

# Management in social enterprises: the influence of the use of strategic tools in business performance

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**Abstract** If social enterprises are to be competitive in the marketplace, they must use Strategic Management tools to improve efficiency, while maintaining their effectiveness levels. They can achieve this goal by introducing new management methods that make use of innovation. The aim of the current study was to analyze the effect of the use of management tools in social enterprises, referred to here as Social Management, on the effectiveness and efficiency levels of these enterprises. From a sample of 129 work integration social enterprises (WISEs), this study shows the existence of a statistically significant relationship between the application of Strategic Management tools, more commonly found in for-profit organizations, and the effectiveness and efficiency of WISEs in the social economy. The influence of the use of these tools was found to be positive in the case of social effectiveness (improving the employment rate) but negative in the case of economic effectiveness (profitability).

**Keywords** Strategic Management · Social enterprises · Social economy · Success

## Introduction

Through the application of social innovation processes, Social Management is becoming a key element in the growth and development of social enterprises (Rodríguez-Ramírez et al. 2010; Zortea-Johnston et al. 2012).

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Social enterprises can be defined as companies aimed at achieving social goals such as the integration into the labor market of disadvantaged social groups, and/or environmental sustainability. Work integration social enterprises (WISEs), or *Empresas de inserción* (EIs) in Spanish, are among the social enterprises with the highest public profile and influence in Spain. The type of business entity adopted by WISEs varies between several types of companies in the social economy, such as cooperatives or labor-managed firms (Hotho and Champion 2011), and several types of for-profit enterprises, such as limited liability companies or stock corporations (Huang and Yu 2011). WISEs currently face an uncertain future since the market's demand for competitiveness is forcing these companies to drastically improve their efficiency.

WISEs are organizations with high levels of effectiveness, in that their social goals always take priority over other targets such as financial gains or profitability. However, the lack of professionalization of their management, poorly qualified human resources and a lack of financial capability reduce their efficiency levels. This low efficiency tends to place WISEs at a disadvantage in the market with respect to other types of companies whose goal is to maximize profits (capitalist companies). Thus, WISEs should consider introducing and basing the running of the company on management tools. By adopting a Strategic Management approach, WISEs can contribute to improving their efficiency while boosting their effectiveness levels (Mousa and Wales 2012).

The current study aims to determine whether the tools central to Strategic Management, whose use is more prevalent among for-profit companies, can also improve the competitive outlook for social enterprises. The study first investigates whether WISEs are effective, namely whether they achieve the social goals that they set out to, and whether they are efficient, namely whether they attain sufficient levels of profitability. The study then looks at the types of Strategic Management tools currently being implemented by WISEs and whether these tools improve performance.

To achieve the aims of the study, the next section looks at social management in the work integration social enterprise (WISE) environment, by studying their main features, analyzing their present situation and assessing the role of precompetitive techniques in their management. The third section presents the method and the fourth section presents the analysis of the results obtained from a sample of 129 work integration social enterprises. The final section closes with the main conclusions of the study, its limitations and future lines of investigation.

### **Social Management and social enterprises: theoretical framework**

According to socioeconomic organizational theory, a company's overall performance is defined by two elements (Savall and Zardet 2009): social performance (how well the company operates); and economic performance (financial results and creation of business and employee potential). Savall (2003) has identified various factors that affect socioeconomic performance: pay structure, strategy, investment, organizational control, IT, marketing, knowledge transfer, operational management, organizational structure, quality management, and human potential (Cavalcante et al. 2011; Cormier et al. 2011; Van Riel et al. 2011; BarNir 2012; Siegel and Renko 2012).

The application of Strategic Management in firms has contributed to improvements in both effectiveness and efficiency. Using certain tools, firms are able to increase

effectiveness and efficiency levels, and this increase in turn leads to improvements in their competitive positions (Sanchis and Campos 2007; Bhasin 2012).

