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Master thesis

2023 **Justin Lopinski**

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Social Enterprise-Centered Varieties of Capitalism: How does the variant of capitalism impact the social enterprise sector?

Master thesis

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PhDr. Jiří Schwarz, Ph.D.

Abstract

Social enterprises represent a way to leverage existing institutions and markets to address social needs not adequately covered by the private sector or the state. The social issues they aim to address, the institutional frameworks they work within, and the markets where they operate are all unique within their national or even regional context. This creates issues with scaling and transplanting successful models into new communities. This paper defines these institutional contexts using a theoretical framework derived from varieties of capitalism literature through comparing indicators of economic coordination and government intervention across different countries. Using Ordinary Least Squares regression techniques on a cross sectional dataset of 49 countries, the following three research questions were addressed. First, does the variant of capitalism impact the social enterprise sector? Second, do targeted efforts aimed at promoting entrepreneurship have spillover effects that benefit social enterprise? Third, do post-materialistic values prevalent in society foster an environment more conducive to social enterprise development? The results of this analysis find that while commercial entrepreneurial activity is positively related to economic coordination and negatively related to government intervention, there is no evidence that a similar relationship exists for social entrepreneurial activity. Additionally, these findings suggest that entrepreneurial training, entrepreneurial culture, and norms do not have spillover effects that positively impact social entrepreneurial activity. Finally, post-materialistic values have been found to have a strong positive relationship with social entrepreneurial activity. Together these findings reinforce the notion that social enterprises do not benefit from the existing pure variants of capitalism and need specific policies aimed only at social enterprises to help them grow.

Keywords

Social Entrepreneurship, Varieties of Capitalism, Cultural Values, Government Intervention, Global Entrepreneurship Monitor, Institutional Theory

Abstrakt

Sociální podniky představují způsob, jak využít již existující instituce a trhy k řešení sociálních potřeb, které nejsou dostatečně pokryty soukromým sektorem nebo státem. Sociální problémy, které se snaží řešit, jejich institucionální rámec a trhy na kterých operují jsou jedinečné v rámci svého národního nebo dokonce regionálního kontextu. To vytváří problémy s rozšiřováním a implementací úspěšných modelů do nových komunit. Tato diplomová práce definuje tyto institucionální kontexty pomocí teoretického rámce odvozeného z literatury o Modelech kapitalismu na základě srovnání ukazatelů ekonomické koordinace a vládní intervence v různých zemích. Pomocí regresních technik nejmenších čtverců na průřezovém souboru dat ze 49 zemí byly posuzovány následující tři výzkumné otázky. Zaprvé, má model kapitalismu vliv na sektor sociálních podniků? Za druhé, mají cílené snahy zaměřené na podporu podnikání vedlejší účinky, které prospívají sociálnímu podnikání? Za třetí, poskytují společnosti ve kterých převládají postmaterialistické hodnoty příznivější prostředí pro rozvoj sociálních podniků? Výsledky této analýzy ukazují, že zatímco komerční podnikatelská aktivita je pozitivně ovlivněna ekonomickou koordinací a negativně ovlivněna vládní intervencí, neexistuje důkaz, že by podobný vztah existoval i v případě sociální podnikatelské aktivity. Kromě toho tato zjištění naznačují, že vzdělávání v oblasti podnikání ani kulturní normy v rámci podnikatelského sektoru nemají vedlejší účinky, které by pozitivně ovlivňovaly sociální podnikatelskou aktivitu. Dále bylo také zjištěno, že postmaterialistické hodnoty mají silný pozitivní vliv na sociální podnikatelskou aktivitu. Všechna zjištění společně posilují tezi, že sociální podniky nemají prospěch ze stávajících institucionálních modelů kapitalismu a pro svůj rozvoj potřebují specifické politiky zaměřené výhradně na podporu sociálních podniků.

Klíčová slova

Sociální podnikání, modely kapitalismu, kulturní hodnoty, vládní intervence, Global Entrepreneurship Monitor, institucionální teorie

Range of thesis: 123,002 characters including spaces

Declaration of Authorship

1. The author hereby declares that he compiled this thesis independently, using only the listed resources and literature.

2. The author hereby declares that all the sources and literature used have been properly cited.

3. The author hereby declares that the thesis has not been used to obtain a different or the same degree.

Prague 02/01/2024 **Justin Lopinski**

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Master Thesis Proposal

Institute of Political Studies, IEPS programme
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Proposed Topic:

A Comparative Analysis of the Costs and Benefits of the Social Enterprise Sector Between Different Types of Welfare Capitalism

Registered in SIS: Yes Date of registration: 26.05.2019

Topic characteristics / Research Question(s):

My thesis will follow the following general research question: how does the structure of the welfare system affect the perceived and actual benefits of social enterprise?

For example, how are the costs and benefits associated with social enterprises different between the Germany and Canada? In Esping-Andersen's "The Three Worlds of Welfare Capitalism", he outlines the three types of capitalism; Liberal, Corporatist-Statist, and Social Democratic. The three types are defined by specific labour market compositions and also by a specific direction of employment. Social enterprises are organizational entities that merge market and civil societal forces and have gained support in Liberal regimes for their "Hand-up, not a hand-out" philosophy. Additionally, in some cases social enterprises can address poverty without direct government intervention. Does the structure of the welfare state make social enterprises redundant in the Corporatist-Statist and Social Democratic model or are the perceived and actual benefits different from the Liberal model? It is also entirely possible that there is no distinction between the different types of welfare capitalism. Ultimately, this topic needs to be examined because often political actors (firms, non-profits, governments) attempt to transplant models and practices from other countries without accounting for structural limitations. I will assemble a list of indicators and criteria such as "level of entrepreneurship" and perform data analysis to ascertain what relationships exist and if there are significant differences between the three types of capitalism. Additionally, I'd like to evaluate the governments of these countries commitment to the sector by examining their policy reports and strategic vision/plans.

Working hypotheses:

1. Liberal welfare state regimes will display ideological preferences/benefits with social enterprise in addition to impacts such as employment/health;
2. States more involved in regulating and promoting social enterprise will be Liberal regimes;
3. Social enterprise will have less legitimacy in Corporatist-Statist and Social Democratic economies; and

4. An expansion of the social enterprise sector has more to do with austerity and cuts to non-profits than the type of welfare state.

Methodology:

The first part of the thesis will consist of a literature review of the different types of welfare capitalism and a historical background of the development of social enterprise in a select few countries. I will use literature pertaining to the development of these welfare systems. The second part of my thesis will use a generated description and justify all of the relevant indicators chosen. The third part will follow with the analysis of these indicators. I am uncertain about where to obtain data this specific but at the very least country level data on business indicators will be available. This will culminate in a validation or falsification of the hypothesis.

Outline:

1. Introduction
2. Recapitulation of current knowledge
    a. Three types of welfare capitalism summary
    b. Historical background of social enterprise in liberal, corporate statist and social democratic regimes
3. Description and justification of indicators used
4. Analytical Framework
    a. Institutional support and incentives for social enterprise
    b. Volume and concentration of social enterprise in each country
5. Discussion
    a. Other explanations
    b. Discussion of the Results
6. Conclusions
7. References / Bibliography

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Introduction

In 1970, Milton Friedman wrote *The Social Responsibility of Business Is to Increase its Profits* where he states that the responsibilities of corporate executives begin and end with shareholder value and that activities aimed at achieving wider social benefits are in effect mismanaging shareholder funds (Friedman, 1970). While this philosophy influenced an entire generation of politicians, economists, and executives, half a century later the question of what responsibilities businesses have to society remains. Currently, most multinational corporations are engaged in some form of corporate social responsibility. While commercial enterprises have increasingly blended in social and environmental goals into their mission statements, non-profit organizations have also increasingly engaged in market activities as well. Among this spectrum of hybrid organizations lies social enterprises; dual-purpose organizations which engage in market activities in pursuit of their social mission. Although many countries have a rich history of cooperatives, mutual assistance organizations, and non-profits with some market elements that overlap with this definition, social enterprises and research surrounding them are expanding (Rey-Martí et al., 2016, p. 1653). Social enterprises represent a way to leverage existing institutions and markets to address social needs not adequately covered by the private sector or the state. Social enterprises are not the solution to every market failure or societal issue but are especially appealing because they can be implemented effectively by the community affected by the issue. However, the social issues they aim to address, the institutional context they work within, and the markets they use to sustain their existence are all distinct within their national or even regional context. These factors present issues with sustainable business models, scalability, and the ability to transplant working models to new local contexts.

If we can understand the differences between these local contexts and investigate the features that enable and inhibit social enterprise development, then ideally policies can be implemented to cultivate growth or to mitigate negative features. The field of comparative political economy offers a few tools to systematically classify and quantify the differences between each national institutional context. Hall and Soskice's influential work *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* offers an excellent framework to structure this analysis (Hall & Soskice, 2001). The philosophy that inspires their varieties of capitalism approach to political economy is the idea that there is no single ideal economy for others to emulate. Instead, when institutions are in alignment, they create

an institutional comparative advantage and add to the dynamic capabilities of firms (Hall & Soskice, 2001, p. 7). To elaborate, when financial and labour markets complement each other, it translates to performance greater than the sum of its parts and there are multiple combinations of policies and institutional structures that complement each other. This approach is compatible with the study of social entrepreneurship as social enterprises need to be deeply aligned with the context of their institutional environment (Cherrier et al., 2018, p. 246). The breadth of stakeholders that social entrepreneurs must consider is far beyond the shareholder accountability of Friedman's age with an intrinsic tension between margin and mission at the centre. By adopting a varieties of capitalism perspective to classify the differences in these institutional environments, the following general research question is posed: How does the variant of welfare capitalism impact the social enterprise sector?

Varieties of capitalism theory acts as a classification model to cluster most like countries together and it has evolved to compare developed countries across various axes such as economic coordination, redistribution of wealth, and societal stratification. For example, Hall and Soskice's model classify capitalist economies based on the degree they use market mechanisms or strategic interaction to address coordination problems. Another example is Epsing-Anderson's typology of welfare states which organizes countries into categories based on the degree of decommodification of social benefits and social stratification (Gosta Esping-Andersen, 1990). One of the core pillars of the varieties of capitalism framework is the application of concepts typically used to explain microeconomic behaviour at the macroeconomic level (Hall & Soskice, 2001, p. 14). For example, a firm in an economy with a flexible labour market and diffused system of firm ownership is more likely to fire employees to maintain short-term profitability during a recession than a firm in an economy with strict labour laws and a bank-based system of financing which may opt to lower its prices to preserve market share (Hall & Soskice, 2001, p. 32). When most firms pursue a strategy to align with their institutional environment, individual actors' actions become jointly visible at the macroeconomic level through transformational mechanisms (Saebi et al., 2019).

Another core pillar of the variety of capitalism framework is that pure variants of capitalism "those with marked institutional complementaries, will have superior economic performance to those operating under hybrid models" (Nölke & Vliegenthart., 2009, p. 679). The idea is that countries with less conflicting institutional logics add to the capabilities of commercial enterprises. Reusing the example above, a firm operating in an economy with a

diffused system of firm ownership and strict labour laws facing a recession would be in a much tougher situation. They will face intense pressure to maintain profitability due to their diffused system of ownership but will have less tools to do so as layoffs are more difficult to justify due to restrictive labour policies.

Applying these two pillars as a foundation to refine the general research question, do dual purpose organizations like social enterprises benefit from an ideal variant of capitalism like commercial enterprises? The behavior of social entrepreneurs at the microeconomic level is distinct from their commercial counterparts which implies that institutional synergy from different spheres of economic relations will not have the same favorable impact. More specifically, social entrepreneurs are distinct from commercial entrepreneurs by the primacy they place on social value creation and collective interests over economic value creation (Bacq et al., 2016, p. 713). Social enterprises use market mechanisms to achieve social goals and are subjected to most, if not all constraints and limitations of their private sector competitors. Like most firms, they struggle to secure financing, skilled labour, and navigate legal/regulatory frameworks (European Commission, 2013, p. 7). However, due to their dual purpose of achieving both social and financial goals, their general behaviour and strategic actions can vary significantly from their commercial firm counterparts. This may lead social enterprises to pursue strategies misaligned with the general institutional environment but aligned with their core social purpose. This behaviour acting against general commercial enterprise norms and practices can potentially nullify any benefits to be gained from an ideal variant of capitalism. Furthermore, social enterprises navigate systems optimized to accommodate the private sector and they face additional operational barriers that commercial firms may not be subject to. For example, a social enterprise may be ineligible for government grants if they generate revenue through business operations while they simultaneously struggle to obtain financing from banks who would hesitate to issue a loan to any organization whose sole existence is not predicated on the pursuit of profit (European Commission, 2013, p. 14). Generally, barriers to social enterprise development can be categorized by value differences, business models, and institutional norms (Davies et al., 2019, p. 1616).

These issues are not new to researchers and there have been studies examining institutional constraints to starting up and scaling social enterprise followed by detailed recommendations on how to address them within national contexts. There have also been

multiple efforts to map national and the international social enterprise ecosystems both by state institutions like the European Commission and organizations like the EMES Network (Defourny & Nyssens, 2017). Similarly, there have been a few empirical studies employing regression techniques to analyze the effects of institutional factors on social entrepreneurship internationally, one even within a varieties of capitalism context (Kibler et al., 2018). Although the novelty of having the first study analysing social entrepreneurship through a varieties of capitalism approach is gone, this thesis contributes to the existing literature in two major ways. First, this thesis combines the previous work of Stephan et al. (2015) and Kibler et al. (2018) to evaluate the relationship of social entrepreneurship with both formal and informal institutions. Extending the scope of the analysis beyond formal institutional varieties of capitalism indicators to include targeted institutional factors that are measures of entrepreneurial capabilities (vocational training and education) and motivation (cultural norms) helps evaluate both concrete programs aimed at improving rates of entrepreneurship as well as the public support of the occupation. Second, this thesis includes a direct comparison between commercial and social entrepreneurship adding another dimension of analysis which has not been investigated before. By examining the differences in relationships between commercial and social entrepreneurship, we can better understand the impact of institutional factors in relation to each other. To organize these goals, the following three questions are posed:

1. Does the variant of capitalism impact the social enterprise sector? Whereby the variant of capitalism is captured through measures of economic coordination and government intervention.
2. Do entrepreneurial training and cultural values have externalities that also positively impact social enterprise?
3. Do post-materialistic values positively impact the social enterprise sector?

The following analysis finds that the variant of capitalism does not impact social entrepreneurship but positively impacts commercial entrepreneurship. This demonstrates that Coordinated Market Economies (CMEs) provide a comparative institutional advantage for small/medium enterprises. Similarly, entrepreneurial training and cultural values both have statistically significant positive relationships with commercial entrepreneurship but not with social entrepreneurship. This indicates the need for specialized resources to support social entrepreneurship and a limited to no spillover effect. Finally, as expected, higher rates of post-materialism have a positive impact on social entrepreneurship but not with

commercial entrepreneurship. To arrive at these conclusions, both concepts of social entrepreneurship and varieties of capitalism theory will be defined in greater detail and then combined to explore literature where the two topics intersect. Building upon the common elements reflected in the literature, the methodology will outline the process of creating a framework to analyze the relationship between these elements. Finally, the results will discuss the linear regression outputs and additional robustness checks performed to come to these conclusions.

