

# **What are the Outcomes of Innovativeness within Social Entrepreneurship? The Relationship Between Innovative Orientation and Social Enterprise Economic Performance**

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*Taking a Schumpeterian perspective on social entrepreneurship, this paper studies the relation between innovative orientation, profit, and turnover within social enterprises. A sample of Finnish social enterprises was studied principally by means of multiple regression analyses. The results highlight that the innovative orientation of the enterprises had no significant relationship to their operating profit or turnover. Finnish social enterprises, by law, must operate according to commercial principles. Our results suggest that their profitability is not generated through innovative activity. The findings also suggest that innovation within social enterprises may generally differ from and/or serve other purposes than innovation within traditional enterprises.*

## **INTRODUCTION**

Innovation is generally considered an essential element of entrepreneurial behavior (Schumpeter, 1934), a view shared by social entrepreneurship researchers as well (cf. e.g. Dees, 1998; Weerawardena & Sullivan Mort, 2006; Austin, Stevenson, & Wei-Skillern, 2006). Innovations have the potential of generating economic sustainability for social entrepreneurial initiatives which focus on social issues that have not been regarded as attractive commercial business opportunities (Seelos & Mair, 2005). Innovations, in general, have the potential of offering cost effective solutions or innovative financial solutions enabling low dependency or independency from external funding (cf. Dees, 1998; Seelos & Mair, 2005). Additionally, innovations offer solutions to social problems and can provide efficiency in the economy as a whole (Johnson, 2000). Therefore, it is worth considering innovation an imperative element within social entrepreneurship. However, previous research comprises only a few empirical studies on the

role of innovations in social entrepreneurship (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010). Because of the strong social mission or aim that often is ascribed to social entrepreneurship (cf. e.g. Austin et al., 2006; Martin & Osberg, 2007; Perrini, 2006) one could expect innovation to have a different role within social entrepreneurship than within purely profit-oriented entrepreneurship.

Additionally, no studies have focused specifically on the case of innovation and social entrepreneurship in countries like Finland where social enterprising is a separate legal form of business venturing that must operate under commercial principles. Thus, the role of innovativeness within social entrepreneurship, especially in the cases in which social enterprising is dictated by law, should be further studied. The purpose of this study is to shed light on the role of innovative orientation within social entrepreneurship by empirically testing the relationship between innovative orientation and both operating profit and turnover (revenues) within social enterprising. This study also contributes to a better understanding of how social ventures operate in different cultural contexts. If innovative orientation within social entrepreneurship operates differently in different contexts, it may be necessary to study this phenomenon separately from innovativeness within traditional entrepreneurship.

## THEORETICAL DEVELOPMENT AND HYPOTHESES

Social entrepreneurship, as an activity, has been around for a long time. However, the concept as a research area is relatively new (Dees, 1998; cf. Alvord, Brown, & Letts, 2004). Sullivan Mort, Weerawardena and Carnegie observed in 2003 that “...*the literature on social entrepreneurship has grown in significance over the last two decades*” (p. 77). Moss, Lumpkin, and Short (2008) concur in that there is an increase in the study of this phenomenon. The theories related to social entrepreneurship has strengthened their position (Meyskens et al. 2010), and accordingly, it is being practiced more (Austin et al., 2006).

What is the reason for this increased interest in social entrepreneurship when it comes to both theory and practice and is it universal across cultures and countries? Some researchers have observed the obscurity that prevails around the concept of social entrepreneurship (e.g. Austin et al., 2006; Peredo & McLean, 2006; Mair & Martí, 2006). Dees (1998) expresses the conception that social entrepreneurship can have varying meanings for different people. Adding to this, the definitions vary widely when it comes to specificity (Moss et al., 2008). As Sullivan Mort et al. (2003) note, a clearer conceptualization of social entrepreneurship is needed and how that may differ from traditional entrepreneurship and from even not-for-profits. Several researchers have likewise noted these concerns (Certo & Miller, 2008; Dees, 1998; Weerawardena & Sullivan Mort, 2006).

