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# A RESOURCE DEPENDENCE PERSPECTIVE ON CROWDFUNDED SOCIAL ENTERPRISES

Mohamed Farhoud







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# **A RESOURCE DEPENDENCE PERSPECTIVE ON CROWDFUNDED SOCIAL ENTERPRISES**

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## ABSTRACT

Succeeding as a social enterprise is challenging because its performance, legitimacy, and autonomy emerge from the social-economic tensions inherent in its operation. Social enterprises tend to shield themselves from external demands and pressures if they fail to fulfil their dual mission, creating challenges in resource acquisitions. Accordingly, such challenges fundamentally change the relationship between social enterprises and resource providers. Therefore, social enterprises often struggle to acquire resources; thus, they need innovative forms of resource acquisition. By adapting resource dependence theory and data collected from social enterprises, this study investigates the role of reward-based crowdfunding in social enterprises' performance and how the legitimacy and autonomy of social enterprises mediate such a relationship.

The findings show that reward-based crowdfunding does not directly or indirectly shape the performance of social enterprises. Nevertheless, the findings indicate that crowdfunding increases the legitimacy of social enterprises. Moreover, although crowdfunding does not appear to be related to the autonomy of social enterprises, autonomy itself supports the social and innovation performance of social enterprises. Thus, this study challenges the expected positive role of crowdfunding in social enterprises' performance but shows that crowdfunding continues to benefit social enterprises as it increases their legitimacy. Theoretically, this study suggests legitimacy can be an end in itself for social enterprises. These results support a characterisation of resource dependence theory as a sociological theory in which establishing social acceptability is important in its own right. However, the findings contradict the view of resource dependence theory as a theory of organisational performance. The missing link between resource acquisition, legitimacy, and performance suggests that resource dependence theory can explain organisational actions with societal acceptance rather than financial performance.

Moreover, the findings indicate that autonomy is an essential characteristic of social enterprises allowing organisations to pursue different goals, which can protect against potential mission drift. Correspondingly, the study contributes to practices by showing that reward-based crowdfunding is a practical utility that can solve managerial problems related to attaining legitimacy. This study shows that crowdfunding is still a fledgling field for enabling social entrepreneurship; therefore, this study contributes to the current societal and governmental discussions on the financial inclusion of social enterprises within social economy policies.

**KEYWORDS:** social entrepreneurship, social enterprise, resource acquisition, resource dependency, legitimacy, autonomy, performance, crowdfunding, reward-based, hybrid organisations, mission drift

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## TIIVISTELMÄ

Yhteiskunnallisen yrityksen menestyminen on haastavaa, koska sen tuloksellisuus, legitimitetti ja autonomia rakentuvat sen toimintaan sisältyvistä sosioekonomisista jännitteistä. Yhteiskunnalliset yritykset pyrkivät suojautumaan ulkoisilta vaatimuksista ja paineilta, jos ne eivät täytä taloudellista ja yhteiskunnallista kaksoisrooliaan, mikä luo haasteita resurssien hankintaan. Tällaiset haasteet muuttavat perusteellisesti yhteiskunnallisten yritysten ja resurssien tarjoajien välisiä suhteita. Yhteiskunnallisilla yrityksillä on usein vaikeuksia hankkia resursseja ja ne siksi tarvitsevat innovatiivisia keinoja resurssien hankkimiseksi. Resurssiriippuvuusteoriaa ja yhteiskunnallisilta yrityksiltä kerättyä tutkimusaineistoa yhdistämällä tässä tutkimuksessa tutkitaan palkkioperusteisen joukkorahoituksen roolia yhteiskunnallisten yritysten menestyksessä ja miten yritysten legitimitetti ja autonomia välittävät tätä roolia.

Tutkimuksen tulokset osoittavat, että palkkioperusteinen joukkorahoitus ei suoraan tai välillisesti muokkaa yhteiskunnallisten yritysten menestystä. Tulokset kuitenkin osoittavat, että palkkioperusteinen joukkorahoitus lisää yhteiskunnallisten yritysten legitimitettiä. Lisäksi vaikka joukkorahoitus ei näytä vaikuttavan yhteiskunnallisten yritysten autonomiaan, autonomia itsessään tukee yritysten sosiaalista ja innovaatiokyvykkyyttä. Tulostensa myötä tämä tutkimus haastaa joukkorahoituksen oletettua myönteistä roolia yhteiskunnallisten yritysten menestymisessä, mutta osoittaa, että palkkioperusteinen joukkorahoitus hyödyttää yhteiskunnallisia yrityksiä vahvistamalla niiden legitimitettiä. Teoreettisesti tutkimus osoittaaakin, että legitimitetin saavuttaminen voi olla päämäärä yhteiskunnallisille yrityksille. Siten tulokset tukevat resurssiriippuvuusteorian luonnehdintaa sosiologiseksi teoriaksi, joka korostaa sosiaalisen hyväksyttävyyden vahvistamista. Tutkimuksen havainnot ovat kuitenkin myös ristiriidassa resurssiriippuvuusteorian näkemyksen kanssa organisaation menestymisen teoriana. Puuttuva linkki resurssien hankinnan, legitimitetin ja organisaation menestyksen välillä viittaa siihen, että resurssiriippuvuusteoria voi selittää organisaation toimintaa, jolla on yhteiskunnallinen hyväksyntä taloudellisen menestymisen sijaan. Lisäksi tutkimuksen havainnot viittaavat siihen, että autonomia on yhteiskunnallisten yritysten olennainen ominaisuus, jonka ansiosta ne voivat saavuttaa erilaisia tavoitteita, jotka puolestaan voivat suojata yrityksiä mahdolliselta toiminnan tavoitteiden muutoksilta. Näin ollen tämä tutkimus osoittaa käytännön suosituksena, että palkkioperusteinen joukkorahoitus voi ratkaista organisaation legitimitetin saavuttamiseen liittyviä johtamishaasteita. Lisäksi tutkimus osoittaa, että joukkorahoitus on vielä kehittyvä ala yhteiskunnallisen yrittäjyyden mahdollistajana, ja siksi tutkimuksen tulokset edistävät nykyistä yhteiskunnallista ja poliittista keskustelua yhteiskunnallisten yritysten taloudellisesta osallisuudesta talous- ja sosiaalipolitiikassa.

ASIASANAT: yhteiskunnallinen yrittäjyys, yhteiskunnallinen yritys, resurssien hankinta, resurssiriippuvuus, legitimitetti, autonomia, menestyminen, joukkorahoitus, palkkioperusteinen, hybridi organisaatio, tavoitteiden muutos

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*Mohamed Farhoud*

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# 1 Introduction

## 1.1 Background of the study

Our societies face many challenges in areas such as education, health care, hunger and basic needs, equality, and the environment (Luo & Kaul, 2019; Nations, 2015). Market-based organisations can be critical in addressing these challenges through transformational processes creating positive social value (Dencker, Bacq, Gruber, & Haas, 2021; Santos, 2012; Sutter, Bruton, & Chen, 2019). However, these complex societal problems demand multi-level and complex responses requiring “organizing mechanisms that span multiple and varied institutional spheres, organizational forms, identities, and values” (Besharov & Mitzinneck, 2020, p. 21). This complexity manifests in social entrepreneurship at its two goals—developmental (social/environmental) and economic performance—which are inseparably connected (Stephan, Patterson, Kelly, & Mair, 2016; Vedula et al., 2022). As such, when these two goals are united, pursued, and realised in an entrepreneurial organisation’s operation as essential elements of its character, the organisation thus constitutes a social enterprise (SE). SEs have the promise, afterwards, to operate as solutions (intermediate organisations) to developmental problems. When developmental and commercial goals are separated to focus on one goal and neglect the other, a social entrepreneurship organisation is emptied of its *raison d’être* (Bacq & Janssen, 2011).

SEs’ hybrid organising—“the activities, structures, processes and meanings by which organizations make sense of and combine aspects of multiple organizational forms” (Battilana & Lee, 2014, p. 398)—is not a new phenomenon (Ethiraj & Levinthal, 2009). However, what is idiosyncratic about SEs is the “extent to which people tend to perceive financial and social goals as different is so great. The economic/social divide has deep historical roots not only in academia but also day-to-day in institutional, organizational and individual life” (Battilana, 2018, p. 1289). This hybrid nature causes many operational challenges that threaten the performance and survival of SEs (Battilana, 2018). For instance, constructing an internal identity is difficult because of jointly pursuing developmental and financial objectives characterised by cognitive tensions, emotional stress, and conflicting discourses. These difficulties might create disputes on using and allocating internal resources

within the organisation. SEs are also unable to create a consistent external identity following their multiple identities, which confuses, for instance, policymakers concerning which legal form best suits the enterprises and resource providers regarding approval. However, the biggest challenge for SEs is acquiring external resources. SEs' hybrid business models confuse resource providers who consider them unreliable partners. Thus, these challenges can have direct adverse implications on, most notably, attaining legitimacy (Battilana & Lee, 2014; Pache & Santos, 2013b), retaining decision autonomy (Ebrahim, Battilana, & Mair, 2014; Grimes, Williams, & Zhao, 2019), and jeopardising the performance of the enterprise (Lee, 2014; Voss, Cable, & Voss, 2000). The distinctive nature of the challenges of external resource acquisitions that SEs face is particularly relevant and of interest to this study (Cobb, Wry, & Zhao, 2016; Yan, Ferraro, & Almandoz, 2019).

Despite the importance of resources acquisition by SEs and how that obstacle changes how the organisation behaves, little research focused on how SEs can acquire resources while navigating a hybrid environment (Battilana, 2018; Ciambotti & Pedrini, 2021; Schätzlein, Schlütter, & Hahn, 2022). This is especially remarkable since SEs' primary function is to alter the environment they are embedded in for the interest of their customer-beneficiaries. This operational focus may adversely affect the organisation's interdependence with the environment and its continued survival and success, necessitating theoretical attention to this complex relationship. Being inherently embedded in a social context to fundamentally change it, SEs engage with the environment, which influences and is influenced by their operation. Again, little empirical, let alone quantitative, studies have been performed to discuss the consequences of SEs' existence on the environment and how contingencies, constraints, demands, and even hostile opposition derived from the environment influence SEs' ability to acquire the needed resources to remain true to their multidimensional performance.

Since organisations operate in a certain field and use resources that might be made available elsewhere (by resource providers), organisations are continually evaluated against the appropriateness and usefulness of their outputs. This is particularly evident in the SEs' inability to build their legitimacy. Walking the fine line between business and not-for-profit (NPO) spheres makes building up their legitimacy difficult (Carroll & Hannan, 1989). Where organisational legitimacy is a problem, the organisation may adapt or conform to the norm of organising. For SEs, one solution is to adopt a business-like operational model that necessitates focusing on economic returns (Smith, Gonin, & Besharov, 2013). However, acquiescing to the pressures and demands of other actors in the external environment threatens the organisational autonomy and, thus, the mission for which SEs were created (Pache & Santos, 2010). Despite being undesirable, constraints are inevitable in any social context, and problems often arise when they are hostile to the organisation's purpose

and restrict creativity and adaptation. In the case of SEs' financial constraints, lack of autonomy threatens creativity and innovation, threatening the organisation's effectiveness and ability to remain true to its mission when the need for survival might supersede the morality of purpose (McMullen & Bergman Jr, 2017; Scott & Davis, 2015). Although the risk of such mission drift is not specific to SEs, it is particularly acute for them, not only because it threatens their existence (Ebrahim et al., 2014; Grimes et al., 2019; Serres, Hudon, & Maon, 2022) but as a hybrid organisation, pursuing two goals is in itself a formidable risk that continuously motivates mission drift. Attaining legitimacy and autonomy are important for SEs as they can explain organisational arrangement and response to external demands and expectations, which, in turn, can explain organisational performance (Oliver, 1991a; Oliver, 1991b). In other words, organisational legitimacy and autonomy are not always an end but a means to organisational performance (Drees & Heugens, 2013).

Creating SE cannot rely solely on the limited personal resources of family and/or friends. Moreover, the hybrid mission of SEs does not allow them to charge market prices so their customer-beneficiaries can afford their product or service (Agafonow, 2015; Schätzlein et al., 2022). The organisational form and its goals rarely lead to the direct accumulation of private wealth, assuming more personal and/or organisational risk than other traditional forms of organising (Miller, Grimes, McMullen, & Vogus, 2012). Therefore, on the funding side, for its importance in mobilising other resources, SEs need to look for innovative ways of external financing that are stable, accessible, munificent, and, most importantly, recognise their legitimacy and preserve the value of their autonomy as a central element of their identity and antecedents of achieved performance (Schätzlein et al., 2022).

Since supportive structures meeting the nature and needs of SEs are scarce (Schätzlein et al., 2022), innovations such as online platforms and social media can be enabling mechanisms through which SEs can access resources (von Briel, Davidsson, & Recker, 2018), creating transparency and encouraging the collaboration of potential resource providers and other important actors (Lehner & Nicholls, 2014). Recent technological advances and regulatory changes empower and facilitate the development of crowdfunding (Davidsson, Recker, & von Briel, 2020; von Briel et al., 2018). Crowdfunding as an approach to resource acquisition is especially suited to the challenges SEs face. Such seems a logical step for SEs, which may offer an appropriate answer to their financing needs while allowing them to sustain their hybridity over time (Lehner, 2016; Renko, Moss, & Lloyd, 2019). This study focuses on resource acquisition through reward-based crowdfunding (RBCF). RBCF recognises that SEs are bounded by their environments, which necessitates viewing SEs as open systems—a view that remains largely underdeveloped in SE literature (Stephan et al., 2016). In this study, RBCF is proposed as a strategic response that SEs might follow as an alternative active

strategy to remove or lessen the environmental pressures toward conformity, so the study focuses on dealing with the effect of resource acquisition, specifically financial resources, through RBCF platforms to attain legitimacy and discretion on decision autonomy, ultimately improving performance.

Taking together the resource acquisition challenges facing SEs that manifest in (1) their effort to attain legitimacy, (2) their struggle to keep their decision-making autonomy, which (3) influences performance, in addition to (4) crowdfunding as a possible strategic arrangement might enrich our understanding of how SEs might overcome these challenges. This study takes the relationships between these constructs as the point of departure. It discusses the complex relationship between SE and the environment in which it operates while adopting an open perspective to understand these relationships and providing possible strategies for pursuing access to resources. I use resource dependence theory (RDT), first developed by Pfeffer and Salancik (1978, 2003), to offer language, coherent theoretical logic, and related assumption to guide the theorisation and empirical investigation of SEs' resource acquisition strategies and the proposed hypotheses and model (Davidsson et al., 2020; Hahn, Pinkse, Preuss, & Figge, 2015). The resource dependence model describes and prescribes both the interdependence of a focal organisation with other actors and the corresponding constraint absorption tactics (Casciaro & Piskorski, 2005). This interdependence is characterised by balanced/unbalanced power and mutual dependence that exists in an environment that is not given but rather negotiated, absorbed, and influenced. The theory accounts for a wide range of actions the focal organisation follows to alter the nature of the dependence on its interest. RDT has posited that these actions are taken with the intent to benefit the focal organisation's autonomy (Drees & Heugens, 2013; Oliver, 1991a) and legitimacy (Drees & Heugens, 2013; Fink, Edelman, Hatten, & James, 2006; Oliver, 1991b; Pfeffer & Salancik, 2003, p. xiv) as important levers to performance (Drees & Heugens, 2013; Oliver, 1991b). The resource constraints on SEs and how they respond to those constraints fall squarely within the topic domain of resource dependence theory.

## 1.2 Research objective

Succeeding as an SE is challenging because its performance, legitimacy, and autonomy emerge from the social-economic tensions embedded within its hybrid nature. SEs' deviation from what constitutes socially legitimate templates for organising is problematic, especially when organisations of distinguishable types compete for the same resources. Hence, the objective of this study is to investigate the possible organisational responses to the resource acquisition challenges that SEs face. For this, the following research questions are set:



- How do hybrid organisations characterised as SEs cope with tensions related to resource availability to improve their performance?
- What is the role of access to resources in gaining organisational legitimacy in the wider societal context and in increasing organisation's autonomy?
- How does attaining legitimacy and autonomy intervene in the role of resource acquisition in SEs' performance?

These questions are investigated in the context of a specific resource acquisition strategy: rewards-based crowdfunding. Theoretically, the study borrows key constructs from resource dependency theory, namely legitimacy and autonomy as antecedents to performance. Accordingly, this study responds to calls for investigating the relationships between the external environment and SEs and how that might affect their performance (Battilana, 2018; Gupta, Chauhan, Paul, & Jaiswal, 2020).

### 1.3 Outline of the study

The study proceeds as follows. After introducing the study's topic and objective, the following chapter discusses and defines SEs and their performance and the challenges concerning their access to necessary resources. Chapter Three covers the theoretical background of this study, resource dependence theory (RDT), and how it is applied in this study. After developing the hypotheses, Chapter Three concludes with the study's conceptual model. Chapter Four discusses the research design and the methodology by explaining data, their collection, and the operationalisation of the constructs used in empirically testing the hypotheses. Finally, the analysis methods are discussed, followed by Chapter Five, which reviews the analysis and the results. Chapter Six concludes the study by presenting its main findings and answering the research questions, discussing its theoretical and practical implications, highlighting limitations, and providing suggestions for future research.

## 2 Social enterprise and performance

### 2.1 Defining a social enterprise

Social enterprises (SEs) strive to solve societal problems while respecting the triple bottom line as an integral ingredient of their operation (Smith et al., 2013). In that sense, SE focuses on finding profitable solutions to social problems (Porter & Kramer, 2011) as it trades for a social purpose (Mair & Marti, 2006). Expectedly, the value SE creates is blended by nature (Gupta et al., 2020) and is considered an opportunity to change how we work towards more sustainable and responsible results. However, SE's operations are intertwined with the context in which it operates, so these operations differ in different contexts (Defourny, Nyssens, & Brolis, 2018). Such differences arise from opposing forces—socioeconomic, political, and cultural dimensions—that exist in the external environment. For example, operations and business models change according to the country of origin (Kerlin, 2006, 2010), cultural context (Wry & York, 2017), religions (Gümüşay, Smets, & Morris, 2020; Mulyaningsih & Ramadani, 2017), and the political, legal, and economic environment (Reiser & Dean, 2017; Triponel & Agapitova, 2017), to name a few (Mair, 2020). This contextual embedded nature of SEs explains why the definitions of SEs tend to vary between regions concerning understanding, use, context, and policy (Bacq & Janssen, 2011; Dacin, Dacin, & Matear, 2010; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Therefore, what constitutes an SE is generally argued (Choi & Majumdar, 2014; Lumpkin, Moss, Gras, Kato, & Amezcua, 2013; Mair & Rathert, 2020; Yunus, 2017), making “developing a stand-alone, grand theory of social enterprise does not make sense given the loose definition and scope of the ‘social enterprise’” (Battilana & Lee, 2014, p. 425).

The relationship between the SE and its context is vital, complex, and interdependent. The most significant implication of this complex relationship is that there is no single best strategy to enact the external environment's demands, pressures, and influence on the SE's behaviour. SEs exemplify an open system

perspective<sup>1</sup> where the organisation is open and depends on “flows of the personnel, resources and information from the outside” (Scott, 2003, p. 28), and its boundaries are porous. Accordingly, such organisations must transact with other participants in their environment to acquire resources needed for survival. Moreover, organisations not only selectively perceive but directly influence the state of environments through their actions, which can later effectively change/alter their environment (Scott & Davis, 2015). Despite the importance of the external environment and how it influences and is influenced by SEs to fully understand the emergence and growth of the sector (Bacq & Janssen, 2011), such an approach has not received much attention in the literature (Gupta et al., 2020). Most current research stresses theories that conceive organisations as “closed” and disconnected from communities and stakeholders (Stephan et al., 2016, p. 1268). This study builds on this rationalisation by embracing an open system understanding of the SE—which is highly contextualised—continuously and instrumentally implementing active choice behaviours to access resources needed for its performance.

Therefore, SEs need to respond to external demands and pressures; thus, the degree of the hybridity of the context in which it operates shapes their performance (Pache & Santos, 2013a, 2013b). This hybridity means the existence of different logics that are not concomitant (Besharov & Smith, 2014; Shepherd, Williams, & Zhao, 2019). Consequently, SEs straddle two competing goals, namely developmental impact and commercial sustainability (Pache & Santos, 2013a), and are forced to interact with two distinct and incompatible environments, namely the market and social-and-solidarity economies (Galaskiewicz & Barringer, 2012).

