

Pure and hybrid strategies in social enterprises: an empirical investigation

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Abstract

Purpose – The purpose of this paper is to shift the idea of competitive strategy from the for-profit to the non-profit context and to explain how social enterprises (SEs) get advantages over competitors within and outside the social sector.

Design/methodology/approach – Based upon a sample of 63 SEs located in Greece, the exploratory research employs factor analysis to answer which strategic options they have to compete. Subsequent analysis of variance and correlation analysis were performed to answer if competitive strategic options relate to impact SEs generate.

Findings – The empirical findings identify and empirically validate a variety of strategic options based on four pure (low cost, low cost sustainability, low cost focus and differentiation focus) and one hybrid (efficient differentiation) types of competitive advantage. Additional evidence shows that hybrid compared to pure strategic options link more influentially to impact in terms of positive environmental, social and economic contributions.

Research limitations/implications – Apart from providing some explanations of how mission-driven businesses compete, it helps widening the debate of pure vs hybrid strategies beyond the commercial sector. Contrary to what the authors already know, the evidence presented here shows that strategic purity and hybridization co-exist in the social sector.

Originality/value – This is the first study with empirical evidence on competitive strategies from businesses in the third sector emphasizing how SEs ensure competitive advantage along with impact potential. Consequently, the authors respond to recent calls for more survey-based, quantitative evidence in the social entrepreneurship field.

Keywords Competitive advantage, Social enterprises, Impact, Hybridization, Exploratory study, Competitive strategies

Paper type Research paper

Introduction

The growth of the social sector has been a key feature of economic activity in both the developing countries and the industrialized world (Moizer and Tracey, 2010). Members of society all over the continent call for considerate responses and creative endeavors addressing social and environmental concerns at an unparalleled scale. That said, social entrepreneurship has grown exponentially in recent years. At present, it is located at the center of attention for practitioners, policy makers and academics (Bosma *et al.*, 2016). Practitioners seek for social-driven initiatives to multiply and diffuse impact. Policy makers design mechanisms to boost the social entrepreneurship ecosystem. Academics from different disciplines expand knowledge on social entrepreneurship through research activities and projects, mentoring and published evidence.

This pluralistic interest in the subject, allows social entrepreneurship to benefit from the injection of ideas derived from a wide array of theoretical traditions, paradigms and methodologies (Di Domenico *et al.*, 2010). Yet, only a limited number of studies deal with social enterprises (SEs) *per se*, as a distinctive area of investigation. Furthermore, these studies are disproportionally oriented toward the similarities and differences between social and commercial enterprises (Moizer and Tracey, 2010). The strategic issues SEs are facing are rather underappreciated while strategic perspectives, such as how social entrepreneurs



can improve competitive advantage, are still unexplored in the literature (Muñoz and Kimmitt, 2019). In this paper, we argue that finding ways to meet social needs and building commercial capacity (create and maintain competitive advantage) pose a unique strategic challenge for SEs which should be added with empirical content. SEs must grapple with the dual challenge of succeeding financially in competitive environments and simultaneously serving mission, a more demanding task given the likely tension between mission and financial margin (Frumkin and Andre-Clark, 2000; Spear, 2017). Hence, the understanding of what works strategically for SEs is essential (e.g. Cherrier *et al.*, 2018; Muñoz and Kimmitt, 2019; Tian *et al.*, 2018) to explain how they deal with competitors within and outside the social sector to achieve the intended purposes.

Reflecting the above considerations, our study relies on a paradigm from the for-profit world to identify what strategic options exist for SEs to secure an advantage against competitors and generate impact. More specifically, we apply to the context of SEs the dominant conceptualization of competitive strategy (Porter, 1980), along with subsequent refinements (Bonetti and Schiavone, 2014; Moon *et al.*, 2014; Salavou, 2015). To address our research motivations we draw on a unique data set of SEs in Greece. Our results identify and empirically validate a variety of five strategic options, four of which resemble Porter's (1980) original conceptualization and one favors the revised idea of hybridization (Salavou, 2015). Additional evidence provided here shows that these options relate, more or less, positively to environmental, economic and social impact.

