

## Key Factors for Success of Social Enterprises in Italy: Analysis of Financial and Operating Performance

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**Abstract:** Assessing social performance is one of the greatest challenges for practitioners and researchers in social entrepreneurship. Even though social enterprises (SEs) have the main goal of achieving social purposes, they should also be able to economically and financially survive to meet their aim and accomplish their tasks. To this purpose, we investigate if the key factors leading to the financial and operating performance are the same as those of for-profit firms, by using Italian data at a firm level during the period 2002-2013. We find that the standard financial and operating factors characterising for-profit firms' performance play a crucial role for SEs' results as well. Moreover, territorial and socio-economic variables seem to have a positive impact on financial performance. From a policy perspective, this may imply that further programs (e.g. safety-oriented and those promoting facilities in the territory) should be locally adopted to support the SEs' activity and development.

**Keywords:** Performance; Social enterprises; Territory-oriented mission; Italy

**JEL Classifications:** L31, L33, M20

### 1. Introduction

In recent decades social enterprises (SEs) have faced a period of rapid growth worldwide. Nowadays, the contribution of SEs to European GDP is equal to around 1%, with an employment rate of 6.5%. Considering the rising value of SEs – in terms of number and contribution to the whole economy<sup>1</sup> – many researchers have started to focus on them.

Despite this widespread interest, there is, however, no universal and official definition of SEs, partly due to the fact that SEs are evolving, developing and changing day-by-day. These enterprises actually perform a rich variety of commercial business and social activities, implementing a large

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<sup>1</sup> It is estimated that at the end of 2010 around 383,000 workers were employed in social enterprises, with an average increase of 5 per cent compared to 2008. Looking, instead, at a longer period of time, the employment dynamic in social enterprises between 2003 and 2010 showed an increase of over 70 per cent, much higher than the increase in all Italian businesses (up around 10 per cent). For further details see Venturi and Zandonai (2012).

range of organizational structures and strategies (Hayllard and Wettenhall, 2013). Nevertheless, some core characteristics typically belonging to the SEs' category are evident. It is, indeed, widely recognised that social enterprises are organizations established to address social needs (Austin et al., 2006; Madill et al., 2010), using commercial/for-profit business methods to achieve social aims (Meadows and Pike, 2010). In that respect, social enterprises belong to the non-profit background and they have been developed and renewed from it.

The first difference from the other non-profit organizations consists in the use of a business approach to social issues. Battilana and Lee (2014) describe SEs as a combination of organizational forms of both for-profit business and charity, confirming, in this setting, the distinction between "business" and "non-profit".

The second difference pertains to the form of financing: SEs rely on financing forms being typical of for-profit firms and they often use profitmaking activities to gain financial self-sufficiency (Boschee, 2001; Thompson and Doherty, 2006; OECD/European Commission, 2013), whereas the traditional non-profit organizations mostly rely on donations and grants.<sup>2</sup>

The third difference is related to the strong territory-orientation of SEs. As argued by Barraket and Yousefpour (2013), SEs are organizations that exist to generate public benefits for their community, trade to fulfil their mission and reinvest a portion of their income in the fulfilment of their mission in the context where they operate.<sup>3</sup>

Considering that SEs have only recently been analysed, existing literature reveals a lack of empirical and quantitative studies. Previous studies can be divided into three main groups: i) the definition of SEs' concept and their domain (e.g., Mair and Marti, 2006; Austin et al. 2006); (ii) the social enterprises' business models (e.g., Weisbrod, 2004; Foster and Bradach, 2005; Cooney, 2011);<sup>4</sup> (iii) the analysis of performance when social enterprises adopt strategic marketing or management tools for their business operations (e.g., Dees, 1998; Brooks, 2008).

Following this line of research, our work aims at enriching the literature focusing on the performance measurement aspects related to SEs. Our contribution adds to the existing literature a more comprehensive analysis measuring both the financial and operating performance of SEs. Starting from the theoretical framework according to which SEs rely on financing forms that are typical of for-profit firms (Boschee, 2001; Thompson and Doherty, 2006), we analyse the performance indicators typically used by for-profit firms. Additionally, we go more in depth by investigating the key factors of profitability taking into account SEs' peculiar characteristics affecting their performance.

We adopt a dual perspective by including factors potentially leading to businesses' success regardless of the nature of the firm, given that SEs can be compared to for-profit firms from a managerial point of view. At the same time, we pay attention to the typical elements distinguishing SEs and, in particular, their territory-orientation and their vocation in generating public or

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<sup>2</sup> As Weisbrod (2004) pointed out, the latter aspect is particularly relevant because it makes social enterprises more financially sustainable in the long run.

<sup>3</sup> As pointed out by Borzaga et al. (2001) and Kerlin (2006) the expression "social enterprise" is generally referred to "an organization driven by a social mission, which trades in goods or services for a social purpose."

<sup>4</sup> Particularly, they investigate the uniqueness of the social enterprises' hybrid business model that combines both the commercial and social aspects of business operations, highlighting the structural tensions of the model and the legitimacy of social enterprises' commercial involvement, and developing managerial implications regarding social enterprises' operations.

community benefits within the geographical area where they operate, in order to muffle the limitations of for-profit performance measurement systems when used for SEs (Arena, et al., 2014).

In detail, our paper investigates the determinants of profitability based on a sample of Italian SEs observed yearly over the period 2002-2013, using data at a firm level and taking advantage of the AIDA (Bureau van Dijk database). We conduct two steps within the empirical analysis. First, we examine SEs' financial performance; then, we shift the focus on the operating performance. The results show that the key financial and operating factors leading to performance of for-profit firms are also relevant for SEs; moreover, both financial and operating performance of SEs and the geographical area wherein they operate are statistically correlated, showing that SEs located in e.g., in wealthier and safer regions present higher levels of performance.

The paper develops as follows: in Section 2 we examine the literature dealing with social enterprises and in Section 3 we present the testable hypotheses. In Section 4 we describe the sample, the variables and the empirical methodology, while in Section 5 we show and discuss the results. Finally, we provide conclusions and some policy recommendations in Section 6.

## **2. Literature Review**

Since the early 1990s changing approaches to governance and associated public policy regimes have had a significant influence on social-economic organizations, including non-profit, cooperatives and mutual aid societies (Lyons, 2001). Within a wider social economy, social enterprises have gained recent attention from both policy-makers and philanthropy as potential vehicles for generating innovative responses to complex societal needs, particularly at a local level (Barraket and Yousefpour, 2013).

