Does trade dependency lead social enterprises to achieve better performance?

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The effects of current socio-economic and political challenges pursuing a social mission while relying on trade dependency strategy (i.e., depending more on market-based income than non-market-based income) have created tensions for social enterprises (SEs) about which they should choose between trade vs. grant dependency strategy to achieve the dual objectives. Building on a sample of 164 UK SEs, this study demonstrates that relative to grant dependency, trade dependency has a more substantial positive effect, direct and indirect through learning orientation, on social performance, and only indirect through learning orientation on economic performance. However, this study also shows that as SEs strengthen the market share growth strategy relative to grant dependency, trade dependency has a stronger positive effect on economic performance but, surprisingly, no significant impact on social performance. These findings contribute to our understanding of the role of trade dependency in the context of SEs and provide a guidance to SE managers on whether they should focus on creating learning environment in their enterprises, and growing market share while depending more on income obtained from trade of goods and services than from grant, donations, and funding.

Introduction

Social enterprises (SEs) encounter tensions about whether to earn most of their income from market-based activities (Dees 1998; Mair and Marti 2006) and be trade dependent or whether to rely more on grants and be grant-dependent (Chell et al. 2010; Dees 1998; Lasprogata and Cotten 2003). On the one hand, recent political and socio-economic challenges, such as a pandemic, war, and inflation, have put more pressure on funding bodies (Bacq et al. 2020; Kerlin and Pollak 2011) and have constrained the amount of financial support and donations, grant, they can provide (Nicola et al. 2020; Staddon et al. 2018; Sunley and Pinch 2012). Many SEs are increasingly encouraged to be trade-dependent and less, or not at all, grant-dependent (Arantes 2022; Beaton and Dowin Kennedy 2021; Kerlin and Pollak 2011). On the other hand, SEs are often accused of mission drift when they prioritise trade activities as a source of income and focus more on selling their products (Cornforth 2014; Ebrahim et al. 2014; Foster and Bradach 2005; Weisbrod 2004).

This tension is particularly complicated in the context of SEs as they pursue dual missions and aim to improve both their economic and social performances simultaneously. Economic performance refers to the generation of economic value for the firm by increasing sales of products or services, profitability, and growth (Bhattarai et al. 2019; Kropp et al. 2006). Social performance refers to achieving social missions, goals, and objectives by implementing social strategies and generating value for customers/beneficiaries (Bhattarai et al. 2019; Coombes et al. 2011). Therefore, being trade-dependent or grant-dependent is only valued by SEs if it enhances both their economic and social performances. Unfortunately, empirical research has not yet informed whether and how the SEs should adopt trade dependency or grant dependency to achieve improved economic and social performances. Therefore, empirical

investigation is necessary to understand whether trade vs. grant dependency pays off (Kerlin and Pollak 2011; Ko and Liu 2020; Maier et al. 2016; Pache and Santos 2013). Thus, the first research question of this study is, *"Does trade dependency, relative to grant dependency, enable SEs to achieve better economic and social performances?"*

Learning orientation, which refers to the 'basic attitude towards learning' (Real et al. 2014, p. 189), has proved to be critical for SEs to improve their social and economic performance (Tasavori and Bhattarai 2022; Weerawardena et al. 2021). As a dynamic capability (Teece 2007; Teece et al. 1997), scholars (Baker et al. 2022; Tasavori and Bhattarai 2022; Teece 2007) argue that learning orientation can improve "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al. 1997, p. 516) and support achieving competitive advantage (Baker et al. 2022). Therefore, this study also explores this capability's role in combination with trade vs. grant dependency. Accordingly, the second research question of this study is, *"Does learning orientation mediate the relationship between trade dependency vs. grant dependency and SEs' economic and social performances?"*

Teece (2010) highlights strategies that firms adopt must be compatible with their business models to create better values for the firms and their customers. In the case of trade-dependent and grant-dependent SEs, they are two different types of business models (Margiono et al. 2017) as they are different in terms of how they generate income. As trade dependent SEs generate income from market-based sources (e.g., trading or selling of products), while grant dependent SEs generate income from non-market-based sources (e.g., grants, donations, and funding). Therefore, market share growth strategy should be more compatible with trade dependent SEs than grant dependent SEs. An increase in SE's market share may contribute to improving

economic and social performances of SEs because serving more customers and beneficiaries may mean creating more revenues and creating more social values (Battilana and Lee 2014). Thus, we expect that the market share growth strategy should moderate the effect of trade vs. grant dependency on the economic and social performances of SEs. However, our understanding is still unclear because, to the best of our knowledge, no study has yet empirically investigated this relationship. Therefore, the third research question of this study is, *"Does trade dependency, relative to grant dependency, create a higher positive synergy effect on the economic and social performances of SEs when a market share growth strategy supports it?"*

To answer these research questions, this study collects data from a sample of 164 SEs in the UK and aims to offers the following key contributions. First, it sheds light on the contradictory and conflicting SE literature on whether SEs should earn the majority of their income from trade or grants to simultaneously improve their social and economic performances (Foster and Bradach 2005; Gras and Mendoza-Abarca 2014). Second, empirically investigating learning orientation as a mediator in the impact of 'trade-dependency vs. grant-dependency' on SE performance, this study contributes to developing SE theory and literature (Sassmannshausen and Volkmann 2018; Weerawardena et al. 2019). Third, by investigating a moderating role of market share growth strategy in the effect of 'trade-dependency vs. grant-dependency' on SE performance, this study enriches not only SE literature, but also strategic management literature (Teece 2010). Finally, despite a growing interest in SE research (Gupta et al. 2020), only a few studies have empirically investigated SE performance (Bhattarai et al. 2019; Liu et al. 2015; Staessens et al. 2019). Thus, this study fills such a gap in SE research.

