6-9-2012

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**Recommended Citation**

Bacq, Sophie; Janssen, Frank; and Kickul, Jill (2012) "AN EMPIRICAL INVESTIGATION OF THE BLENDED VALUE APPROACH: A GOVERNANCE ANSWER FOR SOCIAL ENTREPRENEURIAL VENTURES," *Frontiers of Entrepreneurship Research*  
Vol. 32: Iss. 11, Article 1.  
Available at: [http://digitalknowledge.babson.edu/fer/vol32/iss11/1](http://digitalknowledge.babson.edu/fer/vol32/iss11/1)

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AN EMPIRICAL INVESTIGATION OF THE BLENDED VALUE APPROACH: A GOVERNANCE ANSWER FOR SOCIAL ENTREPRENEURIAL VENTURES

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ABSTRACT

This paper predicts and examines social entrepreneurial ventures’ pursuit of a blended value approach by looking at the mindsets of their senior decision-makers. We discuss those mindsets theoretically by using agency and stewardship theories. We expect social entrepreneurs’ agency and stewardship mindsets to lead to different types of organizational goals. Using discriminant analysis, we find that social entrepreneurs having an agency-oriented mindset tend to pursue a single goal (either social or financial). Conversely, social entrepreneurs who have a stewardship-oriented mindset tend to pursue a blended value approach.

INTRODUCTION

Social entrepreneurship research creates a unique opportunity to integrate and challenge traditional entrepreneurship assumptions in an effort to develop a cogent and unifying paradigm. While the exponential growth in research interest for the field merits identification of foundational and model papers, additional predictive research is needed that investigates the drivers of social entrepreneurship’s ultimate objective: profitability and social impact. This paper moves towards that direction by investigating the relationship between social entrepreneurs’ orientation towards agency or stewardship mindsets, and social entrepreneurial ventures’ (SEVs) pursuit of specific organizational goals.

Social entrepreneurship offers an interesting setting to study this question of goals given that SEVs are said to pursue, by definition, a “blended value approach”. That is, SEVs intend to simultaneously create “value” that balances economic and social value (Emerson, 2003). However, the field of social entrepreneurship is marked by heterogeneity and it is likely that SEVs’ managers tend to perceive this pursuit of blended social and financial objectives with varying intensities. Specifically, we argue that the “agency-oriented” or “stewardship-oriented” mindset of an SEV’s senior decision-makers (i.e., CEO, CFO, COO) has an influence on their perceptions of organizational goals. In this paper, we use the terms “SEV’s senior decision-maker” and “social entrepreneur” interchangeably. Despite arguments that governance plays a key role in the achievement of SEVs’ social mission and financial viability (Jegers, 2009), the emerging literature on the issue has tended to be overly prescriptive (Cornforth, 2004). Indeed, both agency and stewardship theoretical perspectives have been argued to show some complementarity in the framework of social entrepreneurship; however, their relation to SEVs’ double organizational objectives has never been empirically investigated nor discussed.
Therefore, the purpose of this study is to investigate how the agency or stewardship mindsets of SEVs' senior decision-makers relate to the perceptions of organizational objectives. More specifically, this paper aims at predicting the pursuit or not of simultaneous organizational objectives (i.e., blended value approach) based on the agency or stewardship orientation adopted by the social entrepreneur. Thus, we adopt a deductive approach and develop hypotheses grounded in “corporate” governance theories regarding the relations between the social entrepreneur’s mindset (agency or stewardship) and his or her perception of organizational objectives. By means of discriminant analysis, we further test them using a sample of 171 US social entrepreneurs who completed an online questionnaire.

The paper proceeds as follows. The next section outlines the theoretical framework that we use and the resulting hypotheses. We then introduce the survey design and sample, the measurements of the variables and an overview of our data analyses. After presenting and discussing the results, we reflect on the contributions, limitations and future research directions based on our findings.

**Theoretical Framework and Hypotheses**

From a theoretical perspective, we draw on the organizational governance literature related to both agency and stewardship theories. These two theories are grounded in very different assumptions. On the one hand, agency theory adopts an economic approach and depicts managers, called “agents”, as individualistic and opportunistic (Jensen & Meckling, 1976). By definition, when an agent’s personal goals and organizational goals are misaligned, the agent adopts behaviors diverging from the principal’s objectives. As a consequence, the principal needs to set up control mechanisms that force the agent to comply with his or her aims. On the contrary, stewardship theory has sociological roots and conceives managers as collectivist, trustworthy and behaving in accordance with organizational objectives. This makes control mechanisms obsolete since “stewards” are, by nature, driven to comply with the principal’s objectives (Davis, Schoorman, & Donaldson, 1997).

