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Social Enterprise Performance: The Role of Market and Social Entrepreneurship Orientations

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Abstract Market orientation has been presented as an important predictor of business performance, and it is presumed to contribute to long-term success in both profit-oriented and non-profit enterprises. Similarly, entrepreneurial orientation is a concept that has been widely applied to business firms but has not been empirically tested in social enterprises. Moreover, the literature does not present a widely accepted and tested conceptual model relating entrepreneurial orientation, market orientation and performance, in the realm of social enterprises. In order to fill this gap, this research assesses how these strategic orientations affect social and economic performance in the setting of social enterprises. Structural equation modeling was used as a means to analyze the hypothesized relationships. After testing the model on a sample of 805 Portuguese social enterprises, the findings show that both social entrepreneurship and market orientations significantly impact social performance. The results also indicate that market orientation mediates the effect of social entrepreneurship orientation on the performance of social enterprises.

Keywords Social entrepreneurship orientation · Entrepreneurial orientation · Market orientation · Social enterprise performance · Structural equation model · Mediation · Portugal

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Introduction

Social entrepreneurship, social enterprises or social economy are expressions that in recent decades have been gaining more and more attention from the media, politicians and the public in general, as well as from the academic and scientific community. This is mainly due to social enterprises' relevance in promoting social change by providing new, transformative solutions to eradicate poverty, solve environmental problems, enhance social inclusion and increase political participation or the well-being of society in general (Defourny and Nyssens 2008; Yunus et al. 2010; Popoviciu and Popoviciu 2011).

Although there is no universal definition, the concept of social enterprise is increasingly used to identify a different way of doing business, through the creation of enterprises with a clear double mission: achieving both a social purpose and financial sustainability (European Commission 2013; Doherty et al. 2014). They are known as hybrid organizations as they attempt to balance their objectives between social value creation and pursuing commercial objectives (Doherty et al. 2014). Moreover, they might be characterized as private, public or non-profit organizations (Defourny and Nyssens 2008; Doherty et al. 2014; Kraus et al. 2017). Those enterprises rely on collective dynamics and involve various types of stakeholders in their governing bodies. However, at the same time, they consider their autonomy very important and tolerate some economic risks associated with their activity (Defourny and Nyssens 2008; Doherty et al. 2014).

In the USA, there is a solid predisposition to describe social enterprises as non-profit organizations, which are more oriented toward the market than social enterprises in Europe. On the other hand, in Europe the emphasis has been much more often on the collective nature of the social

enterprise, as well as on its associative or cooperative legal form (Defourny and Nyssens 2010). Indeed, social enterprises may take different forms from country to country, depending on the development of the social security system, civil society, the social finance market, and public policy.

Despite the different national approaches, those social enterprises are usually considered part of the third sector or the social economy, understood as including non-profit organizations, as well as cooperatives and non-profit private forms of enterprise (Doherty et al. 2014). Their role and relevance in society is therefore unquestionable, so it is relevant to understand how to improve their performance and sustainability. Measuring the performance of non-profit organizations is a challenge, as the social mission they provide is related to social value creation and social impact they seek to provide (Duque-Zuluaga and Schneider 2008). Although the Balanced Scorecard and the Social Return on Investment (SROI) approach have been adopted to measure performance (Nicholls et al. 2009), other authors have proposed other approaches based on the models presented by Bagnoli and Megali (2011) and Arena et al. (2015); however, as there is still a lack of consensus on how to measure social performance, this paper addresses social enterprise performance using economic and social constructs.

Several scholars have examined the concept of entrepreneurial orientation in the context of social businesses: It has often been suggested that social enterprises should use an entrepreneurial orientation to more effectively achieve their social mission (Schmidt et al. 2015). The entrepreneurial orientation of a social enterprise refers to the organization's mindset that becomes evident in the concrete behavior of its members and are closely associated to the typical characteristics (mindset and behavior) of a successful founder (Covin and Wales 2012).

Since the social mission is the main focus of social enterprises, a set of measures are needed to capture the creation of social value, as well as their social impact, instead of relying only on quantitative or financial metrics, as it is often the case of for-profit organizations. However, it is necessary to take economic performance into account for social enterprises to operate in a sustainable manner, providing services to its beneficiaries continuously.

In terms of research in this field, there is a lack of studies based on quantitative data analysis and backed up with a strong conceptual support. According to Cajaiba-Santana (2014), most studies are based on anecdotal information and case studies that have been used to generalize their conclusions. The lack of profit-driven orientation and a strong theoretical background to these studies have also been mentioned (Cajaiba-Santana 2014; Baptista et al. 2019). According to Schmidt et al. (2015), with increasing use of the "social entrepreneurship" term, there seems to be some confusion about what exactly a social entrepreneur is and does. Because extant empirical research on social enterprises is scarce, several scholars argue that systematic research on social entrepreneurship is necessary to support the development of social enterprises, namely in terms of defining the relation between market orientation and social performance (Kraus et al. 2017; Doherty et al. 2014; Bhattarai et al. 2019). As such, in order to close this gap, this paper seeks to complement the lack of studies on social entrepreneurship orientation and its relationship in non-profit enterprises.

At the same time, social enterprises, like other non-profit organizations, struggle with another much more practical situation: the lack of funding, which often compromises fulfillment of their social mission. For instance, Bennett (2008) assessed the application of marketing techniques to the context of social enterprises contracted by the government to provide social services in the UK and revealed that strategic account management can improve satisfaction and funding for the organization.

Marketing is one area that offers promise for more efficient and effective management of social enterprises. A broad organizational adoption of market orientation has been related to higher economic performance over an extensive variety of contexts (Jaworski and Kohli 1993; Avlonitis and Gounaris 1999; Miles et al. 2013). Although market orientation has been deeply researched in the business arena, its application in social enterprises is in high demand (Cajaiba-Santana 2014), due to the particularity of their social mission. Based on the importance of the relationship between entrepreneurial orientation and market orientation (Montiel-Campos 2018), this paper also seeks to explore how market orientation mediates the relationship between entrepreneurial orientation and performance in social enterprises. As such, it aims to analyze the importance of the relationships between social entrepreneurship behavior and social enterprise performance in collective organizations, namely those that rely on an associative or cooperative legal form. This is of added value as the entrepreneurial spirit of the heads/managers/leaders of those largely economically distressed non-profit organizations is expected to play a crucial role in their social performance.

Taking into account the importance of fulfilling the social mission of non-profit organizations, as well as creating sources of income for the economic sustainability of most of those largely under-funded social organizations, this paper aims to analyze the important mediating role market orientation plays as a driver of the entrepreneurial proclivity influencing social enterprises' performance. As such, this paper not only complements previous qualitative-based research on social enterprises, but also tests how

social entrepreneurs' entrepreneurial and market orientations affect social and economic performance among non-profit organizations, which behave/perform differently from traditional or social for-profit businesses. Moreover, to understand the social purpose and the financial autonomy social enterprises need we included economic and social constructs to measure their performance.

This paper is organized in six sections. After this introduction, the second section reviews the literature and formulates the main hypotheses and the model used. The third section describes the main methods used. The fourth section presents the results, and the fifth discusses them. Finally, the conclusions, implications, limitations and future lines of research are set out in the sixth section.