We acknowledge this investigation important for two reasons. First, we respond to plea for more survey-based, quantitative studies in the social entrepreneurship field (Granados *et al.*, 2011), as the qualitative research is dominant (e.g. Tian *et al.*, 2018). Social entrepreneurship is popular nowadays because of promises to alleviate social problems (Estrin *et al.*, 2012), empower individuals to escape poverty (Reynolds *et al.*, 2005) and provide value for society (McMullen, 2011). Empirical evidence on strategic options and impact will advance our understanding of how SEs deliver effectively value to broader sets of stakeholders (Quelin *et al.*, 2017). Second, we add to accumulated knowledge on SEs that has been overlooked in existing entrepreneurial research (e.g. Battilana and Lee, 2014; Borzaga and Defourny, 2001). SEs, like traditional non-profit organizations, are established for a social purpose, but are more market oriented and strive to be financially self-sustaining. They have recently attracted interest from scholars in a range of disciplines keen to explore, explain and theorize the strategy and performance of this distinctive organizational form (Austin *et al.*, 2006; Di Domenico *et al.*, 2010; Muñoz and Kimmitt, 2019). As SEs acquire gradually a significant contribution to the social economy, they take proactive responsibility to address social and environmental challenges. Understanding the strategic impetus of SEs within this "engine of growth" for the economy (Dees, 2007) we pave the way to a future where coming generations might satisfy their needs better than commercial enterprises (Austin *et al.*, 2006).

This study contributes to social entrepreneurship research in two respects. First, unlike the majority of studies focusing on the heterogeneity of SEs in terms of legal forms, missions and diverse contexts (Grassl, 2012; Holt and Littlewood, 2015), our research emphasizes strategic issues. It responds to the strategic challenges SEs are facing, such as their need to safeguard their "turf" from competitors within and outside the social sector. Surprisingly enough, this is the first empirical investigation of the strategies SEs use to sustain advantage over competition and generate impact. Second, this study shifts the idea of competitive strategy from the for-profit to the non-profit context and provides evidence on competitive strategies of SEs. Whereas competitive strategies have been tested (e.g. Miller and Dess, 1993) and applied in a diverse range of market settings (e.g. Brooks, 1993; Kropf and Szafran, 1988; Meidan and Chin, 1995; Pertusa-Ortega *et al.*, 2008), as they consider businesses of any age, size, sector or country (Salavou *et al.*, 2013), so far there is no empirical evidence from SEs.

This paper proceeds as follows. After this introductory section, we review the theoretical foundations of our investigation and present the research questions. Next, we explicate our research methodology and present the empirical findings. In the last section we discuss the findings along with their implications.

Conceptual framework

The perspective of business-level strategies in 1980 was a milestone in the strategic management literature. Despite many typologies (e.g. March, 1991; McGee and Thomas, 1986; Miles and Snow, 1978; Treacy and Wiersema, 1997), Porter's (1980) is perhaps the best-known and dominant framework of strategic choices leveraging different types of competitive advantage. Porter proposed four strategic choices by which a firm can develop a competitive advantage, namely, low cost (cost leadership), differentiation, low cost focus and focused differentiation. Two schools of thought have emerged in the literature regarding competitive strategy (Yamin *et al.*, 1999). Proponents of the first school support the original idea of strategic purity claiming the adoption of only one strategic option, since generic strategies are conceived as mutually exclusive (Dess and Davis, 1984). The central argument is that the effective implementation of any strategic option usually requires "[...] total commitment and supporting organizational arrangements that are diluted if there is more than one primary target" (Furrer *et al.*, 2008). The second school of thought promotes the revised idea of hybridization insisting upon the combination of strategic options. Originated from the Greek word, hybrid means "made from combining different varieties" (Proff, 2000). Likewise, hybrid strategies combine both low cost and differentiation elements (Pertusa-Ortega *et al.*, 2009).

Traditionally, most, including Porter himself (e.g. Thornhill and White, 2007) but not all theorists (Miller, 1992), favor strategic purity. In recent years, scholarly research has gone beyond the foundational idea of purity and inclines toward the revised idea of hybridization. Numerous studies conclude that hybridization is a compatible approach for creating a defensible position (e.g. Anheier and Krlev, 2015; Hall, 1980; Kim and Lim, 1988; Murray, 1988; White, 1986). Evidence on hybridization shows that hybrid strategies are vast and varied (e.g. Miller and Friesen, 1986; Phillips *et al.*, 1983; Salavou, 2015), as firms adopting these strategies may choose from two pure strategic choices toward more elaborate repertoires. Despite the extensive research on competitive strategy, this paradigm has not been applied to SEs. It is then logical to assume the urgent need to know which strategic options are most suitable for SEs; not only because these enterprises need a strategy to deal with competitive pressures, but also because they need different kinds of strategies for different kinds of competitive situations (Chetkovich and Frumkin, 2003).

