Social Entrepreneur’s Networks and Institutional Environment: Ties That Bind?

Susana Bernardino, CEOS.PP/ISCAP/P.Porto, Porto, Portugal
https://orcid.org/0000-0002-1639-3553
José Freitas Santos, CEOS.PP/ISCAP/P.Porto, Porto, Portugal
https://orcid.org/0000-0001-8233-5039
José Cadima Ribeiro, University of Minho, Braga, Portugal
https://orcid.org/0000-0002-4434-0766

ABSTRACT

Institutional environments are widely regarded as a crucial advantage of regions to promote social entrepreneurship. However, there is scarce empirical support on the importance of network relationships and the ties that bind, both institutions and social entrepreneurs. This study contributes to filling this gap by analyzing network relationships and the institutional environment in Portugal. A quantitative approach is used in the study, using primary data collected through an online survey. A questionnaire was emailed to both Portuguese Non-Governmental Organizations and projects available on the Portuguese Social Stock Exchange. In the analysis of the data, the authors used descriptive statistics and canonical correlation analysis in an attempt to examine the links between network relationships and the institutional environment. The results we got show that a favorable institutional environment is not independent of the decision to start a new social venture.

KEYWORDS

Entrepreneurial Ecosystems, Institutional Environment, Networks, Social Entrepreneur, Social Entrepreneurship

INTRODUCTION

Social entrepreneurship has been recognized as a helpful instrument of social and economic policy, particularly when dealing with unemployment and social problems (Alvord, Brown & Letts, 2004; Borzaga & Galera, 2012; Lambru, 2012; Parente, Barbosa & Vilhena, 2012a; Quintão, 2004; Raimi & Ajiboshin, 2018). Also, social organizations have a key role in solving or attenuating social problems by taking risks and developing new approaches to do things differently (Raimi & Ajiboshin, 2018). If social entrepreneurs are successful, they will induce regional productivity, employment growth, regional economic development, as well as sustainable development (Acs, 2010; Karlsson, Johansson & Stough 2010; Mitra, 2012).

The European Commission (EU) recognized the importance of social organizations for the development of societies endowed with higher levels of democracy, activism and social cohesion (European Communities, 2011). Similarly, Yiu, Wan, Ng, Chen, and Su (2014) argue that social
entrepreneurship plays an important role in the community development of emerging economies, and Nega and Schneider (2014) highlight the significant role of social entrepreneurship in economic development.

For McAnany (2012), social entrepreneurship has a great potential to contribute to: (i) social change; (ii) the development of local communities; (iii) the enhancement of economic growth; (iv) poverty reduction; and (v) environmental sustainability.

Entrepreneurship as a social construction is inevitably influenced by the institutional environment, which comprises all the external influences that can be classified as economic, technological, demographic, social, cultural, and governmental/institutional (David, 2011; Hill & Jones, 2013). The institutional environment affects the entrepreneur’s behavior and performance (Covin & Slevin, 1991; Cajaiba-Santana, 2010; Mair, 2010; Welter, 2011; Urban & Kojinga, 2017; Chandna, 2017). Likewise, as social ventures are not developed in a vacuum (CASE, 2008) they are constrained by a particular environment (Weerawardena & Mort, 2006). As stated by Katz and Kahn (1966) in the Open System Theory, the emergence of organizations (mainly private companies) derives from the interaction between agents and environment, which suggest a strong influence of the environment on the creation of organizations. The same applies to social entrepreneurship, as the environmental forces could incite or deter the launching of new social ventures (Mair, 2010; Urbano & Ferri, 2011; Ziegler, 2009).

Social entrepreneurs also need to keep different types of networks (personal, entrepreneurial, institutional) for resource acquisition and the management of the assets of the social organization in order to accomplish their social mission. The literature on social entrepreneurship has recognized that networks are critical for social organizations’ success (Austin, Stevenson & Wei-Skillern, 2006; Bauer, Guzmán & Santos 2012; Leadbeater, 1997; Mair & Martí, 2006; Sakurai, 2008; Sharir & Lerner, 2006). According to Chell (2007), the analysis of the social entrepreneur’s behavior would not be complete without the inclusion of the role of networks. Leadbeater (1997) also claims that networks represent one of the main assets of social organizations.

To study the linkages between the social entrepreneur’s networks and the institutional environment, the research undertaken has focused on the analysis of environmental variables and their role in facilitating the access to different types of resources required for entrepreneurial activity.

This paper approaches the aforementioned issue using empirical data collected through an online survey, which takes as its object of analysis the behavior of the promoters of the Portuguese Non-Governmental Organizations and projects available on the Portuguese Social Stock Exchange. Our main goal is to understand the linkages between the entrepreneur’s network and the institutional environment, as social entrepreneurship is a social phenomenon that influences and is influenced by the environment, which frequently constrains social initiatives (Bernardino, 2013). Hence, it is important to understand the role of the social entrepreneur’s networks on the development of social ventures in different types of institutional environment.

The research question that this paper tries to answer is whether the entrepreneur’s networks establish linkages with the institutional environment that help enhancing and developing social ventures. The paper begins by reviewing the literature on social entrepreneurship, institutional environment and networks. The following section presents the methodology, the sample, the results and the derived implications. The paper ends with the conclusions.

LITERATURE REVIEW

Social Entrepreneurship

Social entrepreneurship emerged as an attempt by a civil society movement to react to social problems (Bernardino, 2013). Among the most prominent societal challenges are the “fight against unemployment, ageing and climate change. Increasing unemployment is often linked to increased crime and social exclusion, with long-lasting consequences not only for those losing their jobs but also for their children who have fewer opportunities in society. Ageing of the population, and its