Literature Review and Hypotheses

SEO and Its Link with SEP

The entrepreneurial orientation (EO) literature defends that any organization can be positioned on a continuum ranging from conservative to entrepreneurial (Miller 2011; Lumpkin and Dess 1996). EO increases an organization's performance by creating the new knowledge required to build new capabilities, as well as refreshing existing capabilities and adopting an innovative mindset within the firm. This mindset will be essential if employees are to be prepared in a way in which new opportunities can be identified and ultimately exploited by the organization (Miller 1983).

Previous studies have found that organizations with a higher EO perform better than others (Rauch et al. 2009; Wales 2016; Montiel-Campos 2018). Kraus et al. (2012) conducted research, using the multidimensional model of EO, to test a series of hypotheses pertaining to performance effects using survey data gathered from 164 Dutch small and medium-sized enterprises (SMEs). Kraus et al. (2012) concluded that proactive firm behavior positively contributed to SMEs' performance during an economic crisis. They further show that innovative SMEs do perform better in turbulent environments, but those innovative SMEs should decrease the level of risk and take action to avoid projects that are too risky. Based on a meta-analysis of 53 papers covering over 14,000 companies, Rauch et al. (2009) concluded that there is a positive correlation between EO and firm performance. Rauch et al. (2009) also emphasized the need to study indirect effects influencing this relationship. Similarly, Choi and Williams (2016) examined the relationship between entrepreneurial orientation and performance in a sample of 489 Korean SMEs and concluded that it is significant, but also mediated by technology and marketing actions.

Kraus et al. (2017) inferred that social entrepreneurship orientation (SEO), as a modification of EO, also influences social enterprises' performance. However, scientific work examining this relationship is limited, with only a few authors having applied slightly modified EO scales to assess social enterprises' activities (Kraus et al. 2017). In order to fill this gap, Kraus et al. (2017) undertook research to propose a scale to measure a new construct—the SEO, composed of four dimensions. They followed a mixed-method approach including 18 experts from a two-stage Delphi study and 82 experts from an online survey. In sum, those authors contributed to developing a measurement instrument based on existing EO scales that were applied to the specific construct of social enterprises.

In this paper, SEO is understood as the entrepreneurial orientation of social enterprises and non-mainstream enterprises or hybrid organizations, as referred to by Doherty et al. (2014). As such, the SEO scale used incorporates EO in the social contexts of organizations characterized by their social-mission orientation and business-like operations (Kraus et al. 2017). SEO adds the social-mission perspective of non-profit organizations to the typical innovativeness, risk-taking and proactive behavior of the traditional, entrepreneurially oriented organization.

Measuring the performance of non-profit organizations is also a challenge, as it is a "social construction that takes into account the expectations of stakeholders, organizational values and mission to set the basis or criteria that will guide the organizational assessment" (Duque-Zuluaga and Schneider 2008, p.12). Therefore, it is important to address how a social enterprise's success can be measured.

Although SEO seems to have an important effect on performance, this link requires further studies to determine other factors that may influence this relationship (Amin et al. 2016).

Accordingly, the following hypothesis is proposed:

H1 Social entrepreneurship orientation has a positive significant impact on social enterprise performance.

SEO and Its Link with MO

Empirical research has reported that EO and market orientation (MO) are highly correlated, despite being different constructs (Roskos and Klandt 2007; Montiel-Campos 2018).

Based on a sample of 800 for-profit businesses in San Diego (USA), Baker and Sinkula (2009) observed a strong relationship between EO and MO. Their study shows a clear differentiation between the two concepts. According to these scholars, MO reveals the degree to which firms' strategic market planning is motivated by customer and competitor intelligence, while EO reflects the degree to

which firms' growth goals are determined by the identification and exploitation of available market opportunities. Both market-oriented and entrepreneurial-oriented organizations attempt to satisfy expressed and latent customer needs, follow market expansions as they are identified and capitalize on emerging opportunities (Grinstein 2008).

The link between EO and MO suggests that a change in either one will affect the other, as well as the effectiveness of the whole relationship. Consequently, the synergy between the two constructs determines an organization's performance. As a result, if EO and MO are complementary orientations, a company's EO benefits from MO in order to successfully target its innovative actions in the market (Montiel-Campos 2018). On the other hand, MO benefits EO to achieve fast reactions to market prospects (González-Benito et al. 2009).

González-Benito et al. (2009) analyzed survey data from 183 firms located in the Castilla y Leon region of Spain, to test the relationship between EO and MO. Their findings suggest a strong relationship and complementarity between EO and MO that reduces the effort involved in the joint adoption of both orientations. For González-Benito et al. (2009), specific aspects that differentiate EO and MO contribute to improved performance, and therefore, firms should foster a market-oriented and entrepreneurial organizational culture.

Schmidt et al. (2015) also consider that EO and MO are complementary to each other, namely in regard to social entrepreneurial organizations. In turn, based on a sample of 500 Malaysian SMEs, Amin et al. (2016) claim that "*entrepreneurship needs an MO to target its innovative actions effectively in the market, and MO needs entrepreneurship to achieve fast responses to market prospects*" (p. 45–46) as they demonstrated a positive impact of entrepreneurial orientation on performance, mediated by MO.

Prior research has emphasized that EO and MO may vary in different national contexts. Montiel-Campos (2018) conducted a systematic review of the empirical literature testing the core tenets of EO and MO. The results of the study by Montiel-Campos (2018) showed that many countries have paid minimal attention to this issue, and thus, it would be important to compare results in various countries. The study by Montiel-Campos (2018) also points out that the broad influence of EO and MO in their respective fields of research has increased their utility in investigating a wide range of phenomena across different contextual conditions. Supported by 266 authors publishing in 83 different journals, Montiel-Campos (2018) argues that it is important that future research addresses the complexities that EO and MO can acquire in a context different from the one in which they were initially generated. Noticing that most studies were undertaken in a for-profit context, Montiel-Campos (2018) recommends studying the EO–MO relationship in the non-profit context, filling the gap he has observed through his research.

This led us to the following hypothesis:

H_2 Social entrepreneurship orientation has a positive and significant impact on market orientation.

MO and Its Link with SEP

MO implies that an organization's various departments are involved in activities to understand consumers' current and future needs. This approach includes the optimal implementation of activities and mechanisms to generate, disseminate and respond to market intelligence. In a market-oriented organization, there are not only reactive responses to customers but mainly proactive actions that anticipate their needs, desires and perceptions (Deshpande and Webster 1989). As a result, this concept is often linked to the organization's performance (Narver and Slater 1990; Kohli and Jaworski 1990).

The literature also points out other advantages from promoting the company's market orientation, such as facilitating the decision-making process and concerted action between the organization's various departments (Lings and Greenley 2009). McNaughton et al. (2002) show that this approach can increase customers' perceived value and, as a consequence, increase satisfaction and customer loyalty. MO is still directly related to the company's growth objectives by identifying and exploiting new market opportunities (Baker and Sinkula 2009).

Based on a study with 1300 manufacturing companies in the USA, Matsuno et al. (2002) sought to understand the effects of MO and entrepreneurial proclivity on business performance. Their findings demonstrated that MO positively impacts performance and that entrepreneurial proclivity is a significant and positive antecedent of MO. After conducting a study in the global hotel industry, Zhou et al. (2009) demonstrated that customer orientation and responsiveness (market orientation dimensions) are central elements in organizations' success. Their findings show that MO leads to greater market and financial performance. In a study carried out in South Australia, Dawes (2000) found a strong positive correlation between the orientation to competitors and the company's profitability. This scholar provided additional evidence that subjective performance measures of profitability are positively correlated with objective measures.

