WOLVES IN SHEEP'S CLOTHING - ASSESSING THE INTEGRITY OF SOCIAL ENTREPRENEURS (INTERACTIVE PAPER)

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Principle Topic

We analyze selection criteria used by social investors in order to evaluate the integrity of social entrepreneurs applying for funding. From a theoretical point of view, three different perspectives may be relevant for the perception of the social investor. First, social investors may focus on the social motivation of the entrepreneur as an indicator for the long term pursuit of the social mission. Second, reputation is another criterion which refers to stakeholders’ evaluation and is based on information about past actions and performance. Third, corporate governance structures such as the presence of other external investors in the board lead to monitoring of the social entrepreneur and may act as a positive signal for the integrity of the entrepreneur.

We analyze how these selection criteria separately and jointly drive the perception of the integrity of the social entrepreneur. Our paper thereby contributes to the understanding of factors influencing the external portrayal of integrity.

Method

In order to detect how the elaborated criteria drive the perception of the integrity of social entrepreneurs, we use conjoint analysis. Several profiles of social enterprises, consisting of attribute values of these criteria, are presented to social investors. They then have to rank them in order of how they evaluate the integrity of the social entrepreneur. We are focusing on the in-depth evaluation of a social enterprise, which takes place after a successful screening stage where general fitting with the investment focus of a fund is checked. Our data is obtained from a conjoint experiment with 40 social investors in Europe. We use metricised limit conjoint analysis (MLCA) to analyze our data (Baierl & Grichnik, 2010).

Results and Implications

Our results show how external investors evaluate the integrity of social entrepreneurs. We are able to identify which of the three theoretical perspectives, motivation, reputation and corporate governance structures, are most relevant for judging an entrepreneur. Overall, preliminary results suggest that corporate governance structures are most important for social investors in judging social entrepreneurs.

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