There is a consensus among researchers, policy planners and practitioners that non-profit organizations operate in increasingly competitive environments (Weerawardena *et al.*, 2010). They serve needs that the for-profit sector does not cater for, presumably because it cannot do so profitably (Hansmann, 1980; McDonald, 2007; Pestoff, 1992). Nonetheless, by serving these needs they became heavily dependent on multiple stakeholders, such as for-profit businesses and patrons, which increase intra-sector competition. Continuous changes have resulted in tough competition, which urge non-profits and especially SEs to rely on strategies achieving harmonious integration between mission and financial returns. Not surprisingly, the understanding of strategic issues in the social sector relies primarily on the money-mission balance dilemma (McDonald *et al.*, 2015). It is anchored around the impact of competitive environment and the role of innovation in competitive strategy for social value creation (Weerawardena and Mort, 2012). Despite the considerable interest in strategies to enable the scaling up of SEs and their beneficial impacts (Vickers and Lyon, 2014), the social entrepreneurship literature lacks empirical evidence on competitive strategy in SEs (Moizer and Tracey, 2010).

This shortcoming is quite surprising, given the intensified competition in the non-profit context (Chetkovich and Frumkin, 2003); and the need for exploring strategic choices within the broadly defined non-profit sector as a challenging topic for research (Luke and Chu, 2013). This shortcoming is most relevant for SEs, which seek to achieve both social and commercial objectives (Moizer and Tracey, 2010). In confrontation with high levels of complexity in their strategizing and operations; not only do they have to generate sufficient revenue to re-invest in their business operations, but they also have to maintain investment in social initiatives for their community. Yet, Porter's (1980) competitive strategy perspective remains largely neglected (Chetkovich and Frumkin, 2003; Frumkin and Andre-Clark, 2000; Weerawardena and Mort, 2012). However, it deserves a thorough investigation in SEs for at least three reasons. First, we are in need of empirical evidence to emphasize what strategic options SEs have, as a distinct organizational form, to get advantages over competitors within and outside the social sector. On the one hand, we should focus on SEs, which unlike traditional non-profit organizations sustain a business-like approach to social issues (Luke and Chu, 2013). They represent an organizational form designed to achieve social goals through commercial activity. Managing this double bottom line demands a cautious balance between competitive advantage and organizational legitimacy to ensure sustainability (Moizer and Tracey, 2010). On the other hand, competitors from the for-profit sector (driven by financial self-interests) and the non-profit sector (i.e. donors) cannot be overlooked, as they suggest considerable and growing forces against SEs.

Second, there is a need to know more about hybridization to better capture reality (Salavou, 2015). As the initial theory of competitive strategies needs revision, evidence from new businesses in new sectors, as in our case, is mostly attractive. This study will provide empirical evidence from enterprises other than commercial, which dominate the literature. Identifying the suitable strategic options for SEs will clarify how their unique values can be the cornerstone of their competitive advantage (Frumkin and Andre-Clark, 2000).

Finally, the EU institutions have launched many funding schemes to support the creation and scaling up of SEs. The multidimensionality of performance in SEs has gained increasing relevance among researchers and practitioners (Arena *et al.*, 2015). For example, the concept of impact exceeds the narrow conceptualization emphasizing economic goals (Yamin *et al.*, 1999) and also reflects environmental and social benefits. Whereas noticeable challenges relate to the financially precarious nature of SEs and obstacles of scaling up, recommendations are still missing on strategies that serve the intended purposes and bridge the divide between financial viability and social/environmental sustainability. Thus, the evidence produced here might accelerate efforts toward the adoption of specific high-impact competitive strategies.

To resume the discussion so far, there is no empirical evidence on applying Porter's typologies to the context of SEs. Increasingly competitive environments demand strategies for greater long-term viability and organizational sustainability (Chetkovich and Frumkin, 2003). SEs designed to achieve both social and commercial objectives must clearly address strategies to maximize social value creation (Weerawardena and Mort, 2006, 2012). Following this path dependent line of argumentation, our conceptualization shifts the idea of competitive strategy from the for-profit to the non-profit context. Given the dearth of knowledge about types of competitive advantage in SEs, we address two research questions:

RQ1. Which strategic options (pure and/or hybrid) do SEs have to compete?

RQ2. Do competitive strategic options relate to impact SEs generate?