The remainder of the paper unfolds as follows. First this study offers succinct overview on contradictory and conflicting SEs literature. Second, this study elaborates on the direct and indirect relationship of trade vs. grant dependency on social and economic performance and a mediating role of learning orientation. Next, this study discusses survey design and data analysis. More specifically, this study reports on the reliability and validity of the dimensions and subsequent measures, and how they relate each other. Finally, this study summarises main arguments and offers some suggestions for further research.

Theoretical Background and Hypothesis Development

'Trade vs. Grant Dependency' and Economic and Social Performance

Trade-dependency in this study refers to dependency of SEs more on income from trade (e.g., market-based activities such as selling or trading products) (Dees 1998; Mair and Marti 2006). On the other hand, grant-dependency is dependency of a SE more on non-market-based income such as grants, donations, and funding (Chell et al. 2010; Dees 1998; Lasprogata and Cotten 2003). However, financial capital or income obtained from trade or grant is one of the critical resources of any businesses, including SEs (Hynes 2009).

Grant-dependent SEs are usually influenced by donors and funders (Froelich 1999; Gras and Mendoza-Abarca 2014). Funders usually set some conditions (Ryan et al. 2014). Grand-dependent SEs should oblige when using that fund. More specifically, funders may force to focus more on achieving social objectives (Roundy and Bonnal 2017). Failure to meet requirements, non-market-based income may need to be returned to the providers (Ryan et al. 2014). The attached conditions may influence the decisions, activities, behaviours, strategies and, in turn, financial performance (Gras

and Mendoza-Abarca 2014; Pfeffer and Salancik 1978; Roundy and Bonnal 2017). As a result, grant-dependent SEs are more likely to achieve weaker financial performance than trade-dependent (Roundy and Bonnal 2017) and may also miss out on ability to seize any emerging market opportunities. The bankruptcy of a British SE, 'Aspire,' is a well-documented example of how grant dependency and focus more on solving social problems and improving social performance than on achieving financial sustainability may ultimately lead to failure (Santos et al. 2015, p. 38). Hence, the income obtained from trade should be more valuable than the income from grants, funding, and donations in making any strategic decisions, developing and implementing strategies, recognising and grabbing emerging opportunities, and, in turn, achieving both economic and social objectives (Carroll and Stater 2009).

In contrast, trade-dependent SEs may have relatively less external influence because markets revenues are usually not attached to pre-conditions (Froelich 1999; Gras and Mendoza-Abarca 2014). With the above logic, trade-dependent SEs are more autonomous and flexible than grant-dependent SEs. They can direct their resources in adopting, developing, and implementing crucial resources, capabilities, and strategies (Ecer et al. 2017) to achieve their social and economic objective (Dart 2004a, 2004b; Froelich 1999; Gras and Mendoza-Abarca 2014; LeRoux 2005; Liu et al. 2015; Powell et al. 2019). Recent empirical studies (Bhattarai et al. 2019; Glaveli and Geormas 2018; Liu et al. 2015) highlight that adopting commercial business practices, for example adoption and development of marketing concepts, can improve both economic and social performances of SEs. Being more autonomous and flexible than grant- dependent SEs, as argued above, trade-dependent SEs can adopt and develop such commercial business practices to achieve better economic and social performances.

Furthermore, scholars argue that relative to non-market-based income, market-based income has more advantages. It is less risky (Bacq and Janssen 2011) and more stable (Ko and Liu 2020) than non-market- based income. The non-market-based income, on the other hand, is limited because donors and funders have certain amount of donations and funding (Gayle et al. 2017), and it is unsecured due to high competitions (Ko and Liu 2020). However, some scholars have argued that the more the SEs depend on market-based income and become more business-like, the more they may have to compete against highly resourceful commercial businesses (Arantes 2022; Beaton and Dowin Kennedy 2021; Foster and Bradach 2005) and the more they tend to create organisational tensions due to conflicting institutional logics and values, social vs. economic (Siegner et al. 2018; Smith et al. 2013). Nevertheless, the organisational tensions could be utilized to generate promising new ideas for new products and processes development (Battilana et al. 2015), which may help improve the efficiency and the quality of their products and services (Jay 2013). Thus, trade-dependent SEs can capitalise the organisational tensions as sources of new ideas to achieve their goals and objectives in innovative ways (Jay 2013; Pache and Santos 2013; Siegner et al. 2018).

Another aspect that should be noted is that non-market-based income is likely to be limited due to the limited budget of donors and funders (Fowler 2000; Froelich 1999; Gras and Mendoza-Abarca 2014; Powell and Osborne 2020). Therefore, the grant dependent SEs may have limited and unstable income to serve an increasing number of beneficiaries. Consequently, they are unable to develop long term plans and programs to create more and sustainable social value and impact (LeRoux 2005; Morris et al. 2007). Contrarily, as market-based income depends on selling products and services (the more they sell, the more income they earn) (Powell et al. 2019), trade-dependent

SEs may have more money to serve additional beneficiaries. A recent case study of a Mexican SE, Unidos Somos Iguales, by Reficco et al. (2020) demonstrates that after shifting income dependency from non-market-based to market-based, the Mexican SE has not only successfully achieved economic objectives but also has successfully achieved social objectives.