As mentioned, SEs do not follow a uniform business model. Their operations are intertwined with their context; therefore, they greatly vary across geography (Busch & Barkema, 2021; Seelos, Mair, Battilana, & Dacin, 2011). As such, even if SEs have “a good understanding of local problems and needs in their initial location, they will typically have problems scaling because the same understanding may not apply in the new location” (Busch & Barkema, 2021, p. 746) because “Social problems tend to be locally embedded (economically, culturally, and institutionally), and therefore typically need contextualised and innovative solutions rather than general ones” (Busch & Barkema, 2021, p. 746). The implication of this is important because the business models of SEs are considered

<sup>1</sup> The open system paradigm is rooted in Boulding’s system types and operates as opposed to natural and rational systems. Whereas the rational system views organisations as economic, technological, and efficient instruments, the natural system views organisations as communitarian, natural, non-rational, and organic systems (Scott & David, 2015).

confusing, untested, and more like a quasi-capitalist form of organisation that threaten the economy and society, attracting opposition and hostility (Mair & Marti, 2006). For instance, one of the industry associations representing the traditional NPO sector has publicly announced its opposition to any legislation providing legitimacy and benefits to SEs (Battilana & Lee, 2014). Others have argued that SEs' activities threaten market discipline and undermine economic growth (Husock, 2013). Struggling with these complexities, SEs face major problems of resource acquisition—especially financial resources—which are required for organisational performance (Battilana & Lee, 2014).

However, SEs still share certain commonalities and features, differentiating them from other social forms of organising (Smith et al., 2013). For instance, SEs deal with activities in unstructured markets through innovative solutions to create both economic and developmental values (Dees, 1998), although with varying intensities (Gupta et al., 2020). Put differently, a SE's distinguishing nature as an organisation is constant across contexts, as it primarily aims to transform the socioeconomic and political environment to serve its interests and those of its customer-beneficiaries. Mair and Marti (2006) and Austin, Stevenson, and Weiskillern (2006) argue that social entrepreneurship process can occur equally well on a for-profit basis. Vedula et al. (2022) explain that SEs choose their operational models following the nature of the developmental challenge and needed resources, including financial resources. Consequently, in this study, an SE (social entrepreneurship organisation) is understood through a set of activities rather than its (legal) form. Therefore, broadening the level of analysis to include commercial, non-profit, and governmental organisational forms might enrich our understanding of these unique forms of organisations (Mair & Rathert, 2020). Following Lumpkin et al. (2013) and building on Mair and Rathert (2020) and White, Lockett, Currie, and Hayton (2021), this study adopts a broad definition of an SE. Aligning with Agafonow (2014), McMullen (2011), McMullen and Bergman Jr (2017), Santos (2012), and Agafonow (2015), this study follows Littlewood and Holt's (2015, p. 5) definition of SEs as "...organisations social entrepreneurs have established to put their innovations into practice. In its broadest sense, social enterprise can refer to small community enterprises, co-operatives, NGOs using income generating strategies to become more sustainable, social businesses or companies that are driven by their desire to bring social or environmental change". Consequently, the analysis in this study will include enterprises in the not-for-profit (NFP) and traditional for-profit (FP) sectors (Lumpkin, Coglisier, & Schneider, 2009; White et al., 2021).

## 2.2 Social enterprise performance, legitimacy, and autonomy

### 2.2.1 Exploring social enterprise performance

The jarring juxtaposition of developmental and financial goals—long considered irreconcilable (Battilana, 2018)—is the defining feature of SEs' business model (Smith et al., 2013). This feature makes them an extreme case of hybrid organisations (Gupta et al., 2020; Moss, Short, Payne, & Lumpkin, 2011). This hybridity has implications on the organisational identities (Moss et al., 2011), the demands to combine multiple organisational forms (Lee & Battilana, 2020), and the need to attend to different stakeholders (Besharov & Smith, 2014; Pache & Santos, 2010). With this salience of their hybrid nature, where there are demands to pursue different goals simultaneously (Thornton, Ocasio, & Lounsbury, 2012), SEs are perplexed and overloaded with continuously incongruous and mostly opposing decisions to take. Thus, the SEs' model conjoins different goals in one form of organisation; although different demands operate at varying levels of analysis, they are interrelated. In other words, financial sustainability is inextricable with developmental goals, and SEs' mission is to nimbly oscillate between them without neglecting (or losing) any of them (Lamy, 2019; Smith & Besharov, 2019).

Evaluating progress toward the organisational goals is thus ambiguous and non-standardised, creating difficulties in measuring (and comparing) organisational performance (Kanter & Summers, 1987; Rawhouser, Cummings, & Newbert, 2019). More specifically, whereas financial outcomes are captured at the organisational level, social impact is captured at the societal/community level (Lumpkin & Bacq, 2019; Lumpkin, Bacq, & Pidduck, 2018). These extra-organisational measures operating on different levels of analysis and time horizons force SEs to drift and focus on quantifiable (and easy to capture) metrics that might offer the clarity required to convince important resource providers and win their confidence (Hertel, Bacq, & Lumpkin, 2022; Kanter & Summers, 1987). SEs, plagued with multiple goals and subjectivity, might be considered ambiguous and uncertain, creating problems of legitimacy; for financial fitness, SEs might focus on the economic goal and neglect the social mission (Bolzani, Marabello, & Honig, 2020; Smith et al., 2013). This shift in focus might lead to mission drift—focusing more on generating profitability and less on achieving social goals (Grimes et al., 2019; Serres et al., 2022). Therefore, the arrangements by which SEs might overcome these tensions on the organisational level and how they link to improved performance is a critical topic that has received limited attention in the literature.

Organisational performance and its measurements do not operate in a vacuum and are the subject of much of the abovementioned tensions, such as tensions

between operating organisations and their resource providers. Most SEs are “typically resource-dependent on their funders, be they philanthropic foundations, governments, donors, or investors. Much of the growing emphasis on measuring performance and impact in the sector has come from funders seeking to allocate their resources more effectively” (Ebrahim & Rangan, 2014, p. 130) to publicly legitimising and justifying their allocation (Miller et al., 2012). Thus, measurable elements of performance play a critical and highly politicised role in the relationship between organisations and their funders, setting precedents to capital markets that reward (selected) performance (Ebrahim & Rangan, 2014). These divergent interests have adverse implications on organisational performance.

However, measuring organisational performance is crucial as it gives SEs and external actors the information to understand the operational model, the broad environment in which SEs operate, and the needed resources to fulfil the organisational goals (André, Cho, & Laine, 2018). Moreover, performance demonstrates accountability to funders, evidence of understanding the organisational effectiveness, the possibility to learn and improve, legal reporting, and continued access to extra resources (Hertel, Bacq, & Lumpkin, 2020). However, what to measure and what not to, where to allocate resources, and what business model to follow are all highly influenced by SEs’ resource providers (Kwong, Tasavori, & Wun-mei Cheung, 2017). These providers prefer to invest in organisations that can demonstrate their effectiveness through performance measures (Miller et al., 2012). The most extensively reported motivation for measuring SEs’ performance—financial, social, or otherwise—is its importance for resource acquisition from foundations, governmental programs, and private financiers (Ebrahim & Rangan, 2014). Therefore, when these resource providers share the same mission as the SE, the resources are channelled to the most effective uses. Nevertheless, tensions arise if there are different expectations between resource providers and the SE. These tensions lead to fragmentation and inefficiency, especially when resources are not linked to “performance”—a common problem in the social entrepreneurship sector (Bloom & Dees, 2008; Hertel et al., 2020).

The major general difficulty for SEs to measure their performance lies in the subjective nature of some of its social/environmental performance indicators and how to measure them (e.g. quantitative measures of the “intangible“ social/environmental outcomes) (Ramus, Vaccaro, Versari, & Brusoni, 2020). These measures depend on the space-time context, complicating the ability to demonstrate causality (Hertel et al., 2020). Consequently, being accountable to multiple stakeholders, SEs face complexity in measuring and reporting their performance (Austin et al., 2006). More specifically, SEs are required to address social problems (Defourny, 2014; Trexler, 2008), innovate to improve efficiency (Jiao, 2011), improve operational effectiveness (Okpara & Halkias, 2011), mitigate a significant

level of economic risk (Defourny & Nyssens, 2010), define where investment should be a priority and what is best for local communities, and above all, work in the least developed socioeconomic and political environments.

SEs' efforts to meet divergent objectives with "one standardised measurement system often result in situations in which organisations fail to do any of them well" (Hertel et al., 2020, p. 152). The lack and difficulty of measuring performance limits SE's ability to report transparent and accountable data and make controlling the internal operation difficult (Alexander, Brudney, & Yang, 2010; Arena, Azzone, & Bengo, 2015; Nicholls, 2009), weakening their ability to mobilise resources and attract investments (Plotnieks, 2014). Therefore, a reliable performance measurement that adequately captures the SE's different objectives is enviable to avoid goal-chaos results (Han & McKelvey, 2016), fulfil its multiple goals, and ensure its sustainable performance (Bagnoli & Megali, 2011).

Based on the above and given the multiple goals of SEs, using a multidimensional performance system to capture their multiple profiles is appropriate (Bagnoli & Megali, 2011; Hertel et al., 2022; Kanter & Summers, 1987). This study follows the Vincentian perspective of Miles, Verreynne, and Luke (2014) for conceptualising SE performance. Essentially, SE's performance is evaluated following the dimensions of sociality, innovation, and market orientation (Choi & Majumdar, 2014; Nicholls & Cho, 2006). SE exists to develop solutions for developmental purposes and introduce solutions that enable and shape broader social and economic outcomes. Thus, unsurprisingly, evaluating an SE's social performance is a fundamental component of its overall performance measurement (Shepherd, Williams & Zhao, 2019). Moreover, operating in a resource-poor and highly personalised environment necessitates an innovative use and combination of resources (Mair & Marti, 2006). Therefore, innovation is an essential dimension of SE's overall performance for pursuing opportunities and ensuring survival (Alvord, Brown, & Letts, 2004; Austin et al., 2006; Ebrahim & Rangan, 2014). Still, profitability remains a basic component of assessing the overall effectiveness of entrepreneurship (Ritchie & Kolodinsky, 2003; Shepherd, Williams, et al., 2019). SEs are entrepreneurial ventures; therefore, their social goals (and continued existence) will be pursued only by sustaining economic and financial efficiency (Bagnoli & Megali, 2011). Yunus, Moingeon, and Lehmann-Ortega (2010, p. 311) state that "[While] its primary purpose is to serve society, a social business has products, services, customers, markets, expenses, and revenues like a 'regular' enterprise... it is a no-loss, no-dividend, self-sustaining company that repays its owner's investments". Also, financial performance offsets the pressures of the external environments and provides the capability to control decision-making autonomy and sustain commitments with stakeholders. Thus, financial performance is fundamental for checking SEs' financial accountability, facilitating resource

mobilisation, and attracting resource holders (Battilana & Lee, 2014; Nicholls, 2009). Thus, this study focuses on these three key dimensions of SEs' performance: innovation (Alvord et al., 2004; Choi & Majumdar, 2014; Kanter & Summers, 1987), economic (Lumpkin & Bacq, 2019; Lumpkin et al., 2018), and social (Hertel et al., 2020).

### 2.2.2 Exploring social enterprises' legitimacy and autonomy

SEs may pursue opportunities to address developmental issues in an inhospitable context (Bansal & Song, 2017), requiring them to respond in fundamentally different ways to that of commercial entities. For example, SEs might seek to change the context in which they operate when the issues are due to deeply contextual factors (Austin et al., 2006; Mair & Marti, 2009). Unsurprisingly, SEs respond to complex social problems with novel approaches that bridge and combine operational models that would not conventionally go together, creating their hybridity (Besharov & Mitzineck, 2020). They do not follow a single and established form of organisation and can refer to not-for-profit management strategies to create social value (Austin et al., 2006), commercial businesses with social mission engaged in cross-sector partnerships (Sagawa & Segal, 2000), or as a means to alleviate social problems and catalyse social transformation/movements (Alvord et al., 2004). Consequently, SEs do not imitate or reproduce certain organisational structures with significant heterogeneity in the types of activity that can fall under their rubric.

SEs characterise broad and ambiguous boundaries (charity, market, and third sector), affecting their legitimacy (Battilana & Lee, 2014) as they do not necessarily operate following an organised, dominant, and socially legitimate form (Pache & Santos, 2013b). This deviation from socially legitimate templates for organising is especially problematic when organisations of types compete for the same resources (Suchman, 1995). SEs demonstrate equally strong social and economic missions; balancing these dual goals is difficult (Besharov, Smith, & Tushman, 2019). The social and economic missions are strongly and inversely associated with and compete for scarce organisational resources (Stevens, Moray, & Bruneel, 2015). Thus, more allocation of resources to the economic mission implies that fewer resources remain for the social mission (Stevens et al., 2015). Unbalanced management over a long time drives perceptions of low legitimacy, even if SEs attempt to remain adaptable to various stakeholders (Ebrahim et al., 2014; Smith et al., 2013), putting SEs in a continuously precarious and difficult situation to build up their legitimacy.

Since organisational legitimacy is necessary for organisational performance, SEs might try to achieve legitimacy by identifying with legitimate institutions or individuals. However, partnerships are not easily accessible to SEs; for instance,



private business firms usually do not recognise them as legitimate partners (Gupta et al., 2020). SEs may also conform to the business-like norm of organising, a strategy that Kwong et al. (2017) found detrimental to the SEs' dual mission. They explain that the differences between the demands of resource providers and the needs of customer beneficiaries will likely constrain the SE's autonomy to choose the direction of its operations and which developmental route to take.

However, the autonomy to freely allocate resources is an essential organisational element for SEs. The organisational routines needed to accomplish social goals differ from those needed to achieve economic goals, and combining them in the day-to-day operation is challenging (Stevens et al., 2015). This is apparent in the example of Unilever's acquisition of Ben and Jerry's. To guarantee autonomy, the founders negotiated for an independent subsidiary to safeguard their decision's autonomy to attend to both missions (Besharov et al., 2019). Research has acknowledged the importance of decision-making autonomy in resolving tensions that possibly emerge from the conflicting demands associated with social and economic missions (Kwong et al., 2017). Thus, autonomy is essential in shaping strategies to manage these tensions (Joy, Poonamallee, & Scillitoe, 2021; Kwong et al., 2017). From this perspective, it has been argued that for SEs, the issue of autonomy to attend to dual missions is crucial in resolving tensions, affecting their performance (Stevens et al., 2015) because the managerial interpretations of the external environmental issues, particularly in small enterprises, significantly influence strategies (Van Gelderen & Jansen, 2006). Therefore, regarding SEs, which are usually small, an autonomous management team will likely exert control over organisational decisions and is thus influential in reserving the dual organisational social and economic character.

Resource constraint on SEs drives them to search for mechanisms that appreciate their norm of autonomy (Serres et al., 2022). For example, researchers report that to protect autonomy, some SEs self-finance their operations to avoid depending on funders (Battilana & Dorado, 2010). However, relying on a smaller resource base to operate hinders growth potential (Kwong et al., 2017). Communicating non-negotiable values between resource providers and SEs creates cultural barriers (Lehner, 2014) and tensions that jeopardise the enterprise's performance. Aiming to become self-sufficient and moving away from reliance on conventional resource providers is a long-sought-after strategy by SEs (Battilana & Casciaro, 2021).

SEs' practices to gain legitimacy and autonomy are critical levers for their performance. Legitimate organisations are considered understandable (they make sense), reliable, and less likely to fail, enabling partnerships on more favourable terms. SEs attempt to manage external resource tensions as their implications on organisational legitimacy and autonomy create conflicting pressures that can evolve and become incongruent with their multidimensional performance (Balser & McClusky, 2005). Thus, SEs are required to identify and accommodate interest-

seeking and active organisational strategies to improve performance, organisational autonomy, and legitimacy (Oliver, 1991b; Siwale, Kimmitt, & Amankwah-Amoah, 2021).

However, previous literature predicts that SEs will experience unique challenges in pursuing these strategies due to their unusual positioning relative to existing fields (Kwong et al., 2017; Savarese, Huybrechts, & Hudon, 2021). Recent empirical studies focus less on how SEs may be sustainably overcome while combining the business and NPO goals (Battilana & Lee, 2014). Overall, perhaps the most important external relationship for SEs is with providers of financial capital (Battilana & Lee, 2014). Because SEs combine the business and charity forms at their core, they face potential disadvantages in appealing to these audiences. RippleWorks, a private foundation that supports social entrepreneurs in emerging markets, asked 628 social entrepreneurs from around the world about the most essential barriers to performance. Almost half (48%) said raising funds was “very” or “extremely” challenging (Doherty & Pulido, 2016). In an environment dense with competing organisations on funds while following a non-uniform and difficult-to-understand business model, lack of early-stage capital remains the biggest challenge to the effectiveness of the SE sector (Doherty & Pulido, 2016; Schätzlein et al., 2022).

Against this backdrop, SEs tend to explore situations that reveal differences in expectations between organisations and constituents that impose less pressure and align with their purposes (Oliver, 1991b). In other words, SEs tend to seek and plan to acquire financial resources that are more stable, accessible, and munificent, and, most importantly, recognise their legitimacy and preserve the value of their autonomy as a central element of their identity and antecedents of improved performance (Mswaka, Aluko, Hussein, Teodósio, & Cai, 2022; Schätzlein et al., 2022). However, an organisation need not gain approval and legitimacy from all members of a certain field to survive, meaning one category of participants suffices to confer legitimacy and secure the organisation’s survival if it agrees to provide the needed resources, which, in this study, are financial. While typologies articulate different approaches to hybridisation, the arrangements by which these approaches may be achieved remain largely unspecified; for an exception, see Smith and Besharov (2019). One possible strategy for this economic uncertainty is crowdfunding (Mollick, 2014; Pollack, Maula, Allison, Renko, & Günther, 2021; Short, Ketchen Jr, McKenny, Allison, & Ireland, 2017). Recent technological advances and regulatory changes empower and facilitate the development of crowdfunding (von Briel et al., 2018). The next section discusses crowdfunding as a logical step for SEs, which may offer an appropriate answer to their financing needs while allowing them to sustain their hybridity over time (Lehner, 2016; Renko et al., 2019).

## 2.3 Social enterprise and resource acquisition

External resource tensions are salient in SEs' operations because their hybridisation is idiosyncratic (Battilana & Lee, 2014). Combining developmental and economic goals confuses investors and banks who might view the enterprise as a risky investment (Lehner, 2013). To recall, SEs' business models are difficult to understand and are considered contradictory models that bring together distinct and incompatible elements (Pache & Santos, 2013a). Measuring social value is another challenge for the SEs, as it complicates the organisation's evaluation process, making getting investment difficult (Hertel et al., 2022; Ismail & Johnson, 2021; Rawhouser et al., 2019). To provide financial resources, financiers may demand certain actions from SEs that do not align with their dual mission. Thus, depending on traditional financiers might create problems of uncertainty which organisations tend to inevitably cope with and offset by restructuring their operations, wasting considerable time and resources to satisfy the resource-controlling referent (Austin et al., 2006). Murphy, Pollack, Nagy, Rutherford, and Coombes (2019) found that successful SEs developed an operation and mindset to balance economic and developmental value creation. However, the authors also demonstrated that even for successful SEs, resource providers remain hesitant to invest in them, claiming that the time and effort to balance multiple goals are better devoted to innovation and growth projections.

Moreover, SEs' focus on multidimensional performance puts them in more precarious situations than traditional profit and non-profit organisations (Ciambotti & Pedrini, 2021). Resource constraints are amplified for SEs as they usually operate in resource-scarce environments; when resources are available, their quality is generally low, while the acquisition cost is high (Stevens et al., 2015). SEs seek and implement creative approaches to resource acquisition and management while creating developmental and economic value (Dees, 1998). Thus, SEs encourage like-minded actors' participation to leverage the acquisition of new resources and support. More specifically, SEs establish partnerships with external stakeholders interested in the same developmental goals (Ciambotti & Pedrini, 2021).

An example of extending the repertoire of effective practices used to harvest resources is crowdfunding (Pollack et al., 2021; Renko et al., 2019). Multiple crowdfunding operational models exist (Mitra, Janssen, Hermans, & Kickul, 2022; Short et al., 2017), the most salient being the donations-based, reward-based, equity-based, and peer-to-peer lending models. These models differ in their relationship with the funders. For instance, the donation-based model is a charitable model; participants expect no direct return for their donations. In an equity-based model, funders are treated as investors and get equity stakes. For SEs, searching for alternative sources of financial resources with the least-constraining device is necessary, allowing them to minimise dependence, strengthen their legitimacy,

maximise decision autonomy, and improve performance (AbouAssi, 2015). For example, Ebrahim et al. (2014) argue that SEs will partner with private foundation funders over mezzanine investors because the first is most likely aligned with the social mission and would not request decision rights. Thus, although everyday decisions are provisional (Stevens et al., 2015), SEs management strategically looks for potential funders who are aligned or request no decision rights. This can be guided by the need for autonomy and stewardship over decisions that are essential to SEs to protect and pursue their dual mission (Smith & Besharov, 2019). This selective partnership allows SEs to fully exercise the freedom to allocate and execute the usage of their resources to attend to their dual mission. Therefore, this research focuses on reward-based crowdfunding (RBCF) as the most adequate fundraising model for the nature of SEs, as it offers the least constraining crowdfunding arrangements compared to other models and can provide additional resources such as legitimacy and autonomy.