Social economy in Europe and Greece

Social economy in Europe has a history of nearly two centuries. Nevertheless, it includes only 2m enterprises (i.e. 10 percent of all European businesses) and employs about 6 percent

of EU working population (Arena *et al.*, 2015). The social sector embraces a variety of organizations in terms of legal forms (voluntary, community and mutual organizations, cooperatives, etc.), which differ from organizations both in the private and the public sector (Borzaga *et al.*, 2013). SEs, as part of this sector, have recently started to experience an impressive growth in several countries. They are created for a social purpose (Luke and Chu, 2013) but they resemble entities in the public and commercial sectors because they are also diversified; they serve different sectors, are managed in different ways, involve a heterogeneous set of stakeholders (sometimes with conflicting interests) and sustain different networks of non-profit and for-profit organizations.

Greece is a suitable national setting to provide empirical evidence on the social sector for several reasons. First, the social sector in Greece is in need of EU support policy initiatives especially for strategic causes. The number of SEs in Greece has significantly increased during the last years as a response to social problems emergent from the severe economic recession in Greece since 2009. Nonetheless, this country is more a latecomer and not a frontrunner in relation to the SEs. It is placed among the Member States where SEs have emerged at a later time or have yet to take roots (Borzaga *et al.*, 2013). By dealing explicitly with the strategic positioning of SEs in Greece, this study produces evidence that is particularly illuminating for countries of the EU periphery with a relatively underdeveloped third sector.

Second, policy makers have already made a landmark decision on formally introducing the concept of social economy. Recent evidence shows that the mapping of the Greek social sector is in progress (Bosma *et al.*, 2016). Before 2011, socially oriented economic activities were placed somewhere between atypical and regrettably illegal (black) economy (Nasioulas, 2012). After the 2011 Laws on “Social Economy and Social Entrepreneurship” (4019/2011 and 4430/2016), Greece embraces the plural field of the not-for-profit activity by allowing the creation of new organizational forms. Despite numerous schemes, including European and national funding programs to support the creation and scaling up of SEs, the strategic priorities of these firms remain largely under-theorized. By exploring the strategic options of SEs against competition, this study advances our limited understanding.

Research methodology

Sample and data collection

The population, from which our sample has been randomly selected, comprises 380 organizations of the social sector registered under the 4019/2011 law in the Social Insurance and Social Solidarity Department of the Ministry of Labor in Greece. Likewise the European context, the social sector in Greece embraces a variety of organizations in terms of legal forms. For the purpose of this study the sampled organizations are labeled SEs, as they differ from organizations both in the private and the public sector. Our data were collected through a structured questionnaire sent by e-mail to the respondents, along with instructions during the second semester of 2016. Personal interviews have been conducted by the authors upon request. The reliability and validity of self-reported, single-respondent data have been repeatedly reported in entrepreneurial research (e.g. Chandler and Hanks, 1993; Glick *et al.*, 1990). This is more evident in the case of micro ventures, where the views of the respondent typically reflect those of the firm (Lyon *et al.*, 2000). From the 130 SEs contacted, 65 agreed to participate in the survey (50 percent response rate). Only two questionnaires deemed unusable due to missing data on key constructs.

The SEs in our sample address a wide range of social problems such as culture, education, health, food and environment, whereas the majority of them (61 percent) provide services. Their activities are mainly concentrated in Greece as only 9 percent of their sales are generated outside the focal economy. Concerning sales turnover, 49 SEs reported sales turnover stemming from operational activities, whereas 13 do not sell

products or services. Nevertheless, 63 percent of SEs generate additional revenues based on non-operational activities, such as subsidies, funds from national or international resources and equity contributions. As has been already mentioned, the crisis in Greece has triggered the expansion of SEs. More than half of them (56 percent) got their business idea from the international market while the remaining 44 percent applied an idea conceived in the local market.

On average, the sampled SEs have initiated their operational activity during the last five years. In addition, the SEs under investigation employ on average 3 full-time employees, 3 part-time employees, 31 volunteers and 4 disabled people. The target beneficiaries include homeless people, minorities, families, children and elderly. Table I provides a short overview of two SEs included in our sample.

Measurement of variables

Competitive methods are measured by a 21-item, seven-point Likert-type, scale adapted from Dess and Davis (1984) to reflect the context of SEs. This measure is based on perceived assessments of the respondents. More specifically, respondents indicate the importance of each of the 21 competitive methods to their SE's strategy direction (response format: 1 "not at all important" to 7 "extremely important").