MO can benefit non-profit organizations and the public sector, fostering better performance (Duque-Zuluaga and Schneider 2008). The idea underlying most studies on business-oriented companies is that the more market-oriented a company is, the more profitable it becomes. Neither performance measured exclusively by profit, nor the

classical concept of MO will be completely adjusted to the reality of non-profit organizations.

Based on Vincentian Market Orientation (VMO) conducted in social enterprises in Australia, Miles et al. (2014) found that VMO, based on the value-driven philosophy of serving the needy and poor in a just and sustainable manner, is strongly and positively correlated with social, economic and environmental performance. Moreover, despite the strong social values present in the social enterprises analyzed, the higher the VMO, the higher the economic performance (Miles et al. 2014). Their findings suggest that social enterprises may benefit from leveraging marketing capabilities to better serve their beneficiaries and stakeholders.

Several studies have shown that MO has a crucial role in enhancing firm performance (Narver and Slater 1990; Kohli and Jaworski 1990; Baker and Sinkula 2009; Matsuno et al. 2002).

Based on the above literature review, the following hypothesis is put forward:

H3 Market orientation has a positive and significant impact on SEs' performance

MO and Its Mediating Effect on the SEO-SEP link

In a study on SME performance, Baker and Sinkula (2009) observe a strong relationship between EO and MO, which suggests that the relationship between EO and performance can be mediated by MO.

Choi and Williams (2016) state that actions supported by EO comprise behaviors aimed at understanding customers' changing needs and communicating this intelligence internally within the organization. The manifestation of EO implies that marketing action will be justified, and employees will ensure that new customer demands are understood within the organization, so that they may be eventually met (Choi and Williams 2016). According to these authors, marketing action can be seen as a set of activities stimulated by the organization's EO, which will create new market-oriented knowledge for the firm. Matsuno et al. (2002) also provide support for this argument, finding that an organization's entrepreneurial proclivity positively influences performance when mediated by market orientation in a study conducted in the USA.

In a study involving Korean SMEs, Choi and Williams (2016) found evidence that marketing action mediates the significant and positive relationship between EO and performance. With a study undertaken in Malaysia, Amin et al. (2016) contribute to this debate, highlighting the mediating role of market orientation in the EO–Performance link.

In his comprehensive qualitative review of empirical-based knowledge of the relationship between EO and MO, Montiel-Campos (2018) concludes that both MO and EO are highly correlated to performance, but there are only 16 studies positing EO as an antecedent of MO, while other 12 posit MO as an antecedent of EO. The author also mentions that only two of these studies used multidimensional scales.

Accordingly, in this research, through using appropriate measures for the context of social enterprises, we try to understand if the potential effects of SEO on MO could raise social and economic performance.

Based on the review, the following hypothesis is presented:

H_4 Market orientation mediates the relationship between social entrepreneurship orientation and social enterprise performance.

The proposed model to test the four hypotheses is shown in Fig. 1.

Research Method

This study consists of a cross-sectional survey design, which is used to test the hypotheses regarding relationships between market orientation (MO), social entrepreneurship orientation (SEO) and social enterprise performance (SEP).

Data were collected through a web-based questionnaire, created on Google Forms. Participants were contacted via e-mail.

The target population considered for this research is composed of all the leaders/CEOs of Portuguese social enterprises.

The Cooperativa António Sérgio para a Economia Social (CASES), responsible for building and updating a list of all Portuguese social organizations, was contacted. Although CASES did not have all updated information at the time, we were given a list of all 822 cooperatives

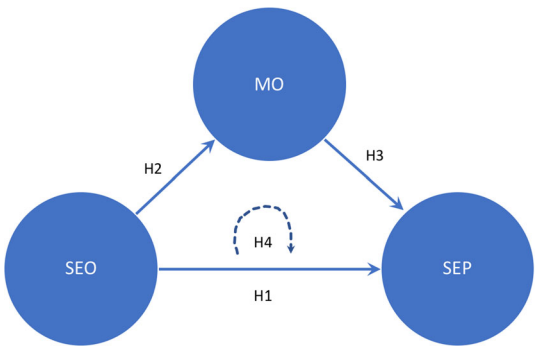

Fig. 1 Proposed model

registered in Portugal, and another list of around five thousand "Instituições Particulares de Solidariedade Social"[1] (IPSS), registered with Portuguese Social Services. As such, the sampling frame consists of a database built from the combination of these two lists. The original database contained 5757 contacts. As the information in the database was incomplete, we updated it as much as possible. As such, data were gathered from each organization's website to complete the database. We established 3438 valid contacts, from the original database.

Through the survey questionnaire, data were collected over a two-month period, from October to December 2017. After an initial e-mail invitation, two recall e-mails were sent to ask for more participation. The overall response rate, calculated based on valid contacts, was 23%. Thus, 805 Portuguese organizations answered the questionnaire.

Measurement items were selected from previous studies. The translation, adaptation and cross-cultural validation of research instruments were then performed, with wording modifications being made to the original scales to suit them to the measurement needs of this study without affecting their original conceptual bases. The MO scale (see "Appendix 1") was adapted from Kohli et al. (1993) and is composed of three main constructs: intelligence generation, intelligence dissemination and responsiveness. The SEO scale (see "Appendix 2") was adapted from Kraus et al. (2017) and is composed of four main first-order constructs: innovativeness, risk-taking, proactiveness and socialness. Finally, the SEP scale (see "Appendix 3") was adapted from Miles et al. (2014). The SEP scale seeks to measure both economic performance and social performance as is normally applied in social entrepreneurship studies. This SEP scale measures subjective self-reported ratings with the objective of analyzing the extent to which managers/leaders of social enterprises feel that they have managed to achieve their social and economic goals and missions. In the case of social enterprises, and taking into account that this paper addresses Portuguese cooperatives and non-profit organizations (IPSS), social and economic performance items were used. This is in accordance with Miles et al. (2014), Coombes et al. (2011) and Bhattarai et al. (2019). All scales range from 1 (strongly disagree) to 7 (strongly agree).

[1] IPSS are non-profit private institutions, set up on the initiative of private individuals, which aim to solve social problems in Portugal.

Their purpose is giving individuals an organized expression to the moral duty of solidarity and justice. IPSS, which are not administered by the State or by any regional or local government institution, pursue the following objectives, among others:

- Provide support for children and adolescents;
- Provide support to families;
- Provide protection to the elderly and disabled citizens and in all situations of lack or reduction of means of subsistence or work capacity;
- Provide health promotion and protection, namely through the provision of preventive, curative and rehabilitation medical support;
- Provide citizens with education and professional training;
- Provide solutions to the population's housing problems.