More specifically, RBCF adequacy as the least constraining crowdfunding model stems from the non-ownership alliance with the crowd (Santos & Eisenhardt, 2005). Community building and behaviour are defining features of RBCF (Hassna, 2022), where most of the received investments focus on developing a better environment for community management (Zhao & Ryu, 2020). These features are vital in creating legitimacy and power for enterprises and are crucial in co-creation and marketing/validation. RBCF is also unique in female participation (both as fundraisers and funders) which is important to women social entrepreneurs who represent a high percentage of SEs' founders (Battilana, 2018). Moreover, RBCF follows a universal legal framework since there are no specific regulations more than those for e-commerce platforms. Accordingly, RBCF has the largest crowds' border inflow contributions among all crowdfunding models (Shneor, Zhao, & Flåten, 2020).

Although the donation-based model provides a similar alliance, SEs are less represented on these crowdfunding platforms which are dominated by individuals seeking medical or educational support (Pollack et al., 2021; Vismara, 2018). Moreover, even if SEs exist on these platforms, the economic nature is underrepresented; hence, the organisational elements (e.g. autonomy, legitimacy) are doubtfully achievable (Zhao & Ryu, 2020; Zhao & Shneor, 2020). Moreover, most donation-based platforms are more philanthropic than entrepreneurial in nature (Pollack et al., 2021). In particular, the motivation might be driven by, for example, religious atonement of sins or obligations (Zakat), which does not enable performing outcomes (Shepherd, Souitaris, & Gruber, 2021; Shepherd, Wennberg, Suddaby, & Wiklund, 2019). Most of the practice frameworks, such as the European Crowdfunding Association, the Cambridge Report of Alternative Finance, and other practice-oriented publications advise against the donation-based model for

organisations (Shneor, 2020; Zhao & Li, 2020; Ziegler et al., 2021). However, the legal framework of donations-based models is a major obstacle and limitation for for-profit and hybrid SEs, as only non-profits are authorised to elicit money from the public.

Donations on lending-based platforms follow an automatic matching algorithm linking lenders to borrowers based on credit score, rating, and risk assessment (Shneor et al., 2020). Moreover, most lenders on lending-based platforms are institutional investors (e.g. banks, pension funds, mutual funds, asset management firms, family offices) motivated by profit. The lack of prosocial motivation and automatic matching based on profit do not allow community-based values and behaviour to exist. In that sense, lending-based models (balance sheet business lending, P2P consumer lending, invoice trading model) are, despite their importance, ways for the new FinTech to compete with banks (Ziegler & Shneor, 2020). As such, they represent an extension of the current banking markets with less restrictive policies/conditions.

Equity-based models constrain autonomy and are dominated by venture capital, which derives from profit and the belief that a cause has no significant role in the process (Cholakova & Clarysse, 2015). Since the motivation is purely financial, it is unsurprising that the acceptance rate of equity-based crowdfunding is meagre (Vismara, 2018) and that due diligence follows procedures similar to banks, if not stricter. Furthermore, each campaign is limited to a certain number of investors by both law and the share offered by the owners, limiting the access of private individuals to participate in funding (Lukkarinen, 2020). The legal form remains a major barrier as it is constrained by domestic regulations affecting the inflow and outflow of capital (Ziegler et al., 2021). Therefore, the equity-based model does not fully capture the power of the crowd (Vismara, 2018). Moreover, the equity-based model might exist upstream at the performing stage, which does not correspond to the co-creation and co-organisation goals of new and small SEs (Shepherd et al., 2021). Thus, equity-based crowdfunding hardly matches the nature and needs of SEs.

Against the above background, RBCF matches the requirements of SEs well. RBCF is “the efforts by entrepreneurial individuals and groups—cultural, social, and for-profit—to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries” (Mollick, 2014, p. 2) *and* funders are pro-socially motivated and “incentivised through the offer of a range of material (non-financial) rewards proportionate to the value of their contributions, including simple ‘thank-you’ notes, baseball caps, DVDs etc.” (Cox et al., 2018, p. 2). However, these rewards are only distributed after the campaigns end—typically between 30 to 90 days. Because campaigns end at the end of the period and not when the capital goal is reached,

campaigns can lead to raising funds exceeding the initially planned capital goal. The rewards structure is unique to reward-based models, and the platforms offer tools to set up various rewards levels and tools to collect names, addresses, sizes, and preferences from backers to deliver the promised rewards (Walthoff-Borm, Vanacker, & Collewaert, 2018), giving reward-based crowdfunded SEs an advanced list of the participants. RBCF platforms might or might not choose to receive a commission on the final crowdfunded amount. Therefore, the RBCF model and SEs are well aligned, as crowd contributors typically look at the enterprise's ideas and core values rather than physical assets or collateral (Lehner, 2014). SEs may use RBCF when they have new projects or an ongoing business (Beaulieu, Sarker, & Sarker, 2015).

RBCF is a natural extension of ongoing financing trends that can remove or mitigate the financial constraints on SEs while retaining their governance (Lehner, 2013; Schätzlein et al., 2022). RBCF allows SEs to seek funds beyond the traditional funding channels, such as venture capitalists, angel investors, banks, and informal investments from family and friends (Beaulieu et al., 2015). It is the largest regarding the range of capital goals and individual contributions (Beaulieu et al., 2015). SEs participating in RBCF campaigns focus on the importance of active choice behaviours that organisations should use to manipulate external dependencies or influence allocating or sourcing critical resources (Lehner, 2014). Therefore, crowdfunded SEs are practically exempted from the influence of references (banks, venture capital funds, etc.). Instead, they consciously and innovatively implement social and commercial elements by creating an alliance with the crowd, signalling success and power (Lehner, 2014). Hence, RBCF is seen in this study as a strategic non-contractual management formation that SEs can follow to achieve legitimacy, gain more autonomy in decision-making, and improve their performance.

### 3 Theoretical background and hypotheses development

Recent literature on SE focuses on how its complex environment affects its behaviour using, primarily, institutional logic (Battilana & Dorado, 2010; Pache & Santos, 2021; Pache & Thornton, 2020). Institutional theory focuses on conforming to the rules of the game (Oliver, 1991b)—the reward/payoff structure in the economy (Baumol, 1996). The theory explains institutional isomorphism by defining a framework for how and why organisations look more alike than different in a certain sphere of activity. Accordingly, institutional theory underpins the importance of appropriateness to the social and cultural dimensions within the environment. However, SEs are different kinds of organisations that do not follow institutionalised expectations and primarily aim to transform the socioeconomic and political environments for their customers-beneficiaries (Alvord et al., 2004; Austin et al., 2006; McMullen & Bergman Jr, 2017). This implies a two-directional relationship between the enterprise and its environment where the enterprise is not only influenced by its external environment but actively attempts to create an environment that is better for its interests (Austin et al., 2006). As such, SEs systematically vary among different contexts as they depend on the space-time context and vary across geography and communities. Thus, whereas institutional arrangements may be a driving force behind some demands, we should not assume this applies uniformly across the SE's issues and contexts (Dufays, 2016).

Moreover, institutional theory, “originally used to explain the constraining influence of institutional structures on human behavior” (Aldrich, 2010, p. 330), might not provide “all the right tools for micro-level insights into new venture creation” (Davidsson et al., 2020, p. 59). Put differently, SEs navigate distinct institutional domains, particularly through their commercial and social goals and activities toward the stakeholders to whom they are accountable. These stakeholders can carry conflicting and competing goals that foster conflict and contestation. Consequently, adhering to prescriptions from different domains without drifting too much toward a particular direction is challenging and jeopardises the legitimacy expected from a group of stakeholders (Mair, Mayer, & Lutz, 2015), making survival difficult (Smith & Besharov, 2019). This necessitates a theoretical lens on the

organisational level to understand and make sense of strategic choices on how SEs might overcome these challenges (Mair et al., 2015). Whereas navigating competing institutional arrangements create uncertainty at the organisational level, conceptualising how SEs respond to diffuse, absorb, or co-opt this uncertainty on the focal organisation level might offer a more precise picture (Pache & Thornton, 2020).

Against the above backdrop, to study and understand SEs in their context, the theoretical lens needs to explain SEs as a focal unit of analysis rather than the organisational field. Moreover, the theoretical foundations are required to embrace a perspective that goes beyond logics as rules-of-the-game within the organisational field, as institutional theory explains (Wry, Cobb, & Aldrich, 2013; Wry & Durand, 2020). In doing so, we would better understand how SEs might maintain commitments to multiple identities, forms, or domains, which, in turn, can increase organisational legitimacy and autonomy against external constituencies who hold competing expectations as an important antecedent for improved performance.

### 3.1 Resource dependence theory

When multiple conflicting objectives are associated with varying types of stakeholders, the theoretical model suggests that of resource dependence nature (Scott & Davis, 2015). The challenge of establishing organisational legitimacy and autonomy as prerequisites to organisational performance (AbouAssi, 2015) are consistent with the motivational bases of resource dependence theory (RDT). As resource dependence and provision is critical for entrepreneurial enterprises, RDT logic holds up most consistently with their efforts to adapt to, influence, or choose among different environments (Daily, McDougall, Covin, & Dalton, 2002; Katila, Rosenberger, & Eisenhardt, 2008).

Organisations do not originate independently of the external environment but are products of a prevailing social context (Battilana & Lee, 2014). RDT is an open system and macro-level theory that recognises the influence of the external environment on organisational behaviour (Pfeffer, 2005; Pfeffer & Salancik, 1978, 2003). Organisations in RDT are constrained by their context (Davis & Cobb, 2010; Scott & Davis, 2015; Wry et al., 2013); thus, these organisations must break or avoid these contextual constraints to access and acquire the needed resources (Hillman, Withers, & Collins, 2009). Therefore, organisations will seek measures and strategies to facilitate resource acquisition (Davis & Cobb, 2010). RDT's two fundamental premises to stabilise relations with resource providers are, *firstly*, that organisations will strive to enhance their autonomy in their decision-making (Oliver, 1991a), and *secondly*, organisations will create "highly visible linkages with reputed outsiders" (Drees & Heugens, 2013, p. 1688). Representing these connections to



legitimate organisations, institutions, individuals, or society confirms the legitimacy of the focal organisation, which in effect confirms the value and worth of the focal organisation. Autonomy and legitimacy are, in turn, act as important levers of the organisational performance (Drees & Heugens, 2013; Oliver, 1991b).

Accordingly, RDT specifies physical resources (materials and money), technical resources (knowledge, innovation, and information), and social resources (legitimacy) as the resources organisations need to secure successful operations (Pfeffer & Salancik, 1978, 2003; Wry et al., 2013). Such resources are essential for continuing an organisation's operations and viability and their importance depend on the extent to which other organisations have discretion in allocating them and determining whether there are alternative resources providers (AbouAssi, 2015). This dependence might adversely affect organisational performance (Gulati & Sytch, 2007). Thus, the organisation may explore and arrange strategies to either conform to (the institutional theory position) or alter these dependence relationships (Vestrum & Rasmussen, 2013). RDT focuses on the latter strategies characterised by active behaviour through which organisations can influence external dependences and, thus, the allocation of resources (physical, monetary, knowledge, social) (Oliver, 1991b; Wry et al., 2013).

RDT offers multiple organisational arrangements to manage or avoid the problems of interdependence (Hillman et al., 2009; Ozturk, 2020; Pfeffer, 1982; Pfeffer & Salancik, 1978). One strategy is merger and acquisition—an absorption response through vertical integration (backward/forward), horizontal expansion, or diversification/conglomeration (Hillman et al., 2009). When a merger is unfeasible, organisations tend to negotiate their environments through inter-firm non-contractual/non-ownership and coordinated linkages, for instance, normative coordination, inter-firm linkages (joint ventures and co-optation), and organised coordination (trade associations and cartels). When uncertainty is the greatest and interfirm arrangements are unfeasible, political, administrative, and regulative environments increase, and organisations, despite the difficulty, might seek political solutions to create new environments to control interdependence. However, in their actions, organisations must not challenge their legitimacy through their activities. Organisations are in continuous active negotiations to align or change the external environment. Most of the work on RDT focused almost exclusively on these strategies by testing or adding to the repertoire of tactics (Hillman et al., 2009). This focus has disconnected research on RDT from really engaging with RDT's unique theoretical claims as a theory of environmental complexity. RDT's most distinctive insight is its nuances concerning the external environment, which might offer a set of analytic tools to understand the environmental complexity of contemporary and new forms of organisation (Wry et al., 2013). An example of this new form of organising is hybrid organisations, which are conceptualised and studied through

SEs in this study (Battilana & Lee, 2014). To remain true to their mission, SEs do not take pressures and expectations as given constant constraints to obey or defy but actively engage with the environment to define, alter, or even create a new set of norms and values. These strategies are intended to influence resource allocation, as well as increase confidence in their business model, their autonomy over decision-making, and their legitimacy as important antecedents to performance (Mair & Marti, 2009; McMullen & Bergman Jr, 2017; Wry et al., 2013).

Moreover, organisational environments are not given but created by attention and interpretation. Thus, organisations construct their realities, which are affected by filtering the available information or the ignorance of what might affect the organisation (Pfeffer & Salancik, 1978, 2003). Thus, to know the environment, RDT differentiates among three levels of the environment (Pfeffer & Salancik, 1978, 2003). The level one environment is the complete system of interconnected actors:—both individuals and organisations. The level two environment is the focal organisation's first-tier organisations with which it directly transacts. However, for the focal organisation to change behaviour, it must register and represent the environment (Pfeffer, 1982), which is why levels one and two do not directly affect the focal organisation actions but can affect the outcomes. What concerns this study is level three. Registration happens at the level three environment—the enacted environment and focus of the theory<sup>2</sup> (Pfeffer, 1982; Pfeffer & Salancik, 1978, 2003; Wry et al., 2013). At level three, the organisation's level of observation, attention, perception, and representation of the external constraints greatly influence the focal organisation's decision-making (Pfeffer & Salancik, 1978, 2003). RDT's conceptualisation of the level three environment relies heavily on the theory of enactment first discussed by Weick (2015), meaning managers selectively interpret the external environment where the organisation operates. They scan the relevant external environment for opportunities and threats and attempt to avoid or break their dependence on them (Fink et al., 2006; Scott & Davis, 2015; Wry et al., 2013). Particularly, managers navigate an environment that is more stable, legitimate, and accessible whenever contingencies arise. This conceptualisation is important as it differentiates between firm-specific vs field-level uncertainties. The lower level of analysis of RDT, which focuses on focal organisation, permits a faster understanding of the environmental constraints and allows bottom-up analyses of that environment (Pfeffer, 1982; Wry et al., 2013).

Moreover, RDT conceptualises managers, besides their symbolic role<sup>3</sup>, as the compass to guide the organisation in manipulating the environment (Pfeffer, 1982).

<sup>2</sup> For operationalisation, see Aldrich (1979) and Dess and Beard (1985).

<sup>3</sup> Firing them during crises or celebrating them to symbolise control, effectiveness, and legitimacy.

The rationale is that constraints are not predestined and irreversible but removable if organising the social support and resources sufficient to remove them is possible (Pfeffer, 1982). Thus, managers are those who enact the environment and consequently seek to create or find a more favourable one. This external orientation (of managers) is crucial to guide the understanding of interdependence in the environment and act accordingly—hopefully in the right direction.

Against the above backdrop, RDT can essentially explain, *firstly*, patterns of organisational responsiveness to external demands and pressures, and *secondly*, organisational performance (Boyd, 1990; Drees & Heugens, 2013; Oliver, 1991b; Scott & Davis, 2015). However, researchers should continually evaluate the implications of organisational arrangements on organisational performance. Such assessment should confirm if the arrangements directly influence organisational performance or through the mediation effects of increased organisational autonomy and legitimacy (Drees & Heugens, 2013).

The appropriateness of RDT for this study comes from its focus on the individual and organisational level of analysis. RDT is an open system theory that follows a bottom-up approach to analysing the complexity of the environment. RDT takes a certain behaviour as the analytic starting point (Wry et al., 2013), which justifies certain behaviour. However, this behaviour can be changed when new contingencies arise (Pfeffer, 1982). This continuous observation and attention to the environmental characteristics and constraints and bottom-up actions characterised by embeddedness in local communities (Mair & Marti, 2006; Vedula et al., 2022) are key to the SE's success. In RDT, the organisational field is divided into sub-logics that speak to the focal organisation; the organisation can then make the needed arrangement to secure vital resources over a short time frame. More concretely, “Logics provides a tool that can help us to understand how different groups define and frame their interests in symbolic terms, but RDT sensitises researchers to go beyond this to consider the more direct causal pathways which link these interests to organizational action” (Wry et al., 2013, pp. 467–468), a rationale that matches well with SEs' characteristics and missions.

Overall, RDT emphasises the importance of resisting external demands and tirelessly trying to shape the environment to serve the focal organisation's interests (Pfeffer, 1982). The organisation's behaviour is argued to be directly linked to a positive organisational outcome, such as greater prestige, social validity, reputation, legitimacy, more resources, and more decision-making autonomy to ensure the organisation's survival (Drees & Heugens, 2013). Thus, the organisation focuses on resistance, activeness, and political manipulation to achieve autonomy, legitimacy, and better performance (Oliver, 1991b). Therefore, RDT can explain the SE as an organisation that depends on the space-time context to define its activities, varies across geography and communities (Sutter et al., 2019), and inevitably faces

resistance from local institutions (Alvord et al., 2004; Mair & Marti, 2009; Young, 2006).

Next, the logic of RDT is applied to crowdfunded SEs to develop this study's hypotheses and conceptual model. In this study, RDT is applied to understand how SEs use reward-based crowdfunding as a resource acquisition strategy that fits their capabilities to attain legitimacy, increase autonomy, and ultimately improve performance.

## 3.2 Hypothesis development

### 3.2.1 Reward-based crowdfunding and social enterprise's performance

Organisations are self-driven and consistently seek to improve their performance through different organisational arrangements that stabilise the relationship with resource providers (Oliver, 1991b). Organisations seek to reduce uncertainty by adjusting their business model to cope with market resource dependence and provision (Pfeffer & Salancik, 1978, 2003). SEs that successfully raised money through RBCF platforms reveal that their business models convinced the crowd as potential customers and validated the market's existence. Accordingly, the crowd plays a bigger role than just giving access to funds (Gupta et al., 2020; Lehner, 2014; von Briel et al., 2018). As such, the high rationality of crowdfunding platforms allows SEs to substitute traditional funding sources and market research with numerous users supporting and commenting on campaigns. Moreover, crowdfunding platforms help campaigners provide a broader set of resources besides financial resources (von Briel et al., 2018). For example, the reward-based crowd might give access to technical resources like testing early prototypes, translating texts (Belleflamme, Lambert, & Schwienbacher, 2014), marketing (Lehner, 2014), serving at events (Brabham, 2008), and solving technical and logistics problems (Lehner, Grabmann, & Ennsgraber, 2015). This interaction with the crowd enhances the focal organisation's opportunities for learning, innovation, and launching new products without requiring significant resources (Ahuja, 2000; Gulati, 1998).

RBCF platforms provide a floor for exchanging information and interacting among all parties. Walthoff-Borm et al. (2018) found that RBCF allows this exchange to occur in a short period and involves the experiences of a broad and diverse crowd, making for a more fruitful exchange than non-crowdfunded enterprises. RBCF supporters believe in the cause of the SEs and share the same empathy and beliefs. Thus, supporters actively participate in developing the enterprise (Stanko & Henard, 2017). For example, Lehner (2014) found that crowdfunding's benefits may reach beyond financial resources, and social

entrepreneurs may receive access to a free consultation or more physical resources, such as premises, to start the operation. Some enterprises might even offer some experienced supporters advisory positions (Walthoff-Borm et al., 2018). When the platforms are less specific about the kind of allowable support or when an indirect channel of communication with SEs is started, the crowd provides a broader set of resources beyond funding (von Briel et al., 2018).

Moreover, the campaigners (SEs) use the crowd to obtain ideas, feedback, and solutions for technical issues (Walthoff-Borm et al., 2018). This feedback represents wisdom-of-crowds as a form of collective intelligence and crowdsourcing, enabling early validation and testing of the product or service (Frydrych, Bock, Kinder, & Koeck, 2014; Surowiecki, 2004; Walthoff-Borm et al., 2018). Kozinets, Hemetsberger, and Schau (2008) suggest that knowledge exchange between active members in online communities might create collective innovation. The importance of the wisdom of crowds in crowdfunding echoes a long tradition in marketing and innovation management literature (Prahalad & Ramaswamy, 2004; Stanko & Henard, 2017), emphasising the value of customer feedback and the importance of customer participation in developing products and services by incorporating customer preferences into new products or services. These networking activities between small and medium enterprises and their stakeholders positively impact innovation success, typically leading to the company's success (Eggers, Niemand, Filser, Kraus, & Berchtold, 2020). Early engagement with the customer as external knowledge is especially germane for SEs to overcome their liabilities of newness and smallness as it works as a catalyst for the enterprise's innovation (Chang & Taylor, 2016; Rogers, 2004).