Thus, we argue that trade dependency, but not grant dependency, facilitates SEs to adopt, develop, and implement efficient and effective practices, including practical and efficient commercial business practices, to achieve their economic and social objectives (Brinckerhoff 2000; Dart 2004a, 2004b; Froelich 1999; LeRoux 2005; Liu et al. 2015). Therefore, relative to grant-dependent, trade-dependent SEs are more likely to adopt entrepreneurial approaches and introduce new business functions and activities (Fitzgerald and Shepherd 2018; Ko and Liu 2020; Morris et al. 2011), such as new product and market development (Bhattarai et al. 2019) for two main reasons. First, as argued above, they are more autonomous and flexible than grant dependent SEs in adopting, developing, and implementing resources, capabilities, and strategies. Second, unlike grant-dependent SEs, they must generate income from the market where competition is likely to be higher (Foster and Bradach 2005) and hence the adoption of entrepreneurial approaches would be essential for them to exist in such a market. Also, adopting innovative and entrepreneurial approaches to introduce new business functions and activities are essential for them to compete in the market (Bhattarai et al. 2019). The increase in new business activities, for example, new products, services, and markets of a SE, means that it has increased services to more beneficiaries (Shan et al. 2016), addressed their needs, and created in total more social values for them (Battilana et al. 2015; Sirmon and Hitt 2003; Smith et al. 2013). It should be mentioned that some scholars (Austin et al. 2006; Foster and Bradach 2005) argue that SEs have a

lower level of resources and capabilities relative to those of commercial businesses and hence they could not compete in the market to generate the revenues above the costs. However, despite that, they could still compete against commercial businesses as their products and services are more valuable than those of commercial business because of the addition of social values in the products and services of SEs (Di Domenico et al. 2010). Thus, we propose the following hypothesis:

H1a: *Trade dependency has a stronger positive effect on economic performance of SEs than grant dependency.*

H1b**:** *Trade dependency has a stronger positive effect on social performance of SEs than grant dependency*.

Mediating Role of Learning Orientation

To explain the mediating hypotheses, we first discuss the impact of "trade vs. grant dependency" on learning orientation and then pinpoint the impact of learning orientation on SEs' performance. We build our argument upon the dynamic capability perspective (Teece et al. 1997) and argue that development of learning orientation as a dynamic capability can support SEs to improve their performances (Baker et al. 2022; Tasavori and Bhattarai 2022). Learning orientation refers to a mechanism that facilitates adaptive learning through a set of organizational values, promoting and creating a firm's learning culture and environment, and information collection and analysis of customers, competitors, markets and demands (Baker and Sinkula 1999a; Hurley and Hult 1998). It helps firms create a learning environment and culture to encourage employees to learn, develop, and share their knowledge and skills (Colquitt and Simmering 1998; Matzler and Mueller 2011; Real et al. 2014; Spicer and Sadler-Smith 2006; Wu and Lin 2013). Learning-orientated firms support and encourage their

employees to ‘think outside the box’(Baker and Sinkula 1999a) and promote organizational values: commitment to learning, open-mindedness, and shared vision (Sinkula et al. 1997). Therefore, learning orientation is an organizational value and attitude critical for success (Kropp et al. 2006; Real et al. 2014; Sinkula et al. 1997) and has long been considered a firm’s strategic resource (Baker and Sinkula 1999b; Yuan et al. 2018) and more valuable for a firm operating in a competitive environment than a firm operating in a stable environment (Salavou et al. 2004).

In this research, we argue that the trade-dependent SEs should be more learning oriented than grant-dependent SEs for the following reasons. First, trade-dependent SEs must understand and address their customers’ or beneficiaries’ changing needs and demands to compete in the market, where commercial businesses are usually present, to generate income (Foster and Bradach 2005). Therefore, for trade-dependent SEs, analysis of information about customers, competition, changes in the market and demand becomes crucial. In contrast, grant-dependent SEs usually address the call for grant and funding applications to generate income (Akbulaev et al. 2019). Hence, they may not necessarily need to compete with commercial businesses for revenue and may not need direct collection of a lot of information about various changing needs and demands of their customers or beneficiaries to generate income (Tirumalsety and Gurtoo 2021).

Second, grant-dependent SEs may consider that controlling the costs that are not directly related to social values generation, including learning costs, could be crucial to attracting more donations, grants, and funds (Frumkin and Kim 2001); because donors and funders usually expect more social values from their donations, grants, and funding (Epstein and Yuthas 2014; Gregory and Howard 2009). Therefore,

we argue that trade dependent SEs will be more learning oriented than grant dependent SEs.

Likewise, learning-orientated firms develop a learning culture and environment for employees which motivates them to engage in collaborative learning, developing and implementing new, and sharing existing knowledge and skills (Colquitt and Simmering 1998; Matzler and Mueller 2011; Real et al. 2014; Spicer and Sadler-Smith 2006; Wu and Lin 2013). Thus, learning-oriented firms are usually proactive in understanding customers' needs and demands (Slater and Narver 1995). As a result, they are more likely to be proactive in evaluating, updating, and upgrading their strategies, resources, capabilities, operations, products, and services to effectively and efficiently address their customers' needs and demands (Calantone et al. 2002). By addressing the needs and demands of their customers/beneficiaries, SEs can retain existing and attract new customers/beneficiaries (Christensen et al. 2006; Garrido and Camarero 2010; Garrido and Camarero 2014). Consequently, they create a stronger social value for their customers/beneficiaries and economic values for themselves because the more customers/beneficiaries the SEs serve, the more revenues they may generate and the more social impact they may create (Battilana et al. 2015; Bruneel et al. 2016; Santos et al. 2015).

