

Social Entrepreneurship in an Emerging Economy: A Focus on the Institutional Environment and Social Entrepreneurial Self-Efficacy

Boris Urban

Consistent with the notion that the institutional environment affects entrepreneurial activity, this article interrogates how a person's willingness to pursue social entrepreneurship is connected with self-efficacy beliefs. Hypotheses are formulated in terms of South Africa's regulatory, normative, and cognitive institutional profiles relating to an individual's social entrepreneurship self-efficacy. Findings indicate favourable perceptions of the regulatory and normative dimensions, which are associated with higher levels of self-efficacy. Implications imply that although institutional support mechanisms are essential to increase social business practices, ultimately social entrepreneurship can only spread by fostering individual self-beliefs.

Key Words: institutions; self-efficacy; social entrepreneurship;
South Africa

JEL Classification: D8; J24

Introduction

As with any change-orientated activity, social business and social entrepreneurship have not evolved in a vacuum, but rather within a complex framework of institutional, political, economic, and social changes occurring at the global and local levels (Harding 2006; Johnson 2000; Kramer 2005). The institutional environment (the socio-economic and political milieu in which an entrepreneur operates) influences people's willingness to engage in socially productive activity (Baumol 1990; Šušteršič, Wostner, and Valič 2010). Research attests that the nature and quality of institutions in a country determine whether individuals will pursue entrepreneurial activity (Naude 2007; Welter and Smallbone 2011).

In South Africa, social entrepreneurship has unequivocal application where traditional government initiatives are unable to satisfy the entire social deficit, where an effort on the reduction in dependency on social welfare/grants is currently being instituted, and where the survival

*Dr Boris Urban is Chair in Entrepreneurship (Lamberti Foundation)
at the Graduate School of Business Administration, University of
Witwatersrand, South Africa.*

of many non-governmental organizations (NGO's) is at stake. Such challenges are exacerbated by a social context characterized by massive inequalities in education, housing, the HIV/AIDS pandemic, and high unemployment and poverty rates (Rwigema, Urban, and Venter 2010). Under these conditions, social entrepreneurs play the role of change agents by adopting a mission to create and sustain social value by recognizing and relentlessly pursuing new opportunities to serve that mission.

The entrepreneurial process is often conceptualized as the result of a combination of various motivational and belief components where environmental conditions also play a role (Shane, Locke, and Collins 2003). Being motivated is not only considered an integral aspect of the entrepreneurial process but must be supplemented with the requisite skills and competencies. Unless individuals perceive themselves as capable and willing to be entrepreneurial, their venture will remain uncompetitive and underperforming. The research finds those with higher entrepreneurial self-efficacy as perceiving their environment as more opportunistic rather than fraught with risks, and they tend to believe in their ability to influence the achievement of goals (Chen, Greene, and Crick 1998; De Noble, Jung, and Ehrlich 1999).

Self-efficacy is based on tenets of social cognitive theory (SCT), which favours the concept of interaction where behaviour, personal factors, and environmental influences all operate interactively as determinants of each other (Bandura 1986; 1997; 2001). However, although motivation is implied, or assumed, in papers on beliefs, intentions, and cognitions in relation to entrepreneurial behaviours, it remains largely under the researched despite its critical importance to predicting and explaining different types of entrepreneurial behaviors (Carsrud and Brannback 2011).

To address this gap, this study extends earlier research that suggests that the setting up of new ventures by intending individuals is influenced by individual beliefs (Busenitz and Lau 1996), and by broader environmental factors at both individual and national institutional levels (Davidsson and Wiklund 1997; Dutta and Thornhill 2008). To the degree, therefore, that a countries' context and institutions may influence the beliefs, behaviours, occupation patterns, and outcome effects of entrepreneurs, the research question of this paper then becomes: To what extent is the institutional environment, in terms of the regulatory, normative and cognitive dimensions, linked to an individual's self-belief to engage in social entrepreneurial activity in an emerging market context? This general label, self-belief provides little point of reference for the sci-

entific study of social entrepreneurship, and for the purposes of this paper is operationalized through the social entrepreneurial self-efficacy (SESE) construct (Nga and Shamuganathan 2010).

The study has important implications, as there is a need to analyse how contextual variables differs in emerging economies and to what degree they shape social entrepreneurial goals, behaviors, and intentions. A theory is more powerful if its applicability is established in different settings. Emerging economies are unique environments that offer the ability to obtain fresh insights, expand theory, and increase understanding by incorporating more contextualized considerations (Bruton, Ahlstrom, and Obloj 2008). It is anticipated that this study will contribute to the literature on formal and informal institutions in terms of analyzing the regulatory, normative, and cognitive dimensions in an under-researched region such as South Africa.

Based on recent calls for research in this area, this study is timely and as noted by Manolova, Eunni, and Gyoshev (2008), a large part of research on institutions and entrepreneurship have been either case-based, or predominantly examined the regulatory (formal) environment. The empirical research investigating the complex effect of the institutional environment for unlocking entrepreneurial phenomena in emerging economies remains unexplored.

The rest of the article is structured as follows. First, relevant theoretical foundations are accessed to provide a basis for the hypotheses, which are formulated on existing theory. Next, the research approach is delineated in terms of sampling, measures and analytical techniques employed. Results and implications follow, the study's limitations are addressed and avenues for future research are suggested.

Social Entrepreneurship

The language of social entrepreneurship (SE) may be new, but the phenomenon is not. Peter Drucker (1979, 453) introduced the concept of social enterprise when he advocated that even the 'most private of private enterprise is an organ of society and serves a social function.' Increasingly, researchers are looking beyond entrepreneurship as only having an economic component or Schumpeterian purpose where entrepreneurs spur innovation and speed up structural changes in an economy, but also recognize a social component which acknowledges that people pursue their need for independence or have no alternative options for work and hence engage in self-employment (Bosma, Wennekers, and Amoros 2011).