Seelos and Mair (2005) note two characteristics of the current market. First, some of the population in industrialized economies is unwilling to pay for some of the products or services they would like to have, while the producer wishes to receive the necessary compensation for those products or services. On the contrary, some people in the less developed economies would be prepared to pay for things that meet their needs, but they simply cannot afford to do so (Seelos & Mair, 2005). The poor may not be reached by services that would meet their needs, and even if they are, the quality of these may be inadequate (The World Bank, 2003 as cited in Seelos & Mair, 2005). The public sector (government) and its investments do not seem to be sufficient for solving these problems (Dees, 1998). According to Dees (1998) “...*major social sector institutions are often viewed as inefficient, ineffective, and unresponsive*” (p. 1).

Further, there exist intensifying demands on the non-profit sector. With the difficulties of financing non-profits there is a tough competition for public funds. The fact that more and more resources are found in the private sector suggests that firms in this sector should accept their responsibility when it comes to satisfying unmet social needs. (Johnson, 2000) McDonald (2007) emphasizes the potential that innovations could have to make non-profits successful both when it comes to their mission and financial performance. Dees (1998) considers that we face a future where there is an increased need for social entrepreneurs. Johnson's (2000) statement that “...*social entrepreneurship is emerging as an innovative approach for dealing with complex social needs...*” (p. 1) supports the same thought. In other words, social entrepreneurship and innovation seems to be an appropriate answer to some of the challenges that

can be found in all societies and in the markets of the world today. It is also possible that social entrepreneurship is merely a way to privatize social services that the government is no longer capable of providing in deficit economies.

### **The Social Aspect of Social Entrepreneurship**

Peredo and McLean (2006) observe that social goals are something that by many is considered to be the driving force behind the activities of social entrepreneurs. When social entrepreneurship is described in the literature, the social aspect is often touched upon explicitly as a factor that separates social entrepreneurship and social entrepreneurs from traditional entrepreneurship and traditional entrepreneurs. In the comparisons between the two types of entrepreneurship or entrepreneurs the meaning and the description the social factor is given still vary. (e.g. Austin et al., 2006; Boschee & McClurg, 2003; The Skoll Foundation, 2009) Dees (1998) first declare that social entrepreneurs “are entrepreneurs with a social mission” (p. 2), and continues later on that the difference between the two types of entrepreneurs is based on this mission being *fundamental* to the social entrepreneur (Dees, 1998).

Perrini (2006) and Perrini and Vurro (2006) also emphasize a social mission. According to Perrini (2006), this mission is explicit when it comes to social entrepreneurship. Thus, social and traditional entrepreneurship are different, among other things, because they do not have the same long-term goals (Perrini, 2006; Perrini & Vurro, 2006). Social entrepreneurship is “*the enhancement of global or local social conditions*” which starts “*from a perceived social gap*” (Perrini, 2006, p. 12). Weerawardena and Sullivan Mort (2006) suggested “*that social entrepreneurship can be conceptualized as a multidimensional model involving the three dimensions: innovativeness, proactiveness, and risk management*” and “*that social entrepreneurial behavior is deeply influenced by the concurrent requirements of the environment, the need to build a sustainable organization and the need to achieve the social mission*” (pp. 31-32). Again the social aspect of social entrepreneurship is brought up as a social mission. Boschee and McClurg (2003) point out when it comes to traditional entrepreneurs that “*their efforts are only indirectly attached to social problems*” (p. 3). In the case of social entrepreneurs they hold that “*their earned income strategies are tied directly to their mission*”, i.e. the social mission (Ibid.). This would imply that the social mission is very central within social entrepreneurship in contrast to being only secondary to some other goals within traditional entrepreneurship.

The importance of social goals within social entrepreneurship has also been expressed differently in the literature compared to a social mission (c.f. e.g. Austin et al., 2006; Martin & Osberg, 2007; Moss et al., 2008). It is difficult to say if researchers in general refer to nearly the same thing by *social mission* and *social goals*. A social mission might have its source in a stronger feeling of a social responsibility and a strong desire to act on that feeling. A social goal on the other hand might have a less deep meaning for the entrepreneur and the enterprise. Other ways in which the social aspect within social entrepreneurship has been presented, than as a social mission, is as a focus on social returns (Austin et al., 2006), as an aim for social value (Martin & Osberg, 2007, The Skoll Foundation, 2009), as social goals (Drayton see Sen, 2007; Skoll see Dearlove, 2004), as “*a common desire to see principles of social justice valued and applied*” (Thake & Zadek, 1997, p. 20), as an aim for social change (Ashoka, n.d.) and as a focus on “*solving social problems*” (Drayton, 2002, p. 123). A social aim has been presented as the main purpose of social entrepreneurship in several studies (cf. e.g. Austin et al., 2006; Martin & Osberg, 2007; Perrini, 2006). In this study we assume that having mainly social aims in the operations is a defining criterion of social entrepreneurship.