In the case of social entrepreneurship, this would mean that stewards are senior decision-makers who are naturally prone to simultaneously pursue social and financial objectives at the same time. We make the assumption that principal’s objectives are equivalent to the organizational goals – the latter being encapsulated in the blended value approach.

Agency and stewardship theories have been used together in several studies, mostly in the family business literature (e.g., Miller & Le Breton-Miller, 2006). Tosi, Brownlee, Silva, and Katz (2003) conclude from their research that decision-makers under agency controls choose to invest more in profit maximization strategies than individuals under stewardship structures (i.e., absence of any controls). Therefore, it seems that a social entrepreneur under an agency mindset and a social entrepreneur having a stewardship mindset will make different choices that are associated with different organizational outcomes. In this paper, we analyze the relation between agency-oriented and stewardship-oriented mindsets of social entrepreneurs, and their perceptions of organizational goals.

By “agency-oriented mindset”, we mean a manager’s propensity to behave according to his or her personal ambitions. Yet, those personal ambitions are not restricted to the pursuit of financial interests, as traditionally assumed in the strategic management literature on agency. We argue, in line with Wiseman, Cuevas-Rodriguez, and Gómez-Mejía (2012), that agency still holds its explicating power in the present domain of investigation (see Bacq & Janssen, 2012, for a recent discus-
sion of goal incongruence situations in the social entrepreneurship framework). Indeed, agency theory, based on the economic model of the mandate, has mainly been applied to for-profit organizational contexts. However and more importantly, Wiseman et al. (2012) have recently argued for a relaxation of some agency theory’s (overly) assumed economic assumptions and for the application of agency theory to other contexts. As Wiseman et al. (2012) posit, goal incongruence is due to the agent’s and principal’s different interpretations of what is best for the organization. Thus, goal misalignment issues may occur when the social entrepreneur perceives that what is best for the SEV is to focus on the social mission or on profitability independently, thereby diverging from the organization’s pursuit of a blended value approach. In this application of agency theory, it is thus not profit interests (in traditional businesses, it is the principal who looks for profit and the agent for something else like growth or power) that define an agent but the fact that the agent perceives the organizational needs and objectives differently from the principal – the latter wanting to achieve blended value creation (Emerson, 2003). For example, a social entrepreneur working in a SEV that has a strong market-orientation is likely to feel pressured to look primarily for the financial viability of the venture’s economic activity. Therefore, such a social entrepreneur could perceive that financial objectives are more important and that organizational goals are closer to a mix of 20% of social impact-80% of financial performance than to a pure blending of both. On the other hand, a manager of a nonprofit SEV might be perceive the goal of the organization as mainly being related to the social mission, thereby relegating the venture’s profitability to the second rank – this, again, to the detriment of a blended value approach.

On the contrary, Davis et al. (2007) posit that a stewardship-oriented mindset occurs when managers are “not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals” (p. 21). The underlying reason they advocated is that such individuals strongly identify with the organization, resulting in a strong commitment to (and no misunderstanding of) the success factors of their organization (based on Bass, 1960). Davis et al. (1997) further argue that, given stewards’ strong propensity to identify with the organization they work for, “they more readily engage in cooperative, altruistic, and spontaneous unrewarded citizenship behaviors (e.g., Mowday, Porter, & Steers, 1982; O’Reilly & Chatman, 1986; Smith, Organ, & Near, 1983)” (Davis et al., 1997, p. 30). As a consequence, some scholars have suggested that all social entrepreneurs are stewards by nature (e.g., Low, 2006; Short, Moss, & Lumpkin, 2009). However, we argue that this is only the case when social entrepreneurs embrace the two objectives of the SEV, namely the blended value approach. Davis et al. (1997) further contend that a stewardship orientation is related to long-term rather than short-term performance. We add that, in the case of SEVs, the long-term objective is precisely encapsulated in the blended value approach. Indeed, it seems unlikely that, when SEVs pursue a double agenda, social and financial objectives will be met simultaneously in a short period of time.

Following this line of reasoning, we formulate hypotheses that challenge existing conceptions by stressing a few elements: a) variety exists in social entrepreneurs’ mindsets; b) that said, agents exist even in SEVs because such organizations pursue a multiple (at least double) bottom line and it is not always straightforward for the social entrepreneur (agent) to align with both; c) social entrepreneurs can be considered as stewards (committing to the SEV’s blended value approach) when they perceive the two objectives as being equally important for the organization’s success; finally, a social entrepreneur who adopts a stewardship-oriented mindset and a social entrepreneur who adopts an agency-oriented mindset differ significantly from each other, on financial, social, and blended value objectives.
Therefore, based on the foregoing arguments, we develop the following hypotheses:

**H1:** A social entrepreneur who adopts an agency-oriented mindset will be more likely to perceive organizational goals as being single (either financial objective or social) than a social entrepreneur who adopts a stewardship-oriented mindset.