While traditional means of finance try to reduce risk and increase the chances of success by imposing constraints on organisations, some SEs prefer the relative freedom of RBCF (Stanko & Henard, 2017). Through RBCF, they can freely decide on the direction of the work, which development route to take (Gerber & Hui, 2013) to execute their project following their vision (Hunter, 2015), and the ability to enforce the necessary strategical changes to support the chances of entrepreneurial innovation success following the crowd's feedback (Walthoff-Borm et al., 2018). Backers are expected to have updates on the product development process through ongoing updates and can directly contact the entrepreneurs (Agrawal, Catalini, & Goldfarb, 2014). Moreover, the entrepreneurs have the contacts of the backers provided by RBCF platforms to distribute rewards to them. This communication channel represents a potential source of knowledge exchange, making RBCF a potential source of learning and innovation (Stanko & Henard, 2017). These external resources of knowledge and interaction with already passionate supporters increase the capability of the enterprise to realise innovations and help develop and execute new ideas (Eggers et al., 2020).

Introducing a product, service, business model, process, or creating a new market to the SEs communities are all forms of innovation (Shantz, Kistruck, & Zietsma, 2018, p. 416). Therefore, this study assumes that processes focusing on improving these different forms of innovation would highly likely improve the outcome, meaning the frequency of interaction with the external contacts (the crowd) positively affects the innovation output (Gemünden, Heydebreck, & Herden, 1992), improving the enterprise's innovation performance. Accordingly, the RBCF activity is assumed to enhance the post-campaign organisational innovation performance of SEs. Hence, the following is hypothesised:

**Hypothesis 1a:** SE's reward-based crowdfunding resource acquisition positively correlates with its innovation performance.

The content of the RBCF campaign influences investment decision-making, positively influencing successful fundraising (Pollack et al., 2021). This includes the project description and business plan (Zheng, Li, Wu, & Xu, 2014), number of images (Huang, Chen, & Li, 2015), amount of visual information (Colombo, Franzoni, & Rossi-Lamastra, 2015), and the relationship between the enterprise and the crowd (Huang et al., 2015). The rich interaction between SE and like-minded funders on RBCF platforms creates a sense of community (Lehner, 2014; Lumpkin et al., 2018). This community behaviour strongly indicates the project's value and the financial performance of the reward-based, crowdfunded SEs (Chen, Zhang, Yan, & Jin, 2020).

SEs that raise money through RBCF demonstrate their success in raising the needed funds—an important indicator of the project's value (Mollick, 2014). In this sense, they demonstrate popularity that draws attention to the project and drives financing progress (Crogan & Kinsley, 2012). This popularity influences the behaviours of subsequent funders and creates a herding behaviour (Lehner, 2014; Liu, Brass, & Chen, 2014). The herding behaviour in the financial literature (Litimi, BenSaïda, & Bouraoui, 2016), where individuals tend to imitate others in their investment decisions, significantly and positively impacts an organisation's financial performance (Chen et al., 2020). Moreover, this behaviour could result in a better post-campaign financial performance as the founder's backing history significantly influenced the subsequent financial outcomes (Gleasure & Morgan, 2018; Walthoff-Borm et al., 2018).

Projects that survive the wisdom and scrutiny of the crowd and successfully raise reward-based funds may show positive financial performance after the campaign ends because the crowd selects enterprises with greater financial and innovative potential that could result in better post-campaign financial performance. This is consistent with Mollick and Nanda's (2016) results, which demonstrate that the wisdom of crowds in RBCF is essential in driving financing progress.

Schwienbacher and Larralde (2012) suggest that an enthusiastic crowd can voluntarily promote the company to others, facilitating and catalysing commercialisation. Also, Marom, Swart, and Grell (2015) showed that various campaigns solicited the crowd for feedback on marketing and appropriate pricing strategies to ensure timely and successful commercialisation, which can lead to positive post-campaign financial performance.

Moreover, the alliance with the crowd frees the SE from the need for the shareholders' approval process, which is usually lengthy and complex. Therefore, the SE does not need to follow activities such as elections or approvals on processes such as recapitalisation, sales of assets, mergers/alliances, or partnerships with other organisations. The concentrated governance structure following the reward-based financing arrangement improves the financial performance of reward-based crowdfunded SEs by reducing the adverse effects of agency conflicts—fewer decision-makers—and high coordination costs associated with a dispersed direct ownership structure (Walthoff-Borm et al., 2018).

From the above, this study posits that accessing financial resources through the RBCF model will positively influence the post-campaign financial performance of the SE. Accordingly, the following is hypothesised:

**Hypothesis 1b:** SE's reward-based crowdfunding resource acquisition positively correlates with its financial performance.

The interaction between the crowd and SEs in a high-engagement setting facilitated by RBCF platforms brings further endorsements. SEs, in return, feel a great deal of responsibility toward achieving the social cause they promised their funders (Hunter, 2015). However, the non-binding alliance with the crowd gives the SE's management more control, governance, and concentrated ownership (Brabham, 2013). This concentrated ownership allows reward-based crowdfunded SEs to enjoy an efficient monitoring process because the decision-making process is easier following a higher ownership concentration (Walthoff-Borm et al., 2018). This high level of control is associated with lower conflict on where, how, to/from whom, and at what price the developmental (social/environmental) product/service will be delivered (Dharwadkar, George, & Brandes, 2000; Hunter, 2015; McMullen, 2011; McMullen & Bergman Jr, 2017).

The consequence of the SEs' attempt to remove or lessen the environmental pressures and demands through RBCF might render SEs socially accepted, more flexible, innovative, and more adaptive to contingencies. They enjoy discretion for future control of the decision-making process (Ciambotti & Pedrini, 2021). They also feel a strong connection with their crowd community who supported them—a community that 'cannot be let down' (Hunter, 2015, p. 274). RBCF enables SEs to withdraw from depending on one foundation or grant with specific restrictions. The

nature of RBCF imposes less potential that SEs will be pressured to change their operational model to fit the expectations of how to organise. Subsequently, crowd-funded SEs will be able, derived, and morally obliged and accountable to their community to remain true to their mission by attending to not only economic performance but social performance. Therefore, the following is hypothesised:

**Hypothesis 1c:** SE's reward-based crowdfunding resource acquisition positively correlates with its social performance.

### 3.2.2 The mediating role of legitimacy in social enterprise's performance

Like any other organisation, an SE is not self-sufficient and deals with other participants who, at their discretion, have the necessary materials to support it. This dependence might include access to monetary resources, the focus of this study, and one of the major constraints on SEs (Mswaka et al., 2022; Schätzlein et al., 2022). However, the organisation and its activities and outcomes must first be considered legitimate and valuable to the wider social system to engage in transactions. Stated differently, organisations must justify their right to exist to the actors of the larger system with their legitimate goals and value system to commit to interdependent relationships (Oliver, 1991b).

Legitimacy is a conferred status assessed by external evaluators against how well the organisation satisfies the criteria of the evaluators (Fisher, 2020). As such, external evaluators need to perceive the venture as legitimate to provide resources and support (Shepherd et al., 2021). Legitimacy is broadly defined as "... a social judgment of acceptance, appropriateness, and desirability, [that] enables organizations to access other resources needed to survive and grow" (Zimmerman & Zeitz, 2002, p. 41). Thus, a venture is considered legitimate when it is desirable, proper and fits within "...some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574). This means the enterprise must make sense and should be taken for granted (Pollack, Rutherford, & Nagy, 2012). Consequently, if organisational activities are legitimate for a sufficiently large number of participants, they will likely be economically viable. Organisational legitimacy is a resource and signal for subsequent faster resource acquisition that explains why some nascent acquisition activities succeed or fail (Besharov & Mitzineck, 2022; Stephan et al., 2016; Suchman, 1995). In sum, the lack of organisational legitimacy makes transactions with other actors difficult and hinders the early-stage development of entrepreneurial enterprises (Tornikoski & Newbert, 2007).



Legitimacy broadly refers to cognitive and socio-political legitimacy (Bitektine, Hill, Song, & Vandenberghe, 2020). Cognitive legitimacy is “[the] widely held beliefs and taken-for-granted assumptions” (Scott & Meyer, 1994, p. 81). Organisations are evaluated against their past history and how their history fits into a defined category, which the evaluator is aware of (Hannan & Freeman, 1984). The ambiguity in categorisation—how similar the organisation is to others—affects its legitimacy (Gehman & Grimes, 2017; Zimmerman & Zeitz, 2002). Hence, from the cognitive perspective, “Organizations are legitimate when they are understandable...rather than considering them desirable” (Shepherd & Zacharakis, 2003, p. 151). Socio-political legitimacy, on the other hand, is conferred when the focal organisation’s activities (performance, practices, and outcomes) are judged as appropriate within the societal social values, norms, laws, and regulations (Bitektine et al., 2020; Suchman, 1995). An organisation is benchmarked against contextual social norms and regulations (Bitektine et al., 2020); thus, its history plays a substantial role in the evaluation. The more the organisation meets the evaluators’ normative expectations, the more legitimate it is perceived (Bitektine et al., 2020).

RDT views legitimacy as a dynamic constraint on organisational behaviour that is more known when it is absent than when it is present (Pfeffer & Salancik, 1978, 2003). Particularly, RDT’s strategic approach to legitimacy views legitimacy as an operational resource that focal organisations try to obtain and competing organisations try to deny. Thus, the focal organisation will actively search for legitimisation strategies by assuming high level of managerial control over the legitimisation process. Because there is a great deal of diversity in a society’s values—this applies to its various subgroups, space, and points in time—the focal organisation does not need to be considered legitimate by a large segment of the society in which it operates; it only needs to fit the social values and norms of only one category or sector or make sense to a group of audiences (Drees & Heugens, 2013). Therefore, organisational managers’ initiatives can substantially affect how much organisational activities are considered desirable, proper, and appropriate within any given social context (Suchman, 1995). Here, managers try to find a friendly environment to attain legitimacy; when they fail, they will use strategies that include active resistance or defiance, manipulation, avoidance, compromise, and passive acquiescence (Oliver, 1991b). Therefore, these strategies are purposive and calculated (Deephouse & Suchman, 2008).

RDT’s strategic approach focuses on the focal organisational level of analysis and follows a bottom-up approach to legitimise their environment (Wry et al., 2013). Thus, a certain behaviour is required to achieve legitimacy—a dynamic constraint—as a starting point for justifying the behaviour. This behaviour can be changed when new contingencies arise, threatening the focal organisation’s legitimacy. This continuous attention to the social values and norms of the environment is central to

the ongoing legitimation of the focal organisation. However, these activities are only required within one sector, environment, or even a certain audience and not in the entire society (Pfeffer, 1982). For example, nascent ventures might build legitimacy strategically through managerial agency, engaging in strategic behaviours or using rhetoric and storytelling (Bolzani et al., 2020; Lounsbury & Glynn, 2001; Parhankangas & Renko, 2017). This approach is the most relevant to a managerial perspective because it “emphasizes the ways in which organizations instrumentally manipulate and deploy evocative symbols in order to garner societal support” (Suchman (1995, p. 572).

There are competing and conflicting demands between SEs and traditional financiers (Kickul & Lyons, 2015; Lehner, 2013). Managers of SEs must thus seek an environment that is more stable and readily available whenever contingencies occur and, above all, can give SE a legitimate status. Scott and Davis (2015) argue that when judging an organisation based on its non-traditional or new business model is difficult, one strategy to gain legitimacy through endorsement is to be affiliated with prominent outsiders. As such, access to RBCF may play to the strengths of SEs’ legitimacy (von Briel et al., 2018). Despite the relatively small contributions of the crowd, RBCF platforms permit the concentration of power and influence through an implicit coordinated action and for the individuals to collectively act as one. The platforms also provide the means for storytelling and public relations through a dispersed and heterogeneous network of funders (Frydrych et al., 2014), increasing organisational legitimacy (Gupta et al., 2020). Thus, RBCF platforms enable entrepreneurs to create videos, pictures, and texts to describe the business plan to continuously engage with the crowd (Mollick, 2014). Such media enhances a new venture’s legitimacy (Pollack et al., 2012). Verbal justification is mustered to convey a compelling story to provide approval for the organisation, hence conferring firm legitimacy (Kwak, Cheon, & Lee, 2016). The role of RBCF platforms includes providing a setting that encourages and facilitates the exchange of information and resources between social entrepreneurs and the crowd (Martens, Jennings, & Jennings, 2007). This allows entrepreneurs to use strategic tools—available on RBCF platforms—such as images, symbols, and language—to create a venture’s legitimacy (Fisher, Kuratko, Bloodgood, & Hornsby, 2017).

Alliances with the crowd are an important active choice behaviour that SEs can use to influence external audiences and allocate critical resources (Alvord et al., 2004). On RBCF platforms, the crowd endorses and supports the projects they consider potentially successful (Rubinton, 2011). In this respect, the crowd pre-finances a service or product without looking at the SE’s physical assets (Burtch, Ghose, & Watal, 2013) because the relationship between the enterprises and the funders (crowd) is based on the belief in the cause (Lehner, 2013; Lehner & Nicholls, 2014). In other words, the SE’s teams and the crowd share the same values and

norms, and the differences are defined only by values and beliefs. Consequently, reward-based campaigns enable SEs to communicate with like-minded communities (Fauchart & Gruber, 2011; Josefy, Dean, Albert, & Fitza, 2017; Lehner, 2013). This setting promotes social interaction, creates an opportunity for organised coordination (Pfeffer, 1982), and improves the ability to coordinate activities inside the community. This coordination increases ties, reduces uncertainty, promotes stability through exchanging information (Beckman, Haunschild, & Phillips, 2004), and, most importantly, gets a legitimate and trusted group of supporters to endorse crowdfunding projects. This community behaviour sends a strong signal to external actors about organisational legitimacy because the community, crowd, and backers, in our case, have already approved the entrepreneurial venture (Frydrych et al., 2014; Mollick, 2014). In effect, keeping one's options open by finding and maintaining alternatives (RBCF in this case) and drawing on the power of the crowd can change the profile of dependencies. The unity of perspective, the alignment between the crowd and the enterprise, and the ability to take collective action easily provide an essential source of power that signals legitimacy (Scott & Davis, 2015).

In their study, Fisher et al. (2017) identified that new venture legitimacy is built on identity and associate mechanisms through which entrepreneurs seek to gain legitimacy. Identity mechanisms comprise the stories, sense-giving, and analogies entrepreneurs use when discussing their ventures. The associative mechanism covers the relationships entrepreneurs build with their stakeholders. They also recognised the organisational mechanism concerning the achievement and milestones through which entrepreneurs can justify the venture's legitimacy. These mechanisms are relevant in RBCF, which can effectuate greater organisational legitimacy in three ways (Fisher et al., 2017). RBCF gives the entrepreneur the tools to utilise identity mechanisms through videos, pictures, and texts in describing the business plan while continuously engaging with the crowd. Moreover, RBCF helps the SEs access associative mechanisms characterised by the backers who pre-financed the enterprise. And finally, RBCF enables SEs' exploitation of organisational mechanisms characterised by achieving the capital goal or one of the tipping points to demonstrate the organisation's worthiness and acceptability to other external evaluators to gain legitimacy (Vedula et al., 2022). This attempt might enable SEs to change the definition and influence the standards of legitimacy they are evaluated by. Accordingly, the following is hypothesised:

**Hypothesis 2a:** An SE's reward-based crowdfunding resource acquisition positively correlates with its legitimacy.

Drees and Heugens (2013) suggest three arguments supporting the importance of legitimacy for organisational performance. *First*, resource providers prefer to partner with socially accepted organisations so as not to threaten their reputation

(Baum & Oliver, 1991). *Second*, legitimate focal organisations are considered rational as they conform to the institutionalised expectations of organisations that buttresses the resource providers' confidence in the focal organisation (Deephouse, 1999). *Third*, legitimate focal organisations are considered reliable (Meyer & Rowan, 1977), and less likely to fail, encouraging resource providers to connect with them. Also, SEs operate in highly personalised and vulnerable communities; thus, local fit is a mandatory condition for their continued operation. In sum, legitimate organisations are better at mobilising higher-quality resources at favourable terms (Heugens & Lander, 2009). Therefore, organisational legitimacy will likely enhance SE's performance.

**Hypothesis 2b:** The legitimacy of the reward-based crowd-funded SE positively correlates with its performance.

Consequently, the following mediating relationship is hypothesised:

**Hypothesis 2c:** The relationship between reward-based crowdfunding resource acquisition and performance is positively mediated by an SE's legitimacy.

### 3.2.3 The mediating role of autonomy in a social enterprise's performance

Organisations tend to be influenced by those who control the resources they require (Battilana & Lee, 2014). Regarding dependence on traditional financiers, SEs need to understand the strategy of following a for-profit path that helps the organisation carry out its immediate, legitimate activities. (Elsbach, 1994). However, trying to comply with the conflicting demands and the social and commercial referents over long periods exacerbates the conflict (Santos, 2012) and heightens the uncertainty, leading to goal-chaos results (Han & McKelvey, 2016; Santos, 2012). In particular, satisfying the diverse referents' expectations is difficult in the long run. However, despite the efforts to introduce for-profit business models, SEs are still less successful and struggle to access external financial resources (Lee, 2014; Lehner, 2016; Renko et al., 2019; Schätzlein et al., 2022). Compliance (Pache & Santos, 2010), while vital to maintain short-term stability, improves predictability, and probably increases confidence, can be a serious constraint in the long term and may not be the best strategy for the long-term interests of SEs. For example, eBay, at its inception, worked closely with its community and had a good balance between value creation and value capture. After accepting a conventional investment—venture capital—for scaling, eBay was demanded to focus on value capture; eventually, the founders, Jeff Skoll and Pierre Omidyar, had to leave (Santos, 2012). Therefore, the

willingness of SEs to adapt to the environment is limited by their mission, which is the reason for their creation, which (if not followed) may raise questions about their autonomy and control over creating and delivering social value.

Oliver (1991b) suggests that organisations are likelier to attend to the external demands and pressures from key resource holders. For SEs, favouring those they depend on financially will eventually lead to potential mission drift (Battilana & Lee, 2014). To forestall the prospective threats to autonomy and mission drift and remove some of the constraints and its admission to limited autonomy, SEs must manage these demands and conflicts to make compliance less necessary (Kwong et al., 2017). Financial constraints are similar to other environmental constraints, they are not predestined and are potentially removable when sufficient social support is organised to remove, break, or avoid them (Pfeffer & Salancik, 1978, 2003). A critical arrangement for the focal organisation to alter the external constraints and foster independence—thus, increasing decision autonomy—is by determining their own environment and making it more stable, accessible, and munificent (Oliver, 1991b; Pfeffer & Salancik, 1978, 2003). Establishing inter-organisational arrangements through less invasive types of inter-organisational links can achieve decision autonomy. These less invasive types can effectively mitigate resource dependence without creating mutual dependence because these non-ownership links are non-contractual and can be terminated without legal consequences (Santos & Eisenhardt, 2005). More concretely, SEs would search for “mechanisms [that] extend the organization’s sphere of influence without extending its legal boundaries” (Santos & Eisenhardt, 2005, p. 496).

Against the above rationalisation, how much SEs will respond to the demands and pressures from traditional financiers to change the business model depends on the extent SEs depend on their resources and the feasibility of accessing alternative ones (Battilana & Casciaro, 2021; Casciaro & Piskorski, 2005; Wry et al., 2013). To disequilibrate the asymmetrical exchange with resource providers, SEs utilise their ability to access financial resources through RBCF. Access to financial resources through RBCF is a non-ownership alliance and can be terminated without legal consequences. This kind of alliance (Santos & Eisenhardt, 2005) bolsters organisational autonomy to make its own decisions about using and allocating its resources (Hambrick, Finkelstein, Cho, & Jackson, 2004) without external interference (Oliver, 1991a). Non-ownership alliance with the crowd provides the SE’s managers more control, governance, and stewardship of the enterprise (Lehner, 2013) while keeping and reaping the benefits of engagement between the enterprise and the crowd. Altering the financial constraints gives the organisation’s management the freedom to make its own decisions about allocating and executing its resources without reference or pressure from potential external actors (Dyer & Singh, 1998). This autonomy increases SEs’ ability to experiment with new ideas

and solutions and force the necessary strategy changes supporting and strengthening the chances of the entrepreneurial process toward the dual mission (Lumpkin et al., 2009).