### **Innovation within Social Entrepreneurship and within Social Enterprises in Finland**

In the introduction of this paper it was maintained that innovation generally is considered an essential element of entrepreneurial behavior (Schumpeter, 1934), a view that was claimed to be shared by social entrepreneurship researchers as well (cf. e.g. Austin et al., 2006; Dees, 1998; Weerawardena & Sullivan Mort, 2006). Therefore, the creation and/or implementation of innovation is another criterion ascribed to social entrepreneurship for the purpose of this research. We choose not to go too much into detail when it

comes to the meaning of social entrepreneurship. Thus, we define social entrepreneurship as follows: *Social entrepreneurship is an innovative activity with mainly social aims.*

Mair and Martí (2006) maintain that “*definitions of social enterprises refer to the tangible outcome of social entrepreneurship*” (p. 37). This does not necessarily mean though that all social enterprises involve social entrepreneurship. This view is also supported by Brouard and Larivet (2010) who do not see social enterprises as one form of social entrepreneurship, but vice versa. The argument is that “*social enterprise doesn’t necessarily include the entrepreneurship component*” (Ibid., p. 31). Peredo and McLean (2006) present a similar view stating that “*being engaged in a social enterprise is not necessarily the same as being a social entrepreneur; one must satisfy the conditions of entrepreneurship to qualify for the latter category*” (p. 62). However, we open up for the idea that social entrepreneurship also could assume other forms than a social enterprise. This suggests that the possible area of social enterprises overlaps with the possible area of social entrepreneurship, but that the latter also spread outside the borders of the former.

Taking a Schumpeterian perspective (Schumpeter, 1934), the innovations within social entrepreneurship might be viewed as social innovations. Social innovations can be considered innovations playing a significant role for the solution of specific social problems (cf. Phills, Deiglmeier, & Miller, 2008; Westley & Antadze, 2010) or having their origin in social aims (Mulgan, 2006). However, the innovations within social entrepreneurship do not necessarily have to be of any these kinds. Even though a social entrepreneurial initiative has a social mission (cf. e.g. Dees, 1998), its main reason for innovating does not have to be a social aim. The reason for innovating could for example be the creation of personal financial gain for the entrepreneur.

This study focuses on activities of registered social enterprises in Finland. These represent a unique form of social enterprises following the criteria for registration stated in the Finnish legislation (Act on Social Enterprises 1351/2003). In the Finnish Act on Social Enterprises (1351/2003) a social enterprise is defined as “*a business or businessperson that is registered in the register of social enterprises*”. To have the possibility of getting included in this register one needs to apply for it and come up to, for example, the requirement of being included in the official trade register (Act on Social Enterprises 1351/2003). This implies that a social enterprise can be for example a profit making company or a nonprofit association and a foundation (Act on Social Enterprises 1351/2003; Trade Register Act 129/1979). Another one of the requirements that must be fulfilled for one to be able to be included in the register of social enterprises is that one should run an activity “of which at least 30 percent of the employed employees are disabled or at least 30 percent in all are disabled or long-term unemployed” (Act on Social Enterprises (1351/2003). After being registered, a social enterprise may receive “pay subsidies and employment policy assistance” from the state (Ministry of Employment and the Economy, 2010). In the Finnish law the term of social enterprise refers to a very specific type of business activity. However, it should be noted that it is not guaranteed by the legislative criteria stated that these enterprises would have a fundamental social mission or that they would be innovative meeting our definition of social entrepreneurship.