1. Literature Review

1.1 Defining Social Entrepreneurship

The question of a widely accepted definition for social enterprise has been a contested issue for the past few decades with issues surrounding governance, the role of social entrepreneurs and the scope of their market activities (Defourny & Nyssens, 2017, p. 2471). The European Commission defines social enterprise as "an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities" (European Commission, 2013, p. 3). While there are many variations on this definition, at its core social enterprises are organizations that engage in market activities in the pursuit of their social mission.

A vast variety of organizations fall within this definition so its worth briefly explaining the spectrum of social enterprise models. The main dimension to consider for all hybrid organizations is the balance between the generation of social and financial value (Kim Alter, 2007, p. 14). On one end of the spectrums lies traditional non-profits which may have commercial activities that fund social programs as a means of cost recovery or ongoing income generation. The distinction between social enterprises and non-profits is that social enterprises' business activities are central to achieving their mission while they are a means to an end for non-profits (Kim Alter, 2007, p. 26). For example, a non-profit which hosts an annual bake sale to help finance its social programs is not a social enterprise but a bakery which exists to either finance its programs or act as an employment social program in itself is a social enterprise. On the other side of the spectrum, for profit businesses may choose to

make decisions aimed at producing social value at the expense of financial value. Still, the core motive of the organization is to generate financial value and these activities are only a socially responsible way of achieving that goal. Social enterprises are organizations at the center of this spectrum that pursue a blended value proposition with environmental, social, and economic goals (Kim Alter, 2007, p. 15).

This spectrum of social enterprise models makes finding an objective definition that can be universally applied very challenging and has a direct impact on the general research question posed in this thesis. Institutional diversity at the international level and organizational diversity at the firm level leads to various distinct perspectives on how to delimit social enterprise that align within a national ecosystem but deters a universal understanding of the concept. Similarly, the question of does the variant of capitalism impact social entrepreneurship requires a single delimitation of both concepts. Using a narrow definition of what constitutes social enterprise that is grounded in a regional context will underrepresent organizations in other regions not captured by this definition. In other words, using a delimitation of social enterprise developed to explain social enterprises in Liberal Market Economies (LME's) may overrepresent social enterprises within these economies and underrepresent them in others.

There are two approaches one can use, either to address diversity at the organizational level or at the international level. At the firm level, one approach used by Defourny & Nyssens is to categorize different subtypes of social enterprise that share common profiles. They identify four major types of social enterprises to create an international typology of social enterprise which comprises the bulk of all social purpose organizations (Defourny & Nyssens, 2017, p. 2480). To create this typology, they place all social enterprise organizations in the space inside a three sided axis classifying all organizations between mutual interest (Cooperatives), general interest (the state), and capital interest (commercial firms) (Defourny & Nyssens, 2010, p. 2478). The four major models of social enterprise consist of entrepreneurial non-profits, not for profit organizations that develop earned income activity. Social cooperatives, cooperatives that have shifted from generating benefits to only their own members to creating social value in their communities. Social businesses use commercial enterprise models and invest profits towards generating social value and emphasize the "triple bottom line" of people, planet, and profit, to integrate economic and social goals. Finally, public sector social enterprises are organizations under state control

that pursue marketization in the pursuit of delivering services more efficiently and at a lower cost.

This approach is most effective when taking a more granular view of social entrepreneurship. This level of granularity does not assist with addressing the core research question to determine if the variant of capitalism impacts the social enterprise sector so instead a different approach will be applied. This paper will use an approach shared by U. Stephan et al. (2015) and E. Kibler et al. (2018) who use a single delimited measure of social entrepreneurship and investigate how other factors impact the size of the sector in the case of Stephan or how experts perceive it in the case of Kibler. Both papers apply multiple levels of analysis with individual and state level indicators and having a single continuous variable reduces complexity and yields more clear results. This approach bears the risks of excluding some organizations that may be included within one of these subtypes outlined in Defourny's international typology and there may further insights of observing which forms of social entrepreneurship benefit from each variant of capitalism but unfortunately this would require data that is not available, and each additional classification of social entrepreneurship would add further complexity of the analysis. The objective is to explain how variants of capitalism impact social entrepreneurial activity and adding nuance here would obscure the main message. To mitigate the risk of excluding some organizations that would be classified as social enterprise in one of these models, a broad definition of social entrepreneurship activity will be used in the following analysis.

1.2 Defining Varieties of Capitalism

Varieties of capitalism is a theoretical framework that seeks to understand and explain the differences between market economies and classify them. It makes the case that there is no single ideal model that all countries should follow but instead multiple variants of capitalism that are superior for having consistent institutional alignment between different spheres of relations (Hall & Soskice, 2001, p. 7). This theory leverages a combination of institutionalist approaches to build a framework that uses assumptions at the individual or agent level and scales them out to the international level. Elements of normative institutionalism, rational choice theory and historical institutionalism all coalesce to group and cluster the complex structures and relationships of actors that comprise a nation (Peters & Pierre, 2020).

Hall and Soskice in their influential work *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* divided the industrialized world of capitalist economies into two divergent ideal types; the LME and the CME (Hall & Soskice, 2001). LMEs solve coordination problems through using market mechanisms while CMEs use strategic interaction between actors. These coordination problems are organized into five spheres of relations: corporate governance, labour relations, inter-firm relations, vocational training and education, and employees.

While there is debate surrounding where to place certain countries along different axes, countries which are almost always grouped together and are classified as liberal market economies by Hall and Soskice include the United States, United Kingdom, Canada, and Australia (Arts & Gelissen, 2002). CMEs are more fragmented in the literary discourse by differentiating between Mediterranean, Nordic, and Central Eastern European economies into their own categories. Nevertheless, Germany, France, Italy and Austria are almost always included in the same group (Arts & Gelissen, 2002, p. 149). To cluster countries together into categories, Hall and Soskice used a relational view of the firm as the foundation of their analysis whereby they investigated the interactions between firms and other actors to find common mechanisms for solving coordination problems. The methods firms use to solve coordination problems are based upon the resources/capabilities they have at their disposal or "comparative institutional advantage" (Hall & Soskice, 2001, p. 36).

This typology has been empirically tested by Hall & Gingerich (2008) whereby they recreate this theoretical model using a confirmatory factor analysis to define measures of corporate governance and labour relations coordination. Their model provides strong evidence of the LME/CME dichotomy and provides evidence that suggest that both outperform hybrid market economies (Hall & Gingerich, 2009, p. 471). One criticism of this method is that underemphasizes the role the state plays in managing the economy (Crouch, 2005). However, unlike Hall & Soskice which place firms as the central unit of analysis, Esping-Anderson and later Arts and Gelissen define welfare regimes by the shape of different class coalitions within the context of the institutional environment (Arts & Gelissen, 2002, p. 154). They classify the world's welfare states across three different ideal-types; conservative-corporatist, liberal, and social democratic (Arts & Gelissen, 2002, p. 139). The axes used to define these types are the decommodification of social benefits, the degree that social services are viewed as a right and social stratification, the system promoted by social policy that builds narrow or broad solidarities. Liberal economies are defined by

individualism and market dominance with limited social benefits and narrow solidarities. Social democratic economies are universalistic, defined by a system of generous social benefits which lead to broad solidarities. Between these two extremes lie conservative-corporatist economies that have a medium degree of decommodification and social solidarities tied to occupation and status (Arts & Gelissen, 2002, p. 143). This typology has been empirically tested by Schut et al. (2003) where they test 58 institutional characteristics across 11 western welfare states. This principal component analysis uses a breadth of indicators ranging from tax rates, female participation in the workforce, income distribution/income inequality and the level/coverage of social assistance (Schut et al., 2003, p. 150).

In addition to these approaches, there are several other frameworks which expand upon this model and either add new types to sufficiently explain the differences between countries otherwise included in the same group or enlarge the number of countries in scope such as Nölke & Vliegenthart who define Central Eastern Europe economies as Dependent Market Economies (DMEs). These economies maintain a comparative institutional advantage by acting as skilled but less expensive labour for multinational corporations who transfer innovations produced in their headquarter countries to local branches (Nölke & Vliegenthart., 2009, p. 680). In the end, it is possible to have as many variants of capitalism as there are countries but this paper will use the Hall & Soskice model of two ideal divergent economic types, the Liberal and Coordinated market economies. This will be the main source material dictating the framework of the analysis. The methodology section will explain how to quantify these marked institutional differences between economies and how hybrid model organizations like social enterprises fit in within the varieties of capitalism framework.

1.3 Defining Social Enterprise Centred Capitalism

Social enterprise centred variant of capitalism is defined here as a set of institutional configurations that provides the most complementaries and greatest comparative institutional advantage to the social enterprise sector. This can be measured by the level of social entrepreneurship activity within the economy. While it is likely more than one ideal type of configurations that complement social enterprise organizations just as there is more than one ideal type of capitalism in general, the following analysis will seek to provide evidence that both ideal variants of capitalism (Liberal, Coordinated) do not have a relationship with social entrepreneurial activity. Should this analysis present evidence that

no relationship exists with either ideal type, then the implication is a hybrid model or social enterprise variant of capitalism can exist. While it is outside of the scope of this analysis to develop and recommend a comprehensive prescriptive doctrine on which combination of policies and market conditions creates this variant, it can at least determine what elements of the status quo are desirable for social enterprise development. This section will outline relevant elements not only where these two concepts intersect but will also showcase previous methods and indicators used to analyze entrepreneurship. The varieties of capitalism framework provide the mechanism to build a model using indicators validated through existing empirical research. As social enterprises are hybrid organizations that serve mutual, general, and capital interests, both formal and informal institutions will be evaluated. Starting with broad concepts related to overall economic development like the rule of law followed by concepts viewed through a Varieties of Capitalism (VoC) lens like economic coordination, government intervention, and education. Informal institutions like cultural and social norms and post-materialism will also be covered. the objective is to look at where social enterprises face barriers to development and create parallels to varieties of capitalism theory. For example, social enterprises face barriers to access to finance and one of the spheres of Hall & Soskice's spheres of relations is corporate governance, which delimits how market economies provide finance to its firms.

One of the most widely regarded components highlighted as a driving factor supporting both existing firms and new entrants to the market is a strong rule of law (Elert et al., 2017, p. 4). A strong rule of law for both physical and intellectual property ensures that returns from investment in entrepreneurial endeavours will not be threatened by expropriation. Simón-Moya et al. provide evidence to support this especially for opportunity entrepreneurship and innovation where they test the impact of formal institutions on entrepreneurship. They find that reliable rules of the game characterized by a high level of property rights, low percieved corruption, and economic freedom create the environment needed to foster entrepreneurship (Simón-Moya et al., 2014, p. 720). While social enterprises focus on positive welfare returns which are harder than monetary profits to expropriate, they still benefit from the greater ecosystem where agents will abide by the rules of society (Estrin et al., 2016, p. 463). Where the literature diverges in terms of institutional quality is the role of the state in entrepreneurship. For commercial entrepreneurship, there is the general perception that the state's role is to enforce contracts, limit bureaucratic procedures, and increase the ease of starting a business (Simón-Moya et al., 2014, p. 721).

In contrast, there is both an institutional voids and institutional support theories for social entrepreneurship. Stephan et al. propose that government activism, the ability of the state to address social issues can have one of two opposing effects. Increased government activism can have a crowding out effect on social entrepreneurship by reducing the impact of the social issues that social enterprises aim to address. Alternatively, increased government activism can provide institutional support to social entrepreneurs through tangible and nontangible resources in the form of grants, subsidies, sponsorships, and networking activities (Stephan et al., 2015, p. 311). Their analysis provides evidence for the later claim that increased government activism provides institutional support leading to an increased likelihood of engaging in social entrepreneurship (Stephan et al., 2015, p. 323). While this analysis was conducted without overt references to varieties of capitalism theory, the government activism indicator used in this analysis mirrors measures of decommodification of social benefits in line with Arts & Gelissen's framework for variants of capitalism (Arts & Gelissen, 2002). Another perspective proposed by Kibler et al. is that both extremes of institutional voids and institutional support increase the legitimacy of social entrepreneurship but the mean between them is not conducive to social entrepreneurial activity. They find that experts are more likely to view social enterprise as a more efficient solution under liberal and social democratic market economies than within hybrid models (Kibler et al., 2018, p. 945). In Liberal Market Economies, experts view social enterprises as being more efficient than state solutions to solving market failures while in socialist market economies they are viewed as serving the national interests and can establish trusted partnerships with state institutions (Kibler et al., 2018, p. 953).

A strong rule of law and active state support can decrease barriers to entry and create more favourable conditions for emerging social entrepreneurship, but another crucial factor is to consider size of the pool of talent able and willing to engage in entrepreneurship. Much study has been conducted to examine the capabilities and motivations of entrepreneurs as well as the noted differences between social and commercial entrepreneurs. For example, the level of education has been found to be a significant driver for social entrepreneurship and social entrepreneurs are "1.7 times more likely to have a high level of education compared to commercial entrepreneurs and the adult population" (Bosma et al., 2015, p. 22). However, there is also evidence that social entrepreneurs while more educated are less self confident than commercial entrepreneurs and devote less time towards executing their goals (Bacq et al., 2016, p. 714). Beyond the highest level of education obtained and resulting

confidence that it grants individuals to grant them capabilities sufficient to start a business, the content of education also matters. Social and commercial entrepreneurs must be able to identify and exploit opportunities they view in the market but social entrepreneurs must simultaneously consider the opportunity to generate positive social outcomes in addition to financial sustainability (Estrin et al., 2016, p. 450). Relating this to VoC theory, this would posit that social entrepreneurs can benefit more from investing in general skills than specific skills. For social entrepreneurs, investing in general skills can broaden their perspectives, assisting with identifying the right opportunities as well as provide them with diverse capabilities to better reconcile conflicting social and economic logics (Estrin et al., 2016, p. 450). Nevertheless, entrepreneurial education or specific skills for entrepreneurship such as marketing, finance, business planning, and management are still relevant to prospective social entrepreneurs, especially ones targeted towards them and the complexity of their missions (European Commission, 2013, p. 12).