Results

Measurement Model Evaluation

The reliability and validity of the instrument were tested using SmartPLS, a partial least square structural equation modeling (PLS-SEM) software package. Firstly, the first-order measurement model was tested for reliability, convergent and discriminant validity. The results, presented in Tables 1 and 2, show that the measurement model is valid and reliable, after items IG4, IG9, ID5, R7 from the market orientation scale and S1, S4, S6 and E5 from the social enterprise performance scale have been removed. In terms of convergent validity, almost all factor loadings are greater than 0.7 and the average variance extracted (AVE) is > 0.5 (Hair et al. 2010). The composite reliability values are also greater than 0.7 (Hair et al. 2010), supporting the internal consistency of the measures. Further, the square root of the AVE is greater than the diagonal inter-construct correlation (Hair et al. 2010) (see Table 2), which supports discriminant validity.

Secondly, the correctness of the higher-order factors was assessed based on the conceptual properties of the constructs. As the higher-order components were specified as formative constructs, the reliability (internal consistency) and construct validity (convergent and discriminant validity) evaluation are not required because the indicators for formative constructs do not have to be strongly correlated (Henseler et al. 2009). Evaluation of the higher-order components was derived from the relationship between higher-order constructs and lower-order constructs, represented by the path coefficients and not performed on the relations between the higher-order constructs and the repeated indicators in the repeated-indicator approach.

The magnitude of the path coefficient should be above 0.1, statistically significant and with a sign that is consistent with the underlying theory. The bootstrapping procedure was applied to estimate the significance of the path coefficients. The results of the formative second-order construct are shown in Table 3, in which critical t-value for a two-tailed test is 1.96, corresponding to a 0.05 significance level (Hair et al. 2012).

The VIF values for all formative first-order constructs show collinearity values that range from 1.542 to 2.436. As these values are significantly lower than the suggested threshold value of 5.00 (Hair et al. 2016), one can claim that the first-order constructs forming the second-order

Table 1 Outer loadings of items tested

	Loadings		Loadings
Market orientation			
MO_IG1	0.588	MO_ID3	0.837
MO_IG2	0.644	MO_ID4	0.813
MO_IG3	0.657	MO_R1	0.770
MO_IG5	0.796	MO_R^2	0.836
MO_IG6	0.736	MO_R3	0.848
MO_IG7	0.805	MO_R4	0.866
MO_IG8	0.795	MO_R5	0.787
MO_ID1	0.710	MO_R6	0.722
MO_ID2	0.792		
Social entrepreneurship orientation			
SEO_I1	0.813	SEO_RT1	0.826
SEO_I2	0.904	SEO_RT2	0.792
SEO_I3	0.895	SEO_RT3	0.796
SEO_P1	0.807	SEO_S1	0.499
SEO_P2	0.921	SEO_S2	0.852
SEO_P3	0.818	SEO_S3	0.879
Social enterprise performance			
SEP_S2	0.774	SEP_E1	0.727
SEP_S3	0.775	SEP_E2	0.873
SEP_S5	0.630	SEP_E3	0.748
SEP_S7	0.641	SEP_E4	0.871
SEP_S8	0.837	SEP_E5	0.586
SEP_S9	0.817		

constructs in the measurement model are not statistically influenced by multicollinearity effects.

Structural Model and Hypotheses Evaluation

The structural model presents three constructs—social entrepreneurship orientation, market orientation and social enterprise performance—in which two of them are endogenous and the other exogenous. When the repeated-indicator approach is used to estimate the scores for endogenous constructs (MO and SEP), the values of R^2 are equal to 1.0, because almost all the variance of this second-order construct is explained by its first-order constructs. Thus, the two-stage approach is appropriate to estimate R^2 in combination with the repeated-indicator approach (Ringle et al. 2012).

In conducting a two-stage approach, the first stage is the repeated-indicator model that was estimated using the path weighting scheme. After obtaining the latent variables scores, they were used as indicators of the second-order constructs in a sequential second stage (Henseler et al. 2009; Hair et al. 2010; Ringle et al. 2012). The latent variable scores for each first-order construct (9 first-order constructs) were automatically computed by PLS-SEM algorithm in the first stage and then copied and saved in the original data file to use in the second stage of the analysis. This process allowed the latent variable scores to become indicators to measure the second-order constructs and estimate the path coefficients. The model resulting from the two-stage approach is shown in Fig. 2.

Assessment of the structural model is based on the five-step guidelines provided by Hair et al. (2016) as listed below:

- *Step 1* Assess structural model for collinearity issues;
- *Step 2* Assess the significance and relevance of the structural model relationships;
- *Step 3* Assess the level of R^2;
- *Step 4* Assess the effect sizes f^2;
- *Step 5* Assess the predictive relevance Q^2.

To examine the collinearity among exogenous constructs at the structural model level, the same procedure and threshold values applied to measure collinearity for the formative indicators in the measurement model were followed. Two sets of constructs were observed for multicollinearity: SEO as a predictor of both MO and SEO; and MO as a predictor of SEP. The results indicate that VIF values are lower than the recommended threshold value of 5.0, demonstrating no significant levels of collinearity among the exogenous constructs (Hair et al. 2016).

The second step involves observing the significance of the hypothesized relationships. Therefore, PLS-SEM algorithm was conducted using the path weighting scheme as for the measurement model. From this procedure, the size of path coefficients and coefficient determination (R^2) were obtained, as shown in Fig. 3.

Prior to estimating the R^2, it is critical to find the significance as well as the sign and magnitude of the path coefficients by analyzing the t-values and the path coefficients that were obtained through the nonparametric bootstrapping procedure (Henseler et al. 2009), as explained previously. The results from the bootstrapping procedure are shown in Fig. 4 and are further detailed in Table 4. Based on the critical t-value for a two-tailed test of 2.58, one can claim that the results are statistically significant at 1% significance level (Hair et al. 2011).

Concerning the proposed relationships, the results presented in Table 3 strongly support the hypotheses posited: H_1, H_2 and H_3 (β = 0.443, 0.742 and 0.339, respectively). These coefficients exceed 0.1 and are significant at a level of $p < 0.01$.

These results demonstrate that social entrepreneurship orientation positively contributes to explaining the variance of social enterprise performance. Examining the relevance of the relationships between these constructs, the results

Table 2 Cronbach's alpha and correlations of first-order constructs

	Cronbach's alpha	AVE	CR	Economic performance	Innovativeness	Intel Dis	Intel Gen	Proactiveness	Respons	Risk-taking	Social performance	Socialness
Economic performance	0.823	0.591	0.876	**0.769**								
Innovativeness	0.841	0.760	0.905	0.477	**0.872**							
Intel Dis	0.799	0.623	0.868	0.365	0.624	**0.790**						
Intel Gen	0.845	0.521	0.883	0.399	0.605	0.673	**0.722**					
Proactiveness	0.806	0.723	0.886	0.513	0.614	0.422	0.453	**0.850**				
Responsiveness	0.891	0.650	0.917	0.496	0.639	0.688	0.699	0.435	**0.806**			
Risk-taking	0.730	0.648	0.847	0.414	0.662	0.544	0.554	0.559	0.575	**0.805**		
Social performance	0.841	0.563	0.884	0.554	0.580	0.608	0.591	0.477	0.668	0.565	**0.750**	
Socialness	0.639	0.593	0.799	0.422	0.608	0.560	0.564	0.560	0.554	0.572	0.602	**0.764**

Bold values of the diagonal represent the square root of AVE

show that SEO impacts SEP with a significant path coefficient ($\beta = 0.443$).