**H2:** A social entrepreneur who adopts a stewardship-oriented mindset will be more likely to perceive organizational goals as being double (blended value approach) than a social entrepreneur who adopts an agency-oriented mindset.

Our propositions can be depicted on a continuous spectrum of objective mixes. The extremities represent a focus on a single type of objectives, be it social solely (left end) or financial only (right end), whereas the middle of the continuum encapsulates the blended value approach, as shown in Figure 1.

**Method**

**Survey Participants**

To investigate our proposed hypotheses, we surveyed US-based “social entrepreneurs” that we define as senior decision-makers of SEVs (i.e., the CEO, COO, or a managing partner). The social entrepreneurs and their respective firms were sampled through an existing database maintained by a major research university located in the northeast of the United States. This database includes email addresses and contact information of SEVs from a number of sectors. More specifically, the following fields of action were represented: support services to social enterprises (22.2%), education and training (21.1%), economic development and poverty alleviation (15.8%), civic engagement (14%), environment and sustainability (12.9%), retail (5.8%), health (4.7%), housing (1.8%), and human rights (1.8%). The social entrepreneurs self-identified themselves by previously taking part in the university’s programs and conferences and had agreed to be contacted.

Data were collected via an online survey over a six-month period, from November 2010 through March 2011. The social entrepreneurs were contacted by means of an email containing the survey’s hyperlink to the online questionnaire. In total, between November 24 and December 14, 2010, we sent our email to 835 email addresses contained in our database, of which 263 entrepreneurs clicked on the hyperlink it contained. By March 9, 2011, and after two email reminders, 198 social entrepreneurs had chosen to participate in our study. However, we had to exclude 27 questionnaires from the present study for the following reasons: 8 ventures were much larger than the 250 full-time employees threshold of an SME (entrepreneurial venture); 7 of the respondents did not correspond to our target group as they were university Professors or students and not social entrepreneurs; 4 respondents either reported a problem during the online completion of the questionnaire, or mentioned in the comment box that they were just willing to “have a look” and therefore completed it randomly; 3 respondents held other positions than senior decision-makers of their organization; 3 respondents indicated clearly in the comment box that their organization was not an SEV (e.g., person in charge of the CSR initiative in a large for-profit corporation); 2 enterprises were not based in the US – we did not take them into account in order to control for any geographical discrepancies. We ended up with 171 valid questionnaires to be used in this study. Note that for 37 of them, data are partially missing.
This means of data collection is consistent with our research questions and addresses the gap of quantitative, hypothesis-testing studies claimed by Short et al. (2009). We followed the recommendations of Dillman (2007) for effective questionnaire design and survey implementation, as well as design procedures idiosyncratic to Internet surveys. Respondents were asked to answer a series of questions on their personal characteristics, their mindsets, and their perceptions of their organization’s goals. We initially pre-tested the electronic survey with a dozen social entrepreneurs. Based upon feedback obtained from this pilot group, we refined the phrasing of some questions and added clarifying questions. For each question, we limited the answer to one in a series of choices in order to enhance the meaningfulness of subsequent data analyses. Participants in the study were assured that their individual responses would remain confidential. Upon completion of the survey, their responses were submitted to a secure Internet database.

Measuring Mindsets

To measure a social entrepreneur’s agency-oriented mindset, we used a four-item scale developed by Frankforter, Davis, Vollrath, and Hill (2007) and further used by Davis, Allen, and Hayes (2010). Respondents indicated the degree to which they agree (1 = strongly disagree; 5 = strongly agree) with four statements depicting their leadership mindset as self-serving. To fit our research purposes of measuring managers’ mindsets and not other governance mechanisms such as the board, we chose not to include Frankforter et al.’s (2007) first item (“I report to the Board of Directors/Advisors not more than required”). The result was an increase of the Cronbach’s alpha from .63 to .65, with respect to the .60 threshold suggested by several researchers (e.g., Atuahene-Gima & Evangelista, 2000). The metric for empirical testing was the mean of the four items.

In order to assess a social entrepreneur’s stewardship-oriented mindset, we used a scale developed by Zahra, Hayton, Neubaum, Dibrell, and Craig (2008). Four Likert-type items, ranging from 1 “not at all” to 5 “to an extreme extent” were used to capture the extent to which the social entrepreneur develops a collective, supportive, and caring environment in his organization, thereby demonstrating his or her identification with it and commitment for collective development (Zahra et al., 2008). The advantage of this stewardship scale, compared to the one earlier developed by Davis, Frankforter, Vollrath, and Hill (2007), is that it captures a more refined measure of the fit between the organization’s (SEV) purpose and the respondent’s motivations to behave altruistically regarding the achievements of his or her organization. It also has a better Cronbach’s alpha (.81 versus .75). For further testing purposes, we used the mean of the four different items.