Among the different aspects deserving attention in SEs, measuring their performance remains an open issue for research as demonstrated by a wide variety of approaches described in this literature review section. In detail, the balanced scorecard has been often adopted to this purpose (Kaplan and Norton, 1992). However, as recently argued by Harrison and Wicks (2013), even this tool tends to monetize the value created by the company, it does not properly consider other elements related to the maximization of profit and to different stakeholders' "needs", beyond the financial perspective.

Thus, Somers (2005) first and Bull (2007) later move from Kaplan and Norton's original balanced scorecard trying to tailor this model for social enterprises, including different groups of stakeholders. In particular, based on Somers's contribution, Bull (2007) analyses the performance measurement tools for small and medium social enterprises stressing that the traditional performance indicators are not able to properly capture the social value. Indeed, he further adapts the balanced scorecard model to social enterprises by partially modifying the original perspectives.

Following this line of research, Meadows and Pike (2010) argue that social enterprises, often rated small to medium in terms of organizational capacity, need to address superior social outcomes due to the complex range of stakeholders they refer to. Focusing on the United Kingdom case, the authors analyse the management of social enterprises, finding that the medium term snapshot provided by the scorecard is the most valuable element, allowing organizations - and especially boards and senior executives - to keep a "strategic grip" during rapid changes by focusing on those actions that have best chance of changing performance. Similarly, Nyssens (2006) and Defourny and Nyssens (2008) adapt the original balanced scorecard overtaking the existence of different information requirements from different stakeholders, measuring SEs' performance solely from a qualitative perspective.

Another approach used to analyse social enterprises' performance is the contingency performance measurement system. In this context, Bagnoli and Megali (2011), build a model to measure the success of social enterprises. In doing so, the authors analyse three main performance dimensions: (a) economic-financial performance (profits, value added, etc.) and analytic results (production-cost of services, efficiency indicators, etc.); (b) social effectiveness measuring the quantity and the quality of work undertaken and to identify its impact on the intended beneficiaries and on the community; (c) the institutional legitimacy verifying its conformity with law and mission statement. Compared to previous models, Bagnoli and Megali (2011) emphasize social effectiveness and institutional legitimacy as "new" dimensions, not previously addressed. However, they use only a qualitative approach to demonstrate the validity of the theoretical assumptions.

Remaining within the contingency framework, Ebrahim and Rangan (2010) propose a scheme for assessing social performance in the social sector based on a process where organizational inputs and activities lead to outputs, outcomes and, ultimately, social impacts. In turn, by assuming that social enterprises are competitive in the market, Sanchis-Palacio et al. (2013) state that SEs should use strategic management tools to improve efficiency, while maintaining their effectiveness levels. They find the existence of a statistically significant correlation between the application of strategic management tools - more commonly found in for-profit organizations - and the effectiveness and efficiency of work integration in social enterprises. More precisely, they demonstrate that using these tools has a "virtuous" effect on social effectiveness (i.e. by improving the employment rate), but it has an adverse impact on SEs' economic profitability.

Finally, a recent stream of literature refers to a specific concept that is the "Social Return On Investment" (SROI) developed by the Roberts Enterprise Development Fund to identify SEs' performance. This instrument is based on the idea of assigning monetary values to social and environmental results, quantifying in financial terms broader social benefits combining both quantitative and qualitative approaches (NEF, 2007)<sup>5</sup>. Along this line of research, Miles et al. (2011) test the relationship between the social performance, measured by SROI, and social value orientation. However, not all the impacts determined by SEs' activities can be translated in money and cash outcomes. This could be also counterproductive and constitute too narrow of an approach because the indicator can provide an underestimation of the actual social enterprises' contribution to the economy.

In a nutshell, despite the evolution of performance measurement systems, which offer different tools and instruments able to capture a variety of profitability dimensions, the adaptability of these approaches to social enterprises appears to be still limited (Arena et al., 2014), due to some specific characteristics of these organizations (e.g., according to the Italian regulations, having at least 50 per cent of normal employees, beyond volunteers).

### **3. Testable Hypotheses**

Despite the fact that social enterprises have social purposes as a principal aim, they could be considered - even though with peculiar differences - as for-profit firms from a managerial point of

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<sup>5</sup> The NEF tests the SROI on four areas. The first is the stakeholder engagement, where the identified stakeholders' objectives are central to the SROI process. The second area is the materiality, where the analysis focuses on the areas important for the shareholders. The third area refers to the impact map that defines cause and effect chain from inputs through outputs, outcomes, and impacts. Finally, the appreciation of the deadweight calculates the portion of outcomes that would have occurred regardless of the organization inputs.

view (Boschee, 2001; Thompson and Doherty, 2006; Meadows and Pike, 2010; Barraket and Yousefpour 2013). As an example, Mair and Martì (2006), in studying social enterprises, provide both social and entrepreneurial elements in their definition.

Essentially, SEs have an organizational structure (i.e. more or less articulated depending on the dimension); they follow different kinds of strategies; they provide external information to a wide range of stakeholders; they are organized according to the legal system of the country in which they operate. Defourny (2001), studying social enterprises and non-profit organizations, highlights the higher market-orientation and better business strategy that the former have developed when compared to the latter, considering the similarity to each other in terms of responding to social purposes. On the same path, Battilana et al. (2012) state that SEs combine the efficiency, innovation and resources of a traditional for-profit firm with the passion, values, and mission of a non-profit organization.

More generally, social enterprises respond to different stakeholders. Social purposes and goals linked to the business venture coexist in this type of organization. In essence, both social and financial goals should be achieved through commercial success and profitability (Smith et al., 2013). These goals can be evaluated and performance measured with specific and standardized systems, which satisfy a broad range of stakeholders, specifically owners and investors (Jensen, 2002).

Even though the OECD (1999) states that “social enterprises’ main purpose is not the maximization of profit but the attainment of certain economic and social goal”, we argue that in order to achieve their social purposes SEs must gain profits that enable them to survive in the long run and to secure financing resources. Put differently, financial and economic stability are required also in the social sector allowing SEs to accomplish their social objectives, even though the latter typically belong to the non-profit field.

Moreover, as pointed out by Sanchis-Palacio et al. (2013), social enterprises use and implement strategic management tools, more commonly found in for-profit organizations. All these elements, typical of for-profit firms, lead us to consider these organizations as for-profit businesses, whose performance should be evaluated accordingly.

On the other hand, this form of entrepreneurship is basically driven by a mutual spirit and based on the idea of “joining forces” being inspired by solidarity and being strongly anchored to the land where SEs operate, leveraging from its assets, the workforce tradition, and all its productive qualities. Put differently, the presence of social entrepreneurship contributes not only to the creation of wealth but also and mostly to the social welfare, favoring delivery of goods and services to those in need, and then promoting the socio-economic development of the region in which they are located.