Crowdfunding processes (the preparatory stage, coordination with the social network, fundraising from the crowd) are perceived as democratic (Drury & Stott, 2011), as the crowd selects worthy and needed developmental ideas (Rubinton, 2011). This democratic process builds up a good reputation and prestige for the SE, enabling greater evaluation of the enterprise (Khoury, Junkunc, & Deeds, 2013), bringing a higher acceptance and attractiveness, and helping with access to other resources such as materials and workforces (Lehner, 2013). Thus, RBCF can benefit SEs beyond funding (Meuleman, Amess, Wright, & Scholes, 2009).

Therefore, RBCF offers SEs freedom over resource allocation. Like non-ownership alliances, reward-based crowdfunding provides heterogeneous resource providers, bolstering the SEs' autonomy. Reward-based crowdfunded SEs have more freedom to decide on the direction of the work, which development route to take (Gerber & Hui, 2013), and to execute their project following their vision (Hunter, 2015). Hence, reward-based crowdfunded SEs can pursue and realise interests without constraint from external actors. Therefore, the following is hypothesised:

**Hypothesis 3a:** SE's reward-based crowdfunding resource acquisition positively correlates with its autonomy.

Oliver (1991a) provides three arguments supporting the statement that organisational autonomy can positively influence organisational performance. *First*, greater autonomy allows focal organisations to simultaneously meet different demands (David, Bloom, & Hillman, 2007). By using this ability to face multiple elements, SEs are likelier to address social and commercial issues. *Second*, strong organisational autonomy provides focal organisations with the capacity to respond to future contingencies (Drees & Heugens, 2013; Lumpkin et al., 2009). The relationship between the crowd and SEs is based on the belief in the cause, undermining self-serving behaviour and reducing the agency cost. *Third*, the relationship between the crowdfunded SEs and the crowd is based on trust and shared values; hence, SEs are invulnerable to problems such as self-benefiting actions (Walthoff-Borm et al., 2018). Alliances, such as between SEs and the crowd, would also allow SEs to allocate their resources following their multidimensional missions, which appears to most likely influence organisational performance (Scott & Davis, 2015). Therefore, the crowdfunded SE autonomy over its decision-making will likely provide additional opportunities to enhance the focal organisation's performance (Drees & Heugens, 2013).

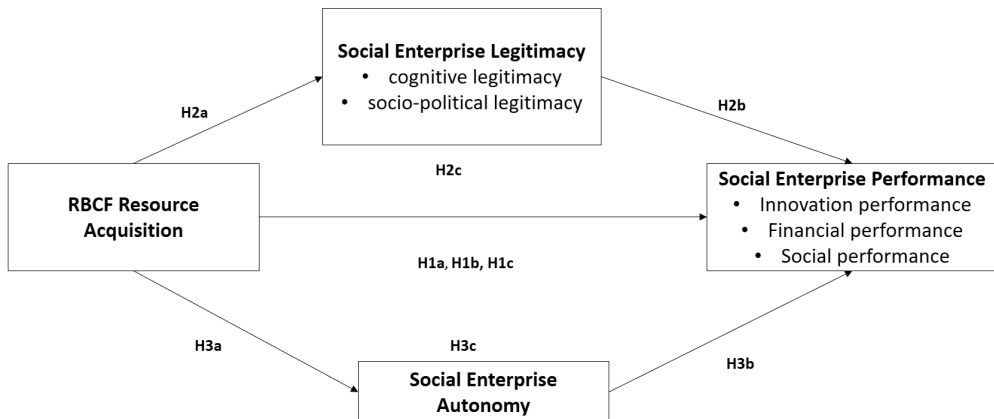
**Hypothesis 3b:** The autonomy of the reward-based crowdfunded SE positively correlates with its performance.

Consequently, the following mediating relationship is hypothesised:

**Hypothesis 3c:** SE's autonomy positively mediates the relationship between reward-based crowdfunding resource acquisition and performance.

### 3.3 Conceptual model of the study

Building on the theoretical development using RDT and applying it to the context of crowdfunded SEs, this study suggests that access to RBCF benefits SEs' overall performance. In the conceptual model of this study (Figure 1), RBCF resource acquisition offers benefits comparable to the supposed benefits of non-contractual alliances under resource dependency theory that imposes fewer constraints on the SE. Altering the financial restraints might give the social SEs' managers the autonomy to use and allocate their resources to align with their social/environmental mission. Beyond fundraising, the crowd in the campaigns sends strong signals of power and a sense of community. This community behaviour is expected to shape the perception of SEs as legitimate organisations. The SEs' legitimacy and autonomy arguably mediate the relationship between reward-based, crowdfunded SEs and their performance.



**Figure 1.** Conceptual Model

## 4 Research design and methodology

This research draws hypotheses from resource dependence theory (RDT) (Pfeffer & Salancik, 1978, 2003) to examine how reward-based crowdfunding influences an SE's performance and how legitimacy and autonomy mediate this relationship.

The study follows an objectivist epistemology where things intrinsically carry their meaning independently and separately from our thinking about it—apart from consciousness, experience, and value—and, consequently, deserves careful studying (Crotty, 2020). Ontologically, the study follows the assumptions of realism about social reality, according to which objects are accepted as they are out there; this universe is comprised of observable events that can be operationalised and empirically measured (Crotty, 2020). This theory-testing study follows the positivist philosophical stance and is followed as an appropriate paradigm, necessitating a deductive quantitative methodology (Rahi, 2017). Empirically, this study's methodology follows a survey research design and employs statistical methods for the data analysis (Crotty, 2020).

RDT adopts a focal organisation perspective as a level of analysis and focuses on the manager, who plays a major role in responding to external demands and constraints and proactively attempts to mitigate or avoid them (Wry et al., 2013). Accordingly, in this study, the level of analysis is the SE investigated based on its observed performance, autonomy, and externally evaluated legitimacy.

### 4.1 Operationalisation of the constructs

Given the SE's multiple goals, using a multidimensional performance system to capture the multiple profiles of SEs is appropriate (Bagnoli & Megali, 2011; Coombes, Morris, Allen, & Webb, 2011; Hertel et al., 2020; Kanter & Summers, 1987). Accordingly, the dependent variable—the performance of SEs—covers three dimensions. This study utilises Miles et al.'s (2014) Vincentian perspective of SEs' social, innovation, and financial performance (Table 1). Table 1 covers the items and scales used in measuring all variables used in the analyses. The social performance was measured using Miles et al. (2014) nine items 5-point scale (Cronbach's alpha = 0.74)—a well-validated scale in previous research (Alarifi, Robson, & Kromidha, 2019) that focuses on the satisfaction of the funders, beneficiaries, and advocacy for



beneficiaries, which is particularly applicable to this study. The innovation performance was measured using Eggers et al. (2020) 4-item 5-point scale (Cronbach's alpha = 0.93). The scale was suitable for this study as it is widely used and well-validated (Baker & Sinkula, 2009). This scale assumes that strategic orientations and resource-leveraging capabilities enable innovation success (Eggers et al., 2020); the scale was reliably translated to different languages, enabling the translations in this study. Finally, the financial performance was measured using Luk et al.'s (2008) 6-item 5-point scale (Cronbach's alpha = 0.91). This scale was suitable as it showed high validity and reliability in different contexts and reflected only the organisation manager's perspective (Luk et al., 2008). This suitability was important to avoid multicollinearity with other external perspectives (e.g. legitimacy).

These three measures were carefully selected after scrutinising the literature following their highly validated items and high-reliability scores that exceeded the suggested acceptance threshold of 0.70 (Hair, Black, Babin, & Anderson, 2019). Summarising all performances into one number may be difficult or misleading (Covin & Slevin, 1989; Hertel et al., 2020; Josefy et al., 2017; Rawhouser et al., 2019) as some performance indicators cannot be meaningfully expressed monetarily. Accordingly, these scales will be fit together and separately in the proposed conceptual model of SEs' performance.

In this study, the independent variable is the crowdfunding outcome. This variable is defined as SE's ability to attract resources from the crowd. In this study, the crowdfunding outcome was measured as the percentage of the achieved funds to the total amount of funds pledged, allowing us to determine whether the funding goal was achieved. Crowdfunding outcome has been used in prior research (Courtney, Dutta, & Li, 2017; Josefy et al., 2017; Mollick, 2014; Skirnevskiy, Bendig, & Brettel, 2017) and eliminates the effect of a high total amount of raised capital compared to projects with small financial goals (Chan & Parhankangas, 2017; Courtney et al., 2017). Moreover, crowdfunding outcome allows a direct comparison between enterprises, and using a proportional measure allows all projects to be considered, including those that did not receive funding because they did not reach their goal (Courtney et al., 2017; Josefy et al., 2017; Mollick, 2014). The scale of the crowdfunding outcome ranges from 0 to 1, in which a higher value denotes a better result. This rationalisation is crucial as it allows one to focus on successful and unsuccessful crowdfunding campaigns, as focusing only on a subset—the successful ones—leads to misunderstanding across all organisations (Busch & Barkema, 2021).

This study uses two mediating variables: legitimacy and autonomy. Legitimacy was assessed through its two main categories: cognitive and socio-political legitimacy (Bitektine et al., 2020; Moss et al., 2011). Pollack et al.'s (2012) 3-item 5-point scale was adopted (Cronbach's alpha = 0.86) to measure cognitive legitimacy. This scale was selected as it is validated in a context similar to

crowdfunding (Murphy et al., 2019; Pollack et al., 2012)<sup>4</sup>. The same scale is robust in different operationalisation and contexts and was used in SE settings (Murphy et al., 2019). The socio-political legitimacy was measured using Bitektine et al.'s (2020) 3-item 7-point measure (Cronbach's alpha = 0.72). This scale was selected because it would be generalisable across different social contexts and unaffected by changes in the importance of specific dimensions over time. Moreover, this legitimacy scale is tested within new ventures' contexts; most importantly, this scale gives the researcher the confidence that the measure of the socio-political legitimacy as a focal construct is not confounded with other constructs (Bitektine et al., 2020).

Autonomy was measured using Covin, Garrett, Kuratko, and Bolinger's (2019) 6-item 7-point measure (Cronbach's alpha = 0.87). This scale links autonomy to the subsequent SE's performance. As such, this scale provides an aligned argument in the sense that having high autonomy would empower managers to make better or necessary decisions concerning the needs of the enterprise. Particularly, the scale assumes that higher autonomy increases a manager's visibility and communication skills, and discretionary power loosens constraints on organisational activities and decision-making and manages organisational change that can influence the performance of the enterprise (Johnson, 2012). As such, the scale measures how much the venture's management is responsible for setting goals, schedules, and strategies for the venture (Johnson, 2012). Low mean scores on the scale indicate that the decision areas are under the authority of external stakeholders; high mean scores indicate that the activities and decision areas are the responsibility of the enterprise managers (Covin et al., 2019).

The model was adjusted for theoretically relevant control variables to investigate the hypothesised relationships (Allison, Davis, Short, & Webb, 2015; Covin et al., 2019). Particularly, the analyses were controlled for the organisational factors characterised by enterprise size (number of employees), enterprise age (number of years), industry (social, creative, market), and enterprise's primary focus on for-profit or not-for-profit operations (Table 1). Enterprise's size, age, and industry are controlled for as they are acknowledged to influence organisation's performance (Davidsson, Achtenhagen, & Naldi, 2010; Delmar, Davidsson, & Gartner, 2003; Makino, Isobe, & Chan, 2004). The organisation's focus is addressed to account for their potential effect on the enterprises' legitimacy, autonomy, or potential better enterprise performance (Allison et al., 2015; Covin et al., 2019).

<sup>4</sup> A group of research assistants evaluated 14 episodes of the television show *Shark Tank* that aired in 2009 and 84 episodes of *Dragons' Den* that aired from 2005 to 2010 in a laboratory experiment. This environment is similar to crowdfunding, where evaluators watch the videos and read the campaigns' details using a computer or mobile device (Pollack et al., 2012).

**Table 1.** Description of the relevant variables.

Variable	Description	Items
<b>Dependent variables</b>		
Financial and market performance	Based on your knowledge—or, at least, perception—of the performance of your competitors (or other organisations in your same industry), rate the following statements about your organisation as accurately as possible (Luk et al. (2008), $\alpha=0.91$ )  Scale: 1=Much worse (than competitors), 2=Somewhat worse, 3=About the same, 4=Somewhat better, 5=Much better	<ul style="list-style-type: none"> <li>*Overall profit levels achieved are</li> <li>*Overall profit margins achieved are</li> <li>*Overall return on investment achieved is</li> <li>*Overall sales volume achieved is</li> <li>*Overall market share achieved is</li> <li>*Overall shareholder satisfaction with financial performance achieved is</li> </ul>
Social performance	To what extent do you agree or disagree with the following statements about your organisation? (Miles et al. (2014), $\alpha=0.74$ )  Scale: 1=Strongly disagree, 2=Somewhat disagree, 3=Neither agree nor disagree, 4=Somewhat agree, 5=Strongly agree	<ul style="list-style-type: none"> <li>*We operate our organisation in an environmentally sustainable manner</li> <li>*Our donors are very satisfied with us</li> <li>*Our organisation operates in a socially sustainable manner</li> <li>*We help inform the community about the plight of our beneficiaries</li> <li>*We help mobilise interest for additional social welfare initiatives</li> <li>*We are often perceived and valued by our beneficiaries as a provider of last resort</li> <li>*In the past few years we have met our objectives in terms of beneficiaries served</li> <li>*Beneficiaries are satisfied with our services</li> <li>*Beneficiaries and stakeholders recommend our services to others</li> </ul>
Innovation performance	Rate your organisation's performance on the aspects listed below. (Eggers et al. (2018), $\alpha=0.93$ ).  Scale: 1=Lower, 2=Somewhat lower, 3=About the same, 4=Somewhat higher, 5=Higher	<ul style="list-style-type: none"> <li>*Our rate of innovation compared to that of our direct competitors is:</li> <li>*The level of differentiation between our innovations and those of our direct competitors is:</li> <li>*The rate at which we perform in innovation as compared to our direct competitors is:</li> <li>*The frequency of our innovations as compared to those of our direct competitors is:</li> </ul>

<b>Independent variable</b>	
Crowdfunding outcome	Calculated as a percentage of achieved fund/fund goal
<b>Mediating variables</b>	
Autonomy	<p>To what extent do you agree or disagree with the following statements: "The management team of your organisation is fully responsible for the aspects below with no pressures or demands from external financiers..." (Covin et al., 2019)</p> <p>Scale: 1=Strongly disagree, 2=Disagree, 3=Somewhat disagree, 4=Neither agree nor disagree, 5=Somewhat agree, 6=Agree, 7=Strongly agree</p> <p>*Setting of the venture's goals                  *Establishment of a timetable (if applicable) for the achievement of the venture's goals                  *Choice of formal criteria used to measure the venture's performance                  *Identification of event milestones (if any) used to assess the venture's progress                  *Formulation of the venture's business strategy                  *Decision to change (if necessary) the venture's business strategy</p> <p>*The company contributes positively to society                  *The company follows the best management practices                  *I agree with the company's business practices</p>
Socio-political legitimacy (SPL)	<p>After reviewing this crowdfunding campaign on the platform: To what extent do you agree or disagree with each of the following statements? (Evaluated by external evaluators, Bitektine et al. (2018), <math>\alpha=0.72</math>)</p> <p>Scale: 1=Strongly disagree, 2=Disagree, 3=Somewhat disagree, 4=Neither agree nor disagree, 5=Somewhat agree, 6=Agree, 7=Strongly agree</p> <p>*I envision this business receiving high-profile endorsements in the future                  *I envision this business receiving favourable press coverage in the future                  *I envision this business having a top management team that will benefit the organisation                  *Overall return on investment achieved is</p>
Cognitive legitimacy (COL)	<p>After reviewing this crowdfunding campaign on the platform: To what extent do you agree or disagree with each of the following statements? (Evaluated by external evaluators, Pollack et al. (2013), <math>\alpha=0.86</math>)</p> <p>Scale: 1=Strongly disagree, 2=Somewhat disagree, 3=Neither agree nor disagree, 4=Somewhat agree, 5=Strongly agree</p>

<b>Control variables</b>	
Number of employees	Total number of employees. Including the owners/founders, how many people (approximately) are working for this organisation? Please include all employees, subcontractors, part-time workers and volunteers.
Age of enterprise	How do you categorise the campaign as? 1. New idea (not ventured yet): New idea is any enterprise that has not been ventured yet (no physical space for instance), in this, they are trying to start. 2. New venture (nascent): Small would be anything less than 3 years in the marketplace (stats suggest that 3 years is probably a good "first" indication of the survival of the venture 3. Established venture: An established would be anything above 3 years. *New idea *New venture *Established venture
Primary operational focus	Enterprise's primary focus on for-profit or not-for-profit operations. Two categories: profit and charity.
Industry	1. Social projects category: includes Agriculture, Development, Education, Environment, Health, Research, Faith, and Activism. *Social 2. Creative projects category: includes Cultural and Entertainment. *Creative 3. Market-based projects category: includes Clothing, Food, Furniture, Technology. *Market

## 4.2 Study design and sample

Data were collected in three stages. Data for the crowdfunding outcome were collected from November 2019 to June 2020. Autonomy and performance data were collected from October 2020 to May 2021, and legitimacy was evaluated from July 2021 to August 2021 (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Despite the timely differences in the data collection, this study is considered cross-sectional; as such, the model testing and the results should not be interpreted straightforwardly as causal conclusions but as associations addressing the role of crowdfunding outcome in SEs' performance and how autonomy and legitimacy mediate this relationship (Kimmit, Scarlata, & Dimov, 2016). The reason for such an argument is theoretical. Based on the RDT rationalisation, in this study, I assume that access to reward-based crowdfunding timely precedes attaining legitimacy and autonomy, all of which precede the SE's performance. Organisations are constrained by their context (Scott & Davis, 2015; Wry et al., 2013), so they have to alter or avoid these contextual constraints (Hillman et al., 2009) to access and acquire the needed resource (Pfeffer & Salancik, 2003). Thus, organisations will search for measures and strategies to facilitate resource acquisition (Davis & Cobb, 2010). RDT's two fundamental premises to stabilise relations with resource providers are, first, that organisations will strive to enhance their autonomy (Oliver, 1991a), so they will choose arrangements that preserve this decision autonomy and second, organisations will create "highly visible linkages with reputed outsiders" (Drees & Heugens, 2013, p. 1688; Oliver, 1991b), to confirm the focal organisation's legitimacy, value, and worth. These arrangements are assumed to ultimately influence the performance of the organisation.

Therefore, I assume the nature of the collected data and the transition between resource acquisition through crowdfunding, autonomy, legitimacy, and performance remain important as it allows for studying the effect of crowdfunding as a prerequisite to performance, attaining legitimacy and autonomy. It also allows for testing the mediation effect of legitimacy and autonomy between reward-based crowdfunding activity and post-campaign performance.

### 4.2.1 Sample frame

SEs can start a fundraising campaign on any platform without any constraints about a platform or country. Over 3 000 crowdfunding platforms exist (Ziegler, Shneor, & Zhang, 2020). The population of all reward-based crowdfunded SEs is thus difficult to attain without a database listing these activities. Consequently, to build a sampling frame, this study addresses a range of ventures that have demonstrated a combination of economic, social, and/or environmental goals. Choosing the reward-based crowdfunding platforms needed to be consistent with the literature, which suggests

going beyond the data that are gathered from Kickstarter and Kiva to explore other platforms that specifically cater to the needs of SEs (Cox et al., 2018; Parhankangas & Renko, 2017; Renko et al., 2019). Following the provided definition of SE in Chapter 2, data were collected from platforms the literature suggested (Shneor et al., 2020) and crowdfunding associations such as the European Crowdfunding Network and the African Crowdfunding Association. To validate using different crowdfunding platforms in creating the sample framework, I interviewed a CEO and founder of multiple successful crowdfunding platforms. His insights and experiences allowed him to suggest platforms SEs most likely used. At the end of choosing potential crowdfunding platforms, seven reward-based crowdfunding platforms for potential data sources were defined: Crowdfunder<sup>5</sup>, Indiegogo<sup>6</sup>, KissKissBankBank<sup>7</sup>, Pozible<sup>8</sup>, StartSomeGood<sup>9</sup>, Thundafund<sup>10</sup>, and UpEffect<sup>11</sup>. Similar to the traditional methodology for collecting crowdfunding data (Frydrych et al., 2014; Mollick, 2014), out of the seven platforms, a list of 23 387 enterprises was compiled in November 2019.

I then refined and reviewed this initial database against the presence of a social and/or environmental mission, as the literature suggested (Lehner, 2014; Rivera-Santos, Holt, Littlewood, & Kolk, 2015). After reviewing the descriptions of the projects on the crowdfunding platforms, I reviewed the enterprises' websites and social media and utilised business directories whenever possible (Rivera-Santos et al., 2015). When I failed to confirm the social/environmental mission of a certain enterprise, the enterprise was excluded from the database. Not every SE listed contact details, so the researcher and a research assistant manually searched online for email addresses and telephone numbers. We searched social media, campaign links, and websites; on many occasions, sent private messages on Facebook, Twitter, and LinkedIn asking the entrepreneurs for their contacts. Ultimately, 1540 SEs with at least one email address were compiled.