Impact is measured by one three-item, 7-point Likert-type scale adapted from Elkington (1997). To be more specific, respondents were asked to indicate the importance of environmental, economic and social impact to their SE (response format: 1 "not at all important" to 7 "extremely important"). This is in line with a more holistic and widely accepted view, namely, the "Triple Bottom Line" (Elkington, 1997), asserting the potential for value generation in terms of social, environmental and economic impact. Since Greek SEs are in their vast majority newly established and lack accurate accounting data, the subjective assessment to capture impact appears most suitable for our case (e.g. Spanos and Lioukas, 2001).

Data analysis, model estimation and findings

A two-step procedure was adopted to identify the strategic options of SEs and explore how they relate to impact. In Step 1, our competitive methods' scale was factor analyzed to identify competitive strategic options (see Tables II and III). In this study, competitive strategies are treated as dimensions (see the "dimensional approach" in the studies of

Table I.
Examples of Greek SEs included in the sample of this empirical study

Brief identity of SEs	Main activity – social area of intervention
<p>Example 1. Alternative Athens (www.alternativeathens.com/) established in 2013 to offer a different tour and traveling experience in Greece through online booking. The founders want to welcome tourists, offer a genuine Greek experience and allow them to see places through the eyes of locals</p> <p>Example 2. Hymopeeoo (hymopeeoo@gmail.com) is a juice bar established in 2014. Located in the center of Athens this bar exclusively employs people from social sensitive groups</p>	<p>Alternative Athens is a social enterprise involved in tailor made and private offerings to small groups up to 12 people. Alternative Athens respects and benefits local people, their culture and their environment. There is preference for areas tourists would rarely visit and for local businesses to cover the needs of tourists (food, shopping, etc.). Public modes (buses, trolleys, subways, etc.) and walking are mainly used for transportation</p> <p>Hymopeeoo is a social organization, which handles inclusion by enabling people to work, notably the most disadvantaged, and fully participate in society. This bar offers a variety of products, such as juices, smoothies and soups, of high quality at reasonable prices. Customers can also order unique flavors based on any combination they desire. The target market is primarily tourists walking down-town for sightseeing around the main square of Monastiraki (near Akropolis)</p>

Variable	Factor loadings ^a					Pure and hybrid strategies in social enterprises
	Factor 1: low cost	Factor 2: low cost sustainability	Factor 3: low cost focus	Factor 4: differentiation focus	Factor 5: efficient differentiation	
New products/services					0.53	Table II. Exploratory factor analysis for competitive strategic options in SEs
Customer service (conventional, beneficiaries, etc.)				0.70		
Operating efficiency					0.71	
Product/services quality control					0.72	
Experienced/trained personnel (paid, volunteering, etc.)					0.66	
Inventory control	0.69					
Competitive prices			0.65			
Broad range of products/services				0.62		
Refining existing products/services					0.75	
Brand identification (e.g. Shedia street paper)					0.70	
Innovation in marketing techniques						
Control of intermediaries/channels of distribution	0.79					
Procurement of materials (for production or/and operation)	0.85					
Minimizing the use of external financing		0.86				
Serving special markets (i.e. disabled)				0.86		
Capability to provide specialized products/services products for limited market (i.e. sponsors)			0.76			
Advertising					0.57	
Reputation within the sector					0.79	
Market growth forecasting			0.70			
Advanced operating methods						
Total variance explained (%)	70.73					

Factor	Eigenvalue	Proportion	Cumulative	Table III. Factors, eigenvalues and percentage variance
Factor 1	4.63	0.23	0.23	
Factor 2	2.86	0.14	0.37	
Factor 3	2.74	0.14	0.51	
Factor 4	2.50	0.13	0.64	
Factor 5	1.41	0.07	0.71	

Note: LR test: independent vs saturated: $\chi^2(190) = 672.17$ Prob > $\chi^2 = 0.00$

Campbell-Hunt (2000) and Pertusa-Ortega *et al.* (2009)) and not as taxonomic, mutually exclusive, categories. Locating our research in a dimensional strategy space allows to unambiguously define pure and hybrid strategic options, avoiding the problems associated with grouping ventures into strategic archetypes or gestalts (Kim and Lim, 1988).