Based on established literature, the concept of SE remains poorly defined and its boundaries to other fields remain fuzzy (Mair and Marti 2006). Conceptual differences are noticeable in definitions of social entrepreneurship (focus on process or behavior), social entrepreneurs (focus on founder of initiative), and social enterprise (focus on tangible outcome of SE). In this paper, based on the Global Entrepreneurship Monitor (GEM) reports, social entrepreneurship is defined as an attempt at new social enterprise activity or new enterprise creation, such as self-employment, a new enterprise, or the expansion of an existing social enterprise by an individual, teams of individuals, or an established social enterprise, with social or community goals as its base and where the profit is invested in the activity or venture itself rather than returned to investors (Harding 2006:5).

Reflecting on the SE academic literature, a number of themes, preoccupations and domains, have emerged (Weerawardena and Mort 2006). Broadly, these include the following three: firstly, SE may be expressed in a vast array of economic, educational, welfare, and social activities reflecting such diverse activities (Bhowmick 2011). Secondly, SE may be conceptualized in a number of contexts, i. e. public sector, community, and social action organizations (Peredo and Chrisman 2006); and thirdly the role of innovativeness, proactiveness, and risk taking in SE has been emphasized in distinguishing SE from other forms of community work (Rwigema, Urban, and Venter 2010).

Considering the research question of this article, the focus of this study is based on the stream of literature on social entrepreneurship perceptions and behaviour (Mair and Marti 2006; Urban 2008).

Social Entrepreneurial Self-Efficacy

Several studies (e. g., Krueger and Brazeal 1994; Kruger and Dickson 1994) have focused on entrepreneurial motives, values, beliefs, and cognitions. Self-efficacy is an important motivational construct that influences individual choices, goals, emotional reactions, effort, coping, and persistence (Stajkovic and Luthans 1998). It refers to individuals' convictions about their abilities, and consequently an important set of cognitions is self-efficacy or beliefs about one's capacity to perform at designated levels (Bandura 1986; 1997; 2001). The self-efficacy construct has application to entrepreneurship and the entrepreneurial self-efficacy (ESE) construct has been proposed to predict the likelihood of the individual being an entrepreneur. That is, entrepreneurial self-efficacy refers to the strengths

of a person's belief that he/she is capable of successfully performing the various roles and tasks of an entrepreneur (Chen, Greene, and Crick 1998; Chen, Gully, and Eden 2001; De Noble, Jung, and Ehrlich 1999; Markman, Balkin, and Baron 2002).

The research is coalescing that traits and perceptual variables may be significant universal factors influencing entrepreneurial behavior (Vecchio 2003; Edelman et al. 2010). Recognizing the importance of perceptual variables, this study is focused on four related aspects of social entrepreneurship, as captured by Nga and Shamuganathan (2010) with the SESE construct namely, social vision, sustainability, social networking, innovativeness, and financial returns. Social vision encompasses the sense of destiny. Social networks (formal and/or informal) form an invaluable resource to social entrepreneurs for advice, human resources, innovative ideas/capabilities, financial, and emotional support. Social innovation unlocks value by creating a platform for sustainable solutions through a synergistic combination of capabilities, products, processes, and technology to create a social and strategic fit into underdeveloped, unchartered markets. Sustainability and financial return cover the aspects of social value creation. Although social businesses are set up as for profit ventures, they differ from commercial ventures in that they emphasize social returns as well as financial returns. Profits are reinvested in the business to serve social policy initiatives.

The Institutional Environment and Entrepreneurship

Institutions can be described as relatively widely diffused practices, technologies, or rules of social interaction that have become entrenched in the sense that it is costly to choose alternative practices, technologies, or rules (North 1990; Welter and Smallbone 2011). The institutional framework of a society comprises the fundamental political, social, and legal ground rules that establish the basis for production and distribution, and organizations must conform to it if they are to receive support and legitimacy (DiMaggio and Powell 1983; North 1990). Thus, institutions are seen as conducive to good policies, which in turn will facilitate accumulation of capital and labor (Naudé 2007).

Acknowledging earlier work on institutions, where North (1990) and Scott (1995) classified the formal and informal institutions that influence organizations and organizational actors into regulatory, normative, and cognitive categories, this study builds in this direction by investigating how perceptions of institutional profiles may influence SESE. Regulatory

institutions refer to the formally codified, enacted, and enforced structure of laws in a community, society, or nation. Less formal do professional and trade associations, and business groups establish the normative institutions, which typically manifest in standards and commercial conventions such as those. Cognitive institutions inform the axiomatic beliefs about the expected standards of behaviour that are specific to a culture, which are typically learned through social interactions by living or growing up in a community or society. Consistent with the notion that the institutional environment does indeed affect entrepreneurship, the next section further interrogates how a person's willingness to pursue a certain course of behaviour (in this case social entrepreneurship) is determined by self-efficacy beliefs while taking cognizance of the institutional environment.

Hypotheses Development

Despite the importance of social entrepreneurship, many individuals in emerging economies may have the desire to pursue entrepreneurial ventures but are not engaging because they are lacking in self-belief and requisite entrepreneurial skills (Luthans, Stajkovic, and Ibrayeva 2000). The research confirms this lack of 'can-do' attitude is prevalent in South Africa, where there is a sense of entitlement and an expectation that big business, government and others should create jobs, rather than that one creating one's own employment. Aspiring entrepreneurs also have low levels of self-belief, experience, inadequate education, and lack of access to finance and business-orientated networks (Herrington, Kew, and Kew 2010; Urban 2006). To elucidate further the nature of the institutional environment and its potential influence on social entrepreneurship, the regulatory, normative, and cognitive dimensions are unpacked in terms of South Africa's current socio-economic milieu.

REGULATORY ENVIRONMENT

Evidence is accumulating which suggests that improving the regulatory environment may have positive benefits on the growth and survival of new ventures in South Africa (Bosma, Wennekers, and Amorós 2011). In 2009, the average new firm prevalence rate for all efficiency-driven countries was more than double South Africa's rate. The prevalence rates for established business activity were even more disturbing, with the average for all efficiency driven countries being almost six times higher than South Africa's rate. The economic implications of these findings paint

a bleak picture of the South African SMME sector's current potential to contribute meaningfully to job creation and economic growth (Bosma and Levie 2010).

