First, data gathered in 2009 can be regarded as 'outdated'. However, the legitimation for using the GEM 2009 data is twofold. Most importantly, data is used to test theoretically deduced assumptions. The hypotheses did not focus on time-varying effects, and there were no expectations that the direction of the hypothesised effects would be different nowadays. Next, and relatedly, the analysis controls for the possible influence of the 2008 economic crisis. Nevertheless, the conclusion drawn on the main effects and the interaction effect between entrepreneur type and social protection expenditure remains the same.

Second, the concern about the dependent variable of this study is another limitation. Whereas the high importance of social goals in the organizational

practice of social enterprise is considered an important and identifying characteristic of social entrepreneurship (Zahra et al., 2014), there is no "exact way of fixing the border below which the importance of social goals fails to qualify something as social entrepreneurship" (Peredo & McLean, 2006, p. 64). Furthermore, this study captures entrepreneurs' *perceived* social value creation rather than *actual* social value creation (Brieger & De Clercq, 2019). Consequently, the 'danger' of greenwashing exists. The lack of information on *actual* societal value creation made it necessary to focus on the *perceived* social value creation. In the eye of the entrepreneur, the data demonstrates how the social goals relate to other organizational goals, such as financial performance. Therefore, it is more likely to capture the *degree* of social entrepreneurial activity rather than its *prevalence*.

Third, the relatively small number of countries included in the multi-level analysis (N = 29) could limit the reliability of the analyses (Bryan & Jenkins, 2015; Stegmueller, 2013). Furthermore, the results support evidence for different welfare state effects on commercial and social entrepreneurs regarding their social orientation. However, the mechanisms are tested as a "black box" and can only be interpreted as possible unintended side-effects because the data did not allow further detailed testing. For example, the research design is not suitable to detect causality. The authors encourage novel data-collection projects that focus on why, how, and to what extent different types of entrepreneurs create social value in the welfare state context.

To deal with these limitations, future research on the welfare state and social entrepreneurship should extend cross-sectional research by using longitudinal data to study causal mechanisms. To tackle the shortcoming of cross-sectional data and the low number of countries, cross-national and longitudinal data for a higher number of countries is required (Van Oorschot & Arts, 2005). Furthermore, welfare states with comparable total social expenditures may differ in the extent to which expenditures flow into different domains of the welfare state (Castles, 2009). Future research could focus on what type of social

spending is mainly associated with social entrepreneurship. However, more comparable data is needed to link disaggregated welfare state expenditures to individual perceptions and behaviour regarding social entrepreneurship.

More research on welfare state attitudes among business and social entrepreneurs is needed as it could provide interesting insights into the role entrepreneurs could play in implementing governmental policy to deal with societal and environmental issues. In assumed times of neo-liberalisation, this could enhance the efficiency of providing social services to those in need. The authors, therefore, believe that such research could "shape, guide, or even provoke public policy" regarding the role (social) entrepreneurs could play in alleviating social problems (Zahra & Wright, 2011, p. 78).

Symbiosis or Discord?

Exploring how government interventions and societal problems influence the prevalence of organizational forms of social entrepreneurship

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ABSTRACT

This chapter explores to what extent societal problems and government response influence the prevalence of different organizational forms of social entrepreneurship. To this end, an inductive statistical method is used to obtain the organizational forms. Furthermore, multinomial multilevel logistic regression is used to test the hypotheses. The results show that the size of the welfare state and environmental problems are positively associated with a higher prevalence of some organizational forms of social entrepreneurship. The implications contribute to theory development regarding the relationship between the welfare state and social enterprises.

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1 • INTRODUCTION

Economics, organizational science, and entrepreneurship scholarship show that social entrepreneurship and context are inextricably linked (Mair & Martí, 2006). The related literature shows that the socio-political context of countries, such as government policy and other formal institutions, affect the opportunities, mission and prevalence of entrepreneurs that aim to create social value (e.g., Estrin et al., 2013; Griffiths et al., 2013; Pathak & Muralidharan, 2016; Stephan et al., 2015). For example, governments can create a viable environment for social enterprises – the tangible outcome of social entrepreneurship (Mair & Martí, 2006) - to flourish by providing financial and policy support (Stephan et al., 2015). This extends the argument made by Salamon (2002) that specific governmental tools for public policy implementation affect non-profit organizations that deliver public services (Sandfort, Selden, & Sowa, 2008)

Historically, government welfare partnership includes cooperation with financially dependent social organizations (e.g., non-profits, cooperatives) (Gidron, Kramer, & Salamon, 1992; Salamon & Anheier, 1998; Salamon & Toepler, 2015). However, the social enterprise is another organizational form that can provide public or social services on behalf of the government. The contemporary and quantitative social entrepreneurship research that builds upon the work of Kerlin (2009, 2013, 2017) finds empirical validation for the collaboration between governments (e.g., the welfare state) and the social enterprise sector (Coskun et al., 2019; Monroe-White et al., 2015). However, the extent to which government interventions relate to the prevalence of different organizational forms of social entrepreneurship remains unclear because existing research does not consider the heterogeneity of organizational forms of social entrepreneurship (cf. Coskun et al., 2019; Monroe-White et al., 2015). In this chapter, an organizational form is viewed as the characteristics of an organization related to its mission statement and goals.

This chapter aims to contribute to the literature in two ways. First, social en-

trepreneurship can manifest itself through different organizational forms (Kerlin et al., 2016; Lepoutre et al., 2013) as long as the *social* and *entrepreneurial* dimensions are satisfied (Bacq & Janssen, 2011) (see chapter 1 for a discussion on these dimensions). Therefore, an inductive approach is used to assess different organizational forms of social entrepreneurship. Given the scholarly sense-making of social entrepreneurship, the approach explores how relevant variables designate an organizational form as a specific social entrepreneurial form (Dacin et al., 2010; Lepoutre et al., 2013; Zahra et al., 2009).

Second, social entrepreneurship aims to create social or environmental value at the local community level to achieve a larger-scale systematic impact (Smith & Stevens, 2010). The prevalence, or even abundance, of societal problems (e.g., social inequality and environmental degradation) would theoretically trigger social entrepreneurship (Zahra et al., 2009). While some exceptions in the literature exist regarding the influence of societal problems on the prevalence of *any* social entrepreneurial activity (Hechavarría et al., 2017; Monge, 2018; Pathak & Muralidharan, 2018), it remains unclear to what extent such societal challenges shape the prevalence of different organizational forms of social entrepreneurship. Moreover, larger theoretical frameworks on the contextual antecedents of social entrepreneurship tend to overlook the direct effect of such societal problems (cf. Kerlin, 2017). Furthermore, and related to the latter point, this chapter aims to investigate the extent to which societal problems and consequent government response to social inequality and environmental degradation are interrelated regarding the prevalence of different organizational forms of social entrepreneurship. This follows the call for more research on how contextual forces shape the opportunity creation for organizations that fall within the spectrum of social entrepreneurship (Austin et al., 2006; Doherty et al., 2014).

As such, the central research questions are: (1) "What type of organizational forms of social entrepreneurship can be empirically observed?" (2) "To what extent do societal problems influence the prevalence of different organizational

forms of social entrepreneurship?" (3) "To what extent does government response to pressing societal problems influence the prevalence of different organizational forms of social entrepreneurship?" And (4) "how are societal problems and related government responses interrelated regarding the prevalence of different organizational forms of social entrepreneurship?". Therefore, this chapter aims to contribute to the social entrepreneurship literature by studying the role of governmental social and environmental interventions on the prevalence of different organizational forms of social entrepreneurship.

The remainder of this chapter is structured as follows: in the next section, a brief overview of social entrepreneurship, and related organizational forms, as described by the scholarly literature, is provided. Although this chapter uses an inductive approach to assess different organizational forms of social entrepreneurship, the results of a statistical cluster analysis are presented after developing the hypotheses. These are deduced from theoretical mechanisms related to the prevalence of social entrepreneurial activity considering the broader institutional theory. Subsequently, the data and methods are discussed. Next, the results of the statistical methods are presented. The last section includes a discussion on the results in light of the academic literature and the limitations and suggestions for future research.

2 • THEORETICAL FRAMEWORK

Review of organizational forms of social entrepreneurship

Broadly defined, social entrepreneurship refers to any entrepreneurial activity that predominantly aims to create value for society, specific local communities, or the natural environment (Bosma & Levie, 2010; Dees, 1998). The underlying objectives are varied and may include value creation regarding the social domain, for example, mitigating social inequality by providing employment opportunities to those with a distance to the labour market (Battilana, Sengul,

Pache, & Model, 2015; Spear & Bidet, 2005). Examples in the ecological domain include enabling the energy transition to combat climate change (Becker et al., 2017; Hillman, Axon, & Morrissey, 2018). In general, organizational forms of social entrepreneurship emphasize social value creation goals over financial performance goals[1]. The degree to which organizations pursue social value creation goals is essential for establishing a spectrum that includes various organizational forms of social entrepreneurship. Organizations that pursue only economic wealth fall outside this spectrum (Austin et al., 2006; Doherty et al., 2014; Douglas, 2010; Weerawardena & Mort, 2006). However, all enterprises create at least some social value (Santos, 2012). For example, any organization that employs people and pays them a decent wage or salary provides them with the means to support their livelihood. Therefore, Zahra et al. (2014) propose that when social or environmental goals are prioritized over financial performance goals, the organization can be labelled as an organizational form of social entrepreneurship. Consequently, this allows for comparing socially-committed enterprises with enterprises that primarily focus on financial prospects (Lepoutre et al., 2013).

Social enterprises are the tangible form of social entrepreneurship (Mair & Martí, 2006). However, the population of social enterprises is not homogeneous. Lepoutre et al. (2013) differentiate between *explicit* and *implicit* organizational forms of social entrepreneurship. The difference is that a social or environmental objective is part of the core mission or identity of the explicit organizational form, which is not present for the implicit social enterprises. Whether or not they receive additional financial support, the social and entrepreneurial dimensions are present among *explicit* social enterprises (or hybrid enterprises) (Defourny & Nyssens, 2010a). The entrepreneurial dimension is manifested through a business logic (at least to some extent –

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[1] Social value creation goals can include organizational outcomes related to social or environmental impact. Both have in common a focus on non-financial outcomes.

see Lepoutre et al., 2013) to generate revenue by selling products and services via the market. Despite the idea that business logic is incompatible with the core ideals of social value creation, once intertwined, they create the necessary conditions for classifying social entrepreneurship (Defourny & Nyssens, 2010a; Haigh, Walker, Bacq, & Kickul, 2015; Weerawardena & Mort, 2006). Thus, the related ideal-typical organizational form may focus on the alleviation of a particular social or environmental problem, apply a business logic, and may attract financial capital in ways consistent with either - or both - for-profit and non-profit models (Battilana & Lee, 2014; Lepoutre et al., 2013). *Implicit* social organizational forms include a broader spectrum of socially committed enterprises (Lepoutre et al., 2013). Information on the relative importance of social value creation goals compared to financial value creation goals is useful to classify the degree of social entrepreneurship among these organizational forms (Bacq et al., 2016; Zahra et al., 2014). Although not explicitly addressing a social mission statement, these organizations prioritize non-financial goals in their business operations (Lepoutre et al., 2013). These organizations may focus on economic sustainability and on creating a positive impact on society and ecology. For example, such organizations may apply a 'triple bottom line' or 'people-planet-profit' logic. Whether explicit or implicit, social entrepreneurship manifests itself in a heterogeneous population of organizations.

Furthermore, non-profits or NGOs are other examples of organizational forms that primarily aim for social or environmental value creation. Although an exclusive social value creation mission characterizes these organizations, they do not use a business logic to attain social or environmental impact. For example, these organizational forms are mostly dependent on governmental subsidies, membership fees or donations and cannot be observed as an organizational form of social entrepreneurship. Nevertheless, their funding enables those organizations to commit themselves exclusively to social impact goals.

As such, the spectrum of organizations with a social or environmental pur-

pose can include different organizational forms. One end of the spectrum includes social organizations that aim primarily to create social value while not generating market-based income. Explicit social – or hybrid - enterprises can be active in the economic market and propagate a similar mission focus as the financially dependent social organizations. The other end of the spectrum includes traditional enterprises that exclusively pursue goals related to making a financial profit and increasing shareholder wealth (Alter, 2007; Douglas, 2010; Lepoutre et al., 2013; Peredo & McLean, 2006; Zahra et al., 2009). Socially committed enterprises – implicit social enterprises - are located at an intermediate point relative to their willingness to create social or environmental value. While these organizations sell products or deliver services (e.g., generate market-based income) and focus on social or environmental goals, an explicit social mission is not part of their core strategy or identity (Lepoutre et al., 2013).

Societal challenges as an opportunity

People are likely to start a business when they have the desire and belief in being capable of doing so (Krueger et al., 2000). Furthermore, the context of countries shapes the opportunities that people perceive and wish to pursue regarding entrepreneurship (Dvouletý, 2018). People may desire an entrepreneurial career because they perceive an opportunity to satisfy financial self-interest goals or fulfil immaterial and psychologically satisfying goals. The latter may include a desire to work on personally interesting tasks or have more autonomy in one's work. However, their behaviour can also be motivated out of necessity (Fairlie & Fossen, 2020). While this may make entrepreneurship a rather individual utilitarian act, some entrepreneurs are motivated to start their activity due to a desire to positively impact society (Christopoulos & Vogl, 2015; Fauchart & Gruber, 2011). As such, the primary motivation for engaging in entrepreneurship can be used to distinguish between different types of

entrepreneurs (Austin et al., 2006). For example, commercial entrepreneurs are primarily motivated to pursue financial self-interest goals, like achieving economic wealth. For social entrepreneurs, the financial motive is subordinate to their 'communitarian' motive (Fauchart & Gruber, 2011). Chapter 2 of this PhD thesis showed that these motivations relate to different desires underlying a preference for engaging in (social) entrepreneurship and to what extent these are contingent upon the welfare state context.

Social entrepreneurship can involve entrepreneurs' response to social needs unmet by market or welfare systems by using market-based income to sustain their core social mission (Defourny & Nyssens, 2008, 2010b; McMullen, 2011; Seelos & Mair, 2005; Thompson, Alvy, & Lees, 2000). Besides, it can also involve a response to environmental problems, which makes them 'environmental entrepreneurs' (Thompson, Kiefer, & York, 2011). Regarding the environmental orientation, a possible mechanism is that higher levels of environmental pressure, such as the degradation of air or water quality, instigate a concern for environmental problems (Franzen, 2003; Inglehart, 1995, 1997). Hörisch et al. (2017) find that environmental entrepreneurship, as a crystallization of environmental concern, is more prevalent in countries with higher levels of environmental pressure, such as a higher ecological footprint per capita. In other words, entrepreneurs are more likely to prioritize environmental goals when they operate in a country with relatively more environmental problems.

Pressing societal problems may expose the market and government's failure – or inadequacy - to attend to those needs (Mair & Marti, 2009). Social entrepreneurs perceive societal problems, such as poverty, social inequality, or environmental degradation, as an opportunity – or necessity - to act upon (Thompson et al., 2011). Research shows that the socioeconomic context and institutional environment are important factors that influence the focus and success of social entrepreneurs (Griffiths et al., 2013; Littlewood & Holt, 2018). Furthermore, social entrepreneurs have a strong desire to serve other people (Germak & Robinson, 2014) and are likely to act when they perceive such

opportunities (Christopoulos & Vogl, 2015). Hence, societal problems (e.g., social inequality or environmental degradation) may trigger their activity. The underlying mechanism postulates that (unaddressed) social and environmental needs cause a response by social entrepreneurs to create a better world (Corner & Ho, 2010; Thompson et al., 2011; Yitshaki & Kropp, 2016). As the mission of social entrepreneurship can relate to creating social or environmental impact, the following two hypotheses are formulated:

> **Hypothesis 1.** The prevalence of organizational forms of social entrepreneurship is higher in national contexts with higher levels of social inequality.

> **Hypothesis 2.** The prevalence of organizational forms of social entrepreneurship is higher in national contexts with higher levels of environmental degradation.

Government response to societal problems

Governments use regulations and policies to address their intent by setting an objective or course of action. Regarding the care of their citizens, governments can use different tools and policies to guide the protection of social and environmental well-being. As such, governments can be active in the public domain, which affects the prevalence of social entrepreneurship (Estrin et al., 2013; Stephan et al., 2015).

The welfare state includes a mix of government social interventions. The underlying social policies and institutions affect the well-being of people (Reeskens & van Oorschot, 2014) by providing social benefits (e.g., unemployment benefits), social assistance and social services (e.g., education and health care) (Muuri, 2010). In particular, the welfare state aims at lowering social inequality by implementing redistributive income schemes for its population (Goodin et al., 1999). At the same time, it is argued that social

policy generally creates negative incentives for entrepreneurship (Solomon et al., 2021). The social entrepreneurship literature provides empirical evidence for a contrary (positive) effect on social entrepreneurship (Coskun et al., 2019). In line with the paradigm that non-profit organizations are part of the toolbox of governments to implement public policy (Salamon, 2002; Salamon & Toepler, 2015), social enterprises are perceived as an efficient solution to pressing societal problems in stronger welfare states (Kibler et al., 2018). However, successful and autonomous social enterprises run the danger that they can become 'captured' by the welfare state. Consequently, they can become dependent upon state funding (Kerlin, 2017). For example, this has led social enterprises to become institutionalized in the field of work integration (Chan et al., 2017; Laville, Lemaître, & Nyssens, 2006; Spear & Bidet, 2005). Nevertheless, this suggests that social enterprises complement the welfare state (Benjamin Gidron & Monnickendam-Givon, 2017).

In addition to social regulations, Dean, Brown, and Stango (2000) show with their longitudinal study that environmental regulations impact the formation of small businesses. However, the literature review by Thompson et al. (2011) revealed that the knowledge is somewhat inconclusive about how government environmental regulations impact *environmental* entrepreneurship. While earlier studies indicate that governments can provide support by enabling interactions between these entrepreneurs and other relevant actors in the context of the US solar industry (Meek, Pacheco, & York, 2010), a more recent large-scale empirical study does not confirm the cooperation between the government and entrepreneurs that pursue environmental goals (Hörisch et al., 2017). However, the same study suggests that environmental taxes provide negative incentives for organizations that prioritize environmental goals in economically developed countries (Hörisch et al., 2017). Nevertheless, to meet the targets of the UN Sustainable Development Goals, governments have to meet their environmental policy targets (Wendling et al., 2018). Because social enterprises play an important role in the energy transition (Becker et al.,

2017; Hillman et al., 2018), it is plausible that these organizational forms are –
or become - tools of the government to implement environmental policy. The
following two hypotheses are formulated regarding the possible cooperation
between governments and social enterprises.

> **Hypothesis 3.** The prevalence of organizational forms of social
> entrepreneurship is higher in contexts where the government
> takes more effort into addressing social inequality.

> **Hypothesis 4.** The prevalence of organizational forms of social
> entrepreneurship is higher in contexts where the government
> takes more effort into addressing environmental degradation.

The relationship between societal problems and government response

While societal problems reflect the opportunity structure - and demand - for
social entrepreneurship, governments can influence the severity of such prob-
lems. Consequently, the demand for social entrepreneurship in providing so-
cial services is weakened by a solid and adequate government response. Strong
government response to poverty through increased social expenditures can
lower social inequality (Castles, 2009).

To deal with social and environmental problems, governments allocate re-
sources to social protection, health, and education (i.e., domains of the welfare
state) and environmental protection (i.e., waste management, recycling). While
hypothesising that societal problems trigger social entrepreneurial activity, this
chapter examines whether the main effect of societal problems decreases when
governments are more potent in addressing these problems. Figure 4.1 shows
the expected relationships presented in the hypotheses.

> **Hypothesis 5.** Government response to social inequality nega-
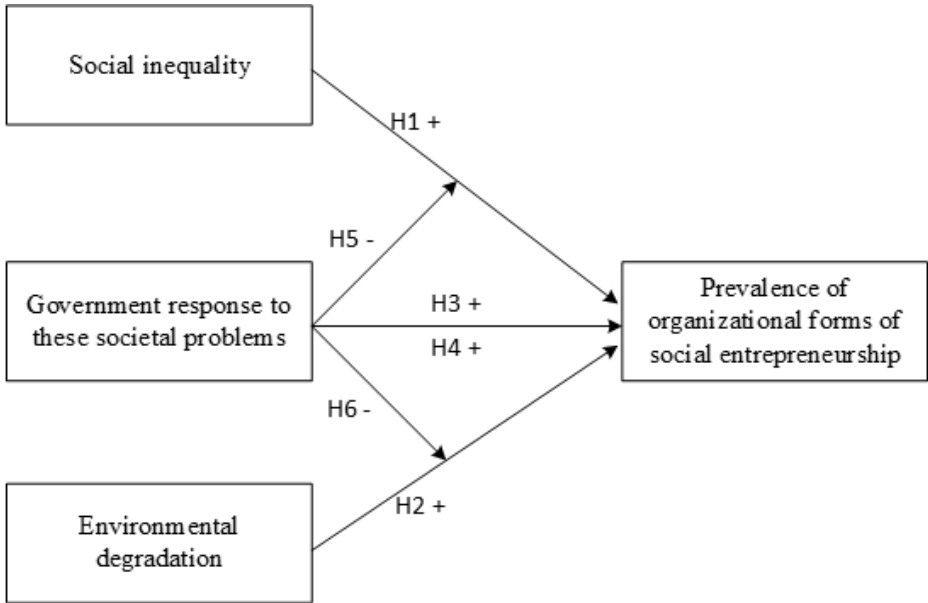
FIGURE 4.1   Conceptual model

tively moderates the effect of social inequality on the prevalence of organizational forms of social entrepreneurship.

Hypothesis 6. Government response to environmental degradation negatively moderates the effect of environmental degradation on the prevalence of organizational forms of social entrepreneurship.

Although different organizational forms of social entrepreneurship exist (Kerlin, 2013; Kerlin et al., 2016; Lepoutre et al., 2013), the hypotheses in this chapter are formulated more generally. In line with previous social entrepreneurship research, the hypotheses in this chapter assume that country-

level characteristics influence the prevalence of organizational forms of social entrepreneurship. However, the approach differs from the conventional approach in social entrepreneurship research, which focuses on a unidimensional measure of social entrepreneurship (Coskun et al., 2019; Estrin et al., 2013; Hechavarría, 2016; Monroe-White et al., 2015; Stephan et al., 2015). The hypothesised influence of the societal problems and related government interventions are analysed post hoc.

3 • DATA AND METHODS

Data

Individual-level data – that corresponds to the organizational forms – was attained from the Global Entrepreneurship Monitor [GEM] 2009-survey. The corresponding social entrepreneurship module was fielded for the first time in 2009 when the GEM collected data on social entrepreneurial activity in more than 50 countries (Bosma & Levie, 2010; Bosma et al., 2016). Adults were randomly selected and surveyed via face-to-face or telephone interviews by third parties in the corresponding country's native language (Bosma & Levie, 2010). Only respondents who owned part or all of the organization's shares and were actively starting or leading an established organization were included in the analysis.

The GEM 2009 is currently the only global dataset with information on what type of organizational goals are prioritized in the organizational decision making among the broader entrepreneurial population[2]. Information on the

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[2] Despite the availability of the updated GEM 2015 edition, the survey did not include items to measure a social or environmental orientation among organizations that did not self-identify with an exclusive social, environmental or community objective. Therefore, the GEM 2009 is the most suitable dataset given the goals of this research chapter.

contextual level was retrieved from multiple databases, for example, the World Bank, Global Footprint Network, Environmental Performance Index, and the Varieties of Democracy survey.

Empirical setup

The empirical setup of this chapter followed different stages. First, the raw individual-level data were cleaned before applying an inductive approach to obtain different organizational forms of social entrepreneurship. Following the suggestions of scholars for identifying the prevalence or the degree of social entrepreneurship, information on five variables was used (Lepoutre et al., 2013). The first variable is the binary GEM indicator for any social entrepreneurial activity (Bosma & Levie, 2010)[3]. The second variable is a binary indicator for the presence of market-based income to distinguish between a business or non-profit logic. Organizations that make less than 5% of their revenue from the market can be regarded as financially dependent organizations, which is in line with previous research (see Lepoutre et al., 2013). Organizations that meet both conditions can be labelled as *explicit* social enterprises (Defourny & Nyssens, 2010a; Lepoutre et al., 2013).

The other variables related to the ability of an organizational form to generate value on three organizational outcomes (Brieger et al., 2020; Brieger & De Clercq, 2019; Hechavarría et al., 2017; Hörisch et al., 2017). The outcomes were measured with a continuous goal-based classification item. Those respondents actively starting or owning/managing any entrepreneurial activity were asked to allocate 100 points across economic (e.g., financial performance),

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[3] The 'explicit' social entrepreneurship measure includes a broad spectrum of active involvement or leadership in any social purpose activity (Bacq et al., 2013). Japan and Tunisia were removed from the analyses as these countries did not take part in the social entrepreneurship module in the GEM 2009 survey.

social (e.g., benefit to people living in their society or community), and environmental (e.g., ecology, nature) organizational outcomes. When organizations in their decision making prioritize the social and/or environmental organizational outcomes compared to the financial performance and do not self-identify with an *exclusive* social and/or environmental mission, they can be labelled as *implicit* social enterprises (Lepoutre et al., 2013).

Second, a two-step cluster analysis (performed in *SPSS* version 27) was applied to obtain different organizational forms of social entrepreneurship. As its name suggests, the technique follows two steps to obtain the clustering result. First, observations are grouped into pre-clusters. Second, a hierarchical clustering algorithm is applied to various numbers of pre-clusters, allowing the exploration of a range of different solutions. An optimal outcome is based on the Silhouette measure of cohesion and dispersion and the corresponding Akaike Information Criterion [AIC], which are both fit statistics for the clustering result (Norušis, 2011)[4]. A relatively high Silhouette measure (e.g., above 0.500) and a 'low' AIC-value indicate a good cluster fit. The benefit of the two-step cluster method is that it overcomes the limitations of other clustering procedures in dealing simultaneously with categorical and continuous data (Chiu et al., 2001). Another benefit is that a range of cluster solutions can be reviewed by comparing the AIC levels for each cluster solution while considering the corresponding *content validity*.

Third, to perform the cluster analysis, the structure of the GEM 2009 dataset was changed. The survey respondents could indicate whether they were involved in the starting phase of a new enterprise or managing an established organization for up to four different entrepreneurial activities. Therefore, the cluster analysis was based on entrepreneurial activity (e.g., the organization).

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[4] The Silhouette measure is used to interpret and validate the consistency of the cluster solution. The value can range from − 1 to +1, where a higher value implies that clusters show a consistent match of observations within the cluster (Norušis, 2011).

Fourth, this chapter applies a specific type of multilevel logistic regression (Snijders & Bosker, 2012; Sommet & Morselli, 2017) given the hierarchical structure of the data (i.e., organizational forms (Level-1) are nested in countries (Level-2)) and the goal to explore how contextual factors influence the probability that an organization is practising social entrepreneurship. The inferential technique applied in this chapter is a generalized linear mixed model with a multinomial logit function because the dependent variable (consisting of different clusters) has a nominal measurement scale[5]. This statistical technique extends the standard multilevel logistic regression, where more than two (k) outcome categories are possible (Agresti, 2018). Only $k - 1$ probabilities are required to specify the multinomial outcome because one outcome category serves as the reference category in the multinomial analysis (Heck, Thomas, et al., 2013).

Operationalization of social and environmental problems

The prevalence of societal problems was measured with two indicators. First, the GINI index captures a country's level of social inequality and is used in social entrepreneurship research to explore its relationship with the prevalence of *any* social entrepreneurial activity (Monge, 2018; Pathak & Muralidharan, 2018). This index measures to what extent the individuals' income distribution deviates from a perfectly equal distribution in a country. A GINI index of 0

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[5] A maximum likelihood function is used to indicate the model fit of the multilevel multinomial logistic regression method (Hox, 2002). While comparing two 'nested' models, lower deviance (-2 * log-likelihood) signifies a better fit. However, the statistical method as applied in SPSS (version 27) produces a 'pseudo-log-likelihood' that is approximate only (Hox, 2010). Each time variables are added to the model, the variance is rescaled, making it difficult to compare two 'nested' models (Hox, 2010). Therefore, "caution should be used in interpreting this coefficient because different data transformations may be used across models" (Heck, Thomas, et al., 2013, p. 28).

represents perfect equality, while an index of 100 implies perfect inequality. This measure is obtained from the World Bank (indicator SI.POV.GINI). Second, to obtain the level of environmental degradation, information was used regarding the environmental pressure in a country (Hörisch et al., 2017; Welzel, 2013). Environmental pressure measures the ecological footprint per capita in a country and is retrieved from the Global Footprint Network, which provides information on the ecological assets that a given population requires to produce the natural resources it consumes. It tracks the use of productive surface areas, such as cropland, grazing lands, fishing grounds, built-up land, forest area, and carbon demand on land. Research shows that higher levels of environmental pressure are associated with an emphasis on organizational goals related to environmental impact (Hörisch et al., 2017).