The results of the exploratory factor analysis clearly identify five factors corresponding to competitive strategic options. The Kaiser–Meyer–Olkin (KMO) test for sample adequacy (KMO = 0.74) is middling (Kaiser, 1974), suggesting that data are suitable for factor analysis. In particular, the first strategic option, termed as low cost, includes activities based on inventory control, control of intermediaries/channels of distribution and procurement of

materials (for production or/and operation). This option follows Porter's (1980) typology of low cost strategy and appears to be suitable for SEs, which strive to lower prices either to match those of their most efficient competitors or minimize their expenses to secure sustainability when aiding the beneficiaries.

The second strategic option exclusively involves efforts toward minimizing the use of external financing. We label this dimension low cost sustainability. This dimension appears to deal with the core issue of how to build a sustainable organization that can continue deliver social value via the pursuit of its social mission (Weerawardena *et al.*, 2010). It also implies a response to recent changes in the social sector forcing the adoption of strategies aimed at building viable and sustainable organizations (Bryson *et al.*, 2001; Chetkovich and Frumkin, 2003; Dart, 2004; Goerke, 2003). SEs, like non-profit organizations, pursue a mission that is neither financially sustainable using a for-profit model, nor receive sufficient governmental support (Hansmann, 1980; McDonald, 2007; Valentinov, 2008).

The third strategic option, termed as low cost focus, emphasizes the ability to set competitive pricing, provide expensive, sponsored products for limited markets and perform market growth forecasting. This option not only resembles Porter's (1980) typology of low cost focus strategy, but also reinforces recent evidence from Greece. More specifically, Salavou *et al.* (2013) argue that this is an emergent strategic option combining traditional Greek firms' appreciation for low cost and the global preference for promising niche strategies. In a similar vein, SEs operate in niche market segments, specializing in solving social problems to effectively deliver services.

The fourth strategic option, termed as differentiation focus, suggests a pure strategic option dealing with customer service (conventional, beneficiaries, etc.), broad range of products/services and service of special markets (i.e. disabled). This option refers to the strategy of differentiation focus based on Porter's (1980) typology. Based on recent claims from the non-profit sector (Weerawardena and Mort, 2012), organizations tend to follow differentiation as a primary focus of their competitive strategy. This happens either due to the particular cause these organizations are advocating or when the low cost approach is beyond their reach. On top of that, businesses in the social sector most often than not sustain a focused orientation and chose a specialized area that fits with their knowledge and capabilities, protect them from resource constraints or responds to their willingness to be close to the area they serve (Weerawardena and Mort, 2012).

The fifth strategic option is hybrid and involves activities referring to new and improved products/services, operating efficiency, product/services quality control, experienced/trained personnel (paid, volunteering, etc.) and brand identification. More specifically, it is labeled efficient differentiation and captures the commitment of SEs to strategize in a more sophisticated way by using low cost and differentiation elements simultaneously. Exactly like traditional companies (Salavou *et al.*, 2013) combining several factors related to low costs and differentiation may yield multiple sources of competitiveness, SEs may go a step closer to get their value-based advantages over rivals. It then appears businesses in the social sector to emphasize also hybrid types of competitive advantage. Taken together these findings:

- support Porter's (1980) original typology but exclude the pure differentiation strategic option;
- identify one new version of pure strategy emphasizing sustainability (low cost sustainability), which seems most desired in organizations of the social sector;
- reveal one hybrid strategic option that combines low cost and differentiation elements; and
- conclude that most strategic options embrace cost-based elements.

The averages of items pertaining to the extracted factors have been employed to form the variables for further statistical analysis. Table IV reports the inter-item reliability coefficients of the strategic options together with their descriptive statistics. All reliability coefficients are quite acceptable according to the reliability standards suggested by Van de Ven and Ferry (1980). Table V reports the correlations among competitive strategic options. All bivariate correlations are below the 0.70 threshold level and no particular high correlations have been observed.

To get a better understanding of SEs' strategic options, our analysis includes two important controls, namely, the revenue streams and sectoral activity. For this purpose, one-way ANOVA was performed using the five strategic options as the independent variables and these features as dependent ones (see Tables VI and VII). Given the small sample size, we also used Kruskal–Wallis to test the results. Table VI reveals that two strategic options, namely, low cost sustainability and low cost focus, are more important for SEs without revenues from operating activity. Arguably, it appears that resource constraints heavily influence the strategy priorities of SEs, which are predominantly niche players (Weerawardena and Mort, 2012). This is in line with the view that social entrepreneurs are heavily constrained in generating funds (e.g. government grants, donations or sponsorships) to build sustainable organizations (Weerawardena and Mort, 2012). Another explanation is