In addition to having the capabilities to engage in entrepreneurship, individuals must be motivated to act. Social norms play a key role in determining entrepreneurial capacity as countries that view entrepreneurship as a good career choice and grant high status to entrepreneurs motivates more individuals to engage in entrepreneurial activity. Individuals considering starting a business will think about how their closest friends and family will perceive the venture and these perceptions are ingrained in the culture of the society (Díaz-casero & Hernández-mogollón, 2011, p. 854). More generally, cultures that are rated to value individualism, achievement, and have a lower uncertainty avoidance are more likely to engage in entrepreneurship than cultures that value tradition, collectivism, and hierarchy (Hechavarria & Reynolds, 2009, p. 422). These values paint the common profile of an individual achiever who takes risks to initiate activities and exploit an opportunity on the market which would fit within both Schumpeter and Kirzner's theories of entrepreneurial thinking (Shockley et al., 2011, p. 11). This picture would fit both commercial and social entrepreneurs if not for one key distinction. Social entrepreneurs by definition place greater primacy on creating social value over economic value (European Commission, 2013, p. 3). Specifically, post-materialistic values have been found to increase the likelihood to engage in social entrepreneurship (Stephan et al., 2015, p. 312). While it is noted that post-materialistic values on their own may not be enough to drive widespread social entrepreneurship, a combination of prosocial values, a demand for social enterprise, and personal experiences offer a compelling impetus to act (Stephan et al., 2015, p. 317).

Finally, the two most important factors to both varieties of capitalism theory and that often act as barriers to social enterprise development are corporate governance and labour relations. The ways that new firms access finance is critical to their continued existence and traditionally depending on the variant of capitalism, firms use different sources of finance. In Coordinated market economies (CMEs), firms use a consolidated bank-based system with reputational monitoring to raise capital. Social enterprises have struggled to use these services as traditional financial institutions generally decline to offer funding to social enterprises as they do not meet the necessary criteria or can provide the same guarantees as their commercial counterparts (European Commission, 2013, p. 9). Social enterprises can use other forms of finance such as grants and crowd funding and find success with the initial seed money but often run into issues scaling the initiative (Davies et al., 2019, p. 1625). Grants offered through the state are particularly attractive in Liberal market economies (LMEs) whereby nonstate solutions to address social needs are particularly desirable to compensate for steep welfare state retrenchment (Kibler et al., 2018, p. 947). However, these have their own issues as grants typically need to be renewed on a yearly basis and opportunities for government funding can lead to mission drift for social enterprises (Ebrahim et al., 2014, p. 91).

In both LMEs and CMEs prospective social enterprises struggle with securing finance from the private sector as they cannot provide the same promises of returns as their commercial counterparts. In the sphere of labour relations, nascent social enterprises often benefit from existing relationships from being embedded into their communities but face two issues. First, social enterprises have issues with recruiting talent with specific skills and often have to rely on stretched management resources and volunteers to meet their operational demands (Kibler et al., 2018, p. 952). Additionally, as the raison d'etre for social enterprises is investing their revenues towards their social purpose, they often struggle to acquire and keep highly qualified employees with specific skills (Davies et al., 2019, p. 1626). There are conflicting institutional logics with both LMES and CMEs in the sphere of labour relations. Social enterprises could benefit from a tighter system of wage controls that puts them on equal footing with other firms and could potentially access talent with more specific skills but at the same time their management requires a wide breadth of general skills to get the venture off the ground.

The essence of the framework rests on these assumptions on how individuals are expected to respond to institutional logics and apply these assumptions at the

macroeconomic level. This method is derived from VoC theory whereby principal agent dilemmas are solved through common mechanisms which over time become institutionalized. In the next section, these assumptions and methods outlined here will be used to investigate the impact of variant of capitalism on social entrepreneurial activity. This new model will test the key indicators outlined in the research systematically by focusing on the main drivers and barriers to social entrepreneurial activity. Using these common frameworks and tools, the next section will bridge the concepts of social enterprise and varieties of capitalism and link key concepts from both fields.

2. Methodology

2.1 Hypotheses

This thesis will test five hypotheses centred around the relationships between a series of independent variables with two dependent variables – commercial entrepreneurial activity and social entrepreneurial activity. Collectively, these hypotheses aim to address the three main research questions. Does the variant of capitalism impact the social enterprise sector? Second, do targeted efforts aimed at promoting entrepreneurship have spillover effects that benefit social enterprise? Third, do post-materialistic values foster an environment more conducive to social enterprise? As shown in Figure 1 below, each hypothesis can be divided into two parts to represent how the set of independent variables relate to each dependent variable.

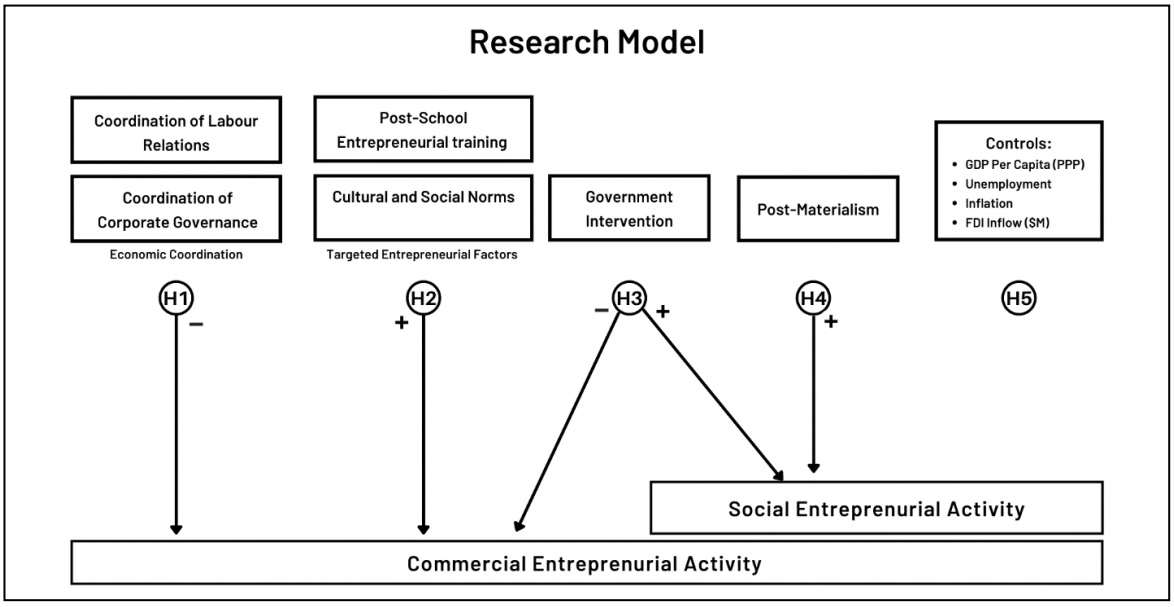

Figure 1 – Research Model

Starting with a measure of commercial entrepreneurial activity, it will establish a baseline centered on how measures of varieties of capitalism influence entrepreneurship. Commercial entrepreneurial activity is defined as the percentage of working population involved in a nascent or young business who report opportunity as a major motivation. The results of this experiment will lend credibility to how these variables affect specialized organizational models like social enterprise. This will be measured through social entrepreneurial activity which is defined as the percentage of working population that is involved in operational social enterprise - individuals who are starting or currently leading any kind of activity, organisation or initiative that has a particularly social, environmental or community objective. Both variables are found within the same Global Entrepreneurship Monitor Adult Population Survey 2015 dataset and using both dependent variables in conjunction adds robustness of the results by reducing the likelihood that a statistically insignificant relationship is only due to poor variable selection.

2.1.1 H1: Economic Coordination

Corporate governance and labour relations coordination will have a negative significant relationship with commercial entrepreneurial activity but will not with social entrepreneurial activity. The varieties of capitalism framework posit that either very high levels of economic coordination or lack thereof can create institutional complementaries leading to comparative institutional advantage. This is primarily centered around the study of established firms. Economies of scale necessitate greater means of coordination to address agency issues. Therefore, while entrepreneurs creating new ventures may not be integral to creating the feedback loop that reinforces a particular variant of capitalism by virtue of their size, they still reside within the same ecosystem and are subject to its rules and norms. Before describing the institutional indicators relevant to determining a variant of capitalism, there are some measures of general institutional quality that are central to promoting entrepreneurship. Greater institutional quality reduces uncertainty and transaction costs as well as incentivizes actors to behave predictably (Bjørnskov & Foss, 2008, p. 53). For example, the rule of law – protection of intellectual and physical property rights is fundamental for incentivizing individuals to reinvest in their own ventures without fear of expropriation (Elert et al., 2017, p. 22). Additionally, the quality of the educational system measured through both schools and on-the-job training increases the supply of human capital which can be utilized by entrepreneurship (Elert et al., 2017, p. 65).

The key difference between indicators of economic coordination and these general institutional factors that promote entrepreneurship is their correlation with economic development. Economic development, broadly measured using GDP per capita (PPP), strongly correlates with indicators measuring property rights and higher education. Using a composite measure of property rights from the Heritage Foundation's index of Economic Freedom and the Global Competitiveness index's composite measure of higher education quality, it is possible to generate a Pearson correlation matrix focusing specifically on GDP per capita. Property rights strongly correlate with GDP per capita with a positive correlation of 0.78, and higher education also strongly correlates with GDP per capita with a positive correlation of 0.74. To contrast, corporate governance coordination correlates with GDP per capita at -0.29 and labour relations a mere 0.08. The full correlation matrix can be found in Appendix I. This exercise is important to the overall structure of the model because indicators of economic coordination should have a parabolic "U" shaped relationship with economic performance. Countries at the lower and upper bounds of the economic coordination range should theoretically have high economic performance. Of course, while the theory has its limits and while it should not be expected for reality to fully fit within the confines of the varieties of capitalism framework, it is encouraging that variables representing economic coordination are less correlated with general economic development trends.

As it pertains specifically to commercial entrepreneurial activity, increased corporate governance coordination will have a negative impact as large efficient financial markets offer more opportunities for entrepreneurs. Access to finance is a critical issue for commercial firms and social enterprises alike and it only trails behind administrative burdens as the second most important issue for SMEs within the EU (Elert et al., 2017, p. 36). While CMEs traditionally utilize a bank-based system to allocate finance to firms, start-ups heavily rely on equity-based financing and struggle to acquire finance from large financial institutions (Elert et al., 2017, p. 36). These limitations disproportionately impact risker high growth potential ventures. In some cases, the entrepreneurs personal accumulated wealth plus other informal investments can bridge the gap to start firms with lower capital requirements (Davies et al., 2019, p. 1630) . Like corporate governance, increased coordination in the sphere of labour relations will have a negative impact on total entrepreneurship activity. There is a combination of disincentives created by heavily regulated labour markets for entrepreneurship. Drawing from rational choice theory,

individuals should seek to maximize their utility and compare perceived returns between paid employment and entrepreneurship in relation to their opportunity costs (Estrin et al., 2016, p. 452). Strong employment protection regulations may incentivize employees to develop specific skills that bring more value to established firms, but they also increase the opportunity cost to leaving these secure salaried jobs (Elert et al., 2017, p. 44). Additionally, strong employment protections restrict entrepreneur's ability to react quickly to changing market conditions by hiring and firing while offering less job security to employees since new ventures have a higher chance of failure (Elert et al., 2017, p. 45).

For social entrepreneurship, no directional effect is predicted from the outset of this analysis due to a combination of factors. In the sphere of corporate governance, Liberal market economies driven by market mechanisms solve agency problems by tethering executive compensation to share prices and profitability to align shareholders and managements interests. In Coordinated market economies, a supervisory board takes on this role to provide direct oversight over management which is only possible because firm ownership is more consolidated granting them greater influence (Schöning et al., 2012, p. 7). For social enterprises, the agency dilemma still presents itself although the principal, agent and relationship between the two is distinct from commercial firms. First, there is a multitude of stakeholders acting as the principal with competing objectives that hinder the ability of the agent to be accountable (van Puyvelde et al., 2012, p. 432). Rather than personally enrich themselves to the detriment of the firm, social entrepreneurs can be driven to increase their budgets and scope of their organization like in the public sector in an effort to scale up without regard for the cost and quality of their services that their target population rely on (Ferlie & Ongaro, 2022, p. 1). The result of this agency cost is often referred as "mission drift" where the organization pivots away from its initial purpose in pursuit of funding opportunities. Therefore, the mechanisms put in place to hold management accountable in both CMEs and LMEs do not have a compelling argument to reduce agency costs in social enterprises. Additionally, the largest source of finance for social enterprises is from the state. 38% of social enterprises rely on government funding as their main source of finance to run their organizations (Bosma et al., 2015, p. 26). Increasing the size of financial markets would not have the same proportional effect on social enterprises as with commercial enterprises as they utilize private funding to a greater degree.

In the sphere of labour relations, a different dilemma exists. Employees need to choose in which skills to invest that would create the most value for themselves while

firms need a mechanism to guard against poaching. Liberal market economies have reached an equilibrium through using a flexible labour market and weak employment protection and a labour force that invests in general skills. Coordinated market economies have solved this dilemma by applying strong employment protection and inflexible wage determination to guard against poaching creating a labour force with more specialized skills. For social enterprises, they need both founders and employees that have a diverse skill set including marketing capabilities and previous commercial experience (Saebi et al., 2019, p. 79). Since social enterprises benefit from broad capabilities it would follow that liberal market economies would be more aligned with their needs. However, social enterprises do not have a mechanism to prevent poaching and often lack the resources needed to compensate employees at market rates. In other words, the supply of labour in liberal market economies is more suited for social enterprise development but there is no institutional mechanism to maintain demand.

2.1.2 H2: Targeted Entrepreneurial Factors

Post-school entrepreneurial training and entrepreneurial cultural and social norms will have a positive significant relationship with commercial entrepreneurial activity and will not with social entrepreneurial activity. Along with broad institutional factors structured by VoC theory and measured through economic coordination and government intervention indicators, this analysis will also investigate how targeted factors impact social entrepreneurial activity. These targeted factors are delimited by indicators measuring entrepreneurial training as well as supportive cultural norms towards entrepreneurship. Both indicators were sourced from the Global Entrepreneurship Monitors' National Experts Survey which is designed to understand the conditions that directly influence entrepreneurial opportunities as understood by local subject matter experts. Post-school entrepreneurial training is defined as "The extent to which training in creating or managing SMEs is incorporated within the education and training system in higher education such as vocational, college, business schools, etc." (Global Entrepreneurship Monitor, 2023). In addition to capabilities, cultural and social norms which encourage entrepreneurship are also relevant to assess the desirability of the profession among the adult population. More specifically, cultural and social norms can be defined as "The extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income" (Global Entrepreneurship Monitor, 2023). Various external conditions can stimulate or hinder new business creation but at the most

fundamental level individuals need both the capability and the will to act. The extent to which entrepreneurial training is embedded into systems of higher education and vocational training enhance the capabilities of new venture creation while cultural norms that encourage entrepreneurial behaviour can drive the impetus to act. Therefore, it is self evident that increased entrepreneurial training and culture / social norms should promote commercial entrepreneurship.