Operationalization of governments' ability to address societal problems

The ability of a government to engage in social interventions can be measured as the sum of expenditure on health and education, as these are typical welfare state social services (Castles, 2009; Muuri, 2010). However, this deviates from the common expenditure approach in welfare state literature that focuses on social protection expenditures while excluding the educational component (e.g., Reeskens & van Oorschot, 2014; Roosma & Jeene, 2017). Nevertheless, prior social entrepreneurship research uses the alternative welfare state approach suggested by Kerlin (2013) to capture welfare state strength (Coskun et al., 2019; Monroe-White et al., 2015). The data are retrieved from the World Bank (SH.XPD.GHED.GD.ZS and SE.XPD.TOTL.GD.ZS, respectively). Therefore, the results of this chapter are directly comparable with the quantitative social entrepreneurship work that follows Kerlin's approach.

The ability of the government to manage environmental challenges is mea-

sured with the Environmental Performance Index [EPI] rank[6]. The EPI provides information on how close countries are to established environmental policy targets by assessing the countries' level of environmental health and ecosystem vitality. Lower rank scores indicate that countries lag in achieving their environmental policy targets, while higher rank scores indicate that countries respond more adequately to their environmental challenges. All country-level variables were retrieved from the year 2008 – or the closest year available – to account for possible endogeneity between context and prevalence of different organizational forms of social entrepreneurship[7]. See Appendix Table 4.1 for all country-level data and corresponding sources and measurements.

Control variables

The choice to control for theoretically important confounding factors is based on the work of Kerlin (2017), which shows that the stage of the economy and the activity of civil society play an important role in shaping social entrepreneurship (Defourny & Nyssens, 2010b). Therefore, information on the involvement of people in civil society organizations is taken from the Varieties of Democracy dataset from 2008 (Coppedge et al., 2021). We included a binary variable separating countries for which individual involvement in civil society organizations is popular compared to countries where participation in civil society organizations is minimal or involuntarily. Furthermore, the stage of

[6] The EPI is a combined project of the Yale Center for Environmental Law & Policy and The Center for International Earth Science Information Network (CIESIN) at Columbia University's Earth Institute. For more information and data, see https://epi.yale.edu/.

[7] The GEM 2009 is probably the most suitable individual-level dataset on social entrepreneurship, given the research goals of this chapter. The GEM 2015 does not include information on the importance of social and environmental goals for entrepreneurs that do not self-identify as social entrepreneurs.

the economy is measured with the Global Competitiveness Index rank. The data is retrieved from the World Economic Forum's *Global Competitiveness Report 2008-2009* (Schwab & Porter, 2008). The index ranks countries based on their level of competitiveness, which reflects the extent to which the country can provide rising prosperity to their citizens. Both country-level control variables appear to be associated with the prevalence of *any* social entrepreneurial activity (Coskun et al., 2019).

On the organizational level, the effects are controlled for organizational factors related to social entrepreneurship. As such, information was used on the level of innovation (e.g., whether the organization provides a new product or service (Lepoutre et al., 2013)) and the gender of the owner (Stephan et al., 2015).

4 • RESULTS

The initial cluster solution distinguishes three clusters. These are one cluster of organizations that prioritize financial goals, one cluster that prioritizes non-financial goals and another cluster of organizations that self-identify with an exclusive social, environmental or community objective. The Silhouette measure of cohesion and separation was 0.568 with an AIC value of 38543.87. However, different cluster solutions were evaluated because social entrepreneurship scholars suggest multiple organizational forms of social entrepreneurship exist (Kerlin, 2017; Lepoutre et al., 2013). The corresponding Silhouette measure of cohesion and separation for a 7-cluster solution was 0.543 (which indicates a good cluster quality) with an AIC value of 21011.80. It is important to obtain the lowest possible AIC value while considering the content validity of the cluster solutions. This means that regardless of the statistical differences between the clusters, the difference must be meaningful to interpret and identify different organizational forms.

All variables included in the two-step cluster analysis had predictor im-

portance of 100%, indicating that the variables evenly contribute to the cluster solution. In line with the GEM, it was assumed that all organizational forms generate market-based income when they *only* self-identified with 'self-employment' or 'selling any goods or services to others'[8]. Only organizational forms with an explicit social or environmental objective were asked whether and to what extent market-based income was part of their total revenue.

Table 4.1 shows the cluster solution regarding seven organizational forms. There are clusters – representing 43.84% of the total sample – that can be excluded from the spectrum of social entrepreneurship given the absence of a (substantial) social value creation orientation. These clusters are labelled as the traditional for-profit organizations and organizations that implement some type of policy related to corporate social responsibility [CSR]. Both organizational forms strongly emphasise financial performance in their organizational decision making. The remainder of the sample is distributed over five distinct clusters.

Of these remaining five clusters, three do not self-identify with an exclusive social or environmental mission, and two do exclusively pursue such a mission. Although this mission statement is not present in the three clusters, these do strongly emphasise the social or environmental goals. To aid in interpreting these clusters, Figure 4.2 shows how the clusters differ from each other regarding their goal prioritizations. Inspired by the literature (Lepoutre et al., 2013; Thompson et al., 2011), the clusters can be labelled as follows: implicit socially committed organization (e.g., strong emphasis on social goals to help people), implicit environmentally committed organization (e.g., strong emphasis on environmental goals to create an ecological benefit), and theimplicit sustainable organization(e.g., a triple bottom line focus of people, planet, and profit) (Thompson et al., 2011). Because of the strong emphasis on non-financial

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[8] This follows the general way of measuring entrepreneurial activity as applied by the GEM 2009 (Bosma & Levie, 2010).

TABLE 4.1   Results of the two-step cluster analysis

Enterprise cluster	N	Social orientation	Environmental orientation	Financial orientation	Explicit social objective (%)	Revenue generating (%)
Traditional for-profit	6053	1.577 (3.252)	0.463 (1.421)	97.960 (3.941)	0	100
Practising corporate social responsibility	5952	15.679 (7.024)	8.241 (5.618)	76.079 (5.351)	0	100
Implicit sustainable organization	4614	25.638 (16.800)	23.566 (6.472)	50.797 (16.998)	0	100
Implicit environmentally committed organization	2586	28.671 (13.73)	42.393 (14.28)	28.936 (11.524)	0	100
Implicit socially committed organization	3841	50.464 (16.800)	6.244 (6.472)	43.292 (16.998)	0	100
Explicit social or hybrid enterprise	2713	37.384 (28.385)	16.042 (15.911)	46.574 (29.54)	100	100
Financially dependent social organization	1622	62.014 (31.014)	16.522 (19.212)	21.464 (26.020)	100	0
Total	27381	25.171 (23.199)	13.329 (15.166)	61.500 (28.546)	15.24 (35.950)	94.47 (22.860)

Note: Unweighted results for all respondents in the GEM APS 2009 sample engaged in any entrepreneurial activity (starting and/or owning/managing) except for Tunisia and Japan; Standard deviations are within brackets and in italic. *Source:* GEM 2009

goals, these organizations can be labelled as implicit social enterprises (Lepoutre et al., 2013).

The cluster analysis distinguished two specific clusters within the sample that self-identified with an explicit social, environmental or community objective. These can be labelled as the explicit social enterprise and financial dependent social organization While similar in that both organizational forms pursue an exclusive social or environmental mission, the total revenue (at least 95%) for financially dependent social organizations came from subsidies and
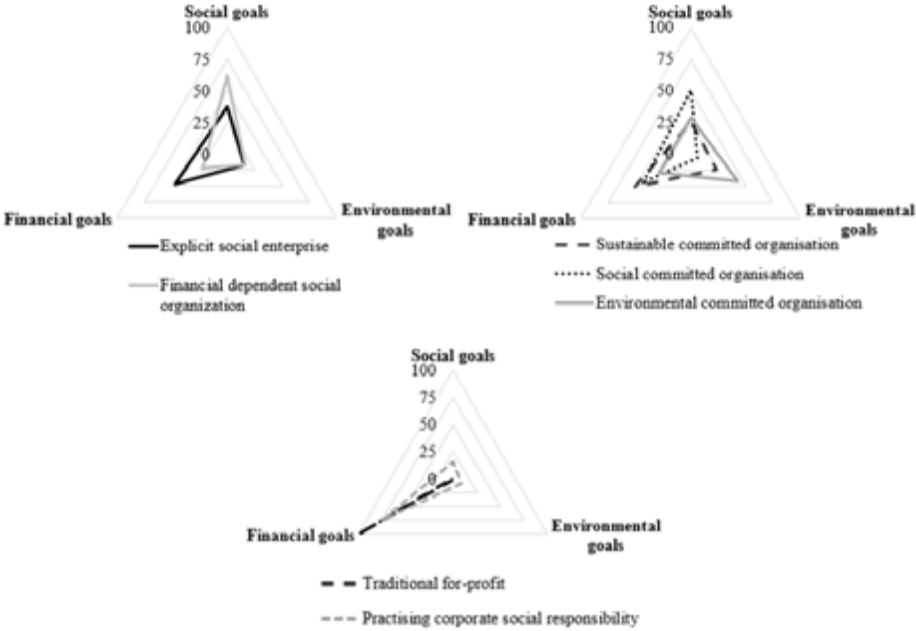
FIGURE 4.2   The importance of different goals among the organizational clusters

non-market income. The cluster of explicit social enterprises generates market-based income by selling goods or services to others (Lepoutre et al., 2013). Because the social (or environmental) and entrepreneurial dimensions of social entrepreneurship are present among the explicit social enterprise, socially committed organization, environmentally committed organization, and sustainability committed organization, these can be included in the spectrum of social entrepreneurship. These organizational forms emphasize social or environmental value creation other than "purely" focusing on a financial profit while using the market to create revenue.

Multinomial multilevel analysis

A multilevel multinomial logistic regression was performed to assess whether and to what extent societal problems (social inequality and environmental pressure), and related government response (the ability of governments to provide welfare and meet environmental policy targets), influence the odds of organizational form i in country j in outcome category c relative to the reference category[9]. The reference category "financially oriented organizations" includes both the traditional for-profit organizations and CSR because these do not strongly emphasise social and/or environmental goals. Table 4.2 displays the average probabilities regarding the outcome variable and related intraclass correlation coefficients [ICC]. The probability of an organization being in the reference category, including the financially oriented organization, is 0.470 (1.0/1.127), for theimplicit sustainable organization0.177 (0.376/1.127), for the implicit environmentally committed organization 0.099 (0.210/1.127), for the implicit socially committed organization 0.129 (0.274/1.127), for the explicit social enterprise 0.085 (0.181/1.127), and for the explicit dependent social organization 0.041 (0.086/1.127)[10]. The share of explicit social enterprises and financially dependent social organizations in the total sample is the lowest.

As also shown in Table 4.2, which is based on **Model 1** of Table 4.3, are the country level variance components that suggest that the intercepts vary across

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[9] In line with previous research (Coskun et al., 2019; Monroe-White et al., 2015), a Satterthwaite approximation was used with robust fixed-effects estimates. It corrects for calculating degrees of freedom, providing a more conservative estimate of standard errors when Level-2 units vary considerably in size. Robust standard errors were clustered at the country level.

[10] The probabilities are calculated based on Heck, Thomas, et al. (2013) by dividing the odds ratio by 1 + the sum of all odds ratios for the $C - 1$ categories. According to Heck, Thomas, et al. (2013), multilevel models that use a quasi-maximum likelihood estimation should be cautiously compared.

TABLE 4.2   Probability and intraclass correlation for organizational forms

Organizational form	Logit	Odds	Probability	Variance between	within	ICC
Reference cat. financially oriented			0.470			
Implicit sustainable organization	-0.978	0.376	0.177	0.665	3.290	0.168
Implicit environmentally committed organization	-1.562	0.210	0.099	0.984	3.290	0.230
Implicit socially committed organization	-1.294	0.274	0.129	0.927	3.290	0.220
Explicit social enterprise	-1.711	0.181	0.085	1.503	3.290	0.314
Dependent social organization	-2.451	0.086	0.041	1.934	3.290	0.370

Note: Information is based on the unconditional model of Table 4.3 - **Model 1**

countries. Because the logistic distribution has a variance of about 3.29 (see Heck, Thomas, et al., 2013, p. 275), the intra-class correlation coefficient [ICC] can be calculated to describe the proportion of variance between countries. All organizational forms have a substantially high ICC, suggesting that multilevel data analysis is justified (Snijders & Bosker, 2012).

Table 4.3 displays the result of the multilevel multinomial logistic regression using odds ratios. In **Model 2** of Table 4.3, the level-1 predictors are added to the model to explain the organizational form. It shows that providing innovative services or products increases the chances of being an organization other than those included in the reference category, except for financially dependent social organizations. Regarding the latter, if the gender of the founder/owner

is female, it increases the chances that an organization is part of the socially committed, explicit social enterprise or financial dependent social organization clusters.

Next, in **Model 3** of Table 4.3, the effect of social inequality, while controlling for innovation of the organization and gender of the owner, is shown. Because the social inequality variable is standardized, the interpretation is that a one standard deviation increase in a country's social inequality significantly decreases the odds that an organization is a socially committed enterprise, explicit social enterprise, or dependent social organization Contrary to expected, the results show that social inequality is negatively associated with some organizational forms of social entrepreneurship. However, as **Model 5** of Table 4.3 shows, the effect loses statistical significance when welfare expenditure is added to the model. Consequently, hypothesis 1 is rejected because higher levels of social inequality do not lead to a higher prevalence of different organizational forms of social entrepreneurship.

Model 4 of Table 4.3 shows the influence of welfare expenditure on the prevalence of organizational clusters. A one standard deviation increase in expenditure on education and health increases the odds of an organization being an organizational form of social entrepreneurship - except for theimplicit sustainable organization– while holding all other variables constant. Furthermore, financially dependent social organizations are also more likely to be active in contexts with higher levels of welfare expenditure. **Model 6** of Table 4.3 includes the country-level control variables on the economic stage and civil society activity. Whereas these control variables are not statistically and significantly predicting membership in the different clusters of organizational forms, only welfare expenditure remains a statistically significant country-level predictor in the model. Moreover, the prevalence of explicit social enterprises and financial dependent social organizations is higher when governments spend more on social services. Therefore, an exclusive social and/or environmental mission statement seems to be an important factor. Hypothesis 3 is accepted,

with the caveat that it only holds for the explicit social enterprise as part of an organizational form of social entrepreneurship. Holding all variables constant at 0, the expected probability of the explicit social enterprise and financial dependent social organization versus the reference category can be calculated. The corresponding probability of an organization being an explicit social enterprise in a context with relatively high welfare expenditure when keeping all other variables constant in **Model 6** is 22.59. The probability for the dependent social organization is 21.57[11].

The interaction between social inequality and welfare expenditure is shown in Models 7 and 8 of Table 4.3. However, the two variables are not statistically interrelated, which does not provide evidence for hypothesis 5. This implies that the effect of social inequality on the odds that an organization can be characterized as an organizational form of social entrepreneurship is not dependent upon the strength of the government regarding welfare services.

[11] The probabilities are calculated for organizations that are not innovative and managed or started by a male person, in a country with average levels of social inequality and economic competitiveness, a low level of people's engagement in civil society organizations and a high level of welfare expenditure.

TABLE 4.3 Multilevel multinomial regression results; 23916 Level-1 units; 42 Level-2 units.

	Model 1				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative					
Female owner					
Intercept	0.376***	0.210***	0.274***	0.181***	0.086***
Variance	0.665***	0.984***	0.927***	1.503***	1.934***
Deviance -2LL			478341.835		
	Model 2				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.661***	1.649***	1.518***	1.956***	1.136
Female owner	0.976	1.103	1.246*	1.220*	1.709***
Intercept	0.316***	0.169***	0.217***	0.130***	0.066***
Variance	0.618***	0.950***	0.925***	1.471***	1.970***
Deviance -2LL			480272.019		

Continued on the next page

123

TABLE 4.3 *continued*

	Model 3				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.663***	1.652***	1.521***	1.960***	1.14
Female owner	0.977	1.105	1.249*	1.223*	1.714***
Social inequality	0.984	0.819	0.684*	0.678+	0.539*
Welfare expenditure % GDP					
Intercept	0.315***	0.169***	0.218***	0.130***	0.066***
Variance	0.629***	0.913***	0.741***	1.309***	1.535***
Deviance -2LL			480474.014		

	Model 4				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.665***	1.657***	1.523***	1.965***	1.145
Female owner	0.977	1.105	1.248*	1.224*	1.713***
Social inequality					
Welfare expenditure % GDP	1.168	1.610**	1.526**	2.070***	2.727***
Intercept	0.319***	0.174***	0.224***	0.137***	0.071***
Variance	0.607***	0.756***	0.781***	0.988***	1.048***
Deviance -2LL			480164.904		

Continued on the next page

TABLE 4.3 *continued*

	Model 5				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.665***	1.656***	1.524***	1.965***	1.145
Female owner	0.977	1.105	1.249*	1.224**	1.714***
Social inequality	1.117	1.091	0.771	1.007	0.888
Welfare expenditure % GDP	1.27	1.721**	1.254	2.083**	2.498***
Economic competitiveness					
Civil society activity					
Intercept	0.320***	0.175***	0.221***	0.137***	0.070***
Variance	0.615***	0.772***	0.740***	1.018***	1.074***
Deviance -2LL			480650.224		
	Model 6				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.664***	1.656***	1.523***	1.964***	1.145
Female owner	0.977	1.105	1.249*	1.224*	1.714***
Social inequality	1.106	1.078	0.778	1.011	0.855
Welfare expenditure % GDP	1.061	1.435	1.084	1.977*	1.967**
Economic competitiveness	0.861	0.878	0.812	0.924	0.924
Civil society activity	1.347	1.414	1.064	1.015	1.893
Intercept	0.278***	0.148***	0.218***	0.136***	0.051***
Variance	0.619***	0.780***	0.763***	1.080***	1.052***
Deviance -2LL			480650.224		

Continued on the next page

TABLE 4.3 *continued*

	Model 7				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially committed	Explicit social enterprise	Dependent social organization
Innovative	1.665***	1.656***	1.524***	1.965***	1.145
Female owner	0.977	1.105	1.249*	1.224*	1.714***
Social inequality	1.097	1.085	0.788	0.982	0.88
Welfare expenditure % GDP	1.228	1.701*	1.309	1.976**	2.451***
Economic competitiveness					
Civil society activity					
Interaction Welfare expenditure *Gini	0.888	0.954	1.147	0.835	0.936
Intercept	0.295***	0.169***	0.244***	0.120***	0.067***
Variance	0.624***	0.794***	0.744***	1.026***	1.101***
Deviance -2LL	480448.41				
	Model 8				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially committed	Explicit social enterprise	Dependent social organization
Innovative	1.655***	1.523***	1.964***	1.145	1.664***
Female owner	1.105	1.249*	1.224*	1.714	0.977
Social inequality	1.08	0.795	0.99	0.857	1.096
Welfare expenditure % GDP	1.437	1.11	1.926*	1.976*	1.051
Economic competitiveness	0.878	0.809	0.926	0.923	0.863
Civil society activity	1.422	1.16	0.926	1.926	1.302
Interaction Welfare expenditure * Gini	1.010	1.188	0.829	1.034	0.93
Intercept	0.148***	0.236***	0.125***	0.051***	0.269***
Variance	0.805***	0.761***	1.093***	1.089***	0.636***
Deviance -2LL	480801.32				

Note: Estimates are odds ratios; Target = Combined cluster of Traditional for-profit and CSR; probability distribution = multinomial; link function = generalized logit;*$p < 0.05$, **$p < 0.01$, *** $p < 0.001$; Variables 'social inequality', 'welfare expenditure % GDP' and 'economic competitiveness' are Z-standardized.

TABLE 4.4   Probability and intraclass correlation for organizational forms

Organizational form	Logit	Odds	Probability	Variance between	within	ICC
Reference cat. financial oriented			0.459			
Implicit sustainable	-0.889	0.411	0.189	0.612	3.29	0.157
Implicit environmentally committed organization	-1.511	0.221	0.101	1.026	3.29	0.238
Implicit socially committed organization	-1.249	0.287	0.132	0.862	3.29	0.208
Explicit social enterprise	-1.711	0.181	0.083	1.467	3.29	0.308
Financially dependent social organization	-2.516	0.081	0.037	1.930	3.29	0.370

Note: Information is based on the unconditional model of Table 4.3 - **Model 1**

Environmental pressure and government environmental intervention

A slightly different country sample is established due to country-level data available to test the influence of environmental pressure and related government response on the prevalence of organizational forms of social entrepreneurship. Nevertheless, the probabilities and intraclass correlation coefficients regarding the organizational forms of this sample - shown in Table 4.4 - are virtually similar to what is shown in Table 4.2. This implies that the different country samples do not alter the unconditional model's conclusions (Table 4.5, **Model 1**). The highest between-country variance was found for the explicit social enterprise and the financially dependent social organization Furthermore, the probability that organizations fall within one of these two clusters is the lowest.

From **Model 2** to **Model 5** of Table 4.5, the odds regarding the individual

level control variables remain similar, which is in line with the conclusions based on Table 4.3. For example, if the organization sells or produces innovative products or services, the chances increase that the organization is an implicit sustainable organization, environmental committed, social committed or explicit social enterprise. If the gender of the owner is female, the chances increase that the organization is a socially committed, explicit social enterprise or a financial dependent social organization

The effect of environmental pressure is shown in **Model 3** (Table 4.5). An increase of one standard deviation of environmental pressure significantly increases the odds of an organization being part of the social entrepreneurship spectrum. However, the effect is not statistically different from 0 regarding the prevalence of implicit sustainable organizations. Furthermore, environmental pressure loses significance in predicting membership in the socially committed organization cluster when controlling for government response to environmental problems and the country-level control variables (Table 4.5, **Model 6**). The results show that the odds significantly increase that an organization is an environmentally committed organization, explicit social enterprise or a financially dependent social organization compared to a financially oriented organization when environmental problems are more prevalent. Therefore, there is evidence for hypothesis 2, implying that organizations that self-identify as a social enterprise or are organizations that prioritize environmental goals are most likely to respond to environmental hazards at the country level.

Models 4, 5 and 6 of Table 4.5 include information on the success of governments in achieving their environmental policy targets. The results indicate that it does not alter the odds of organizations falling within the spectrum of social entrepreneurship. While government response to social problems may influence the prevalence of some clusters, government response to environmental problems is not associated with any type of organization that pursues social or environmental value creation goals. Therefore, hypothesis 4 is rejected because the prevalence of organizational forms of social entrepreneurship is

TABLE 4.5   Multilevel multinomial regression results; 23960 Level-1 units; 43 Level-2 units.

	Model 1				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative					
Female owner					
Intercept	0.411***	0.221***	0.287***	0.181***	0.081***
Variance	0.612***	1.026***	0.862***	1.467***	1.930***
Deviance -2LL			479570.583		
	Model 2				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.613***	1.496***	1.896***	1.115
Female owner	0.972	1.083	1.249*	1.196	1.686***
Intercept	0.346***	0.180***	0.228***	0.132***	0.063***
Variance	0.569***	1.002***	0.868***	1.451***	1.962***
Deviance -2LL			481349.767		

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not dependent upon government performance in addressing environmental problems.

Whereas environmental problems are significantly related to some organizations in the spectrum of social entrepreneurship, the performance of governments to deal with environmental problems does not moderate the main effect. Therefore, hypothesis 6 is rejected because the effect of environmental problems is not dependent upon government response to these problems.

TABLE 4.5   *continued*

	Model 3				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.612***	1.495***	1.895***	1.115
Female owner	0.974	1.086	1.251*	1.200	1.692***
Environmental pressure	1.164	1.494**	1.302*	1.718***	2.107***
Environmental performance index					
Intercept	0.345***	0.178***	0.228***	0.131***	0.062***
Variance	0.550***	0.834***	0.799***	1.127***	1.330***
Deviance -2LL			481539.434		
	Model 4				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.643***	1.614***	1.496***	1.897***	1.116
Female owner	0.972	1.083	1.249*	1.196	1.686***
Environmental pressure					
Environmental performance index	1.000	1.198	0.931	1.297	1.216
Intercept	0.345***	0.180***	0.228***	0.133***	0.063***
Variance	0.584***	0.996***	0.889***	1.423***	1.974***
Deviance -2LL			481508.736		

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TABLE 4.5 *continued*

	Model 5				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.613***	1.495***	1.896***	1.115
Female owner	0.974	1.085	1.251*	1.199	1.692***
Environmental pressure	1.169	1.470**	1.329*	1.677**	2.088***
Environmental performance index	0.970	1.111	0.880	1.175	1.062
Economic competitiveness					
Civil society activity					
Intercept	0.345***	0.179***	0.227***	0.131***	0.062***
Variance	0.566**	0.847***	0.808***	1.133***	1.364***
Deviance -2LL			481607.804		
	Model 6				
	Implicit sustainable organization	Implicit environmentally committed	Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.614***	1.495***	1.897***	1.117
Female owner	0.974	1.085	1.251*	1.199	1.691***
Environmental pressure	1.120	1.543*	1.066	1.831**	1.889**
Environmental performance index	0.931	1.079	0.795	1.215	0.930
Economic competitiveness	0.971	1.169	0.723	1.148	0.992
Civil society activity	1.182	1.375	1.163	0.980	1.937
Intercept	0.320***	0.151***	0.220***	0.130***	0.046***
Variance	0.600***	0.875***	0.809***	1.204***	1.369***
Deviance -2LL			481939.335		

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TABLE 4.5 *continued*

	Implicit sustainable organization	Implicit environmentally committed	Model 7 Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.614***	1.497***	1.897***	1.117
Female owner	0.974	1.085	1.250*	1.199	1.691***
Environmental pressure	1.137	1.508**	1.555**	1.744**	2.442***
Environmental performance index	0.984	1.099	0.818	1.154	0.987
Economic competitiveness					
Civil society activity					
Interaction env. pressure * env. performance	0.962	1.038	1.254*	1.058	1.247
Intercept	0.347***	0.177***	0.217***	0.130***	0.060***
Variance	0.580***	0.871***	0.737***	1.166***	1.328***
Deviance -2LL			481863.579		

	Implicit sustainable organization	Implicit environmentally committed	Model 8 Implicit socially comitted	Explicit social enterprise	Dependent social organization
Innovative	1.642***	1.615***	1.497***	1.899***	1.118
Female owner	0.974	1.085	1.251*	1.199	1.690***
Environmental pressure	1.032	1.629	1.330	2.066*	2.394**
Environmental performance index	0.937	1.076	0.786	1.207	0.917
Economic competitiveness	0.929	1.205	0.815	1.226	1.131
Civil society activity	1.230	1.339	1.036	0.920	1.721
Interaction env. pressure * env. performance	0.934	1.048	1.207	1.107	1.219
Intercept	0.320***	0.150***	0.221***	0.130***	0.045***
Variance	0.611***	0.901***	0.772***	1.234***	1.359***
Deviance -2LL			482107.43		

Note: Estimates are odds ratios; Target = Combined cluster of traditional for-profit and CSR; probability distribution = multinomial; link function = generalized logit; Env = environmental; $p < 0.05$, **$p < 0.01$, *** $p < 0.001$; Variables 'environmental pressure', 'environmental performance index rank' and 'economic competitiveness' are Z-standardized.

5 • CONCLUSION

Key findings

This chapter contributes to the literature on how the state (e.g., government interventions) and the presence of societal problems (e.g., social inequality and environmental pressure) are related to the prevalence of different organizational forms. Specifically, the chapter extends knowledge on contextual drivers of organizational forms of social entrepreneurship. Whereas empirical research verified the importance of macro institutional configurations on *any* social entrepreneurial activity (Coskun et al., 2019; Stephan et al., 2015), this chapter provided a more nuanced view regarding the *type* of social entrepreneurial activity and provided two key findings. *First,* an inductive approach assisted in grouping organizations based on important identifying characteristics of social enterprise (e.g., Lepoutre et al., 2013). Interestingly, the cluster solution seems at odds with the argument that social entrepreneurship is a rare phenomenon (Bosma & Levie, 2010; Bosma et al., 2016; Dees, 1998). The GEM 2009 data clearly shows that social and environmental value creation goals are important to a substantial proportion of the sample. For example, one in two organizational forms were included in either implicit or explicit organizational forms of social entrepreneurship. The findings reveal the presence of sustainability committed, socially committed, and environmentally committed organizations that can be labelled as *implicit* social enterprises (Lepoutre et al., 2013). However, organizations for which an *explicit* goal statement about social or environmental value creation is part of their strategy and identity are the most uncommon in the sample.