### **Innovation and Economic Performance**

As a critique of the commonly accepted positive linearity between innovations and firm performance, we will also assess the role of innovative behavior in profitability. Recent a pro-growth bias prevails in the entrepreneurship research field, which has led to a situation where profitability has become an issue of secondary importance (Achtenagen, Naldi, & Melin, 2010; Brännback, Kiviluoto, Carsrud, & Östermark, 2010; Davidsson, Steffens, & Fitzsimmons, 2009; McKelvie & Wiklund, 2010). This is surprising considering that originally a profit-incentive was seen as the overall driver of entrepreneurship (Kirzner, 1973; Penrose, 1959; Schumpeter, 1934; Sullivan Mort et al., 2003). Despite their differences, the one thing Kirzner (1973), Penrose (1959), and Schumpeter (1934) have in common is that all three suggest profits drive entrepreneurship and that firms and entrepreneurs innovate in order to increase their profits. Thus, we assume that innovative orientation is associated with profitability also among social enterprises. Accordingly, we hypothesize that:

*H1: Innovative orientation positively enhances the operating profits of social enterprises.*

However, in order to take advantage of new opportunities or to adjust firm's actions accordingly, a firm needs to focus on renewal and rethinking of the present and to act innovatively (Brown, Davidsson, & Wiklund, 2001; Moreno & Casillas, 2008). Following this innovative behavior is a measure of adaptation and adjustment which is needed to secure the continuity of business. Firms may need to renew their processes, open up new markets, modify the use of production resources, and introduce new innovative products and services to the market (Langerak & Hultink, 2006; Schumpeter, 1934). Previous research shows that these improvements or implementations are positively associated with firm performance and growth (Cho & Pucik, 2005; Santos-Vijande, & Álvarez-González, 2007; Subramanian & Nilakanta, 1996). Similarly, renewing a firm's processes improve the firm's performance, growth, and profitability (Damanpour, 1991; Stenholm, 2011; Wolff & Pett, 2006). These would suggest that any form of enterprising is embedded with a need to innovate if an enterprise's goal is to pursue continuity. Thus, we assume that innovative orientation is associated with firm's turnover and we hypothesize that:

*H2: Innovative orientation positively enhances the turnover of social enterprises.*

According to Dees (1998) it is only to be able to create social benefit that social entrepreneurs try to produce profit, if they try to do so. Boschee and McClurg (2003) present the wish to make a profit as a general characteristic by social entrepreneurs, but consider, quite similar to Dees, that the profit primarily is used for the creation of social value. Further Prabhu (1999) considers that a possible profit within social entrepreneurial organizations may be used for the creation of social value. Perrini (2006) again considers profit to be something that all social enterprises create, but that the reason for doing it is to survive and be able to create social value. Thus, if profits are primarily or exclusively reinvested in the social mission and this can be done during the same financial period the profit has been generated, it can be expected that a possible positive effect of innovative orientation on the economic performance within the social enterprises is larger for the turnover of the financial period than for the operating profit for the same period. Thus, in addition to assuming that innovative orientation has a positive impact on firm performance, we assess the possible difference in the effects between innovation, and profitability and turnover. While the impact may be statistically significant we assume that the profit will be low as these firms will re-invest or expend those financial resources rather than bank them as profits. Therefore, growth of revenues may be a more appropriate performance measure within social entrepreneurship, than simple operating profits, which is the more appropriate for economic ventures. Consequently, the following hypothesis is offered:

*H3: Innovative orientation affects the turnover more positively than the operating profits within social enterprises.*

## **METHOD**

### **Data and Variables**

The data used in testing our hypotheses was collected in two waves in spring 2010 via an internet-based survey directed to social enterprises found in the Finnish register of social enterprises. The register of social firms is maintained by the Ministry of Employment and the Economy. The total population of Finnish social enterprises (154 firms) was included in the survey. Of these firms, 67 participated in the survey generating a response rate of 44 %. The analyses of non-response bias showed that participating firms were slightly larger than the non-responding firms. However, there were no statistically significant demographic differences found between the first-wave and second-wave respondents. The questionnaire focused mainly on items measuring the entrepreneurial orientation and competitive advantage of the social enterprises. The respondents were asked to estimate on the part of their company how 100 points

were distributed among financial, social and environmental value when it came to the goals of their company.

The aim was to study social entrepreneurship, which we for the purpose of this study ascribed for example the criterion of having mainly a social aim. Therefore, only such enterprises that had allocated at least 40 points to social goals, including environmental goals, were included in the analyses. The 40 points were chosen as a limit, since 50 points is the limit if an aim is supposed to be mainly social, and because a margin of ten points was chosen to account for the possible difficulty for respondents to determine the importance of various aims to the firm. The final sample included in the analyses was 26.