Regarding the direct relationships between social entrepreneurship orientation and market orientation, a significant path coefficient ($\beta = 0.742$) is observed, providing support for H_2. Additionally, these results show that MO ($\beta = 0.339$) influences SEP significantly.

After examining the significance and relevance of the path coefficients, the explanatory power of the structural model was estimated, which was studied through calculating the coefficient of determination (Hair et al. 2012). As shown in Fig. 3, the results reveal a robust model with 53% ($R^2 = 0.534$) of the variance in SEP explained by SEO and MO. Therefore, based on Hair et al. (2012), the explained variance of SEP can be interpreted as moderate. Complementarily, SEO explains a moderate amount of 55% ($R^2 = 0.551$) of the variance of MO.

Analysis of the effect size (f^2) reveals that SEO ($\beta = 0.443$, $p < 0.05$) and MO ($\beta = 0.339$, $p < 0.05$) significantly and positively impact SEP with medium effect sizes of 0.190 and 0.111, respectively. Similarly, SEO ($\beta = 0.732$, $p < 0.05$) shows a significant and strong positive relationship with MO, with a large effect size of 1.225.

The second quality criterion for the structural model is the Stone–Geisser's Q^2 estimated to determine predictive relevance through the blindfolding procedure in SmartPLS (Henseler et al. 2009; Hair et al. 2012, 2016). Q^2 measures the extent to which the model's prediction is successful, with the value of $Q^2 > 0$ corroborating the presence of predictive relevance. The outcome of the blindfolding procedure delivers a Q^2 value of 0.416 for MO and 0.388 for SEP, which is above 0, confirming that the structural model has predictive relevance for both endogenous constructs.

Assessment of Mediating Effects

In the context of this research, to confirm the fourth hypothesis, the mediation effect of MO in the relationship between SEO and SEP was tested.

In observing the mediating effects of the MO construct, step-by-step instructions sustained by the decision tree diagram represented in Fig. 5 were followed (Zhao et al. 2010). This approach corrects the limitations of Baron and Kenny's (1986) renowned criteria for establishing mediation. Zhao et al. (2010) assert that the only requirement needed to determine mediation is that the indirect effect a x b is significant in a non-recursive three-variable causal model and the "X–Y test" requirement used in Baron and Kenny's procedure is irrelevant. In the "X–Y test," the effect of an independent variable (X) on a dependent variable (Y) before a mediator is included in the model

Table 3 Results for formative second-order constructs indicator validity

Path	Path coefficient	T-statistics	*P* values
Intel Gen → Market Orientation	0.215	3.235	0.001
Intel Dis → Market Orientation	0.218	3.306	0.001
Respons → Market Orientation	0.658	9.939	0.000
Innovativeness → SEO	0.446	7.116	0.000
Risk-taking → SEO	0.275	5.295	0.000
Proactiveness → SEO	0.086	1.889	0.060
Socialness → SEO	0.357	7.059	0.000
Economic Performance → SEP	0.460	24.111	0.000
Social Performance → SEP	0.669	49.757	0.000

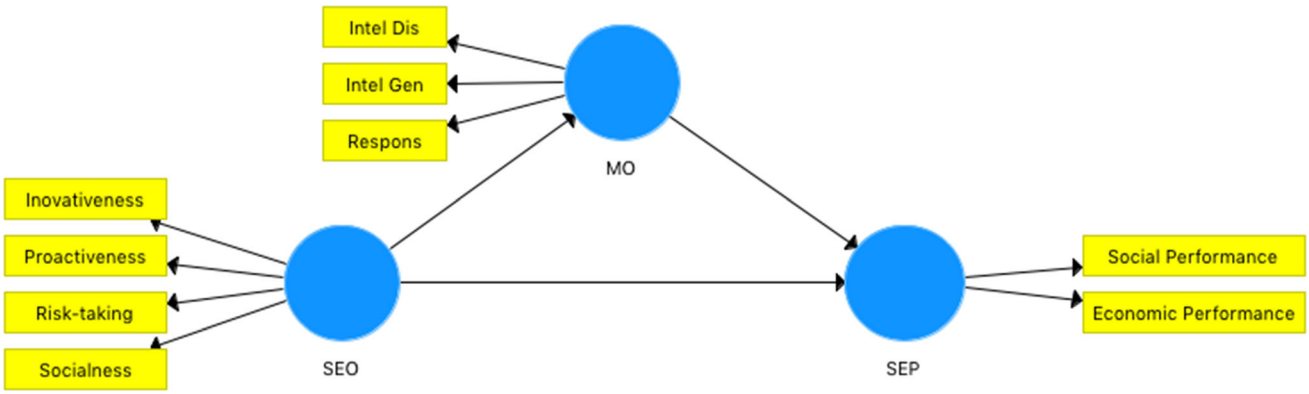

Fig. 2 Two-stage approach model

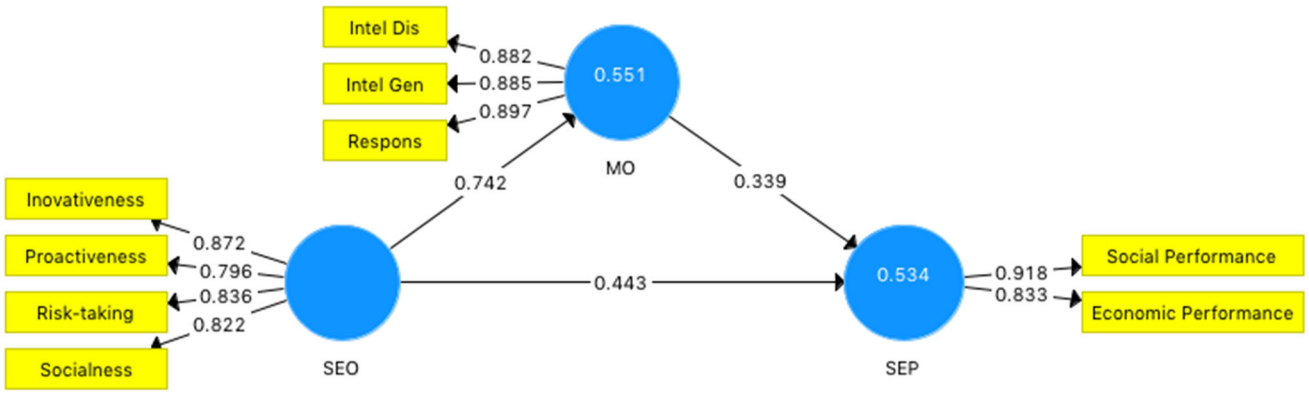

Fig. 3 Path coefficients for structural model

must be significant to establish mediation and if this criterion is not met, no further investigation for the mediating effect of M is needed. Other researchers have supported the notion that a significant effect of X on Y (c) is not a necessary precondition for mediation to arise and that researchers should move from focusing on determining the significance of the X–Y relationship to stressing the testing of the mediation effect itself (Rucker et al. 2011). This is justified by the logic that the direct effect $a \times b$ is equivalent to the difference between the total and direct effects (Preacher and Hayes 2008). Misuse of Baron and Kenny's approach for testing mediation may delay theoretical development (Zhao et al. 2010).