Second, a multilevel multinomial logistic regression was used to explore contextual influences on the prevalence of the different organizational forms found by the cluster analysis. The findings state that social inequality, as a measure for social problems, does not trigger the prevalence of organizational forms

that can be included in the spectrum of social entrepreneurship. Moreover, the chances decrease that organizational forms are part of the social entrepreneurship spectrum in contexts with higher levels of social inequality. However, in line with previous research, these findings are not statistically significant (Hechavarría, 2016; Monge, 2018). Another conclusion can be drawn regarding the effect of environmental problems, measured as the ecological footprint per capita. Some organizational forms of social entrepreneurship prevalence are higher in contexts with more significant environmental problems.

Furthermore, government interventions play an important role. Government social interventions, such as providing social services, are positively associated with the prevalence of organizations with an exclusive social or environmental mission (Coskun et al., 2019; Kerlin, 2013; Monroe-White et al., 2015). The results imply that the strength of governments to attend to the welfare of their citizens is related to a higher prevalence of explicit social enterprises and financially dependent social organizations. Contrary, the ability of governments to achieve environmental goals was not associated with the prevalence of organizational forms of social entrepreneurship. In addition, the effect of social inequality or environmental problems on the prevalence of different organizational forms of social entrepreneurship is not contingent upon the ability of governments to address such problems.

Discussion and implications

The findings of this chapter have several implications regarding the influence of the state on organizational forms. The implications are as follows. First, the GEM 2009 data is unique in the opportunity for scholars to study social entrepreneurial activity on a large scale. Due to the survey structure, two types of social enterprises can be identified. These are explicit and implicit social enterprises (Lepoutre et al., 2013). The majority of the quantitative and comparative research study the prevalence of explicit social enterprises only

(e.g., Hoogendoorn, 2016; Stephan et al., 2015), whereas empirical studies on the prevalence of implicit social enterprises are lacking. Previous research suggested it is important to consider such a broader spectrum of organizational forms to recognize how different types of social entrepreneurship play their part in the larger field of entrepreneurship (Thompson et al., 2011).

Furthermore, the identifying approach also touches upon a definitional debate on what type of organizational forms can be characterized as social entrepreneurial (Alegre et al., 2017). For example, scholarship on social entrepreneurship stresses the importance of including both a social and a financial dimension (Defourny & Nyssens, 2010a). The cluster analysis applied in this chapter separates organizations that emphasize financial goals from organizations that pursue social value creation goals or self-identify with an explicit social or environmental value creation mission. To this end, and as will be discussed below, such a mission statement is what makes social enterprises genuinely unique.

Second, and related to scholarship on the consequences of state activity on organizations, the chapter provides additional statistical evidence regarding the influence of the welfare state on social entrepreneurship. This is directly in line with previous research that found that explicit social enterprises are more active in countries with higher levels of government expenditure on health and education (Coskun et al., 2019; Kerlin, 2017; Monroe-White et al., 2015). This chapter adds that dependent social organizations are also more active in such contexts, which is in line with the idea that governments use non-profit organizations to implement public policy (Salamon, 2002; Salamon & Toepler, 2015). This implies that organizations that propagate a mission to contribute to society, their community, or the environment, can become part of the implementation of government social interventions. In order to collaborate with the government and be seen as legitimate partners in providing social welfare, it could be that these organizations must have an exclusive social mission statement. These findings argue that the welfare state is 'crowding

in' organizational forms that aim to help people or the environment, which differs from research conclusions on welfare state consequences on commercial entrepreneurship. Whereas the welfare state seems to increase the opportunity cost of entrepreneurship (Solomon et al., 2021), a stronger welfare state seems to 'crowd in' organizations with the explicit aim to benefit society.

Third, while there is a longstanding tradition between the state and organizations that provide social welfare services (Defourny, 2001; Laville et al., 2006), there is no indication that a similar cooperative style is present regarding the implementation of environmental policy. The results show that governments' ability to achieve their environmental policy targets did not affect the prevalence of organizational forms of social entrepreneurship. This means that governments use different 'tools' to implement social and environmental policies.

Fourth, societal problems do not similarly trigger social entrepreneurial activity. It could be that the perception of a societal problem as a collective problem plays a role. For example, environmental degradation could negatively influence the lives of all. In other words, some risks for society became individualized and more pervasive throughout society (Beck, 1992). Regarding social inequality, different theories postulate that people can be blamed for their social deprivation (Brady, 2019). Moreover, research finds evidence for such individual blaming rather than blaming culture or the welfare state (Achterberg, Raven, & van der Veen, 2013; Mascini, Achterberg, & Houtman, 2013). It could be that the growing emphasis on the individual freedom and capability to be the master of your mind and way of life (Santos, Varnum, & Grossmann, 2017) influences the perception of social problems as individual problems. Moreover, the success of social interventions might influence the perceived severity of social problems because welfare state effort is generally associated with lower levels of social inequality (Castles, 2009). However, other societal problems, such as climate change, increase in their severity, despite the effort taken by governments. The most recent Intergovernmental Panel

for Climate Change [IPCC] report emphasizes that environmental problems, such as climate change, will grow stronger if no adequate action is taken (IPCC, 2021). While entrepreneurs tend to give more importance to environmental goals in contexts with higher levels of environmental pressure (Hörisch et al., 2017), this chapter additionally shows that environmental pressure influences the prevalence of some organizational forms of social entrepreneurship. It could be that the experienced severity of complex and wicked problems, such as climate change, is higher than for societal problems for which it is easier to blame an individual. Furthermore, social entrepreneurs may be more likely to respond to unaddressed social problems at the local community level (Bacq & Janssen, 2011), especially in the case of local geographical embeddedness (Smith & Stevens, 2010).

Limitations and future research

Despite the contributions of this chapter, several limitations must be addressed. First, although this chapter used an inductive method to assess multiple organizational forms of social entrepreneurship, it could not detect whether such organizational forms also qualify legally as an explicit social enterprise in their respective countries. Moreover, the range of hybrid organizations and social enterprises that can be studied is much more diverse (Hockerts, 2015). Doherty et al. (2014) and Kerlin (2013, 2017) note the existence of different populations within the spectrum of organizational forms of social entrepreneurship. Unfortunately, due to data restrictions, this chapter could not provide a more detailed perspective on the governance and social impact reached by the organizations. Moreover, organizational forms of social entrepreneurship are generally known for their non-hierarchical governance structure (Defourny & Nyssens, 2010a). Furthermore, the cut-off to separate explicit social organizations from explicit social enterprises was set at 5% market-based income (Lepoutre et al., 2013). However, recent research shows that a binary threshold for market-based in-

137

come might not be beneficial because of nonlinearity and the varying effects of income across different levels of business operations (Moulick, Alexiou, Kennedy, & Parris, 2020). Nevertheless, the results contribute to theory development on the extent that specific contextual characteristics are related to the prevalence of different types of organizational forms of social entrepreneurship. Future research would be significantly benefitted from the availability of an international comparative register of data on social enterprises to overcome the limitation of population surveys regarding social entrepreneurship (Kerlin et al., 2016).

Second, a multilevel analysis using cross-sectional data has the downside of providing a snapshot while not controlling for time-variant factors at the individual and national levels. In addition, GEM data is "limited to organizations that voluntarily answered questions regarding the purpose of the organization" (Kerlin et al., 2016). Despite the shortcomings of GEM data, it still provides promising yet preliminary insights into the industries in which organizational forms of social entrepreneurship operate across different contexts. However, future research may use more recent data to explore the validity of this chapter's findings.

Third, the measurement of the welfare state is different from what is usually applied by welfare state scholars. Despite the availability of expenditure on social protection that can be retrieved from the IMF Government Finance Statistics [IMF GFS] database, the use of this data would lead to a substantial loss of data regarding almost half of the country's sample. This affects the power of the multilevel multinomial logistic regression to estimate reliable coefficients regarding the influence of the variables on the dependent variable. Nevertheless, the current measurement of the welfare state is in line with previous social entrepreneurship research (Coskun et al., 2019; Monroe-White et al., 2015) and captures central domains of the welfare state (Muuri, 2010). Furthermore, the correlation coefficient between the IMF GFS general government social protection expenditure and the welfare state measure as applied in this chapter

is $r = .675$ (N = 26, $p < .001$), which shows that both measures are highly correlated. Nevertheless, future research could use more nuanced welfare state indicators for countries from developing economies when these become available.

Fourth, and related to the prior, the results indicate that the size of the welfare state is positively related to the prevalence of both financially dependent social organizations and social enterprises that generate market-based income. On the one hand, this may suggest that the welfare state cooperates with organizations with an explicit social value creation mission (Salamon, 2002; Salamon & Toepler, 2015). On the other hand, as Kerlin (2017) describes, some social enterprises can become financially dependent upon the welfare state to remain active. It could be that some form of competition then occurs between these organizations and the welfare state regarding the governance structure and their legitimacy. However, more research is needed to study the collaborative style between government and social enterprises on a global scale, for example by using a research design that is suitable to detect causality).

Last, the data has been attained for the year 2009 and can cause concerns about its validity for contemporary society. Therefore, more recent data is needed to verify this chapter's theoretical and empirical generalisation. Although the GEM administrated the second social entrepreneurship module in 2015, the updated data does not permit the methodological approach of this chapter because different data were gathered. For example, the GEM-2015 survey does not measure respondents' social and environmental orientation who did not self-identify with the leading social entrepreneurship variable. It could be that the growing environmental concern and need for adequate human action to combat climate change (IPCC, 2021) stimulates an environmental orientation among enterprises even more. Future research could explore how contemporary governmental interventions and societal problems influence the prevalence of organizational forms related to social entrepreneurship.

To Prove and Improve

An empirical study on why
social entrepreneurs measure their social impact

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ABSTRACT

This chapter quantitatively tests the validity of two mechanisms held responsible for why social entrepreneurs measure their social impact. For this purpose, the large-scale and cross-sectional Global Entrepreneurship Monitor 2015-data is used to test simultaneously the effect of the 'measuring to prove' and 'measuring to improve' arguments. The 'measuring to prove' argument is addressed in terms of the strength of the ties between social entrepreneurs and their funders. Social entrepreneurs can deal with different funding sources for their organization, and each 'stakeholder' might have different expectations about what and how the intended impact should be measured. In addition, the 'measuring to improve' argument is addressed in terms of 'organizational

learning'. Feedback is needed for internal verification of the achievement of the social mission, and it can be used to redirect the organizational strategy. Based on a fixed-effect logistic regression analysis, the chapter finds that both these arguments affect whether social entrepreneurs measure their social impact. Whereas the prioritization of social value creation over the organization's financial performance and its level of innovation increases the likelihood of measuring social impact, only government funding was positively associated with this organizational practice compared to other types of funding. However, the measuring to 'improve' argument seems to be a stronger predictor than the measuring to 'prove' argument. The results of this chapter may guide the actions of social entrepreneurs, their funders, policymakers, and scholars engaged in social entrepreneurship.

1 • INTRODUCTION

Amplified by increased attention toward social value creation, the range of social entrepreneurship includes different organizational forms in which individuals or groups of social entrepreneurs aim to enhance the quality of life around the world (Austin et al., 2006; Certo & Miller, 2008; Peredo & McLean, 2006; Zahra et al., 2008)[1]. These social entrepreneurs are 'one species in the genus of [the] entrepreneur' (Dees, 1998, p. 2), and their legitimacy consists of creating social value (Dart, 2004). Setting aside all good intentions, some scholars warn of an over-optimistic expectation of the impact generated by social entrepreneurs (e.g. Andersson & Ford, 2014; Bacq et al., 2016). Moreover,

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[1] This chapter applies a 'broad' view on social entrepreneurship. It includes organizational forms with an explicit or at least in some prominent way included social goal (Peredo & McLean, 2006). Whereas social entrepreneurship refers to the activity social entrepreneurs are involved in, social enterprises refer to the organizational forms of social entrepreneurship (Defourny & Nyssens, 2010a, 2017).

of particular interest is whether social entrepreneurs 'walk their talk' (Grieco, 2018).

This practice-what-you-preach mentality is becoming more important for social entrepreneurs as their stakeholders may demand information on what they achieve. Building upon the work of Lall (2017), this chapter distinguishes between two mechanisms that drive the process of social impact measurement. First, the 'measuring to prove' mechanism has close connections with the 'accountability' literature on social entrepreneurship (Cutt & Murray, 2000; Ebrahim, 2005; Ebrahim, Battilana, & Mair, 2014; Nguyen et al., 2015; Nicholls, 2009). Social entrepreneurs often rely on multiple sources of income, ranging from market revenue (Mair & Martí, 2006) to external funding granted by various funders (Ebrahim & Rangan, 2014; Nguyen et al., 2015). Due to the resource dependency nature of their relationship with these stakeholders, social entrepreneurs measure their social impact to prove their worthiness as a form of accountability (Ebrahim et al., 2014; Lall, 2017; Nicholls, 2009; Nicholls & Cho, 2006). However, various funding resources are available to social entrepreneurs, ranging from embedded or strong social-tie to arm's length-tie sources.

Smith and Stevens (2012) argue that the spatial proximity in which the social entrepreneur operates and the role of structural embeddedness influence the motivations and effort put in measuring social impact. Contrary to structural embeddedness, which is the configuration of the whole (social) network an actor is part of, relational embeddedness refers to the quality of one's (social) network (Nahapiet & Ghoshal, 1998; Moran, 2005). Moran (2005, p.1149) shows that relational embeddedness influences entrepreneurial behaviour, because "in uncertain and potentially risky contexts", drawing on "well-established and faithful relationships is a highly valuable asset". While such "close or special relationships" are referred to as embedded ties based on trust, arms-length ties are perceived as more impersonal "market relationships" (Uzzi, 1997). In case of social impact measurement, the type of relationship

between a funder and social entrepreneur influences the rationale for a 'measuring to prove' argument. Whereas a dyadic strong-tie relationship is based on reciprocity between the funder and social entrepreneur, an arm's length-tie relationship is more likely to be based on rule and authority (Smith & Stevens, 2010). Therefore, different mechanisms are likely at work in these funding relationships (Lall, 2019). Second, some scholars challenge the view that more accountability is better because too much accountability can hinder social organizations from achieving their missions (Ebrahim, 2005; Ebrahim et al., 2014). Social entrepreneurs may also be motivated by a 'measuring to improve' mechanism because they want to improve their organizational practices (Campbell et al., 2012; Lall, 2019; Maas & Boons, 2010), i.e., to establish a learning cycle within the organization. The organizational practice is, in this case, internally motivated by keeping track of achieving the social mission (Nicholls, 2009; Ormiston, 2019).

While some exceptions in the scholarly quantitative research on social impact exist (Lall, 2017; Maas & Grieco, 2017), the current knowledge is mainly based on qualitative case-study research (see, for example, Barraket & Yousefpour, 2013; Carman & Fredericks, 2010; Chmelik, Musteen, & Ahsan, 2016; Fowler, Coffey, & Dixon-Fowler, 2017; Grimes, 2010; Lall, 2019; Nguyen et al., 2015; Ormiston & Seymour, 2011). Other approaches have led to valuable insights into conceptualizations of social impact (Rawhouser et al., 2019). However, this chapter aims to extend the limited body of quantitative research to validate the 'measuring to prove' and 'measuring to improve' arguments as provided in the qualitative literature[2].

This chapter is one of the first large-scale quantitative studies that test whether one of the driving mechanisms behind measuring social impact is

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[2] The chapter does not aim to examine the quality or activity of social impact measurement by social entrepreneurs, only whether these entrepreneurs report substantial effort into measuring social impact (cf. Lall, 2017).

crowding out the other and how different funding sources may affect whether social entrepreneurs measure their social impact. Another contribution of this chapter thus lies in testing the two mechanisms simultaneously by using large-scale survey data from the Global Entrepreneurship Monitor [GEM] 2015 edition. In addition, this chapter provides implications of this research for funders of social entrepreneurs and scholars engaged in social entrepreneurship research. Consequently, the research questions ask (1) "to what extent do the 'measuring to prove' and 'measuring to improve' motivations influence social impact measurement by social entrepreneurs?" and (2) "to what extent are these mechanisms interrelated?". Fixed-effects logistic regression analysis is used to answer the research question.

In the following sections of this chapter, a brief review of social impact (measurement) is first introduced. Second, following the qualitative academic literature, the underlying theoretical 'proving' and 'improving' mechanisms of social impact measurement are provided. In addition, a theoretical section concludes with theorizing about the interdependence of the two mechanisms. Third, the data and methods used to test the hypotheses are described. Last, the chapter ends with an analysis of the results, a discussion on the implications of the research and suggestions for future research.

2 • THEORETICAL FRAMEWORK

Working definition of social impact and its measurement

The consequence of social entrepreneurial activity relates to enriching human existence around the globe (Zahra et al., 2008) as social entrepreneurs provide services or goods *with* or *for* their target population in various industries (Saebi et al., 2019). The beneficial consequences are often framed as the social impact that is enjoyed explicitly by the recipients of the activity or broadly by society and the environment (Stephan et al., 2016). Examples of social impact may

include: successfully alleviating poverty with work integration activities (Chan et al., 2017); providing citizens in remote rural areas access to electricity by installing solar panels (Becker et al., 2017); empowering women with martial arts training (Hayhurst, 2013); enhancing people's life-satisfaction (Sarracino & Fumarco, 2018)[3]. In general, it can be said that social entrepreneurs contribute to the accomplishment of the UN Sustainable Development Goals (Rahdari et al., 2016) because they are engaged in providing food, water, shelter, education, and medical services to those in need where markets and institutions fail (Certo & Miller, 2008; Mair & Marti, 2009). In line with Stephan et al. 2016, we define social impact as the *social value generated by social entrepreneurs that are enjoyed by either their target group or by society or the environment in a broad sense*[4]. Such a view on social impact measurement is considered rather inclusive. However, it entails important dimensions of the practice as identified by the literature (Rawhouser et al., 2019). Measuring the social impact may relate to the effort to monitor the achievement of either an individual program or its overall mission and goals (Campbell et al., 2012; Rawhouser et al., 2019). Similar in that it captures the progress of achieving social goals, other scholars use the term 'social performance measurement' to encompass the broad range of these practices. These may include impact evaluation, outcome measurement, and program monitoring (Ebrahim & Rangan, 2014; Emerson, 2003; Lall, 2017; Nicholls, 2009). In this chapter, social impact measurement is broadly defined as *the activity performed by social entrepreneurs to monitor any progress in achieving their aim to create social value*.

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[3] The authors acknowledge the diversity and extensive range of social entrepreneurship and its impact. The examples included do not show the full extent of impact generated in all fields.
[4] Impact measurement in this sense does not differentiate between levels of impact nor by short-term or long-term effects.

146

Measuring social impact to prove

The process of monitoring the accomplishment of the organizational goals is important for social entrepreneurs as a way to prove their value to a variety of stakeholders, including their beneficiaries and financial investors (Austin et al., 2006; Barraket & Yousefpour, 2013; Campbell & Lambright, 2016; Grieco, 2015; Nicholls, 2009; Smith & Stevens, 2010)[5]. For social entrepreneurs, it is considered important to take into account the interests of their stakeholders because it may prove beneficial for achieving their social mission (Ebrahim et al., 2014; Ramus & Vaccaro, 2017). While reporting on the impact may be motivated to celebrate the reached achievements together with the beneficiaries they serve (Barraket & Yousefpour, 2013), it may also be beneficial to attract potential new or satisfy current investors (Ormiston, 2019; Ormiston, Charlton, Donald, & Seymour, 2015; Ormiston & Seymour, 2011). These investments may come from a variety of *informal* and *formal* sources and may include donations, grants, volunteers, earned income, and tax breaks (Nicholls, 2010a). However, satisfying current investors fit within the paradigm of 'measuring to prove' (Lall, 2017; Liket & Maas, 2015; Rawhouser et al., 2019). For example, there is a need for delivering proof of the effectiveness in creating social value for social entrepreneurs who are being funded by a grant or who work under a government contract (Campbell, 2010; Campbell & Lambright, 2016; Ebrahim, 2003; Ebrahim & Rangan, 2014). Consequently, the need to monitor the social impact from a funder perspective may depend on the type and primary interest of the financial investor: 'finance' or 'impact' first (Glänzel & Scheuerle, 2015). In addition, the type of dyadic tie between the provider of capital and social entrepreneur can influence if and how the social impact is being measured (Smith & Stevens, 2010, p.587).

Social entrepreneurs behave in ways that are regulated by norms and val-

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[5] These are also called "principal stakeholders" (Freeman, 2010).

ues that are acquired by the socialization of the environment around them (Brieger et al., 2018). This socialization can be linked to what Smith and Stevens (2010) address as the role of geography and structural embeddedness of social entrepreneurship on social impact measurement. Social entrepreneurs distinguish themselves in terms of what, how, and why they measure their social impact. In the case of embedded (or strong social) ties, the relationship between the social entrepreneur and their funder is built upon some form of trust and reciprocity (Nguyen et al., 2015) that can act as a mechanism that influences their relationship (cf. Granovetter, 1985; Uzzi, 1997). Embedded or so-called strong ties are often based on substantial communication and interaction (Jack, 2005; Uzzi, 1997). Such social ties between people, often represented in their informal social network, are considered an important source of funding for social entrepreneurs (Terjesen, Bosma, & Stam, 2016). Smith and Stevens (2010) theorize that when the social distance between the social entrepreneur and the funder is small - let us say that they both engage in the same geographical locality – the funder is more likely to see the social impact first-hand or hears from the social entrepreneur as a result of their frequent social interaction. Concerning relational embeddedness, the quality of personal relationships between people depends on interpersonal trust and trustworthiness, overlapping identities and feelings of closeness or interpersonal solidarity (Moran, 2005, p.1132). This suggests that in the case of a strong social tie between a social entrepreneur and funder, it would be more likely that social entrepreneurs have an incentive to measure their social impact. Moreover, the aim of achieving social impact is often shared by both informal funders and social entrepreneurs (Nguyen et al., 2015). This chapter expects that:

> **Hypothesis 1a:** Social entrepreneurs, who receive funding from their informal network, will be more likely to measure their social impact.

Next to the assumed effect of informal and strong social ties, and by following Smith and Stevens (2010) proposition on the 'arm's-length ties' effect on social impact measurement, it is expected that a relationships between the funder and social entrepreneur based on 'rule and authority' leads to more formal pressure to report information on the achievement of the social mission[6]. As embeddedness affects individual motives, behaviours and decision making (Granovetter, 1985), the institutions that provide financial resources to social entrepreneurs likely provide an answer to why social entrepreneurs measure their social impact (Nicholls, 2009). It could be that funding from formal investors has differential effects and follows an obligatory motive. Formal funders may demand impact reports to assess whether their investment is associated with accomplishing the social entrepreneurial mission (Emerson, 2003; Nguyen et al., 2015). Smith and Stevens (2010) argue that social entrepreneurs embedded at the community level who receive funding from regional and/or national sources, may be more focused on objective measurement of the social value created given the reduced interaction between social entrepreneur and funding source and the diminished attention to impact within a specific community. However, the practice takes a symbolic role when social entrepreneurs only measure to satisfy the needs of their funders (Nicholls, 2009). This could take a heavy burden on the organization as impact measurement is a resource-demanding activity (Ormiston & Seymour, 2011). In addition, social entrepreneurs who do not value the importance of impact measurement are now likely to be pressured to implement the practice (Ebrahim & Rangan, 2014; Grieco, 2018; Lall, 2019; Nicholls, 2009). The social entrepreneur and funder also might prioritize the type of impact differently (Barraket & Yousefpour, 2013; Nguyen et al., 2015). Either way, it is expected that the result is obligatory. Therefore, providing proof may be demanded from formal funders (Bryson & Buttle, 2005). In addition, formal funders

[6] Others speak of 'asymmetric ties' (see Nguyen et al., 2015; Nicholls, 2009).

149

who focus on financial returns might require different impact reports than formal funders that sympathize with the social mission of the social enterprise.

Regarding a focus on the financial returns of investment, banks and venture capital can be specified as important formal funding sources for social entrepreneurs (Bryson & Buttle, 2005). However, compared to commercial entrepreneurs, social entrepreneurs may face more difficulty in securing traditional bank loans or venture capital because they generate less cash flow (Dees, 1998). To become more financially attractive to these formal investors, social entrepreneurs may put more emphasis on generating economic value than the social value because poor financial performance is more 'punished' than a poor social performance (Austin et al., 2006). It is expected that:

> **Hypothesis 1b:** Social entrepreneurs who receive funding from formal actors embedded in the financial economy, such as private financial institutions, are less likely to measure their social impact.

Contrary to the 'finance first' oriented funders, other types of formal funders like social venture capitalists or government institutions require evidence of social returns as part of their 'impact first' investment orientation (Glänzel & Scheuerle, 2015). Research on how social entrepreneurship is related to institutional configurations finds evidence for an institutional support mechanism (Stephan et al., 2015). For example, governments may support social entrepreneurs with direct funding, such as providing grants and subsidies to them. In addition, public sector grants and contracts are a major source of income for social entrepreneurs (Sunley & Pinch, 2012). Based on the supportive role of governments in fostering the development of social entrepreneurship (Stephan et al., 2015), this chapter expects that:

> **Hypothesis 1c:** Social entrepreneurs who receive funding from formal actors embedded in the social economy, such as the government, are more likely to measure their social impact.

The idea follows the expectation that financial investors are more interested in the financial return on investment. At the same time, governments that reap the social benefits from the accomplishment of the social mission of social entrepreneurs as well are more likely to be interested in the social return on investment. However, contrary to H1a, it is expected that a more formal pressure by the government is in line with rule and authority as part of the arm's length tie.

Measuring social impact to improve

Whereas the 'measuring to prove' mechanism is externally motivated, the motivation to measure social impact may be originated from within the organization. For example, this can be a desire to improve their own business practices (Carman & Fredericks, 2010; Lall, 2019). After all, some social impact measurement tools, particularly the *Social Return on Investment*, have been developed as a learning and management tool for organizations (Arvidson, Lyon, McKay, & Moro, 2013). The 'measuring to improve' argument addresses organizational learning as a benefit of undertaking evaluation processes that help improve services (Barraket & Yousefpour, 2013; Campbell & Lambright, 2016; Salazar, Husted, & Biehl, 2012). It is then part of an internal command and control structure with additional aims leading to a more efficient and effective way of fulfilling the organization's aim (Campbell & Lambright, 2016; Nicholls & Cho, 2006). Adding to the (internal) importance of social impact measurement, some scholars argue that it is actually a prerequisite for creating social value (Liket & Maas, 2016; Maas & Grieco, 2017; Ormiston & Seymour, 2011).

By relying upon Zahra et al.'s (2009, p. 522) definition of social entrepreneurship, this chapter identifies two components – the importance of social value creation and innovation – linked to the 'measuring to improve' mechanism. Additionally, the two components are related to each other in

that the organizational strategy – i.e., innovation – plays an important role in how the social mission – i.e., social value creation– is achieved (Ormiston & Seymour, 2011). Concerning the social mission of social entrepreneurs, which is the actual starting point of social value creation (Dees, 1998), scholars have identified different organizational forms of social entrepreneurship based on the relative prioritization of the social mission and the importance of generating market revenue (Lepoutre et al., 2013; Peredo & McLean, 2006). Moreover, the tensions between these organizational forms' social and economic missions are reflected in the organization's goals, values, and identity (Stevens, Moray, & Bruneel, 2014). Consequently, social entrepreneurs' social and economic goals are relative to each other and suggest that greater attention towards the social mission is linked to lower attention towards the economic mission and vice versa (Stevens et al., 2014). Therefore, the relative importance of the social mission compared to the financial mission may lead to being more interested in the actual achievement of the social mission. Social entrepreneurs who prioritize the social mission over the economic mission are social value *creators* rather than social value *capturers* (Bosma et al., 2016). Accordingly, it is expected that:

> **Hypothesis 2:** Social entrepreneurs, who can be labelled as social value creators, are more likely to measure their social impact.

Social entrepreneurship literature refers to innovation as the creation of new types of organizations or managing existing organizations in an innovative way (Zahra et al., 2009). In addition to the relative importance of the social mission, social entrepreneurs often rely on an innovative strategy to achieve their social mission (Alvord, Brown, & Letts, 2004; Defourny & Nyssens, 2017; Peredo & McLean, 2006. Following the 'earned-income' school of thought on social entrepreneurship, the inclusion of an innovative income strategy in support of their mission made traditional non-profit organizations transform into

152

income-generating organizational forms of social entrepreneurship (Defourny & Nyssens, 2010a; Fitzgerald & Shepherd, 2018; Kerlin, 2006). In addition, the 'social innovation' school of thought stresses that social entrepreneurs display innovative solutions to address social or societal challenges (Defourny & Nyssens, 2010b). While innovative strategies have led to new organizational forms of social enterprise, these also include providing new products or services to customers or producing these products or services in a new way (Bosma et al., 2016; Lepoutre et al., 2013). Research that utilized the GEM 2009 data found that innovative social entrepreneurs, particularly those who provided products or services new to the market or produced these in a novel way, were more likely to measure their impact (Maas & Grieco, 2017). As innovation is an important component within the domain of social entrepreneurship, it is expected that:

> **Hypothesis 3:** Social entrepreneurs, who are innovative in fulfilling their aim, are more likely to measure their social impact.