All in all, we should look at these enterprises through a new lens, investigating if the key factors leading to the financial and operating performance are the same as those of for-profit firms. Borrowing performance measurement systems typically used in the case of for-profit firms, we propose the following hypotheses to be empirically tested:

***H1.a:*** *As SEs are businesses in all respects, we expect that the financial leverage, operating performance and financial revenues positively affect their financial performance.*

***H1.b:*** *As SEs have a strong relation with the geographical area where they operate, we expect that regional socio-economic variables affect their financial performance.*

Considering that the main objective of social enterprises is to provide useful social services and/or activities to the market - and not making profit - we expect that the success of SEs is related to a high operating profitability. According to Kerlin (2006), social enterprises refer to “the broad idea of commercial revenue generation in the service of charitable activities”. Indeed, if their

operating efficiency is not strong, and they get, for instance, negative results, they will not be able to continue providing their services to the market in the long run, due to economic inefficiencies and inadequate return on the invested capital.

As far as the empirical analysis is concerned, to the best of our knowledge, no quantitative studies have previously focused on social enterprises' operating performance factors. Thus, we propose the following testable hypotheses:

***H2.a:** As SEs are businesses in all respects, we expect that the efficiency and the effectiveness of the invested capital positively affect their operating performance.*

***H2.b:** As SEs have a strong relation with the geographical area where they operate, we expect that regional socio-economic variables affect their operating performance.*

Overall, *H1.a* and *H2.a* refer to the fact that social enterprises can be treated as for-profit firms from a managerial point of view, thus also when measuring their financial performance and operating efficiency/effectiveness; *H1.b* and *H2.b* deal with the fact social enterprises are strongly territory-oriented.

## **4. Empirical Analysis**

### **4.1 Sample and data**

We focus on a sample of Italian SEs over the period 2002-2013. The sample is composed of an unbalanced panel of 137 SEs that are registered in section L of the Italian Chamber of Commerce. It is worth noting that none of the SEs is a listed company, thus none of them is obliged to provide any information to the public, limiting the data availability. For this study, financial data comes from AIDA (Bureau van Dijk dataset).

In Italy, SEs are defined by Legislative Decree n. 155/2006<sup>6</sup> and by Law n. 381/1991 in terms of business wherein they can operate. However, as long as an organization has specific characteristics in terms of mission, activity sector, governance structure and accountability systems, the law actually recognizes to them the possibility of having social enterprise status.

Due to these reasons, many business sectors are included in our dataset such as arts, entertainment and recreation; accommodation, information and communication; and, also, financial and insurance activities undertaken by social enterprises.

In our sample, different legal forms can be found and basically divided into three groups: cooperatives (e.g., social cooperatives, limited-liability consortium), foundations (e.g., "ONLUS", associations) corporations (e.g., limited company, limited-liability company). The first group is the most populated (about 63 per cent), followed by the second (about 34 per cent).

Concerning the geographical aspects, SEs in our sample are quite equally distributed along the country even though a higher prevalence appears in the South, with Sicily as the region that most provides stimulus for such entrepreneurship activity. An equal distribution of SEs in the whole territory also emerges considering their location in a Regional Capital.

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<sup>6</sup> According to the art. 2 of the Legislative Decree n. 155/2006 SEs can operate within the following business areas: social work; health care; education and instruction; environmental protection; cultural heritage protection; university education and social tourism. Moreover, any organizations hiring disabled workers at least for 30% of employees can be considered social enterprises, regardless of the business activity.

## 4.2 Models and variables

To investigate the factors that enable SEs to be successful in terms of their profitability, we consider both internal elements characterising this type of business (such as governance system, firms' management and organization, sector of activity) and external factors, such as the environment where social enterprises operate (e.g., geographical area, socio-economic context, degree of regional development).

In detail, to test *H1.a* and *H1.b* we consider the following model:

$$ROE_{it} = \alpha + \beta \cdot ROI_{it} + \gamma \cdot Fin\ Leverage_{it} + \delta \cdot Fin\ Revenues_{it} + \sum_{j=1}^N (\theta_j \cdot Controls_{jit}) + \varepsilon_{it} \quad (1)$$

where  $i$  denotes the social enterprise,  $t$  the year, and  $j$  the control variables. Following the existing literature, we measure the financial profitability using the return on equity (Boubakri and Cosset, 1998; Sanchis-Palacio et al., 2013). More generally, according to the business and economic literature (e.g., Barney, 2011), firm's performance deals with providing financial return, variously referred to profits, return on investment (*ROI*), economic rents, or shareholders' return (*ROE*). Many scholars believe that shareholders should be the main priority for a firm's stakeholders (e.g., Jensen, 2002; Wallace, 2003), mainly because these subjects do not have a specifiable contract with the organization, which make them residual claimants (Fama and Jensen, 1983).

Thus, the dependent variable is the financial profitability of each SE, measured by the Return on Equity (*ROE*), calculated as net profit over equity. The main explanatory variables are the financial leverage (*Fin Leverage*), expressed by long-term debts over total liabilities, the operating performance measured by the Return on Investment (*ROI*), and the financial revenues (*Fin Revenues*) as reported in the annual reports of the companies and normalized on sales (Brealey and Myers, 1984; Varaiya et al., 1987; Boubakri and Cosset, 1998).

In order to validate or not *H1.b*, we control for other territory-oriented factors potentially affecting the financial performance of SEs (Tzelepis and Skuras, 2004). In detail, we include some socio-economic and institutional variables characterising the geographical area wherein SEs operate, such as being located in a Regional Capital (*Regional Capital*), the level of regional income measured by GDP per capita (*Regional GDP pc*), total crime index (*Crime index*) observed in each region, the percentage of foreign population over total population in each region (*Share of foreign pop*). We also control for the number of enterprises over the regional territory to proxy the degree of entrepreneurial activity within the area (*Number of enterprises*).

A governance indicator (*Governance*) is added to capture the degree of independence of a company towards its shareholders (Bhagat and Bolton, 2008). Originally, this index has four categories ranging from weak to strong independence degree. Thus, we build four dummy variables capturing different levels of the independence.

As in the case of for-profit firms, size can be relevant for SEs profitability: it can increase when firms gain advantages from scope or scale economies. Alternatively, if growth tends to lead to diseconomies of scale, the size-profitability relationship could be negative (Goddard et al., 2005; Cannatelli, 2013). We measure size in two different ways: by total assets (*TA*) and by sales (*Sales*), and we use them alternatively in equation (1).