I contacted the complete list of 1540 SEs—the sample frame in this study—for three reasons. First, understanding the current and future status quo of the crowdfunding sector regarding social entrepreneurship necessitates collecting data from a wide range of crowdfunded SEs. To uncover linkages between strategic phenomena and organisational performance, collecting data from a wide range of participants is key to making sense of the determinants of the performance of SEs. Moreover, collecting data in social entrepreneurship settings is often challenging

<sup>5</sup> <https://www.crowdfunder.co.uk/>

<sup>6</sup> <https://www.indiegogo.com/>

<sup>7</sup> <https://www.kisskissbankbank.com/en>

<sup>8</sup> <https://www.pozible.com/>

<sup>9</sup> <https://startsomegood.com/>

<sup>10</sup> <https://thundafund.com/>

<sup>11</sup> <https://www.theupeffect.com/>

(Dencker et al., 2021), and accessing large-scale databases has been particularly so. Second, collecting data from different contexts increased the possible generalisability of the results of future meta-studies beyond certain particular contexts (Bacq & Alt, 2018). Finally, the lack of internet access in some of the geographical areas while operating in a resource-scarce environment makes collecting high-quality data difficult, necessitating approaching as many possible respondents as possible (Dencker et al., 2021). Table 2 below shows the distribution of these SEs.

**Table 2.** Distribution of the campaigns and their languages

<b>Platform</b>	<b>Count of total campaigns</b>	<b>Campaigns in English</b>	<b>Campaigns in French</b>	<b>Passive emails</b>
Crowdfunder	373	373		37
Indiegogo	83	70	9	10
KissKissBankBank	464	45	409	51
Pozible	148	147		22
StartSomeGood	421	419		69
Thundafund	50	45		6
UpEffect	1	1		
<b>Total</b>	<b>1540</b>	<b>1122</b>	<b>418</b>	<b>195</b>

#### 4.2.2 Data collection

The questionnaire items corresponding to the legitimacy, autonomy, and performance constructs were operationalised through pilot tests to examine the validity and reliability of the instrument before collecting the data. The pilot study aimed to check for feasibility, adequacy of instrumentation, possible problems of data collection strategies and proposed methods, and answer methodological questions (Hertzog, 2008), thus aligning with the literature (Bacq & Alt, 2018). First, fully validated measures of the constructs were used as outlined above. Second, a qualitative validation was conducted in two stages to ensure the items matched well with the study goals. In the first stage, four established entrepreneurship scholars aware of the study and its objectives reviewed the items following four rounds of peer review. I addressed the suggestions independently; then, the questionnaire was piloted with two more experts who have previous experience with the used constructs and social entrepreneurship literature. To evaluate the quality of the questionnaires, I sent the questionnaire to two practitioners: a founder and CEO of a reward-based crowdfunding platform for SEs and another person who consults SEs on crowdfunding. After discussions, I refined the phrasing of some questions. Before



sharing with respondents and to accommodate francophone SEs who campaigned over the French platform KissKissBankBank, the questionnaire (including the introduction and all related messages and reminders) was translated into French by an independent translation office.

Data for the independent variable reward-based crowdfunding activity is publicly available (Allison et al., 2015). These data were initially web-scraped whenever possible and complemented by manually gathered data from the researcher and a research assistant (Table 3). The researcher first trained the research assistant; all data collected by the research assistant, who was hired during the whole data collection period, were reviewed and confirmed by the researcher before being used.

Data for dependent variable performance (social, innovation, financial) and the mediator variables of autonomy and legitimacy (cognitive and social) were collected through a web-based questionnaire (Table 3). This is consistent with the research objective and further contributes to reducing the gap between quantitative studies in social entrepreneurship research noted by Bacq and Alt (2018) and Short, Moss, and Lumpkin (2009). As outlined, data collection started in November 2019 and was concluded in August 2021. Using the Qualtrics survey tool, the questionnaire for autonomy and performance was sent through personalised emails to the SEs. For a good response rate, Bosnjak, Neubarth, Couper, Bandilla, and Kaczmarek (2008) tested the impact on the web survey response rate of three pre-notification (SMS, email, none) and two invitation (SMS, email) modes. They concluded that SMS pre-notification followed by email invitation is the most successful combination. Accordingly, this study conducted a follow-up through social media (LinkedIn, Facebook, Twitter, and the company website) to encourage respondents to respond to the survey. In total, six email reminders were sent to the respondents. The questionnaire included informed consent that presented information about the study and its goals to encourage respondents' participation and compliance with research ethical standards. Informed consent is an effective way to inform the participants that their agreement to participate in the study is their choice<sup>12</sup>. Moreover, following up with respondents who had given

<sup>12</sup> Therefore, in this study, informed consent contained the researcher's identity, institution, sampling procedure, the research's aims, benefits of participation, confidentiality guarantee, the assurance to withdraw any time, and contact information of the supervisors. The respondents' confidentiality and responses were maintained, and the analysis was reported from the aggregated data. Also, the wording of the consent and questions were checked for discrimination. During the data collection, continuous communication with participants was made to ensure their responses would not result in any harm and that the gathered data would only be used to address the problem statement. The collected data was kept secure against its misuse by others. The study was submitted to the University of Pretoria Ethics Committee for clearance before data collection commenced. The study was approved on 06.08.2019.

their initial consent to participate in the study was necessary. Such follow-ups were meant to aid respondents in overcoming a variety of obstacles in completing the survey. Concretely, a research assistant and I invested a considerable amount of time—close to 54 hours—to follow up with respondents telephonically. Sometimes, I would connect myself and fill in the given answers over the phone; other times, I would support those struggling technologically in completing the survey. Due to the information gathered during the telephonic follow-up calls, incentives were introduced in one of the reminder emails, which did not change the response rate. Yet, some respondents took it as an offensive gesture rather than a token of appreciation.

Data were obtained from Bitektine et al. (2020), Pollack et al. (2012), and Josefy et al. (2017) (Table 3) by drawing upon research in the area of legitimacy. For this collection, I assembled a group of two independent raters (unaware of our study’s hypotheses) to complete the scales (socio-political legitimacy and cognitive legitimacy) in which they first read the campaign page and watched the videos when available and checked the company website and possible social media sites for each campaign. Acting as potential external evaluators, they then rated cognitive legitimacy (“1” = low to “5” = high) and socio-political legitimacy (“1” = low to “7” = high) (Pollack et al., 2012). This method has been found robust and has been adopted in previous research in entrepreneurship crowdfunding settings (Stevenson, Allen, & Wang, 2022).

**Table 3.** List of the variables, number of survey items per variable, and respondents

Variable	Number of items	Respondent(s)
Crowdfunding	1	Web-scraped
Legitimacy	6	Two external evaluators answered the questionnaire.
Background	25	The owners/funders of crowdfunded SEs or managers/individuals who managed the campaigns and their subsequent implementations answered the questionnaire.
Autonomy	6	
Performance	19	

The survey for autonomy and performance was sent to a sample of 1540 SEs, of which the email reached 1004. After investigating the unreached emails, it was realised they were no longer in use and/or businesses were closed partially or entirely because of COVID. Altogether, 91 respondents opted out of the survey, while 143 completed the survey, generating a response rate of 14%. However, this is still an acceptable response rate in the entrepreneurship literature (Rönkkö, Peltonen, & Arenius, 2014) and aligns with sample sizes in the crowdfunding literature (Cholakova & Clarysse, 2015; Josefy et al., 2017). After all, SEs operate in scarce

environments where illiteracy rates are high, internet connection is not always available, and data must often be collected by hand if possible (Dencker et al., 2021). Moreover, the data collection of this study was conducted during the early days of COVID-19, possibly affecting the response rate. Arguably, during the pandemic, entrepreneurs and social entrepreneurs mainly, were busy keeping their businesses afloat and preferred to focus more on the underserved communities by trying to alleviate some of their social problems, undoubtedly affecting the total response rate.

Collecting 143 complete survey-based data from this complex context remains rare and unique—critical for increasing our knowledge of crowdfunding for social entrepreneurship, its processes, and its outcomes (Dencker et al., 2021). Indeed, to minimise the risk of common method bias, following Podsakoff et al. (2003), I captured the measures from both data sources and at three points in time to allow for a time gap, as outlined earlier. The independent variable (reward-based crowdfunding) was collected first (“pre” questionnaire), followed by performance, autonomy, control variables, and then legitimacy (“post” questionnaire). Overall, the study’s participants, sample size, and context make the collected data an ideal case for examining the research questions in Chapter 1. The next section describes the collected data. The chapter concludes with the methods of data analysis.

### 4.3 Data description

Of 143 respondents, 63% of the campaigns were established enterprises (operating for more than three years), 28% nascent enterprises (less than three), and 9% were not ventured during the campaign. 48% of the respondents were female; the respondents were owners/founders (70%), managers (12%), team leaders (4%), employees responsible for the campaigns and their post-campaign implementation (6%), and volunteers who oversaw the campaigns and their post-campaign implementations (8%). 57% of enterprises reported no financial sustainability, of which 39% followed the for-profit legal form and 62% the not-for-profit legal form. Some enterprises reported many employees (six enterprises reported 9000, 5000, 1602, 100, 100, and 100) due to being voluntary organisations. However, these were not actual representations of the projects. In reality, small autonomous teams were responsible for the project, crowdfunding campaign, and post-campaign implementation. The projects’ initial budgets ranged from less than 10 000€ to more than 300 000€; the campaigns target capital ranged from as little as 150€ to 900 000€.

Table 4 below depicts the descriptive statistics of all variables used in the analyses.

**Table 4.** Descriptive statistics

Categorical variables				Scaled variables				
Variable	Category	n	%	Variable	Min	Max	Mean	SD
Age	New idea	13	9.30%	Crowdfunding	0.016	10.22	1.12	0.94
	Nascent venture	38	27.10%	Autonomy	1.83	7	6.05	0.98
	Established venture	89	63.60%	Socio-political legitimacy	2.83	7	5.83	0.84
Industry	Social	89	63.60%	Cognitive legitimacy	1.83	5	4.05	0.80
	Market	17	12.10%	Financial and market performance	1	5	3.05	0.69
	Creative	34	24.30%	Social performance	2.44	5	4.18	0.56
Operational focus	Profit	55	39.30%	Innovation performance	1	5	3.81	0.85
	Charity	85	60.70%	Legitimacy	2.5	6	4.94	0.79
				Performance	2.19	5	3.68	0.48
				Number of employees	1	9000	124.13	875.20

Table 5 shows the matrix of Pearson correlation coefficients between all variables in the study. The correlation coefficients suggest a significant positive relationship between crowdfunding and both legitimacy dimensions, i.e. socio-political legitimacy ( $r=0.37$ ,  $p<0.001$ ) and cognitive legitimacy ( $r=0.37$ ,  $p<0.001$ ), whereas both dimensions demonstrate a significant positive relationship between themselves ( $r=0.83$ ,  $p<0.001$ ). Autonomy has a significant positive relationship with innovation performance ( $r=0.19$ ,  $p<0.01$ ) while having a significant negative relationship with financial and market performance ( $r=-0.24$ ,  $p<0.05$ ).

**Table 5.** Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Crowdfunding		-0.008	.367**	.366**	-0.017	0.001	-0.065	0.092	-0.067	-0.054	0.091	0.035	-0.061	0.006
2. Autonomy			0.019	0.022	-.242**	0.152	.194*	-0.049	0.080	-0.032	-0.019	0.059	0.042	-0.099
3. Socio-political legitimacy				.826**	0.002	-0.043	0.140	0.152	-0.086	0.023	0.031	0.035	-0.017	-0.027
4. Cognitive legitimacy					0.000	-.167*	0.099	0.079	-0.020	0.101	-0.081	-0.088	0.035	0.072
5. Financial performance						0.159	.166*	-0.074	0.116	-0.044	-0.029	-0.005	-0.078	0.065
6. Social performance							.243**	.205*	-.186*	-0.026	0.137	0.106	-0.031	-0.096
7. Innovation performance								0.083	0.039	0.041	-0.062	0.017	0.042	-0.051
8. Number of employees									-.306**	-0.074	.253**	0.151	-.172*	-0.038
9. New idea										-.195*	-.423**	-0.065	.258**	-0.124
10. Nascent venture											-.806**	0.062	-0.030	-0.046
11. Established venture												-0.018	-0.128	0.117
12. Social													-.491**	-.748**
13. Market														-.211*
14. Creative														

n=143; \*\*p<0.001, \*p<0.05

## 4.4 Methods of data analysis

The collected data in this study are novel, in a new context, and under extreme conditions. However, the limited sample size might violate the assumptions of certain statistical techniques. Following the recent advances in the literature concerning such challenges, this study utilises path modelling (Rönkkö, McIntosh, Antonakis, & Edwards, 2016). As a special case of structural equation modelling, path analysis is a method used to discern and assess the effects of a set of variables (defined a priori) acting on a specified outcome (a.k.a. a priori) via multiple causal pathways (Kline, 2015). As such, this effective method distinguishes direct from indirect effects and tests the strength of hypothesised patterns of causal relationships (Bacq & Alt, 2018).

This study utilises the bootstrapping and product-of-coefficients approach to analyse the mediation effect (Colombo et al., 2015; Skirnevskiy et al., 2017). In the analyses, the bias-corrected and percentile 95% confidence intervals (CI) were computed using bootstrapping with 5000 replications. The mediation effect is considered statistically significant when both CIs of the indirect (mediation) effect exclude zero. The mediation effect is assumed to be partial mediation when the direct effect is statistically significant and full mediation when the direct effect is not statistically significant (YChoi, Wen, Chen, & Yang, 2021).

# 5 Results

## 5.1 Preliminary data examination

The collected data were screened and cleaned from errors and incomplete answers (Sue & Ritter, 2012). Although the corrective actions were not always necessary, the examination was essential to ensure the outputs of the statistical analysis were reliable (Hair et al., 2019). Data screening—including the analysis of missing data, outliers, and data distribution—was conducted using SPSS 26 software package (Field, 2018).

Missing data arise when participants leave one or more questions unanswered in the questionnaire. Missing values are problematic as they reduce the available data for analysis and might produce erroneous findings, leading to bias in the results. Missing values for any individual case or variable should remain under 10%. Moreover, if the number of missing values exceeds 50% for any individual case or variable, they should be deleted from the data (Hair et al., 2010). In this study, data examination showed that 7.6% of the values were missing across the entire dataset. Most of the missing data is related to financial and innovation performance. Despite this, this study considers that missing data does not considerably influence the analyses. In addition to analysing the missing values, Little's MCAR test (Little, 1988) was employed to investigate whether the data were missing completely at random. These test results showed that the data were missing completely at random ( $\chi^2=1030.03$ ,  $df=1000$ ,  $p=0.25$ ). Given the low percentage of missing values and non-significant MCAR test values, the EM algorithm was used to impute the missing data, and the imputed dataset was extracted for further analysis.

Respondents were divided into two groups: early respondents, who answered before the second follow-up email (before 10.11.2020), and late respondents, who returned their questionnaires after the sixth follow-up email (after 20.04.2022) to analyse the risk of nonresponse bias. Concerning background data and by using the  $\chi^2$ -test, the results indicated no statistically significant differences in the size of the enterprise ( $p=0.62$ ), sex of the respondent ( $p=0.23$ ), or industry of the enterprise ( $p=0.88$ ). However, there was a difference between their legal forms ( $p<0.01$ ), and the number of late respondents of for-profit legal forms was higher than those of

early respondents. However, this is irrelevant to the nature of this study as social entrepreneurship can equally occur in any organisation regardless of the legal forms (Austin et al., 2006). Accordingly, missing data were not an issue as outlined above nor indicative of a problem of selective or not-selective nonresponse.

By using minimum and maximum values, no univariate outliers were detected. Using the Mahalanobis distance method ( $D^2$ ) with thresholds ( $D^2/df > 4$  and  $p < 0.001$ ) (Hair et al., 2019), three cases were identified as multivariate outliers, which were consequently deleted. By using skewness and kurtosis to test for normality, the results showed that the employed constructs were within the specified range (skewness between -2 to +2 and kurtosis between -7 and +7 [Curran, West, & Finch, 1996]). Finally, the results of the relative importance index showed that all items strongly impact the relevant constructs.

## 5.2 Analysis of factor structure and common method bias

Using Harman's single-factor test, the results showed that the common method bias does not affect the results since the total variance of the factor covers only 17% (MacKenzie & Podsakoff, 2012).

Exploratory factor analysis (EFA) with principal component analysis (PCA) and Promax rotation method was applied to investigate the pattern of loadings and the number of factors underlying the model constructs to verify the factorial structure of the conceptual model. PCA was run with a maximum of 25 iterations for convergence and identified five factors, accounting for 63.9% of the total variance in the dataset ( $\chi^2(df)=3063.91[465]$ ,  $\chi^2/df=6.59$ ,  $p < 0.001$ ). The two dimensions of legitimacy highly loaded on the same factor and contributed to 17.9% of the explained variance, 16.2% for the second factor (autonomy), 14.7% for the third (social performance), 8.0% for the fourth (financial performance), and 7.0% for the fifth (innovation performance). All factor loadings were above the recommended cut-off of 0.60 (Hair et al., 2019), except for four items of social performance with loadings above 0.30 (Items: 1, 3, 4, and 6 in Table 1). When taken together, this study assumed the results are adequate and support the factorability of the correlation matrix.

## 5.3 Analysis of measurement model

To further validate the conceptual model and its fit with the data, a confirmatory factor analysis (CFA) was followed to validate latent factors accounting for the variation and covariation among the questionnaire indicators (Hair et al., 2019). First, goodness-of-fit (GoF) indices were examined, followed by validity tests



(content, convergent, and discriminant validity). The model was considered a good fit when it exceeded or was close to the universal thresholds that Hair et al. (2019) suggested. In this study, the following thresholds were used:  $\chi^2/f < 5$ , TLI  $> 0.95$ , RMSEA, root mean square error of approximation  $< 0.08$ , RMSR, standardised root mean square residual  $< 0.10$ , PNFI  $< 0.8$ , GFI, AGFI, IFI, TLI, RFI, NFI and CFI, comparative fit index  $> 0.90$ .

**Autonomy.** This scale consists of six items. None of the items was removed as the standardised regression weight for all indicators was higher than 0.30. The initial CFA resulted in a poor fit to the data where the goodness-of-fit indices did not reach the specified guidelines shown above. After checking the modification indices, the model was modified, and the results of the final CFA were satisfactory with CMIN/DF  $< 5$ , RMR  $< 0.10$ , PNFI  $< 0.80$ , RMSEA  $< 0.08$ , and the other indices above 0.90.

**Legitimacy (social legitimacy and cognitive legitimacy).** These two scales consist of three items for social and three for cognitive legitimacy. None of the items was removed as the standardised regression weight for all indicators is higher than 0.30. The initial CFA model resulted in a poor fit to data. After modifying the model based on the modification indices, the results of the final CFA were satisfactory. The factor loadings of the observed variables were above 0.85 (except for the first item of socio-political legitimacy = 0.47) and were statistically significant with CMIN/DF  $< 5$ , RMR  $< 0.1$ , PNFI  $< 0.8$ , RMSEA  $< 0.08$ ; the other indices are above 0.90.

**Performance (financial performance, social performance, innovative performance).** These three scales consist of six items for financial, nine for social, and four for innovation performance. None of the items was removed as the standardised regression weight for all indicators is higher than 0.30. The CFA generated a satisfactory fit with data after modifying the model based on the modification indices. The factor loadings of the observed variables ranged from 0.41 to 0.92 and were statistically significant with CMIN/DF  $< 5$ , RMR  $< 0.10$ , PNFI  $< 0.80$ , RMSEA  $< 0.08$ , and the other indices above 0.90.

The **full measurement model** consists of six latent variables with the associated items. After modifying the initial model based on the modification indices, the CFA was satisfactory (Table 6). In sum, the model fit indices showed a high level of fit where CMIN/DF is less than five, RMR is less than 0.10, RMSEA is less than 0.08, and the other indices are above 0.90. The composite reliability results (CR) were all above the acceptability threshold of 0.70 (Hair et al., 2019), indicating a high level of internal consistency and high reliability of the used constructs (Table 7).

The factor loadings of the observed variables ranged from 0.33 to 0.98 and were statistically significant, supporting the content validity of the constructs. The convergent validity evaluates the correlation between the variables measuring one construct. The average variance extracted (AVE) was used to examine the

convergent validity—“the grand mean of the squared loadings of the indicators measuring a construct” (Ziko & Asfour, 2023, p. 55). As such, a significant AVE of a construct should ideally be 0.50 or higher (Hair et al., 2019). However, AVE values greater than 0.40 are also acceptable if CR values exceed 0.60 (Fornell & Larcker, 1981). The results show that the convergent validity through AVE was established as the values of AVE were all above the cut-off value of 0.4 (Table 6) except for social performance. Further investigation showed that the squared root of AVE is still larger than the correlation of financial and innovation performance, suggesting that the social performance scale still explains more of its own variance than the shared variance with other performance measures.