The interdependency between 'measuring to prove' and 'measuring to improve'

The qualitative scholarship on social impact measurement has shown that the 'measuring to prove' and 'measuring to improve' mechanisms can act simultaneously. For example, social impact measurement is driven by funder demands and internal motivation to verify that the organization is responsive to its clients (Lall, 2019; Nguyen et al., 2015). This suggests that a need to prove and an internal need to improve upon their social mission may simultaneously drive the organizational practice of social impact measurement. Consequently, this asks for exploring how these two mechanisms relate to each other. In addition, it is important to study this relationship because the true essence of value creation lies in the interdependencies of internal and external motivations (Ormiston & Seymour, 2011). While existing studies focus on only direct effects (see Lall,

153

2017; Maas & Grieco, 2017), this chapter extends the existing literature on social impact measurement by adding a moderation test between measuring to prove and measuring to improve arguments. Evidence for interdependency between the two mechanisms has likely been brought forward in the qualitative work by Ebrahim (2005), who found that a crowding-out effect of funder demands for information likely occurs at the expense of attention to longer-term processes of organizational learning.

As mentioned in the section *Measuring social impact to prove* in Chapter 5.2, it is assumed in this chapter that arm's length-tie funders – i.e., the government - may put actual formal pressure as part of rule and authority on social entrepreneurs to measure social impact measurement. Accordingly, formal investors interested in 'impact first' may require social impact reports rather than formal investors embedded in the private financial sector. Consequently, it is expected that:

> **Hypothesis 4a:** Government funding negatively influences the effect of the importance of social value creation on social impact measurement.

> **Hypothesis 4b:** Government funding negatively influences the effect of the importance of innovation on social impact measurement.

In other words, the salience of the 'measuring to improve' mechanism decreases when social entrepreneurs receive funding from the government. For the visualization of the hypotheses, see Figure 5.1.
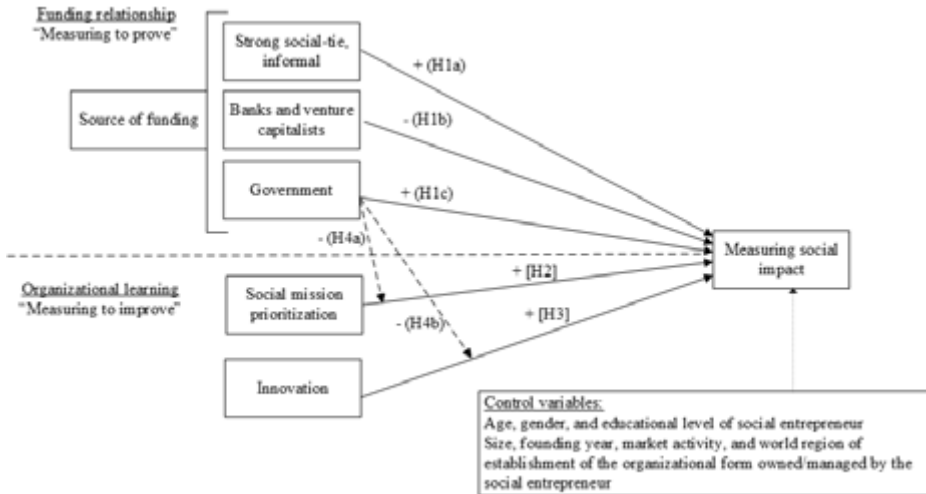
FIGURE 5.1   Conceptual model

3 • DATA AND METHODS

Data

Data from the "Global Entrepreneurship Monitor Adult Population Survey" [GEM APS] of 2015 is used for the analysis in this chapter[7]. The GEM APS is administrated annually in more than 50 countries to understand national differences in entrepreneurial attitudes, activity, and aspirations. The 2015

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[7] The GEM 2015-survey uses a self-identification measure to assess social entrepreneurship. This measure is not without critique as it might not measure 'social entrepreneurship' but rather active involvement in addressing social or environmental needs (Bacq et al., 2013). In addition, only respondents self-identifying as social entrepreneurs were asked to what extent they measure their organization's social or environmental impact.

survey includes the second social entrepreneurship module of the GEM, which was asked via face-to-face or telephone interviews (Bosma et al., 2016).

For the analysis, data were available from 36 countries (see "Appendix 5.1"), and the recoding process led to a final sample size of 2,525 social entrepreneurs. The sample was restricted to operational social entrepreneurs only, who were identified as individuals who are starting or currently leading any kind of activity, organization or initiative that has a particular social, environmental or community (Bosma et al., 2016). Table 5.1 shows the descriptive statistics on all variables of interest.

DEPENDENT VARIABLE

The dependent variable – i.e., whether social entrepreneurs measure their social impact – was measured with the item: "*My organization puts substantial effort in measuring its social or environmental impact*". The answer categories range from (1) 'strongly disagree' to (5) 'strongly agree', with a middle category (3) representing 'neither disagree nor agree'. The item identifies only whether the focus lies on the measurement of *social value creation* and not on the organization's *financial performance*. Although the item differentiates between social and environmental impact, both refer to 'social' impact throughout the chapter. Because of the interest in whether a social entrepreneur is part of the target group (e.g., those that measure social impact), a dummy was created for the combined answer categories (4) 'agree' and (5) 'strongly agree'[8].

INDEPENDENT VARIABLES

The independent variables consist of a set of internal and external motivations of social entrepreneurs for whether or not they engage in social impact measurement, as identified in sections 2 and 3 of Chapter 2. The 'measuring to

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[8] This recoding process is similar to the presentation of GEM 2015 data as shown in the international GEM 2015 report on social entrepreneurship (Bosma et al., 2016)

TABLE 5.1   Descriptive information on variables of interest (N=2,525)

Variable	Mean	SD	Min	Max
Dependent variable				
Measure social impact	0.648	0.478	0	1
Independent variables				
Funding	0.675	0.468	0	1
Informal source funding	0.417	0.493	0	1
Formal financial source funding	0.354	0.478	0	1
Government source funding	0.341	0.474	0	1
Value prioritization	0.642	0.480	0	1
Innovative	0.897	0.848	0	2
Control variables				
Female	0.417	0.493	0	1
Age	38.620	12.619	18	64
Education	1.238	0.695	0	2
Market activity	0.603	0.489	0	1
Organization size Micro	0.619	0.486	0	1
" Small	0.288	0.453	0	1
" Medium	0.068	0.251	0	1
" Large	0.025	0.157	0	1
Organization founding year 2015	0.806	0.396	0	1
" 2014	0.085	0.279	0	1
" 2013	0.051	0.219	0	1
" 2012	0.038	0.191	0	1
" 2011 or earlier	0.021	0.144	0	1
Geographic region Africa	0.086	0.281	0	1
" Asia & Oceania	0.195	0.397	0	1
" Europe	0.353	0.478	0	1
" South & Central America	0.366	0.482	0	1

Source: GEM (2015); own calculations

prove' variables identify the funding source of the social entrepreneur. This was measured with the item: "*Have you (or expect to) received money – loans or ownership investments – from any of the following to start this activity, organization or initiative*". Respondents could select multiple funding options. Following the hypotheses, three non-mutually exclusive membership dummies were created. For '*informal funders*', the categories '*friends or neighbours*', '*family members*', and '*employer or work colleagues*' were combined, typically referring to stronger social ties. Two dummy variables were created for measuring formal ties: one for '*formal financial source*' (e.g., '*banks or other financial institutions*' and '*private investors or venture capital*') and one for '*government source*' (e.g., '*government programs, donations, or grants*'). Social entrepreneurs who did not receive any funding were assigned a 0 on all three funding options. Conversely, social entrepreneurs who received funding from all sources were assigned a 1 on all three funding options.

The 'measuring to improve' variables refer to the importance of social value creation and innovativeness of the social entrepreneur. The former is measured with the item "*For my organization, generating value to society and the environment is more important than generating financial value for the company*", and the latter by the combined items of "*My organization offers products or services that are new to the market*" and "*My organization offers a new way of producing a product or service*". The answer categories on these items range from (1) 'strongly disagree' to (5) 'strongly agree'. The internal driver variables were dichotomized by creating a dummy for the combined answer categories (4) 'agree' and (5) 'strongly agree' because of the interest of this chapter in whether social entrepreneurs who prioritize value creation and are innovative are more likely to measure their social impact than those who do not prioritize value creation or are not innovative. Concerning the innovation item, the two binary innovation items were merged with a scale ranging from 0 to 2[9].

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[9] A 0 means that the social entrepreneur did not affirm being innovative, a 1 means that the

All variables in the analysis are measured from the perspective of the social entrepreneur. Table 5.2 displays the Pearson bivariate correlation coefficients between the variables of interest.

CONTROL VARIABLES

According to previous research, the statistical model should include control variables to increase the internal validity of the 'measuring to prove' and 'measuring to improve' mechanisms. The analysis controlled for the world region in which the social entrepreneur operates because levels of social impact measurement vary by geographical region (Lall, 2017; Maas & Grieco, 2017; Newcomer, Baradei, & Garcia, 2013)[10]. Furthermore, the analysis controls for the size (sum of employees and owners in the organization), age (year in which the organization was founded) and market activity (whether the organization operates in the market by producing goods and services) of the organization they own or manage (cf. Lall, 2017; Maas & Grieco, 2017). In addition, socio-demographic characteristics of the social entrepreneur were included, such as age in years (16 to 65), educational level (lower, middle, higher), and gender (male or female).

Methods

Given this chapter's research focus on why social entrepreneurs measure their social impact related to funder demands or internally motivations, a fixed-

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social entrepreneur was innovative based on 1 item, 2 means that the social entrepreneur was innovative on 2 items

[10] Based on the recognition that social impact measurement varies across countries, a dummy for each country and the type of economy (factor-, efficiency-, and innovation-driven, see Lall (2017)) were created. However, these approaches yield the same conclusion as by including the world-region dummies. In addition, multilevel modelling was not performed because there were not sufficient individual cases in almost a third of our country sample. Above all, the chapter does not include hypotheses about country-level effects.

TABLE 5.2   Bivariate correlations between the variables of interest (N=2,525)

	Measuring social impact	Value creator	Innovation	Informal source funding	Formal financial source funding	Government source funding
Measuring social impact	1	0.320***	0.316***	0.068***	0.062**	0.128***
Value creator		1	0.148***	0.030	-0.009	0.104***
Innovation			1	0.087***	0.088***	0.073***
Informal source funding				1	0.204***	0.126***
Formal financial source funding					1	0.238***
Government source funding						1

Source: GEM (2015); * p <.05; ** p <0.01; *** p <.001

effect logistic regression was used. This method predicts membership in the target group (measuring social impact) from scores on the predictor variables. Although respondents in the sample nest within countries, there is a small sample size of respondents in some countries (see "Appendix 5.1"). The fixed-effect logistic regression can overcome this limitation by controlling for the region of the establishment (see also Maas and Grieco (2017)). The logistic regression tables (Table 5.3 and 5.4) display logit coefficients which are linearly related to the scores on the quantitative predictor variables (Pampel, 2000)[11]. Therefore, positive logit coefficients indicate a positive effect, and negative logit coefficients indicate a negative effect on the dependent variable.

[11] Those interested in the probability of social entrepreneurs measuring their social impact based on the scores of our quantitative predictor variables can transform the logit coefficients to odds and then use the following equation: odds / (1 + odds) (see Pampel, 2000; Warner, 2012).

Table 5.3 includes the logit coefficients of the fixed-effects logistic regression on whether or not social entrepreneurs measure their social impact. The constant-only model (**Model 0**) shows a logit coefficient of .612 with a -2 log-likelihood [LL] of 3277.47. The corresponding odds ratio is 1.84, implying that a social entrepreneur's probability of measuring social impact is 65%. However, the probability increases when the variables of interest are included. Throughout all models, a reduction in the deviance (-2 LL) and an increase in the McFadden R^2 are observed[12]. This implies that the models have a better fit than the more parsimonious models.

Measuring to prove and measuring to improve

Table 5.3 includes the necessary information for testing hypotheses 1a to 1c. Models 2 and 6 include information on the effect of funding on measuring social impact by social entrepreneurs. Next to significant geographical differences and that market-oriented social entrepreneurs are more likely to measure their social impact, the funding sources show differential effects. While receiving funding from government sources significantly impacts the dependent variable, informal and formal financial funding sources are not significant predictors in models 2 and 6. As the 'measuring to improve' variables are also included in **model 6**, a slight decrease in the effect of receiving government funding is observed. However, the effect remains significant ($p < 0.01$). Based on these results, hypothesis 1c is accepted, and hypotheses 1a and 1b are rejected. In addition, compared to **model 1** – which includes the control variables – the

[12] STATA version 16 package was used to analyse the data. STATA provides the McFadden R-squared as its default pseudo-R-square for logistic regression.

'measuring to prove' variables explain an additional .94% of the likelihood to measure social impact.

The 'measuring to improve' variables are included in models 3 to 6. However, these variables are a stronger predictor of the dependent variable than the 'measuring to prove' variables. The information on 'value creators' and 'innovation' explains an additional 10.85% compared to **model 1**. This implies that organizational learning as a motivation for measuring social impact is a stronger predictor than receiving funding. Hence, the 'measuring to improve' variables are ten times stronger than the 'measuring to prove' variables in explaining the likelihood of measuring social impact. Regarding **model 6**, social entrepreneurs who are 'value creators' are more likely to measure their social impact than are social entrepreneurs who regard financial performance as equal or as more important than creating social or environmental value with their organization. Furthermore, social entrepreneurs who sell a new product or service on the market and/or produce these in a new way are more likely to measure their social impact. Aligning social value creation with an innovative strategy appears to be highly associated with measuring social impact. Consequently, hypotheses 2 and 3 are accepted.

Moderating effect of 'measuring to prove' on 'measuring to improve'

Table 5.4 shows three logistic regression models that are used to test the moderation hypotheses 4a and 4b[13]. The effect of being a value creator on measuring social impact is weaker among those social entrepreneurs who receive government funding (see **Model 7**). In addition, the absolute level of innovation also becomes a weaker predictor (see **Model 8**). Including both moderators

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[13] The coefficients of the logistic regression models in Table 5.4 cannot be interpreted as direct effect estimates because interaction terms were included in the model. For direct effect estimates, see Table 5.3.

TABLE 5.3   Logistic regression on social impact measurement by social entrepreneurs (N=2,525 logit coefficients)

	Model 0		Model 1		Model 2	
	b	s.e.	b	s.e.	b	s.e.
Funding source						
/Informal					0.174	0.108
/Formal financial					0.047	0.112
/Government					0.455***	0.115
Value creator						
Innovation						
Controls						
Female			0.142	0.102	0.147	0.103
Age			0.000	0.004	0.002	0.004
Education			0.044	0.071	0.025	0.072
Market activity			0.813***	0.101	0.788***	0.102
Size organization (ref. large)						
/Medium			-0.071	0.387	-0.052	0.393
/Small			0.125	0.338	0.105	0.345
/Micro			-0.388	0.332	-0.359	0.338
Founding year (ref. 2011 or earlier)						
/2012			0.439	0.426	0.403	0.347
/2013			0.331	0.418	0.307	0.416
/2014			-0.133	0.381	-0.179	0.383
/2015			-0.004	0.343	-0.044	0.342
World region (ref. Africa)						
/Asia & Oceania			0.500**	0.193	0.461*	0.192
/Europe			0.407*	0.179	0.373*	0.181
/South & Central America			0.895***	0.183	0.823***	0.184
Constant	0.612***	0.0484	-0.278	0.505	-0.428	0.513
McFadden R^2			5.21%		6.15%	
-2LL	3277.47		3106.63		3075.99	
AIC	3279.47		3136.63		3111.99	
BIC	3285.30		3224.07		3216.92	

Source: GEM (2015); Age, education and innovation are grand-mean centred ; * $p < .05$; ** $p < 0.01$; *** $p < .001$.

Continued on the next page

TABLE 5.3 *continued*

	Model 3		Model 4		Model 5		Model 6	
	b	s.e.	b	s.e.	b	s.e.	b	s.e.
Funding source								
/Informal							0.123	0.114
/Formal financial							0.086	0.119
/Government							0.354**	0.120
Value creator	1.316***	0.105			1.255***	0.108	1.241***	0.109
Innovation			0.781***	0.071	0.737***	0.074	0.727***	0.074
Controls								
Female	0.104	0.105	0.177	0.105	0.140	0.108	0.144	0.108
Age	0.000	0.000	-0.001	0.004	0.000	0.004	0.001	0.004
Education	-0.042	0.073	0.020	0.073	-0.074	0.075	-0.089	0.075
Market activity	0.792***	0.104	0.346**	0.112	0.351**	0.116	0.336**	0.117
Size organization (ref. large)								
/Medium	-0.246	0.408	-0.168	0.393	-0.321	0.399	-0.311	0.399
/Small	-0.021	0.356	0.003	0.337	-0.097	0.345	-0.115	0.345
/Micro	-0.413	0.350	-0.556	0.330	-0.529	0.337	-0.509	0.337
Founding year (ref. 2011 or earlier)								
/2012	0.295	0.460	0.683	0.434	0.557	0.461	0.518	0.461
/2013	0.246	0.449	0.495	0.420	0.419	0.444	0.399	0.443
/2014	-0.185	0.415	-0.132	0.376	-0.141	0.406	-0.184	0.407
/2015	-0.150	0.377	0.144	0.335	0.017	0.361	-0.021	0.359
World region (ref. Africa)								
/Asia & Oceania	0.409*	0.120	0.389*	0.198	0.323	0.208	0.293	0.208
/Europe	0.360	0.184	0.420*	0.186	0.372	0.193	0.339	0.194
/S. & C. America	0.736***	0.188	0.755***	0.189	0.614**	0.197	0.557**	0.199
Constant	-0.751	0.159	-0.572	0.499	-1.067*	0.521	-1.169*	0.521
McFadden R^2	11.59%		10.68%		16.06%		16.58%	
-2LL	2897.53		2927.58		2751.23		2734.02	
AIC	2929.53		2959.58		2785.23		2774.02	
BIC	3022.80		3052.85		2884.33		2890.61	

Source: GEM (2015); Age, education and innovation are grand-mean centred; * $p <.05$; ** $p <0.01$; *** $p <.001$.

at the same time – i.e., in **model 9** – it is observed that the moderation effects cannot be generalized to the population, as the results are not significant at the *p*-level of 0.05. In sum, the moderation analysis results show that the relative importance of value creation and absolute level of innovation becomes weaker for social entrepreneurs who receive government funding. However, these are not significant, and therefore hypotheses 4a and 4b are rejected.

The results show a systematic difference in the likelihood of measuring social impact between value creators, innovative social entrepreneurs, and social entrepreneurs who receive funding from the government. Statistically controlling for all other variables, the results showed no significant statistical evidence for a moderation effect of receiving government funding on the 'measuring to improve' variables in predicting social impact measurement. Based on the total effect of all explanatory variables, the analysis partly explained the variation in social impact measurement with 16.58% (**model 6** – Table 5.3).

5 • CONCLUSION AND IMPLICATIONS

Key findings

By approaching social impact measurement broadly, this chapter reveals that a substantial proportion of social entrepreneurs (about 65%) put effort into measuring their social impact in any way[14]. The research questions asked how and to what extent different mechanisms are accountable for this practice. Although recent research has provided valuable insights into the state of research on social impact (e.g., Rawhouser et al., 2019), the mechanisms addressed in

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[14] In contrast to other scholars who state that social entrepreneurs have a low implementation of social impact assessment (e.g., Phillips & Johnson, 2019), the authors found a substantially high proportion of social entrepreneurs engaged in social impact measurement across various world regions.

TABLE 5.4   Moderation test of 'measuring to improve' on 'measuring to prove' (N=2,525, logit coefficients)

	Model 7		Model 8		Model 9	
	b	s.e.	b	s.e.	b	s.e.
Value*Gov.funding	-0.127	0.238			-0.135	0.237
Innovation*Gov.funding			-0.121	0.141	-0.124	0.141
Funding source						
/Informal	0.122	0.114	0.125	0.134	0.123	0.114
/Formal financial	0.086	0.119	0.084	0.117	0.085	0.119
/Government	0.431*	0.188	0.443**	0.155	0.526*	0.214
Value creator	1.279***	0.129	1.240***	0.109	1.280***	0.130
Innovation	0.726***	0.074	0.766***	0.089	0.766***	0.089
Controls						
Female	0.144	0.108	0.144	0.108	0.144	0.108
Age	0.001	0.004	0.001	0.004	0.001	0.004
Education	-0.087	0.075	-0.090	0.076	-0.087	0.076
Market activity	0.335**	0.117	0.336**	0.117	0.336**	0.117
Size organization (ref. large)						
/Medium	-0.308	0.398	-0.308	0.398	-0.305	0.397
/Small	-0.111	0.344	-0.110	0.344	-0.106	0.343
/Micro	-0.507	0.336	-0.502	0.336	-0.499	0.335
Founding year (ref. 2011 or earlier)						
/2012	0.506	0.462	0.535	0.461	0.523	0.258
/2013	0.397	0.044	0.409	0.443	0.407	0.444
/2014	-0.190	0.408	-0.175	0.407	-0.182	0.408
/2015	-0.026	0.360	-0.011	0.359	-0.017	0.360
World region (ref. Africa)						
/Asia & Oceania	0.287	0.209	0.289	0.209	0.282	0.210
/Europe	0.332	0.196	0.338	0.195	0.332	0.196
/South & Central America	0.552**	0.199	0.557**	0.200	0.552**	0.200
Constant	-1.181*	0.521	-1.210*	0.523	-1.225*	0.524
McFadden R^2	16.59%		16.96%		16.62%	
-2LL	2733.65		2851.60		2732.66	
AIC	2775.65		2893.60		2776.66	
BIC	2898.06		3017.01		2904.90	

Source: GEM (2015); Age, education and innovation are grand-mean centred; * p <.05; ** p <0.01;*** p <.001.

the theoretical framework have not been tested using quantitative research methods. Ebrahim et al. (2014) called for more research on the factors related to adopting performance measurement in social enterprises. This chapter responds to this call and contributes to the social impact measurement literature by quantitatively studying how organizational learning and the dependence on funding relate to whether social entrepreneurs put effort into measuring the social impact of their organizations.

From the eyes of the beholders – the social entrepreneurs – social impact measurement is dependent on both funding obligations and organizational learning. This corresponds with the transdisciplinary aspect of the practice as it involves elements of both accountability and organizational strategy (Ormiston, 2019). Moreover, concerning the embeddedness of social entrepreneurship, this research has differentiated between funding sources. Whereas strong social or embedded ties are based on trust and reciprocity (Nguyen et al., 2015; Smith & Stevens, 2010), no evidence was found that social entrepreneurs who receive funding from these sources were more likely to measure their social impact. Although strong social ties are an important source of funding for social entrepreneurs (Greve & Salaff, 2003; Nga & Shamuganathan, 2010; Terjesen et al., 2016), they do not formally pressure them to measure social impact. In addition, contrary to 'finance first' formal investors, the results show evidence of accountability practices toward government funders. Governments may base their funding upon rule and authority and hence require social entrepreneurs to provide information on their achieved social mission in a formal way. Direct government investments stimulate the social enterprise sector by providing access to financial resources and networks (Fowler et al., 2017). It further facilitates increased importance given to social value creation (Brieger et al., 2018). This may be because strong social tie agents are more aware of the business proceedings of the social entrepreneur on a daily and informal basis (Zahra et al., 2009).

Next to a need for proving towards the government, social entrepreneurs

rely on internal motivations to measure their social impact. Concerning the findings related to the 'measuring to improve' mechanism, social impact is more likely to occur when social entrepreneurs prioritize social value creation relative to their financial performance and are more innovative concerning their products or services. This also suggests that a 'warm glow' of social entrepreneurship (see Bacq et al., 2016; Maas & Grieco, 2017), with regard to the absence of a need for verification, is not present among our sample of social entrepreneurs who operate in various regions in the world. Consequently, this chapter reveals that both are indeed important drivers for measuring social impact. Both mechanisms of 'measuring to prove' and 'measuring to improve' are likely to capture a more complete view of different drivers behind measuring social impact. However, the effect of government funding on social impact measurement is not different between social value creators and those who prioritize their organization's financial performance, nor between the more innovative compared to less innovative social entrepreneurs. Although the results indicate that internal mechanisms are a stronger predictor of social impact measurement by social entrepreneurs, accountability to the government prevails in relationships characterized by resource dependency.

Limitations

Several limitations also mark this chapter. First, the cross-sectional study cannot detect causal mechanisms, causing some endogeneity concerns. Other studies show that social impact measurement (Arvidson & Lyon, 2014; Ormiston & Seymour, 2011) or an increased social orientation leads to a favourable reputation, provides more easy access to resources, and enhances partnerships with their stakeholders (Erdiaw-Kwasie, Alam, & Shahiduzzaman, 2017). Therefore, commitment to social value creation by measuring and reporting on it may create a positive image for other institutions and actors outside the organization (cf. Akerlof, 1978; Beisland, Djan, Mersland, & Randøy, 2020).

Additional analyses show that social impact measurement increases the likelihood of obtaining government funding among the sample (see "Appendix 5.2"). Other scholars also stress that the relationship between funder and social entrepreneur is not static but dynamic when the relationship endures. As the relationship continues, social entrepreneurs indicate they receive funding for actual 'organizational learning' practices rather than 'legitimacy' concerns (Lall, 2019; Nguyen et al., 2015). However, the results fit the theoretical assumptions that social impact measurement results from both 'proving' to stakeholders and 'improving' organizational practice. Second, we could only gauge the social relationship between the social entrepreneur and funder in terms of assumed strong or weak social ties. Social capital literature on social ties usually uses the frequency of social contact to indicate the type of social tie (e.g., Vervoort, 2012). However, due to data limitations, it was not possible to include the frequency of social contact. Furthermore, it was not possible to put to test the propositions of Smith and Stevens (2012) that address that the role of geography and the structural embeddedness of social entrepreneurship may affect the measurement of social impact. Third, and concerning these data limitations, the actual reasons why the social entrepreneur received government funding – other than that the social entrepreneur indicated they received it - could not be assessed. Specific formal obligations or agreements between social entrepreneurs and funders could influence the type of impact and how this should be measured. However, the analysis provides interesting findings as it shows that social entrepreneurs who are value creators, innovators and who receive funding from the government are more likely to monitor their social impact, which can be used as a starting point for future research.

Implications

The results may provide valuable insights for social entrepreneurship scholars and funders related to social entrepreneurs. Scholars argue that measuring

social impact increases the trustworthiness of social entrepreneurial practice as this indicates that they 'walk' their 'talk' (Grieco, 2018; Maas & Liket, 2011). Understanding how measuring social impact depends upon both 'measuring to prove' and 'measuring to improve' arguments are valuable in enhancing the organizational practice. Affirming too much on measuring obligations by funders might lead to a mission drift (Ebrahim et al., 2014) that could jeopardize the pursuit of social value. Therefore, if social entrepreneurs provide new products or services to the market or produce these in a new way, feedback on the effectiveness of innovation is important to decide whether to change its direction. The same holds for the importance of social value creation. If the social entrepreneur prioritizes social value creation above the financial performance, they may need to measure the accomplishment of their social mission to ensure that no valuable resources are lost in the process (Fowler et al., 2017; Ormiston, 2019; Ormiston & Seymour, 2011). A lack of knowledge of organizational effectiveness may impede the organization's sustainability (Phillips & Johnson, 2019). In addition, governments are more likely to expect social entrepreneurs to monitor the social impact than informal or formal financial investors. Indeed, measuring social impact is more easily said than done. Next to having the resources, it is also a quest of willingness. Once social entrepreneurs perceive measuring social impact as beneficial, the organizational practice would be more likely to be put into practice (Grieco, 2018).

Regarding social entrepreneurship scholars, this chapter shows that it is important to consider both internal and external drivers when studying why social entrepreneurs measure their social impact. Although exceptions exist (see Lall, 2017; Maas & Grieco, 2017), the majority of empirical research on this topic is based on small sample case studies, often restricted to one or two different contexts (e.g., Ormiston, 2019; Ormiston & Seymour, 2011; Phillips & Johnson, 2019). This chapter extends the current knowledge by mapping whether social entrepreneurs measure their social impact around the world using large-scale GEM 2015 survey data. This GEM version includes

information on the effort social entrepreneurs make to measure the social or environmental impact, thus only non-economic impact, rather than any impact related to social, environmental, or economic objectives as assessed in the GEM 2009 version[15]. The results thus show that measuring social (or environmental) impact is an organizational practice that is primarily motivated to improve services and operations. In addition, social impact measurement is not socially but rather institutionally embedded. Strong social-tie funders, such as friends, family, and colleagues, may not be likely to demand social impact reports from their friends who are social entrepreneurs. Contrary, weak social-tie funders, such as the government, may pressure social entrepreneurs because of funding eligibility criteria.