Acknowledging the context of the regulatory environment and given the definition of regulatory institutions, which refers to the formally codified, enacted, and enforced structure of laws in a community, society, or nation (Busenitz, Gomez, and Spencer 2000), the first hypothesis predicts that:

HYPOTHESIS 1 Positive perceptions of favorability of the regularity institutional environment are associated with higher levels of SESE.

NORMATIVE ENVIRONMENT

Not only does the macroeconomic environment together with the more immediate business environment affect the levels of entrepreneurial activity in a country, but also more specifically enduring national characteristics have been predicted to have an impact on entrepreneurship (Bygrave and Minniti 2000). Calls have been made for countries to re-orientate their values and behaviors towards entrepreneurship. If entrepreneurship is not valued in the culture of a particular country, then not only will it be associated with criminality and corruption but also other forms of economic encouragement will prove ineffective (Baumol 1990). Recent work suggests that social entrepreneurs who are members of a disadvantaged community seem to have incomparable insight into that community's needs. However, they may not always be able to procure the resources required to launch a social venture intended to address the needs, and are not always well prepared to manage and lead such a social venture (Peredo and Chrisman 2006).

In line with the definition of the normative dimension of the institutional environment, which determines the degree to which a country's residents admire entrepreneurial activity and value creative and innovative thinking (Busenitz, Gomez, and Spencer 2000), the second hypothesis predicts that:

HYPOTHESIS 2 Positive perceptions of favorability of the normative institutional environment are associated with higher levels of SESE.

COGNITIVE ENVIRONMENT

The central premise of the cognitive perspective is that entrepreneurial behaviour emerges as a result of the entrepreneurs underlying cognitions.

Essentially the entrepreneurial cognitions perspective allows researchers to understand how entrepreneurs think and why they do some of the things they do (Krueger 2000). Cognitive institutions are the axiomatic beliefs about the expected standards of behaviour that are specific to a culture, which are typically learned through social interactions by living or growing up in a community or society. Research suggests that while such a cognitive task is difficult to achieve (Rozin 1976), it is positively related to decision performance in contexts that can be characterized as complex, dynamic, and inherently uncertain (Earley and Ang 2003; Kirzner 1979; Starr-Glass 2011). The entrepreneurial context, particularly the country's institutional environment, exemplifies such a decision environment. In South Africa, most entrepreneurs are restricted by their scarcity of skills, business knowledge, and resources in their ability to grow and create employment (Urban, Van Vuuren, and Barreira 2008).

Recognizing that the cognitive dimension reflects the knowledge and skills possessed by the people in a country pertaining to establishing and operating a new business (Busenitz, Gomez, and Spencer 2000), it is hypothesized that:

HYPOTHESIS 3 Positive perceptions of favorability of the cognitive institutional environment are associated with higher levels of SESE.

Methodology

It was deemed appropriate to closely approximate the characteristics of the sample with those of earlier studies investigating institutional profiles and entrepreneurship (Douglas and Shepherd 2002; Manolova, Eunni, and Gyoshev 2008).

The initial sample included 250 students from random class selections at different university faculties located in cities of two provinces (Gauteng and Eastern Cape) in South Africa. Data was gathered over a four month (one term) period from respondents attending a series of day and evening classes during their studies. It was emphasized to the students that they consider the questions in a social entrepreneurship context. The survey was administered as a paper-and-pencil test, and as a matter of practicality was distributed during a classroom setting allowing the researcher to maintain control over the environment, and to ensure a high response rate (65.5%), rendering a final sample of 165 complete surveys. Sample parameters, which served as control variables, rendered a profile, which emerges as: (a) gender (female = 51%; male = 49%), (b) age (mean age =

21.4 years), (c) education level (undergraduate student = 67%; postgraduate student = 33%), (d) race/ethnic group (black = 83%; colored = 2%; Indian = 2%, white = 13%), (e) family (41%), friends (48%) or relatives (63%) who are or had been entrepreneurs.

MEASUREMENT VALIDITY AND RELIABILITY

Institutional dimensions: As Manolova, Eunni, and Gyoshev (2008) note the Busenitz, Gomez, and Spencer (2000) scale is an appropriate instrument to use in the context of emerging economies. Results from their study employing confirmatory factor analysis suggest high reliability, internal consistency, and construct validity. For the present study all items were measured with five-point Likert scales ranging from strongly agree (5) to strongly disagree (1). The regulatory dimension was measured with five items, the normative dimension with four items and the cognitive dimension with four items.

The social entrepreneurship self-efficacy (SESE) measure (Nga and Shamuganathan 2010) was adopted as the dependent variable using an interval scale (1–5) starting on the left with the statement ‘not very true,’ and ending on the right with the statement ‘very true.’ A total of 14 items were used to measure the SESE construct.

Exploratory factor analysis was used to identify the de facto underlying orthogonal dimensions of institutional profiles and the SESE construct evident in the theory and data. The data was initially subjected to Conventional Item and Test Analysis, where item to total correlation of each item established that items were not highly correlated. Subsequently, Varimax rotation was used to first establish the validity of the institutional dimensions. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was 0.817, with the Bartlett’s test of sphericity chi-squared value of 858.186 ($df = 78, p = 0.00$). A KMO value of 0.90 to 1.00 indicates a high degree of common variance, indicating that the items are measuring a common factor (Cooper and Emory 1995).

Using principal component analysis as the extraction method, three factors emerged for the institutional dimensions, with loadings marked as greater than or equal to 0.45 considered significant and eigenvalues greater than 1 (based on scree tests and Kaisers stopping rule) (Cooper and Emory 1995). Based on the rotated factor results (eigenvalue and per cent of total variance explained are indicated in brackets next to each factor), the groupings of items reflect the previously established institutional dimensions as: (Factor 1 = 4.345; 33.42%) regulatory dimension, (Factor

2 = 2.692; 20.71%) normative dimension, (Factor 3 = 1.409; 10.84%), and cognitive dimension. These results support the notion that scale is an appropriate instrument to use in the context of emerging economies, and suggest high reliability, internal consistency, and construct validity as obtained by Manolova, Eunni, and Gyoshev (2008) in their original study.