Given that learning orientation facilitates firms to create and foster a learning environment and culture, we argue that it may facilitate, motivate, and encourage SEs to share and communicate missions, objectives, and information about developing new and existing products and services among the stakeholders. In addition, it enables SEs to understand the concern and interests of their key stakeholders, including potential and current donors, funding agencies, volunteers, and employees (Garrido and Camarero 2010; Garrido and Camarero 2014), and to adopt, develop, and implement

better strategies to attract their resources (Gainer and Padanyi 2005; Liu et al. 2015; Macedo and Pinho 2006). Furthermore, displaying the mission and objectives of social organisations to potential and existing donors and volunteers can attract their financial and non-financial support, and communication of new products and services to stakeholders can increase their sales and, in turn, revenues (Hahn and Ince (2016).

Drawing on the above arguments and literature, we propose the following hypotheses.

H2a: *Learning orientation mediates the effect of 'trade vs. grant dependency' on economic performance.*

H2b: *Learning orientation mediates the effect of 'trade vs. grant dependency' on social performance*.

Moderating role of market share growth strategy

Market share growth strategy in this study refers to the intentions and activities of SEs to sacrifice their surpluses and invest them to grow their market share. According to Teece (2010), a firm's strategies should be compatible with business models to achieve a better performance. This is underpinned by the dynamic capability perspective, which is defined as "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments." (Teece et al. 1997, p. 516). The dynamic capability perspective posits that to achieve a competitive advantage and improve performance, firms need to combine and reconfigure their complementary resources and capabilities (Eisenhardt and Martin 2000; Teece et al. 1997). In other words, according to the dynamic capability perspective (Teece 2007), resources, capabilities, strategies, and business models of firms should be connected and compatible to create better values for both customers and the firms. In this study, trade

dependency and grant dependency are considered as two different business models (Margiono et al. 2017) as they have different ways of generating income for SEs. For example, SEs with a trade-dependency business model focus on generating income from market, while SEs with grant dependency business model focus on generating income from non-market-based sources. Thus, we argue that the compatibility of market share growth strategy may vary between trade dependent SEs and grant dependent SEs.

Business literature (Edeling and Himme 2018) suggests that market share growth and financial performance should be positively associated. According to Barney (1995, p. 57), "market share translates directly into revenues, which, in turn, has a large impact on profits and profitability" of firms. However, Edeling and Himme (2018) suggest that the strength of its relations with financial performance may depend on several factors, including business types or models. As trade-dependent SEs aim to generate most revenues from market-based sources, while, in contrast, grant dependent SEs aim to generate most income from non-market-based sources (grants, donations, and funding), relative to grant dependency, trade dependency should be more compatible with market share growth strategy. Hence, we expect that the positive effect of market share growth strategy should be stronger among trade dependent SEs than among grant dependent SEs.

Indeed, to generate a better income, trade-dependent SEs should have a strong customer base, while grant dependent SEs should have a strong donor base. An increasing number of customers/beneficiaries of trade-dependent SEs may mean its increasing revenues as they are autonomous and flexible to set the prices of their products and services above the costs (Santos et al. 2015). However, this may not be true in the context of grant dependent SEs because grant-dependent SEs are likely to be

less autonomous and flexible in setting the prices of their products and services well above the costs because, as already argued above, donors and funders may influence their decisions and strategies (Cornforth 2014). Unlike trade dependent SEs, grant-dependent SEs can offer their products and services at below-average costs (e.g., at subsidised rates) as they receive donations and grants to cover the loss (Guo and Peng 2020; Thornton et al. 2014). Furthermore, relative to grant dependent SEs, trade dependent SEs can be more efficient in their operations and productions (Bhattarai et al. 2019; Bull and Crompton 2006), at least, to sustain their operations (Guo and Peng 2020; Thornton et al. 2014) because they are more autonomous and flexible in adapting and developing strategies, including resources and capabilities similar to those of commercial businesses. Consequently, relative to grant dependent SEs, trade-dependent SEs should be more efficient and effective in reducing their operation and production costs and hence can compete against commercial businesses on product/service quality and price to generate better income from the markets (Beaton and Dowin Kennedy 2021; Foster and Bradach 2005). Thus, we propose the following hypothesis.

H3a: Market share growth strategy positively moderates the effect of 'trade vs grant dependency' on SEs' economic performance.

Extant SE researchers (Battilana et al. 2015; Bruneel et al. 2016; Santos et al. 2015) argue that the more the SEs increase the market share of their products and services, not only the more revenues they generate, but also the more beneficiaries they serve and, in turn, the more social values they create. This suggests that a market share growth strategy is essential for SEs to achieve not only improved financial but also improved social performance. As argued above, the effectiveness and compatibility of

the market share growth strategy should be higher in trade dependent SEs than in grant dependent SEs. Therefore, we propose the following hypothesis.

H3b: Market share growth strategy positively moderates the effect of 'trade vs grant dependency' on SEs' social performance

The research model of this study is presented in Figure 1.

*****Figure 1 goes here*****

Methodology

Sample Data Collection

To collect data from a sample of SEs, we developed a survey questionnaire and, following Dillman (2007), sent email to 1000 SEs inviting the owner of the SEs to participate in the survey and providing a link to the questionnaire after pilot testing and finalizing the questionnaire. We defined SE as "a business with primary social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners" (DTI 2002, p. 7). This is a broad definition of a SE and it bridges the European and American definitions of SE (Doherty et al. 2014). Hence, the adoption of the UK government definition of a SE (DTI 2002) could extend the generalisability of the findings of this study to broader SEs. The name and the contact details of SEs were obtained from online directories (see Appendix A).