	Type	No. of items in scale	Mean	SD	Cronbach's α
1. Low cost	Pure	3	3.44	1.91	0.79
2. Low cost sustainability	Pure	1	4.21	2.17	–
3. Low cost focus	Pure	3	3.74	1.47	0.67
4. Differentiation focus	Pure	3	5.19	1.65	0.81
5. Efficient differentiation	Hybrid	8	5.59	1.19	0.89

Note: ^aNumber of observations = 63

Table IV. Descriptive statistics and reliability of competitive strategic options in SEs^a

	Variable			
	1	2	3	4
1. Low cost				
2. Low cost sustainability	0.21*			
3. Low cost focus	0.47*	0.35*		
4. Differentiation focus	0.49*	0.35*	0.47*	
5. Efficient differentiation	0.46*	0.33*	0.57*	0.58*

Note: *Pearson correlation is significant at the 0.01 level (two-tailed)

Table V. Correlations among competitive strategic options in SEs

	Revenues from operating activity ^a	Without revenues from operating activity ^a	<i>F</i>	<i>p</i> -value ^b
% of SEs, <i>n</i> = 63	22	78		
1. Low cost	2.74	3.65	2.52	ns
2. Low cost sustainability	3.14	4.51	4.57	0.04
3. Low cost focus	2.24	4.16	26.22	0.00
4. Differentiation focus	4.31	5.45	5.52	ns
5. Efficient differentiation	4.82	5.81	8.33	ns

Notes: ^aFigures represent mean values in each group of SEs; ^bsignificance level based on both analysis of variance and Kruskal–Wallis test

Table VI. Differences in revenue streams of SEs

that resource scarcity would impose a thorough investigation of strategic options, or even a more sophisticated strategic positioning.

Table VII shows that the basis of competitive advantage is not sector specific, contrary to the for-profit sector (Salavou, 2013). It appears that SEs in the non-profit sector use strategic options no matter in which sectors they operate (i.e. culture, education, health and food). Given the importance of the services sector in Greece (Salavou, 2010), the empirical evidence presented here contradicts existing evidence posing that strategic purity is not applicable to traditional firms within the services sector in Greece. Our study reveals that this does not hold for SEs in Greece. More specifically, SEs rely on pure and hybrid sources of competitive advantage to serve their social mission in increasingly competitive environments.

In Step 2, we explore whether pure and hybrid strategic options relate to impact. It appears that most strategic choices result in advanced environmental, economic and social accomplishments. A more detailed analysis of Table VIII suggests that:

- All strategic options relate positively to environmental impact.
- All strategic options, except low cost sustainability, relate positively to economic impact. This is most likely, as low cost sustainability involves exclusively efforts toward minimizing external funding in SEs.
- All strategic options, except the cost-based ones, relate positively to social impact. As expected, SEs may not properly serve their social mission, when they prioritize cost cuttings.

Discussion and concluding remarks

This study shifts the dominant paradigm of competitive strategy (Porter, 1980, 1985) from the for-profit to the non-profit context to address two research questions:

RQ1. Which strategic options (pure and/or hybrid) do SEs have to compete?

RQ2. Do competitive strategic options relate to impact SEs generate?

	Services sector ^a	Other sectors ^a	<i>F</i>	<i>p</i> -value ^b
% of SEs, n = 63	61	39		
1. Low cost	3.03	4.01	4.16	ns
2. Low cost sustainability	4.16	4.33	0.09	ns
3. Low cost focus	3.73	3.70	0.01	ns
4. Differentiation focus	4.93	5.63	2.69	ns
5. Efficient differentiation	5.43	5.78	1.23	ns

Table VII.
Differences in sectoral activity of SEs

Notes: ^aFigures represent mean values in each group of SEs; ^bsignificance level based on both analysis of variance and Kruskal–Wallis test

	Environmental impact	Economic impact	Social impact
1. Low cost	0.56*	0.45*	0.19
2. Low cost sustainability	0.27*	0.17	0.27*
3. Low cost focus	0.35*	0.47*	0.11
4. Differentiation focus	0.42*	0.52*	0.36*
5. Efficient differentiation	0.32*	0.56*	0.46*

Table VIII.
Correlations among competitive strategic options and impact in SEs

Note: *Pearson correlation is significant at the 0.01 level (two-tailed)

The empirical evidence presented here shows that SEs adopt both pure and hybrid strategies to compete. Contrary to the conflicting views between pure and hybrid strategies in the commercial sector, these strategies co-exist in the social sector providing SEs a wider portfolio of choices to get advantages over competition. They use five different types of competitive advantage, which relate differently to the impact they generate. Contributions to economy, society and environment are, to a greater or lesser extent, dependent on SEs' strategic positioning.

