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SOCIAL VENTURE SIMPLICITY VERSUS COMPLEXITY: THE SURVIVAL EFFECTS OF EXPLOITING MULTIPLE OPPORTUNITIES BY NEWLY FOUNDED CHARITY ORGANIZATIONS (SUMMARY)

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≈ SUMMARY ≈

**SOCIAL VENTURE SIMPLICITY VERSUS COMPLEXITY: THE
SURVIVAL EFFECTS OF EXPLOITING MULTIPLE OPPORTUNITIES
BY NEWLY FOUNDED CHARITY ORGANIZATIONS**

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Principal Topic

The ubiquity and complexity of social problems yield a wide array of opportunities available to social entrepreneurs (Austin et al., 2006). Given the substantial demand for social value-creating activities, social entrepreneurs may be tempted to pursue more than one opportunity. We currently have little understanding of how the pursuit of multiple opportunities influences organizational performance, yet simplicity theory (Miller, 1993) may serve as a knowledge-base in forming expectations.

As explained by Miller (1993:117), a simplistic organization possesses a “preoccupation with a single goal, strategic activity, department, or world-view.” Research on strategic simplicity argues that a focused strategy is beneficial for new firms, yet detrimental for mature firms. We build on the notion of simplicity to argue that an organization that focuses on one opportunity is simpler than an organization that focuses on multiple opportunities. Based on this argument and simplicity theory, we hypothesize that new social organizations which focus on one social entrepreneurial opportunity will outperform those that focus on multiple opportunities. We further hypothesize that the degree of relatedness between the opportunities an organization pursues positively moderates the relationship between simplicity and performance.

Methods

The sample for this study is comprised of all newly registered charity organizations in Canada between the years 2005 and 2010. The dependent variable is a salient type of performance for new ventures—organizational survival. The number of opportunities exploited is coded as the number social programs pursued by each charity from inception. Opportunity relatedness is calculated as Palepu’s (1985) entropy measure of up to the top three programs in which the firm engages. We employ Cox proportional hazard models to test our hypotheses.

Results and Contributions

The results indicate that pursuing multiple opportunities is detrimental to new nonprofits, yet the pursuit of related opportunities negates this negative effect. The results of this study make two primary theoretical contributions. First, we extend simplicity theory to the realm of new social ventures and explicate the salience of activity relatedness in simplicity predictions. Second, we extend the literature on multiple opportunities by investigating organizations that not only identify, but also pursue various opportunities simultaneously.

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