Finally, we take into account the legal form (*Legal Form*) and the industry activity (*Industry*). The latter is expressed by eleven dummies respectively equal to 1 when a specific industry is

involved, 0 otherwise.<sup>7</sup> The same approach has been adopted for the legal form variable and three dummies are built to capture different kinds of legal form (cooperatives; foundations; corporations).

To test *H2.a* and *H2.b*, we consider a different specification:

$$ROA_{it} = \alpha + \beta \cdot ROS_{it} + \gamma \cdot CT_{it} + \sum_{k=1}^N (\theta_k \cdot Controls_{kit}) + \varepsilon_{it} \quad (2)$$

Following the existing literature (Boubakri and Cosset, 1998; Sanchis-Palcio et al., 2013), we measure the operating profitability using the Return on Assets (ROA) as dependent variable, the earnings before interest and tax over the total assets. On the right-hand-side the main independent variables concern the efficiency and the effectiveness of the invested capital. More precisely, Return on Sales (ROS) measures how much of the sales become operating profit (once the operating costs are deducted) and thus the efficiency of the enterprise, while Capital Turnover (CT) measures the times in one year during which the invested capital is renewed through sales and, thus, it can be considered a proxy for the effectiveness of the invested capital.

The same institutional and socio-economic variables referred to the geographical area used in model (1) are here included. Likewise, we consider firm's size, industry type, and legal form. Following previous approaches (Boubakri and Cosset, 1998) and due to their impact on operating performance, we control for the productivity of employees (*Employees' Productivity*) as well as the company's going concern (*Time trend*), to account for the years elapsed between the enterprise's birth and current time. A detailed description of the variables used in models (1) and (2) is provided in the Appendix (Table A1).

In both cases, we add year-dummies to the model to check the robustness of the results and to control for external shocks that may affect more than one enterprise at the same time. Equations (1) and (2) are estimated using OLS with clustered standard errors.

## 5. Results and Discussion

Table 1 presents the estimates for specification (1), where the financial performance for social enterprises is considered. More precisely, Table 1 shows the results related to *H1.a* and *H1.b*. The main explanatory variables *ROI* and *Fin Leverage* are positive and statistically significant across the specifications. Thus, as for for-profit firms, also for SEs better operating performance (*ROI*) and effective use of financial leverage (*Fin Leverage*) increase the firm's financial performance (*ROE*). Thus, *H1.a* is supported, in line with previous studies for for-profit firms (Brealey and Myers, 1984; Boubakri and Cosset, 1998; Jensen, 2002; Wallace, 2003; Barney, 2011).<sup>8</sup>

Using a third explanatory variable, we test the impact of financial activities on SEs' financial performance. As illustrated in Table 1, *Fin Revenues* is positive and statistically significant even if

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<sup>7</sup> We base the analysis on such sectors mostly recurring in our dataset by providing this aggregation: 1) travel agency, administrative and support service activities to enterprises, etc.; 2) education; 3) health and social work activities; 4) arts, entertainment and recreation; 5) accommodation, information and communication; 6) financial and insurance activities; 7) professional, scientific and technical activities; 8) construction; 9) wholesale and retail trade; 10) manufacturing; 11) water supply, sewerage, waste management. The Category 3) is the most prevalent in our sample (about 43 %), followed by sector 2) and sector 1) denoting the social mission of SEs.

<sup>8</sup> Brealey and Myers (1984) state that "ROE=ROI+(ROI-kd)D/E, where ROE denotes the expected return on equity investment, E; D denotes the amount of debt use to finance the project; D+E denotes the investment outlay; kd is the after-tax cost of the debt capital" (p. 363).



at a lower level (10 per cent) for column (1). However, this result is not robust across the specifications. This result partially supports *H1.a*, proving that financial activities, as in the case of for-profit firms, increase the financial performance of SEs. Bearing in mind that not all social enterprises do invest monetary resources in financial activities, that then could eventually provide financial income, we consider these results aligned with the SEs' managerial conduct.

**Table 1.** Financial performance estimations

VARIABLES	(1) ROE	(2) ROE	(3) ROE	(4) ROE	(5) ROE	(6) ROE	(7) ROE	(8) ROE
<i>ROI</i>	0.213*** (0.0472)	0.214*** (0.0461)	0.225*** (0.0522)	0.225*** (0.0517)	0.219*** (0.0454)	0.221*** (0.0445)	0.231*** (0.0506)	0.232*** (0.0501)
<i>Fin Leverage</i>	0.0441** (0.0180)	0.0439** (0.0181)	0.0453** (0.0199)	0.0450** (0.0199)	0.0441** (0.0189)	0.0439** (0.0190)	0.0453** (0.0207)	0.0451** (0.0207)
<i>TA</i>	-0.0791** (0.0346)	-0.0834** (0.0358)	-0.0716* (0.0357)	-0.0743** (0.0366)				
<i>Industry_2</i>	-0.162 (0.117)	-0.137 (0.118)	-0.163 (0.123)	-0.149 (0.125)	-0.192 (0.127)	-0.171 (0.127)	-0.190 (0.131)	-0.180 (0.133)
<i>Industry_3</i>	-0.0525 (0.0645)	-0.0494 (0.0661)	-0.0336 (0.0755)	-0.0324 (0.0756)	-0.0364 (0.0644)	-0.0332 (0.0655)	-0.0183 (0.0765)	-0.0170 (0.0766)
<i>Industry_4</i>	-0.405*** (0.0779)	-0.349*** (0.116)	-0.376*** (0.0872)	-0.345*** (0.121)	-0.420*** (0.0763)	-0.374*** (0.110)	-0.388*** (0.0850)	-0.366*** (0.115)
<i>Industry_5</i>	-1.156 (0.845)	-1.156 (0.854)	-1.139 (0.849)	-1.140 (0.855)	-1.154 (0.856)	-1.154 (0.864)	-1.139 (0.860)	-1.140 (0.865)
<i>Industry_6</i>	0.0349 (0.265)	0.0179 (0.271)	-0.0817 (0.365)	-0.0899 (0.365)	0.0167 (0.246)	-0.000282 (0.251)	-0.0951 (0.346)	-0.103 (0.346)
<i>Industry_7</i>	0.0831 (0.175)	0.0960 (0.178)	0.0525 (0.169)	0.0609 (0.174)	0.0680 (0.178)	0.0776 (0.181)	0.0401 (0.173)	0.0458 (0.176)
<i>Industry_8</i>	-1.723*** (0.472)	-1.686*** (0.485)	-1.740*** (0.484)	-1.719*** (0.499)	-1.758*** (0.484)	-1.728*** (0.494)	-1.770*** (0.492)	-1.755*** (0.506)
<i>Industry_9</i>	0.0180 (0.160)	0.0476 (0.153)	-0.0651 (0.163)	-0.0447 (0.157)	-0.0215 (0.167)	0.00207 (0.162)	-0.101 (0.169)	-0.0861 (0.164)
<i>Industry_10</i>	-0.0542 (0.0831)	-0.0582 (0.0833)	-0.0746 (0.111)	-0.0772 (0.109)	-0.0667 (0.0860)	-0.0714 (0.0854)	-0.0843 (0.114)	-0.0870 (0.112)
<i>Industry_11</i>	-0.159* (0.0900)	-0.182* (0.0974)	-0.0789 (0.0995)	-0.0941 (0.106)	-0.148* (0.0845)	-0.166* (0.0906)	-0.0695 (0.0951)	-0.0804 (0.102)
<i>Governance_2</i>	0.213 (0.284)	0.209 (0.286)	0.217 (0.259)	0.214 (0.261)	0.197 (0.286)	0.193 (0.288)	0.201 (0.262)	0.199 (0.264)
<i>Governance_3</i>	-0.0754 (0.184)	-0.101 (0.184)	-0.0720 (0.169)	-0.0877 (0.172)	-0.131 (0.183)	-0.154 (0.185)	-0.125 (0.172)	-0.138 (0.177)
<i>Governance_4</i>	-0.219* (0.118)	-0.217* (0.122)	-0.229* (0.118)	-0.228* (0.117)	-0.243* (0.134)	-0.241* (0.138)	-0.254* (0.136)	-0.254* (0.136)
<i>Legal Form_2</i>	0.209 (0.222)	0.189 (0.226)	0.161 (0.214)	0.151 (0.218)	0.166 (0.233)	0.146 (0.237)	0.124 (0.223)	0.115 (0.227)
<i>Legal Form_3</i>	0.122 (0.324)	0.0960 (0.319)	0.0840 (0.325)	0.0703 (0.325)	0.122 (0.340)	0.0992 (0.336)	0.0857 (0.341)	0.0748 (0.341)
<i>Fin Revenues</i>	3.755* (2.068)	3.306 (2.136)	2.814 (2.439)	2.593 (2.445)	2.643 (2.003)	2.195 (2.100)	1.803 (2.486)	1.598 (2.482)