### *Profitability and Turnover*

The data on operating profit and turnover used in the analyses was taken from the Voitto-database, which provides objective data on financial statements. The financial performance data was taken from the year of 2009. For many of the 67 enterprises, data on both operating profit and turnover (revenues) could not be found in the database. However, data on operating profit was found for 33 cases and on turnover for 32 cases. To reduce the effect of outliers the values for both profit and turnover was winsorized at the first and 99<sup>th</sup> percentiles for the hierarchical regression analyses.

### *Innovative Orientation*

When it comes to the innovation criterion for social entrepreneurship, Cukier, Trenholm, Carl, and Gekas (2011) maintain that “*delimiting the nature and extent of the innovation is somewhat problematic and highly subjective*” (p. 103). This is something we can agree with. By choosing an existing measure for an innovative character that we named *innovative orientation*, we could reduce the impact of our own subjectivity. The innovative orientation was measured in terms of items based on Covin and Slevin’s (1989) approach to a firm’s tendency toward innovation (cf. also Miller & Friesen, 1982). The respondents were asked to reply to the questions: “Our company has bound itself strongly to developing new things, to product development and to innovations”, “Our company has introduced many new products or services on the market”, and “The changes in products or services we offer are typically significant”. They were measured with a Likert scale from 1, “totally disagree”, to 5, “totally agree”. In the analyses we used a composite variable which was enough reliable (Cronbach  $\alpha$  .85). Based on the values of this variable it is hard to determine the minimum score for an enterprise to be categorized as an innovative firm. Therefore, it is justified to include also lower values of innovative orientation in the analyses, as we did.

### *Control Variables*

In addition to age, size (number of personnel), and industry of the firm, the analyses were controlled for the self-reported total share of disabled and long-term unemployed people working in the firm as well as for the importance of social aims, including environmental ones, to the enterprise. As mentioned earlier, all firms in the register of social firms, according to the Finnish Act on Social Enterprises, have to employ disabled or disabled and long-term unemployed individuals up to at least 30 % of the whole personnel. Thus, the share of disabled and long-term unemployed employees was chosen in order to adjust the analyses for the possible effect on operating profit and turnover of workers with disabilities and workers who have recently left a long period of unemployment. A stronger focus on social aims within an enterprise might decrease the attention given to the management of innovativeness and innovations. Therefore it may be of importance to control for the degree of social aims within the enterprises studied.

## **RESULTS**

All the relevant variables, their descriptive statistics and correlations used in the hierarchical linear regressions are shown in Table 1. There is a correlation between some of the items, but the Variance Inflation Factor (*VIF*) statistics indicated no multicollinearity. The median age of the 26 studied firms was 4 years and they have been officially registered as social enterprises for almost 3 years on average. More

than half, 65.4 %, of the firms operated in services, and the rest were either in trade (19.2 %) or in manufacturing (15.4 %). The relative share of disabled and long-term unemployed employees was 69.5 % on average.

**TABLE 1**  
**DESCRIPTIVE STATISTICS AND PEARSON CORRELATIONS FOR RELEVANT**  
**VARIABLES USED IN THE REGRESSION ANALYSES**

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Operating profit	608.65	76747.76								
2. Turnover	528020.00	713560								
3. Age of the firm	8.46	8.45	-.02	.14						
4. Industry: services	.65	.49	.03	.03	-.50**					
5. Industry: trade	.19	.40	-.07	.09	.16	-.67**				
6. Social aims	66.08	21.54	-.09	.31†	-.26	-.06	.23			
7. Size of the firm	24.08	37.99	.01	.82**	.37*	-.22	.43*	.18		
8. Share of disabled and long-term unemployed employees	69.46	28.50	.44*	-.36*	-.23	.17	.10	.05	-.14	
9. Innovative orientation	2.91	1.12	.17	.27	.13	-.06	-.21	-.18	.18	-.17

† $p < .10$ , \* $p < .05$ , \*\* $p < .01$   $n=26$

**TABLE 2**  
**INNOVATIVE ORIENTATION AND OPERATING PROFIT**

	Base Model	Independent Effect
	$\beta$	$\beta$
Innovative orientation		.13
Age of the firm	-.14	-.11
Industry: services	-.39	-.31
Industry: trade	-.45	-.35
Social aims	-.12	-.10
Size of the firm	.28	.21
Share of disabled employees	.56*	.56*
Constant	-20653.37	-63488.58
<i>F-test</i>	1.062	.902
$R^2$	.29	.30
<i>Adj. R<sup>2</sup></i>	.02	-.03
$\Delta R^2$		.01

Linear regression, enter-method: † $p < .10$ , \* $p < .05$ , \*\* $p < .01$   
*DV*: Operating profit  
 $n=26$ . All coefficients are standardized.