Various authors have stated the items needed for a firm to consider that it has good Strategic Management. In terms of an internal business focus, Barney (1991, 1997) and Peteraf (1993) have highlighted the VRIO framework as the main tool for obtaining a competitive advantage (Garcés-Ayerbe et al. 2012). The VRIO framework can detect sources of sustainable competitive advantage by identifying resource capacities that are simultaneously (Jafari et al. 2011; Gallego-Álvarez et al. 2011): Valuable, Rare, difficult for others to Imitate, and that can be exploited efficiently by the Organization.<sup>1</sup> Porter (1980, 1982), with a focus on the competitive environment, has affirmed that the enterprise must position itself well within its industry, through cost leadership and differentiation (Yang and Li 2011). To achieve these goals, the enterprise must perform analysis of the competitive forces<sup>2</sup> and the value chain. Mintzberg (1993) has offered the most complete vision of the strategic focus by jointly considering the different focuses of Strategic Management (Reed et al. 2012). The same author offers a perspective on strategy that is both deliberate (i.e., systematically planned) and emergent (i.e., arising naturally from the interaction of the business with its environment). Thus, the tools used by a firm to carry out its decision processes are: the system of organizational and operational control, the budget, the annual management plan, and the strategic plan (Mintzberg et al. 1998).

For social enterprises, Strategic Management can be referred to as Social Management, in that this approach should guarantee the social effectiveness of these organizations, while achieving an increase in business efficiency (Peterburgsky 2012). Although the concept of the *social enterprise* has not been formally defined, many authors have published works on the subject (Borzaga and Defourny 2001; Demoustier 2005; Travaglini et al. 2010). In the European Union framework, the European Economic and Social Committee (EESC) has expressed its views with several opinions<sup>3</sup> on social enterprises. These opinions aim to bring together the specific features of organizations of this type to create one common definition.

The European Research Network (EMES) has proposed a definition based on both economic and social criteria, which provides a useful framework covering the different types of European social enterprises. The economic criteria include: sustained activity in the production or sale of goods and services, a high level of autonomy, a significant economic risk in relation to the enterprise's financial viability, and a minimum number of employees. The social criteria include: the explicit goal of benefitting the community, citizenship initiative, decisions not based on the ownership of capital, participation involving the main stakeholders in the activity of the company, and limited distribution of the profits (Johnson and Spear 2006; Quintao 2007; Puentes et al. 2012). Although the range of social enterprises across different European countries is very broad, they all present a series of common features that follow the abovementioned definition.

<sup>1</sup> Sanchis and Campos (2007) used the VRIO framework to analyze the sources of sustainable competitive advantages of cooperatives and of the social economy.

<sup>2</sup> Ruiz et al. (2007) produced an example of the analysis of Porter's five forces applied to WISEs.

<sup>3</sup> Among others: Opinion of the EESC on 'Social entrepreneurship and social enterprise' (exploratory opinion 2012/C 24/01) Official Journal of the European Union 28/01/2012.

WISEs fall under the category of social enterprises, which in turn form a part of the so-called third sector. The third sector itself is a component of the social economy (Bauer et al. 2012). Figure 1 summarizes the different types of business models. Except for the two extremes (non-profit enterprises and traditional for-profit enterprises), all of the businesses have different aims and could be partially social or partially oriented towards the marketplace.

WISEs fall into the bracket of social enterprises, although they also incorporate values that correspond to socially responsible businesses (Retolaza et al. 2007), following a business model that respects the environment. Although a range of studies such as Marcuello et al. (2008), FAEDEI (2011) and Sanchis (2011) have investigated certain aspects of these enterprises in the social economy, very few authors have analyzed their levels of efficiency and competitiveness (Retolaza et al. 2007).

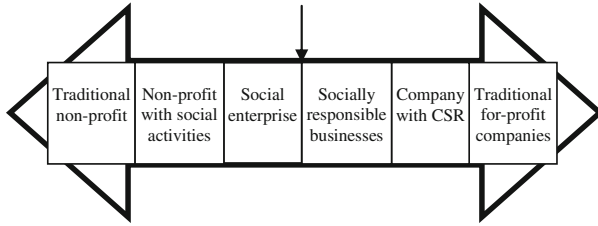
According to Spanish law,<sup>4</sup> WISEs are, ‘non-profit production structures of goods or services that include among their main aims the social and labor market integration of persons in a situation of or at risk of social exclusion, through the development of integration programs that allow these persons to access the regular labor market’. Other defining features of these enterprises are: territoriality (Melián and Campos 2010); the will for social inclusion; and the potential for WISE entrepreneurs to act as agents for change (Melián et al. 2011). In this capacity, WISE entrepreneurs can change the public mentality, enhance their surroundings and create a business model that does not generate exclusion (Ruiz et al. 2007).