The question remains if training and cultural norms have spillover effects that positively impact social entrepreneurship. On one hand, if entrepreneurial capabilities are increased through training and more of the general population adopts an "entrepreneurial mindset" there is no evidence to suggest that these individuals would want to start a social enterprise instead of a commercial business. In contrast, individuals who may want to create a social impact in their community may not have the necessary skills to run a social enterprise or the market orientation to start a social enterprise instead of a not for profit. Thus, an increase in entrepreneurial capabilities and cultural norms that favour new business creation would benefit social enterprise creation as well. However, as social enterprises often have complex needs, they often need specialized solutions reflecting the breadth of their goals and the duality of their missions (European Commission, 2013, p. 11). Even if conventional business support systems are willing to offer services to social enterprises, they are often less equipped to effectively consult them with a one size fits all approach (European Commission, 2013, p. 14).

Both perspectives have merit but as discussed previously Estrin et al. has found that one differentiator between commercial and social entrepreneurs is the type of human capital (skills) they acquire with the former accumulating entrepreneurial experience while the latter pursues more general formal education (Estrin et al., 2016, p. 452). In fact, entrepreneurial skills are less of a priority for social entrepreneurs as they desire to identify opportunities to produce social value where other distinct skills can benefit the generation of social impact to a greater degree (Estrin et al., 2016, p. 454). Additionally, there are a few points derived from the dataset in addition to the theory that suggest there may be no spillover effects. First, social entrepreneurial activity and commercial entrepreneurial activity are correlated to a degree of 0.09 which means that an increase in the percentage of the population involved in commercial entrepreneurship does not necessarily mean there will be more social entrepreneurs among them. Additionally, both training and cultural norms are more

correlated with commercial entrepreneurial activity than social entrepreneurial activity as shown in Table 1.

Table 1: Targeted Entrepreneurial Factors Correlation Matrix

Variable	*1*	*2*	*3*	*4*
Commercial Entrepreneurial Activity (1)	1.000	0.091	0.453	0.416
Social Entrepreneurial Activity (2)	0.091	1.000	0.083	0.312
Post school entrepreneurial education and training (3)	0.453	0.083	1.000	0.496
Cultural and social norms (4)	0.416	0.312	0.496	1.000

Therefore, developing capabilities/human capital in the form of an increased entrepreneurial training will benefit commercial entrepreneurs who actively pursue these skills while not having the same affect on social entrepreneurs due to their differentiated process of identifying opportunities in the context of social, not monetary value. Additionally, while it is a little reductive to delimit commercial entrepreneurship as entirely driven by the desire for capital accumulation, the same rational choice model of perceived benefits has little overlap with the social enterprise model. Entrepreneurial culture, presenting entrepreneurs with a higher status within society and making it a more desirable career choice fits within the rational choice model of costs and benefits when choosing between venture creation and paid employment but makes less sense with social entrepreneurship.

2.1.3 H3: Government Intervention

Government Intervention will have a negative significant relationship with commercial entrepreneurial activity and a positive relationship with social entrepreneurial activity. Government intervention, the extent to which the state is involved in providing services to the public is another dimension of varieties of capitalism theory specifically the decommodification of social benefits. There are two prevailing theories about government activism or intervention in the market and their impact on social entrepreneurship in opposition with one another. One posits that increased government intervention can reduce the space in the market for social ventures to operate and "crowd out" the potential for new ones to develop (Stephan et al., 2015, p. 323). Additionally, welfare state retrenchment can increase severity of social issues while simultaneously cutting resources from traditional

non-profits leading them towards marketization (Zahra et al., 2009, p. 520). Therefore, there are both push and pull factors for LMEs that increase demand for social enterprise at low levels of government activism in addition to creating barriers at high levels.

The alternative theory in opposition to this evidence is that increased government intervention creates more opportunities for social entrepreneurship through provision of tangible and intangible resources (Stephan et al., 2015, p. 311). Tangible resources include financial support like grants and subsidies while intangible resources include sponsorships, endorsements, and expertise that help social enterprises navigate networks and government processes (Stephan et al., 2015, p. 311). Stephan et. al's empirical analysis provides evidence to support the latter claim that government intervention provides support for social entrepreneurial activity. An approach to reconcile the institutional support hypothesis with the proposition that low government intervention increases demand for social entrepreneurship is to acknowledge that while LMEs might have a higher potential for these ventures by increasing the severity of social needs, increased government intervention increases their rate of survival. The following analysis will examine social enterprises that have already exited their nascent stage of development, thereby suggesting a reasonable hypothesis that government intervention will have a positive significant impact.

For commercial entrepreneurship, the state can have a positive impact by being a fair unbiased and transparent arbiter who enforces contracts according to predictable rules of the game (Dilli et al., 2018, p. 303). However, this institutional quality is independent from the policymaking that dictates the degree of government intervention in the economy and resulting decommodification of social benefits. Here there are multiple factors that all indicate a negative impact of increased government intervention. Increasing government involvement in the economy increases barriers to entry and decreases motivation for prospective entrepreneurs. One of the motives for engaging in entrepreneurship is personal capital accumulation which becomes more difficult to achieve under highly activist governments deterring prospective investments (Henrekson, 2005, p. 2). In universalistic systems like the Scandinavian model, large corporations and the public sector are at the center of economic development and the structure of economic payoffs for entrepreneurs is skewed against them (Henrekson, 2005, p. 25). Additionally, an extensive system of disability, sickness, unemployment, and pension benefits linked to formal employment significantly raises the opportunity cost of entrepreneurship (Elert et al., 2017, p. 45). One solution to mitigate this effect is to decouple these benefits from formal

employment and instead link it to the individual themselves like Denmark's flexicurity system (Elert et al., 2017, p. 50). To summarize, government intervention negatively impacts commercial entrepreneurial activity by creating market entry barriers and disincentivizing personal capital accumulation, but it can positively influence social entrepreneurship by providing necessary resources and institutional support that it cannot obtain through the private sector.

2.1.4 H4: Post-Materialism

Post-materialism will not have a significant relationship with the commercial entrepreneurial activity but will have a significant positive relationship with social entrepreneurial activity. Post-materialism is defined as the value shift from materialist values which prioritize economic and security needs into nonmaterial values such as self expression and autonomy (Inglehart, 1981, p. 880). For commercial entrepreneurship, most owners have a profit maximation priority or a subsistence priority for their firms and even if they engage in corporate social responsibility they do not give it primacy over economic goals like social entrepreneurship (Bacq et al., 2016, p. 705). These goals are more aligned with materialist values and while individuals who own commercial enterprises may themselves hold post-materialistic values; their firms are not an avenue in which to express them.

For social entrepreneurship, one of the central characteristics of practitioners is prosocial motivation, an intrinsic desire to act to increase the welfare of others and a feeling of empathy for others (Saebi et al., 2019, p. 78). There is evidence that social entrepreneurs are more likely to strongly hold both pro-social and autonomy values and both are encompassed within post-materialism (Stephan et al., 2015, p. 312). While post-materialism is highly correlated with overall economic development, in Stephan et. al's analysis, post-materialism still had a positive significant relationship even after GDP, GDP growth, and rule of law robustness checks were added to the regression (Stephan et al., 2015, p. 321). Similar results were corroborated in Hechavarria et. al.'s report that found the degree of post-materialism within a society impacted founders balance of economic and social goals .(Hechavarría et al., 2017, p. 252). Going even further, there is the prospect that all institutional constellations present across economies (including informal institutions like post-materialism) are equally conducive to entrepreneurship but only for different types. For example, LMEs are better at producing radically innovative new ventures and CMEs at producing incrementally innovative new firms (Dilli et al., 2018, p. 315). This would imply that by increasing post-materialism one can shift the economies' institutional alignment

towards greater prioritization on social entrepreneurship and thereby increase social entrepreneurial activity.

2.1.5 H5: Controls

The control variables GDP per capita (PPP), FDI Inflow, Inflation, and Unemployment will not have a significant relationship with commercial and social entrepreneurship activity. The objective of this thesis is to examine the impact the variant of capitalism has on both social and commercial entrepreneurship activity and the stage of economic development in addition to other macroeconomic indicators need to be accounted for. While post-materialism is known to correlate heavily with overall economic development previous work by Stephan et. al and Hechavarria et. al have shown it has an impact including similar controls. These variables are typical of macroeconomic analyzes and will be applied as a robustness test to each model.

2.2 Data Collection and Descriptions

To structure and consolidate the ten variables to be used in the linear regression analysis, several sources were combined using a series of exact match joins. As the limiting factor was the cross-sectional Global Entrepreneurship Monitor Adult Population Survey (GEM APS) and Global Entrepreneurship Monitor National Experts Survey (GEM NES) which held both independent variables, all dependent variables were limited to country level indicators to be as chronologically close as possible to the 2015 GEM surveys. In addition to Global Entrepreneurship Monitor sources, the Global Competitiveness Index, Heritage Foundation Economic Index of Freedom and World Values Survey were all leveraged to construct the model. The final sample size of observations of the model is 49. These 49 countries account for 67% of global GDP (PPP). Below you can find descriptive statistics of all the relevant variables. The subsequent sections will discuss them all in greater detail by outlining all the assumptions and calculations applied to prepare the final dataset.

Table 2 – Descriptive Statistics

Variable	Definition	Mean	Std. Dev.
Commercial Entrepreneurial Activity	Percentage of the working population involved in nascent or young businesses who report opportunity as a major motivation.	8.53	4.98
Social Entrepreneurial Activity	Percentage of working population that is involved in operational social enterprise - individuals who are starting or currently leading any kind of activity, organisation or initiative that has a particularly social, environmental or community objective.	3.58	2.61
Corporate Governance Coordination	Degree of strategic interaction in the sphere of corporate governance. Represented by addition of market capitalization as a percentage of GDP and strength of investor protection indicators normalized and scaled at 0-100.	63.27	21.28
Labour Relations Coordination	Degree of strategic interaction between actors in the sphere of labour relations coordination. Represented by normalized addition of hiring and firing practices and flexibility of wage determination indicators scaled at 0-100.	47.57	23.73
Government Intervention	Degree of state involvement in the economy reflected by indicators of government size, government spending, and income inequality normalized between 0-100.	43.64	26.76
Post-school Entrepreneurial Education and Training	The extent to which training in creating or managing SMEs is incorporated within the education and training system in higher education such as vocational, college, business schools, etc.	48.31	22.30
Cultural and Social Norms	The extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income.	43.01	20.82
Post-Materialism	4-item index asking participants to rank their priorities between four statements consisting of; “maintaining order in the nation, giving people more say in important political decisions, fighting rising prices, and protecting freedom of speech”. Individuals who select statements 2 and 4 are defined as post-materialists.	13.48	8.01
GDP per Capita PPP	Sum of gross value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output, divided by mid-year population, and converted using purchasing power parity rates.	24,694.91	15,391.30
Inflation	The annual percentage change in the cost to the average consumer of acquiring a basket of goods and services.	2.63	2.28
Unemployment	The share of the labour force that is without work but available for and seeking employment.	9.57	6.62
FDI Inflow Millions	Represents transactions that increase the investment that foreign investors have in enterprises resident in the reporting economy less transactions that decrease the investment of foreign investors in resident enterprises. FDI flows are measured in USD.	17,362.73	33,139.46

2.21 Commercial Entrepreneurial Activity

Commercial entrepreneurship activity is a dependent variable that will act as a baseline for analysing social enterprise. When examining relationships with institutional indicators like the coordination in corporate governance and labour, there needs to be some evidence that there is a significant relationship under the status quo which grants primacy to economic value creation. While commercial entrepreneurship activity is the term used for this analysis to directly compare new for-profit business activities with social entrepreneurial activity, this analysis uses an indicator from GEM APS 2015 study named total early-stage entrepreneurship activity with opportunity motive. It is defined as the percentage of the working population involved in nascent or young businesses who report opportunity as a major motivation (GEM 2015 National Level Variables Description). In other words, entrepreneurs that were involved in new businesses creation out of necessity, meaning that they have no other options were excluded. This deliberate exclusion was done to create parity between social and commercial entrepreneurs by centering the choice between social and commercial motives for venture creation.

2.22 Social Entrepreneurial Activity

The primary subject of this thesis, social entrepreneurship activity a dependent variable which is defined as the percentage of the adult population involved in operational social entrepreneurial activity (GEM National Level Variables Description, 2015). To be more precise, the participants of this survey were asked the question of "Are you, alone or with others, currently trying to start or currently leading any kind of activity that has a social, environmental or community objective?" and those that responded with the affirmative Yes, I am currently working/leading are included in the measure (GEM APS Individual Level Variables Description, 2015). The only further filtering applied lies in the operational term, meaning that prospective social entrepreneurs who are planning to start or just starting organizations are excluded. This exclusion was done because individuals considering starting a social enterprise are likely not yet affected by these institutional factors and more valuable conclusions should be drawn by looking at organizations that have found a way to survive. Hence, the term used throughout this analysis to refer to this indicator is social entrepreneurship activity both to specify that only active social enterprises are included and to align the language used between commercial and social entrepreneurship activity variables.

The GEM APS survey goes further to ask follow-up questions to examine the characteristics of the organizations these individuals are involved in related to engagement in market activities or concrete social goals. These questions are used as criteria to formulate a narrower definition of social enterprise which is not utilized in this analysis. The benefit of applying additional criteria to create a narrower definition is it more closely resembles the Anglo-Saxon definition of social enterprise by having both market and social goals. This analysis will use the broad definition. The advantage of the broader scope captured within the indicator operational social enterprise is greater data availability and inclusivity. Fewer countries participated in the follow up questions in the survey and as a result an additional 29 countries have data available for the broad definition (n = 49). A broader definition is more inclusive of all models of social purpose organizations.

2.23 Corporate Governance Coordination

Corporate governance coordination refers to the extent an economy is managed through market mechanisms or through strategic interaction between actors within the sphere of corporate governance. The two extremes or ideal types are Liberal Market Economies (LMEs) and Coordinated Market economies (CMEs). In the realm of corporate governance, LMEs value transparency and accountability out of necessity due to their dispersed shareholder structure that makes holding executives accountable more difficult through informal means (Hall & Soskice, 2001, p. 29). In contrast, CMEs use dense networks that routinely exchange information and allocate capital based on a system of reputational monitoring (Hall & Gingerich, 2009, p. 453). Using Hall and Gingerich (2009) as the inspiration for the variables selected in this analysis, they identified shareholder power, dispersion of control, and the size of the stock market as proxies to measure corporate governance coordination. This analysis uses measures of stock market size and shareholder power through indicators available through the Global Competitiveness Index. Specifically, market capitalization as a percentage of GDP was used to represent the size of the stock market and strength of investor protection to represent shareholder power. Market capitalization of GDP is defined as "The total value of listed domestic companies, expressed as a percentage of GDP | 2014–2016 moving average. Calculated as the share price of all listed domestic companies multiplied by the number of their outstanding shares. Investment funds, unit trusts and companies whose only business goal is to hold shares of other listed companies are excluded" (Schwab, 2016, p. 371). Strength of shareholder protection is defined as "a combination of the Extent of disclosure index (transparency of transactions),

the Extent of director liability index (liability for self-dealing), and the Ease of shareholder suit index (shareholders' ability to sue officers and directors for misconduct" (Schwab, 2016, p. 372).