Zhao et al. (2010) recommend three factors that researchers need to consider in this new approach to testing mediation. First, researchers should use the size of an indirect effect to measure the strength of the mediation effect. Second, the only requirement for determining a mediation effect is the significance of an indirect effect $a \times b$. Finally, a bootstrap procedure (considered as a more rigorous and powerful method for analyzing the significance of indirect effects) should be used to test the

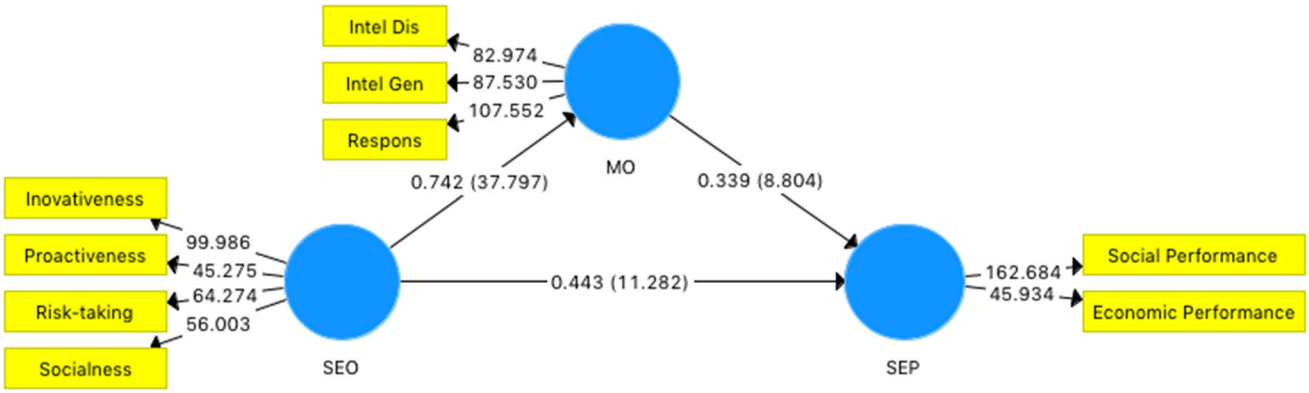

Fig. 4 Path coefficients and T-values for structural model

Table 4 Results of bootstrapping for structural model evaluation

Hypothesis	Exogenous constructs	Endogenous constructs	β [a]	Mean	Std. Error	t-statistics[b]	Expected sign	Result
H_1	SEO	SEP	0.443*	0.443	0.039	11.282	Positive	Supported
H_2	SEO	MO	0.742*	0.743	0.020	37.797	Positive	Supported
H_3	MO	SEP	0.339*	0.338	0.038	8.804	Positive	Supported

*Significant at the 0.01 level (two-tailed)

[a] β: path coefficient

[b] t-statistics > 2.58 are significant at $p < 0.01$ (two-tailed)

significance of the indirect path axb. Contrasting with the Sobel test proposed by Baron and Kenny (1986), the bootstrapping approach does not require a normal sampling distribution assumption and returns a higher level of statistical power (Preacher and Hayes 2008; Hair et al. 2014).

The indirect path can be calculated after running the bootstrapping procedure and if the indirect effect is found to be significant, then the mediator absorbs some of the direct path. To determine how much of the direct path is absorbed, variation accounted for (VAF) is calculated as: $VAF = (a \times b)/((a \times b) + c)$.

Based on the value of VAF, the following conditions of mediation effect are given by Hair et al. (2010):

(1) If $0 < VAF < 0.20$, then No Mediation.
(2) If $0.20 < VAF < 0.80$, then Partial Mediation.
(3) If $VAF > 0.80$, then Full Mediation.

Table 5 shows that MO mediates partially the relationship between SEO and SEP. These results did not vary after controlling for legal form and the number of workers in the observed organizations. The variation accounted for (VAF) value indicates that more than 36% of the total effect of SEO on SEP is explained by the indirect effect.

According to these results, the relationship between SEO and SEP is mediated by MO in a complementary pattern, providing support for H_4. Complementary mediation indicates that besides influencing SEP directly, SEO also impacts SEP indirectly via MO.

Discussion

SEO and Its Link with MO and SEP

In this subsection, the findings are discussed in accordance with two hypotheses (H_1 and H_2) tested to examine the impact of SEO on SEP and MO.

Firstly, it was hypothesized that the higher the social entrepreneurship orientation, the higher the social enterprise performance. SEO was found to have the expected positive direct effect on social enterprise performance ($\beta = 0.443$, $t = 11.282$, $p < 0.01$), which is in tune with previous research (Lumpkin and Dess 1996; Baker and Sinkula 2009; Amin et al. 2016; Kraus et al.2017; Schmidt et al. 2015). Therefore, H_1 was supported, and despite showing a medium effect size ($f^2 = 0.190$), the impact of SEO on SEP is significant.

Applying the scale provided by Kraus et al. (2017) to measure SEO, as a modification of the entrepreneurial orientation construct, this research confirms these authors' inference that this strategic orientation has a positive impact on social enterprise performance. The literature has

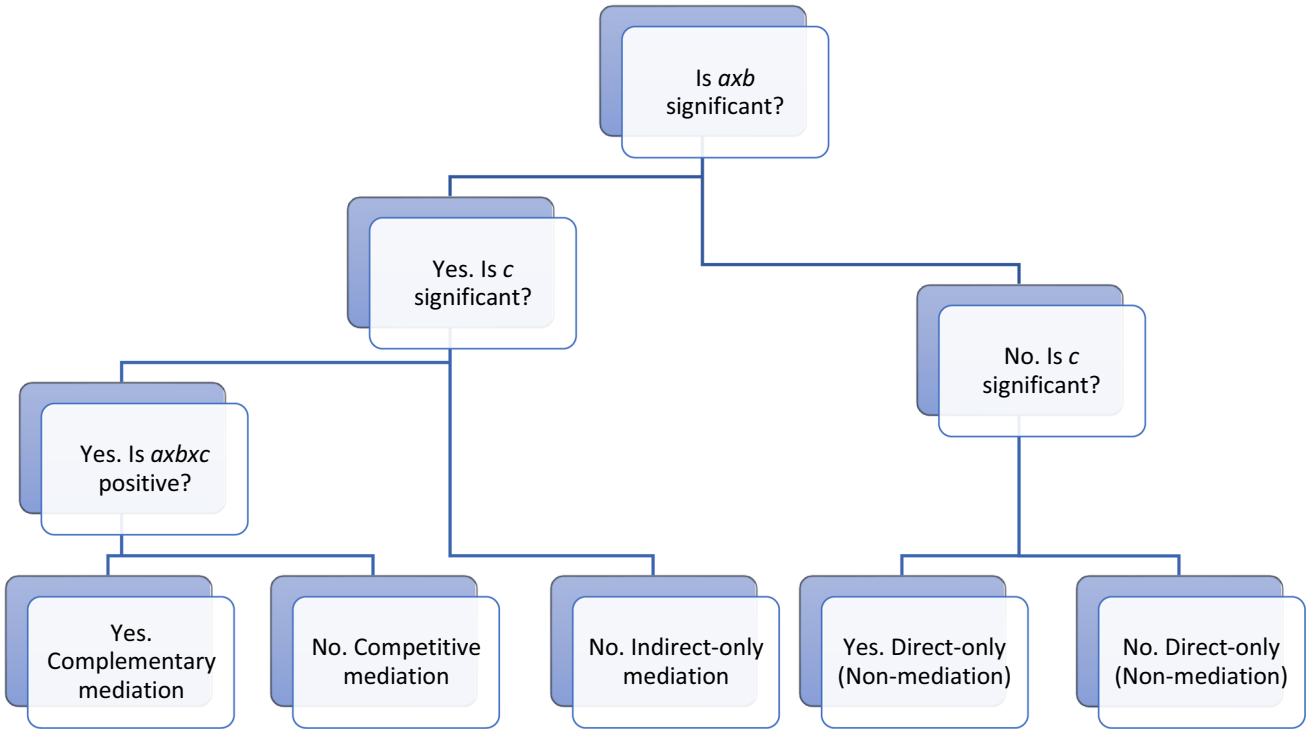

Fig. 5 Decision tree for determining mediation *Source*: Zhao et al. (2010)