Measuring Organizational Objectives

To measure the perceived objectives of the organization by the social entrepreneurs, we asked them: “how would you rate your organization’s objectives on a continuum going from 100% of social impact-0% of financial profit to 100% of financial profit-0% of social impact?” We used an 11-point Likert scale with 1 corresponding to 100% of social mission and 0% of financial profit, and 11 corresponding to 100% of financial performance and 0% of social impact. An answer of 6 was interpreted as the perfect balance between social mission and financial performance, i.e., the blended value approach. Then, we recoded this variable into a categorical variable as follows. Values from 7 to 11 in the original scale were coded as “0”: a tendency towards financial objectives. Values from 1 to 5 were interpreted as a tendency towards the social mission and recoded as “1”. Finally, an initial value of “6” was recoded as “2” and referred to the blended value approach.
Measures of Control Variables

We included five control variables believed to have an influence on the pursuit of social and financial objectives.

1. **Firm age**: We believe that firm age may influence the focus on social and financial goals. Hockerts (2010) has found that, as time elapses, social entrepreneurs tend to favor one outcome over the other. This could indicate that SEVs tend to pursue a blended value approach at best when they are young. Therefore, we controlled for the age of the SEV and measured it as the number of years the organization has been active.

2. **Profit status**: We believe that the SEV’s for-profit or nonprofit status may also have an effect on the simultaneous pursuit of financial and social goals. We used a dichotomous variable with a value of 1 if the SEV is a for-profit organization, 0 if nonprofit. One could imagine that social entrepreneurs in for-profit SEVs are more likely to favor financial objectives, whereas social entrepreneurs in nonprofit SEVs might rather focus on their social mission.

3. **Cash-flow sign**: We similarly accounted for the SEV’s cash-flow sign since this may be related to the taste for profit. We used a 7-point Likert scale going from 1 (negative cash-flow) to 7 (positive cash-flow); a value of 4 on this scale was interpreted as break-even.

4. **Size**: We controlled for size as the number of full-time employees working in the SEV. Indeed, human resource capabilities of the venture may influence the pursuit of an objective mix. For instance, Bacq, Hartog, and Hoogendoorn (2012) have shown that both start-up and more established organizations that have a particularly social, environmental or community objective over and above an economic one, have a higher number of employees, compared to organizations privileging economic goals over non-economic goals.

5. **Field of action**: We controlled for the field of action in which the SEV is active, using a categorical variable containing 9 categories: civic engagement; economic development; environment; health; human rights; education and training; support services to social enterprises; retail; and, finally, housing.

Assessment of Common Method Variance

Because we collected self-reported data for the measurement of all our constructs, common method variance might occur (Krishnan, Martin, & Noorderhaven, 2006). Therefore, we conducted two post-hoc tests to evaluate the risk of such occurrence. First, following Podsakoff, MacKenzie, Lee, and Podsakoff’s (2003) recommendations, we conducted a Harman’s one-factor test. This involves testing an unrotated exploratory factor analysis on the items collected to measure the variables of interest in this study. When the risk of common method bias is high, the test shows that a single factor can be extracted to explain the majority of the variance of the data. Using SPSS, we subjected the correlation matrix of the three main variables to principal axis factoring and the results were favorable: three components accounting for 61.94% of the explained variance were extracted. Of these components, the first one accounted for approximately 30.38% of the variance, the second one for 19.93%, and the third component accounted for 11.63% of the variance. The results of the Harman’s one-factor test indicate good discriminant validity of our measures given the factor loadings as shown in Table 1 here below. Each item pertained to the three components as we expected (see bold figures in Table 1). In addition, no correlations in the factor correlation matrix exceed .70 as it should be.

Although necessary, the Harman’s one-factor test presents some limitations (Chang, van Witteloostuijn, & Eden, 2010). Therefore, we performed an additional post-hoc analysis to test
for common method variance. Table 2 presents the variance extracted (VE) based on the factor loadings of each construct, as well as the square of the correlations between each construct and the others. The results support the discriminant validity of each of the constructs, as their VE was considerably greater than the corresponding inter-construct squared correlations (Hair, Black, Babin, Anderson, & Tatham, 2006). Therefore, we conclude that each construct of our study is unique and captures phenomena that other measures do not.

Data Analysis

The objective of this paper is to predict social entrepreneurs’ perceptions of organizational goals as being limited to either financial or social dimensions, or rather embracing a blended value approach, based on their mindset. Thus, we used a discriminant analysis in order to conduct a multivariate analysis of variance test of the hypotheses that social entrepreneurs perceiving different types of organizational goals differ significantly on a linear combination of agency and stewardship mindsets. This type of analysis seems the best statistical instrument compared to other similar tools like logit or probit models, which are more oriented towards finding which independent variables influence a dichotomous dependent variable. According to Tabachnick and Fidell (1996), the primary objective of a discriminant analysis is two-fold. First, it aims at determining the dimensions that better contribute to discriminating among the three groups of organizational objectives (i.e., financial, social, and blended value objectives). Second, it aims to assign each individual of our sample to one of the three groups, based on the characterizing variables (agency- and stewardship-oriented mindsets), without knowing in advance the group to which it pertains. The resulting classification functions are meant to predict group membership.