The final sample comprised a total of 210 responses collected online in 2014 by sending emails linked to the questionnaire to the owners/managers of 1000 UK SEs. Out of 210 responses, we eliminated 46 incomplete/unusable responses and used only

164 complete responses for this study. The survey response rate (16.4%) is acceptable in the context of an organisational survey (Baldauf et al. 1999; Greer et al. 2000; Scarborough 2011; Tomaskovic-Devey et al. 1994). As some responses were obtained late, after sending two reminders, the potential for the presence of response bias in the responses was high. Thus, following the procedures described in Armstrong and Overton (1977), we compared the mean values of the variables used in this study between the early responses and the late responses (first quarter and the last quarter of the responses) to test and ensure whether response bias was present in the responses. The results of the analysis were insignificant, suggesting no significant level of response bias in this study.

Measurement

Dependent variables. We used economic performance and social performance as two dependent variables (latent constructs). The indicators for measuring economic performance and social performance were adopted from Kropp et al. (2006) and Coombes et al. (2011), respectively (see Table 1. for their indictors).

Independent Variable. 'Trade vs. grant dependency' is the independent dichotomous binary variable. We created 'trade vs. grant dependency' variable from responses to the following structured question: What is your most important source of income? We assigned value '1' to the income from market-based sources (e.g., fees for services and income from selling products and services) and value '0' to the income from non-market-based sources (e.g., grants, funding, and donations). Hence, trade dependency was assigned value '1', whereas grant dependency was assigned value '0'.

Mediator. The indicators for measuring learning orientation were adopted from Kropp et al. (2006) (see Table 1. for details about the indicators).

Moderator. The "market share growth strategy" was measured by the responses in a seven-point Likert scale (very strongly disagree to very strongly agree) to the following statement: we are willing to sacrifice surplus to gain market share.

Control Variables. Scholars suggest that age (Bhattarai et al. 2019; Dobbs and Hamilton 2007; Evans 1987), access to technical expertise (Bhattarai et al. 2019; McKelvie and Davidsson 2009), and access to finance performance (Bhattarai et al. 2019; Klyver and Schenkel 2013; Wiklund and Shepherd 2005) of firms can influence their performances. We, therefore, controlled for their effects on social performance and economic performance of SEs to increase the robustness of the study.

Reliability and Validity of the Constructs

We performed a confirmatory factor analysis (CFA) using maximum likelihood estimation in Mplus (Muthén and Muthén 2012). The measurement model with three latent factors (i.e., learning orientation, economic performance, and social performance) yielded a good model fit; Chi square test (X^2) =81.788 (df = 59, p = 0.0265), root mean square error of approximation (RMSEA) = 0.049 (90% CI = 0.017 to 0.072; Probability RMSEA <= .05 = 0.516), comparative fit index (CFI) = 0.987, Tucker-Lewis index = 0.983, and a standardized root mean square residual (SRMR) = 0.05 (Bentler and Yuan 1999; Byrne 2012; Hu and Bentler 1999). The standardized factor loadings of each latent construct were greater than the recommended minimum threshold of 0.5 (Hair et al. 2006) (see Table 1).

*****Table 1 goes here*****

Similarly, Cronbach's alphas and composite reliability (CR) of all three latent constructs was greater than the minimum thresholds of 0.7. Furthermore, average variance extracted (AVE) of all three latent constructs were higher than the minimum cut-off points of 0.5 and lower than their respective constructs' composite reliability (see Table 1). Therefore, the constructs' internal consistency, composite reliability, and convergent validity were established (Fornell and Larcker 1981b; Hair et al. 2006; Pallant and Manual 2010).

*****Table 1 goes here*****

Additionally, we ran a series of CFA model comparisons and constrained the correlation between each pair of constructs to one to test the discriminant validity of the three latent constructs. The hypothesized three-factor model fits the data better than the alternative models indicating sufficient discriminant validity (Anderson and Gerbing 1988). Finally, we compared the square root of the AVE of each latent construct with their correlation coefficients and found that the square root of the AVE of each latent construct was higher than the correlation coefficients between them (see Table 2). This confirms sufficient discriminant validity and no severe issue of multicollinearity in the three latent factor model (Fornell and Larcker 1981a; Hair et al. 2006).

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of each latent construct was higher than the correlation coefficients between them (see Table 2). This confirms sufficient discriminant validity and no severe issue of multicollinearity in the three latent factor model (Fornell and Larcker 1981a; Hair et al. 2006).

Common Method Bias (CMB)

Following the procedures recommended by Podsakoff et al. (2003), we guaranteed firms' and respondents' anonymity and spread the items measuring dependent and independent variables in the questionnaire to reduce common method bias (CMB) in the responses (Krishnan et al. 2006; Podsakoff et al. 2003). The results of the Harman's one-factor test (Harman 1967) show that a single-factor accounted for less than 50 percent of variance (33.03 percent), suggesting CMB was not a severe concern (Podsakoff et al. 2003) and hence no significant effect of CMB in this study (Doty and Glick 1998). In addition to Herman's one-factor test, we also evaluated the goodness of fit statistics of the single-factor model. The goodness of fit statistics [Chi square test (X^2) = 955.590 (df= 52, P = 0.000), RMSEA = 0.296 (90% CI = 0.280 to 0.313, Probability RMSEA <= .05 = 0.000), CFI = 0.494, TLI = 0.363, SRMR = 0.218] confirm that the single factor model do not fit with the data at acceptable level (Bentler and Yuan 1999; Byrne 2012; Chen et al. 2008; Hu and Bentler 1999). Therefore, the presence of CMB is insignificant in this study.