The findings in Marcuello et al. (2008), FAEDEI (2011) and Sanchis (2011) suggest that the vast majority of these enterprises are commercial (more than 80 % are limited liability companies). Using the Spanish National Classification of Economic Activities (Clasificación Nacional de Actividades Económicas or CNAE), the principal activities are recycling (CNAE 37), personal services (CNAE 93) and social service activities (CNAE 85). Retolaza et al. (2007) also analyzed the management levels of WISEs. These authors concluded that in most cases, efficiency levels are low due to, among other factors: low productivity, since the workers face social and labor market exclusion problems resulting in lower output when compared with capitalist companies (Adame-Sanchez and Miquel-Romero 2012); low implementation of Strategic Management tools; poorly qualified human resources; and lack of professionalization of the management. However, WISEs also show positive aspects such as: the social and financial viability of their business projects; a strong commitment to the community where they were founded and where they operate; the active participation of the agents involved in the process; and links to the disadvantaged social groups with which they work.

## Method

The study consisted of analyzing the economic/financial and management attributes of WISEs in Spain from 2007 to 2011. The aim was to demonstrate whether or not a significant relationship exists between business performance and the use of strategic tools in this type of organization. First, descriptive analysis presented the results for each variable in separate tables. Second, principal components analysis (PCA) helped

<sup>4</sup> Law 1/2007, 5 February; Document BOE-A-2007-6033.



**Fig. 1** Types of enterprise, from the most traditional to the most social business models. Source: Travaglini et al. (2010)

to group the variables together. Finally, the study tested the influence of structural variables (independent variables) on business performance (dependent variable) by applying regression analysis.

Starting with the WISEs covered by FAEDEI, we matched the WISEs that are registered in regional administrative records with those WISEs that also submit accounting information to the Company Register (Registro Mercantil). The economic and financial data on these companies were obtained from the database of the Iberian Balance sheet Analysis System (Sistema de Análisis de Balances Ibéricos or SABI), owned by INFORMA DandB and run by Bureau Van Dijk Electronic Publishing (BvDEP).<sup>5</sup> The information on the strategic tools that these companies use was collected via a brief questionnaire sent by e-mail to the management of each company.

The sample represents a percentage of the total population of 67 %, according to the number of entities, and 85 %, according to turnover, which constitutes an ample and statistically representative sample (see Table 1).

The independent variable of the study was the *degree of professionalization (DP) of the management* based on whether or not the company used the three types of managerial tools proposed by Mintzberg (1993): budget plan, management plan and strategic plan. Studying these three types of tools helped to understand the strategic focus of the firm as a whole. This approach led to the definition of four categories of WISE: 1) Unprofessionalized WISEs or WISEs that do not use any type of management tool; 2) WISEs with low managerial professionalization that use one management tool in a specific area and on a short-term basis (WISEs that only use a budget plan); 3) WISEs with intermediate managerial professionalization or that use a general management tool but on a short-term basis (those that use a management plan); and 4) Highly professionalized WISEs or WISEs that use a general management tool on a long-term basis (those that use a strategic plan). WISEs in category 1) received a score of 0, WISEs in category 2) received a score of 1, WISEs in category 3) received a score of 2, and WISEs in category 4) received a score of 3.<sup>6</sup>

<sup>5</sup> This database collects general information (name of firm, tax residence and CNAE code) and the annual accounts of more than 1,000,000 Spanish companies and 325,000 Portuguese firms, which are obliged to submit their accounts to the Company Registers of their corresponding tax residences. The database is representative of all the Spanish enterprises registered in the Central Business Register (Directorio Central de Empresas or DIRCE).