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<i>Regional Capital</i>	0.189** (0.0888)	0.182* (0.0907)	0.169* (0.0839)	0.165* (0.0835)	0.197** (0.0934)	0.191* (0.0956)	0.177* (0.0886)	0.174* (0.0888)
<i>Regional GDP pc</i>	0.814* (0.418)	0.872** (0.401)	1.855** (0.835)	1.856** (0.832)	0.852** (0.418)	0.904** (0.400)	1.897** (0.823)	1.899** (0.818)
<i>Crime index</i>	-0.545** (0.256)	-0.443* (0.254)	-0.815*** (0.234)	-0.753*** (0.264)	-0.564** (0.258)	-0.478* (0.260)	-0.833*** (0.236)	-0.786*** (0.268)
<i>Foreign pop</i>	-4.967 (3.491)	-5.462 (3.411)	-14.36* (8.028)	-14.34* (8.018)	-5.173 (3.419)	-5.620* (3.340)	-14.61* (7.871)	-14.61* (7.854)
<i>Number of enterprises</i>		-0.0939 (0.0817)		-0.0526 (0.0872)		-0.0802 (0.0798)		-0.0402 (0.0852)
<i>Sales</i>					-0.0768* (0.0453)	-0.0791* (0.0461)	-0.0722 (0.0461)	-0.0735 (0.0467)
Year dummies	No	No	Yes	Yes	No	No	Yes	Yes
Observations	752	752	752	752	752	752	752	752

**Notes:** The table reports regression coefficients and (in brackets) the associated clustered standard errors. The constant and a set of time-dummies are included but not reported in the table. \*\*\*, \*\*, and \* indicate statistical significance at the levels of  $p < 0.01$ ,  $p < 0.05$ , and  $p < 0.10$ , respectively.

Having established that SEs are similar to for-profit businesses in terms of their financial objectives, performance and often commercial nature, we now go deeply through the key characteristics of SEs leading to performance. To this purpose, we keep in mind the high territory-orientation of SEs, investigating whether – and to what extent - the geographical area and the socio-economic framework in which they operate affect the overall performance as theorised in *H1.b*.

In detail, Table 1 shows that the coefficient on *Regional Capital* is positive and statistically significant for all the specifications. Thus, SEs located in a Regional Capital tend to have higher financial performance, probably mainly due to several facilities – e.g., infrastructure, urbanization degree, public transportations, etc. - that can be more easily found and developed in a Regional Capital than in a small town. Moreover, these facilities are likely to favour positive externalities for SEs' activities, increasing their financial performance.

Still analysing the economic context affecting the financial performance, we include the *Regional GDP pc*. Its coefficient is positive and significant in columns (1) to (8), indicating that the higher the regional GDP per capita, the higher the financial performance of SEs. This result is aligned with previous studies showing a positive relationship between the level of local development and firm's growth and performance (Demirguc-Kunt and Maksimovic, 1998). Particularly, Ibbotson and Chen (2003) show that per capita GDP growth, measuring the overall economic productivity, and the growth of performance occurs approximately at the same rate.

Another factor characterising the institutional context and potentially affecting SEs' performance is the *Crime index*, which is negative and statistically significant. This result points out an inverse correlation between the presence of crimes and a firm's financial performance, suggesting that the number of crimes reported in each region may be perceived as a signal of an unfavourable and weak socio-institutional environment for firms' activities and thus performance. This result is consistent with Peri's study (2004), where a high rate of crimes introduces negative externalities on the people's effort and productivity and that a negative correlation between crime rate and economic performance emerge.

Looking at the results, the variable *Share of foreign pop* is negative when statistically significant. Given that enterprises to be classified as “social” do not have to provide services or products specifically for foreigners, these subjects do not represent target clients. Thus, if the regional population is mainly composed of foreigners, the financial profitability of SEs could decrease due to restricted market opportunities. Overall, we find support for *H1.b*.

Looking at the set of control variables in Table 1, the type of industry does not show a relevant impact on the financial performance, except for *Industry\_4* and *Industry\_8* that show a negative and significant relationship with the financial performance. Hence, when the SEs’ core activity concerns arts, entertainment and recreation, which are sectors normally not highly market-oriented so more likely to be less profitable than others, the financial performance tends to decrease. As far as *Industry\_8* is concerned, the construction sector is typically characterized by the presence of high entry barriers levels due to the large amount of initial investment required, so implying relatively low initial performance.