Data Analysis and Hypothesis Testing

We created a structural equation model (SEM) with Mplus (Muthén and Muthén 2012) and performed a bootstrap (1000) analysis (Bollen and Stine 1990; Shrout and Bolger

2002) using path analytic procedures (Hayes and Preacher 2014; Rucker et al. 2011) to test our hypotheses.

This approach has the advantage over alternative methods, such as those proposed by Baron and Kenny's (1986). First, the bootstrap analysis estimates the indirect effect even though there is an insignificant total effect (Kenny and Judd 2014; O'Rourke and MacKinnon 2015; Rucker et al. 2011; Zhao et al. 2010). In addition, the bootstrap analysis enables estimating indirect, direct, and total effects simultaneously with the level of significance (confidence intervals) (Zhao et al. 2010), which is not possible with Baron and Kenny's (1986) approach.

The goodness of fit indices [(Chi square (X^2) = 141.977 (df = 102, p = 0.0055), CFI = 0.978, TLI = 0.972, RMSEA = 0.049 (90 % CI = 0.027 to 0.067), SRMR = 0.058] indicated that the SEM model is good fit with the data (Bentler and Yuan 1999; Chen et al. 2008; Hu and Bentler 1999).

Table 2 summarises the descriptive statistics and correlation matrix.

*****Table 2 goes here*****

Hypothesis testing.

The result from the analysis (Figure 2) show that, relative to grant dependency, trade dependency does not have a stronger positive effect on economic performance (b = -0.233, 95 % CI = -0.542 to 0.049), not supporting the *hypothesis H1a,* but has a stronger positive effect on social performance (b = 0.576, 95 % CI = 0.211 to 0.912), supporting the *hypothesis H1b*. Interestingly, the results of the analysis (Figure 2) reveal that the learning orientation mediates the positive effect of "trade vs. grant dependency" on both economic performance (b = 0.130, 95 % CI = 0.035 to 0.257) and social performance (b = 0.132, 95 % CI = 0.020 to 0.271), supporting the *hypothesis H2a* and *hypothesis H2b*, respectively.

*****Figure 2 goes here*****

Similarly, the results of the analysis reveal that "market share growth strategy" positively moderates the effect of "trade vs. grant dependency" on economic performance ($b = 0.336^{**}$), but not on social performance ($b = 0.278^{ns}$), supporting the *hypothesis H3a*, but the *hypothesis H3b*, respectively.

Finally, the results explore that age of SE and 'access to technical expertise' have no significant effect on economic performance and social performance of SE. However, 'access to financial capital' has a positive effect on economic performance, but not on social performance.

Discussions and Conclusions

Employing the structural equation modelling with Mplus (Muthén and Muthén 2012), we analysed a sample of 164 SEs in the UK to answer the following research questions.

RQ1. Does trade dependency, relative to grant dependency, enable SEs to achieve better economic and social performances?

RQ2. Does trade dependency, relative to grant dependency, enable SEs to achieve better economic and social performances through learning orientation?

RQ3. Does trade dependency, relative to grant dependency, create a higher positive synergy effect on economic and social performances of SEs when it is supported by market share growth strategy?

The results of the analysis unexpectedly explored that trade dependency does not directly have a stronger positive effect on economic performance than grant dependency. However, as expected, we found that trade dependency has a stronger

positive effect on social performance than grant dependency. Similarly, as hypothesised, we found that trade dependency has a stronger positive effect on both economic and social performances indirectly, through learning orientation, than grant dependency. Likewise, as hypothesised, we found that market growth strategy is more compatible with trade dependency than with grant dependency as it strengthened the positive effects of trade dependency, relative to grant dependency, on economic performance. Finally, unexpectedly, we found that the role of market share growth strategy is insignificant in the effect of trade dependency on social performance as compared to that of grant dependency. These findings are interesting and have several contributions to theory and practice.

Theoretical contributions

Recent literature has portrayed trade dependency as a "magic stick" for not-for-profit firms and SEs to achieve financial sustainability (Henderson et al. 2018; King 2017; Reficco et al. 2020). However, our study could not empirically validate this line of literature because we found that trade dependency does not have a stronger positive direct effect on economic performance than that of grant dependency. Nevertheless, the results of the analysis of indirect effect shows that trade dependency does still have a stronger positive effect on economic performance indirectly through learning orientation than that of grant dependency. Therefore, these findings of this study have neither strongly rejected nor strongly supported the arguments in the SE literature on whether trade dependency, relative to grant dependency, enables SEs to achieve better economic performance (Henderson et al. 2018; King 2017; Reficco et al. 2020) or not (Foster and Bradach 2005). Nevertheless, most importantly, this study has highlighted that trade dependency can facilitate SEs to improve their financial sustainability or

financial performance if certain conditions such as the adoption of learning culture and the development of learning environment, and the adoption of market share growth strategy are fulfilled. This study thus contributes to shedding light on the conflicting literature on the effect of trade dependency or market-based income on the economic performance of SEs as stated above.