The findings of this chapter can encourage dialogue between stakeholders, i.e., between social entrepreneurs and their funders. Regarding policymakers and grant providers, social entrepreneurs are more likely to measure their social impact when they receive government funding. However, governmental funders should also keep an eye on the 'measuring to improve' argument as this is beneficial to the organizational effectiveness and, consequently, the social impact reached. As the latter is a common goal for governments and social entrepreneurs, governments could provide an additional stimulus in achieving social impact (cf. Stephan et al., 2015). Concerning banks and venture capitalists, their funding does not alter the uptake of social impact measurement tools. In relation to contributing to the achievement of the UN Sustainable Development Goals, these funding agencies could also include some need for social impact monitoring from their investees. These funding agencies have the potential to make a difference with their amount of capital.

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[15] Maas and Grieco (2017) used the GEM 2009 edition and measured their dependent variable of 'impact measurement' with "*Are you indeed measuring or planning to measure the impact along these three categories?*" These three lines include financial, social, and environmental objectives. This item does not differentiate between financial and non-financial impact measurement.

Instead of emphasising a financial return on investment, banks could include clauses in their investment deals that refer to social impact. The challenge for funders, after all, lies in encouraging social entrepreneurs to recognise and learn from success as well as from failure (Ebrahim, 2005).

In response to the findings and limitations, future research could focus on a feedback-loop mechanism in which social impact measuring could be used to obtain funding, enhancing organizational practice (Ormiston and Seymour (2011) describe similar mechanisms). In addition, concerning contractual obligations, an interesting research avenue is to focus on to what extent and how institutions – i.e., welfare states - develop partnerships with social entrepreneurs to deliver social services (see Stephan et al., 2015) and to what extent social entrepreneurs 'must' verify their organizational effectiveness in such partnerships. In line with suggestions made by Rawhouser et al. (2019), a quantitative panel structure could enable scholars to study the intricacies of resource decency relationships of social entrepreneurs, organizational learning and social impact measurement is needed to advance the field of social entrepreneurship and social impact research.

Conclusion

The paradox of the welfare state and social entrepreneurship

In this PhD thesis, I have studied to what extent the welfare state shapes social entrepreneurship. In doing so, I have applied statistical methods of the social sciences and used different data and perspectives to study various aspects of social entrepreneurship. As described in chapter 1, the distinct yet related aspects of social entrepreneurship explored in this dissertation include a desire to engage in social entrepreneurship, the importance of social value creation goals for entrepreneurs, different types of organizational forms of social entrepreneurship, and the measurement of social entrepreneurial impact.

The results suggest a paradox between the welfare state and social entrepreneurship. Whereas the welfare state creates a breeding ground for social enterprises, I argue that social entrepreneurial intentions among the public become lower. In this conclusion, first, I summarize the results of the empirical chapters. Next, I discuss the theoretical implications for sociology and organization studies. Subsequently, I discuss the practical implications. The chapter concludes with a discussion on the limitations, suggestions for future research and a few final remarks.

I • SUMMARY OF THE MAIN FINDINGS

The central research question of chapter 2 asked whether and to what extent people's desire to become social entrepreneurs depends upon the welfare state

context where they live. People may have different desires, or preferences, underlying their intention to engage in entrepreneurship. These desires can include satisfying individual self-interest needs regarding financial wealth or psychologically fulfilling goals. While these desires typically relate to 'opportunity entrepreneurship', people can perceive starting an entrepreneurial activity as a 'necessity' to maintain a financial income. However, people can also desire to help others through entrepreneurship.

Social entrepreneurs have a particular desire to help others, which translates into their enterprise's explicit social mission (Thompson et al., 2011; Zahra et al., 2009). However, the results show that a desire to become a social entrepreneur is least common in countries with relatively high social protection expenditures than in countries with lower expenditures on social protection.

Furthermore, the current position of people in the labour market significantly contributes to forming different desires for (social) entrepreneurship. The analyses show that people employed in the salariat class (e.g., in a managerial function) are more likely to become social entrepreneurs than those employed in the working class (e.g., in a manual labour function). While members of the salariat class were also more attracted to the immaterial benefits of entrepreneurship (e.g., work-related freedom), working-class members mostly appreciated the financial prospects (e.g., an increase in financial income). These individual-level effects were not dependent upon the strength of the welfare state. The results show that the welfare state may create disincentives for people to engage in entrepreneurship to make specifically a societal contribution. This finding aligns with research that identifies a general crowding-out effect of the welfare state on social volunteering activities (Stadelmann-Steffen, 2011).

Chapter 3 seeks to answer the extent to which the welfare state influences the importance of social value creation goals for social and commercial entrepreneurs. Chapter 3 has a different country-level sample than chapter 2 because the individual-level data were retrieved from another data source. Consequently, the focus is not on Europe only, as the country-level sample covers

174

multiple world regions. In line with the expectations, I found empirical and statistical evidence that social entrepreneurs prioritize social value creation goals more significantly than commercial entrepreneurs. In other words, social entrepreneurs have a higher social orientation compared to commercial entrepreneurs. This finding is consistent with the conceptualization of social entrepreneurship (Austin et al., 2006), which adds empirical evidence for the often taken for granted differences between social and commercial entrepreneurs. Moreover, it provides statistical evidence for a trade-off between self-identification with social entrepreneurship and the prioritization of financial performance (Doherty et al., 2014).

More interestingly, social entrepreneurs' emphasis on social value creation goals becomes stronger in countries that spend more on social protection than commercial entrepreneurs. This finding suggests that welfare states likely provide a favourable breeding ground for social enterprises. For example, social entrepreneurs may perceive it is more feasible to pursue their social mission by cooperating with the government. This suggests that specific government activity could allow social entrepreneurs to dedicate themselves more efficiently to their exclusive social mission.

In the third empirical research chapter (chapter 4), I applied a broader perspective to study contextual influences on the prevalence of organizational forms of social entrepreneurship. Next to studying the effect of government social interventions and social problems, I studied whether government environmental interventions and environmental problems are important contextual antecedents of social entrepreneurial activity. Using similar individual-level data (GEM 2009) as in chapter 3, I first explored to what extent organizations cluster on important characteristics for social entrepreneurship. As such, seven distinct organizational clusters were identified based on an explicit social value creation mission statement, the presence of market-based income, and the importance of social, environmental, and financial performance goals.

Next, the country-level effects align with previous social entrepreneurship

175

research by showing evidence for a 'crowding-in' by the welfare state regarding the presence of *explicit* social enterprises (Coskun et al., 2019). The effect can also be generalized regarding involvement in financially dependent social organizations (Salamon, 2002; Salamon & Anheier, 1998; Salamon & Toepler, 2015). This implies that organizations that proliferate an exclusive social mission may be part of implementing governmental social interventions. Regarding environmental interventions, the analyses did not yield significant findings.

Although theory suggests that social inequality is a crucial driver for social entrepreneurship, the statistical results did not provide empirical evidence for this assumption. Whereas the level of social inequality does not influence the prevalence of ideal-typical organizational forms of social entrepreneurship at the country level, the abundance of environmental problems does trigger activity by organizations that prioritize environmental goals and those that self-identify with an explicit social or environmental objective. Furthermore, the effect of social or environmental problems was not moderated by a corresponding government intervention to enhance social or environmental well-being.

In the fourth and final empirical chapter of this PhD thesis (Chapter 5) (van Rijn, Raab, Roosma, & Achterberg, 2021), I explored a distinct characteristic of social entrepreneurship. After studying the role of government social interventions affecting the desire for, the degree, and type of social entrepreneurship, the last research question asked why social entrepreneurs measure their social impact. The results are as follows: First, social entrepreneurs are most likely to measure their social impact to 'improve' their business operations. Second, to some extent, social entrepreneurs also measure to 'prove'. This implies that social impact measurement can both be internally and externally motivated. In line with institutional support mechanisms (Sandfort et al., 2008; Stephan et al., 2015), government funding (e.g., grants) affects social impact measurement. Third, the 'measuring to improve' and 'measuring to prove' mechanisms seem

to operate relatively independently. The results showed no evidence for an interaction effect between both mechanisms.

In sum, the welfare state influences social entrepreneurship and social enterprises in many different, complex, and sometimes even contradictory ways (Kerlin, 2017; Stephan & Folmer, 2017). The answer to the central research question is therefore not univocal. It is not accurate to argue that the relationship between the welfare state and social entrepreneurship is one-sided as it appears somewhat paradoxical. I discuss the implications of the chapters' empirical findings below.

2 • IMPLICATIONS: THE WELFARE STATE AND SOCIAL ENTREPRENEURSHIP PARADOX

Theoretical implications for sociology

Social entrepreneurship is a topic of debate in sociology and the organization-management sciences. The implications arising from the empirical findings have theoretical relevance for both these fields of academic inquiry. The sociological relevance expresses itself in the knowledge gained on how people perceive entrepreneurship to fulfil some work-related desires and knowledge about the impact of the welfare state on different aspects of social entrepreneurship. Two widely used theoretical perspectives on the consequences of the welfare state in sociological research are the crowding-in and crowding-out hypotheses. Whereas the crowding-in hypothesis postulates that the welfare state creates positive consequences on various people's attitudes or behaviour, the crowding-out hypothesis assumes the opposite (Van Oorschot & Arts, 2005; Visser et al., 2018).

The first sociological theoretical implication is that although these hypotheses are formulated as general hypotheses, the theoretical mechanisms are applicable for social entrepreneurship research. In general, the majority of welfare state

177

research covers the impact of welfare state policy on the non-entrepreneurial population (e.g., Reeskens & van Oorschot, 2014; Roosma, Van Oorschot, & Gelissen, 2016; Stadelmann-Steffen, 2011; Van Oorschot & Arts, 2005; Van Oorschot et al., 2012; van Oorschot et al., 2017). However, I argue that welfare state policy impacts how social entrepreneurs operate. Therefore, the theoretical mechanisms apply to the social entrepreneurial population as well. For example, the crowding-in hypothesis helps study the social orientation of social entrepreneurs (chapter 3) and is useful in studying the prevalence of implicit and explicit social enterprises (chapter 4). Consequently, the crowding-in hypothesis proves helpful in studying the degree and type of social entrepreneurship.

Second, although the crowding-in hypothesis finds credit in explaining multiple aspects of social entrepreneurship, it does not rule out the significance of its opposite. Whereas the results favour a cooperative mechanism between the welfare state and social enterprises, the results also show that welfare state strength negatively influences one particular aspect of social entrepreneurship. For example, fewer people desire to become entrepreneurs to help others in those contexts (chapter 2). This finding relates to Stadelmann-Steffen's (2011) conclusion that the welfare state is, on average, crowding out social volunteering.

Assuming that people have free will, having a desire for a specific outcome can motivate them to make it possible. In other words, behaviour is (rationally) planned (Ajzen, 1991). Related to social entrepreneurship, people who desire to help others through entrepreneurship are likely to start a social enterprise (Mair & Noboa, 2006). However, I conclude that the welfare state is crowding out this desire. Here we arrive at the paradox between the welfare state and social entrepreneurship. The contradictory features are that while the welfare state is positively associated with social enterprise prevalence and a social orientation among social entrepreneurs, it is negatively associated with a social entrepreneurial intention among the public. Therefore, both the sociologi-

cal crowding-in and crowding-out hypotheses are applicable in international comparative social entrepreneurship research.

Theoretical implications for organization studies

In ecological and institutional theory that originated in organization studies, it is argued that the embeddedness of organizations in their context plays an important role among the many factors that affect the founding of organizations (Baum & Shipilov, 2006; Hannan & Freeman, 1977, 1989). Social entrepreneurship literature has highlighted the importance of countries' institutional characteristics that influence the opportunity structure for social entrepreneurship (Coskun et al., 2019; Estrin et al., 2013; Griffiths et al., 2013; Stephan et al., 2015). However, Stephan et al. (2015) call for more comparative research on different institutional drivers for social entrepreneurship and propose that new research could measure social entrepreneurship differently than an "overall social entrepreneurship activity" (p. 324). This PhD thesis has the following theoretical implications for the organization studies literature by following those recommendations.

First, the results build upon insights gained in the organization studies literature that advocates for an ecological approach to understanding how organizations are embedded in their institutional context (Baum & Shipilov, 2006; Carroll, 1985; Hannan & Freeman, 1977, 1989). The typical unit of analysis in the ecological approach are populations or types of organizations (Baum & Shipilov, 2006; Hannan & Freeman, 1977). Organizations can cluster – or form populations - based on shared or similar traits, such as the type of activity they are involved in (Hannan & Freeman, 1977; Scott, 2013). The statistical analysis applied in chapter 4 shows how different organizational forms can cluster on identifying variables for social entrepreneurship. These results prove helpful because more robust organization-level measures benefit the

179

exploration of the micro-foundations of ecological theory (Baum & Shipilov, 2006). The organizational forms identified in the cluster analysis in chapter 4 are more specific manifestations of how organizations operate. For example, organizational clusters can differ in the importance of specific organizational goals.

Next to measuring different organizational forms of social entrepreneurship, the results are relevant for the macro-level foundations of ecological theory. For example, different aspects of organizations, such as their founding, are embedded in their contextual surroundings. These include the social, economic and political institutions that affect the opportunity structure for organizations to operate (Baum & Shipilov, 2006). As the empirical literature shows, social entrepreneurship is shaped by the institutional context in which it operates (Estrin et al., 2013; Stephan et al., 2015). Griffiths et al. (2013) sought to explain the prevalence of social entrepreneurship using international comparative research and found that the socio-political variables have the highest explanatory power than economic or cultural variables. However, this does not imply that economic or cultural variables have no significance. Large-scale studies do show the importance of the economic and cultural context as well (Hechavarría, 2016; Hörisch et al., 2017; Pathak & Muralidharan, 2016, 2018; Stephan et al., 2015). Nevertheless, it can be argued that social entrepreneurship manifests itself in organizational forms that conform to their social and institutional expectations (Kibler et al., 2018). Taking it a step further, some organizational forms of social entrepreneurship become 'too institutionalised' (Kerlin, 2017), which means that a socio-political process can occur through which these organizations can be regarded as obligatory and receive support from broader political norms and values (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Thus, as Baum and Shipilov (2006) show in their review of organizational ecology theories, organizations' socio-political legitimacy cannot be ignored (Baum & Oliver, 1992; Baum & Powell, 1995). This also

applies to organizations pursuing an exclusive social or environmental mission (Coskun et al., 2019; Stephan et al., 2015).

Second, the results of chapter 4 are in line with empirical work performed on the validation of the theoretical Macro Institutional Social Enterprise framework that seeks to understand how government, market, and civil society institutions account for different patterns of social entrepreneurship across countries (Kerlin, 2017). The work of Monroe-White et al. (2015) and Coskun et al. (2019) are among the few large-scale studies that empirically and explicitly explore how the welfare state is associated with the prevalence of social entrepreneurship. In congruence with this literature, I used similar explanatory variables that capture the socio-political context of countries. However, one of the main differences is the dependent variable, which includes the organizational forms of social entrepreneurship rather than one broad measure for any social entrepreneurial activity. In line with the theoretical assumption about a generally positive relationship between the welfare state and social entrepreneurship, I found that the prevalence of explicit social enterprises and financially dependent social organizations is higher in contexts with higher levels of welfare spending (chapter 4). Therefore, the welfare state can create a positive breeding ground for social organizations, whether generating market-based income (Coskun et al., 2019) or using a non-profit logic (Salamon et al., 2000). Moreover, social entrepreneurship is perceived as a legitimate actor in social service provision in stronger welfare states (Kibler et al., 2018). Thus, the conventional idea that organizational populations rarely operate in isolation from the state (Baum & Oliver, 1992; Baum & Powell, 1995) can also be applied to social entrepreneurship.

Third, another relevance for organization studies theory is related to the government's influence on organizational practices of social entrepreneurship (chapters 3, 4 and 5). Social enterprises can be a 'policy tool' of the government to provide social services (Defourny & Nyssens, 2010b). Similar cooperation is described by the institutional support perspective, which received empirical

evidence from large-scale social entrepreneurship research. For example, 'active governments' provide social entrepreneurs access to different resources that affect their operations (Stephan et al., 2015). This is in line with the work of Salamon (2002), that shows how different tools of the governments, such as grants, regulation, and loans, impact organizational practices, especially those "charged with the implementation of social policy" (Sandfort et al., 2008, p. 429).

Chapters 2, 3 and 4 show how government regulation, in the form of welfare state policy, affect aspects of social entrepreneurship. Chapter 5 shows how government funding, such as grants, affects social impact measurement. Research finds that grants directly influence management and the ability of social organizations to create societal value (Sandfort et al., 2008). Furthermore, social entrepreneurs that receive such government support are more likely to measure their social impact. The underlying mechanism could be that the 'contract' underlying the grant requires social entrepreneurs 'to prove' their success to the grant provider. However, regarding theory building on the antecedents of social impact measurement, social entrepreneurs are also 'measuring to improve' (chapter 5). As the research performed in chapter 5 is one of the few large-scale studies on social impact measurement, findings from country-based qualitative research (e.g., Nguyen et al., 2015) can be generalized to the broader social entrepreneurial population worldwide. Therefore, the results contribute to a general theory on social impact measurement (Arvidson & Lyon, 2014; Lall, 2017, 2019).

Last, organizational forms of social entrepreneurship can either or both attend to creating social and environmental value. While there is evidence for social enterprises being complementary to social policy implementation, it takes a different role in implementing environmental policy (chapter 4). Therefore, it could be that some organizational forms of social entrepreneurship are instead the exception to the assumption of the ecological approach that organizations rarely operate in isolation from the state (Baum & Oliver, 1992; Baum &

Powell, 1995; Baum & Shipilov, 2006). While both current research and my PhD thesis provide empirical evidence for a relationship between social policy and aspects of social entrepreneurship (chapters 2, 3 and 4), I did not find evidence for the cooperation between governments and organizational forms of social entrepreneurship to implement environmental policy. This could be explained by the absence of a long-standing cooperative tradition between organizations and the government to create value for the environment. On the contrary, such tradition may exist regarding the implementation of social policy (Defourny & Nyssens, 2008, 2010b). For example, welfare states that implement *enabling policies*, which aim to motivate unemployed people to participate in work integration activities (Gilbert, 2002), can collaborate with social enterprises to fulfil those aims (Laville et al., 2006; Spear & Bidet, 2005). This relates to questions about which areas of life and society the welfare state should redistribute (Roller, 1995; Roosma et al., 2013). Based on contemporary social entrepreneurship literature (Coskun et al., 2019; Kerlin, 2017), social enterprises can step in where the welfare state fails or where the welfare state succeeds in attending to social needs. While the former mirrors the institutional void perspective (Mair, Martí, et al., 2012), the latter implies that social enterprises are a legitimate 'policy tool' of the welfare state for providing social services (Defourny & Nyssens, 2010b), which is more in line with an institutional support mechanism (Stephan et al., 2015). However, the institutional support mechanism is not likely to work regarding environmental value creation. As found in chapter 4, some organizational forms of social entrepreneurship tend to respond to environmental problems regardless of the extent to which governments attend to these problems (chapter 4). This contributes to our understanding of how opportunity structures, such as societal problems and government regulations regarding these problems, affect the prevalence of different organizational forms of social entrepreneurship.

Practical implications

The practical implications of this thesis are useful for policymakers in the field of the welfare state and social entrepreneurship. While policymakers are dealing with the tensions between the welfare state and entrepreneurship in general, such as that social spending negatively affects entrepreneurship (Solomon et al., 2021), this dissertation extends this view by exploring the side-effects of the welfare state on social entrepreneurship. The findings can inform policymakers about what may happen regarding social entrepreneurship if a policy is designed to scale up the welfare state in providing social services to those in social need. Moreover, Solomon et al. (2021) argued that policymakers should "carefully weigh the social returns of entrepreneurship versus social spending".

The paradoxical results of this thesis show that welfare policy is likely to impede an individual's desire to become a social entrepreneur while at the same time it is favouring the established social entrepreneurial population. An unintended consequence of welfare state policy is that it can hinder future start-up of social enterprises because fewer people perceive helping others as a relevant outcome of entrepreneurship if they could become entrepreneurs in stronger welfare states. This contradicts the argument that a "government should not be timid in supporting social entrepreneurship for fear that this will reduce privately led initiatives" (Stephan et al., 2015, p. 325). Furthermore, another activity performed by individuals to help other people is social volunteering. Stadelmann-Steffen's (2011) analysis supports a crowding-out effect of public social services on individual social volunteering. Thus, policymakers should consider the implications of welfare state policy on the growth of the social enterprise sector and the related job market.

However, the welfare state also creates a favourable breeding ground for social enterprises. My analyses suggest that the welfare state is positively associated with the degree and type of social entrepreneurship. Other scholars

also show a higher prevalence of social enterprises in contexts with more active governments (Stephan et al., 2015) or welfare state expenditures (Coskun et al., 2019). From the perspective that social entrepreneurship is stimulating "social transformation, enhancing the quality of life and enriching human existence around the globe" (Zahra et al., 2008, p. 129), it is important to note its relationship with governmental social interventions. Thus, as both crowding-in and crowding-out can go hand in hand, policymakers should consider the specific aim of policy regarding the welfare state and its consequences on social entrepreneurship.

Regarding another aspect of social entrepreneurship, namely social impact measurement, direct government funding for social enterprises can stimulate the uptake of tools to measure social impact. Given the value of monitoring the success of social enterprises' social mission, it is important to consider that different government tools affect this organizational practice. Therefore, this dissertation can guide policy decisions regarding government activity (e.g., welfare state regulations and the provision of grants) and social entrepreneurship development.

3 • LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Despite the implications, this dissertation is not without its limitations. A first general limitation is that I use secondary quantitative data. The weakness of such data, especially regarding social entrepreneurship, is that it includes self-reporting data that could be problematic due to concerns about (cultural) differences in the interpretation of the term social entrepreneurship (Gras et al., 2014; Lepoutre et al., 2013). The challenge then lies in measuring social entrepreneurship because it can mean different things to different people and vary between countries (Mair, 2010). Hence, it was impossible to guarantee that the GEM respondents who self-identified with 'social entrepreneurship' were indeed social entrepreneurs in real life (see chapters 3, 4 and 5). To partly

185

overcome this weakness, it is important to measure the 'entrepreneurial' and 'social' dimensions to classify the respondents as social entrepreneurs (Bacq & Janssen, 2011; Defourny & Nyssens, 2010a). Nevertheless, the conclusions are based on the broader social entrepreneurial population regardless of their specific legal form, industry, and scale of impact.

Second, the data were gathered in 2009, 2012, and 2015. This might cause some concerns about the validity of the outcomes presented in this PhD thesis in light of present times. If the interpretation of social entrepreneurship had been under the influence of time, it would have changed. However, several literature studies that cover different time frames do not show evidence for such a shift (Alegre et al., 2017; Short et al., 2009). Furthermore, at the centre of attention is theory testing. As long as there are no assumptions that the theoretical mechanisms change over time, data from any period are applicable. Nevertheless, more research is needed based on more contemporary data. It would of interest to use GEM 2019/2020 or GEM 2021/2022 data, that respectively include information on possible motivations for social entrepreneurship (e.g., starting a business to make a different in the world) and on the extent that new or established businesses pay close regard to the social and environmental implications of their activities. However, both datasets are upon today not publicly accessible.

The world has changed tremendously since the last economic crisis in 2008. Currently, a global pandemic covers the entire globe that creates negative consequences for the social well-being of people (Mc Intyre et al., 2021) and the global economy (Priya, Cuce, & Sudhakar, 2021). Furthermore, the recent Intergovernmental Panel for Climate Change (IPCC, 2021) report has concluded that radical action is needed to cope with climate change to ensure a sustainable and liveable world. Social and environmental problems may only grow stronger, contributing to the necessity of achieving the UN Sustainable Development Goals.

As addressed in his professorial inaugural lecture, Harry Hummels made a

compelling case that social enterprises are an essential puzzle piece in contributing to radical change to fulfil the basic needs of individuals and communities (Hummels, 2018). Moreover, scholars acknowledge the importance of social entrepreneurs in dealing with the current pandemic's negative social and economic consequences (Dentchev, 2020). However, more research is needed to investigate the complex relationship between government social interventions and social entrepreneurship in light of the current pandemic and climate change challenges.

Nowadays, social entrepreneurship curricula are becoming more common in schools and universities that stimulate a social entrepreneurial orientation among the public, especially the student population (Hockerts, 2018; Kickul et al., 2018). Furthermore, recent research suggests that individuals' personal experience with social entrepreneurship during childhood contributes to a social entrepreneurial orientation in later life (Dickel, Sienknecht, & Hörisch, 2021). Although the perceived desirability of social entrepreneurship can then be more prevalent in today's society, I do not assume that the theoretical mechanism regarding the influence of the welfare state has shifted.

Third, and related to the second, some causality concerns might arise. I mainly used cross-sectional data that were gathered at one point in time. In other words, I took a snapshot of the current association between social entrepreneurship and context (e.g., the welfare state). It could be that the general assumption about a one-sided influence of context on social entrepreneurship is a fallacy. For example, a strong welfare state can crowd in social entrepreneurship. Consequently, because social entrepreneurship is hypothetically perceived as a promising way to deal with contemporary society's social ills, the welfare state is less needed in providing welfare to its citizens. This could decrease spending on social services by the welfare state. In his paper on a 'positive theory of social entrepreneurship', Santos (2012) argues that the greatest success for social entrepreneurs is when a sustainable solution is found for the problem addressed and, as a consequence, the work of the social entrepreneur

is no longer necessary. However, more research is needed to explore the consequences of social entrepreneurship on the formation of public policy. This adds to knowledge on how policymaking is influenced by organizational objectives and activities regarding benefitting society (Scherer & Palazzo, 2011; Stephan et al., 2016). To this end, future empirical social entrepreneurship research would greatly benefit from longitudinal and more recent data. This allows us to study whether the relationship between the welfare state and social entrepreneurship is double-sided and to make claims about causality.

Another benefit of more data, especially by including a more comprehensive range of countries, is its contribution to quantitative and multilevel research strength. Consequently, the statistical models are more capable of detecting true effects for the total population. Therefore, an essential step in contributing to the development of the social entrepreneurship research field is gathering more valid data. Fortunately, recent large-scale international data projects have started, which I believe will undoubtedly contribute to this development. Hence, future research could address a possible interdependence between the welfare state and social entrepreneurship. Furthermore, if one is interested in exploring the perception and lived experiences of social entrepreneurs concerning their possible partnership with the welfare state, an interesting research strategy could be to use a qualitative research design.

Fourth, measuring the strength of the welfare state for countries outside of Europe or countries that are not a member of the OECD is challenging. Recently, more valid data on spending on social benefits for a wide range of economically developing countries are becoming available to the public (e.g., the data on the Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE) from the World Bank). However, I followed prior social entrepreneurship research to measure the welfare state as the sum of spending on health and education (Coskun et al., 2019; Kerlin, 2013; Monroe-White et al., 2015). The benefit of this approach is that it enables to include more countries in a multilevel statistical analysis. Although health expenditure takes up a high

share of total welfare spending (Castles, 2009), the downside is that it does not capture purely spending on social protection (e.g., that spending reserved for strictly alleviating poverty and social exclusion). Therefore, it is important to note the different measurements of the welfare state throughout the chapters. Chapters 2 and 3 are primarily in line with the sociological approach to focus on social expenditures. Chapter 4, however, is due to its contribution to the debate on how macro institutions shape the prevalence of social entrepreneurship, mostly aligned with the measurement of the welfare state as applied in the current social entrepreneurship literature. In particular, the dominant approach in this literature is to measure the welfare state as the sum of health and education expenditures. Nevertheless, any expenditure approach measures a government's commitment to caring for its citizens (Esping-Andersen, 1990a; Stadelmann-Steffen, 2011). The expenditure approach provides a different view on the welfare state compared to Esping-Andersen's approach in studying the welfare state through the principles of decommodification and stratification. Thus, I did not study how the set of different policies and institutions that constitute a welfare regime may trigger or hinder different aspects of social entrepreneurship. Therefore, the results of the hypotheses testing on the consequences of the welfare state throughout the different chapters are best interpreted in terms of government commitment in providing welfare.