Discriminant validity was examined following the Fornell-Larcker criterion to test that each indicator loads highly on its construct. The square root of the constructs' AVE should be higher than any of the constructs' correlations with other constructs (Field, 2018). Every two constructs were compared based on their AVE-values, showing that each latent factor captures more of the variance in its items than it shares with other factors. Table 6 shows the squared root values of AVE, which are reported on the diagonal of the matrix; the correlations between the constructs are reported on the off-diagonal elements. The analysis shows that the square roots of the constructs' AVEs are all higher than any of the constructs' correlations. However, the squared correlation between social and cognitive legitimacy is high, indicating they may not be fully distinct, aligning with the results of EFA in section 5.2.

Table 6. Measurement model assessment

		Construct validity											
		Standardised items loading											
AUTON_1	0.59	finan_perf_1	0.63										
AUTON_2	0.62	finan_perf_2	0.58	<b>F1</b>	0.89	<b>AVE</b>	0.58	<b>F2</b>	0.76				
AUTON_3	0.71	finan_perf_3	0.63	<b>F2</b>	0.84	0.65	0.06	<b>F3</b>	0.81				
AUTON_4	0.68	finan_perf_4	0.90	<b>F3</b>	0.95	0.87	0.06	<b>F4</b>	0.82***	<b>0.93</b>			
AUTON_5	0.97	finan_perf_5	0.87	<b>F4</b>	0.83	0.37	0.18†	<b>F5</b>	-0.09	<b>0.61</b>			
AUTON_6	0.91	finan_perf_6	0.70	<b>F5</b>	0.87	0.53	-0.16†	<b>F6</b>	0.07	<b>0.20*</b>	<b>0.73</b>		
SPL1	0.49	social_perf_1	0.33	<b>F6</b>	0.91	0.73	0.32***		0.17†	0.13	0.23*		
SPL2	0.96	social_perf_2	0.59	<b>Goodness of fit indices</b>								0.18†	<b>0.86</b>
SPL3	0.90	social_perf_3	0.5										
COL1	0.98	social_perf_4	0.42	X2	610.8					IFI	0.93		
COL2	0.96	social_perf_5	0.71	df	402					TLI	0.92		
COL3	0.85	social_perf_6	0.45	p	<0.001					CFI	0.93		
		social_perf_7	0.73							RMSEA	0.07		
		social_perf_8	0.79	<b>Other information</b>									
		social_perf_9	0.78										
		innov_perf_1	0.87										
		innov_perf_2	0.93										
		innov_perf_3	0.85										
		innov_perf_4	0.78										

F1 = Autonomy (auton), F2 = Socio-political legitimacy (SPL), F3 = Cognitive legitimacy (COL), F4 = Social performance (social\_perf), F5 = Financial and market performance (finan\_perf), F6 = Innovation performance (innov\_perf).

† P < 0.100; \* P < 0.050; \*\* P < 0.010; \*\*\* P < 0.001.  
 Estimator: Maximum Likelihood; All items loading were significant at p<0.001,  
 n=140, CR=Composite Reliability

## 5.4 Assessment of the structural model

In testing the hypotheses, I use path analysis by utilising the path coefficients (regression weights) that AMOS v22 produced. In particular, I use the standardised regression weights to examine the comparative impact of each independent variable on the dependent variable (Hair et al., 2019). I followed the regression weights reference values that Kline (2015) suggested, where the regression beta weights in the standardised output with a total value of 0.10 as having small effects, 0.30 as having moderate effects, and 0.50 as having large effects of the independent variable on the dependent variables (Fadhul, 2017, p. 139).

The conceptual (base) model consists of (1) crowdfunding as a predictor, (2) socio-political legitimacy and cognitive legitimacy as mediators, (3) autonomy as a mediator, and (4) innovation, financial, and social performance as dependent variables. The goodness-of-fit indices for the uncontrolled base model ( $\chi^2(df)=0.18(2)$ ,  $\chi^2/df=0.09$ ,  $p=0.91$ ; CFI=0.990; RMSEA=0.001) and fully controlled base model ( $\chi^2(df)=27.018(17)$ ,  $\chi^2/df=1.59$ ,  $p=0.06$ ; CFI=0.980; RMSEA=0.06) exceeded the recommended threshold values (Hair et al. 2019). Accordingly, the proposed model fits the data well. The proposed uncontrolled model explains 8.1% of the variance in social, 5.9% in financial, and 8.2% in innovative performance. The proposed fully controlled model explains 12.8% of the variance in social, 8.8% in financial, and 9.9% in innovative performance.

In testing the hypotheses using the base model (Table 7), the results indicate an insignificant effect of crowdfunding on innovation ( $\beta=-0.10$ ,  $p=0.26$ ), financial ( $\beta=-0.09$ ,  $p=0.32$ ), and social performance ( $\beta=0.07$ ,  $p=0.42$ ). Hence, none of the hypotheses—H1a, H1b, and H1c—were not supported. Crowdfunding yielded a statistically significant positive effect on socio-political ( $\beta=0.35$ ,  $p<0.001$ ) and a statistically significant positive effect on cognitive legitimacy ( $\beta=0.35$ ,  $p<0.001$ ). Accordingly, hypothesis H2a was supported. Social legitimacy yielded no effect on social ( $\beta=0.11$ ,  $p=0.41$ ), innovation ( $\beta=0.15$ ,  $p=0.27$ ), or financial performance ( $\beta=-0.09$ ,  $p=0.52$ ); cognitive legitimacy showed no effect on financial ( $\beta=0.19$ ,  $p=0.19$ ), social ( $\beta=-0.26$ ,  $p=0.07$ ), or innovation performance ( $\beta=0.02$ ,  $p=0.88$ ). When taken together, hypothesis H2b was not supported.

Moreover, the results indicate an insignificant effect of crowdfunding on autonomy ( $\beta=-0.00$ ,  $p=0.97$ ); accordingly, hypothesis H3a was not supported. However, autonomy is negatively associated with financial ( $\beta=-0.20$ ,  $p<0.05$ ) but positively with social ( $\beta=0.23$ ,  $p<0.01$ ) and innovation performance ( $\beta=0.23$ ,  $p<0.01$ ). When taken together, hypothesis H3b was assumed to be partially supported (Table 7). For the mediation analysis, the results yielded a statistically insignificant indirect effect of crowdfunding through socio-political legitimacy, cognitive legitimacy, and autonomy on any of the performance dimensions. Hence, hypotheses H2c and H3c were not supported.

The control variables were introduced to the model (Table 8) but did not cause any significant changes in the path estimates of the original model. Put together, no empirical evidence exists to support that any of the suggested control variables influence the hypothesised relationships.

**Table 7.** Base model hypotheses testing (uncontrolled)

<b>Hypothesised association</b>	<b>Effect (Std. <math>\beta</math>)</b>	<b>p-value</b>	<b>Hypotheses</b>
<b>Direct effects</b>			
Crowdfunding → Innovation performance	-0.10	0.26	H1a is not supported
Crowdfunding → Financial and market performance	-0.09	0.32	H1b is not supported
Crowdfunding → Social performance	0.07	0.42	H1c is not supported
Crowdfunding → Socio-political legitimacy	0.35	0.00	H2a is supported
Crowdfunding → Cognitive legitimacy	0.35	0.00	
Crowdfunding → Autonomy	-0.00	0.97	H3a is not supported
Legitimacy (SPL/COL) → Financial and market performance	-0.09/0.19	0.52/0.19	
Legitimacy (SPL/COL) → Social performance	0.11/-0.26	0.41/0.07	H2b is not supported
Legitimacy (SPL/COL) → Innovation performance	0.15/ 0.02	0.27/0.88	
Autonomy → Financial and market performance	-0.20	0.013	
Autonomy → Social performance	0.23	0.005	H3b is partially supported
Autonomy → Innovation performance	0.23	0.005	
<b>Mediated effects</b>			
Crowdfunding → Socio-political legitimacy → Financial and market performance	-0.03	p>0.05	H2c is not supported
Crowdfunding → Socio-political legitimacy → Social performance	0.04		
Crowdfunding → Socio-political legitimacy → Innovation performance	0.05		
Crowdfunding → Cognitive legitimacy → Financial and market performance	0.06		
Crowdfunding → Cognitive legitimacy → Social performance	-0.09		
Crowdfunding → Cognitive legitimacy → Innovation performance	0.00		
Crowdfunding → Autonomy → Financial and market performance	0.00		
Crowdfunding → Autonomy → Social performance	-0.00	p>0.05	H3c is not supported
Crowdfunding → Autonomy → Innovation performance	-0.00		

Table 8. Base model hypotheses testing (controlled)

Hypothesised association	Effect (Std. $\beta$ )	p-value	Hypotheses
<b>Direct effects</b>			
Crowdfunding $\rightarrow$ Innovation performance	-0.06	0.48	H1a is not supported
Crowdfunding $\rightarrow$ Financial and market performance	-0.12	0.15	H1b is not supported
Crowdfunding $\rightarrow$ Social performance	0.06	0.45	H1c is not supported
Crowdfunding $\rightarrow$ Socio-political legitimacy	0.37	0.00	H2a is supported
Crowdfunding $\rightarrow$ Cognitive legitimacy	0.39	0.00	
Crowdfunding $\rightarrow$ Autonomy	0.00	0.974	H3a is not supported
Legitimacy (SPL/COL) $\rightarrow$ Financial and market performance	-0.09/0.25	0.55/0.17	
Legitimacy (SPL/COL) $\rightarrow$ Social performance	0.02/-0.18	0.87/0.24	H2a is not supported
Legitimacy (SPL/COL) $\rightarrow$ Innovation performance	0.19/-0.04	0.21/0.8	
Autonomy $\rightarrow$ Financial and market performance	-0.20	0.011	
Autonomy $\rightarrow$ Social performance	0.23	0.003	H3b is partially supported
Autonomy $\rightarrow$ Innovation performance	0.22*	0.006	
<b>Mediated effects</b>			
Crowdfunding $\rightarrow$ Socio-political legitimacy $\rightarrow$ Financial and market performance	-0.03		
Crowdfunding $\rightarrow$ Socio-political legitimacy $\rightarrow$ Social performance	0.01		
Crowdfunding $\rightarrow$ Socio-political legitimacy $\rightarrow$ Innovation performance	0.07		
Crowdfunding $\rightarrow$ Cognitive legitimacy $\rightarrow$ Financial and market performance	0.08	p>0.05	H2c is not supported
Crowdfunding $\rightarrow$ Cognitive legitimacy $\rightarrow$ Social performance	-0.07		
Crowdfunding $\rightarrow$ Cognitive legitimacy $\rightarrow$ Innovation performance	-0.01		
Crowdfunding $\rightarrow$ Autonomy $\rightarrow$ Financial and market performance	-0.00		
Crowdfunding $\rightarrow$ Autonomy $\rightarrow$ Social performance	0.00	p>0.05	H3c is not supported
Crowdfunding $\rightarrow$ Autonomy $\rightarrow$ Innovation performance	0.00		

<b>Control variables</b>			
Age: New venture	→ Financial and market performance	-0.18	0.20
Age: Established	→ Financial and market performance	-0.17	0.21
Age: New venture	→ Social performance	0.23	0.08
Age: Established	→ Social performance	0.28	0.04
Age: New venture	→ Innovation performance	-0.01	0.91
Age: Established	→ Innovation performance	-0.04	0.76
Size	→ Financial and market performance	-0.01	0.90
Size	→ Social performance	0.12	0.14
Size	→ Innovation performance	0.00	0.99
"Focus"	→ Financial and market performance	0.04	0.63
"Focus"	→ Social performance	-0.01	0.88
"Focus"	→ Innovation performance	-0.13	0.14
Industry: Social	→ Financial and market performance	0.18	0.17
Industry: Creative	→ Financial and market performance	0.17	0.17
Industry: Social	→ Social performance	-0.01	0.94
Industry: Creative	→ Social performance	-0.07	0.55
Industry: Social	→ Innovation performance	0.01	0.96
Industry: Creative	→ Innovation performance	0	0.99



## 5.5 Alternative models

This section verifies whether the findings are robust concerning alternative model specifications and variable choices (Skirnevskiy et al., 2017). One potential concern is the high correlation between social and cognitive legitimacy, indicating they may not be fully distinct. Accordingly, another model (Model 2) by using a single score for legitimacy was examined. The results show that the goodness-of-fit indices for the uncontrolled model ( $\chi^2(df)=0.018(1)$ ,  $\chi^2/df=0.018$ ,  $p=0.893$ ; CFI=0.999; RMSEA=0.001) and the fully controlled model ( $\chi^2(df)=16.919(15)$ ,  $\chi^2/df=1.128$ ,  $p=0.324$ ; CFI=0.995; RMSEA=0.03) exceeded the recommended threshold values, indicating that the proposed model fits the data well (Hair et al., 2019). The proposed uncontrolled model explains 6.7% of the variance in social, 5% in financial, and 7.9% in innovative performance. The proposed fully controlled model explains 12.6% in social, 7.8% in financial, and 9.5% in innovative performance.

Moreover, the model selection always involves uncertainty. Therefore, conclusions can be drawn from the full set of possible models to overcome some of the uncertainty related to choosing one model over the others. Thus, it is beneficial to specify several potentially relevant models and compare them to one another to see which fits the data best and if such would entail more insights into understanding the data. Following this rationalisation, in addition to the base and alternative models (Model 1) in which legitimacy was measured as a single factor, another three models were examined. First, the results of using a single score for performance and a single score of legitimacy (Model 3) show that the goodness-of-fit indices for uncontrolled ( $\chi^2(df)=0.018(1)$ ,  $\chi^2/df=0.018$ ,  $p=0.893$ ; CFI=0.999; RMSEA=0.001) and fully controlled model ( $\chi^2(df)=14.153(15)$ ,  $\chi^2/df=0.944$ ,  $p=0.514$ ; CFI=0.999; RMSEA=0.001) exceeded the recommended threshold values, indicating the proposed model fits the data well. The proposed uncontrolled model explains 13.5% of the variance in legitimacy, 0% in autonomy, and 2.5% in innovation performance; and the proposed fully controlled model explains 21.1% of the variance in legitimacy, 1.9% in autonomy, and 3.2% in performance.

Using performance as two dimensions (social and financial) and legitimacy as a single score was then validated (Model 4). The results show that the goodness-of-fit indices for the uncontrolled ( $\chi^2(df)=0.018(1)$ ,  $\chi^2/df=0.018$ ,  $p=0.893$ ; CFI=0.999; RMSEA=0.001) and fully controlled model ( $\chi^2(df)=14.153(15)$ ,  $\chi^2/df=0.944$ ,  $p=0.514$ ; CFI=0.999; RMSEA=0.001) exceeded the recommended threshold values, indicating the proposed model fits the data well. The proposed uncontrolled model explains 13.5% of the variance in legitimacy, 0% in autonomy, and 0.1% in innovation performance; the proposed fully controlled model explains 21.1% of the variance in legitimacy, 1.9% in autonomy, and 1.7% in performance.

Finally, when using one performance dimension (social) and one single score of legitimacy (Model 5), the results show that the goodness-of-fit indices for the uncontrolled ( $\chi^2(df)=0.018(1)$ ,  $\chi^2/df=0.018$ ,  $p=0.893$ ; CFI=0.999; RMSEA=0.001 and fully controlled models ( $\chi^2(df)=14.153(15)$ ,  $\chi^2/df=0.944$ ,  $p=0.514$ ; CFI=0.999; RMSEA=0.001) exceeded the recommended threshold values, indicating the proposed model fits the data well. The proposed uncontrolled model explains 13.5% of the variance in legitimacy, 0% in autonomy, and 6.7% in innovation performance; the proposed fully controlled model explains 21.1% of the variance in legitimacy, 1.9% in autonomy, and 11.5% in performance.

Going forward, the study examined and compared the different models. Selection among models was conducted with predictive fit indices (Table 9). I utilised Akaike Information Criterion (AIC), Browne-Cudeck Criterion (BCC), Bayes Information Criterion (BIC), and Consistent Akaike Information Criterion (CAIC). Each of these indices is represented by a single number and used to determine which model best fits the data set where the lowest value is preferable. Among the models, Model 3, Model 4, and Model 5 have the lowest and mostly identical values of AIC, BCC, BIC, and CAIC compared to the base (conceptual) model or Model 2 (Table 9).

**Table 9.** Estimations of alternative models

	Uncontrolled					Fully Controlled				
	Base Model	Model2	Model3	Model4	Model5	Base Model	Model2	Model3	Model4	Model5
AIC	52.18	40.02	18.02	18.02	18.02	175.02	142.92	94.15	94.15	94.15
BCC	55.36	42.14	18.69	18.69	18.69	191.59	155.92	101.03	101.03	101.03
BIC	128.66	98.85	44.49	44.49	44.49	392.7	328.24	211.83	211.82	211.82
CAIC	154.66	118.85	53.49	53.49	53.49	466.7	391.24	251.83	251.82	251.82
$\chi^2/df$	0.09	0.018	0.02	0.02	0.02	1.59	1.128	0.94	0.94	0.94
RMSEA	0.00	0.00	0.00	0.00	0.00	0.07	0.03	0.00	0.00	0.00
Aver R <sup>2</sup>	0.08	0.066	0.05	0.05	0.07	0.12	0.11	0.09	0.08	0.12
CFI	0.10	0.10	0.10	0.10	0.10	0.98	0.10	0.10	0.10	0.10

Following these results, the hypotheses were examined using the three better-performing models (Models 3, 4, and 5). Model 5 shows more significant relationships than Models 3 and 4. In particular, H2a (Crowdfunding→Legitimacy,  $\beta=0.37$ ,  $p<0.001$ ) and H3b (Autonomy→Performance,  $\beta=0.23$ ,  $p<0.01$ ) are significant and supported in the uncontrolled and controlled models. Thus, Model 5 is concluded to fits the data best. However, the main results remain the same as the

base model's. Thus, the results are concluded to be robust across models. Tables 10 and 11 show the details of the associative relationships using Model 5.

**Table 10.** Uncontrolled alternative model for testing the hypotheses (Model 5)

<b>Hypothesised association</b>	<b>Effect (Std. <math>\beta</math>)</b>	<b>p-value</b>	<b>Hypotheses</b>
<b><i>Direct effects</i></b>			
Crowdfunding → Performance	0.069	0.436	H1a,b,c are not supported
Crowdfunding → Legitimacy	0.368	<0.001	H2a is supported
Legitimacy → Performance	-0.136	0.436	H2b is not supported
Crowdfunding → Autonomy	-0.003	0.970	H3a is not supported
Autonomy → Performance	0.225	0.006	H3b is supported
<b><i>Mediated effects</i></b>			
Crowdfunding → Legitimacy → Performance	-0.05	>0.05	H2c is not supported
Crowdfunding → Autonomy → Performance	-0.0007	>0.05	H3c is not supported

**Table 11.** Controlled alternative model for testing the hypotheses (Model 5)

<b>Hypothesised association</b>	<b>Effect (Std. <math>\beta</math>)</b>	<b>p-value</b>	<b>Hypotheses</b>
<b><i>Direct effects</i></b>			
Crowdfunding → Performance	0.056	0.525	H1a,b,c are not supported
Crowdfunding → Legitimacy	0.404	<0.001	H2a is supported
Legitimacy → Performance	-0.127	0.158	H2b is not supported
Crowdfunding → Autonomy	0.005	0.957	H3a is not supported
Autonomy → Performance	0.237	0.003	H3b is supported
<b><i>Mediated effects</i></b>			
Crowdfunding → Legitimacy → Performance	0.034	>0.05	H2c is not supported
Crowdfunding → Autonomy → Performance	0.0006	>0.05	H3c is not supported
<b><i>Control variables</i></b>			
Age: New venture → Legitimacy	0.147	0.262	
Age: Established → Legitimacy	0.093	0.486	
Age: New venture → Autonomy	-0.073	0.616	
Age: Established → Autonomy	-0.093	0.532	
Age: New venture → Performance	0.262	0.060	
Age: Established → Performance	0.337	0.017	
Size → Legitimacy	-0.106	0.161	
Size → Autonomy	-0.055	0.512	
Size → Performance	0.031	0.701	
“Focus” → Legitimacy	-0.163	0.049	
“Focus” → Autonomy	-0.062	0.501	
“Focus” → Performance	0.034	0.705	
Industry: Social → Legitimacy	-0.037	0.766	
Industry: Creative → Legitimacy	-0.067	0.587	
Industry: Social → Autonomy	0.116	0.401	
Industry: Creative → Autonomy	0.024	0.863	
Industry: Social → Performance	-0.005	0.973	
Industry: Creative → Performance	-0.093	0.471	

## 6 Discussion and conclusions

### 6.1 Key findings

Exploring the possible organisational responses to the challenges of resource acquisition that SEs faced was the study's objective. The first research question concerned the strategies that SEs, as hybrid organisations, might follow to overcome the challenges of accessing resources to improve organisational performance. RBCF was proposed as a strategic response that SEs follow as an alternative active strategy to remove or lessen the environmental pressures toward conformity. Thus, the study focused on the effect of resource acquisition, specifically financial resources, through RBCF platforms to improve performance. Previous research suggests that crowdfunding might influence multiple dimensions of SEs' performance after the campaigns end (Chen et al., 2020; Vanacker, Vismara, & Walthoff-Borm, 2019; Walthoff-Borm et al., 2018).

