Chapter 54
Exploring How Institutions Influence Social and Commercial Entrepreneurship:
An International Study

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ABSTRACT

The purpose of this chapter is to analyse the institutional factors that condition entrepreneurial activity, distinguishing between social and commercial entrepreneurship and using institutional theory as conceptual framework. We statistically test our hypotheses through linear regression models in a global setting using a sample of 43 countries and data from Global Entrepreneurship Monitor, Doing Business, and Worldwide Governance Indicators (2009). Compared with commercial entrepreneurship we find that social entrepreneurship is positively influenced by education level whereas the minimum capital requirements do not affect the social entrepreneurial process in contrast to commercial entrepreneurship. In addition, the results suggest that role models and fear of failure influence social entrepreneurship. This study contributes theoretically (advancing in the literature with an integrated model that relates institutions and entrepreneurial activity considering the relationship between social and commercial entrepreneurial activity) and practically (for the design of policies to foster both social and commercial entrepreneurship).

INTRODUCTION

It is widely accepted that entrepreneurship phenomenon is an important element in economic and social development across countries (Van Stel, Carree, & Thurik, 2005). Lately, a new kind of entrepreneurship focused on social wealth creation has attracted attention from governments and scholar, and become an active inquiry of research. It is called social entrepreneurship. Specifically, social entrepreneurs combine

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their social passion (produce social change, satisfy social needs or/and develop social goods and services) with using innovative solutions and business or strategies tools in order to achieve financial sustainability and independence from private donations or public grants (Dees, 2001; Mair & Marti, 2006).

In this sense, recently, governments have started supporting social entrepreneurial activity by designing specific policies with the aim to encourage the formation of new social entrepreneurial initiative. However, it is not clear the boundaries between social and commercial entrepreneurship and "for-profit" initiatives (Austin, Stevenson, & Wei-Skillern, 2006; Lumpkin, Moss, Gras, Kato, & Amezcua, 2013; Shaw & Carter, 2007). There is no accepted universal definition of social entrepreneurship due to the diversity and heterogeneity of social enterprises in terms of organizational types, structures that they adopt, the social mission, and their potential clients (Christie & Honig, 2006; Weerawardena & Mort, 2006). Hence, it is important to determine the key differences between social and commercial entrepreneurship using quantitative techniques that allow researchers and policy makers to acquire better knowledge.

A growing body of research suggests that entrepreneurship is influenced by the institutional context. According to this, the institutional environment defines, creates and limits entrepreneurial opportunities, thus affecting entrepreneurial activity rates (Aidis, Estrin, & Mickiewicz, 2012; Alvarez, Urbano, Coduras, & Ruiz, 2011; Gnyawali & Fogel, 1994; Guerrero & Urbano, 2012; Thornton, Ribeiro-Soriano, & Urbano, 2011; Urbano, Toledano, & Ribeiro Soriano, 2011). In spite of these developments, little is known about whether institutions (formal -regulations, procedures, etc.- and informal –attitudes, values, etc.-) affect differently social and commercial entrepreneurship.

The purpose of this chapter is to analyse the institutional factors that condition entrepreneurial activity, distinguishing between social and commercial entrepreneurship and using institutional theory as conceptual framework (North, 1990, 2005). We statistically test our hypotheses through linear regression models in a global setting using a sample of 43 countries and country-level data from Global Entrepreneurship Monitor and Doing Business from the World Bank Group.

The main findings reveal that compared with commercial entrepreneurship, social entrepreneurship is positively influenced by education level (formal factor) whereas the minimum capital requirements (formal factor) do not affect the social entrepreneurial process in contrast to commercial entrepreneurship. In addition, the results suggest that role models and fear of failure (informal factors) has a significant relationship with social entrepreneurship, whereas fear of failure does not impact on commercial entrepreneurship.

The contribution of this study is twofold. Firstly, we advance in the literature proposing an integrated model that relates institutions and entrepreneurial activity considering the relationship between social and commercial entrepreneurial activity. Secondly, for practitioners, our study provides a rigorous examination that identifies significant heterogeneity between social and commercial entrepreneurship through the theoretical lens of the institutional approach. These findings could be very useful for the design of policies to foster both social and commercial entrepreneurship, taking in account their different conditioning factors.

After this introduction, the organization of the paper is as follows. In the second section, we analyze the previous literature on social and commercial entrepreneurship in the context of institutional theory, proposing our hypotheses. In the third section we describe the data, the variables and the statistical techniques used. In section 4 we discuss the empirical results. Finally, in section 5, we present the main conclusions and the future research lines.