Fifth, a substantial part of the contextual scholarship on social entrepreneurship investigates the influence of 'informal institutions', such as national culture (Brieger & De Clercq, 2019; Brieger et al., 2018; Hechavarría, 2016; Hechavarría et al., 2017; Pathak & Muralidharan, 2016; Stephan et al., 2015). Prior research shows that when more people have a positive attitude towards welfare redistribution, the national prevalence of social entrepreneurship is higher (Folmer et al., 2016). However, social expenditures also influence these perceptions. For example, higher social expenditures can lead to fewer people being in social need, which impacts the perceptions about social benefits (Roosma et al., 2016). Thus, a possible omitted variable in my PhD thesis is

189

'solidarity culture' from a welfare state perspective. Because I focus mainly on the contextual perspective related to governments' commitment to social welfare as a formal institution, future research could study how informal and formal welfare state dimensions relate to different social entrepreneurship aspects. Nevertheless, socio-political variables have the highest explanatory power compared to economic and cultural variables in quantitative social entrepreneurship research (Griffiths et al., 2013). Furthermore, scholars found that welfare state variables seem to capture the effect of culture when studying the prevalence of social entrepreneurship (Coskun et al., 2019).

Sixth, although a macro-perspective provides the benefit of studying social entrepreneurship from an international comparative perspective, I could not study the details and implementation of existing (social) policy and its influence on different aspects of social entrepreneurship in regional or lower administrative levels. Moreover, social entrepreneurship can also respond to social or environmental problems perceived at the local or regional level. Therefore, future research might benefit from studying social entrepreneurship at a different administrative level. For example, it could be possible to merge the Flash Eurobarometer data with Eurostat data as both data sources include information on lower administrative levels, such as the NUTS 2 and NUTS 3 level, to detect regional differences in the prevalence of social entrepreneurship. Some academic work that considers these lower administrative levels have already been carried out (Folmer et al., 2016).

Related to the prior, another limitation of the available data is the Western bias of the sample used in this thesis. Due to the use of the Flash Eurobarometer and the GEM there is a considerable overrepresentation of Western, mainly European, countries. Not only is data on different aspects of social entrepreneurship in non-Western countries scarce, data on welfare state indicators are mainly available for Western countries. Nevertheless, in chapter 3 and 4, I was able to use data from the IMF GFS database, which includes spending data on different classifications of the government for many Western

and non-Western countries. Therefore, I was able to study the association between welfare state indicators and the social orientation of entrepreneurs and prevalence of different organizational forms of social entrepreneurship among a sample of non-Western countries as well. Despite this effort, more research is needed to verify a Wester/non-Western effect on the association between the strength of governments in addressing societal problems and different aspects of social entrepreneurship.

4 • FINAL THOUGHTS

Social entrepreneurs see and utilize opportunities to create a better world. It can be said that social entrepreneurship is a noble undertaking in which the entrepreneur takes financial risks by balancing the financial performance with the intended social impact. While it is argued that social entrepreneurship is relatively rare, many organizations give importance to organizational goals related to contributing to society or the environment (chapters 3 and 4). However, definitional debates on what constitutes social entrepreneurship stress that the organization must explicitly have a mission statement about social or environmental impact in its core identity and values. Moreover, this aspect is relatively rare among the entrepreneurial population (chapters 3 and 4). Furthermore, a desire to create an impact for others through entrepreneurship is rare compared to the traditional motivations to become an entrepreneur, which are the desires related to financial gain and personal autonomy (chapter 2).

The aspects of social entrepreneurship studied in this dissertation are not independent of the context in which they occur. I have observed that government policy on social protection and welfare services impacts the desire to become a social entrepreneur (chapter 2), the importance of social value creation goals for entrepreneurs (chapter 3), the presence of different organizational forms of social entrepreneurship, and how government regulations, such as funding,

positively affect social impact measurement. Nevertheless, more research is needed to understand further the paradox between the welfare state and social entrepreneurship. What makes becoming a social entrepreneur a less desirable occupational choice while, at the same time, the welfare state supports the social enterprise sector, leading to a higher prevalence of socially oriented enterprises? As suggested, it could be that fewer people perceive the need to help others in stronger welfare states. However, those starting a social enterprise can count on a supportive social-political environment. More research is needed to either solve the paradox or discover how, why, and when aspects of social entrepreneurship come to life in the welfare state.

Appendices

APPENDIX TABLE 2.1   Operationalization and descriptive statistics

Variable	N	Mean	SD	Min	Max	Operationalization and source
Dependent variables: Entrepreneurship preference						Why would you prefer to be self-employed rather than an employee?
Immaterial	13,529	0.782	0.413	0	1	Personal independence/self-fulfilment + Freedom to choose place and time of working
Financial	13,529	0.210	0.407	0	1	Better income prospects
Necessity	13,529	0.025	0.156	0	1	Lack of (attractive) employment opportunities
Social	13,529	0.026	0.160	0	1	To contribute to society
Explanatory variables: Occupational class						As far as your current occupation is concerned, would you say you are …?
Salariat white-collar	13,529	0.138	0.345	0	1	Professional + General management, director or top management + Middle management
Blue collar (un)skilled	13,529	0.109	0.311	0	1	Skilled manual worker + Unskilled manual worker
Unemployed	13,529	0.084	0.278	0	1	Seeking a job
Intermediate	13,529	0.259	0.438	0	1	White collar civil servant + Office clerk + Other white collar + Blue-collar supervisor/foreman
Student	13,529	0.171	0.376	0	1	Student (full-time)
Self-employed professional	13,529	0.119	0.323	0	1	Self-employed professional + Manager of a company
Petit bourgeoisie	13,529	0.120	0.325	0	1	Farmer, forester, fisherman + Owner of a shop, craftsman + Other self-employed
Individual-level control variables						
Year 2012	13,529	0.570	0.495	0	1	Survey participation in FEB 283 (0) or FEB 354 (1)
Age	13,529	35.957	13.256	15	67	How old are you?
Female	13,529	0.393	0.488	0	1	Gender. 0 Male, 1 Female
Household income feeling	13,529	0.730	0.444	0	1	Which of the following statements best describe your feelings about your personal household's income these days? 0 = (Find it (very) difficult to manage on current income), 1 = (Get by on current income + Live comfortably on current income)
Risk avoidance	13,529	0.435	0.496	0	1	One should not start a business if there is a risk it might fail. 0 = (Tend to disagree + Totally disagree), 1 = (Tend to agree + Totally agree)
Self-employed parent(s)	13,529	0.287	0.452	0	1	Could you tell me the occupations of your parents? 0 = not self-employed, 1 = self-employed
Urban	13,529	0.663	0.473	0	1	Would you say you live in a …? 0 = Rural area or village, 1 = Small or medium-sized town + Large town/city.
Contextual level variables						
Welfare state expenditure	64	21.58	5.22	10.77	32.83	Eurostat SPR_EXP_SUM, % of GDP; [https://ec.europa.eu/eurostat/databrowser/view/spr_exp_sum/default/table?lang=en]

Variable	N	Mean	SD	Min	Max	Operationalization and source
Contextual-level control variables						
Unemployment rate	64	7.91	3.48	2.67	19.73	Eurostat: Unemployment rates by sex, age and citizenship (%) [LFSA_URGAN]; [https://ec.europa.eu/eurostat/databrowser/view/lfsa_urgan/default/table?lang=en]
GDP per capita in euros / 1000	64	26.79	18.37	4.82	85.77	Eurostat: Gross Domestic Product at market prices, Current prices, euro per capita [TEC00001]; [https://ec.europa.eu/eurostat/databrowser/view/tec00001/default/table?lang=en]
Robustness check: contextual-level variables						
Welfare generosity	62	17.32	18.28	-8.43	62.50	Eurostat; Net Replacement Rate of unemployment benefits [one earner couple with 2 children, Average Wage, 60 months unemployed; [https://europa.eu/economy_finance/db_indicators/tab/#]
Unemployment benefit expenditure	64	1.10	0.79	0.10	3.67	Eurostat; Social protection expenditure by unemployment function, % of GDP; SPR_EXP_FUN; [https://ec.europa.eu/eurostat/databrowser/view/spr_exp_fun/default/table?lang=en]
Unemployment insurance for self-employed	62	0.31	0.46	0	1	MISSOC (Mutual Information System on Social Protection/Social Security), July 2008 and July 2011. 0 = No + Means-tested/Conditional, 1 = Voluntary + Equivalent to dependency employment. [https://www.missoc.org/missoc-database/; see Rapp et al. (2017).]

Note: All individual-level variables are taken from the Flash Eurobarometer 283 (2009) and 354 (2012); Contextual-level variables are the average value of 3-years preceding the year of data collection; Context is measured as a country-year combination; Welfare generosity has missing data for Croatia, Cyprus-2009 combination has average value for 2006 and 2007, Cyprus-2012 combination has value for 2014; Croatia-2009 combination has data from 2008 for unemployment benefit expenditure; Turkey has missing data on unemployment insurance for self-employed.

APPENDIX TABLE 2.2   Multilevel logistic regression estimation results on the financial motive for entrepreneurship; direct effect

	Model 0 b/ (se)	Model 1 b/ (se)	Model 2 b/ (se)	Model 3 b/ (se)	Model 4 b/ (se)
Occupational class (ref. salariat class)					
Working class		0.346***	0.252**	0.254**	0.254**
		(0.084)	(0.088)	(0.088)	(0.088)
Unemployed		-0.110	-0.211*	-0.209*	-0.210*
		(0.080)	(0.089)	(0.09)	(0.089)
Intermediate		0.118*	0.091	0.095+	0.097+
		(0.054)	(0.056)	(0.056)	(0.055)
Student		-0.226*	-0.411***	-0.406***	-0.406***
		(0.114)	(0.086)	(0.086)	(0.086)
Self-employed professional		-0.193*	-0.180*	-0.176*	-0.177*
		(0.089)	(0.088)	(0.088)	(0.088)
Petite bourgeoisie		-0.327***	-0.344***	-0.340***	-0.340***
		(0.096)	(0.095)	(0.095)	(0.095)
Year = 2012			-0.205*	-0.049	-0.081
			(0.095)	(0.107)	(0.122)
Age			-0.120***	-0.119***	-0.118***
			(0.030)	(0.030)	(0.030)
Female			-0.177***	-0.177***	-0.177***
			(0.046)	(0.046)	(0.046)
Subjective household income			-0.146**	-0.144**	-0.139**
			(0.052)	(0.052)	(0.053)
Risk avoidance			0.127**	0.126**	0.124**
			(0.046)	(0.046)	(0.046)
Urban geography			-0.033	-0.036	-0.038
			(0.054)	(0.054)	(0.054)
Self-employed parent(s)			0.033	0.036	0.038
			(0.048)	(0.048)	(0.048)
Total social expenditure				-0.286***	-0.145
				(0.061)	(0.090)
GDP per capita / 1000					-0.276*
					(0.127)
Unemployment rate					-0.072
					(0.073)
Constant	-1.535***	-1.505***	-1.203***	-1.275***	-1.241***
	0.101	0.105	0.121	0.115	0.116
Variance estimates					
Country	0.226***	0.228***	0.214***	0.120**	0.081*
	(0.064)	(0.066)	(0.061)	(0.045)	(0.040)
Country-year	0.120**	0.120**	0.102**	0.110***	0.100**
	(0.040)	(0.039)	(0.032)	(0.033)	(0.033)
N	13529	13529	13529	13529	13529
AIC	12875.2	12806	12769.7	12760.5	12754.6
BIC	12897.7	12873.6	12889.9	12888.3	12897.4
ICC	0.0953	0.0957	0.0877	0.0652	0.0524
LL	-6434.6	-6394	-6368.8	-6363.3	-6358.3
df	0	6	13	14	16
Chi2		95.12	255.3	323.1	385.7

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.3   Multilevel logistic regression estimation results on the autonomy motive for entrepreneurship; direct effect

	Model 1 b/ (se)	Model 2 b/ (se)	Model 3 b/ (se)	Model 4 b/ (se)	Model 5 b/ (se)
Occupational class (ref. salariat class)					
Working class		-0.324***	-0.230*	-0.233*	-0.233*
		(0.097)	(0.098)	(0.098)	(0.097)
Unemployed		-0.168+	-0.094	-0.096	-0.095
		(0.094)	(0.097)	(0.097)	(0.097)
Intermediate		-0.202***	-0.181**	-0.185**	-0.185**
		(0.053)	(0.057)	(0.057)	(0.057)
Student		-0.080	-0.090	-0.095	-0.095
		(0.126)	(0.105)	(0.105)	(0.105)
Self-employed professional		0.191*	0.208*	0.205*	0.206*
		(0.097)	(0.100)	(0.099)	(0.099)
Petite bourgeoisie		-0.062	-0.022	-0.025	-0.025
		(0.079)	(0.083)	(0.083)	(0.083)
Year = 2012			-0.199*	-0.271**	-0.280*
			(0.092)	(0.094)	(0.110)
Age			0.002	-0.001	-0.001
			(0.033)	(0.033)	(0.033)
Female			0.203***	0.204***	0.204***
			(0.044)	(0.044)	(0.044)
Subjective household income			0.159***	0.153***	0.150***
			(0.039)	(0.039)	(0.039)
Risk avoidance			-0.192***	-0.189***	-0.187***
			(0.057)	(0.056)	(0.057)
Urban geography			-0.018	-0.016	-0.014
			(0.052)	(0.052)	(0.052)
Self-employed parent(s)			0.050	0.044	0.041
			(0.052)	(0.052)	(0.052)
Total social expenditure				0.140*	0.090
				(0.055)	(0.068)
GDP per capita / 1000					0.105
					(0.065)
Unemployment rate					0.050
					(0.049)
Constant	1.361***	1.460***	1.411***	1.449***	1.452***
	(0.064)	(0.100)	(0.151)	(0.149)	(0.152)
Variance estimates					
Country	0.050	0.044	0.042	0.028	0.017
	(0.038)	(0.039)	(0.033)	(0.027)	(0.030)
Country-year	0.112*	0.114*	0.093*	0.086*	0.091*
	(0.050)	(0.050)	(0.039)	(0.036)	(0.038)
N	13529	13529	13529	13529	13529
AIC	13924.2	13892.9	13851.1	13846.6	13848
BIC	13946.8	13960.5	13971.3	13974.3	13990.8
ICC	0.0468	0.0458	0.0392	0.0335	0.0317
LL	-6959.1	-6937.4	-6909.5	-6906.3	-6905
df	0	6	13	14	16
Chi2		87.38	343.2	428.6	489.7

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.4   Multilevel logistic regression estimation results on the necessity motive for entrepreneurship; direct effect

	Model 0 b/ (se)	Model 1 b/ (se)	Model 2 b/ (se)	Model 3 b/ (se)	Model 4 b/ (se)
Occupational class (ref. salariat class)					
Working class		0.204	0.120	0.130	0.134
		(0.259)	(0.267)	(0.266)	(0.266)
Unemployed		0.427+	0.293	0.296	0.288
		(0.254)	(0.292)	(0.292)	(0.291)
Intermediate		-0.015	-0.047	-0.039	-0.037
		(0.191)	(0.189)	(0.187)	(0.187)
Student		0.193	0.208	0.219	0.222
		(0.189)	(0.233)	(0.232)	(0.232)
Self-employed professional		0.102	0.104	0.112	0.109
		(0.180)	(0.177)	(0.176)	(0.177)
Petite bourgeoisie		0.108	0.103	0.110	0.113
		(0.251)	(0.257)	(0.257)	(0.258)
Year = 2012			-0.074	0.039	-0.101
			(0.143)	(0.155)	(0.189)
Age			-0.002	0.006	0.011
			(0.079)	(0.079)	(0.080)
Female			0.006	0.004	0.003
			(0.103)	(0.102)	(0.101)
Subjective household income			-0.372*	-0.358*	-0.342*
			(0.166)	(0.159)	(0.161)
Risk avoidance			-0.165	-0.174	-0.179
			(0.112)	(0.111)	(0.111)
Urban geography			-0.112	-0.117	-0.112
			(0.111)	(0.111)	(0.111)
Self-employed parent(s)			-0.062	-0.050	-0.042
			(0.114)	(0.112)	(0.111)
Total social expenditure				-0.235*	-0.138
				(0.115)	(0.148)
GDP per capita / 1000					-0.151
					(0.14)
Unemployment rate					0.092
					(0.108)
Constant	-3.929***	-4.040***	-3.553***	-3.621***	-3.543***
	(0.120)	(0.210)	(0.292)	(0.276)	(0.280)
Variance estimates					
Country	0.263*	0.257*	0.246+	0.167	0.166
	(0.127)	(0.124)	(0.127)	(0.128)	(0.116)
Country-year	0.057	0.054	0.063	0.087	0.064
	(0.063)	(0.062)	(0.062)	(0.068)	(0.071)
N	13529	13529	13529	13529	13529
AIC	2905	2911.6	2914.5	2912	2912.8
BIC	2927.5	2979.2	3034.7	3039.8	3055.5
ICC	0.0886	0.0864	0.0859	0.0717	0.0654
LL	-1449.5	-1446.8	-1441.3	-1439	-1437.4
df	0	6	13	14	16
chi2		4.377	24.13	25.21	51.92

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.5   Multilevel logistic regression estimation results on the societal motive for entrepreneurship; direct effect

	Model 0 b/ (se)	Model 1 b/ (se)	Model 2 b/ (se)	Model 3 b/ (se)	Model 4 b/ (se)
Occupational class (ref. salariat class)					
Working class		-0.519*	-0.485+	-0.476+	-0.477+
		(0.244)	(0.250)	(0.251)	(0.253)
Unemployed		-0.177	-0.133	-0.128	-0.125
		(0.287)	(0.284)	(0.282)	(0.282)
Intermediate		-0.308+	-0.299+	-0.285+	-0.286+
		(0.168)	(0.174)	(0.173)	(0.174)
Student		-0.647**	-0.269	-0.254	-0.255
		(0.234)	(0.232)	(0.231)	(0.231)
Self-employed professional		-0.457*	-0.525**	-0.514**	-0.513**
		(0.195)	(0.193)	(0.193)	(0.192)
Petite bourgeoisie		-0.419+	-0.535*	-0.529*	-0.531*
		(0.219)	(0.210)	(0.209)	(0.210)
Year = 2012			-0.288+	-0.159	-0.133
			(0.160)	(0.169)	(0.185)
Age			0.248***	0.256***	0.254***
			(0.064)	(0.066)	(0.068)
Female			0.124	0.123	0.124
			(0.12)	(0.12)	(0.120)
Subjective household income			-0.090	-0.068	-0.077
			(0.132)	(0.13)	(0.129)
Risk avoidance			-0.089	-0.095	-0.090
			(0.117)	(0.117)	(0.117)
Urban geography			-0.062	-0.069	-0.068
			(0.104)	(0.104)	(0.103)
Self-employed parent(s)			0.364**	0.378**	0.371**
			(0.124)	(0.123)	(0.121)
Total social expenditure				-0.255*	-0.317*
				(0.109)	(0.130)
GDP per capita / 1000					0.113
					(0.134)
Unemployment rate					0.008
					(0.132)
Constant	-3.818***	-3.484***	-3.424***	-3.501***	-3.518***
	(0.110)	(0.167)	(0.247)	(0.241)	(0.240)
Variance estimates					
Country	0.155	0.156	0.228*	0.144	0.129
	(0.097)	(0.103)	(0.104)	(0.100)	(0.094)
Country-year	0.226*	0.224*	0.167*	0.175*	0.173*
	(0.101)	(0.102)	(0.078)	(0.077)	(0.076)
N	13529	13529	13529	13529	13529
AIC	3121.2	3120.5	3108.6	3105.4	3108.4
BIC	3143.7	3188.1	3228.8	3233.1	3251.1
ICC	0.104	0.104	0.107	0.0883	0.084
LL	-1557.6	-1551.2	-1538.3	-1535.7	-1535.2
df	0	6	13	14	16
Chi2		15.49	68.73	80.44	85.56

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Standard Errors clustered at country level; N country-year = 64; N country = 32.

Multilevel logistic regression estimation results on cross-level interaction between occupational class and welfare state strength (N = 13,529)

	Financial motive b/ (se)	Autonomy motive b/ (se)	Necessity motive b / (se)	Societal motive b/ (se)
Occupational class (ref. salariat)				
Working class	0.242**	-0.231**	0.142	-0.593*
	(0.086)	(0.096)	(0.338)	(0.273)
Other	-0.133*	-0.062	0.177	-0.333*
	(0.060)	(0.065)	(0.206)	(0.159)
Year = 2012	-0.077	-0.270*	-0.093	-0.141
	(0.120)	(0.112)	(0.196)	(0.183)
Age	-0.072+	0.019	-0.021	0.214**
	(0.037)	(0.036)	(0.063)	(0.078)
Female	-0.154***	0.181***	-0.010	0.145
	(0.046)	(0.044)	(0.100)	(0.122)
Subj. Household income	-0.153**	0.174***	-0.360**	-0.116
	(0.050)	(0.038)	(0.138)	(0.135)
Risk avoidance	0.123**	-0.202***	-0.180	-0.083
	(0.047)	(0.055)	(0.112)	(0.113)
Urban geography	-0.032	-0.019	-0.114	-0.069
	(0.054)	(0.052)	(0.111)	(0.103)
Self-employed	0.009	0.057	-0.039	0.344**
parent(s)	(0.051)	(0.052)	(0.109)	(0.129)
Total social expenditure	-0.126	0.109	-0.348	-0.368+
	(0.102)	(0.118)	(0.230)	(0.205)
GDP per capita	-0.266*	0.102	-0.152	0.118
	(0.130)	(0.064)	(0.138)	(0.134)
Unemployment rate	-0.066	0.048	0.091	0.016
	(0.073)	(0.051)	(0.110)	(0.132)
Total social expenditure	-0.070	-0.045	0.208	-0.236
* Working class	(0.098)	(0.106)	(0.291)	(0.217)
Total social expenditure	-0.018	-0.019	0.243	0.095
* Other	(0.064)	(0.082)	(0.163)	(0.176)
Variance estimates				
Variance country	0.084*	0.017	0.169	0.143
	(0.039)	(0.030)	(0.115)	(0.097)
Variance country-year	0.093**	0.095*	0.065	0.162*
	(0.032)	(0.039)	(0.07)	(0.075)
Working class	0.031	0.000	0.129	0.000
	(0.044)	(0.000)	(0.217)	(0.000)
Other	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Constant	-1.205***	1.410***	-3.564***	-3.398***
	0.118	0.149	0.250	0.241
AIC	12806.9	13870.2	2911.9	3105.4
BIC	12942.1	13997.9	3047.1	3233.2
ICC	0.051	0.033	0.067	0.089
LL	-6385.5	-6918.1	-1437.9	-5135.7
df	14	14	14	14
Chi2	112.5	157	52.97	31.04

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.7A   Robustness check with unemployment expenditure; direct effect

	Financial		Autonomy		Necessity		Societal	
	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)
Occupational class (ref. salariat class)								
Working class	0.253**	0.254**	-0.232*	-0.234*	0.123	0.133	-0.480+	-0.477+
	(0.088)	(0.088)	(0.098)	(0.098)	(0.267)	(0.268)	(0.251)	(0.253)
Unemployed	-0.208*	-0.210*	-0.098	-0.096	0.298	0.289	-0.124	-0.124
	(0.089)	(0.089)	(0.097)	(0.097)	(0.291)	(0.29)	(0.284)	(0.284)
Intermediate	0.093+	0.096+	-0.183**	-0.185**	-0.045	-0.040	-0.291+	-0.292+
	(0.056)	(0.056)	(0.057)	(0.057)	(0.188)	(0.188)	(0.174)	(0.175)
Student	-0.407***	-0.405***	-0.096	-0.097	0.216	0.225	-0.256	-0.253
	(0.086)	(0.086)	(0.105)	(0.105)	(0.233)	(0.234)	(0.233)	(0.234)
Self-employed professional	-0.177	-0.177*	0.206*	0.206*	0.108	0.109	-0.518**	-0.517**
	(0.088)	(0.088)	(0.100)	(0.100)	(0.176)	(0.177)	(0.193)	(0.193)
Petite bourgeoisie	-0.342***	-0.339***	-0.024	-0.025	0.107	0.114	-0.531*	-0.529*
	(0.095)	(0.095)	(0.083)	(0.083)	(0.256)	(0.257)	(0.209)	(0.211)
Year = 2012	-0.098	-0.136	-0.259**	-0.243*	-0.014	-0.154	-0.191	-0.251
	(0.098)	(0.117)	(0.098)	(0.102)	(0.144)	(0.18)	(0.163)	(0.177)
Age	-0.120***	-0.118***	0.001	-0.001	0.000	0.010	0.251***	0.251***
	(0.03)	(0.03)	(0.033)	(0.033)	(0.079)	(0.08)	(0.064)	(0.068)
Female	-0.177***	-0.177***	0.203***	0.204***	0.005	0.003	0.125	0.125
	(0.046)	(0.046)	(0.044)	(0.044)	(0.102)	(0.101)	(0.12)	(0.12)
Subj. household income	-0.148**	-0.141**	0.158***	0.152***	-0.372*	-0.347*	-0.084	-0.087
	(0.052)	(0.053)	(0.039)	(0.039)	(0.165)	(0.163)	(0.131)	(0.129)
Risk avoidance	0.126**	0.124**	-0.190***	-0.187***	-0.171	-0.18	-0.094	-0.092
	(0.046)	(0.046)	(0.057)	(0.057)	(0.112)	(0.111)	(0.117)	(0.118)
Urban geography	-0.034	-0.036	-0.017	-0.016	-0.112	-0.106	-0.064	-0.058
	(0.054)	(0.054)	(0.052)	(0.052)	(0.111)	(0.11)	(0.104)	(0.103)
Self-employed parent(s)	0.035	0.038	0.045	0.041	-0.054	-0.04	0.376**	0.375**
	(0.048)	(0.048)	(0.052)	(0.052)	(0.113)	(0.113)	(0.123)	(0.122)
Unemployment expenditure	-0.216**	-0.132	0.124*	0.091	-0.133	-0.119	-0.213*	-0.262*
	(0.075)	(0.089)	(0.054)	(0.062)	(0.103)	(0.105)	(0.088)	(0.132)
GDP per capita / 1000		-0.286*		0.104		-0.165		0.076
		(0.130)		(0.063)		(0.134)		(0.151)
Unemployment rate		-0.019		0.006		0.136		0.102
		(0.098)		(0.058)		(0.126)		(0.162)
Constant	-1.256***	-1.206***	1.444***	1.428***	-3.586***	-3.511***	-3.481***	-3.447***
	(0.111)	(0.113)	(0.153)	(0.153)	(0.280)	(0.287)	(0.244)	(0.248)
Variance estimates								
Country	0.151**	0.079+	0.027	0.017	0.207+	0.174+	0.165+	0.149+
	(0.057)	(0.041)	(0.029)	(0.029)	(0.121)	(0.103)	(0.092)	(0.088)
Country-year	0.106**	0.101**	0.089*	0.090*	0.077	0.059	0.175*	0.175*
	(0.033)	(0.035)	(0.037)	(0.038)	(0.067)	(0.071)	(0.080)	(0.081)
N	13529	13529	13529	13529	13529	13529	13529	13529
AIC	12765.1	12755.1	13847.8	13847.9	2915.1	2913	3107.2	3110.6
BIC	12892.8	12897.8	13975.5	13990.6	3042.8	3055.8	3234.9	3253.4
ICC	0.0724	0.052	0.0343	0.0317	0.0796	0.0662	0.0935	0.0898
LL	-6365.6	-6358.5	-6906.9	-6905	-1440.6	-1437.5	-1536.6	-1536.3
df	14	16	14	16	14	16	14	16
Chi2	266.9	334	352.4	372	24.06	44.63	68.99	68.98

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.7B   Robustness check with unemployment expenditure and occupational class; interaction effect (N = 13,529)

	Financial motive b/ (se)	Autonomy motive b/ (se)	Necessity motive b / (se)	Societal motive b/ (se)
Occupational class (ref. salariat)				
Working class	0.246**	-0.217*	0.162	-0.478+
	(0.094)	(0.095)	(0.283)	(0.25)
Other	-0.141*	-0.053	0.171	-0.372*
	(0.059)	(0.064)	(0.175)	(0.151)
Year = 2012	-0.132	-0.232*	-0.147	-0.258
	(0.115)	(0.103)	(0.186)	(0.176)
Age	-0.072+	0.019	-0.022	0.215**
	(0.037)	(0.036)	(0.063)	(0.079)
Female	-0.154***	0.180***	-0.008	0.149
	(0.046)	(0.044)	(0.101)	(0.123)
Subjective Household income	-0.155**	0.175***	-0.366**	-0.131
	(0.05)	(0.037)	(0.14)	(0.133)
Risk avoidance	0.123**	-0.202***	-0.181	-0.083
	(0.046)	(0.056)	(0.112)	(0.115)
Urban geography	-0.029	-0.022	-0.108	-0.054
	(0.053)	(0.052)	(0.111)	(0.103)
Self-employed parent(s)	-0.029	0.057	-0.034	0.350**
	(0.053)	(0.052)	(0.111)	(0.128)
Unemployment benefits expenditure	-0.091	0.048	-0.376+	-0.217
	(0.127)	(0.104)	(0.198)	(0.192)
GDP per capita	-0.273*	0.101	-0.166	0.076
	(0.131)	(0.063)	(0.131)	(0.151)
Unemployment rate	-0.010	0.003	0.137	0.107
	(0.097)	(0.06)	(0.126)	(0.16)
Unemployment expenditure * Working class	-0.044	0.058	0.339	0.101
	(0.126)	(0.099)	(0.212)	(0.233)
Unemployment expenditure * Other	-0.062	0.049	0.279	-0.075
	(0.075)	(0.068)	(0.186)	(0.154)
Constant	-1.205***	1.410***	-3.564***	-3.398***
	(0.118)	(0.149)	(0.25)	(0.241)
Variance estimates				
Variance country	0.080*	0.018	0.173+	0.150+
	(0.040)	(0.030)	(0.103)	(0.089)
Variance country-year	0.094**	0.094*	0.062	0.176*
	(0.034)	(0.039)	(0.070)	(0.081)
Working class	0.029	0.000	0.111	0.000
	(0.045)	(0.000)	(0.170)	(0.000)
Other	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
AIC	12806.8	13869.6	2912.1	3109.7
BIC	12942	13997.3	3047.3	3237.4
ICC	0.0502	0.0329	0.0667	0.0903
LL	-6385.4	-6917.8	-1438.1	-1537.8
df	14	14	14	14
Chi2	104.8	200.9	34.25	70.04

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Standard Errors clustered at country level; N country-year = 64; N country = 32.