Consistent with our objectives, when the Wilks’ lambda showed significance for the discriminant model as a whole, then the two individual independent variables were assessed to see which differ significantly in mean by organizational objectives and these were used to classify the dependent variable. In order to assess the importance of our set of predictors over and above the set of control variables, we conducted a sequential discriminant analysis by estimating two models. That is, we first entered the five control variables as independent variables separately. Second, we added the two discriminating variables of interest. The difference in the squared canonical correlations indicates the explanatory effect of discriminating variables over and above the set of control variables. The next section presents the results of our data analyses.

Results

In this section, we first display some descriptive statistics followed by the results of the discriminant analysis.

Descriptive Statistics

In Table 3, we provide descriptive statistics for each variable, including their mean, median, standard deviation, minimum, and maximum. Since Field of action is a categorical variable, it is not included in Table 3.

Table 4 presents the zero-order correlations between our dependent, independent, and control variables.
Results of the Sequential Discriminant Analysis

128 observations were used for this discriminant analysis as for 37 of them, at least one discriminating variable was missing, and 6 observations were missing or out-of-range group codes. To meet the discriminant analysis requirements, the number of cases in each category of the dependent variable should be more or less similar. This is the case in our sample, in which 23% of the social entrepreneurs who answered the survey (=30) perceive that their organization predominantly pursues financial objectives (value of “0”), 39% (=50) rather perceive that their organization is mainly mission-oriented (value of “1”), while 38% (=48) evaluate organizational goals as a blended value approach (value of “2”).

We first analyzed the explanatory power of the control variables only. The chi-square test was significant (Wilks’ λ = .878, \( \chi^2(10)= 20.477, p = .025 \), Canonical correlation = .342). Tests of equality of group means were significant for profit status (\( p = .001 \)) and for organizational size (\( p = .073 \)). The probability of a for-profit status is higher for social entrepreneurs perceiving SEV’s objectives as financial (.57) or as blended value (.46), compared to those favoring social goals (.23). This result is consistent with our expectation that social entrepreneurs working in for-profit organizations are more likely to perceive financial objectives, or blended value. With regard to the organizational size, an SEV is likely to be bigger when the social mission dominates, with 33 full time employees (32.53 exactly), against 17 in profit-driven SEVs (17.16 FTE exactly) and blended value ventures (16.89 FTE exactly). This result is quite surprising given the frequent nonprofit status associated with socially-driven SEVs and their assumed more precarious financial status – thereby contrarily suggesting limited paid employment. When adding the two main predictors, the chi-square test was even more significant (Wilks’ λ = .688, \( \chi^2(14) = 45.690, p = .000 \), Canonical correlation = .500). It follows that the explanatory effect of our discriminating predictors over and above the set of control variables is equal to .133 (= .500\(^2\) - .342\(^2\)).

Next, a univariate ANOVA analysis conducted within our discriminant analysis shows that a significant difference in sensitivity exists between the three groups of organizational objectives relative to the agency-oriented and the stewardship-oriented mindsets. Indeed, the null hypothesis tested by the ANOVA is that, on average, agency and stewardship mindsets account for the same amount among SEVs pursuing social, financial or blended value objectives. On the contrary, the alternative hypothesis postulates that, for at least one of the three types of organizational objectives, the average importance of one mindset is significantly different from the other types. Tests of equality of group means are significant for both the agency mindset (Wilks’ λ = .916, F = 5.731, df\(_1\) = 2, df\(_2\) = 125, \( p = .004 \)) and the stewardship (Wilks’ λ = .960, F = 52.577, df\(_1\) = 2, df\(_2\) = 125, \( p = .080 \)) mindset.

Specifically, the results show that an agency-oriented mindset is, on average, significantly more important for social entrepreneurs following financial (mean = 3.17) or social (mean = 3.09) objectives than for those following a blended value approach (mean = 2.64). On the contrary, our results show that a stewardship-oriented mindset is significantly more important for social entrepreneurs pursuing a blended value approach (mean = 4.08) than for those solely perceiving social (mean = 3.86) or financial (mean = 3.75) objectives. Thus, H1 and H2 are confirmed. Figure 2 here below plots the means for both types of mindsets (Y axis) by types of organizational objectives (X axis).
As demonstrated by our discriminant analysis, significant differences in sensitivities do exist between the three types of organizational objectives when looking at the influence of social entrepreneurs’ agency and stewardship mindsets. First, we confirm that diversity occurs among the mindsets of SEVs’ senior decision-makers along the spectrum of objective mixes presented in Figure 1. Indeed, we found that social entrepreneurs having an agency mindset or a stewardship mindset likely have different perceptions of the objectives pursued by their organization.