The measure of corporate governance coordination deviates from Hall & Gingerich (2009) in two ways. First, a measure of dispersion of control was not applied in this analysis as contemporary debate as shifted away from this axis as "almost 85% of the world's largest listed companies have a single shareholder holding more than 10% of the company's capital" (De La Cruz et al., 2019, p. 17). Between cross border ownership and intermediary ownership models, the diversity of ownership structures has eroded national financial market boundaries and the explanatory power of this indicator (De La Cruz et al., 2019, p. 17). Second, Hall & Gingerich (2009) use sophisticated confirmatory factor analysis techniques to consolidate three indicators into a single measure of corporate governance coordination. This analysis uses a somewhat simpler but effective measure to combine the variance of both variables into one indicator. As market capitalization is measured as a percentage of GDP and shareholder protection is scored on a scale from 1 to 10, each variable was normalized before being added together as shown in equation 1. Additionally, higher values of shareholder protection would indicate a higher degree of corporate governance coordination while a higher market capitalization rate would mean a less coordinated market economy so the scale for the latter was inverted to align the two indicators. Since each variable is equally weighted, the result is added together to form corporate governance coordination. In this form, the variable is already functional but to better interpret the results of the linear regression later, corporate governance coordination is normalized to reset the scale to 0 – 100 with 0 being the least coordinated economy and 100 being the most coordinated economy as shown in equation 3. In the equations below used to calculate corporate governance coordination, strength of shareholder protection is shown as SP and market capitalization as a percentage of GDP is shown as MarCap.

Equation 1

$$\boldsymbol{SP_{Nor}} = \left(\frac{(\boldsymbol{SP_x} - \boldsymbol{SP_{Min}})}{(\boldsymbol{SP_{Max}} - \boldsymbol{SP_{Min}})}\right) \times \mathbf{100} \qquad \boldsymbol{MarCap_{Nor}} = \mathbf{100} - \left(\frac{(\boldsymbol{MarCap_X} - \boldsymbol{MarCap_{Min}})}{(\boldsymbol{MarCap_{Max}} - \boldsymbol{MarCap_{Min}})}\right) \times \mathbf{100}$$

Equation 2

$$\text{Co}\boldsymbol{rpGovCoord} = \boldsymbol{SP_{Nor}} + \boldsymbol{MarCap_{Nor}}$$

Equation 3

$$\boldsymbol{CorpGovCoord_{Nor}} = \left(\frac{(\boldsymbol{CorpGovCoord_X} - \boldsymbol{CorpGovCoord_{Min}})}{(\boldsymbol{CorpGovCoord_{Max}} - \boldsymbol{CorpGovCoord_{Min}})} \right) \times \mathbf{100}$$

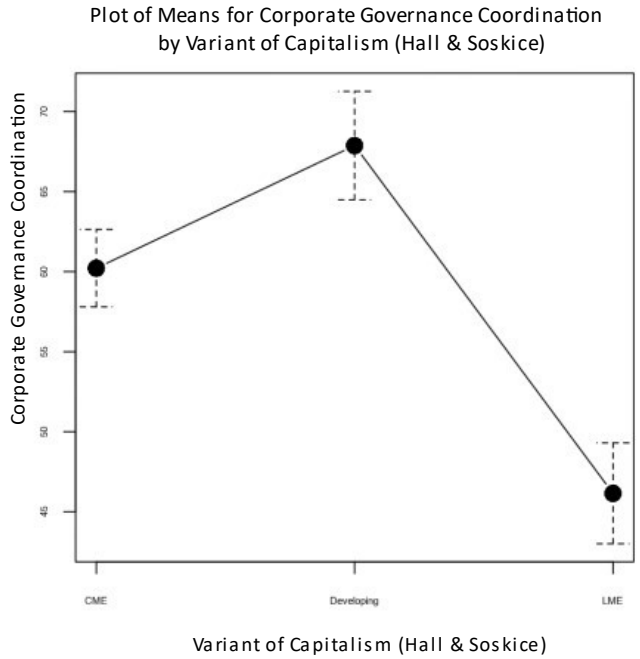

Figure 2 – Corporate Governance Plot of Means

The result of this calculation somewhat aligns with the theory as known coordinated market economies score higher than liberal market economies. However, due to their underdeveloped financial systems, less developed countries appear to be more coordinated as shown in Figure 2. The purpose of this indicator is to test Hypothesis 1 stating that corporate governance and labour relations coordination will have a negative significant relationship with commercial entrepreneurial activity but will not with social entrepreneurial activity. While the theory posits that both pure LMEs and CMEs are ideal types and synergy between complementary spheres of relations are the best configuration to achieve sustained economic growth, it remains to be seen if there is a similar relationship with SMEs or social enterprise. One of the pitfalls of using this indicator is the difference between coordinated market economies and liberal market economies is distinct but developing countries display higher coordination than CMEs. This makes sense as all developed economies should have

respectable shareholder protection and a sizable stock market when compared to underdeveloped countries. The limits of the theory are slightly strained here as the financial liberalization that has accelerated in the last 20 years since this theory has originated has led to some convergence in common standards for global financial markets. Additionally, stock exchanges themselves have seen some consolidation that makes it harder to examine national stock market size.

So, in summary, stock exchanges are experiencing greater consolidation merging with other exchanges blurring national boundaries, within the exchanges themselves there are becoming increasingly concentrated as cross-border investment and intermediary ownership models adds further complexity to examining national financial systems. Is an economy considered to have a consolidated or dispersed system of ownership if most businesses use a bank-based system based upon relationships and reputational monitoring, but the banks use equity from a dispersed set of global shareholders to finance their investments? Despite these reservations about these dimensions of corporate governance coordination, it should still prove productive to examine the impact of this indicator on commercial / social entrepreneurship even if the theory appears to have drifted slightly from contemporary discourse.

2.24 Labour Relations Coordination

Like corporate governance coordination, labour relations coordination refers to how labour is organized or coordinated either through market mechanisms or regulated by strategic interaction between actors. Labour relations for LMEs are characterized by having fluid labour markets and a labour force that invests in general skills. CMEs are characterized as having more strong employment protection that allows for greater specialization and development of specific skills. Hall and Gingerich (2009) chose three metrics to represent labour relations coordination related to hiring and firing practices, level of wage negotiation, and degree of central bargaining (Hall & Gingerich, 2009, p. 455). This analysis uses two of these indicators sourced from the Global Competitiveness Index directly measuring hiring and firing practices as well as flexibility of wage determination to calculate the level of labour relations coordination. Unfortunately, there was no perfect measure of level of central bargaining as defined by Hall & Gingerich for this analysis as no data was available for many countries in scope. As for the variables selected, Hiring and firing practices measures the ease to which regulations allow for flexible hiring and firing of workers while flexibility of wage determination measures how wages are generally set, either by centralized

bargaining processes or by individual companies (Schwab, 2016, p. 374). This indicator was also calculated using the same method as corporate governance coordination whereby both hiring and firing practices and flexibility of wage determination were normalized before being added together as shown in Equations 4 and 5. The resulting variable was normalized once again to give a range of 0-100 with 0 being the least coordinated economy in the dataset and 100 being the most coordinated economy in the dataset. As shown in figure 4, Labour relations coordination is much more aligned to the theory where CMEs and LMEs display high and low values with developing countries filling the space between them. While the plot of means in figure 3 displays a high standard error for LMEs, there is still a clear division between the groups. In the equations below, H&F represents the hiring and firing practices while FlexW represents the flexibility of wage determination.

Equation 4

$$\boldsymbol{H\&F_{Nor}} = \left(\frac{(\mathbf{H\&F_X} - \mathbf{H\&F_{Min}})}{(\mathbf{H\&F_{Max}} - \mathbf{H\&F_{Min}})}\right) \times \mathbf{100} \qquad \mathbf{FlexW_{Nor}} = \left(\frac{(\mathbf{FlexW_X} - \mathbf{FlexW_{Min}})}{(\mathbf{FlexW_{Max}} - \mathbf{FlexW_{Min}})}\right) \times \mathbf{100}$$

Equation 5

$$LabRelCoord = H\&F_{Nor} + FlexW_{Nor}$$

Equation 6

$$LabRelCoord_{Nor} = 100 - \left(\frac{(LabRelCoord_X - LabRelCoord_{Min})}{(LabRelCoord_{Max} - LabRelCoord_{Min})}\right) \times 100$$

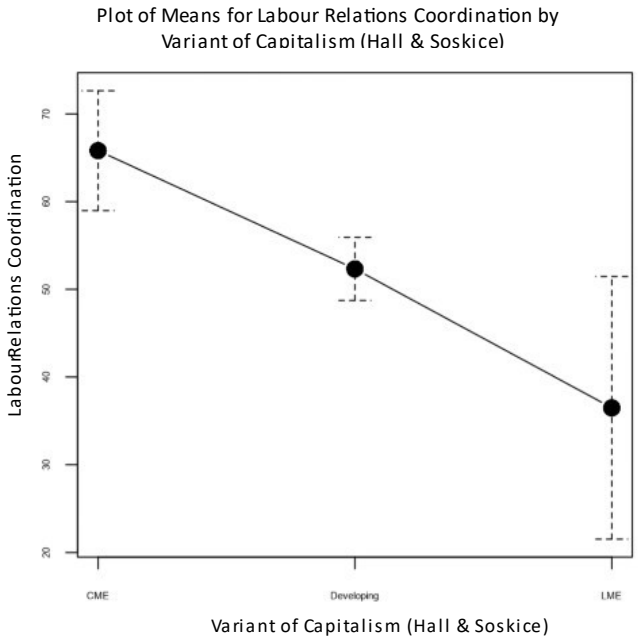

Figure 3 – Labour Relations Plot of Means

2.25 Government Intervention

Government intervention refers to the extent to which the state involves itself in the economy. In this analysis three distinct indicators of this policy are combined into one variable through principal component analysis. Indicators for government size, government spending, and income inequality were selected to form the foundation of this measure as they all display slightly different angles of the same the same entity. This analysis uses a similar approach to both Hall & Gingerich 2009 as well as Stephan et al. 2015 who combine multiple indicators representing unemployment protection, fiscal freedom and government size (Hall & Gingerich, 2009, p. 462; Stephan et al., 2015, p. 315). Government size, provided by the Heritage Foundation's Index of Economic Freedom, scores government spending using a quadradic function Government Expenditures = 100–α (Expenditures)^2 "Where GE represents the government expenditure score in country; Expenditures represents the average total government spending at all levels as a percentage of GDP for the most recent three years; and α is a coefficient to control for variation among scores (set at 0.03). The minimum component score is zero." (Kim, 2023, p. 406). In other words, this indicator grants higher scores to governments with lower expenditures. The second indicator of government spending focuses on social protection which should be heavily correlated

with government size, it still adds more context to where government resources are allocated. Finally, the third part is the GINI coefficient related to the income distribution of the country with 0 being perfect equality and 1 being perfect inequality. The GINI coefficient was included to examine an outcome-based view of these redistributive efforts.

As all three variables are highly correlated with each other, using principal components analysis can reduce the number of variables while preserving most of the variability within the data. As there are only three variables in this case, it is not practical to use more than the top principal component for this analysis. Fortunately, 74% of the variance was captured by the first principal component which is more than sufficient for the purposes of this analysis. A full version of the Principal Components Analysis for government intervention can be found in the appendix but the component loadings below display a near equal weighting between the three original indicators. While government spending on social protection is very negatively correlated with government spending this is because this index gives a higher score to governments who have lower expenditures, which causes a negative sign to display while demonstrating a positive relationship. The bigger the government, the more it invests in social protection and the lower its GINI coefficient. Going back to the theory, while H1 addresses how institutional configurations designed to facilitate the private sector impact commercial and social entrepreneurship, H2 addresses direct state involvement and support. The variable of government intervention is well suited to answer this question independently of the coordination of labour and corporate governance, does the willingness of the government to intervene in the economy and provide goods and services.

Component Loadings:

	PC1	PC2	PC3
Gov.t.Spending	0.596341	-0.250397	-0.762679
Income_GINI_Index	0.553026	0.816815	0.164243
Social.benefits.for.persons.of.active.age..excluding.general.social.assistance.	-0.581842	0.519726	-0.625576

Component Summary:

	PC1	PC2	PC3
Standard Deviation	1.492884	0.681766	0.553618
Proportion of Variance	0.742901	0.154935	0.102164
Cumulative Proportion	0.742901	0.897836	1

Figure 4 – Principal Components Analysis Component Loadings

2.26 Post-materialism

Social entrepreneurship is a vehicle that operationalizes post-materialistic beliefs and embeds these informal norms into formal economic structures. As post-materialism represents the shift from a desire to fulfil material needs towards freedom of expression and autonomy, social entrepreneurship represent a similar shift from commercial enterprise predicated on the pursuit of capital accumulation towards using economic mechanisms to pursue social goals. Therefore, measuring post-materialistic values is a critical metric to delineate the differences between commercial and social entrepreneurship in addition to measuring societal support of social enterprise. Ratifying this claim would help prove that post-materialistic attitudes promote and foster social enterprise and may even grant social enterprises a competitive advantage over traditional enterprises in countries with higher levels of post-materialism. However, it should be noted that post-materialism is highly correlated with GDP per capita PPP (0.561). A version of the regression without considering GDP per capita may therefore overstate the impact of post-materialism.

From a strategic standpoint, one of the sources of competitive advantage for any social enterprise in the market is the branding and benefits of association that social enterprises as an organizational type possess. If the organization can effectively communicate their social purpose to their target market that shares their values, then it can capture and effectively retain that market segment. Higher rates of post-materialistic values increase the demand for social enterprise and increase the viability of using this segment as a reliable customer base. Additionally, higher levels of post-materialism may also affect the supply side of social entrepreneurship and lead more would be entrepreneurs to choose to start a social enterprise rather than a traditional for-profit enterprise (Hechavarría et al., 2017, p. 229). This analysis uses a method based upon Inglehart's calculation with data sourced from the World Value Survey. Using the 4-item index which asks participants to rank their priorities between four statements consisting of; "maintaining order in the nation, giving people more say in important political decisions, fighting rising prices, and protecting freedom of speech". Individuals who granted protecting freedom of speech and giving people more say in political decisions higher than the other options are coded as post-materialistic.

Using the weights provided in the individual level dataset, the post-materialist rate was calculated and grouped by country and year of collection. Not all countries in scope of the analysis had data available for 2015, the closest year to the data of collection for the

dependent variables so the closest year to the dependent variable was collected with only one wave earlier and one later were included. For example, if the United Kingdom did not participate in the 2011-2014 survey, then the United Kingdom's post-materialist rate from the 2017-2022 would be used. However, if the United Kingdom did not participate in either survey, then the 2006-2009 wave would be applied. If still no valid result was available for that country, then the results would be imputed using linear regression methods. Eight countries were still included in this analysis without values from these three waves through an imputation process explained in the next section of this analysis.