often suggested that social enterprises should use an entrepreneurial orientation to achieve their social mission more effectively (Schmidt et al. 2015; Lumpkin and Dess 1996). This study supports this claim with evidence that the underlying dimensions of this construct—Innovativeness, Proactiveness, Risk-taking, and Socialness—explain the results of social enterprises as regards their performance.

Secondly, this research seeks to explain the relationship between SEO and MO in the current sample, which led to the hypothesis that the more entrepreneurially oriented social enterprises are, the more market-oriented they are.

SEO specified as a second-order construct was found to positively impact MO ($\beta = 0.742$, $t = 37.797$, $p < 0.01$), supporting H_2. Showing a large effect size ($f^2 = 1.225$), the relationship is quite significant.

This finding is consistent with the literature, as several authors consider that entrepreneurial orientation and market orientation are complementary (Baker and Sinkula 2009; Schmidt et al. 2015; Amin et al. 2016; Montiel-Campos 2018). As explained previously, most empirical studies on this topic have analyzed for-profit environments and organizations. However, SEO is a modification of the original construct (Kraus et al. 2017), which is more suitable to study social enterprises. This newly developed scale has allowed this paper to investigate empirically what, to date, have been posited as conceptual or theoretical relationships. By applying this new tool, this paper confirmed that like for-profit companies, SEO has a positive and significant relationship with MO, which justifies that the more entrepreneurially oriented social enterprises are, the more market-oriented they are too.

Concerning the managerial implications of these findings, we can posit that social entrepreneurs must be proactive, willing to take risks and innovative to achieve better social and economic performance. Although SEO is a modification of the entrepreneurial orientation construct, the results presented in this paper show that, as in for-profit organizations, social entrepreneurs understand they must be entrepreneurial to achieve great performance results, as expected. However, even if they worry about financial and economic performance to assure the organization's sustainability, they still care slightly more about the organization's social performance.

Table 5 Mediation analysis: MO as mediator (endogenous variable: SEP)

Exogenous variable	Direct effect	Indirect effect	Total effect	VAF	Mediation
SEO	0.443	0.251	0.695	0.362	Partial

This paper also reveals that the underlying dimensions of social entrepreneurs have an impact on how much a social enterprise can be market-oriented. This means that like for-profit entrepreneurs, being innovative, proactive and willing to take risks, makes social entrepreneurs more concerned about how they generate and disseminate intelligence throughout the organization, as well as how they respond to that intelligence.

MO and Its Link with SEP

In this section, the findings are discussed in accordance with the remaining hypotheses (H_3 and H_4) tested to examine the direct impact of MO on SEP and the mediation effect of MO on the relationship between SEO and SEP.

MO demonstrated a positive and significant influence on SEP ($\beta = 0.339$, $t = 8.804$, $p < 0.01$), providing support for H_3. The positive direct relationship between MO and firm performance has been supported in the extant literature suggesting that MO leads to higher firm performance (e.g., Narver and Slater 1990; Jaworski and Kohli 1993; Baker and Sinkula 2009; Matsuno et al. 2002; Cano et al. 2004). With regard to studies examining MO in the non-profit context, the prevailing view also supports a direct and positive relationship between MO and performance (Ma et al. 2012; Chad 2014; Niculescu et al. 2013; Miles et al. 2014).

Although the strong association between MO and SEP is not surprising, it reinforces the notion that marketing is not only central to the success of for-profit businesses, but is also a driver of performance in social enterprises. The results presented in this paper lead to the conclusion that the more market-oriented social enterprises are, the better they perform economically and socially.

In terms of managerial implications, the present study suggests that social enterprise managers should foster the development of a market orientation perspective in order to better serve their beneficiaries and enhance economic sustainability, as a means of improving their social enterprises' performance, and consequently, embracing a wider provision of social services.

The results also show that, besides impacting directly on SEP, MO acts as a mediator in enhancing the effect SEO has on performance, providing support for H_4 (market orientation mediates the relationship between social entrepreneurship orientation and social enterprise performance). Complementary mediation indicates that besides the direct influence of SEO on SEP, SEO influences SEP indirectly via MO. Hence, both direct and indirect effects are important for SEO to enhance SEP. This finding is consistent with that reported by Amin et al. (2016), who examined the effect of MO as a mediating variable in the relationship between EO and SME performance. Choi and Williams (2016) also found a mediating effect of marketing action between EO and Korean SME performance. Baker and Sinkula (2016), assessing SME performance, also suggest that MO can mediate the relationship between the two constructs.

The main contribution of this research is to demonstrate this mediating effect in the context of social enterprises. Though it has been suggested theoretically, the literature does not provide much empirical evidence of this relationship.

This paper addresses this gap, providing evidence that in social enterprises MO plays a significant role in enhancing the effects of SEO on economic and social performance. Interestingly, the paper revealed that SEO explains directly 48% of SEP. However, when taking into account the indirect effect via MO, 53.4% of SEP is explained by the direct and indirect effects of both variables. This indicates that social entrepreneurs can achieve greater performance if they develop MO in combination with a strong SEO. This is particularly important for managers because, as the effect of SEO on SEP is mediated through MO, Portuguese social enterprises need not only to be entrepreneurial, but also to increase the level of MO to enhance their performance, from both social and economic perspectives.

Conclusions, Implications, Limitations and Future Lines of Research

This paper aimed to investigate the role of SEO and MO in the performance of social enterprises. MO has received considerable attention among marketing scholars over the last decades, but few empirical studies have been made in the non-profit context, and in particular, there is an absence in the social enterprise setting. As social entrepreneurs are considered mission-driven individuals that implement business ventures to create social impact (Germak and Robinson 2014), this research expected that SEO, as a modification of the EO construct, would also play an important role in social enterprises' performance.

Among those studies investigating the impact of both strategic orientations on business performance, there is no consensus concerning the dimensional structure of the constructs and whether the relationships are direct or indirect. This lack of agreement might be due to the differences in the dimensions used to measure EO, MO and performance and/or the differences in the data analysis methods applied.

This paper revealed that SEO has a significant and positive direct impact on social enterprises in the Portuguese context. As SEO significantly impacts performance, a complementary mediation effect of MO was also established for the relationship between SEO and SEP.

These findings indicate that SEO would contribute toward enhanced SEP directly or indirectly through MO. The findings also reveal that SEO has a stronger direct impact on SEP than its indirect impact through MO. Further, these findings show that if social enterprises develop MO, there is likely to be a positive impact on their social and economic performance. This is perhaps consistent with the notion that even if such organizations are not necessarily working to attract a customer base, they must focus on the market and sustainability in order to accomplish their mission.