More specifically, results from our discriminant analysis, summarized in Figure 3, indicate that social entrepreneurs with an agency mindset have a higher probability to perceive a single organizational goal: either a majority of social goals but a minority of financial objectives (bottom right quadrant), or the reverse (upper left quadrant). However, social entrepreneurs displaying a stewardship-oriented mindset have a higher probability to perceive a blended value approach, making of the two objectives a priority (both counting for at least 50%, upper right quadrant). The bottom left quadrant situation represents organizations that pursue a minority of both financial and social objectives. Such a situation does not seem to represent a dominant group of organizations because one can fairly assume that organizations generally pursue one of two objectives as a majority – if not the two concurrently (i.e., blended value approach).

Our ANOVA analysis within our discriminant analysis provides a clearer picture. Indeed, among social entrepreneurs displaying an agency mindset, there is a sharp difference between single (social or financial goals) and double (blended value approach) objectives. However, stewardship-minded social entrepreneurs perceiving a blended value approach significantly distinguish themselves from those perceiving financial objectives, whereas it is less clear how they differ significantly from those mainly pursuing a social mission. Based on these findings, we conclude that an agency mindset is more related to single – financial or social – objectives, whereas a stewardship mindset seems to be firmly associated with a blended value approach.

Thus, these results confirm agency and stewardship predictions and are consistent with Wiseman et al.’s (2012) argument that agency principles do apply to broader contexts than profit-oriented organizations. Our hypothesis that a social entrepreneur’s stewardship mindset enables him or her to perceive the organization as pursuing a double agenda is also verified. As shown in Figure 3, if an SEV wants to have commitment to a mix of more than 50% of social objectives and more than 50% of financial objectives, a stewardship mindset should be sought and fostered among the senior decision-makers.

To our knowledge, our results thus provide the first empirical support to stewardship theory as a relevant and promising lens to study governance issues in relation to the pursuit of a blended value approach in SEVs, and in hybrid organizations at large. The pursuit of non-economic goals has been associated with stewardship theory (Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007) and altruism (Schulze, Lubatkin, Dino, & Buchholtz, 2001) in the family firm context (see Chrisman, Chua, Pearson, & Barnett, 2012, for a recent summary). Similarities between family firms and SEVs can be identified as that they both have to deal with competing demands embedded in institutional logics of very different natures: financial and family logics in family businesses; financial and social logics in SEVs (Bacq & Lumpkin, 2011). Therefore, given those similarities and the associations found in the family firm context, one could infer that social (thereby, non-eco-
nomic) objectives are associated with stewardship. However, this study demonstrates that, when taking into account and interpreting agency predictions in the framework of social entrepreneurship, social objectives are rather associated with agency. It follows that the very specific nature of goals pursued in SEVs may lead to decisions and outcomes that diverge substantially from the decisions and outcomes expected in other firms where economic goals dominate. The next section expounds on the future research avenues this study opens up to.

**Contributions and Future Research Avenues**

This study offers several contributions and future research avenues to the strategic management and social entrepreneurship literatures.

First, within the context of existing theory, this study is unique in that it adopts a deductive perspective to investigate the relationship between agency and stewardship mindsets and organizational goals, in a very particular context. Indeed, social entrepreneurship offers a unique setting to study this relationship given the ultimate objective unique to SEVs, i.e., their blended value approach. Our results also underline that governance mindsets are far from being uniform in SEVs. Indeed, social entrepreneurs have often been depicted as modern change agents interested in tackling Society’s most intractable problems and, therefore, have been by definition conceived as “altruistic stewards” rather than “egoistic agents”. This study provides empirical evidence that both agency and stewardship orientations exist in the context of SEVs, and that both perceive the goals of the organizations that they lead differently. This is all the more important since it has been shown that a close fit between the manager’s and the organization’s goals is positively related to firm performance (Hoffman & Woehr, 2006; Hoffman, Bynum, Piccolo, & Sutton, 2011). However, the relation between person-organization fit and financial performance has mainly been studied in the extant literature. If we assume that goals are indeed strong predictors of firm performance and use a broader definition of performance encompassing the two dimensions of the blended value approach, we can suspect that, when a decision-maker is able to envision the blended value objective pursued by the SEV – i.e., he or she has a stewardship mindset – it will have a positive effect on both the SEV’s financial viability and social impact. Future research should also examine the reasons explaining diversity of mindsets, and the prevalence of opportunistic and altruistic mindsets among SEVs’ senior decision-makers.