2.3 Model Formulation

The foundation of the model lies with the dataset provided by GEM APS is the source of both dependent variables and therefore the rest of the independent variables must fit cleanly within this mould and the model itself should align with the context of the literature. Although this report is produced on an annual basis, only the 2009 and 2015 editions have a special topic on social entrepreneurship. Each of the editions with a special topic on social enterprise asks different survey questions so the results between years cannot be compared. This rules out the possibility of a longitudinal analysis (Bosma et al., 2015, p. 12). This report will use the most recent data available from the 2015 edition in a cross-sectional analysis which contains 59 countries. Nine of these countries were excluded from this figure to adhere closer to the principles of the original varieties of capitalism framework. VoC theory typically only compares developed countries with each other because the inclusion of undeveloped countries adds noise to the results. To elaborate, undeveloped countries do not have the state capacity to support a generous welfare system and therefore it would be misleading to classify them as liberal market economies who have the state capacity but choose not to support extensive welfare systems. The World Economic Forum's Global Competitiveness Report's classification of economic development was used exclude the least developed countries from the dataset. According to the World Economic Forum, countries can be classified as factor, efficiency or innovation driven based on the nature of how their competitive advantage is derived. Countries classified as factor-driven; meaning that they rely on unskilled labour and natural resources to maintain a competitive advantage in the global economy were excluded. From an operational standpoint, underdeveloped countries typically have less data available and excluding them reduces the need to impute null values. In fact, only Puerto Rico was excluded for purely operational reasons as it is

excluded from many macroeconomic indicators which brings the final sample size to 49 countries. Within the scope of economies defined as efficiency driven or innovation driven, there remains a wide representation of countries across the globe accounting for approximately 67% of global GDP (PPP). With the goal to limit further exclusions based on missing or incomplete data, imputation was applied using linear regression techniques to substitute null values. Post-materialism was the only variable missing any data with 8/49 countries missing data.

Table 3 – Post-Materialism Imputed Values

Country	*Fitted values (Post-Materialism)*
Barbados	0.112493
Belgium	0.282375
Ireland	0.094654
Israel	0.187489
Latvia	0.082469
Luxembourg	0.261173
Macedonia	0.064209
Panama	0.127154

Rather than exclude them or impute the missing values with the average, a linear regression was used to simulate post-materialism for the null values. Post-materialism was regressed using indicators of corporate ethics, government commitment to sustainability and tertiary education enrolment provided by the Global Competitiveness Index as well as the unemployment rate, and total social protection expenditure (% of GDP). These variables were chosen to align with Inglehart's theory of value change (Inglehart, 1981, p. 881). Inglehart's theory of value change is built upon the idea of scarcity and socialization, whereby individuals place great importance on things that were scarce during their formative preadult years (Inglehart, 1981, p. 881). A measure of spending on social protection as well as the unemployment rate are excellent indicators to represent how immediate economic security needs are met. While there is some evidence that higher education can lead to increased rates of post-materialism, the indicators of corporate ethics and government commitment to sustainability were chosen because they can be a result of post-materialistic values. Even if these indicators may be the result not the cause of post-materialism, these

variables will be included to improve the fit of the regression. The overall fit of the model was a respectable 0.59 adj. R2 and the fitted

values of the 40 existing countries were reasonable, so the null values were replaced with the results of the regression. Above you can see the fitted values obtained from the regression which displays the percentage of the population estimated to hold post-materialistic values. Please see Appendix A for the full regression results.

With a finalized set of complete and structured data, the next step is to define the two regression equations that will generate the results. Equations 7 and 8 display the regression equations used to estimate social and commercial economic activity. While two linear regression models are sufficient to determine the impact of all independent variables on each dependent variable, this analysis also tests the robustness of the relationships by examining their relationships in isolation. Operationally, this means testing the variables relevant to each hypothesis separately by plugging them into the model with either commercial or social entrepreneurial activity and running the workflow in Alteryx. For example, to test the hypothesis H1 for social entrepreneurial activity both labour relations coordination and corporate governance coordination are selected as predictor variables with social entrepreneurial activity as the target field. To test the full model without controls, all the independent variables shown in Equation 7 are selected within the linear regression tool on the canvas with a browser tool connected to its report output anchor to produce a visual output of the results.

Equation 7

$$Social\ Entrepreneurial\ Activity_y = \alpha + \beta_1 CorpGovCoord_i + \beta_2 LabRelCoord_i + \beta_3 GovInt_i + \beta_4 Edu\&Train_i + \beta_5 Culture\&Norms_i + \beta_6 PostMaterialism_i$$

Equation 8

$$Commercial\ Entrepreneurial\ Activity_y = \alpha + \beta_1 CorpGovCoord_i + \beta_2 LabRelCoord_i + \beta_3 GovInt_i + \beta_4 Edu\&Train_i + \beta_5 Culture\&Norms_i + \beta_6 PostMaterialism_i$$

Before interpreting the results, the chart below was created to ensure that the estimations of cooperate governance coordination align with existing theory. Figure 5 displays a scatter plot with corporate governance coordination and labour relations coordination on the Y and X axes respectively. With the exception of Switzerland and Australia, LMEs and CMEs are clustered together with a noticeable division between the economy types. The position of each cluster and the outliers is aligned with existing theory. Simply put, Liberal Market Economies have low economic coordination in the spheres of corporate governance and labour relations and Coordinated Market Economies have much higher coordination. As for the outliers, Switzerland is often cited as an anomaly coordinated market economy and is even listed as a liberal market economy in empirical studies (Arts & Gelissen, 2002, p. 152). Similarly Australia while classified as a liberal market economy by most scholars uses strong employment protections and wage controls in place of social programs (W. Arts & Gelissen, 2002, p. 146).

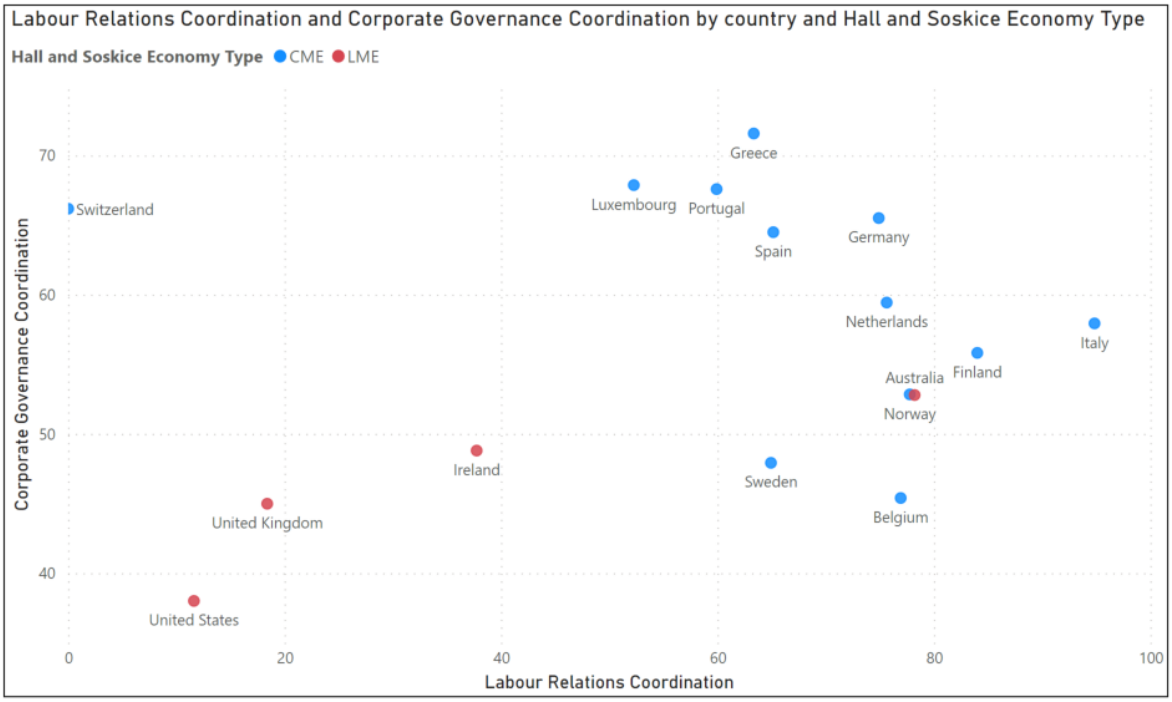

Figure 5 – Labour Relations and Corporate Governance Coordination Scatter Plot

3. Results

Running the workflow generates a table listing coefficients, standard errors, and p-values for each variable as well as R^2 and f-statistic results for the regression as shown in Tables 4 and 5. While there are only two models to estimate as shown in equations 7 and 8 above, this method was repeated a total of seven times for each dependent variable resulting in fourteen total model combinations. Out of these linear regression models, Tables 4 and 5 shown below provide the regression results for commercial and social entrepreneurial activity corresponding to equations 7 and 8 without control variables. For a segmented view of the impact of each independent variable on social and commercial entrepreneurial activity please consult appendix 1 and 2. Each model within the table lists the variables in scope to correspond to hypotheses H1 through H4 with only additional control variables necessary to assess H5. As an additional robustness check to these alternative specifications, the models listed under Tables 4 and 5 were also tested for multicollinearity using variance inflation factor tests (VIF) which can be found in Appendix 4. None of the variables in the full model are at risk of multicollinearity.

For the core model results, the overall fit between each model is quite significant for commercial entrepreneurship activity with the model fitting the data over twice as well as social entrepreneurship activity. Commercial entrepreneurship activity has an adjusted R^2 value of 0.56 and the F-statistic that well exceeds needed the critical value of 2.09. While social entrepreneurship activity also exceeds this critical value with an F-statistic of 3.94 the regression fits the data much more poorly with an adjusted R^2 value of 0.27. This is partly due to the inclusion of several variables that have no significant relationship with social entrepreneurial activity. In terms of residuals, the model for commercial entrepreneurial activity has a residual standard error of 3.29. To put it into context with descriptive statistics about commercial entrepreneurial activity, the difference between the minimum (2.3) and maximum (23.1) values is 20.8 or 16% of the range. However, when related to the of the median percentage of individuals engaged in some form of commercial entrepreneurial activity (6.89), the residual standard error, or average distance between the predicted and actual result is approximately 48% of the median value. Similar to the adjusted R^2 value of 0.56, the model somewhat fits the data but there is significant variance not captured with the independent variables. For social entrepreneurial activity with a standard residual error of 2.23, is proportionately much larger than its commercial counterparts. As social

entrepreneurial activity is much less widespread than commercial entrepreneurship, with a range of 10.04 and a median of 2.89. The residual standard error is therefore 22% of the range or 77% of the median value indicating much higher variability which limits the explanatory power of the model as it is less accurate in assessing the relationships between the dependent and independent variables.

Another difference between the two models is the impact of control variables. Control variables have no impact on the coefficients or significance of the independent variables on the commercial entrepreneurial activity model. However, GDP ($PPP) Per Capita has a significantly low p-value and high positive coefficient within the social entrepreneurial activity model. This suggests that economic development in general has a positive impact on social entrepreneurial activity. Looking at the rest of the independent variables individually in each model, there are some interesting results that confirm and conflict with the original hypotheses posed. First, economic coordination while statistically significant with low p-values, has a positive, not a negative relationship with commercial entrepreneurial activity. This directly opposes the original hypothesis and will need to be analyzed further. Second, targeted entrepreneurial factors such as cultural and social norms and post-school educational training have positive significant relationships with commercial entrepreneurship but not with social entrepreneurship. This indicates evidence that current support structures in place to provide support for commercial entrepreneurship do not have positive spill over effects and support social entrepreneurship. Third, government intervention has a negative relationship with commercial entrepreneurial activity which fits within the theoretical framework but there is no relationship with social entrepreneurial activity. The implication that an increased willingness of the state to intervene in economic affairs does not translate into more funding and support for social enterprise is a topic that conflicts with existing research. Finally, as predicted, post-materialism has a significant positive relationship with social entrepreneurial activity but not with commercial entrepreneurial activity. This finding is perhaps the most critical for the overall analysis because the core differentiator between the two organizational types is the social mission that social enterprises exist to fulfil. It is also noteworthy that the control variables had no impact on commercial entrepreneurial activity but GDP per Capita (PPP) had a profound positive relationship with social entrepreneurial activity.

Table 4 – Commercial Entrepreneurship Activity Linear Regression Results

Commercial Entrepreneurship Activity Linear Regression Results:

Coefficients	Estimate	Std. Error	t value	Pr(>|t|)	
(Intercept)	-5.86314	2.92481	-2.005	0.05148	.
Post-School Entrepreneurial Training	0.05932	0.02519	2.354	0.0233	*
Cultural and Social Norms	0.11740	0.03059	3.838	0.00041	***
Post-Materialism	0.07121	0.06944	1.026	0.31097	
Government Intervention	-0.09738	0.02083	-4.676	3e-05	***
Corporate Governance Coordination	0.10722	0.02475	4.332	9e-05	***
Labour Relations Coordination	0.06267	0.02360	2.656	0.01112	*

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 3.2935 on 42 degrees of freedom
Multiple R-squared: 0.6166, Adjusted R-Squared: 0.5618
F-statistic: 11.26 on 6 and 42 degrees of freedom (DF), p-value 1.839e-07

n = 49

Table 5 - Social Entrepreneurship Activity Linear Regression Results

Social Entrepreneurship Activity Linear Regression Results:

Coefficients	Estimate	Std. Error	t value	Pr(>|t|)	
(Intercept)	2.270135	1.98462	1.1439	0.25916	
Post-School Entrepreneurial Training	-0.017647	0.01709	-1.0323	0.30784	
Cultural and Social Norms	0.034728	0.02076	1.6732	0.10173	
Post-Materialism	0.142345	0.04712	3.0211	0.00428	**
Government Intervention	0.008077	0.01413	0.5715	0.57067	
Corporate Governance Coordination	-0.022720	0.01679	-1.3529	0.18334	
Labour Relations Coordination	-0.003532	0.01601	-0.2206	0.82649	

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 2.2348 on 42 degrees of freedom
Multiple R-squared: 0.3605, Adjusted R-Squared: 0.2691
F-statistic: 3.946 on 6 and 42 degrees of freedom (DF), p-value 0.00323

n = 49

3.1 Economic Coordination Findings

Commercial entrepreneurship has a statistically significant relationship with both corporate governance and labour relations but with an inverse direction to what was theorized. Therefore, the null hypothesis is rejected due to a falsified prediction. This means the more coordinated the economy, the higher the rate of commercial entrepreneurship. While on their own economic coordination is only able to explain 7% of the variance of commercial entrepreneurship (see appendix no 2a), in the full model the p-values are smaller

and do not overlap with the scope of the other variables causing multicollinearity. The coefficients are also significant with every 1 percentile increase of corporate governance coordination leading to 0.107% of commercial entrepreneurial activity. Additionally, the p value is 9e-05 significant at which passes a 99.9% confidence interval. Similarly, the coefficient of labour relations coordination is positive with every 1 percentile increase leading to a 0.06% increase of commercial entrepreneurship. While not the coefficient is not as strong as corporate governance coordination, labour relations coordination has a respectably low p-value of 0.01. Together these coefficients and p-values suggest that both corporate governance coordination and labour relations coordination are significant predictors of commercial entrepreneurship activity.