We tested our hypotheses with hierarchical linear regressions in which both operating profit and turnover were separately regressed on innovative orientation. Our results indicate that innovative

orientation has no statistically significant association with operating profit (Table 2). Thus, hypothesis H1 proposing a positive relationship is not supported. Our finding may suggest that Finnish social enterprises do not focus on an innovative orientation and consequently the relationship between innovation and operating profit does not occur as we proposed. This again may suggest that “innovation” in terms of Covin and Slevin’s (1989) items does not assess how these social ventures actually innovate. Thus, “innovation” in Finnish social enterprises might generally differ from that in traditional commercial entrepreneurial ventures. The results might also suggest that the studied social enterprises innovate for other purposes than traditional ventures.

The results show no significant relationship between innovative orientation and turnover either (Table 3). Thus, we reject also our hypothesis H2. This suggests that the studied Finnish social enterprises did not generate income from being innovative during the financial period used in this study.

The relationship between innovative orientation and operating profit as well as the relation between innovative orientation and turnover were also tested by logistic regression analyses. They did not show any different results compared to the above-mentioned relationships.

**TABLE 3**  
**INNOVATIVE ORIENTATION AND TURNOVER**

	Base Model	Independent Effect
	$\beta$	$\beta$
Innovative orientation		.07
Age of the firm	-.16	-.14
Industry: services	.01	.05
Industry: trade	-.31†	-.26
Social aims	.18	.20†
Size of the firm	.95**	.91**
Share of disabled employees	-.24*	-.24*
Constant	338245.54	125571.39
<i>F-test</i>	16.276**	13.400**
<i>R</i> <sup>2</sup>	.87	.87
<i>Adj. R</i> <sup>2</sup>	.81	.81
$\Delta R$ <sup>2</sup>		.00

Linear regression, enter-method: †*p*<.10, \**p*<.05, \*\**p*<.01  
*DV*: Turnover  
*n*=25. All coefficients are standardized.

Another possible reason why we did not find any positive and significant relationships in our analyses may lie in an absence or scarcity of radical innovation within some of the studied enterprises; that is some of the innovation accounted for may not imply any larger changes in the activity in which it is introduced, and consequently, will not have much of an impact on the outcomes of the operations. Thus, we conducted post-hoc analyses in order to assess the impact of adopting radical innovation on the operating profit and turnover of the enterprises. This was done by replacing the independent variable for innovative orientation with a dummy variable assuming the value 1 if the enterprise was classified as an activity typically offering radical innovation and assuming the value 0 if an enterprise was not classified as such an activity. An enterprise was placed in the first category if it had chosen alternative 4, “fairly agree”, or 5, “totally agree”, for the statement “The changes in products or services we offer are typically

significant”, an item earlier included in the innovative orientation factor. If the enterprise had chosen another alternative for this statement, it was given the value 0 for the adoption of radical innovation.

No significant relationship between the adoption of radical innovation and operating profit was found, supporting our earlier results. The relationship between the adoption of radical innovation and turnover was not significant either, but not far from being positively significant on the 5 %-level ( $\beta=.20$ ,  $p=.054$ ). This suggests that even though social enterprises may not innovate for profit, they may do so to cover expenses, being able to create more social value, and to survive, a conclusion for which support indirectly can be found in the literature (cf. Dees, 1998; Boschee & McClurg, 2003; Prabhu, 1999; Perrini, 2006; cf. above).