Second, this study reinforces the important role that stewardship motivations can play in the framework of social entrepreneurship. For instance, it has been explicitly argued in the family business literature that stewardship mindset and long-term orientation (LTO) of the organization are positively associated (e.g., Le Breton-Miller & Miller, 2006, p. 732; Lumpkin, Brigham, & Moss, 2010, p. 256). A stewardship approach implies that managerial opportunism and impatient capital are greatly reduced, which leaves SEVs’ senior decision-makers the autonomy and time to focus on the concurrent realization of long-term goals. LTO is likely to translate into long-term outcomes – i.e., in the case of SEVs, the pursuit of mission and margin. Indeed, we suspect that achieving financial viability implies commitment to limited and well-considered expenses and to maintaining and increasing the market share. On the other hand, in order to have enduring social impact on his or her communities, an SEV’s senior decision maker likely entails strong involvement and proximity in the communities themselves. If this association between stewardship and LTO turns out to be true, stewardship practices in SEVs should be highly encouraged. However, more research is needed to bring empirical evidence. Furthermore, the stewardship approach needs to
be contrasted with other theoretical explanations regarding the organizational mechanisms that support the realization of SEVs’ blended value approach.

Finally, one research avenue that sounds promising is the relationship between agency and stewardship mindsets over time. In this study, we did not take into account the effect of time on the mindsets of social entrepreneurs. However, our correlation matrix shows that Firm age is negatively and significantly correlated with an agency mindset (\(-.219^{**}\), see Table 4). This could indicate that social entrepreneurs switch from an agency mindset to a stewardship mindset over time. This time-dependency of the agency mindset has been discussed in other contexts. For instance, Arthurs and Busenitz (2003) argue that the likelihood of an agency mindset in the VC-entrepreneur relationship decreases over time. However, but empirically investigated are still lacking. It is our hope that these research avenues will offer the field of social entrepreneurship exciting and meaningful theoretical developments.

**CONCLUSION**

The purpose of this paper was to predict and examine SEVs’ pursuit of a blended value approach (versus single objectives) by looking at the agency- and stewardship-oriented mindsets of their senior decision-makers. We adopted a deductive approach and developed hypotheses grounded on the governance and the strategic management literatures dealing with the relations between the social entrepreneur’s mindset (agency or stewardship) and his or her perception of organizational objectives. Using discriminant analysis on a sample of 171 US social entrepreneurs, we find that social entrepreneurs adopting an agency-oriented mindset relate to the pursuit of a single goal (either social or financial) rather than to a blended value approach. On the contrary, social entrepreneurs showing a stewardship-oriented mindset relate to the pursuit of a blended value approach rather than to financial imperatives. These results offer several contributions to the understanding of the issues of leadership, governance, and organizational mechanisms peculiar to the field of social entrepreneurship, as well as pave the way for future research in the domain.

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**REFERENCES**


### Tables and Figures

**Table 1. Factor Analysis Component Matrix**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Organizational objectives</strong></td>
<td>How would you rate your organization's objectives on a continuum going from 100% of social impact-0% of financial profit to 100% of financial profit-0% of social impact?</td>
<td>-.037</td>
</tr>
<tr>
<td><strong>Agency-oriented mindset</strong></td>
<td>Changes in the power and authority structure enhance my stature and role in the organization?</td>
<td>-.247</td>
</tr>
<tr>
<td></td>
<td>Budget allocations within the firm are largely based upon my personal discretion?</td>
<td>-.266</td>
</tr>
<tr>
<td></td>
<td>I design compensation policies to be consistent with my personal opinion of success?</td>
<td>-.379</td>
</tr>
<tr>
<td></td>
<td>I design strategic initiatives to promote my personal opinion of the appropriate direction for the firm?</td>
<td>-.461</td>
</tr>
<tr>
<td><strong>Stewardship-oriented mindset</strong></td>
<td>To what extent does your business allow employees to reach their full potential?</td>
<td>.629</td>
</tr>
<tr>
<td></td>
<td>To what extent does your business foster a professionally orientated workplace?</td>
<td>.747</td>
</tr>
<tr>
<td></td>
<td>To what extent does your business inspire employees' care, and loyalty?</td>
<td>.832</td>
</tr>
<tr>
<td></td>
<td>To what extent does your business encourage a collectivist rather than an individualistic culture?</td>
<td>.774</td>
</tr>
</tbody>
</table>

---

a 3 components extracted.

b The items measuring this variable were preceded by: “To what extent do you agree with the following statements”.

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### Table 2. Discriminant Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Organizational objectives</th>
<th>Agency</th>
</tr>
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<tbody>
<tr>
<td>Organizational objectives</td>
<td>(1)*</td>
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</tr>
<tr>
<td>Agency</td>
<td>.064*</td>
<td>(.360)</td>
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<tr>
<td>Stewardship</td>
<td>.038</td>
<td>.029</td>
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</table>

* Variances extracted (VE) are on the diagonal. VE equals 1 for Organizational objectives since we used only 1 item to measure this variable.