To put the results into context, corporate governance coordination is normalized between 0-100 and has a mean of 63.3 and a standard deviation of 21.2. Increasing corporate governance coordination by one standard deviation using the coefficient of 0.10 reported in the model would increase the percentage of individuals involved in commercial entrepreneurial activity by 2.27% overall. This equates to 0.45 standard deviations of commercial entrepreneurial activity. For labour relations coordination the impact is effectively halved with one standard deviation increasing the percentage of individuals involved in commercial entrepreneurial activity by 1.49% or 0.298 standard deviations. Although this result at face value appears to run contrary to the prevailing theory, there is a way to rationalize the results by examining the individual entrepreneur data in greater detail.

As both LMEs and CMEs have found distinct ways to create predictable outcomes, there is some evidence to suggest that different variants of capitalism promote different types of entrepreneurship (Dilli et al., 2018, p. 293). For example, liberal market economies with fluid labour markets and strong financial institutions have the highest rates of high growth entrepreneurship while CMEs have respectable rates of both low tech and high-tech entrepreneurship (Dilli et al., 2018, p. 310). LMEs may be primed to offer access to finance to high-risk high growth potential market opportunities, non-Schumpeterian entrepreneurship is not likely to utilize these resources. It is imperative to express that the dependent variable being tested is not the market impact of hyperscalers or high growth entrepreneurship, but the percentage of the population involved in entrepreneurial activity. Schumpeterian entrepreneurship is defined here as a subset of opportunity driven entrepreneurship that both exists within a medium or high-tech sector and intends to hire 20 or more employees over the next five years. As shown in the table below, this subset accounts

for 96 individuals or 0.79% of all entrepreneurs. If most individuals engaged in commercial entrepreneurship are pursuing incremental innovation, then it follows that they would benefit from supportive institutions in coordinated market economies. The data shown in the table below uses individual level data rather than aggregated national level data but is essentially the same source used in the main analysis (GEM APS, 2015).

Table 6 – GEM APS Individual Data Entrepreneurial Growth Expectations

Sector Technology Level vs. High Job Growth Expectations	***No***	***Yes***	***Grand Total***
Medium or high tech sector	525	96	621
No/low technology sector	10,433	1,002	11,434
Grand Total	**10,958**	**1,097**	**12,055**

n = 12,055

Economic coordination may in fact still have a negative relationship with high growth entrepreneurship but since entrepreneurs with lower growth expectations are much more numerous, it becomes clearer why a positive relationship exists. Greater access to venture capital and a system that allows you to hire and fire at will are less important if you have lower growth expectations and a less risky business model that offers existing products or services which banks are more likely to finance. For social entrepreneurship, the null hypothesis cannot be rejected. No relationship between economic coordination and social entrepreneurship was predicted, and no relationship was observed. Although, there is weak support to show that a relationship exists between social entrepreneurial activity and economic coordination when looking at the variables in isolation, it does not stand up to greater scrutiny. On their own, economic coordination has a stronger relationship with social entrepreneurial activity than commercial entrepreneurial activity which can explain 10% of the variance and a regression that is statistically significant. However, as additional variables are added in the full model the p-values increase beyond a confidence level where it could be considered remotely relevant. As each independent variable does not even approach the threshold of significance, not much can be discerned by their coefficients.

These results diverge from previous comparative institutional research where social enterprises with either liberal or social-democratic institutional logics have higher evaluative legitimacy (Kibler et al., 2018, p. 955). Using similar measures of economic coordination and government intervention, they find that experts are more likely to view social enterprises

as desirable or valuable if they belong to liberal or social-democratic economic systems (Kibler et al., 2018, p. 945). To summarize, uniform economic coordination and welfare provision both high and low increases the evaluative legitimacy of social enterprise. For example, when a country has high economic coordination but lacks an extensive social welfare system, the state takes an active role in guiding entrepreneurial activities but provides limited resources to support these activities. In the reverse scenario, highly active social welfare state but with low economic coordination states may prefer to use traditional social welfare organizations as social enterprises face legitimacy issues due to clear cut divisions between private and public sector (Kibler et al., 2018, p. 954). Kibler et. Al's theory is logically sound but there are some methodological reasons for why these differences may exist. They use significantly less countries with 11 of the most developed countries as the subject of analysis, utilize a different dependent variable with expert opinion on the legitimacy of social entrepreneurship and their data was captured five years prior to this analysis's survey. Any one or all of these factors combined may explain how this regression was able to produce a different result.

3.2 Targeted Entrepreneurial Factors Findings

Targeted entrepreneurial factors have a positive statistically significant relationship with commercial entrepreneurship and no relationship with social entrepreneurial activity. The null hypothesis cannot be rejected. The better the quality of training and the more supportive the culture towards entrepreneurship, the more commercial entrepreneurship activity can be observed. However, better training and a more supportive culture have no discernible effect on social entrepreneurial activity. For commercial entrepreneurial activity, when these targeted entrepreneurial factors are tested on their own, they explain 15% of the variance and are significant at a 90% confidence interval (see appendix 2b). However, when examined in combination with the rest of the indicators in the model, the p-values decrease and well surpasses the foreboding 0.05 threshold. The coefficients are also relatively stable when removing and adding in control variables. In terms of the weight and impact of the coefficients have on commercial entrepreneurial activity, cultural & social norms have a near equivalent impact with corporate governance coordination. To more closely investigate the impact of these coefficients, cultural and social norms are normalized between 0-100 and has a mean of 43.1 and a standard deviation of 20.82. Increasing cultural & social norms

support by one standard deviation using the coefficient of 0.12 reported in the full model with controls would increase the percentage of individuals involved in commercial entrepreneurial activity by 2.58%. This equates to 0.52 standard deviations of commercial entrepreneurial activity. Similarly, an increase of one standard deviation of 22.07 from the mean of 48.3 for post-school entrepreneurial education and training would increase the rate of commercial entrepreneurial activity by 1.29% or 0.26 standard deviations. These results indicate that instilling stronger cultural norms supportive of entrepreneurship have almost twice the impact of post-school entrepreneurial education. While it is much easier for the state to invest in education rather than efforts to market entrepreneurship as an attractive career choice, it just reiterates the significance of the will of individuals to engage in entrepreneurship rather than their latent core competencies.

For social entrepreneurial activity, the results are much less impactful. In isolation, cultural and social norms are statistically significant although the model itself is only able to explain 6.5% of the variance (see appendix 1b). Post school entrepreneurial education and training is insignificant in all model iterations. For social and cultural norms, after adding in additional variables it ceases to approach the boundaries of statistical significance. The coefficients for cultural and social norms are relatively stable with similar magnitudes and direction. This aligns with existing theory that states that conventional business support systems are ill equipped to offer services that meet the needs of social enterprises and necessitates the need for targeted support services oriented towards social enterprises (European Commission, 2013, p. 14). Also aligned to the regression results, a more general or diverse approach to education might increase social entrepreneurial activity more than specific entrepreneurial education. Estin et al. found that commercial entrepreneurs preferred to accumulate entrepreneurial experience while social entrepreneurs typically preferred general formal education (Estrin et al., 2016, p. 452). To summarize, commercial entrepreneurial culture and norms are not proven to improve the motivation of social entrepreneurs to start a social enterprise, and neither is ingraining an entrepreneurial focus into post-school education and trainings to develop their capabilities.

3.3 Government Intervention Findings

For commercial entrepreneurial activity, government intervention has a significant negative relationship with commercial entrepreneurial activity, hence the null hypothesis for commercial entrepreneurship cannot be rejected. The more government intervention present

within an economy, the less commercial entrepreneurial activity can be observed. Examined in isolation, government intervention can explain 26% of the variance for commercial entrepreneurial activity. Even as new variables are added to the model, the strength of the coefficient and significance of the relationship remains stable. To elaborate about the impact of government intervention on the model, increasing government intervention by one standard deviation using the coefficient of -0.097 reported in the full model with controls would decrease the percentage of individuals involved in commercial entrepreneurial activity by -2.61%. This equates to 0.52 standard deviations of commercial entrepreneurial activity. These findings are supported by the theory which state that one of the main motives for engaging in opportunity based entrepreneurship is personal capital accumulation and that a progressive taxation system decreases incentives for personal investment (Henrekson, 2005, p. 2). Furthermore, an extensive system of employment protections typical in coordinated market economies with more government intervention in the economy can increase the opportunity cost of entrepreneurship through linking benefits to formal employment (Elert et al., 2017, p. 45).

For social entrepreneurial activity, government intervention has a weak positive relationship with social entrepreneurial activity. The null hypothesis is rejected. In isolation, government intervention can explain 4% of the variance and is only significant at a 90% confidence level when combined with economic coordination indicators. Throughout all specifications of the model with government intervention included, it remains unsignificant and with a coefficient much weaker than other variables. This result is surprising and conflicts with previous work. Specifically, these findings are unaligned with Kibler et. al.'s claim that higher levels of public expenditure on social protections increase the likelihood of state support for social enterprises as they'll be perceived as serving state interests (Kibler et al., 2018, p. 953). Additionally, these findings contrast with Stephan et al.'s analysis that identifies support for the claim that government activism in the economy provides social enterprises with tangible and non-tangible support (Stephan et al., 2015, p. 323). With multiple sources indicating a contrasting result to this analysis it is worth considering that there may have been a specification error as both use only a function of government spending rather than a composite indicator including income inequality and government spending on social protection used in this analysis. Also, there is always the possibility of a data processing error with cleaning the data or a calculation error in the principal components method. In the event that this is not an error but indeed government intervention does not

affect social entrepreneurial activity then it would imply that social entrepreneurs in both retrenched and expansive welfare states are on equal footing to operate their ventures.

3.4 Post-Materialism Findings

Post-materialism has a significant relationship with social entrepreneurial activity and no relationship with commercial entrepreneurial activity so the null hypothesis cannot be rejected. For commercial entrepreneurship activity, post-materialism is the only variable in the full model that does not have a significant relationship. When examined in isolation, independent of the effect of other variables, post-materialism accounts for 0% of the variance for commercial entrepreneurial activity with a weak negative coefficient. When all other variables are added to the model the relationship does not become more statistically significant but the sign reverses indicating a positive relationship. These results align with the existing theory that claims that most owners of commercial enterprises have a profit maximation or subsistence goal with their firms (Bacq et al., 2016, p. 705). These goals are unrelated to the prosocial motivations that are captured within the post-materialism indicator.

For social entrepreneurship activity, post-materialism is the only relevant variable in the core model. On its own, post-materialism can explain 22% of the variance for social entrepreneurial activity and is significant at a 95% confidence interval even after adding in control variables. As post-materialism is heavily correlated with GDP per capita (PPP), it is worth noteworthy that its addition does not significantly impact the strength or significance of post-materialism. This indicates that pro-social post-materialist values support social entrepreneurial activity independent of overall economic conditions. In fact, post-materialism accounts for the vast majority of the variance in the core model as adding in all the other variables only improves the model's fit by an additional 5% to 27%. The effect of the coefficient itself is also impactful. With a mean of 13.48 and a standard deviation of 8.01 increasing post-materialism by one standard deviation would increase the overall rate of social entrepreneurial activity by 1.14%. In other terms, increasing post-materialism by one standard deviation would raise social entrepreneurial activity by 0.43 standard deviations. These results help support the findings from Stephan et. al. and Hechavarria et. al which also confirm the positive effects of post-materialism for social entrepreneurial activity (Hechavarría et al., 2017, p. 252; Stephan et al., 2015, p. 323). These findings cement post-materialism as a key driver for social entrepreneurial activity and while this conclusion is

uncontroversial, it remains critical for both future research and business development of social entrepreneurship.

3.5 Impact of Control Variables

Control variables do not impact the overall results of the commercial entrepreneurial activity model but GDP per capita (PPP) has a very statistically strong relationship with the social entrepreneurial activity model. Therefore, the null hypothesis is partially rejected. For commercial entrepreneurial activity, all four control variables have little to no impact on the overall results and decrease the adjusted R^2 of the model from 0.56 to 0.52. Similarly, Inflation, FDI Inflows (Millions), and unemployment also have little to no impact on social entrepreneurial activity. This may be a limitation of the cross-sectional dataset available as a longitudinal study of macroeconomic trends may prove to be more significant. However, as previously mentioned GDP per Capita (PPP) has a strong impact on social entrepreneurial activity and is statistically significant at a 95% confidence interval as shown in Appendix 1B. To elaborate regarding the strength of the coefficient, increasing GDP per Capita (PPP) by one standard deviation ($15,391.30 USD) increases social entrepreneurial activity by 1.23% or 0.47 standard deviations. The strength of this relationship is greater than post-materialism and improves the adjusted R^2 to 0.32 from 0.27. When not considering all other variables which are penalized in the adjusted R^2 calculation and focusing on the unaltered R^2 value it increases from 0.36 to 0.46 by including GDP per Capita (PPP). It is likely that GDP per Capita (PPP) is capturing the effect of another variable not included in the model. It is possible that rule of law or other measures of institutional quality that go along with overall economic performance create institutional stability and a high quality of governance that's distinct from the government activism variable studied earlier. Reliable rules of the game and predictable behaviour benefits commercial and social enterprises alike (Estrin et al., 2016, p. 463; Simón-Moya et al., 2014, p. 720). The question then remains why only social entrepreneurship activity is impacted by increased economic development. Further study will need to be conducted on this subject expanding the scope of the analysis to come to concrete conclusions to explain this result.