APPENDIX TABLE 2.8A   Robustness check with welfare generosity; direct effect

	Financial		Autonomy		Necessity		Societal	
	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)
Occupational class (ref. salariat class)								
Working class	0.251**	0.252**	-0.205*	-0.206*	0.113	0.120	-0.452+	-0.453+
	(0.090)	(0.091)	(0.096)	(0.095)	(0.268)	(0.268)	(0.253)	(0.256)
Unemployed	-0.226*	-0.226*	-0.060	-0.060	0.297	0.291	-0.088	-0.087
	(0.094)	(0.094)	(0.095)	(0.095)	(0.299)	(0.298)	(0.291)	(0.291)
Intermediate	0.088	0.092	-0.171**	-0.174**	-0.059	-0.052	-0.302+	-0.302+
	(0.058)	(0.057)	(0.057)	(0.057)	(0.190)	(0.189)	(0.182)	(0.183)
Student	-0.440***	-0.437***	-0.073	-0.074	0.175	0.183	-0.236	-0.238
	(0.084)	(0.084)	(0.106)	(0.107)	(0.232)	(0.232)	(0.236)	(0.236)
Self-employed professional	-0.184*	-0.183*	0.222*	0.222*	0.059	0.059	-0.489*	-0.489*
	(0.090)	(0.089)	(0.100)	(0.100)	(0.172)	(0.172)	(0.193)	(0.194)
Petite bourgeoisie	-0.353***	-0.351***	-0.003	-0.004	0.050	0.054	-0.477*	-0.478*
	(0.098)	(0.098)	(0.082)	(0.082)	(0.255)	(0.255)	(0.206)	(0.208)
Year = 2012	-0.183*	-0.101	-.179+	-0.250*	-0.074	-0.148	-0.290+	-0.253
	(0.091)	(0.110)	(0.095)	(0.108)	(0.149)	(0.185)	(0.164)	(0.180)
Age	-0.118***	-0.116***	0.004	0.002	0.003	0.013	0.234***	0.233***
	(0.031)	(0.031)	(0.034)	(0.034)	(0.081)	(0.082)	(0.064)	(0.068)
Female	-0.194***	-0.194***	0.205***	0.206***	-0.020	-0.022	0.081	0.081
	(0.045)	(0.045)	(0.046)	(0.046)	(0.102)	(0.102)	(0.116)	(0.116)
Subjective household income	-0.142**	-0.136*	0.174***	0.167***	-0.361*	-0.334*	-0.080	-0.082
	(0.054)	(0.055)	(0.037)	(0.036)	(0.169)	(0.167)	(0.136)	(0.135)
Risk avoidance	0.131**	0.129**	-0.179**	-0.175**	-0.167	-0.178	-0.064	-0.063
	(0.048)	(0.048)	(0.058)	(0.058)	(0.116)	(0.114)	(0.116)	(0.117)
Urban geography	-0.022	-0.027	0.005	0.007	-0.111	-0.108	-0.102	-0.105
	(0.055)	(0.055)	(0.048)	(0.048)	(0.115)	(0.114)	(0.100)	(0.100)
Self-employed parent(s)	0.030	0.033	0.049	0.043	-0.056	-0.041	0.353**	0.352**
	(0.049)	(0.050)	(0.053)	(0.053)	(0.114)	(0.113)	(0.126)	(0.125)
Welfare generosity	-0.144*	-0.078	0.035	0.010	-0.125	-0.066	-0.280**	-0.286**
	(0.063)	(0.055)	(0.039)	(0.032)	(0.079)	(0.097)	(0.095)	(0.094)
GDP		-0.337**		0.153**		-0.230+		0.003
		(0.121)		(0.052)		(0.128)		(0.147)
Unemployment rate		-0.113+		0.061		0.074		-0.045
		(0.067)		(0.047)		(0.113)		(0.133)
Constant	-1.217***	-1.241***	1.368***	1.388***	-3.521***	-3.484***	-3.395***	-3.416***
	(0.117)	(0.119)	(0.150)	(0.151)	(0.296)	(0.298)	(0.254)	(0.259)
Variance estimates								
Country	0.199**	0.109*	0.041	0.021	0.228+	0.181+	0.179*	0.179*
	(0.061)	(0.049)	(0.033)	(0.033)	(0.132)	(0.108)	(0.091)	(0.089)
Country-year	0.085**	0.077**	0.096*	0.098*	0.077	0.066	0.168*	0.168*
	(0.030)	(0.030)	(0.040)	(0.040)	(0.069)	(0.073)	(0.079)	(0.080)
N	13104	13104	13104	13104	13104	13104	13104	13104
AIC	12288.8	12277	13396	13393.8	2835.4	2833.6	3014.5	3018.4
BIC	12415.9	12419.1	13523.1	13535.9	2962.6	2975.7	3141.7	3160.5
ICC	0.0794	0.0536	0.0399	0.0348	0.0849	0.07	0.0955	0.0954
LL	-6127.4	-6119.5	-6681	-6677.9	-1400.7	-1397.8	-1490.3	-1490.2
df	14	16	14	16	14	16	14	16
Chi2	281.3	322.8	391.2	379.2	27.45	52.46	69.81	73.54

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; N country-year = 62; N country = 31.

APPENDIX TABLE 2.8B Robustness check with welfare generosity and occupational class; interaction effect (N = 13,104)

	Financial motive b/ (se)	Autonomy motive b/ (se)	Necessity motive b / (se)	Societal motive b/ (se)
Occupational class (ref. salariat)				
Working class	0.247**	-0.201*	0.224	-0.438+
	(0.092)	(0.096)	(0.338)	(0.257)
Other	-0.145*	-0.045	0.217	-0.330*
	(0.062)	(0.065)	(0.235)	(0.159)
Year = 2012	-0.099	-0.240*	-0.140	-0.260
	(0.108)	(0.109)	(0.193)	(0.180)
Age	-0.067+	0.022	-0.016	0.198*
	(0.038)	(0.037)	(0.064)	(0.079)
Female	-0.172***	0.182***	-0.025	0.102
	(0.045)	(0.045)	(0.102)	(0.118)
Subj. Household income	-0.150**	0.188***	-0.359*	-0.126
	(0.052)	(0.036)	(0.143)	(0.139)
Risk avoidance	0.127**	-0.191**	-0.176	-0.055
	(0.049)	(0.056)	(0.115)	(0.113)
Urban geography	-0.023	0.003	-0.105	-0.102
	(0.055)	(0.048)	(0.115)	(0.099)
Self-employed parent(s)	0.005	0.059	-0.040	0.331*
	(0.053)	(0.053)	(0.110)	(0.132)
Welfare generosity	-0.049	0.041	-0.548+	-0.340*
	(0.089)	(0.096)	(0.328)	(0.164)
GDP per capita	-0.327**	0.149**	-0.242+	0.003
	(0.123)	(0.053)	(0.126)	(0.148)
Unemployment rate	-0.107	0.060	0.072	-0.041
	(0.066)	(0.049)	(0.115)	(0.133)
Welfare generosity * Working class	-0.076	-0.008	0.784*	0.140
	(0.111)	(0.120)	(0.392)	(0.271)
Welfare generosity * Other	-0.038	-0.038	0.490	0.039
	(0.072)	(0.088)	(0.311)	(0.139)
Constant	-1.249***	1.383***	-3.624***	-3.415***
	(0.117)	(0.148)	(0.307)	(0.256)
Variance estimates				
Variance country	0.110*	0.020	0.174	0.180*
	(0.049)	(0.033)	(0.108)	(0.090)
Variance country-year	0.071*	0.103*	0.076	0.169*
	(0.029)	(0.042)	(0.074)	(0.081)
Working class	0.020	0.000	0.118	0.000
	(0.039)	(0.000)	(0.213)	(0.000)
Other	0.000	0.000	0.000***	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
AIC	12330.6	13415.8	2828.4	3017.4
BIC	12465.3	13543	2963	3144.6
ICC	0.052	0.036	0.071	0.096
LL	-6147.3	-6690.9	-1396.2	-1491.7
df	14	14	14	14
Chi2	122.8	122.9	36.77	41.8

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Standard Errors clustered at country level; N country-year = 62; N country = 31.

Robustness check; unemployment insurance for self-employment; direct effect (N = 12879)

	Financial		Autonomy		Necessity		Societal	
	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)	M1 b/ (se)	M2 b/ (se)
Occupational class (ref. salariat class)								
Working class	0.249**	0.251**	-0.248*	-0.250*	0.236	0.244	-0.551*	-0.553*
	(0.090)	(0.091)	(0.099)	(0.099)	(0.253)	(0.254)	(0.274)	(0.277)
Unemployed	-0.206*	-0.207*	-0.113	-0.112	0.473+	0.463+	0.005	0.007
	(0.093)	(0.093)	(0.103)	(0.102)	(0.245)	(0.244)	(0.260)	(0.260)
Intermediate	0.084	0.089	-0.199***	-0.202***	-0.066	-0.059	-0.255	-0.255
	(0.057)	(0.057)	(0.056)	(0.056)	(0.210)	(0.209)	(0.178)	(0.181)
Student	-0.375***	-0.372***	-0.149	-0.151	0.311	0.321	-0.159	-0.160
	(0.085)	(0.085)	(0.096)	(0.096)	(0.240)	(0.239)	(0.225)	(0.226)
Self-employed professional	-0.167+	-0.167+	0.201+	0.200+	0.073	0.074	-0.536**	-0.537**
	(0.089)	(0.089)	(0.105)	(0.104)	(0.189)	(0.189)	(0.205)	(0.205)
Petite bourgeoisie	-0.352***	-0.349***	-0.044	-0.045	0.145	0.153	-0.683***	-0.684***
	(0.100)	(0.100)	(0.084)	(0.084)	(0.278)	(0.279)	(0.20)	(0.203)
Year = 2012	-0.182+	-0.114	-0.176+	-0.207+	-0.056	-0.134	-0.249	-0.211
	(0.097)	(0.118)	(0.093)	(0.107)	(0.153)	(0.187)	(0.166)	(0.178)
Age	-0.130***	-0.129***	0.009	0.007	0.025	0.034	0.229***	0.227**
	(0.029)	(0.029)	(0.033)	(0.033)	(0.080)	(0.081)	(0.066)	(0.070)
Female	-0.175***	-0.176***	0.192***	0.193***	0.032	0.028	0.144	0.145
	(0.048)	(0.048)	(0.046)	(0.046)	(0.110)	(0.109)	(0.129)	(0.128)
Subjective household income	-0.153**	-0.146**	0.150***	0.143***	-0.302+	-0.276+	-0.055	-0.058
	(0.055)	(0.055)	(0.041)	(0.041)	(0.166)	(0.164)	(0.145)	(0.145)
Risk avoidance	0.109*	0.108*	-0.185**	-0.182**	-0.169	-0.180	-0.118	-0.118
	(0.044)	(0.044)	(0.060)	(0.060)	(0.126)	(0.124)	(0.127)	(0.129)
Urban geography	-0.023	-0.028	-0.034	-0.031	-0.042	-0.040	-0.085	-0.087
	(0.056)	(0.056)	(0.054)	(0.054)	(0.104)	(0.102)	(0.112)	(0.112)
Self-employed parent(s)	0.018	0.022	0.057	0.050	-0.111	-0.092	0.306*	0.304*
	(0.049)	(0.050)	(0.056)	(0.056)	(0.129)	(0.128)	(0.134)	(0.129)
UI	-0.235	-0.286+	-0.191+	-0.163	0.211	0.199	0.079	0.076
	(0.206)	(0.148)	(0.114)	(0.109)	(0.246)	(0.233)	(0.238)	(0.239)
GDP per capita/1000		-0.371**		0.133*		-0.200		0.002
		(0.120)		(0.053)		(0.123)		(0.148)
Unemployment rate		-0.101		0.045		0.077		-0.046
		(0.067)		(0.044)		(0.108)		(0.124)
Constant	-1.147***	-1.140***	1.509***	1.513***	-3.794***	-3.753***	-3.496***	-3.516***
	(0.134)	(0.135)	(0.163)	(0.164)	(0.247)	(0.256)	(0.260)	(0.257)
Variance estimates								
Country	0.210***	0.089*	0.035	0.018	0.199	0.156	0.155+	0.156+
	(0.053)	(0.042)	(0.031)	(0.031)	(0.124)	(0.103)	(0.093)	(0.089)
Country-year	0.103**	0.096**	0.088*	0.091*	0.078	0.073	0.177*	0.175*
	(0.033)	(0.034)	(0.041)	(0.042)	(0.07)	(0.073)	(0.086)	(0.088)
AIC	12148.8	12133.2	13018.9	13017.6	2660.8	2659.6	2851.3	2855.1
BIC	12275.6	12275	13145.8	13159.4	2787.7	2801.4	2978.1	2996.9
ICC	0.0869	0.0533	0.036	0.032	0.0775	0.065	0.0916	0.0915
LL	-6057.4	-6047.6	-6492.5	-6489.8	-1313.4	-1310.8	-1408.6	-1408.5
df	14	16	14	16	14	16	14	16
Chi2	239.6	309.2	294.8	309.6	40.4	70.13	84.65	88.07

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Standard Errors clustered at country level; UI = Unemployment Insurance for self-employed; N country-year = 62; N country = 31.

APPENDIX TABLE 2.9B   Robustness check; unemployment insurance for self-employed population and occupational class; interaction effect (N = 12879)

	Financial b/ (se)	Autonomy b/ (se)	Necessity b/ (se)	Societal b / (se)
Occupational class (ref. salariat class)				
Working class	0.204+	-0.132	0.575+	-0.404
	(0.117)	(0.114)	(0.306)	(0.335)
Other	-0.155*	-0.023	0.248	-0.295
	(0.073)	(0.078)	(0.237)	(0.205)
Year = 2012	-0.113	-0.193+	-0.135	-0.223
	(0.117)	(0.108)	(0.192)	(0.179)
Age	-0.089**	0.035	-0.018	0.166*
	(0.034)	(0.034)	(0.068)	(0.070)
Female	-0.150**	0.165***	0.014	0.172
	(0.048)	(0.045)	(0.109)	(0.131)
Subj. Household income	-0.158**	0.167***	-0.318*	-0.121
	(0.053)	(0.039)	(0.146)	(0.155)
Risk avoidance	0.105*	-0.198***	-0.172	-0.105
	(0.044)	(0.059)	(0.126)	(0.126)
Urban	-0.023	-0.037	-0.039	-0.079
	(0.056)	(0.054)	(0.102)	(0.112)
Self-employed parent(s)	-0.006	0.066	-0.091	0.263*
	(0.054)	(0.056)	(0.122)	(0.131)
Unemployment insurance for SE	-0.384*	0.018	0.584	0.241
	(0.180)	(0.194)	(0.439)	(0.289)
GDP	-0.362**	0.129*	-0.204+	0.002
	(0.123)	(0.053)	(0.122)	(0.149)
Unemployment rate	-0.096	0.044	0.080	-0.035
	(0.066)	(0.045)	(0.109)	(0.125)
UI*Working class	0.166	-0.327+	-1.028*	-0.590
	(0.164)	(0.199)	(0.405)	(0.474)
UI*Other	0.113	-0.192	-0.354	-0.162
	(0.135)	(0.129)	(0.326)	(0.342)
Constant	-1.122***	1.447***	-3.841***	-3.503***
	(0.130)	(0.168)	(0.315)	(0.285)
Variance estimates				
Variance country	0.091*	0.019	0.152	0.166+
	(0.042)	(0.031)	(0.105)	(0.090)
Variance country-year	0.090**	0.095*	0.083	0.173*
	(0.033)	(0.044)	(0.076)	(0.088)
Working class	0.034	0.000	0.000	0.000
	(0.044)	(0.000)	(0.000)	(0.000)
Other	0.000	0.000	0.000	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)
AIC	12177.2	13037.1	2658	2858.3
BIC	12311.5	13163.9	2784.8	2985.2
ICC	0.0521	0.0333	0.0667	0.0936
LL	-6070.6	-6501.5	-1312	-1412.1
df	14	14	14	14
Chi2	111	149.1	61.2	40.27

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; UI = unemployment insurance for self-employed; N country-year = 62; N country = 31.

APPENDIX TABLE 2.10   Preference for self-employment in general; direct effect of different welfare state indicators

	Total social expenditure b/ (se)	Unemployment expenditure b/ (se)	Welfare generosity b/ (se)	Unemployment Insurance for SE b/ (se)
Occupational class (ref. salariat class)				
Working class	0.107	0.107	0.111	0.107
	(0.069)	(0.069)	(0.070)	(0.070)
Unemployed	0.060	0.061	0.055	0.059
	(0.070)	(0.070)	(0.072)	(0.071)
Intermediate	-0.036	-0.037	-0.047	-0.043
	(0.048)	(0.048)	(0.048)	(0.048)
Student	0.421***	0.421***	0.433***	0.426***
	(0.081)	(0.081)	(0.083)	(0.083)
Self-employed	2.180***	2.180***	2.206***	2.202***
professional	(0.150)	(0.150)	(0.151)	(0.150)
Petite bourgeoisie	1.768***	1.768***	1.787***	1.789***
	(0.145)	(0.146)	(0.149)	(0.148)
Year = 2012	-0.243+	-0.325**	-0.374**	-0.441***
	(0.126)	(0.101)	(0.116)	(0.059)
Age	-0.182***	-0.183***	-0.180***	-0.182***
	(0.023)	(0.023)	(0.024)	(0.024)
Female	-0.411***	-0.411***	-0.414***	-0.411***
	(0.035)	(0.035)	(0.036)	(0.036)
Subj. Household income	-0.066+	-0.067+	-0.062+	-0.068+
	(0.034)	(0.035)	(0.035)	(0.036)
Risk avoidance	-0.353***	-0.354***	-0.342***	-0.354***
	(0.031)	(0.031)	(0.030)	(0.032)
Urban	-0.028	-0.027	-0.030	-0.027
	(0.023)	(0.023)	(0.024)	(0.023)
Self-employed	0.258***	0.258***	0.261***	0.253***
parent(s)	(0.037)	(0.037)	(0.038)	(0.038)
Welfare state indicator	-0.211**	-0.220***	-0.120*	-0.166
	(0.067)	(0.060)	(0.055)	(0.111)
GDP	-0.136*	-0.145+	-0.221*	-0.213**
	(0.065)	(0.075)	(0.086)	(0.077)
Unemployment rate	0.021	0.108+	-0.003	0.039
	(0.072)	(0.064)	(0.074)	(0.049)
Constant	-0.070	-0.016	0.002	0.079
	(0.098)	(0.082)	(0.094)	(0.093)
Variance estimates				
Country	0.065	0.073+	0.073+	0.114***
	(0.045)	(0.039)	(0.044)	(0.025)
Country-year	0.095	0.090	0.103	0.025**
	(0.073)	(0.070)	(0.082)	(0.009)
N	30990	30990	30195	30149
AIC	36927.3	36927.4	35847.5	36076.2
BIC	37085.8	37085.9	36005.5	36234.2
ICC	0.0463	0.047	0.0507	0.0406
LL	-18444.6	-18444.7	-17904.8	-18019.1
df	16	16	16	16
Chi2	1390.7	1358.1	1579.8	1377.5

Note: *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1; Standard Errors clustered at country level; Welfare state indicator see column heading; capital SE = self-employed; N country-year = 64; N country = 32.

APPENDIX TABLE 3.1   Robustness check with government responsibility: Multilevel linear regression estimates on the social orientation of entrepreneurs

	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)
Social entrepreneur	8.507***	8.509***	8.215***
	(1.389)	(1.387)	(1.258)
Age	-0.021	-0.026	-0.026
	(0.209)	(0.209)	(0.209)
Female	3.185***	3.179***	3.192***
	(0.393)	(0.393)	(0.393)
Education (ref. lower)			
Middle	-0.360	-0.364	-0.355
	(0.536)	(0.536)	(0.536)
Higher	2.981***	2.975***	2.982***
	(0.582)	(0.582)	(0.582)
Size of the organization (ref. small, medium and large)			
Micro	-0.063	-0.064	-0.082
	(0.667)	(0.667)	(0.667)
Self-employed	-0.120	-0.122	-0.141
	(0.691)	(0.691)	(0.691)
Stage of the organization (ref. nascent)			
New	-1.381*	-1.378*	-1.386*
	(0.620)	(0.620)	(0.620)
Established	-1.873***	-1.869***	-1.873***
	(0.527)	(0.527)	(0.526)
Innovative	2.677***	2.681***	2.669***
	(0.525)	(0.525)	(0.525)
Unemployment rate	-2.615+	-2.299	-2.285
	(1.576)	(1.592)	(1.588)
Annual population growth	1.132	1.147	1.126
	(1.313)	(1.294)	(1.291)
Annual GDP per capita growth	-1.773	-1.864	-1.889
	(1.347)	(1.332)	(1.329)
Perceived impact crisis	-0.510	-0.352	-0.387
	(1.584)	(1.572)	(1.568)
Social protection expenditure % GDP	-0.102	-0.635	-0.773
	(1.202)	(1.323)	(1.321)
Government responsibility		-1.253	-1.247
		(1.383)	(1.379)
Interaction			
Social entrepreneur *			2.474*
Social protection expenditure % GDP			(1.062)
Constant	21.893***	22.244***	22.255***
	(1.578)	(1.609)	(1.606)
Variance estimates			
Country	24.992***	24.860***	17.303***
	(12.16)	(12.105)	(9.575)
Individual	390.183***	390.181***	390.169***
	(5.239)	(5.239)	(5.238)
Social entrepreneur	28.041***	27.196***	27.048***
	(8.884)	(8.600)	(8.558)
N individuals	11142	11142	11142
N countries	25	25	25
AIC	98234.5	98235.7	98232.8
BIC	98373.6	98382.1	98386.5
ICC	0.067	0.0652	0.0648
-2LL	98196.6	98195.6	98190.8
df	15	16	17
Chi2	260.9	262.3	279.4

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

APPENDIX TABLE 3.2   Robustness check with welfare state quality: Multilevel linear regression estimates on the social orientation of entrepreneurs

	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)
Social entrepreneur	8.392***	8.398***	8.503***
	(1.622)	(1.625)	(1.434)
Age	-0.139	-0.138	-0.134
	(0.199)	(0.199)	(0.199)
Female	3.024***	3.023***	3.030***
	(0.371)	(0.371)	(0.371)
Education (ref. lower)			
Middle	-0.352	-0.350	-0.345
	(0.504)	(0.504)	(0.504)
High	2.697***	2.701***	2.701***
	(0.553)	(0.553)	(0.553)
Size of the organization (ref. small, medium and large)			
Micro	-0.492	-0.492	-0.499
	(0.625)	(0.625)	(0.625)
Self-employed	-0.549	-0.546	-0.550
	(0.652)	(0.652)	(0.652)
Stage of the organization (ref. nascent)			
New	-1.191*	-1.189*	-1.190*
	(0.586)	(0.586)	(0.586)
Established	-1.627**	-1.626**	-1.624**
	(0.499)	(0.499)	(0.499)
Innovative	2.746***	2.747***	2.741***
	(0.481)	(0.481)	(0.481)
Unemployment rate	-1.491	-1.346	-1.354
	(0.954)	(0.964)	(0.962)
Annual population growth	-2.147	-2.589+	-2.587+
	(1.396)	(1.497)	(1.493)
Annual GDP per capita growth	-2.652+	-3.029*	-3.042*
	(1.443)	(1.511)	(1.508)
Perceived impact crisis	-2.246+	-2.252+	-2.262+
	(1.188)	(1.179)	(1.176)
Social protection expenditure % GDP	-0.707	-1.483	-1.562
	(1.184)	(1.538)	(1.535)
Welfare state quality (ref. means-tested/universal evenly)			
Mostly universal		2.523	2.443
		(3.229)	(3.221)
Interaction			
Social entrepreneur *			3.034*
Welfare state quality (Mostly universal)			(1.194)
Constant	21.380***	19.645***	19.701***
	(1.416)	(2.63)	(2.624)
Variance estimates			
Country	52.750***	52.994***	36.986***
	(20.367)	(20.438)	(16.646)
Individual	374.219***	374.212***	374.256***
	(4.826)	(4.825)	(4.827)
Social entrepreneur	32.604***	32.048***	31.907***
	(9.32)	(9.131)	(9.091)
N individuals	12089	12089	12089
N countries	29	29	29
AIC	106102.3	106103.7	106100.1
BIC	106242.9	106251.7	106255.5
ICC	0.0801	0.0789	0.0786
-2LL	106064.2	106063.6	106058
df	15	16	17
Chi2	241.1	241.7	257.9

*** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1

APPENDIX TABLE 3.3   Robustness check with the primary motivation to engage in entrepreneurship: Multilevel linear regression estimates on the social orientation of entrepreneurs

	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)
Social entrepreneur	3.043*	3.047*	3.259**
	(1.255)	(1.258)	(1.11)
Age	-0.191	-0.189	-0.185
	(0.203)	(0.203)	(0.203)
Female	2.786***	2.785***	2.790***
	(0.376)	(0.376)	(0.376)
Education (ref. lower)			
Middle	-0.352	-0.349	-0.342
	(0.506)	(0.506)	(0.506)
Higher	2.330***	2.332***	2.335***
	(0.562)	(0.562)	(0.562)
Size of the organization (ref. small, medium and large)			
Micro	0.575	0.575	0.581
	(0.652)	(0.652)	(0.652)
Self-employed	0.683	0.686	0.692
	(0.676)	(0.676)	(0.676)
Stage of the organization (ref. nascent)			
New	-1.142+	-1.138+	-1.143+
	(0.593)	(0.593)	(0.593)
Established	-1.683***	-1.677***	-1.675***
	(0.508)	(0.508)	(0.508)
Innovative	2.790***	2.787***	2.783***
	(0.496)	(0.496)	(0.496)
Primary motivation (ref. greater independence)			
To increase personal income	-1.956***	-1.959***	-1.983***
	(0.540)	(0.540)	(0.540)
To maintain income	-0.284	-0.284	-0.296
	(0.736)	(0.736)	(0.736)
Necessity	-0.534	-0.543	-0.551
	(0.518)	(0.518)	(0.518)
Other reasons	2.701***	2.696***	2.687***
	(0.541)	(0.541)	(0.541)
Unemployment rate	-1.501	-1.641+	-1.638+
	(0.966)	(0.977)	(0.974)
Annual population growth	-1.487	-2.088	-2.059
	(1.179)	(1.441)	(1.436)
Annual GDP per capita growth	-2.196	-2.646+	-2.646+
	(1.357)	(1.486)	(1.481)
Perceived impact crisis	-1.981	-2.103+	-2.117+
	(1.220)	(1.222)	(1.218)
Social protection expenditure % GDP		-0.861	-0.951
		(1.206)	(1.204)
Interaction Social entrepreneur * Social protection expenditure % GDP			2.094*
			(0.870)
Constant	20.618***	20.572***	20.570***
	(1.490)	(1.484)	(1.481)
Variance estimates			
Country	17.863***	18.037***	10.101**
	(11.108)	(11.179)	(8.655)
Individual	353.488***	353.484***	353.513***
	(4.749)	(4.749)	(4.749)
Social entrepreneur	34.548***	33.917***	33.710***
	(9.837)	(9.669)	(9.609)
N individuals	11138	11138	11138
N countries	29	29	29
AIC	97117.2	97118.7	97115.7
BIC	97278.2	97287.1	97291.4
ICC	0.089	0.0876	0.0871
-2LL	97073.2	97072.8	97067.8
df	18	19	20
Chi2	256.8	257.4	265.8

*** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1

APPENDIX TABLE 3.4 Robustness check with Kerlin's welfare state measure: Multilevel linear regression estimates on the social orientation of entrepreneurs

	Model 1 b / (se)	Model 2 b / (se)	Model 3 b / (se)	Model 4 b / (se)
Social entrepreneur	9.029***	9.044***	8.976***	8.991***
	(1.644)	(1.639)	(1.636)	(1.632)
Age	0.082	0.086	0.082	0.086
	(0.146)	(0.146)	(0.146)	(0.146)
Female	2.081***	2.085***	2.081***	2.085***
	(0.269)	(0.269)	(0.269)	(0.269)
Education (ref. lower)				
Middle	0.768*	0.773*	0.770*	0.775*
	(0.336)	(0.336)	(0.336)	(0.337)
Higher	3.483***	3.487***	3.484***	3.488***
	(0.403)	(0.403)	(0.403)	(0.403)
Size of the organization (ref. small, medium and large)				
Micro	-0.451	-0.444	-0.450	-0.442
	(0.525)	(0.525)	(0.525)	(0.525)
Self-employed	-0.886	-0.882	-0.885	-0.881
	(0.542)	(0.542)	(0.542)	(0.542)
Stage of the organization (ref. nascent)				
New	-1.306**	-1.298**	-1.306**	-1.299**
	(0.411)	(0.411)	(0.411)	(0.411)
Established	-2.069***	-2.065***	-2.069***	-2.064***
	(0.359)	(0.359)	(0.359)	(0.359)
Innovative	3.099***	3.102***	3.098***	3.101***
	(0.346)	(0.346)	(0.346)	(0.346)
	(1.002)	(1.258)	(1.002)	(1.258)
Unemployment rate		0.055		0.055
		(0.831)		(0.831)
Annual population growth		-0.340		-0.340
		(0.983)		(0.983)
Annual GDP per capita growth		-1.925		-1.924
		(1.222)		(1.222)
Perceived crisis impact		-1.540		-1.539
		(0.984)		(0.984)
Interaction				
Social entrepreneur *welfare expenditure % GDP			0.807	0.801
			(1.636)	(1.631)
Constant	20.424***	20.330***	20.421***	20.328***
	-1.160	(1.143)	-1.160	(1.143)
Variance estimates				
Country	93.135***	92.488***	91.721***	91.092***
	(25.464)	(25.294)	(25.327)	(25.159)
Individual	331.131***	331.136***	331.136***	331.141***
	(3.312)	(3.312)	(3.312)	(3.312)
Social entrepreneur	43.142***	38.690***	43.131***	38.682***
	(9.250)	(8.329)	(9.247)	(8.327)
N individuals	20081	20081	20081	20081
N country	47	47	47	47
AIC	173793	173796	173794	173797
BIC	173911	173946	173921	173956
ICC	0.115	0.105	0.115	0.105
-2LL	173763	173758	173762	173757
df	11	15	12	16
Chi2	368.1	374.1	368.8	374.8

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

APPENDIX TABLE 3.5 Country-level information

Country	Average social orientation	IMF GFS: Social protection expenditure % GDP	WB: Annual population growth	WB: Unemployment	WB: Annual GDP per capita growth	GEM 2009: % of fewer perceived business opportunities due to econ. slowdown 2008	World Bank: Welfare expenditure % GDP	V-DEM: Welfare state quality	WVS & EVS: Government responsibility	Included in main analysis
Algeria DZ	27.06		1.64	11.33	0.74	20.61	7.36	4		-
Argentina AR	25.41		0.99	7.84	3.03	62.60	9.35	3	6.05	-
Belgium BE	27.40	17.51	0.79	6.98	-0.34	47.76	13.60	4	5.04	✓
Brazil BR	9.11		0.99	7.34	4.05	50.43	8.78	4	6.69	-
Chile CL	22.86		1.07	9.29	2.43	62.08	6.73	1	6.21	-
China CN	24.54	4.66	0.51	4.60	9.09	49.02	5.48	4	5.42	✓
Colombia CO	18.86		1.18	11.27	2.08	63.51	8.68	2	6.48	-
Croatia HR	21.48	13.79	-0.01	8.53	1.91	60.29	10.76	4	5.13	✓
Denmark DK	26.36	21.60	0.59	3.68	-1.09	50.24	15.47	5	4.74	✓
Dominican Rep. DO	18.48		1.27	4.76	1.91	59.20	4.17	1	4.74	-
Ecuador EC	6.05		1.66	3.92	4.61	70.46	6.63	4		-
Finland FI	26.23	19.29	0.47	6.37	0.32	39.12	12.41	4	4.79	✓
France FR	27.97	21.85	0.56	7.06	-0.30	57.23	12.00	4	4.79	✓
Germany DE	18.98	18.81	-0.19	7.53	1.15	48.09	12.15	4	5.18	✓
Greece GR	20.38	17.19	0.27	7.76	-0.60	65.14	9.73	4	5.50	✓
Guatemala GT	15.23		1.93	3.08	1.32	46.46	5.35	0		-
Hong Kong HK	28.29	2.51	0.60	3.56	1.52	56.56		3	6.89	✓
Hungary HU	8.02	17.39	-0.18	7.82	1.24	46.25	9.78	4	5.74	✓
Iceland IS	29.20	8.85	1.86	2.95	0.33	48.66	14.13	4	4.90	✓
Iran IR	26.63	9.17	1.09	10.48	-0.84	62.19	5.87	3	7.08	✓
Israel IL	20.11	10.49	1.78	7.70	1.19	56.25	9.80	3		✓
Italy IT	26.32	17.97	0.66	6.72	-1.62	68.09	11.02	5	5.94	✓
Jamaica JM	25.40		0.49	10.33	-1.30	66.43	9.14	4		-
Jordan JO	18.17		4.70	12.70	2.31	49.41	8.40	3	7.71	-
Korea KR	22.08	5.52	0.76	3.20	2.23	57.56		3	7.47	✓
Latvia LV	24.73	9.05	-1.05	7.74	-2.31	70.28	8.77	4	5.59	✓
Lebanon LB	16.30		-0.05	7.45	9.13	51.68	5.08	2		-
Malaysia MY	21.14		1.91	3.34	2.85	42.12	5.56	3	5.62	-
Morocco MA	34.80		1.19	9.57	4.67	40.17	7.47	2	8.07	-
Netherlands NE	29.28	14.73	0.39	3.65	1.77	40.52	11.21	4	5.16	✓
Norway NO	31.67	15.21	1.25	2.55	-0.77	37.15	12.98	5	5.38	✓
Panama PA	17.51		1.79	3.48	7.90	46.56	8.15	4		-
Peru PE	15.64		0.81	3.82	8.25	48.52	4.97	4	5.14	-
Romania RO	21.50	10.98	-1.67	5.79	11.14	76.87	8.17	5	5.08	✓
Russia RU	3.28	8.48	-0.04	6.21	5.25	68.48	7.17	3	6.65	✓
Saudi Arabia SA	22.12		2.76	5.08	3.36	28.69	7.03	4		-
Serbia RS	11.04	15.97	-0.43	13.71	6.11	64.58	10.31	4	5.71	✓
Slovenia SI	28.41	16.50	0.16	4.37	3.35	46.05	10.78	4	5.72	✓
South Africa ZA	29.98	4.58	1.33	22.41	1.82	32.31	8.18	3		✓
Spain ES	21.74	13.80	1.60	11.25	-0.71	71.72	10.67	5	6.05	✓
Switzerland CH	24.02	11.48	1.27	3.35	1.46	42.55	7.81	4	4.40	✓
Syria SY	30.47		3.88	10.94	1.35	46.17	6.16	4		-
Tonga TK	26.74		0.78	1.31	3.93	80.57	6.77			-
Uganda UG	13.98		3.16	2.92	5.33	34.11	3.90	3		-
Un. Arab Emirates AE	25.76	2.22	13.91	2.85	-10.21	35.33		4		✓
Un. Kingdom UK	29.45	14.83	0.79	5.62	-1.06	51.39	12.39	3	4.19	✓
Un. States US	24.28	7.70	0.95	5.78	-1.08	64.46	11.91	3	5.06	✓
Uruguay UY	22.18		0.25	8.03	6.90	49.28	7.85	5	6.11	-
Venezuela VE	18.82		1.41	6.25	3.80	58.76	6.18	2		-
Yemen YE	13.79	0.10	2.82	12.17	0.76	45.19	6.75	3		✓

Note: WB (World Bank): Welfare expenditure % GDP is the sum of health and education expenditure for the year 2008 or the closest year with available data [SH.XPD.GHED.GD.ZS + SE.XPD.TOTL.GD.ZS] [due to missing data in the World Bank database, education expenditure data was retrieved from OECD for France and USA; V-Dem: Welfare state quality: (0) There are no, or extremely limited, welfare state policies, (1) Almost all of the welfare state policies are means-tested, (2) Most welfare state policies means-tested, but a significant portion (e.g. 1/4 or 1/3) is universalistic and potentially benefits everyone in the population, (3) The welfare state policies are roughly evenly divided between means-tested and universalistic, (4) Most welfare state policies are universalistic, but a significant portion (e.g., 1/4 or 1/3) are means-tested, (5) Almost all welfare state policies are universal in character. Only a small portion is means-tested; WVS & EVS: Government responsibility is the country-level average on a 10-point scale "Individuals should take more responsibility for providing for themselves *versus* The state should take more responsibility to ensure that everyone is provided for", with higher scores indicating being more in favour of the state taking responsibility.

APPENDIX TABLE 4.1   Country-level data and source information

Country	GINI	Welfare state	Environ-mental pressure	EPI-rank	CSO	GCI-rank	Included in Table 4.3	Included in Table 4.5
Algeria	27.60	7.36	1.96	76.97	1	99	✓	✓
Argentina	44.90	9.35	3.56	81.78	3	88	✓	✓
Belgium	28.40	13.60	7.47	78.41	3	19	✓	✓
Bosnia and Herzegovina	33.10	NA	3.41	79.73	2	107	-	✓
Brazil	54.00	8.78	2.77	82.65	3	64	✓	✓
Chile	47.30	6.73	3.82	83.44	2	28	✓	✓
China	43.00	5.48	2.92	65.08	1	30	✓	✓
Colombia	55.30	8.68	1.89	88.30	2	74	✓	✓
Croatia	32.60	10.76	4.70	84.65	2	61	✓	✓
Denmark	25.20	15.47	7.97	83.99	3	3	✓	✓
Dominican Republic	48.10	4.17	1.54	83.01	3	98	✓	✓
Ecuador	49.80	6.63	1.98	84.36	3	104	✓	✓
Finland	27.80	12.41	7.44	91.44	3	6	✓	✓
France	33.00	12.00	5.59	87.75	3	16	✓	✓
Germany	31.10	12.15	5.41	86.31	3	7	✓	✓
Greece	33.60	9.73	5.92	80.16	3	67	✓	✓
Guatemala	54.60	5.35	1.73	76.65	2	84	✓	✓
Hong Kong	NA	NA	NA	NA	3	11	-	-
Hungary	27.50	9.78	4.12	84.24	2	62	✓	✓
Iceland	31.80	14.13	NA	87.57	3	20	✓	✓
Iran	42.10	5.87	3.12	76.86	1	NA	-	-
Israel	41.10	9.80	5.44	79.59	2	23	✓	✓
Italy	33.80	11.02	5.37	84.22	3	49	✓	✓
Jamaica	45.50	9.14	1.27	79.08	2	86	✓	✓
Japan	34.80	NA	4.84	84.54	2	9	-	-
Jordan	32.60	8.40	2.06	76.55	2	48	✓	✓
Korea	32.30	NA	5.72	79.36	3	11	-	✓
Latvia	37.20	8.77	4.74	88.81	2	54	✓	✓
Lebanon	31.80	5.08	3.60	70.29	3	NA	-	-
Malaysia	45.50	5.56	4.24	83.98	3	21	✓	✓
Morocco	40.70	7.47	1.64	72.09	2	73	✓	✓
Netherlands	29.30	11.21	6.98	78.73	3	8	✓	✓
Norway	27.00	12.98	7.03	93.12	3	15	✓	✓
Panama	52.70	8.15	2.85	83.06	2	58	✓	✓
Peru	47.50	4.97	2.17	78.08	2	83	✓	✓
Romania	36.40	8.17	3.38	71.93	2	68	✓	✓
Russia	41.60	7.17	5.63	83.85	1	51	✓	✓
Saudi Arabia	NA	7.03	5.29	72.83	1	27	-	✓
Serbia	39.90	10.31	3.29	NA	2	85	✓	-
Slovenia	23.70	10.78	5.74	86.30	3	42	✓	✓
South Africa	63.00	8.18	3.82	68.98	3	45	✓	✓
Spain	34.20	10.67	5.52	83.14	2	29	✓	✓
Switzerland	33.80	7.81	5.81	95.51	3	2	✓	✓
Syria	37.50	6.16	1.91	68.18	0	78	✓	✓
Tonga	37.50	6.77	2.27	NA	NA	NA	-	-
Tunisia	35.80	9.21	2.06	78.08	1	36	-	-
Uganda	44.20	3.90	1.32	61.59	2	128	✓	✓
United Arab Emirates	32.50	NA	12.59	63.99	1	31	-	-
United Kingdom	34.10	12.39	5.87	86.31	3	12	✓	✓
United States	40.80	11.91	9.36	81.03	3	1	✓	✓
Uruguay	45.10	7.85	NA	82.29	3	75	✓	-
Venezuela	44.80	6.18	3.87	80.05	1	105	✓	✓
West bank & Gaza Strip	35.60	NA	NA	NA	2	NA	-	-
Yemen	34.70	6.75	0.94	49.69	1	NA	-	-

Note: GINI-index = Data for 2008 or closest year available; Welfare state = Data for 2008 on expenditure on health and education as a Environmental pressure = Data for 2008 on the ecological footprint per capita; EPI-rank = Data for 2008 on the Environmental Performance Index rank; CSO = Activity in Civil Society Organizations. 0: Most associations are state sponsors, and although a large number of people may be active in them, their participation is not purely voluntary. 1: Voluntary CSOs exist, but few people are active in them. 2: There are many diverse CSOs, but popular involvement is minimal. 3: There are many diverse CSOs, and it is considered normal for people to be at least occasionally active in at least one of them. This is retrieved from the V-DEM dataset for the year 2008; GCI-rank = Global Competitiveness Index rank for 2008/2009; NA = Not available.

APPENDIX TABLE 5.1   Descriptive statistics on variables of interest by country

Country	N	Measure social impact		Government funding		Formal financial funding		Informal funding		Social mission prioritization		Innovation	
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Australia	115	0.66	0.47	0.48	0.50	0.24	0.43	0.26	0.44	0.65	0.48	0.85	0.87
Belgium	83	0.70	0.46	0.59	0.50	0.46	0.50	0.38	0.49	0.69	0.47	0.86	0.87
Botswana	47	0.87	0.34	0.41	0.50	0.39	0.49	0.56	0.50	0.91	0.29	1.03	0.85
Brazil	33	0.56	0.50	0.10	0.31	0.07	0.26	0.12	0.33	0.71	0.46	1.03	0.80
Bulgaria	5	0	0	0.20	0.45	0.40	0.55	0.40	0.55	0.40	0.55	0.20	0.45
Cameroon	121	0.35	0.48	0.08	0.28	0.28	0.45	0.49	0.50	0.24	0.43	0.58	0.77
Chile	443	0.73	0.44	0.42	0.49	0.32	0.47	0.40	0.49	0.73	0.44	1.01	0.84
China	43	0.66	0.48	0.36	0.49	0.59	0.50	0.77	0.43	0.59	0.50	1.14	0.92
Colombia	312	0.82	0.38	0.47	0.50	0.52	0.50	0.61	0.49	0.78	0.41	1.18	0.80
Croatia	40	0.62	0.49	0.50	0.51	0.53	0.51	0.34	0.48	0.53	0.51	0.81	0.82
Ecuador	4	0.75	0.50	0	0	0.75	0.50	0.50	0.58	1.00	0	1.25	0.50
Egypt	36	0.52	0.51	0.15	0.36	0.25	0.44	0.61	0.49	0.73	0.45	1.22	0.66
Estonia	41	0.44	0.50	0.63	0.49	0.41	0.50	0.44	0.50	0.68	0.47	0.78	0.79
Greece	16	0.94	0.24	0.31	0.48	0.64	0.49	0.32	0.48	0.87	0.35	1.12	0.89
Hungary	120	0.71	0.46	0.38	0.49	0.30	0.46	0.28	0.45	0.65	0.48	0.41	0.69
Indonesia	25	0.83	0.38	0.40	0.50	0.22	0.42	0.54	0.51	0.86	0.35	0.90	0.78
Iran	21	0.52	0.51	0.15	0.36	0.24	0.44	0.63	0.50	0.62	0.50	0.76	0.82
Israel	93	0.59	0.49	0.27	0.45	0.35	0.48	0.34	0.48	0.63	0.48	0.86	0.89
Kazakhstan	14	0.44	0.52	0.13	0.35	0.77	0.43	0.35	0.49	0.31	0.48	0.54	0.67
Latvia	24	0.46	0.51	0.09	0.29	0.26	0.45	0.14	0.35	0.60	0.50	0.40	0.67
Luxembourg	103	0.63	0.48	0.33	0.47	0.31	0.46	0.24	0.43	0.65	0.48	0.74	0.86
Macedonia	25	0.75	0.45	0.23	0.43	0.51	0.51	0.26	0.45	0.60	0.50	0.89	0.82
Malaysia	13	0.78	0.43	0.23	0.44	0.38	0.50	0.08	0.28	0.93	0.26	1.48	0.65
Peru	93	0.44	0.50	0.18	0.39	0.49	0.50	0.43	0.50	0.48	0.50	0.82	0.86
Philippines	172	0.64	0.48	0.15	0.36	0.23	0.42	0.66	0.47	0.61	0.49	1.04	0.89
Portugal	51	0.75	0.44	0.28	0.45	0.29	0.46	0.29	0.46	0.63	0.49	1.01	0.89
Puerto Rico	38	0.70	0.47	0.41	0.50	0.16	0.37	0.34	0.48	0.61	0.49	0.73	0.85
Romania	19	0.74	0.45	0.35	0.49	0.47	0.51	0.42	0.51	0.45	0.51	1.07	0.84
Slovakia	45	0.58	0.50	0.31	0.47	0.47	0.50	0.38	0.49	0.53	0.50	0.96	0.77
Slovenia	48	0.48	0.50	0.29	0.46	0.37	0.49	0.37	0.49	0.51	0.51	0.55	0.77
South Africa	3	0.67	0.58	0	0	0	0	0.33	0.58	0.67	0.58	0.33	0.58
South Korea	15	0.40	0.51	0.47	0.52	0.40	0.51	0.40	0.51	0.46	0.52	0.93	0.88
Spain	78	0.62	0.49	0.22	0.42	0.24	0.43	0.29	0.45	0.41	0.50	0.92	0.86
Sweden	120	0.46	0.50	0.31	0.46	0.30	0.46	0.34	0.48	0.64	0.48	0.62	0.77
Switzerland	49	0.56	0.50	0.25	0.44	0.23	0.42	0.25	0.44	0.55	0.50	0.90	0.88
Vietnam	17	0.82	0.39	0.53	0.51	0.59	0.51	0.65	0.49	0.88	0.33	1.18	0.95
Total	2,525	0.65	0.48	0.34	0.47	0.35	0.48	0.42	0.49	0.64	0.48	0.90	0.85

Source: GEM (2015); see Table 5.1 for variables measurement scale; weighted results

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Summary

As a specific form of governmentality, the welfare state aims to prevent people from living in poverty and safeguard them with 'a good life' by providing them access to economic resources (Goodin, Headey, Muffels, & Dirven, 1999; Greve, 2008). Welfare states can offer social protection benefits to people who endure economic, health or social well-being hardships. For example, people who become unemployed may receive unemployment benefits. However, the social needs of people or not only cared for by the state. Some people organise as a collective or operate by themselves to contribute to the greater good, for example, by alleviating social deprivation and exclusion. These people may engage in social entrepreneurship to help solve nationwide or community-based problems. This type of entrepreneurship can be defined as 'the process of identifying, evaluating and exploiting opportunities aiming at social value creation using commercial, market-based activities' (Bacq & Janssen, 2011, p. 388) and 'can occur within or across the non-profit, business, or government sectors' (Austin, Stevenson, & Wei-Skillern, 2006, p. 2). The tangible outcome of social entrepreneurship is the social enterprise, which operates, at least to a certain extent, financially independent and has an exclusive social or environmental mission (Lepoutre, Justo, Terjesen, & Bosma, 2013; Mair & Martí, 2006). These hybrid organizations are characterized by a double or triple bottom line in which the social (and/or environmental) and the financial mission are synergetic. Nevertheless, the financial goals and performance are subordinate to the social value creation mission.

While both the welfare state and social entrepreneurship have a similar over-arching goal, the central research question of this PhD thesis asks to what extent state commitment towards alleviating societal problems shapes social entrepreneurship. Therefore, the main question revolves around whether social entrepreneurship is complementary to or is contradictory to the welfare state. Despite increasing scholarly interest in social entrepreneurship, it remains inconclusive regarding how the welfare state and social entrepreneurship are related because of contradictory findings. One view is that social entrepreneurs address the unmet social needs that are neither (or inadequately) addressed by the government nor private markets (Dacin, Dacin, & Matear, 2010; Estrin, Mickiewicz, & Stephan, 2013; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Another view emphasises the complementarity between governments and social entrepreneurs in providing social services (Coskun, Monroe-White, & Kerlin, 2019; Kerlin, 2017; Stephan, Uhlaner, & Stride, 2015). Considering two theoretical arguments in the welfare state literature, these views resemble the crowding-out and crowding-in hypotheses respectively. These theoretical mechanisms are tested in their applicability to different aspects of social entrepreneurship throughout four empirical and multi-authored chapters.

In the first empirical chapter, I study the desire of people in the labour force to engage in social entrepreneurship. Research indicates that a desire for entrepreneurship likely translates into starting an enterprise or becoming self-employed (Kautonen, Van Gelderen, & Fink, 2015; Mair & Noboa, 2006; Schlaegel & Koenig, 2014). Therefore, the social entrepreneurial intention is measured as a desire to contribute to society through entrepreneurship. Besides, different motivations of people to prefer self-employment over organizational employment are studied, such as a desire for more financial means, more work-related autonomy, or because it was a necessity to maintain a financial income. Of primary interest is how the welfare state influences people's entrepreneurship desires in the labour force. Furthermore, and building upon labour sociology perspectives and research from Block, Thurik, Van der Zwan,

and Walter (2013), the chapter focuses on which entrepreneurship preferences are dominant within different occupational classes and to what extent the welfare state influences the occupational class effects. To this end, data from the Flash Eurobarometer survey 283 and 354, from 2009 and 2012 respectively, are used. Multilevel logistic regression analysis is used to test the hypotheses regarding the four entrepreneurship motivations. The results indicate that the financial, autonomy, and societal reasons to engage in entrepreneurship differ significantly between the salariat and the working-class members. Furthermore, the chapter demonstrates that welfare state strength does influence the salience of these motivations as well. In particular, welfare state strength has a negative impact on the desire to contribute to society through entrepreneurship. However, welfare state strength does not affect the differences between the occupational classes.

The second empirical chapter contains a study on the business practices of entrepreneurs: the importance of social value creation goals. The relevance of this chapter is that it seeks to understand the impact of the welfare state on the social orientation of entrepreneurs. To empirically identify social entrepreneurial activity, it is important to determine to what extent entrepreneurs pursue social value creation goals (Zahra, Newey, & Li, 2014) while considering the entrepreneurial dimension of social entrepreneurship (Alegre, Kislenko, & Berbegal-Mirabent, 2017). As such, I study the degree of social entrepreneurship among the broader entrepreneurial population in contrast to the popular interest in quantitative research on the prevalence of social entrepreneurship (examples include Coskun et al., 2019; Estrin et al., 2013; Griffiths, Henry, Gundry, & Kickul, 2013; Hoogendoorn, 2016; Stephan et al., 2015). Data from the Global Entrepreneurship Monitor 2009 were pooled with several macro-level datasets to facilitate the research aims and were analysed using multilevel linear regression. The results show empirical evidence that there is a trade-off between social and financial goals when engaging in entrepreneurship with a social motive. Second, the emphasis of entrepreneurs on social value

creation goals is independent of the welfare state. However, and third, the effect of welfare state expenditure on the social orientation of entrepreneurs depends on the type of entrepreneurship. The findings of this chapter extend both entrepreneurship and welfare state literature by exploring the significance of the crowding-in and crowding-out hypotheses regarding the social orientation of the entrepreneurial population.

The organizational form as another aspect of social entrepreneurship is the central focus point in the third empirical chapter. Of particular interest is exploring how governmental social and environmental interventions, together with the prevalence of societal problems such as social inequality and environmental degradation, trigger the prevalence of different organizational forms of social entrepreneurship. Therefore, the chapter builds on recent empirical research that tests the validity of a prominent theoretical framework concerning the association between the welfare state and social entrepreneurship (Kerlin, 2013, 2017). Furthermore, the results build upon insights gained in the organization studies literature that advocates for an ecological approach to understanding how organizations are embedded in their institutional context (Baum & Shipilov, 2006; Hannan & Freeman, 1989). As a start, a cluster analysis is applied to the Global Entrepreneurship Monitor 2009 data to identify different organizational forms of social entrepreneurship. Based on indicating variables of social entrepreneurship, such as the presence of an exclusive social (or environmental) mission statement, the relative importance of social, environmental and financial goals, and reliance on market-based income (Lepoutre et al., 2013), seven organizational forms were empirically identified in the data. Next, a multilevel multinomial logistic regression was used to explore the effect of societal problems and consequent governmental interventions on the prevalence of different organizational forms of social entrepreneurship. The results show that welfare state strength and environmental problems are positively associated with a higher prevalence of some organizational forms of social entrepreneurship. Hence the outcomes contribute to understanding to what

extent societal problems and government response influence the prevalence of different organizational forms of social entrepreneurship.

The central aspect of the last and fourth empirical chapter is social impact measurement, which is the activity performed to assess the success of a single program or the overall mission and goals of the social enterprise (Campbell, Lambright, & Bronstein, 2012; Rawhouser, Cummings, & Newbert, 2019). Building upon knowledge from the qualitative literature on social impact measurement (e.g., Nguyen, Szkudlarek, & Seymour, 2015), I statistically test the validity of two mechanisms held responsible for why social entrepreneurs measure their social impact. For this purpose, the large-scale and cross-sectional Global Entrepreneurship Monitor 2015-data is used to test simultaneously the effect of the 'measuring to prove' and 'measuring to improve' arguments. The underlying mechanisms include establishing a learning cycle (e.g., measuring to improve) or providing evidence of their achieved social impact to financial funders and stakeholders (e.g., measuring to prove) (Ebrahim & Rangan, 2014; Lall, 2017). Based on a fixed-effect logistic regression analysis, the chapter shows that both factors positively influence whether social entrepreneurs measure their social impact. Whereas the prioritisation of social value creation over the organization's financial performance and its level of innovation increases the likelihood of measuring social impact, only government funding was positively associated with this organizational practice compared to other types of financing. In line with research findings on 'institutional support' mechanisms between governments and social entrepreneurs (e.g., providing resources to scale up) (Stephan et al., 2015), it is plausible that governmental funding influences the motivation for social impact measurement.

Throughout all empirical chapters, I found that state commitment and governmental interventions are related to the different aspects of social entrepreneurship under study. Given the research findings, I argue that the relationship between the welfare state and social entrepreneurship is paradoxical instead of straightforward complementary or contradictory. While the welfare

251

state may create a favourable breeding ground for social enterprise, fewer people may desire to engage in social entrepreneurship in stronger welfare state contexts. In conclusion, this dissertation's sociological theoretical implications include that the crowding-in and crowding-out hypotheses are applicable for social entrepreneurship research. From both a sociological and organization studies perspective, this dissertation shows how state commitment and social entrepreneurship are complementary and sometimes contradictory to each other. Therefore, it is important to note what aspects of the state, governmentality and social entrepreneurship are studied in order to contribute to the 'welfare state – social entrepreneurship' debate.

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[1] https://hetpnn.nl/2020/08/26/persbericht-bijna-helft-promovendi-heeft-vergroot-risico-op-mentale-klachten-40-overweegt-te-stoppen/

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