* Squared correlations are off-diagonal.

### Table 3. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Valid N</th>
<th>Mean</th>
<th>Median</th>
<th>Standard Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
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</thead>
<tbody>
<tr>
<td><strong>Dependent variable:</strong></td>
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<tr>
<td>Organizational objectives</td>
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<td>5.38</td>
<td>6</td>
<td>2.06</td>
<td>1</td>
<td>11</td>
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<tr>
<td>(continuous)</td>
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<tr>
<td>Agency</td>
<td>143</td>
<td>2.91</td>
<td>3</td>
<td>.81</td>
<td>1</td>
<td>4.5</td>
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<tr>
<td>Stewardship</td>
<td>134</td>
<td>3.92</td>
<td>4</td>
<td>.68</td>
<td>1.5</td>
<td>5</td>
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<tr>
<td><strong>Independent variables:</strong></td>
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<tr>
<td>Age</td>
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<td>12.26</td>
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<td>1</td>
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<td>4</td>
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<td><strong>Control variables:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Firm age</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Profit status</td>
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<tr>
<td>Cash-flow sign</td>
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<tr>
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<td>.186</td>
<td>.030</td>
<td>.330</td>
<td>.282</td>
<td>.221</td>
</tr>
<tr>
<td>Field of action</td>
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<td>.117</td>
<td>.022</td>
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<td>.072</td>
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</table>

### Table 4. Zero-order Correlations

<table>
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<tr>
<th>Org. objectives</th>
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<th>Stewardship</th>
<th>Age</th>
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<th>Cash-flow sign</th>
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<td>Org. objectives</td>
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<tr>
<td>Stewardship</td>
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<td>Firm age</td>
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<tr>
<td>Profit status</td>
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<td>.254**</td>
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<tr>
<td>Cash-flow sign</td>
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<td>.230**</td>
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<tr>
<td>Size</td>
<td>.028</td>
<td>-.186*</td>
<td>.030</td>
<td>.330**</td>
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<td>.221</td>
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<tr>
<td>Field of action</td>
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<td>.117</td>
<td>.022</td>
<td>-.109</td>
<td>.269**</td>
<td>.072</td>
<td>-.126</td>
</tr>
</tbody>
</table>

** Correlation is significant at the .01 level (2-tailed).
* Correlation is significant at the .05 level (2-tailed).
Figure 1. 

100% Social objectives  |  50% Social objectives  |  100% Financial objectives  
0% Financial objectives  |  50% Financial objectives  |  0% Social objectives  

Agency Mindset  |  Stewardship Mindset  |  Agency Mindset

Figure 2. Means Plot

Figure 3. Categorization Schema
Principal Topic

In this study we examine why, and under what conditions newly public firms avoid recruiting prestigious directors even when they have the ability to do so. Entrepreneurship scholars have explored how young companies lacking established track records seek to reduce others’ uncertainties by pursuing prestigious affiliations, thereby signaling their quality through these actors’ willingness to affiliate with them. In particular, scholars have studied how young firms that conduct initial public offerings (IPOs) benefit from affiliations with prestigious VCs (Lee, et al., 2011), underwriters (Gulati & Higgins, 2003), executives (Pollock, et al., 2010) and directors (Chen, et al., 2008).

Method

Implicit in all this research is the critical assumption that firms prefer prestigious to non-prestigious affiliates – an assumption that has not been exposed to much systematic scrutiny. Indeed, little research has been conducted exploring the extent to which actors recognize and weigh the costs of a prestigious affiliation relative to its benefits, or identified circumstances where the perceived costs outweigh the benefits in their influence on decision making. To the extent that the costs of prestigious affiliations have been considered, the focus has been primarily on their financial costs (e.g., Chen, et al., 2008; Hsu, 2004), which speaks to the means of obtaining prestigious affiliates, but not the desire to do so. Little research we are aware of has considered how non-financial costs can affect the desire to pursue prestigious affiliations, even when a firm possesses the capability. We contend that affiliating with prestigious actors can involve considerable social and political costs from disruptions to the existing status order and power structure; thus, the perceived desirability of pursuing prestigious affiliations is likely to vary more than has been assumed.

Results and Implications

Using pooled cross-sectional data from 210 IPOs conducted between 2001 and 2004, we found that board prestige has a positive but diminishing relationship with recruiting a prestigious new director, and that this relationship is weaker for shorter-tenured boards who may feel more threatened by a prestigious new director. Prestigious CEOs are more likely to recruit a prestigious new director when their structural power is high and less likely when their structural power is low.