For the *SESE* construct after several iterations, a *KMO* measure of 0.943 emerged with the Bartlett's test of sphericity showing a chi-squared value of 1643.615 ($df = 91, p = 0.00$). Two factors emerged with eigenvalues above one (1) with a per cent of total variance explained of 72.68 per cent. Examining the loadings in the rotated component matrix, it was evident that factor one (1) represented the social vision, financial return, and innovation dimensions of the *SESE* construct, while factor two (2) represented the sustainability and social networks dimensions. These findings, to some degree, support the validity of the *SESE* scale as established previously by Nga and Shamuganathan (2010). Internal consistency was tested and the Cronbach Alpha was calculated for each individual factor by using the items selected in the sorted rotated factor-loading matrix. Cronbach's Alpha has the most utility for multi-scales at the interval level of measurement (Cooper and Emory 1995). Item statistics were calculated for each factor and the Cronbach Alpha's are displayed in table 1 all of which are deemed satisfactory (Nunnally 1978).

Results and Interpretation

Diagnostics were carried out for data normality checks using the Lilliefors and Shapiro-Wilk test. Results indicate that data is approximately normally distributed because the means, modes and medians for each question are almost equal. The Q-Q plots also support the normality of the data and the stem-and-leaf plots show a bell shape and all the significant values for the items are less than 0.05 indicating that the data is normally distributed and parametric tests could be conducted on this data set (Cooper and Emory 1995).

Mean scores, standard deviations and correlation coefficients are displayed in table 1 and table 2. By interpreting the standard deviations in table 1, one can draw the conclusion that there is a relatively large amount of dispersion, with several items exceeding a value of 1.0. The item-total correlations have positive and greater values than 0.30 indicating the items are measuring the same underlying characteristic (Cooper and Emory 1995).

To evaluate the hypothesized relationships between the variables, cor-

TABLE 1 Descriptives for institutional and SESE variables

Variables	(1)	(2)	(3)	(4)
<i>Regulatory variables</i>				0.776
Government organizations assist individuals starting their own businesses.	3.47	1.01	0.625	0.774
Government sets aside government contracts for new and small businesses.	3.47	0.97	0.642	0.771
Local and national government have support for individuals starting a new business.	3.48	1.05	0.692	0.753
Government sponsors organizations that help new businesses develop.	3.56	0.95	0.618	0.778
Even after failing, government assists entrepreneurs starting again.	2.77	1.09	0.475	0.823
<i>Normative variables</i>				0.772
Turning new ideas into businesses is admired in this country.	3.79	1.05	0.690	0.769
In SA, innovative and creative thinking is viewed as a route to success.	3.86	1.06	0.692	0.769
Entrepreneurs are admired in this country.	4.01	0.98	0.671	0.779
People in SA greatly admire those who start own businesses.	3.77	0.97	0.577	0.819
<i>Cognitive variables</i>				0.791
Individuals know how to protect a new business legally.	2.79	1.05	0.545	0.854
Those who start new businesses know how to deal with risk.	2.72	1.09	0.741	0.771
Those who start new businesses know how to manage risk.	2.74	1.09	0.784	0.752
Most people know where to find info about markets for their products.	2.73	1.09	0.646	0.813

Continued on the next page

relational and regression analyses were performed. For the correlation matrix, refer to table 2, the Pearson Correlation Coefficients is shown with levels of significance denoted. The interpretation of these correlations and the corresponding levels of significance allowed for acceptance or rejection of the hypotheses, as follows:

- Perceptions of favourability of the regularity institutional dimension were positively and significantly correlated with higher levels

TABLE 1 *Continued from the previous page*

Variables	(1)	(2)	(3)	(4)
<i>Social entrepreneurship self-efficacy</i>				0.956
Take a focused stand on social issues	3.79	0.91	0.657	0.958
Strongly committed to a social vision	3.85	0.97	0.737	0.957
Not distracted to pursue non-social issues	3.62	1.07	0.713	0.957
Clearly be able to identify social need	3.89	0.98	0.801	0.955
Create a social vision	3.86	0.93	0.798	0.955
Strongly motivated to defend a social need	3.93	0.97	0.834	0.954
Be an agent of social change	3.88	0.98	0.799	0.955
Be determined to meet social need	3.92	0.94	0.799	0.955
Improve quality of life in the long run	4.06	0.94	0.832	0.954
Create an environmental friendly business	4.14	0.95	0.773	0.956
Improve a long term social need	3.99	0.95	0.768	0.956
Promote a balance of economic, social and environmental concerns	4.06	0.98	0.809	0.955
Promote a balance between social mission and social value	3.98	0.98	0.776	0.956
Promote solutions that are ethical	4.18	0.94	0.743	0.956

NOTES Column headings are as follows: (1) mean, (2) standard deviation, (3) item – total correlation, (4) alpha – if deleted.

TABLE 2 Correlation matrixes for institutional dimensions and SESE ($n = 165$)

Variable	Regulatory	Normative	Cognitive	SESE
1. Regulatory dimension	1.0000			
2. Normative dimension	.5145*	1.0000		
3. Cognitive dimension	.1244	.1033	1.0000	
4. SESE	.4462*	.4453*	.1062	1.0000

NOTES * Correlation is significant at the 0.05 level (2-tailed).

of SESE ($r = 0.4462$, $p = 0.031$), leading to the acceptance of Hypothesis 1.

- Perceptions of favourability of the normative institutional profile were positively and significantly correlated with higher levels of SESE ($r = 0.4453$, $p = 0.025$), leading to the acceptance of Hypothesis 2.
- Perceptions of favourability of the cognitive institutional profile

TABLE 3 Summary of stepwise regression, DV: SESE

Dimension	(1)	(2)	(3)	(4)	(5)
Regulatory	1	0.446	0.199	0.199	0
Normative	2	0.512	0.262	0.063	0.000

NOTES (1) step, ± in/out, (3) multiple R, (4) multiple R², (5) Multiple R² change p-value.

Dimension	(1)	(2)	(3)	(4)	(5)	(6)
Intercept			1.920	0.269	7.131	0
Regulatory	0.295	0.078	0.290	0.077	3.752	0.000
Normative	0.293	0.078	0.267	0.071	3.728	0.000

NOTES (1) *b**, (2) standard error of *b**, (3) *b*, (4) standard error of *b*, (5) *t*(165), (6) *p*-value.

were positively but not significantly correlated with higher levels of SESE ($r = 0.1062, p = 0.137$), leading to the rejection of Hypothesis 3.