We also control for the degree of the independence of firms towards its shareholders (*Governance*). From Table 1 it emerges that only the *Governance\_4* is negative and statistically significant (even at 10%) for *ROE*. Since *Governance\_4* includes all SEs presenting an unknown rate of independence, we argue that SEs without a clear definition of the role held by their shareholders within the firms experience lower financial performance. To some extent, we may infer that to improve *ROE* in SEs, we would need a more sophisticated governance structure and a more well-defined relationship between the enterprise and its shareholders.

Finally, Table 1 presents the results for *Size*, measured in two different ways: total assets (*TA*) for columns (1)-(4) and sales (*Sales*) for columns (5)-(8). When using *TA*, we get negative and statistically significant coefficients. Thus, increasing the firm’s size reduces the financial profitability for SEs. At first glance, this result could be counterintuitive with respect to the conventional wisdom according to which larger size is likely to improve firms’ profitability due to the exploitation of economies of scale or scope. So, we also check for the validity of this finding by running the same regression using sales (*Sales*) to proxy for the firm’s size in columns (5)-(8). However, the negative sign of *Size* holds across specifications, at least in columns (5) and (6).

In this perspective, our analysis suggests that diseconomies of scale tend to occur in the case of SEs, so adversely affect the SEs’ growth, and finally their profitability. A further explanation may be related to the presence of inefficiencies that these kinds of firms might experience when increasing their size. This is called the scaling-effect phenomenon (LaFrance et al., 2006; Cannatelli, 2013), according to which SEs typically start out as very small and simple firms, not organised to manage big dimensions and complex organizational challenges. Hence, the firms’ growth without any suitable organisational structure able to support this development can cause scale inefficiencies that negatively affect financial performance.

The coefficients on *Legal Form* are not always statistically significant when measuring SEs’ financial performance suggesting that being regulated as a cooperative, a corporation or a foundation is not a key factor leading to the SEs’ success. Likewise, the presence of other enterprises over the regional territory (*Number of enterprises*) does not seem to influence SEs’ financial performance.

As the main aim of SEs remains to provide valuable social services and activities to the market, rather than making profit, the level of operating efficiency and the effectiveness of the invested capital is relevant for the success of SEs. If operating activities do not perform well and SEs experience negative operating results, they will not be able to continue providing their services to the community in the long run. This makes relevant the analysis of the conditions allowing financial stability and, more precisely, operating profitability of SEs.

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Table 2 presents the estimations resulting from model (2) where operating profitability of SEs (*ROA*) is considered as the dependent variable. Particularly, results of Table 2 are related to the validation of hypotheses *H2.a* and *H2.b*.

**Table 2.** Operating performance estimations

VARIABLES	(1) <i>ROA</i>	(2) <i>ROA</i>	(3) <i>ROA</i>	(4) <i>ROA</i>	(5) <i>ROA</i>	(6) <i>ROA</i>	(7) <i>ROA</i>	(8) <i>ROA</i>
<i>ROS</i>	0.597*** (0.0589)	0.597*** (0.0593)	0.587*** (0.0596)	0.587*** (0.0600)	0.593*** (0.0656)	0.592*** (0.0656)	0.587*** (0.0684)	0.585*** (0.0682)
<i>CT</i>	-0.00750 (0.0102)	-0.00734 (0.00997)	-0.00764 (0.0110)	-0.00764 (0.0108)	-0.00132 (0.0121)	-0.00181 (0.0118)	-0.00196 (0.0127)	-0.00267 (0.0123)
<i>TA</i>	-0.352*** (0.126)	-0.351*** (0.125)	-0.345*** (0.124)	-0.345*** (0.124)				
<i>Employees' Productivity</i>	0.00228* (0.00135)	0.00230* (0.00135)	0.00250* (0.00135)	0.00250* (0.00135)	0.00272* (0.00137)	0.00269* (0.00136)	0.00282** (0.00137)	0.00277** (0.00136)
<i>Time trend</i>	0.0374** (0.0141)	0.0376*** (0.0138)	0.0376** (0.0150)	0.0376** (0.0145)	0.0321** (0.0136)	0.0307** (0.0126)	0.0327** (0.0148)	0.0308** (0.0139)
<i>Industry_2</i>	-1.023** (0.497)	-1.027** (0.501)	-1.040* (0.527)	-1.040* (0.533)	-1.601*** (0.534)	-1.613*** (0.534)	-1.637*** (0.565)	-1.655*** (0.566)
<i>Industry_3</i>	-0.394* (0.231)	-0.390 (0.238)	-0.426* (0.238)	-0.426* (0.243)	-0.617** (0.268)	-0.631** (0.276)	-0.647** (0.265)	-0.667** (0.272)
<i>Industry_4</i>	-2.052*** (0.278)	-2.079*** (0.297)	-2.101*** (0.292)	-2.101*** (0.300)	-2.115*** (0.322)	-2.013*** (0.327)	-2.216*** (0.345)	-2.080*** (0.350)
<i>Industry_5</i>	-1.151 (0.841)	-1.155 (0.834)	-1.475* (0.850)	-1.475* (0.851)	-1.284 (0.810)	-1.260 (0.820)	-1.462* (0.837)	-1.423 (0.849)
<i>Industry_6</i>	-2.343*** (0.495)	-2.322*** (0.562)	-2.251*** (0.602)	-2.251*** (0.655)	-2.619*** (0.530)	-2.692*** (0.600)	-2.585*** (0.607)	-2.689*** (0.661)
<i>Industry_7</i>	-1.021*** (0.285)	-1.025*** (0.293)	-0.942*** (0.299)	-0.942*** (0.308)	-1.221*** (0.222)	-1.200*** (0.234)	-1.185*** (0.226)	-1.155*** (0.242)
<i>Industry_8</i>	2.095*** (0.501)	2.084*** (0.519)	1.997*** (0.560)	1.997*** (0.574)	1.619** (0.397)	1.647*** (0.402)	1.499*** (0.446)	1.534*** (0.446)
<i>Industry_9</i>	1.694*** (0.621)	1.635** (0.725)	1.735** (0.697)	1.735** (0.827)	1.984*** (0.615)	2.235*** (0.757)	1.971*** (0.693)	2.319** (0.885)
<i>Industry_10</i>	-0.225 (0.280)	-0.218 (0.279)	-0.345 (0.287)	-0.345 (0.287)	-0.381 (0.312)	-0.405 (0.317)	-0.496 (0.298)	-0.531* (0.308)
<i>Industry_11</i>	1.820*** (0.385)	1.831*** (0.394)	1.665*** (0.456)	1.665*** (0.463)	1.646*** (0.376)	1.613*** (0.371)	1.535*** (0.440)	1.489*** (0.435)
<i>Legal Form_2</i>	-1.514*** (0.526)	-1.508*** (0.528)	-1.437** (0.551)	-1.438** (0.552)	-1.479*** (0.531)	-1.495*** (0.537)	-1.415** (0.548)	-1.436** (0.551)
<i>Legal Form_3</i>	-1.294 (0.893)	-1.284 (0.894)	-1.244 (0.949)	-1.244 (0.949)	-1.102 (0.880)	-1.127 (0.887)	-1.033 (0.930)	-1.064 (0.939)
<i>Regional Capital</i>	0.557** (0.226)	0.564** (0.245)	0.526** (0.241)	0.526** (0.258)	0.372 (0.280)	0.343 (0.300)	0.363 (0.285)	0.322 (0.303)
<i>Regional GDP</i>	1.332 (1.241)	1.265 (1.279)	-1.322 (2.906)	-1.321 (2.949)	1.518 (1.268)	1.821 (1.322)	0.220 (2.583)	0.674 (2.564)
<i>PC</i>								
<i>Crime index</i>	-0.988* (0.514)	-1.034** (0.495)	-0.835 (0.639)	-0.835 (0.655)	-1.166** (0.558)	-1.007* (0.503)	-0.923 (0.692)	-0.690 (0.653)

