

Chapter 11

Organizations of Social Entrepreneurship in Croatia: Entrepreneurial Orientation in the Context of Performance

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ABSTRACT

This chapter focuses on organizations of social entrepreneurship (SE) in Croatia. It primarily aims to 1) measure the level of their entrepreneurial orientation (EO), and social, economic, and overall performance; 2) explore the relationship between organizational EO and these three types of performance. While the topic represents a heavily investigated research field in the context of commercial entrepreneurship, it hasn't caught much attention among researchers of SE. So far, none of the above-mentioned variables have been empirically investigated within the SE scene in Croatia. The sample included 46 organizations, each represented by one highly ranked executive. The main findings revealed a relatively high level of organizational EO and social, economic, and overall performance, as well as a positive relationship among the variables.

INTRODUCTION

This study explores social entrepreneurship (SE) in Croatia. It focuses on the entrepreneurial orientation (EO) of organizations in the context of their performance.

The paper starts with basic definitions of key terms. Hence, SE organizations are conceptualized as social mission-oriented organizations that start and continuously run businesses and use them as a

DOI: 10.4018/978-1-5225-7074-5.ch011

means necessary for accomplishing their social missions (Dees, 1998; Dees & Anderson, 2003; Pomerantz, 2003; Mair & Marti, 2006). An example of a social mission is improvement of the quality of life among people who live in poverty. EO stands for the “degree” of entrepreneurship (Morris & Sexton, 1996). According to Miller’s definition (1983; Miller & Friesen, 1983), it consists of three dimensions: innovation, proactiveness, and risk taking. “Innovativeness is the predisposition to engage in creativity and experimentation” (e.g. developing new business models and products); “proactiveness is an opportunity-seeking, forward-looking perspective”, but, unlike innovativeness, it does not necessarily include introducing novelties (e.g. exploiting commercial opportunities before competitors do); and “risk taking involves taking bold actions by venturing into the unknown” (Rauch, Wiklund, Lumpkin, & Frese, 2009, p. 763; Pearce, Fritz, & Davis, 2010; Morris, Webb, & Franklin, 2011). Performance of SE organizations, due to the nature of their goals, embraces social and economic performance (Arena, Azzzone, & Bengo, 2015). Social performance covers the realm of social mission achievement, while economic performance refers to commercial/financial aspects of organizations (Bagnoli & Megali, 2011; Arena et al., 2015).

The rationale for the study emerges from the following insights. The role of EO in performance of commercial entrepreneurship organizations has been heavily investigated over the last three decades (Rauch et al., 2009; Zur, 2013). Therefore, for the purpose of taking an inventory of the research field, Rauch et al. (2009) analyzed 51 studies conducted between 1986 and 2006 (encompassing 14259 organizations in total). The conclusion revealed that “businesses are likely to benefit from pursuing an EO”, which makes this kind of investigations relevant for scholars and practitioners (Rauch et al., 2009, p. 778). However, the subject has not captured great attention among researchers of SE – despite the fact that an immense portion of SE organizations all over the world often faces serious economic performance difficulties due to various internal (e.g. staff with weak commercial and governance skills) and/or external factors (e.g. creditors and investors lack interest for business cooperation) (Hines, 2005; Morris, Coombes, Schindehutte, & Allen, 2007; Battilana & Dorado, 2010; Meadows & Pike, 2010; Young & Kim, 2015).

Within the SE scene in Croatia, neither the relationship nor each of the variables alone was empirically investigated.

The paper is organized through five sections: the research background section, which contains elaboration of the basic features of SE organizations and presentation of previous research findings on the topic; research aims and hypothesis; the methodology; the results; and the discussion and conclusion.

BACKGROUND

The Basic Features of SE Organizations

Since a widely-accepted, comprehensive understanding about distinctive features of SE does not exist (Dacin, Dacin, & Matear, 2010; Hill, Kothari, & Shea, 2010; Bacq & Janssen, 2011), the authors briefly elaborate on several key aspects of the kind of organizations this study explored.

1. **The Ultimate Aim:** It represents a fundamental difference between organizations of commercial and social entrepreneurship (Dees, 1998). Unlike the first ones, the ultimate aim of an SE organization is not to maximize profit for the owners/shareholders but to “create social value for the public good” (Dees, 1998; Austin, Stevenson, & Wei-Skillern, 2006, p. 3; Martin & Osberg, 2007; Bacq

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