A plausible explanation for this may be that individuals constrained in their cognitive schemas and attitudes are less likely to engage in alternative strategies and are, therefore, less adaptable when the decision context changes, or when the decision context is novel and uncertain (Earley and Ang 2003), as is the case with social entrepreneurship which is in essence a change orientated activity (Kramer 2005). Since the cognitive dimension reflects the knowledge and skills possessed by the potential entrepreneurs (Busenitz, Gomez and Spencer 2000), it is not surprising that no links were discovered with SESE, as one of the biggest challenges facing South Africa is the development and improvement of its knowledge and skills base (Urban, Van Vuuren, and Barreira 2008).

For further trying to evaluate the relationship between the institutional dimensions and SESE, stepwise regression was conducted (refer to table 3 for the full results). It is worth noting that although the coefficient of determination (*R*-squared) does not exceed 30 per cent, the relationships determined through the regression analysis, while they may be weak, are nevertheless statistically significant. The first section in table 3 reveals a multiple *R*-square of 0.199 for the regulatory dimension, which is interpreted that as a predictor of SESE, this institutional dimension explains 19.9 per cent of variance in the dependent variable (SESE). When the normative dimension is added to the equation a multiple *R*-square of 0.262 is achieved which means that 26.2 per cent of variance in SESE is explained

TABLE 4 Summary of best sub-sets, DV : SESE

Item	R ²	No. of effects	Regulatory dim.	Normative dim.	Cognitive dim.
1	0.263	3	0.291	0.291	0.039
2	0.263	2	0.295	0.293	
3	0.201	2		0.439	0.060
4	0.201	2	0.439	0.051	
5	0.199	1	0.446		
6	0.198	1		0.445	
7	0.011	1			0.106

in terms of these two institutional dimensions. In the second section of table 3, the standard errors of beta are displayed where the constant coefficients provide a *t*-value of 7.131 and 3.752 respectively for the regulatory and normative dimensions, both of which are significant at the .001 level ($p < .001$). Table 4 provides a summary of best sub-sets in terms of the dependent variable, SESE. The *R*-square value and number of effects are shown for each of the institutional dimensions. These results again provide support for hypothesis 1 and 2, but not for hypothesis 3 in terms of the cognitive dimension.

It is important to elaborate on the relationships between the dependent and independent variables in view of above findings. Although the hypotheses were couched to imply causality and analyzed as such, it is acknowledged that in fact the relationships between the proposed variables are reciprocally causal in nature and may be influenced by mediating or moderating effects. Because of the multiplicity of interacting influences as postulated in SCT, the same factor might be part of different blends of conditions, which have different effects (Bandura 1986). Research suggests that the setting up of new firms by intending individuals is moderated and mediated by personal circumstances, such as parental background and educational level, as well as cognitions of new business opportunities (Busenitz and Lau 1996; Hao, Seibert, and Hills 2005).

Factors such as individual differences and purely situational influences operate indirectly on intentions by changing the antecedents of intentions, not by directly affecting intentions. In other words, intentions reflect a person's willingness to pursue a certain course of behaviour, taking account of constraints imposed by the external environment or the individual's background/abilities. It is important to note that perceived

self-efficacy would moderate the relationship between the development of entrepreneurial intentions and the likelihood that these intentions will result in entrepreneurial behaviour (Boyd and Vozikis 1994). In SCT, social structural factors operate through psychological mechanisms of the self-system to produce behavioural effects. The self is socially constituted and by exercising self-influence human agents operate generatively and proactively, not just reactively to shape the character of their social (institutional) systems (Bandura 1997; 2001).

Although social entrepreneurial intentions were not measured in this paper, it is useful to recognize that intentions and actions are different aspects of a functional relation separated in time. The capability for self-motivation and purposive action is rooted in intention. The projected future can be brought into the present through forethought, however. In cognitive motivation, people motivate themselves and guide their actions anticipatory through the exercise of forethought or intention (Bandura 1997). According to Bandura (2001) an intention is a representation of a future course of action to be performed; it is not simply an expectation of future actions but a proactive commitment to bringing them about. Intentions center on plans of actions. Consequently, as self-efficacy is closest to action, and action intentionality, it can be used to predict and study the entrepreneur's behaviour choice and persistence, as was conducted in this paper through the SESE construct.

The multiplicity of interacting influences in SCT has relevance to social entrepreneurship. Social entrepreneurs, virtually by definition, are attacking social problems caused by shortcomings in existing markets and social welfare systems (Mair and Marti 2006). The institutions that comprise these markets and social welfare systems are part of the structure that created those very social problems (Nicholls 2011). Consequently, as argued in earlier in this paper it is important to understand the context of the institutional environment when proposing linkages to SESE.

From another perspective, economists would argue that there is a strong case to be made that entrepreneurship is itself a consequence of the adoption and development of institutions that encourage entrepreneurial behavior (Baumol 1990; Stiglitz 2006). Furthermore, the institutional environment determines the process of gaining cognitive and socio-political legitimacy, which is critical for entrepreneurial organizations to overcome the liabilities of newness (Stinchcombe 1965), smallness (Aldrich and Auster 1986), and increase their survival prospects (Freeman, Carroll, and Hannan 1983).

Conclusion

While political initiatives and international collaboration are essential to raise awareness about entrepreneurship in general and more recently, social business practices, ultimately change can only come about through changes in individual beliefs, attitudes and behaviours (Baker 2011). Building on this notion of self in a social context, this paper addressed the extent to which the institutional environment is linked to an individual's self-belief to engage in social entrepreneurial activity in an emerging market context.

Findings generally indicate relatively favourable perceptions of the regulatory and normative dimensions and positive associations with *SESE*. This means that these two institutional profiles are significantly connected with social entrepreneurship in terms of social impact, innovativeness, expandability and sustainability. This is relevant considering that social new ventures offer the promise of empowering marginalized segments of the population in emerging economies. Social enterprises are pivotal to the growth and development of the South African economy, and inextricably linked to economic empowerment, job creation, and employment within disadvantaged communities (Gauteng Provincial Government 2008).