Thus, based on the results of the present research, it can be concluded that:

(1) SEO and MO were identified as important constructs that exert direct positive effects on social enterprise performance in the Portuguese context;
(2) SEO also has a positive effect on MO;
(3) MO partially mediates the relationship between SEO and SEP.

From a methodological viewpoint, this research has also contributed to increasing our knowledge of formative hierarchical component models. By using the Reflective-Formative Type II (Becker et al. 2012) model specification, this study avoids the misspecification of models whereby problems result from constructs that are modeled as having reflective indicators while they are more correctly specified as formative indicators (Jarvis et al. 2003). The focus of previous research has been mainly determined by hierarchical component models with reflective relationships (Becker et al. 2012), which can be meaningless and misleading.

By using the repeated-indicator approach for the hierarchical component models' assessment, this paper also makes a contribution to more precise parameter estimates and more reliable higher-order construct scores. Particularly, for formative higher-order constructs as specified in this research, the weights of the lower-order constructs are fundamental as they represent actionable elements affecting the higher-order constructs (Becker et al. 2012). According to Ringle et al. (2012), reporting the R^2 values for all endogenous constructs in the model is important when working with PLS-SEM and any attempts not to report the R^2 values and replace them with others such as goodness-of-fit is considered incorrect. This paper achieved this by combining the two-stage approach with the repeated-indicator approach.

Regarding contributions to theory, this research provides insights and contributions for both entrepreneurship and marketing researchers by introducing valid, reliable definitions of the study concepts to investigate the strategic orientations—performance link in the social enterprise context. Moreover, the proposed conceptual model improves our understanding of the direct and indirect relationships between the constructs, which can be employed in similar research to investigate similar relationships. The current study provides further evidence (model) to explain the causal relationships between SEO, MO and SEP.

In terms of managerial implications, the findings suggest that the MO concept also plays an important role in social enterprise organizations. The empirical results indicate that managers should be encouraged to actively foster market-oriented behavior, because this enhances performance directly and also mediates the effect of SEO on SEP.

According to the present empirical research, SEO should be treated as an enabler of action, in line with previous research (Choi and Williams 2016). It allows the organization to control its resources in an innovative and proactive manner, and let managers take risks with those resources. This orientation, lifted by market-oriented behaviors, leads to generating new knowledge for the organization and helps managers to deal with uncertainty.

Overall, the results provide new insights into how both SEO and MO influence SEP. Moreover, SEP provides an impetus that activates MO in order to achieve higher social and economic performance.

While this paper has successfully demonstrated that both SEO and MO have a positive and significant impact on SEP in Portugal, several limitations must be acknowledged.

First, the data were collected in a cross-sectional manner, indicating that perceptions of the constructs were measured at a single point in time. Thus, better understanding of the constructs examined could be achieved by adopting a longitudinal research design. Second, this research focused on Likert scales, which means the results are based on respondents' subjective judgment. Even if previous research has found a high correlation between objective and subjective performance indicators, it would be interesting to use primary data about the economic, financial and social performance of social enterprises. Lastly, the results of this research were based on the perspective of the organization's manager. It could be interesting to complement this analysis with the perspective of beneficiaries or other stakeholders.

Many further research avenues can be pursued based on this research. First, conducting a study that integrates the perception of beneficiaries or other stakeholders would be invaluable.

It would also be important to include other moderating or mediating variables, for example, social capital, innovation capabilities and learning orientation, to determine better paths to enhance social enterprise performance.

Further research focusing on longitudinal studies of this overall causal path would be useful for better

understanding of how strategic orientations and social enterprise performance evolve over time. Comparative studies of the same causal model can be made in other countries.

Finally, the model proposed in this paper has shown that social and economic performance can be enhanced by focusing on social entrepreneurship orientation and market orientation. As this subject is very relevant and topical concerning the third sector, we hope more research will be conducted to clarify these questions.

Compliance with Ethical Standards

Conflict of Interest The authors declare that they have no conflict of interest.

Informed consent All respondents have given informed consent to participate in the survey.

Appendix 1: Measurement scales\

Intelligence generation
We meet with our beneficiaries at least once a year to better understand their needs
We meet with our stakeholders at least once a year to better understand their needs
We understand the role of social enterprises in the current economic and political context
We make satisfaction surveys (beneficiaries, stakeholders or others) at least once a year
We have various ways of collecting information about our environment (with beneficiaries, stakeholders, etc.)
We monitor changes in the economy, society, technology and political-legal system, in order to understand how they can affect us
We regularly compare the performance we think we have with the performance perceived by our stakeholders
We regularly analyze the factors that influence the beneficiaries' decision to choose us instead of companies with similar missions
We collect the opinion of our beneficiaries through social networks
Intelligence Dissemination
We share information and cooperate with organizations with a similar mission
We disseminate the information collected (with beneficiaries, stakeholders, etc.) throughout the organization
We have regular team meetings to discuss important operational and strategic changes
We have a business model/business plan that is clearly perceived by employees and stakeholders
We use social networks to communicate regularly among employees
Responsiveness
We have enough information available to develop appropriate products/services for our beneficiaries
We use all available information to adjust or develop products/services for our beneficiaries
We try to respond to the emerging needs of beneficiaries or stakeholders
We adapt our strategies according to the needs of our beneficiaries
We adapt our strategies according to the expectations of our stakeholders
We try to differentiate our services from other alternatives
We invest significantly in marketing and communication

Dimensions and items of Market orientation scale

Source: Kohli et al. (1993)

Appendix 2

Innovativeness
Social innovation is important for our company
We invest heavily in developing new ways to increase our social impact or to serve our beneficiaries
In our company, new ideas to solve social problems come up very frequently
Risk-taking
We are not afraid to take substantial risks when serving our social purpose
Bold action is necessary to achieve our company's social mission
We avoid the cautious line of action if social opportunities might be lost that way
Proactiveness
We are not afraid to take substantial risks when serving our social purpose
Bold action is necessary to achieve our company's social mission
We avoid the cautious line of action if social opportunities might be lost that way
Socialness
The objective to accomplish our social mission precedes the objective to generate a profit
Our organization places a strong focus on partnerships with other organizations and/or governments in order to ensure a greater and accelerated accomplishment of the social mission
We set ourselves ambitious goals in regard to sustainability and incorporate them in all strategic decisions

Dimensions and items of Social Entrepreneurship orientation scale

Source: ad. from Kraus et al. (2017)

Appendix 3

Social performance
We operate our organization in an environmentally sustainable manner
Our donors are very satisfied with us
Our organization operates in a socially sustainable manner
We help inform the community about the plight of our beneficiaries
We help mobilize interest for additional social welfare initiatives
We are often perceived and valued by our beneficiaries as a provider of last resort
In the past few years we have met our objectives in terms of beneficiaries served. Beneficiaries are satisfied with our services
Beneficiaries and stakeholders recommend our services to others
Economic performance
We are more effective in serving our beneficiaries than others
In the past few years we have increased our effectiveness.
We are more efficient in serving our beneficiaries than others.
In the past few years we have increase our efficiency.
In the past few years our financial situation has improved
Our organization is financially sustainable

Dimensions and items of social enterprise performance scale

Source: adapted from Miles et al. (2014)

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