Measuring and predicting the double bottom line in social entrepreneurial ventures: A Partial Least Squares approach

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Summary

Social entrepreneurial ventures (SEVs) have a double bottom line, that is, they attempt to achieve social impact and financial performance concurrently. Governance has been shown to be a crucial issue for firm performance. However, this issue has been neglected in the social entrepreneurship literature. Using the resource–based view (RBV) and both agency and stewardship theories, this study addresses this gap empirically by proposing a mediational model that describes the relationships between agency- and stewardship–oriented mindsets and financial performance and social impact. Using a Partial Least Squares approach to structural equation modeling, we find that a senior decision–maker’s stewardship–oriented mindset is positively related the double bottom line whereas an agent’s self–interested mindset negatively relates to social impact and financial performance. We confirm mediation of these relationships by SEVs’ organizational capabilities and stress the key role of communication, staffing abilities, and earnings–generation. These innovative findings contribute to understanding the linkages between mindsets, capability development and their outcomes within SEVs, and offer interesting implications for the practice of social entrepreneurship as well as the management of hybrid organizations.

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