The present study was based on a student sample – in line with past research that finds student samples are very similar to actual entrepreneurs provided that the sample has high entrepreneurial potential (Hemmasi and Hoelscher 2005). As Dipboye and Flanagan (1979) argue, laboratory research that relies on mostly college students provides a solid basis for the generalization to the population of working people and adults, whereas a research that relies on contextually grounded samples (managers, entrepreneurs, team leaders) is exceedingly homogeneous (male, professional, educated, etc.), and therefore potentially constrained in its generalizability. Moreover, the research focused on social entrepreneurship, indicates that respondents in this group possess the talent, interest and energy to become the next generation of social and civic leaders (CCSE 2001).

In the UK, some 5 per cent of the student populations are social entrepreneurs compared with 3.5% of those in full-time employment (Harding and Hoelscher 2005). This indicates that younger people are more likely involved in social initiatives, with the highest social entrepreneurship activity rate of 3.9 per cent in the 18–24 age group, compared to 2.7

per cent in 25–34 age group, with significant differences between youngest and oldest age groups.

This study has important implications for practice. By highlighting the importance of self-efficacy in relation to social entrepreneurship, this study conveys to practitioners and managers of various organizations the value of beliefs and capabilities in formulating a social vision, aiming for sustainability, engaging in social networking, demonstrating innovativeness and securing financial returns. Additionally, practitioners need to be aware of the importance of the cognitive and normative institutional dimensions when considering that those who fund social entrepreneurs are looking to invest in people with a demonstrated ability to create change, and the factors that matter most are the financial, strategic, managerial, and innovative abilities of social entrepreneurs (*The Economist* 2006; Kramer 2005). In many instances, it is impossible to obtain start-up funds without demonstrating proof of concept together with commensurate abilities required to execute such an initiative (i. e., high levels of SESE).

Interpreting the findings in light of past literature reveals that idiosyncrasies in the institutional profiles of emerging economies contrast with those of the developed market economies, generally characterized by a well-established regulatory basis, a long tradition of management in a market-based competition, along with societal acceptance and support for entrepreneurship (Erk and Erk 2011; Manolova, Eunni, and Gyoshev 2008). The formation of entrepreneurial start-ups is often cited as the most effective way to relocate labour and capital in a transitional economy, with research among European countries in transition emphasizing the point that entrepreneurship exists in every country and this spirit can be fostered with an appropriate institutional framework (Luthans, Stajkovic, and Ibrayeva 2000). This challenge to foster social entrepreneurship is exacerbated by South Africa's low levels of entrepreneurial activity in general, which are the results of personal as well as environmental factors. Improving the skills base and fostering positive entrepreneurial attitudes through the education system is critical. Additionally, in line with the study's thesis, a major prerequisite for a thriving social enterprise sector is the existence of an enabling environment, institutions, which render political and economic stability, relative security, and market, based incentives, and access to resources needed to grow (Herrington, Kew and Kew 2010; Manolova, Eunni, and, Gyoshev 2008).

For practioners, it is recommended that they need to be aware of the less than favourable conditions for social entrepreneurship in emerg-

ing markets, and of the numerous and often conflicting institutional pressures and constraints facing potential entrants. Like business entrepreneurs, social entrepreneurs initiate and implement innovative programs, even though they are differently motivated, the challenges they face during start-ups are similar to those faced by business entrepreneurs (Sharir and Lerner 2006). The commercial entrepreneur thrives on innovation, competition and profit, whereas the social entrepreneur prospers on innovation and inclusiveness to change the systems and patterns of societies (Jeffs 2006). This entrepreneurial mind-set invokes the need for openness in the construction of meaning within the complex business environment involving the internal deliberation of personal values/beliefs and social concerns while making business sense (Nga and Shamuganathan 2010; Shane, Locke, and Collins 2003).

This study also has important policy implications, where, public policy makers need to enhance the institutional framework in order to support social entrepreneurship by developing a country-specific mix of entrepreneur-friendly legislation, and promoting positive entrepreneurial role models to influence social attitudes and aspirations towards social entrepreneurship. Although innovative management and efficient operations may ensure financial sustainability, they in themselves do not drive social change, and it is this potential to achieve a new or more just social equilibrium, which has led to the current interest in social business (Bhowmick 2011; Nicholls 2011). Social entrepreneurship is gaining popularity under these shifting conditions and is increasingly portrayed as an alternative process that catalyzes social change and varies according to the socioeconomic, cultural and institutional environments (Mair and Marti 2006).

In terms of academic relevance, this study is a starting point in filling the gap in the entrepreneurship literature, which has largely neglected economic transformation, structural change, and inequality. In addition, it is not only the absence of good institutions that may result in the inappropriate allocation of entrepreneurial ability, but generally the 'qualitative' requirements (in this case SESE) that need to accompany growth for it to be development consistent (Naudé 2009).

A limitation of the study is that a cross-sectional study loses the dynamic aspects of social entrepreneurial activity, which may well change over time. As with previous studies, using aggregate measures of the institutional environment and SESE may mask subtle and persistent differences, and less readily observable influences such as legal and cultural

traditions, or social norms and values (Manolova, Eunni, and Gyoshev 2008).

Few studies focus on social entrepreneurship that incorporates an impact assessment of their social ventures. This rapidly expanding sector of the economy is evolving without effective evaluation tools that can provide reliable measurement and impact assessment. Consequently future studies could examine the potential links between institutional profiles, SESE and the social impact of the venture.