However, the findings show that crowdfunding, at least regarding RBCF, does not necessarily influence SEs' performance. Current research almost entirely focuses on raising funds on crowdfunding platforms (Pollack et al., 2021). We know an exceptional number of determinants of crowdfunding campaign success, such as resources, rhetoric, homophily, prosocial motivation, and language orientation (Farhoud et al., 2021; Gafni, Hudon, & Périlleux, 2021; Mitra et al., 2022). Although raising funds is a milestone during venture creation, it represents only the beginning of the entrepreneurial process. Focusing on how to run a successful RCBF campaign risks overlooking critical outcomes at the focal organisation and, consequently, the societal/population level (Saebi, Foss, & Linder, 2019). Little is known at the population level about the actual subsequent (after the campaign) performance of crowdfunded SEs or their failure rates and whether these differ from those of commercial ventures (Saebi et al., 2019). Therefore, the unestablished relationship between RBCF and performance challenges the rhetorical value of RBCF for a better subsequent performance of SEs. That is, while crowdfunding is promising for the growth of the SE sector, several studies suggest that many unqualified campaigns should not have been funded (Isenberg, 2012). There are also questions about the particular type of crowdfunding that would, and as crucially would not, provide sufficient returns (Walthoff-Borm et al., 2018).

The second research question explored the role of access to resources in gaining legitimacy in a broader societal context and increasing organisational autonomy. The findings show that resource acquisition characterised by RBCF clearly increases SEs' legitimacy. In this, RBCF can effectuate greater organisational legitimacy through identity, associative, and organisational mechanisms (Fisher et al., 2017). This attempt to build legitimacy through RBCF, in effect, enables SEs to change the definition and influence the standards of legitimacy by which SEs are evaluated. In particular, RBCF supports SEs to create awareness about their new way of organising, their activities, and their multidimensional outcomes (Shepherd & Zacharakis, 2003). Moreover, the approval of the society/crowd renders SEs desirable and understandable, justifying their existence and favouring subsequent evaluation.

In addition, the results show that RBCF does not enhance the autonomy of SEs. This might be understood as SEs already had total control over the operation of their organisation and would not allow survival to overpower purpose. Aligning with the RDT argument, the study assumed that SEs, driven by their own interests and those of beneficiaries to reduce uncertainty, will actively respond to an unwelcoming external environment with strategies other than just conforming (Busch & Barkema, 2021; Mair et al., 2015; Pache & Santos, 2010). The rationale was that SEs would follow "an array of tactics to manage their exchange relations to balance the need to minimize dependence and uncertainty while also maintaining decision autonomy" (Scott & Davis, 2015, p. 211). The underlying assumption was that tension between the organisation's developmental and economic goals exists, necessitating autonomy on what, how, when, and to/from whom resources would be allocated. The other assumption was a potential exists for variations in the degree of choice, awareness, proactiveness, influence, and self-interest that the focal organisation can utilise to respond to the external environment's pressures and demands (Oliver, 1991b). Following RDT motivational bases, the main reason for these arrangements is to help the focal organisation improve its autonomy, which stems from its freedom to make decisions without outside interference. Against this backdrop, the results of this study may suggest this propensity and pre-desire to keep complete control of the organisation might have damped the perception of increased autonomy. Moreover, many of the surveyed SEs were bootstrapped and did not deal with private investors/donors. These results allude to the value of RBCF in providing multiple benefits in addition to money (von Briel et al., 2018); as such, the surveyed SEs might have started an RBCF campaign to capture values other than autonomy (e.g. legitimacy) (Frydrych et al., 2014; Seyb, Wuillaume, Shepherd, & Maitlis, 2022; Soublière & Gehman, 2020; Tauscher, Bouncken, & Pesch, 2021; Vanacker et al., 2019).

The third research question examined how attaining legitimacy and autonomy influences resource acquisition's role in SEs' performance. The results do not show any mediation role of legitimacy or autonomy in the studied types of performance. Hence, the assumed mediating role of legitimacy and autonomy between resource acquisition and performance remains unsupported. However, the positive relationship between RBCF and legitimacy in this study suggests legitimacy might be an end unto itself for SEs. This view supports characterising RDT as a sociological theory “in which organisations are seen as being exposed to societal norms and expectations, and in which establishing social acceptability by meeting those demands is important in its own right” (Drees & Heugens, 2013, p. 1689). Moreover, autonomy *per se* influenced (social and innovation) performance. This has important implications for understanding mission drift in SEs (Grimes et al., 2019; Serres et al., 2022) and how to preserve hybridity over time (Smith & Besharov, 2019). In particular, autonomy would allow SEs to work with certain people on a specific problem and choose one's own method in finding innovative solutions for realising opportunities. Autonomy is necessary to realise the organisational mission (Van Gelderen & Jansen, 2006) because organisational autonomy is essential to enact entrepreneurial opportunities—primary levers for value creation (Lumpkin et al., 2009). The findings show that active strategies, such as RBCF, reinforce autonomy while pursuing interdependence with resource providers in the external environment (Santos & Eisenhardt, 2005).

## 6.2 Theoretical contribution

This study contributes to a multidimensional conversation in social entrepreneurship and organisational theory literature. RDT's underlying assumptions are that organisations, in their resource acquisition strategies, try to absorb, negotiate, avoid or alter dependence when resource providers threaten organisational legitimacy and autonomy, which are critical levers of performance. This study's findings show otherwise. In particular, although the argument of RDT matches well with the nature of SEs, the results of H1a, H1b, and H1c (which conveyed the logic that organisational strategies influence SE performance) and H2c and H3c (which conveyed the logic that organisational legitimacy and autonomy are means to organisational performance) provide no support that RDT is a theory of organisational performance. Rather, the results reveal almost two parallel dynamics (discussed below): one highlighting how RBCF enhances an SE's legitimacy and another underscoring how an SE's autonomy influences its performance. In particular, the first aspect implies that legitimacy may be considered an outcome at the same level as SE performance. The second aspect shows how autonomy exists

as a precondition for SE performance and is not dependent on how the SE performs in the eyes of the crowd.

Moreover, the results support H2a, predicting that resource acquisition will influence legitimacy. Legitimacy was not found to impact performance. When taken together, this study positions RDT as a theory of organisational responsiveness to external demands with its roots in organisational sociology in which pursuing acceptance, appropriateness, and desirability with external actors are (important) ends (Drees & Heugens, 2013). These results show that non-ownership alliances with numerous individual participants (society/crowd) demonstrate the same legitimacy-bestowing effect of the other more pervasive arrangement (reputable resource provider).

Moreover, the results support RDT's view that autonomy significantly influences different types of performance. Corporations have increased internal and external demands to deliver a positive impact besides seeking profit (Hollensbe, Wookey, Hickey, George, & Nichols, 2014; Margolis & Walsh, 2003; Stephan et al., 2016). SEs are "a ready-made laboratory to study a creative variety of hybrid" (Billis, 2010, p. 13), and studying them provides an ideal setting for advancing research on hybrid organisations (Battilana & Fuerstein, 2018; Busch & Barkema, 2021; Eisenhardt, Graebner, & Sonenshein, 2016). This study suggests that autonomy is a crucial organisational element helping organisations focus on multiple goals. However, autonomy is not readily available following ownership: it is challenged, and organisations must take actions to achieve and maintain it (Van Gelderen & Jansen, 2006). Autonomy concerning overall resource acquisition strategies is especially considered threatened when resource providers' demands do not align with the enterprise's mission. Thus, enterprises would actively and selectively partner with the resource providers best aligned with the organisational mission and avoid those who threaten rather than further autonomy. Organisations must partner with powerful resource-holders who do not exercise power but reduce dependence and recognise autonomy as an integral property of the organisation and a prerequisite to realising multiple missions.

Against the above background, RDT's perspective holds most consistently to the nature of SEs. The theory and this type of organisation are well-matched regarding their approach to the external environment. SEs face the challenge of establishing their legitimacy (Kibler, Salmivaara, Stenholm, & Terjesen, 2018; Pache & Santos, 2013b) and their autonomy (AbouAssi, 2015; Kwong et al., 2017), which implicate performance. These organisational elements—legitimacy, autonomy, and performance—are consistent with RDT, underscoring the importance of organisational legitimacy and autonomy as precursors for better performance. Thus, RDT is suggested as an adequate theory to study and understand SEs; vice versa,



SEs may be regarded as an important context to advance RDT's strategies to understand and manage dependencies.

Moreover, there is a need to theorise crowdfunding as a virtual society that highly influences the new venture creation process and performance (von Briel et al., 2018). There is no lack of studies focusing on how to run a successful crowdfunding campaign, yet we know surprisingly little about what happens after the campaigns end (Pollack et al., 2021). The focus in entrepreneurship research should be on "crowdfunded entrepreneurial opportunities, rather than crowdfunding itself, as not all crowdfunding involves entrepreneurial processes" (Pollack et al., 2021, p. 248). For example, whether RBCF directly betters after the campaign performance (if at all) or through the mediation effect of other improved organisational elements (e.g., legitimacy and autonomy) is unclear. This study, consistent with the extant calls, gives attention to "the intersection of entrepreneurial processes with the crowdfunding phenomenon" (Pollack et al., 2021, p. 248) and contributes to the few theory-based studies at that intersection (Soublière & Gehman, 2020).

This study examined RBCF within the social entrepreneurship setting while applying theory-driven research questions and quantitative analytical methods using an established theoretical lens and agreed-upon constructs to advance theory and the social entrepreneurship discipline (Cummings, 2007; Moss et al., 2011). RBCF showed (challenged) the assumed transition of RBCF to post-campaign performance. Although not all the assumed relationships were supported, the approach in this study can advance research on crowdfunding and SE fields. Most notably, it provides examined theoretical utilities to academics covering an essential phase of the venture lifecycle and investment (Frank & Landström, 2016; Gupta et al., 2020; Pollack et al., 2021). This study, using multidisciplinary theory, literature, and data beyond that of U.S.-based platforms specially curated for SEs' needs, increases our understanding of the relationship between crowdfunding and social entrepreneurship (Pollack et al., 2021; Renko et al., 2019).

### 6.3 Practical implications

Difficulty accessing financial resources, building up legitimacy, and retaining autonomy are real-life problems hindering SEs' market survival and growth (Farhoud et al., 2021; Joy et al., 2021; Kwong et al., 2017). RBCF, as discussed in this study, has a practical utility that can be directly applied to improve the current managerial practice of social entrepreneurs and solve a significant managerial problem related to attaining legitimacy. In particular, SEs can build legitimacy through stories using videos, pictures, and texts on RBCF platforms. Achieving the capital goal, or at least part of it, would also contribute to the venture's legitimacy.

The results also suggest that retaining autonomy allows SEs to attend to different performance types, meaning SEs particularly interested in achieving multiple goals must not compromise autonomy in their resource acquisition strategies. The study also provides evidence that the RBCF outcome is unrelated to after-campaign performance. To improve performance, SEs must search for other resource acquisition arrangements. However, we still know surprisingly little about how and under which conditions the value of RBCF would be realised on the population level of crowdfunded SEs. The findings of this study will likely interest many actors engaged with crowdfunding.

Moreover, understanding the present situation is the foundation for any future strategy and policy initiatives that might be considered (Corley & Gioia, 2011). This study provides a prescience characterised by foreknowledge and foresight (Corley & Gioia, 2011) and examines the relevance of crowdfunding as a fledgling field to enable social entrepreneurship. Therefore, this study contributes to the current societal and governmental conversations on financial inclusion for SEs within social economic policies. Such prescience will undoubtedly lead us to focus on problem domains with significant importance for the future practice of social entrepreneurship. Also, this is a quantitative study, meaning the research questions can be answered using quantitative data. As such, “more is known about, for example, the who, where, what, when, how big, how long, how many and how much of entrepreneurship than the how and why” (McDonald, Gan, Fraser, Oke, & Anderson, 2015, p. 308). This will necessarily provide more evidence with which practitioners and policymakers can work.

Finally, crowdfunding is inherently a citizen engagement form of organising involving public sentiment. The crowd’s contributions show how much the general public supports (or not) certain goal(s) and is an important instrument for the population to set new goals and define developmental agendas that interests them most. Different actors, including policymakers, might start dialogues with crowdfunding platforms to define a routine to communicate with the population before rolling out projects. For example, in their study, Farhoud et al. (2021) provide a framework for how to keep engagement ongoing and co-create with the crowd through a media presence and a community-based approach to operations.

## 6.4 Limitations and suggestions for future research

Despite its merit, this research has some limitations that operate as possible directions for future research. First, the study was limited to reward-based crowdfunded SEs to unpack the value of acquiring financial and social resources (legitimacy, autonomy) through RBCF to impact performance after the campaigns end. Altogether, 143 responses were collected through online surveys; as social

entrepreneurship involves “using practices and processes that are unique to entrepreneurship to achieve aims that are distinctly social, regardless of the presence or absence of a profit motive” (Short et al., 2009, p. 172), the analysis included entities in the not-for-profit sector and traditional for-profit enterprises with social missions. Given the scope of the analysis in this dissertation and the newness of the crowdfunding phenomenon, a more refined analysis focusing on investigating RBCF’s role in the performance of for-profit versus non-profit SEs might reveal a new understanding of crowdfunding’s role in post-campaign performance.

The study did not find a significant difference in the amount of raised funds between for-profit and not-for-profit. However, it remains obvious that the target audience, quality of campaigns, and communicated language differ (Moss, Renko, Block, & Meyskens, 2018; Parhankangas & Renko, 2017). Besharov and Smith (2014) distinguish between SEs’ core (transforming inputs into outputs) and periphery (sealing off the core from the disruptive influence) and provide a typology for describing organisations following the degree of variation of compatibility and centrality between what is core and what is peripheral. Building on this, Battilana and Lee (2014) noted extant research study SEs organisations that reflect dual mission at their core and SEs organisations that focus on only one mission at their core, meaning the distinction between social and commercial entrepreneurship is not dichotomous but a continuum (Austin et al., 2006; Lumpkin et al., 2013; Santos, 2012). Put simply, two SEs might follow the same legal form but have different internal operational dynamics. An NGO in Lesotho that exists to combat HIV/AIDs (whose legal form is NPO) might offer training to medical staff in other countries to generate cash. This focus might put the organisation in a competing position with local and/or international for-profit organisations operating in the same sector. In sum, these findings suggest no homogenous population of SEs exists. Hence, although I understand and appreciate the challenges of studying SEs and the calls to broaden the level of analysis of social entrepreneurship organisations (Mair & Rathert, 2020), this study suggests otherwise.

More specifically, even if social entrepreneurship exists equally in for-profit and not-for-profit organisations, lump-summing all forms and studying them as equal is problematic. The social entrepreneurship literature is advanced enough to recognise the differences between the primary/core and peripheral focus of SEs—beyond the legal forms. More specifically, future research might use a well-defined and psychometrically sound construct of hybridity for more relevant social entrepreneurship research findings, allowing us to engage more productively with the phenomenon, thus possibly providing a better understanding of the field using true representative samples of which SEs might be studied together. Three articles illustrating how to do this include Shepherd, Williams, et al. (2019), Besharov and Smith (2014) and McMullen and Warnick (2016). The level of integration or

differentiation between developmental and economic operations also exists (Smith et al., 2013), with more details in Besharov and Mitzinneck (2020). Future research could also consider Stevens et al. (2015) and Kannampuzha and Hockerts (2019) as solid examples deserving of attention. Unless we study homogenous-enough levels and units of analysis, our understanding of the phenomenon will remain limited.

The study remains cross-sectional and cannot make a reliable causal conclusion while considering the crowdfunding outcome's role in SEs' performance and how autonomy and legitimacy mediate this relationship were not supported (Kimmitt et al., 2016). Still, this study provided theoretical argumentation for the causal relationships, which might be useful for future time series studies. Accordingly, future research might consider longitudinal research designs to examine the dynamism of the associations between RBCF, legitimacy, autonomy, and SEs' performance, as well as stabilise the relationships, if they exist. Such approaches could extract the time span between an RBCF campaign and the performance outputs—even which kinds of actions RBCF helps organisations take.

Although measurement scales for the performance of SEs in the crowdfunding context were thoroughly searched, and the scales used yielded reliable results, more ad-hoc measures for performance may arguably be needed in a crowdfunding scenario. As such, this study invites future research to utilise and explore different types of theoretical logic to fully capture the performance of SEs following a crowdfunding campaign. For example, investigating the role of the crowd in new venture development at different stages would be interesting. The external enablers of Davidsson and colleagues would provide a rich framework focusing on triggering, shaping, and outcome-enhancing (Davidsson et al., 2020).

Notably, many crowdfunding platforms continuously update their designs, which might impact the nature and public availability of data (Pollack et al., 2021). Also, this study focuses on crowdfunded SEs without further investigating the nature of the operational model (e.g. the focus on developmental or economic goals). Therefore, the type(s) of ventures from which data was extrapolated are not homogeneous. Moreover, despite the effort in collecting data from a wide range of SEs from different platforms; the effort in enticing participation through incentives, calls, and SMSs; and the insignificant nonresponse; this study does not claim to be a representative sample of “the entire population in any one country, at any one time, but rather a subset of those SEs that did engage in crowdfunding” (Pollack et al., 2021, p. 249). Thus, this study's findings might not easily be replicated (Dushnitsky & Fitza, 2018).

Although prior research established the link between resource acquisition, legitimacy, and performance (Drees & Heugens, 2013), it remains puzzling that such a link was unsupported in the empirical domain belonging to RDT. A possible

answer might be linked to the used scales. Although the legitimacy scales are well-validated and used in previous research, they loaded on the same factor in this study. More fine-tuned scales could more accurately capture the influence of different types of legitimacy on different types of performance in resource acquisition arrangements. Moreover, a single legitimacy score and single performance score showed a better fit of data; future research could utilise this approach to unpack and capture the magnitude of different relationships. The performance dimensions of SEs fundamentally differ; combining them for better results might not best explain the phenomenon. Future research might also follow up with those who gained legitimacy to see if they can secure more resources and improve performance. Finally, in contrast with the findings of this study, previous research established the relationship between inter-organisational arrangements and autonomy. Future research might explore if certain arrangements do not fall in the domain of RDT or certain types of resource acquisition. A slow response (Sadeghi & Kibler, 2022) is still possible, as it takes a certain amount of time for RBCF to influence autonomy and performance, which this study's data analysis failed to capture. Future research might follow up with the funded enterprises to test the associative confirmation between RBCF and legitimacy, autonomy and performance.

This study provides an argument that future research can use, meaning it suggests the quadripartite relationships (resource acquisition, legitimacy, autonomy, and performance) are theoretically intertwined, epistemologically aligned, and aim at the same utility. Such connectivity is an opportune theoretical basis for investigating SEs' performance and its antecedents as contextually, SEs might deny the traditional form of organising.

(Social) entrepreneurship is indispensable in the modern discourse on addressing grand societal challenges and creating a common good through business and management research (Haugh & Doherty, 2022). Social entrepreneurship assumes utilising the underlying assumptions of efficiency and profit maximisation are effective developmental tools. While much debate between supply- and demand-based solutions has been ongoing (Duflo & Banerjee, 2011) and assumes the effectiveness of social entrepreneurship as a demand-based developmental instrument (McMullen, 2011), how these assumptions would function inside the organisation without displacing its mission toward profit remains unclear (Savarese et al., 2021; Smith & Besharov, 2019). Put differently, how SEs can stay focused on the triple bottom line over time while utilising market-based practice, which is "an important challenge of our time and inherent to a broad range of organisations that seek to combine multiple objectives", not only social entrepreneurship (Grimes et al., 2019, p. 820). This study offers autonomy as one possible guardrail against mission drift (Grimes et al., 2019; Lumpkin et al., 2009). Autonomy might permit entrepreneurs to selectively interpret the external environment in which SEs operate,

scan the relevant external environment for opportunities and threats, and attempt to avoid or break their dependence on them. Understanding how much autonomy might contribute to SEs' realisation of their dual mission and what strategies are available for SEs to enact and interact with the external environment while preserving their autonomy guarantee a fruitful area for future research.

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