<i>Foreign pop</i>	-11.05 (9.663)	-10.68 (9.580)	14.50 (27.87)	14.50 (28.04)	-5.573 (9.848)	-6.871 (9.743)	5.998 (24.58)	3.844 (24.42)
<i>Number of enterprises</i>		0.0492 (0.282)		-0.000390 (0.280)		-0.177 (0.300)		-0.245 (0.317)
<i>Sales</i>					-0.237* (0.138)	-0.236* (0.140)	-0.243 (0.146)	-0.243 (0.148)
Year dummies	No	No	Yes	Yes	No	No	Yes	Yes
Observations	429	429	429	429	411	411	411	411

**Notes:** The table reports regression coefficients and (in brackets) the associated clustered standard errors. The constant and a set of time-dummies are included but not reported in the table. \*\*\*, \*\*, and \* indicate statistical significance at the levels of  $p < 0.01$ ,  $p < 0.05$ , and  $p < 0.10$ , respectively.

Looking at Table 2, we note that in all model's specifications the main explanatory variable *ROS* is positive and highly statistically significant. Supporting *H2.a*, our results demonstrate that increasing the efficiency of the enterprise (*ROS*) contributes to increase the operating performance and, as a consequence, the financial performance (already supported for *H1.a*). Aligned with the DuPont model (Dehning and Stratopoulos, 2012), the result shows that the efficiency of the invested capital is a leading factor for operating performance in SEs too..

Regarding the effectiveness of the invested capital (*CT*), it does not appear statistically significant. This marks a slight difference between for-profit firms and SEs due to the types of products and services they offer to the market. Moreover, as SEs are characterized by a lower level of fixed assets, the turnover of the invested capital seems not to be so relevant.

As for the territory-orientation of SEs, Table 2 shows that *Regional Capital* is positive and statistically significant for models from (1) to (4). This result is consistent with previous *H1.b*, and demonstrates that being located in a Regional Capital positively affects also operating performance so validating *H2.b*. Specifically, the level of public resources invested to develop a city's infrastructure and facilities has a direct impact on SEs' operating performance.

The *Crime index* variable partially supports *H2.b* (columns (1), (2), (5) and (6)) and, when statistically significant, it shows a negative coefficient as expected. From a social perspective, this may suggest that, being the formation of social enterprises likely related to high social capital, low crime rates may also allow better SEs' performance by stimulating social capital.

As for the other control variables, Table 2 highlights that belonging to a specific industry does matter and basically affects the operating profitability. In detail, coefficients on *Industry\_11*, *Industry\_9* and *Industry\_8* are positively and significantly related to the operating profitability. On the other hand, coefficients on *Industry\_2*, *Industry\_3*, *Industry\_4*, *Industry\_6* and *Industry\_7* are negative so adversely related to the level of *ROA*.

Concerning the legal form, we find that the dummy *Legal Form\_2* (being a cooperative) is negative and statistically significant. Bearing in mind that cooperatives are typically the legal form used for non-profit organizations, they are usually less profit-oriented, thus they do not operate pursuing the profit as their main goal, as for-profit firms actually do.

We get the same results as those in Table 1 for the enterprise's size and they are more robust when total assets (*TA*) are used. In these specifications - columns (1)-(4) - we find negative and

statistically significant coefficients. Thus, potential inefficiencies due to the “scaling-effect” in SEs negatively affect also the operating performance (Cannatelli, 2013), confirming and strengthening the results for *H1.a*.

As expected, *Employees' Productivity* positively affects *ROA*. Even though around half of the employees of SEs in Italy are voluntary workers - and for a lower portion disabled workers - by regulation, they show a high level of productivity increasing the operating profitability.

Finally, controlling for the potential effect of the learning curve on operating performance, we find that the coefficient for *Time trend* is positive and statistically significant, suggesting that older SEs could experience positive learning economies related to their longer life, increasing *ROA*.

## **6. Concluding Remarks**

Assessing social performance and social impact is one of the greatest challenges for practitioners and researchers in social entrepreneurship (Mair and Martì 2006). Indeed, the real problem is not the measurement per se, but how the measures may be used to “quantify” the performance and the impact of social entrepreneurship. From this perspective, policy-makers, international organizations and researchers have started to pay attention evaluating these businesses as potential vehicles for generating innovative responses to evolving social needs.

Nevertheless, even though SEs have the main goal of achieving social purposes, they should also be able to economically and financially survive to meet their aim and accomplish their tasks. As a consequence, they should gain some profits and get revenues in order to be financially sustainable in the long run and, thus, to carry on their mission, which means to create, at the end, social value. As documented by recent studies (e.g., Hayllar and Wettenhall, 2013), the last three decades have witnessed the creation of many enterprises worldwide pursuing the aim to restore the social element, however, not abandoning the business element in firms' operations at the same time.