Our empirical study contributes to the literature in several respects. By combining insights from strategic management and social entrepreneurship theory, we strengthen the explanatory power of both. First, we advance research on strategic management by delivering new empirical evidence from SEs, a relatively new organizational form, and by widening the debate of pure vs hybrid strategies. This empirical study provides support for both the original idea of strategic purity and the revised idea of hybridization (Spanos *et al.*, 2004; Thornhill and White, 2007). In particular, SEs adopt a greater variety of strategies based on pure (low cost, low cost sustainability, low cost focus and differentiation focus) and hybrid (efficient differentiation) types of competitive advantage. Consequently, the ever-increasing empirical evidence in Europe, that favors hybrid strategy combinations in commercial enterprises (Salavou, 2015), holds for SEs, at least in Greece.

Second, by providing evidence on SEs we enhance the empirical research on social entrepreneurship, which is almost absent. SEs manifest a distinctive form of social business (Chell, 2007; Dart, 2004) within the definitive umbrella of social entrepreneurship, mainly due to their dual market and non-market nature. Unlike commercial enterprises that conceive the creation of social wealth as a by-product of economic value, SEs prioritize social value creation at the expense of economic value creation, which is often seen as a by-product to achieve sustainability and self-sufficiency (Seelos and Mair, 2005). Considering that our empirical evidence provides support for both pure and hybrid types of competitive advantage to be connected with impact, it can then be reasonably argued that strategic positioning accommodates social and environmental benefits, while immunize SEs from forgetting financial returns (Battilana and Lee, 2014; Grimes *et al.*, 2013).

Beyond theory, our empirical findings have meaningful implications for practice and policy making. First, taking into account that SEs are established for a social purpose but operate like business ventures, social leaders are recommended to thoroughly examine the availability of all strategic options, pure and hybrid, before adoption. As our empirical findings affirm that both pure and hybrid strategies relate positively to impact, caution should be paid to the competitive advantages designed by each SE to compete in markets where competition between commercial and SEs is tough. SEs in Greece appear to share the pursuit of revenue generation with for-profit organizations and the achievement of social and environmental goals with non-profit organizations (Di Domenico *et al.*, 2010). In doing so, they do not blur the boundaries between the for-profit and non-profit contexts (Dees, 2007). As the environment of SEs is flux and demanding with different competitors and impact recipients involved, they might find it safer to strategically position themselves either with pure or hybrid types of competitive advantage.

Second, bearing in mind widespread cost concerns in the third sector (Jayaraman *et al.*, 2018), practitioners are advised to calibrate cost efficiency, as most strategic options embrace cost-based elements. This finding could indicate that SEs do not have the luxury to exclusively introduce sophisticated elements of differentiation. In line with the social venturing literature (Weerawardena and Mort, 2012), it seems that the need to be sustainable along with resource constraints do really matter when SEs design their strategic positioning and decide upon types of competitive advantage.

Apart from practical implications, our findings could advance the understanding of EU policy makers regarding the most suitable strategies for SEs to compete in a financially

viaable way (Borzaga and Galera, 2016). Policy initiatives should support the strategic choices with visible impact for SEs especially in Member States, where the third sector is underdeveloped, like Greece. Supporting mechanisms and measures, such as the promotion of cost efficient incentives, would allow SEs to accelerate efforts toward implementing pure or hybrid strategies, which are most suitable based on the circumstances. Comparisons between frontrunners and latecomers within the EU would streamline strategy priorities to generate, or even multiply, environmental, economic and social impact and adequately boost the development of the third sector. Within the European setting, the present study helps to project a view from a sector other than the commercial sector, which dominates the literature.

A number of potential limitations of the research may be addressed by future studies. First, and maybe more important, due to inherent data limitations, we did not consider the impact of objective financial indicators when examining the proposed relationships. In addition, our results should be viewed in light of the research method employed; and especially the nature of the sample. Drawing a sample from a country where the third sector is relatively underdeveloped limits the generalizability of our findings. Finally, empirical evidence on high-impact strategic options of SEs in similar and/or different national settings would help to generalize our findings.

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