Similarly, this study demonstrates that trade dependency has a stronger positive effect on social performance, directly as well as indirectly through learning orientation, than those of grant dependency. These findings contradict with few prior studies (Foster and Bradach 2005; Massetti 2008) that suggest that trade dependency does not have necessarily a stronger positive effects on social performance than that of grant dependency, but align with many prior studies (Battilana et al. 2015; Bruneel et al. 2016; Castellas et al. 2019; Dart 2004a, 2004b; Froelich 1999; Haigh and Hoffman 2011; Hockerts 2015; Hoffman et al. 2010; LeRoux 2005) that suggest that trade dependency could have a stronger positive effect on social performance than that of grant dependency. These findings are justified by the SEs and not for profit firms discourse that relative to grant dependent social enterprises, trade dependent social enterprises could be more autonomous and flexible in adopting effective market based strategies and practices to achieve not only economic but also social objectives (Froelich 1999; Gras and Mendoza-Abarca 2014).

Thus, this study provides empirical evidence to the assertions that adoption of trade dependency or becoming more business-like does not necessarily negate the social performance of SEs. Importantly, by exploring learning orientation as a process variable through which trade dependency can have a stronger positive effect on economic performance and social performance of a SE, this study extends further our current knowledge of the relationship between trade dependency and SE performances

(Battilana et al. 2015; Bruneel et al. 2016; Castellas et al. 2019; Dart 2004a, 2004b; Froelich 1999; Haigh and Hoffman 2011; Hockerts 2015; Hoffman et al. 2010; LeRoux 2005). Specifically, this supports recent literature of Weerawardena et al. (2019) that has conceptualised learning as a mechanism for SEs to achieve both social and economic goals simultaneously.

In addition, by finding the insignificant moderating effect of 'market share growth strategy' in the effect of 'trade vs grant dependency' on social performance, this study suggests that 'market share growth strategy' should have similar role in both trade-dependent and grant-dependent SEs in achieving their social performance. To the best of our knowledge, SE literature has not yet considered the role of market share growth strategy in the performance, especially social performance, of SEs. This study has thus added a new topic to social entrepreneurship discourse. The findings of this study also support the emerging social entrepreneurship discourse that suggests that economic performance and social performance of SE could be improved simultaneously (Bhattarai et al. 2019; Dacin et al. 2011; Dacin et al. 2010; Di Zhang and Swanson 2013; Liu et al. 2015; Tan and Liu 2014). Finally, this study advances social entrepreneurship theory by shedding light on conflicting and contradictory social entrepreneurship literature (Sassmannshausen and Volkmann 2018) on the relationship between market/non-market based income and SE performance (economic and social).

Furthermore, this is one of the few studies adopting a quantitative research design approach in social entrepreneurship research (Bhattarai et al. 2019; Liu et al. 2015; Weerawardena and Mort 2006). The quantitative research design is still rare in social entrepreneurship research (Austin et al. 2006; Dacin et al. 2011; Gupta et al. 2020; Peredo and McLean 2006; Sassmannshausen and Volkmann 2018), specifically, the quantitative research that investigates SE performances (Staessens et al. 2019).

Therefore, our study contributes to fill this research gap by answering the recent calls for more quantitative studies in social entrepreneurship research (Liu et al. 2015; Sassmannshausen and Volkmann 2018; Staessens et al. 2019; Tan and Liu 2014). Finally, by investigating the mediating role of learning orientation, this study not only contributes to SE literature, but also contributes to learning orientation literature (Calantone et al. 2002).

Contributions to practice

In addition to theoretical contributions, the findings of this study have the following main implications for practice. Firstly, this study's findings serve as an essential guide to the managers and owners about how they could improve their SE's economic performance and the social performance. Specifically, the findings of this study assist them in making decisions on whether they should rely more on market-based income than on non-market-based income to achieve their financial and social goals. More specifically, this study guides on whether they should implement a market share growth strategy and develop a learning culture and environment in their enterprises. This study's findings recommend developing learning-oriented culture and adopting a market share growth strategy in all SEs, and most importantly, in trade-dependent SEs to simultaneously improve their economic performance and social performance. Finally, the findings of this study are crucial for policymakers as well to develop and implement policies and programs to support SEs. For example, policymakers could develop policies and programs that encourage SEs to rely on market-based income, given the current socio-economic and political environment. However, at the same time, the policies and programs should encourage them to develop a learning culture and

environment and to adopt a market share growth strategy to enable them to achieve their dual missions, social and economic.

Limitations of the Study and Recommendations for Future Research

While acknowledging some limitations, this study also offers further research recommendations. Although It adopted a quantitative research design, which is still rare in social entrepreneurship research (Liu et al. 2015; Sassmannshausen and Volkmann 2018), the sample size (n = 164) is relatively small. Thus, future studies might consider larger sample size.

This study considered only learning orientation as a mediator and market growth strategy as a moderator in the effect of "trade vs. grant dependency" on social performance and economic performance of SEs. Future studies might consider other mediators and moderators as well. Specifically, this study explored that the total effect of "trade vs. grant dependency" is negative insignificant, and the indirect effect of 'trade vs. grant dependency' through learning orientation is positive. This suggests that there may be a mediator or mediators that mediate the negative effect of "trade vs. grant dependency" on economic performance. Thus, future studies should consider exploring the mediators or process variables through which "trade vs. grant dependency" may negatively influence the economic performance of SEs to extend the current knowledge further.

Appendix A

List of Social Enterprise Online Directories Used in this Research

- http://www.bis.gov.uk/cicregulator;
- http://www.can-online.org.uk/social_enterprises_directory.php;
- http://www.seb2b.co.uk/business-directory;

- www.sel.org.uk/directory.aspx?.
- http://www.socialenterprise.org.uk/;
- www.buyse.co.uk.