We demonstrate that the standard financial and operating factors characterising for-profit firms play the same crucial role for performance in SEs. Specifically, operating profitability, financial leverage, and the financial revenues (to a lesser extent) positively affect the overall performance of SEs. Regarding the SEs' territory-orientation and their vocation in generating locally-related public benefits, we find that the level of regional income and being based in a Regional Capital increases the financial performance, while the crime rate negatively impacts on it.

From a policy perspective, this may imply that more initiatives and measures (e.g. safety-oriented and those promoting facilities in the territory) are needed and should be locally adopted to support the SEs' activity and development. Specifically, policy-makers could benefit from these findings to directly exploit the activities implemented by SEs, as well as their competences and capabilities, in order to reduce inefficiencies and the consequential costs due to the services they offer to their community.

More generally, our study could provide guidelines to governments and political institutions for implementing public policies pro-SEs and, mostly, addressing the legislative framework to favour the development and growth of social enterprises, in light of the important role they are now assuming in society. Indeed, in local contexts and at an international level (especially in Europe) as well, social enterprises have reached a high level of visibility and interest among institutional, economic and financial groups. As reported in the British Council report (2014), in the forthcoming years it will be very likely an overlap between for-profit business and public sector, creating a growing space in the middle for social enterprises' activity. In detail, the hypothetical solution relies on contracts between the governments and SEs asking for services nowadays typically delivered by

governments themselves, such as: healthcare, social care, education and other areas. We embrace the perspective stating that SEs could replace public sector in offering social services, considering our results showing that social enterprises are efficient in delivering their activities, reducing the eventual wastes that could occur within public sector.

However, the relevance of the SEs' difficulties, at least in Italy, is the fact that social entrepreneurial activity – including in its more consolidated forms, like social cooperation – is suffering from the effects of the systemic crisis that has gripped the country and which is worsening due to a lack of policies in favour of these businesses, above all at a national level, as is clear from the state of the relevant legislation (Law 118/05).

The main limitation of our study is related to the reduced number of social enterprises composing our sample, due to data availability as described in the empirical analysis section. Once a generally-accepted definition of SEs is established, this research should be also extended to other countries longitudinally over time, allowing for the results' validation and for the development of the phenomena described. Further analysis would consider the social value creation of these enterprises, not only for the owners but also for the community in order to define a more comprehensive picture of social entrepreneurship.

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## Appendix - Table A1. Variables, definition, and descriptive statistics

Variables	Definition	Calculation	Mean	Std. Dev.	Min	Max
ROE	Return on Equity	Net Profit/Equity	0.028	1.483	-20.320	11.397
ROA	Return on Assets	EBIT/Total Assets	2.044	4.652	-17.430	25.980
ROI	Return on Investment	EBIT/(Total Assets - Financial Assets - Short-term Debts)	0.090	1.110	-17.317	21.167
ROS	Return on Sale	EBIT/(Sales+other revenues)	1.360	5.682	-37.720	28.470
Fin Leverage	Financial Leverage	Long-term Debts/Total Liabilities	0.342	1.433	-6.062	41.779
Fin Revenues	Financial Revenues	All financial revenues as given by the annual reports (normalized on sales)	0.003	0.010	0.000	0.187
Employees' Productivity	Productivity of the employees	EBIT/Number of employees	17.674	103.170	-452.119	627.520
CT	Capital Turnover	(Sales+other revenues)/(Total Assets - Financial Asset - Short Term Debts)	4.198	8.447	-19.182	92.539
TA	Total Assets	Total assets (in log)	14.394	1.332	9.158	17.937
Sales	Operating Revenues	All the operating revenues (in log)	14.321	1.296	0.693	17.641
Regional Capital	Regional Capital	Dummy variable equal to 1 if the social enterprise is localized in a regional capital	0.506	0.500	0	1
Regional GDP pc	Regional GDP per capita	Regional GDP per capita (in log)	10.170	0.238	9.563	10.448
Crime index	Total crime rate	Number of crimes reported to the court by police in each region (in log)	8.542	0.236	7.541	8.952
Foreign pop	Share of foreign population in each region	Number of foreign population over total population in each region	0.067	0.025	0.009	0.112
Number of enterprises	Number of enterprises over the regional territory	Number of enterprises per squared km (in log)	3.058	0.531	1.434	3.707
Time trend	Enterprise life duration	Number of years from the constitution of the enterprise (t - constitution year)	14.090	10.387	-2	58
Industry_	Industry Classification	Dummy equal to 1 if the ATECO code is:				
	1 Rental and leasing activities, travel agency, administrative and support service activities to enterprises	ATECO 77-82	0.125	0.330	0	1
	2 Education	ATECO 85	0.198	0.399	0	1
	3 Human health and social work activities	ATECO 86-88	0.374	0.484	0	1
	4 Arts, entertainment and recreation; Other services activities	ATECO 90-96	0.013	0.115	0	1
	5 Accommodation and food service activities; Information and communication	ATECO 55-63	0.030	0.170	0	1
	6 Financial and insurance activities; Real estate activities	ATECO 64-68	0.015	0.120	0	1
	7 Professional, scientific and technical activities	ATECO 69-75	0.049	0.215	0	1
	8 Construction	ATECO 41-43	0.017	0.129	0	1
	9 Wholesale and retail trade; repair of motor vehicles and motorcycles	ATECO 45-47	0.015	0.120	0	1
	10 Manufacturing	ATECO 10-33	0.015	0.120	0	1
	11 Water supply; sewerage; waste management and remediation activities	ATECO 36-39	0.007	0.085	0	1
Governance_	Independence Indicator. It measures the independence degree of the enterprise from its owners.	Dummy equal to 1 if the Independence Indicator is:				
	1 The owners of the enterprises are known and none hold more than 25%	A+, A, A-	0.036	0.188	0	1
	2 One owner is known, none holds more than 50%, but one or more owners hold more than 25%.	B+, B, B-	0.141	0.348	0	1
	3 Enterprises with no owners holding directly more than 50%, but having one or more owners who hold indirectly more than 50%.	D	0.141	0.348	0	1
	4 Enterprises that do not belong to the previous categories and that present an unknown rate of independence	U	0.507	0.500	0	1
Legal Form_	Legal form defined according to the Italian legislation	Dummy equal to 1 if the legal form is:				
	1 Corporations	"srl" or "srl sociounico" or "spa" or "spa socio unico"	0.292	0.455	0	1
	2 Cooperatives	"cooperativa sociale" or "societ à cooperativa consortile" or "societ à consortile a responsabilità limitata" or "scaripa" or "scarl"	0.688	0.464	0	1
	3 Foundations	"associazione" or "onlus" or "fondazione"	0.021	0.143	0	1