## DISCUSSION AND CONCLUSIONS

Social enterprising—as any other forms of enterprising—is intertwined with innovations and innovative orientation. These generate potential for economic sustainability through novel entrepreneurial approaches focusing on social issues that have been ignored or regarded as less attractive commercial business opportunities by others. Additionally, innovations can provide efficiency in the economy as a whole (Johnson, 2000). Our main results, however, suggest that innovative orientation within social enterprises might not be related to either operating profits or the turnover (revenues) of the enterprises. These findings may indicate that an innovative orientation within social entrepreneurship is not used for creating profit, not even profits meant to be reinvested. Interestingly, this differs remarkably from the general idea of entrepreneurial behavior (Barney, 1991; Kirzner, 1973; Penrose, 1959; Peteraf, 1993; Peteraf & Barney, 2003; Schumpeter, 1934). Ultimately, this may suggest that innovation in social enterprises should be measured differently and/or conceptualized differently than it has been done in the case of traditional commercial ventures. This is also supported by the results from our post-hoc analyses suggesting that social enterprises innovate to create profit meant to cover expenses, enable the creation of social value and meant to secure the survival of the enterprise. Although no significant relationship between the adoption of radical innovation and profits or turnover was found, the latter was found to be very close to a positive and significant relationship to innovative orientation. If the profits created are reinvested in the enterprise, they may not show up as profits in the closing of accounts.

The reason for our intriguing findings is perhaps embedded in the social goals pursued by social enterprises. This might be partially caused by the sample we studied: All the studied social enterprises are required to employ disabled or disabled and long-term unemployed people in order to be considered social enterprises. Additionally, the results suggest that social aims play a significant role among these firms. This could imply that innovations within social entrepreneurship could possibly be labeled social innovations or human resource innovations. It may also suggest that the type of innovativeness that prevails in these enterprises may serve a somewhat different kind of purpose than normally assumed in the entrepreneurship literature, something suggested by our post-hoc results as well.

Even if the studied social enterprises are driven by social goals, the role of profitability-thinking should be apparent as they by law must act in a commercial fashion. While these firms might not purposively attempt to generate profits for their shareholders, they should be concerned with profitability to be able to meet their social goals and assure their continuity. The type of profitability that ought to be measured is therefore related to operational efficiency. That is, showing how to get the most out of the resources available to the firm, i.e. evidence of a working business model. This type of profitability, or efficiency, is most commonly measured as the earnings before interest and taxes (EBIT) in relation to sales (Brännback et al., 2009). Therefore, the relationship between innovative orientation and an improved operational efficiency should be studied further and will require more detailed financial information than is currently available on Finnish social enterprises.

Our findings suggest that if profit is not the main reason for innovating, then the use of this economic measure for assessing the success of innovative orientation in social enterprises must be questioned. It is worth asking if innovative orientation would be positively related to other performance measures. As mentioned in the literature review, a pro-growth bias has been identified in entrepreneurship (Davidsson

et al., 2009), which has also been found to affect the strategies pursued by entrepreneurs (Brännback et al., 2010). Therefore, it may well be, that social enterprises are more concerned with growth (perhaps in increased employee numbers) and not profitability. This needs further empirical examination. The results of our post-hoc analyses, showing a nearly significant and positive association between the adoption of radical innovation and turnover, might be a sign of growth aspirations.

It may also be the case that there is a need for developing new ways of measuring the success of innovative orientation within social entrepreneurship ventures. After all, these enterprises fundamentally seem to be driven by different kinds of goals in comparison to more traditional commercial firms. Thus, there seems to be room for investigating more extensively whether new measures should be developed for measuring the success of innovative orientation within social enterprises, be the Finnish or not. Still, the fact that no generally accepted definition for social entrepreneurship exists and that empirical studies in the area are scarce makes the evaluation of results difficult (Cukier et al., 2011). Consequently, it may also be difficult to select or develop appropriate performance measures for this kind of activity before sufficient progress has been made in the above-mentioned issues. Moreover, if innovations within social entrepreneurship do not serve the same purposes as innovations traditionally do, then they might need to be conceptualized differently from other innovations.

While our results can be valuable to potential as well as current practitioners, they may be even more valuable to policy makers and other actors trying to promote social entrepreneurship. To identify appropriate ways of innovating within social entrepreneurship, the existing innovations within operating social enterprises should be studied further. There is the possibility that social enterprises innovate for other reasons than traditional firms. Moreover, as our results suggest, the social enterprises may not manage their innovations well. Clearly future research is called for to better understand the role of innovation and social enterprising.

In conclusion, our study revealed details about the association between innovative orientation and operating profit as well as turnover within social entrepreneurship. Neither of the proposed relationships got empirical support which suggests that innovative orientation may have a totally different outcome within social entrepreneurship than could be expected from the earlier research on traditional forms of business venturing. Considering our results, we believe there needs to be a different assessment of innovative orientation within social entrepreneurship and/or of the success or failure of innovative orientation within this phenomenon.

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