References

- Aldrich, H. E., and A. R. Auster. 1986. 'Even Dwarfs Started Small.' In *Research in Organizational Behavior*, edited by B. M. Staw, and L. L. Cummings, 8:165–98. Greenwich, CT: JAI Press.
- Baker, M. J. 2011. 'Editorial – Why Social Business?' *Social Business* 1 (1): 1–15.
- Bandura, A. 1986. *Social Foundations of Thought and Action: A Social Cognitive Theory*. Englewood Cliffs, NJ: Prentice-Hall.
- . 1997. *Self-Efficacy: The Exercise of Control*. New York: Freeman.
- . 2001. 'Social Cognitive Theory: An Agentic Perspective.' *Annual Review of Psychology* 52 (1): 1–36.
- Baumol, W. J. 1990. 'Entrepreneurship: Productive, Unproductive and Destructive.' *Journal of Political Economy* 98 (5): 893–921.
- Bhowmick, S. 2011. 'Social Cause Venturing as a Distinct Domain.' *Journal of Social Entrepreneurship* 2 (1): 80–99.
- Bosma, N., and J. Levie. 2010. *Global Entrepreneurship Monitor: 2009 Global Report*. Wellesley, MA: Babson College.
- Bosma, N., S. Wennekers, and J. E. Amorós. 2011. *Global Entrepreneurship Monitor: 2011 Extended Report; Entrepreneurs and Entrepreneurial Employees across the Globe*. Wellesley, MA: Babson College.
- Boyd, N. G., and G. S. Vozikis. 1994. 'The Influence of Self-Efficacy on the Development of Entrepreneurial Intentions and Actions.' *Entrepreneurship Theory and Practice* 18 (4): 63–78.
- Bruton, G. D., D. Ahlstrom, and K. Obloj. 2008. 'Entrepreneurship in Emerging Economics: Where Are We Today And Where The Research Should Go In The Future?' *Entrepreneurship Theory and Practice* 32 (1): 1–14.
- Busenitz, L. W., C. Gomez, and J. W. Spencer. 2000. 'Country Institutional Profiles: Unlocking Entrepreneurial Phenomena.' *Academy of Management Journal* 43 (5): 994–1003.
- Busenitz, L. W., and C. M. Lau. 1996. 'A Cross Cultural Cognitive Model of New Venture Creation.' *Entrepreneurship Theory and Practice* 20 (4): 25–39.

- Bygrave, W. D., and M. Minniti. 2000. 'The Social Dynamics of Entrepreneurship.' *Entrepreneurship Theory and Practice* 24 (3): 25–36.
- Carsrud, A., and M. Brännback. 2011. 'Entrepreneurial Motivations: What do we Still Need to Know.' *Journal of Small Business Management* 49 (1): 9–26.
- Chen, C. C., P. G. Greene, and A. Crick. 1998. 'Does Entrepreneurial Self-Efficacy Distinguish Entrepreneurs from Managers?' *Journal of Business Venturing* 13 (4): 295–316.
- Chen, G., M. S. Gully, and D. Eden. 2001. 'Validation of a New General Self-Efficacy Scale.' *Organizational Research Methods* 4 (1): 62–83.
- Cooper, R. D., and C. W. Emory. 1995. *Business Research Methods*. 5th Ed. Chicago: Irwin.
- Davidsson, P., and J. Wiklund. 1997. 'Values, Beliefs and Regional Variations in New Firm Formation Rates.' *Journal of Economic Psychology* 18 (2–3): 179–99.
- De Noble, A. F., D. Jung, and S. B. Ehrlich. 1999. 'Entrepreneurial Self-Efficacy: The Development of a Measure and its Relationship to Entrepreneurial Action.' In *Frontiers of Entrepreneurship Research 1999*, edited by R. D. Reynolds, W. D. Bygrave, S. Manigart, C. M. Mason, G. D. Meyer, H. J. Sapienza, and K. G. Shaver, 73–87. Waltham, MA: P & R Publications.
- DiMaggio, P. J., and Powell, W. 1983. 'The Iron Cage Revisited, Institutional Isomorphism and Collective Rationality in Organizational Fields.' *American Sociological Review* 48:147–60.
- Dipboye, R., and M. Flanagan. 1979. 'Research Setting in Industrial and Organizational Psychology: Are Findings in the Field More Generalizable Than in the Laboratory?' *American Psychologist* 34:141–50.
- Douglas, E. J., and D. A. Shepherd. 2002. 'Self-Employment as a Career Choicer: Attitudes, Entrepreneurial Intentions and Utility Maximization.' *Entrepreneurship Theory and Practice* 26 (3): 81–90.
- Drucker, P. 1979. *The Practice of Management*. London: Pan Books.
- Dutta, D. K., and S. Thornhill. 2007. 'The Evolution of Growth Intentions: Toward a Cognition-Based Model.' *Journal of Business Venturing* 23 (3): 307–32.
- Earley, P. C., and S. Ang. 2003. *Cultural Intelligence: Individual Interactions across Cultures*. Palo Alto, CA: Stanford University Press.
- Edelman, L. F., C. G. Brush, T. S. Manlova, and P. G. Greene. 2010. 'Start-up Motivations and Growth Intentions of Minority Nascent Entrepreneurs.' *Journal of Small Business Management* 48(2): 174–96.
- Erk, N., and S. F. Erk. 2011. 'Business Startups: Cultural-Economic Controversy.' *Managing Global Transitions* 9 (1): 3–13.
- Freeman, J., G. R. Carroll, and M. T. Hannan. 1983. 'The liability of New-

