

# Chapter 5

## Effects of Social Entrepreneurship on Organizational Performance: The Mediating Role of Corporate Social Responsibility

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### ABSTRACT

*Social entrepreneurship (SE) is a crucial way to deal with the social problems produced by the last economic crisis. However, social entrepreneurship most creates economic results that contribute to supporting the activity of the organization. This study analyzes empirically the effects of social entrepreneurship on organizational performance, as well as the indirect effect through corporate social responsibility (CSR). Based on data collected from 213 social economy companies, structural equations models have been used to verify the research hypotheses. The results obtained confirm the positive effect of social entrepreneurship on economic performance and announce the existence of the mediatory effect of the practices of corporate social responsibility.*

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## **INTRODUCTION**

In recent years, an important number of studies have focussed on the features and importance of social entrepreneurship (Durkin & Gunn, 2016; H. M. Haugh & Talwar, 2016; Hlady-Rispal & Servantie, 2018).

SE is understood as the ability to recognise opportunities to create social value, whereas the process of SE implies the construction, evaluation and pursuit of opportunities to achieve social change (Roberts & Woods, 2005). SE can be considered a competitive advantage generator where the income produced by this advantage leads to greater organisational performance (Liñán & Santos, 2007).

A key aspect in the success of SE is its capacity to generate social and economic value (Rawhouser, Cummings, & Newbert, 2017). This is the main difference between entrepreneurship in the traditional sector and social entrepreneurship.

Additionally, the literature has suggested that certain SE characteristics, such as the ability to detect opportunities, an innovative spirit and social commitment, have a positive impact on organisational performance (OP) (Sullivan, Carraher, Baker, Cochrane, & Robinson, 2009; Weerawardena & Sullivan-Mort, 2001). OP is a multidimensional concept with an indiscriminate combination of different indicators (Camisón & Villar-López, 2014). Some authors suggest that one way to improve these indicators is to incorporate organisational practices related to CSR (Paulík, Majková, Tykva, & Cervinka, 2015).

In general terms, CSR refers to a firm fulfilling its legal, economic, ethical and philanthropic responsibilities to society (Cho, Chung, & Young, 2019). However, different definitions have been suggested. The definition of CSR used in this study is based on the criteria of the European Commission (EEC) (2001). They define CSR as “the voluntary integration of social and environmental interests into an organisation’s commercial operations and relations with interest groups”. (EEC) (2001).

The literature recognises that CSR practices are important, insofar as they contribute to the improvement of an organisation’s perceived reputation, access to new opportunities and the cohesion of the organisation’s stakeholders (Luo & Bhattacharya, 2006).

Despite its relevance, empirical studies that analyse the relationship and effects of CSR on organisational performance remain scarce (Cho et al., 2019; Luo & Bhattacharya, 2006). Therefore, the purpose of this study is to empirically analyse the effect of SE on FP, as well as the role of CSR in this relationship. The study was conducted in the context of firms from the social economy sector.

In the Spanish context, social-economic firms are those organisations defined by the Law on Social Economy as “the set of economic and business activities carried out in the private sphere by those entities that pursue the collective interest of its members, either economic, social or both” (B.O.E, 2011). This law includes cooperatives and other entities that are part of the social economy (Monzon & Chaves, 2008).

This study tries to fill the gap outlined above by analysing the effect of SE on OP, as well as the mediating role of CSR in this relationship. Based on its relevance, this section supplies an empirical analysis related to the topic.

## **BACKGROUND**

### **Social Entrepreneurship**

Social entrepreneurship as an organisational practice is a crucial way to deal with the economic and social problems produced by the previous economic crisis. According to most studies, the main goal

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