Table 1

Constructs' Validities and Reliabilities

Dimensions and Items	SFL	AVE	CR	α
X^2 =81.788 (59), X^2/df = 1.39, RMSEA= 0.049, CFI = 0.987, TLI = 0.983, SRMR = 0.056				
Learning Orientation		0.629	0.869	0.883
Indicator 1. The sense is that employee learning is an investment not an expense	0.850			
Indicator 2. The basic values include learning as a key to improvement	0.927			
Indicator 3. Once we quit learning, we endanger our firm	0.640			
Indicator 4. We agree that the ability to learn is the key to improvement	0.723			
Economic Performance		0.578	0.889	0.896
Indicator 1. The firm has been very profitable	0.633			
Indicator 2. The firm has generated a high volume of sales	0.615			
Indicator 3. The firm has achieved rapid growth	0.681			
Social Performance		0.893	0.961	0.958
Indicator 1. Implementation of social strategy	0.877			
Indicator 2. Fulfilling the social mission	0.987			
Indicator 3. Fulfilling the social objectives	0.967			

Note: SFL = standardized factor loading; AVE = average variance-extracted; CR = composite reliability; α = Cronbach's alpha; RMSEA = root mean square error of approximation; CFI = comparative fit index; TLI = Tucker-Lewis index; SRMR = standardized root mean square residual.

Table 2

Descriptive Statistics and Correlations (n = 164)

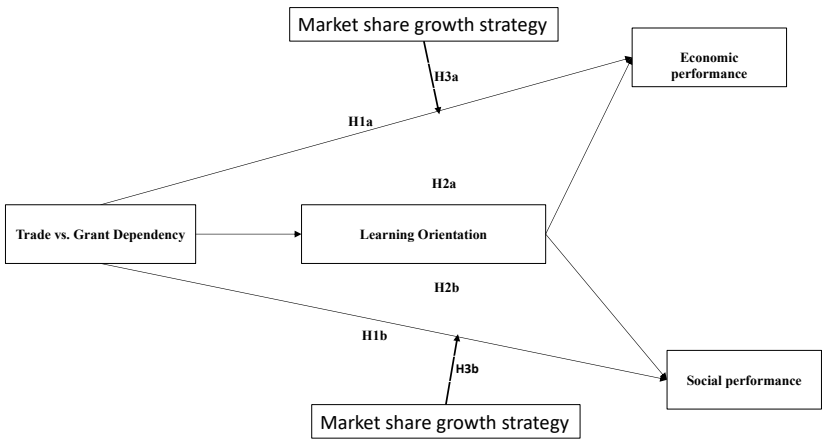
Variables		Mean	1	2	3	4	5	6	7
1	learning Orientation	0.251	**0.793**						
2	Economic Performance	0.446	0.253	**0.760**					
3	Social Performance	0.612	0.323	0.175	**0.946**				

4	Trade Vs. Grant Dependency	0.632	0.218	-0.208	0.256				
5	Market share growth strategy	4.552	0.102	0.263	0.163	0.180			
6	Age	0.706	-0.065	-0.060	0.214	-0.298	0.101		
7	Access to Technical Expertise	4.683	-0.017	0.034	0.046	-0.078	0.116	0.088	
8	Access to Financial Capital	3.466	-0.034	0.315	-0.031	-0.156	0.189	0.157	0.258

Note: All correlations of latent constructs are significant ($p<0.05$). Diagonal values (**bold face**) are the square roots of the AVE.

Figure 1

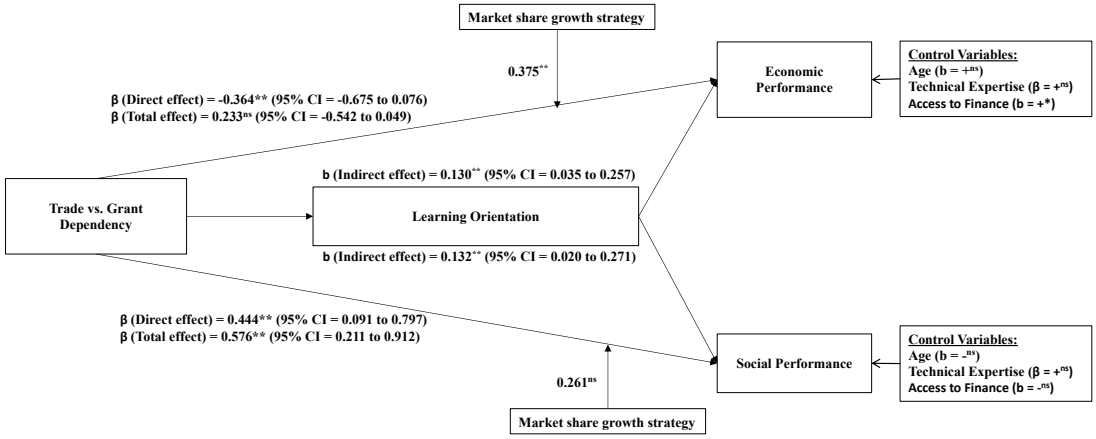
The Proposed Conceptual Framework



H2a: *Learning orientation mediates the positive relationship between 'trade vs grant dependency' and economic performance.*
H2b: *Learning orientation mediates the positive relationship between 'trade vs grant dependency' and social performance.*

Figure 2

Results of the Analysis



Note: b = un-standardised coefficient; β = standardised coefficient; *** = P<0.001; ** = P<0.01; * = P<0.5; ns = not significant; + = positive; - = negative

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