- ness: Age Dependence in Organizational Death Rates.' *American Sociological Review* 48 (5): 692–710.
- Gauteng Provincial Government. 2008. *Provincial Economic Review and Outlook*. Marshall Town: Gauteng Provincial Government.
- Hao, Z., S. E. Seibert, and G. E. Hills. 2005. 'The Mediating Role of Self-Efficacy in the Development of Entrepreneurial Intentions.' *Journal of Applied Psychology* 90 (6): 1265–72.
- Harding, R. 2006. *Social Entrepreneurship Monitor*. United Kingdom: London Business School.
- Hemmasi, M., and M. Hoelscher. 2005. 'Entrepreneurship Research, Using Students as Proxies for Actual Entrepreneurs.' Paper presented at the 50th Annual Conference of the International Council for Small Business, Washington, DC, 15–20 June.
- Herrington, M., J. Kew, and P. Kew. 2010. *Global Entrepreneurship Monitor*. Cape Town: UCT Centre for Innovation and Entrepreneurship.
- Jeffs, L. 2006. 'Social Entrepreneurs and Social Enterprises: Do They Have a Future in New Zealand.' Paper presented at the International Council for Small Business World Conference, Melbourne, 18–21 June.
- Johnson, S. 2000. 'Literature Review on Social Entrepreneurship.' Discussion paper, Canadian Centre for Social Entrepreneurship, School of Business at the University of Alberta, Edmonton.
- Kirzner, I. M. 1979. *Perception, Opportunity, and Profit*. Chicago: Beard Books.
- Kramer, M. R. 2005. 'Measuring Innovation: Evaluation in the Field of Social Entrepreneurship.' Skoll Foundation, Palo Alto, CA.
- Krueger, N. F. 2000. 'The Cognitive Infrastructure of Opportunity Emergence.' *Entrepreneurship Theory and Practice* 24 (3): 5–23.
- Krueger, N. F., and D. V. Brazael. 1994. 'Entrepreneurial Potential and Potential Entrepreneurs.' *Entrepreneurship Theory and Practice* 18 (3): 91–105.
- Krueger, N. F., and P. R. Dickson. 1994. 'How Believing in Ourselves Increases Risk Taking: Self-Efficacy and Perceptions of Opportunity and Threats.' *Decision Sciences* 25 (3): 103–23.
- Luthans, F., A. D. Stajkovic, and E. Ibrayeva. 2000. 'Environmental and Psychological Challenges Facing Entrepreneurial Development in Transitional Economies.' *Journal of World Business* 35 (1): 95–117.
- Mair, J., and Marti, I. 2006. 'Social Entrepreneurship Research: A Source of Explanation, Prediction, and Delight.' *Journal of World Business* 41:36–44.
- Manolova, T. S., R. V. Eunni, and B. S. Gyoshev. 2008. 'Institutional Environments for Entrepreneurship: Evidence from Emerging Economies in Eastern Europe.' *Entrepreneurship Theory and Practice* 32 (1): 203–18.

- Markman, G. D., D. B. Balkin, and R. A. Baron. 2002. 'Inventors and New Venture Formation: The Effects of General Self-Efficacy and Regretful Thinking.' *Entrepreneurship Theory and Practice* 27 (2): 149–65.
- Naudé, W. 2007. 'Peace, Prosperity, and Pro-Growth Entrepreneurship.' Discussion Paper 2007/02, United Nations University, Helsinki.
- . 2009. 'Entrepreneurship is not a Binding Constraint on Growth and Development in the Poorest Countries.' Research Paper 2009/45, United Nations University, Helsinki.
- Nga, J., and G. Shamuganathan. 2010. 'The Influence of Personality Traits and Demographic Factors on Social Entrepreneurship Start up Intentions.' *Journal of Business Ethics* 95 (2): 259–82.
- Nicholls, A. 2011. 'Social Enterprise: At the Forefront of Rethinking Business.' *Journal of Social Entrepreneurship* 2 (1): 1–6.
- North, D. 1990. *Institutions, Institutional Change, and Economic Performance*. New York: Norton.
- Nunnally, J. C. 1978. *Psychometric Theory*. 2nd Ed. New York: McGraw-Hill.
- Peredo, A. M., and J. J. Chrisman. 2006. 'Toward a Theory of Community-Based Enterprise.' *Academy of Management Review* 31 (2): 309–28.
- Rozin, P. 1976. 'The Evolution of Intelligence and Access to the Cognitive Unconscious.' In *Progress in Psychobiology and Physiological Psychology*, edited by J. M. Sprahue and A. N. Epstein, 245–80. New York: Academic Press.
- Rwigema, H., B. Urban, and R. Venter. 2010. *Entrepreneurship Theory in Practice*. Johannesburg: Oxford University Press.
- Scott, W. R. 1995. *Institutions and Organizations*. Thousand Oaks, CA: Sage.
- Shane, S., E. A. Locke, and C. J. Collins. 2003. 'Entrepreneurial Motivation.' *Human Resource Management Review* 13 (2): 257–79.
- Sharir, M., and M. Lerner. 2006. 'Gauging the Success of Social Ventures Initiated by Individual Social Entrepreneurs.' *Journal of World Business* 41 (1): 6–20.
- Stajkovic, A. D., and F. Luthans. 1998. 'Self-Efficacy and Work Related Performance: A Meta-Analysis.' *Psychological Bulletin* 124 (2): 240–61.
- Starr-Glas, D. 2011. 'Trust in Transactional and Relationship Marketing: Implications in a Post-Crisis World.' *Managing Global Transitions* 9 (2): 111–28.
- Stiglitz, J. 2006. 'Civil Strife and Economic and Social Policies.' *The Economics of Peace and Security Journal* 1 (1): 6–9.
- Stinchcombe, A. L. 1965. 'Social Structures and Organizations.' In *Handbook of Organizations*, edited by J. G. March, 142–93. Chicago: Rand-McNally.

- Šušteršič, J., P. Wostner, and T. B. Valič. 2010. 'Qua Vadis, Slovenia? Between Framework Conditions and Internal Capabilities.' *Managing Global Transitions* 8 (4): 21–34.
- The Economist*. 2006. 'The rise of the social entrepreneur.' 23 February. <http://http://www.economist.com/node/5517666>
- Urban, B. 2006. 'Entrepreneurship in the Rainbow Nation: Intentions and Entrepreneurial Self-Efficacy across Cultural Groups.' *Journal of Developmental Entrepreneurship* 11 (1): 3–14.
- . 2008. 'Insights into Social Entrepreneurship and Associated Skills.' *International Journal of Entrepreneurial Behavior and Research* 14 (5): 346–64.
- Urban, B., J. van Vuuren, and J. Barreira. 2008. 'High-Growth Entrepreneurs: The Relevance of Business Knowledge and Work Experience on Venture Success.' *Journal of Contemporary Management* 5:58–71.
- Vecchio, R. P. 2003. 'Entrepreneurship and Leadership: Common Trends and Common Threads.' *Human Resource Management Review* 13 (2): 303–27.
- Weerawardena, J., and G. S. Mort. 2006. 'Investigating Social Entrepreneurship: A Multidimensional Model.' *Journal of World Business* 41 (1): 21–35.
- Welter, F., and D. Smallbone. 2011. 'Institutional Perspectives on Entrepreneurial Behavior in Challenging Environments.' *Journal of Small Business Management* 49 (1): 107–25.