Conclusion

Social enterprise centered varieties of capitalism places social instead of commercial enterprises as the base unit of analysis and uses a relational view of the firm based upon the

varieties of capitalism framework to examine their inter-compatibility. Understanding and challenging the assumptions present in this framework by posing questions on how social enterprises would act within the same model opens new avenues of research which is especially relevant as more commercial firms increasingly add environmental and social goals to their mission statements. The core motivation behind this thesis is to examine the relationships of capital and labour for social enterprises and to identify if there are any models which present a clear institutional comparative advantage to these organizations. If one economic model showed dominance across different spheres of relations, policymakers would need only to emulate this model to grow their social enterprise sector. However, there was no evidence to indicate if the variant of capitalism has an impact on the social enterprise sector or that entrepreneurial training and cultural values have externalities that also positively impact social enterprise. Therefore, this study provides evidence to validate the claim that the current economic system's ideal market economies are structured to support commercial entrepreneurship. From the financial system to regulatory frameworks and informal institutions like cultural norms, this analysis sought to seek out potential biases towards commercial ventures as the default organization or status quo. To increase the chances of social entrepreneurs succeeding in building out and scaling their ventures specific support structures are needed and either special financing instruments or inclusive criteria need to be outlined to sustain their development. In addition to finance, policies that cater to the unique characteristics of social enterprises are needed. The answer may not be more or less government as shown by the results of government intervention but instead cultivating a society with universalistic attitudes and post-materialist motivation. In summary, this analysis bridges a gap in the literature between institutional economics and international business research that few scholars have investigated and uses a novel approach with both commercial and social entrepreneurial activity dependent variables to compare and contrast the implications of the results rather than view one model in a vacuum.

There are a few implications of these results that could prove useful to policymakers and social enterprise practitioners alike. While organizations seeking to incubate and promote both social and commercial entrepreneurship among youth, the fact that this age group typically has higher rates of post-materialism than previous generations may prove an even more effective demographic for social enterprise development. This is already evident by a wide array of support organizations that sponsor competitions, hackathons, and other programs targeted at university students and young professionals. Additionally, while post-

materialism is characterized by attitudes socialized during one's formative years, there may be reason to believe that rates of post-materialism may not continue to increase in upcoming years limiting the target market and pool of prospective social entrepreneurs. The impact of the Covid 19 pandemic and successive years of low economic growth with inflation can affect the values of the next generation of social entrepreneurs. With individuals focused more on prices rather than autonomy and quality of life, this can temporarily set back the growth of the sector. Regarding formal institutions, the fact there was no impact of government intervention on social entrepreneurial activity means neither support nor a barrier to social entrepreneurship. This means that the content of policy matters more than the overall structure of the government. While the appeal of creating a uniform framework that provides a singular definition for social enterprises and that classifies institutions at a country level remains, a more tailored approach towards the specific local market conditions remains more useful to policymakers. However, the fact that both specific and broad institutional indicators have no significant relationship with social entrepreneurial activity is strong evidence of the need for specific support structures dedicated towards social purpose organizations.

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List of Appendices

Appendix no 1A – Commercial Entrepreneurial Activity Regressions:

Metric/Variable	Economic Coordination	Targeted Entrepreneurial Factors	Formal Institutions	Government Intervention	Post-Materialism	Full Model	Full Model + Controls
Intercept	6.701*	2.39	8.532***	12.153***	8.596***	-5.863.	-6.308
Corporate governance coordination	0.045	-	**0.054.**	-	-	**0.107*** **	**0.111*** **
Labour Relations Coordination	-0.022	-	0.011	-	-	**0.063***	**0.069***
Post school entrepreneurial education and training	-	**0.073***	-	-	-	**0.059***	**0.059***
Cultural and social norms	-	**0.061.**	-	-	-	**0.117*** **	**0.124*** **
Government intervention	-	-	**-0.091*** **	**-0.083****	-	**-0.097*** **	**-0.101*** **
Post-materialism	-	-	-	-	-0.005	0.071	0.082
GDP per capita (PPP)	-	-	-	-	-	-	0
Unemployment	-	-	-	-	-	-	0.024
Inflation	-	-	-	-	-	-	-0.127
FDI Inflow. Millions.	-	-	-	-	-	-	0
Multiple R-squared	0.045	0.254	0.256	0.2	0	0.617	0.62
Adjusted R-squared	0.004	0.222	0.206	0.183	-0.021	0.562	0.52
F-statistic	1.092	7.830***	5.162**	11.730**	0.003	11.260***	6.193***

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Appendix no 1B - Social Entrepreneurial Activity Regressions:

Variable	Economic Coordination	Targeted Entrepreneurial Factors	Formal Institutions	Government Intervention	Post-Materialism	Full Model	Full Model Incl. Controls
Intercept	5.93***	2.18*	5.40***	2.68***	1.45*	2.27	0.33
Corporate governance coordination	-0.039*	-	-0.041*	-	-	-0.02	-0.01
Labour Relations Coordination	0.00	-	-0.01	-	-	0.00	-0.01
Post school entrepreneurial education and training	-	-0.01	-	-	-	-0.02	-0.02
Cultural and social norms	-	0.045*	-	-	-	0.04	0.03
Government intervention	-	-	0.03	0.02	-	0.01	-0.01
Post-materialism	-	-	-	-	**0.158*** **	**0.142****	**0.112***
GDP per capita (PPP)	-	-	-	-	-	-	**0.00008***
Unemployment	-	-	-	-	-	-	0.04
Inflation	-	-	-	-	-	-	0.20
FDI Inflow. Millions.	-	-	-	-	-	-	0.00
Multiple R-squared	0.10	0.10	0.16	0.04	0.23	0.36	0.46
Adjusted R-squared	0.06	0.07	0.11	0.02	0.22	0.27	0.32
F-statistic	2.55	2.67	2.91	2.19	14.31	3.95	3.28

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Appendix no 2:

Report for Linear Model
Post_Materialism_Imputation__Regression

Basic Summary

Call:

lm(formula = Post.Materialism....2010.2014. ~ X1__Corporate_ethics + X5_02_Tertiary_education_enrollment__gross___ + Unemployment.... + Commitment_to_sustainability +Total.social.protection.expenditure.including.health....of.GDP., data = the.data)

Residuals:

Min	1Q	Median	3Q	Max
-0.08714	-0.04162	-0.00182	0.03576	0.11345

Coefficients:

	Estimate	Std. Error	t value	Pr(>|t|)
(Intercept)	0.1958986	0.0651133	3.009	0.00484**
X1__Corporate_ethics	0.0181699	0.0107934	1.683	0.10119
X5_02_Tertiary_education_enrollment__gross___	-0.0008478	0.0004653	-1.822	0.07703.
Unemployment....	-0.0056904	0.0015649	-3.636	0.00088***
Commitment_to_sustainability	-0.0029578	0.0009543	-3.099	0.00381**
Total.social.protection.expenditure.including.health....of.GDP.	0.0110688	0.0018590	5.954	8.86e-07***

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.051228 on 35 degrees of freedom

Multiple R-squared: 0.6431, Adjusted R-Squared: 0.5921

F-statistic: 12.61 on 5 and 35 degrees of freedom (DF), p-value 4.862e-07

Type II ANOVA Analysis

Response: Post.Materialism....2010.2014.

	Sum Sq	DF	F value	Pr(>F)
X1__Corporate_ethics	0.01	1	2.83	0.10119
X5_02_Tertiary_education_enrollment__gross___	0.01	1	3.32	0.07703.
Unemployment....	0.03	1	13.22	0.00088***
Commitment_to_sustainability	0.03	1	9.61	0.00381**
Total.social.protection.expenditure.including.health....of.GDP.	0.09	1	35.45	8.86e-07***
Residuals	0.09	35		

Significance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Basic Diagnostic Plots

Appendix no 3:

Principal Components Analysis

Summary

Call:

prcomp(~ Gov.t.Spending + Income_GINI_Index + Social.benefits.for.persons.of.active.age..excluding.general.social.assistance. , data = the.data, na.action= na.omit, scale. = TRUE)

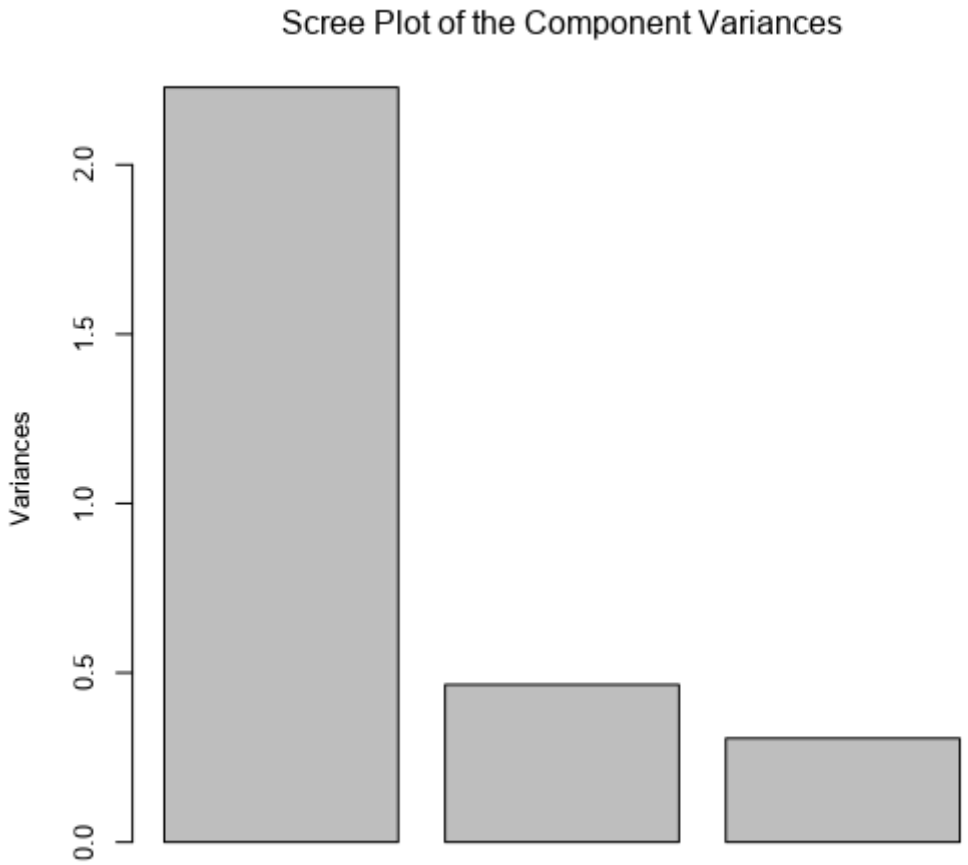
Component Loadings:

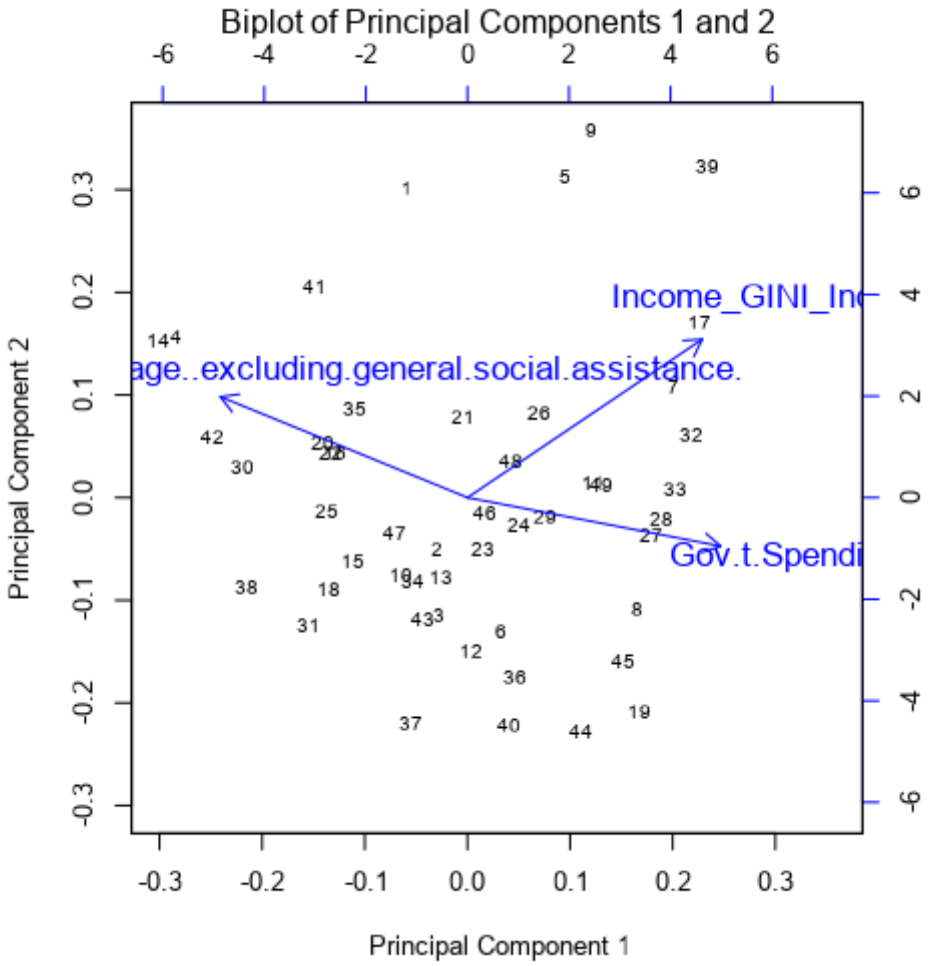
	PC1	PC2	PC3
Gov.t.Spending	0.596341	-0.250397	-0.762679
Income_GINI_Index	0.553026	0.816815	0.164243
Social.benefits.for.persons.of.active.age..excluding.general.social.assistance.	-0.581842	0.519726	-0.625576

Component Summary:

	PC1	PC2	PC3
Standard Deviation	1.492884	0.681766	0.553618
Proportion of Variance	0.742901	0.154935	0.102164
Cumulative Proportion	0.742901	0.897836	1

Plots




Biplot of Principal Components 1 and 2
Principal Component 1
Principal Component 2
Income_GINI_Inc
age..excluding.general.social.assistance.
Gov.t.Spendi

Appendix no 4: VIF

Variance Inflation Factors for the Model Variables

	(G)VIF	DF	Standardized (G)VIF
Post.school.entrepreneurial.education.and.training	1.3965	1	1.1817
Cultural.and.social.norms	1.7953	1	1.3399
Post.Materialism	1.3700	1	1.1705
Government_Intervention	1.3747	1	1.1725
Corporate_Governance_Coordination	1.2275	1	1.1079
Labour_Relations_Coordination	1.3874	1	1.1779

Appendix no 5: Data Sources

- Global Entrepreneurship Monitor Adult Population Survey (GEM APS) 2015 Edition
    - TEA_OPP – Total Entrepreneurial Activity – opportunity motive
    - SE_OPERAT1: Social Entrepreneurial Activity
- Global Entrepreneurship Monitor National Expert Survey (GEM NES) 2015 Edition
    - Post-School Entrepreneurial Training
    - Cultural and Social Norms
- Global Competitive Index 3.0 2014 – World Economic Forum
    - 1.21 Strength of investor protection
    - 7.02 Hiring and firing practices
    - 7.03 Flexibility of wage determination
- Global Competitive Index 4.0 2017 – World Economic Forum
    - Market Capitalization (% of GDP) 2014-2016 average
    - GINI Index - Income
- World Values Survey – Wave 5-7
    - Post-Materialism
- Index of Economic Freedom – Heritage Foundation 2015 Edition
    - Government Spending