<sup>6</sup> Retolaza et al. (2007) applied a similar methodology in their study on the efficiency of WISEs in 2006.

**Table 1** Representativeness of the sample

Variable	Population	Sample	Percentage
N° Companies	193	129	66.84
N° Employees	2,696	1,930	71.59
Turnover	54,254,172	46,367,199	85.46

The study investigated firms with social goals but that, at the same time, were required to be profitable from an economic point of view (Toledo-López et al. 2012). This factor increased the complexity of measuring the dependent or predictive variable (business performance). Thus, the study considered a twofold dependent variable: 1) *social effectiveness*, which measured the degree of success in achieving the social goals of WISEs; and 2) *economic effectiveness*, which measured the degree of success in achieving the economic and financial goals of these enterprises (Sakarya et al. 2012). In both cases, the quantitative measure was the median (and not the mean)<sup>7</sup> for each year of the firm's operations in the period 2007 through 2011 (see Table 2).

The construct of *social effectiveness* for WISEs is measured using the degree of labor market integration of the people who work in these firms<sup>8</sup> on a temporary basis. However, given the difficulty of obtaining this information, the measure of social effectiveness applied in this study was the increase in the firm's hiring of people at risk of social exclusion (McGuire et al. 2012). This measure has already been used by Retolaza et al. (2007), who considered three types of WISEs: 1) unsuccessful or failed WISEs, when the number of staff decreased; 2) successful WISEs, when the number of staff remained constant; and 3) highly successful WISEs, when the number of staff increased by 25 % over the period in question. The current study aimed to quantify the degree of social effectiveness of the firm, and not just whether or not the company can be considered effective. Thus, the study used a quantitative measure (*variation in the number of employees, VE*), which consisted of determining the difference between the median value of the last 5 years (2007–2011) and the initial value of the first year. Therefore, a positive value meant that the company was successful from a social point of view (WISE successful). Conversely, a negative value meant that the company had failed (WISE failed). When the value was zero, the company had simply maintained the same level (WISE neither successful nor failed). If the quantitative measure was negative, the dependent variable took the value 0; if the measure was zero, the dependent variable took the value 1; and if the measure was positive, the dependent variable took the value 2.

The second construct, *effectiveness of the business*, was measured using two quantitative variables: *return on assets* or *ROA* (earnings before interest and taxes divided by total assets or EBIT/TA), and *return on equity* or *ROE* (net income divided by shareholder equity or NI/SE). If WISEs are to be competitive in the marketplace, and this competitiveness is to be analyzed, the analysis must focus on economic and

<sup>7</sup> This quantile has been used because it is the most representative quantile of the distribution of a discrete ordinal variable, since it describes the central tendency and is therefore less sensitive to outliers.

<sup>8</sup> These companies are also known as *companies in transition* because their aim is not to employ persons at risk of social exclusion on a permanent basis, but rather to train them in a professional setting so that they may subsequently find work in a company that is not dedicated to integration. However, some WISEs also seek to hire persons who face greater barriers to entering the labor market.



**Table 2** Description of the analyzed variables

Dependent variables	Independent variables
<p>1) <i>Social effectiveness</i>:</p> <p>0: Negative change in employment rate (WISE failure)</p> <p>1: No change in employment rate (WISE neutral)</p> <p>2: Positive change in employment rate (WISE success)</p>	<p>1) <i>Management professionalization</i>:</p> <p>0: No tools (WISE unprofessionalized)</p> <p>1: Budget (WISE with low professionalization)</p> <p>2: Budget and Management plan (WISE with medium professionalization)</p> <p>3: Budget and Strategic plan (WISE highly professionalized)</p>
<p>2) <i>Business effectiveness</i>:</p> <p>0: Negative ROA and ROE (WISE inefficient)</p> <p>1: Negative ROA or ROE (WISE partially efficient)</p> <p>2: Positive ROA and ROE (WISE efficient)</p>	

financial variables (Baumol 1967; Rumelt 1991). The efficiency of the WISEs was also an important consideration. Hence, the WISEs were considered efficient when both ratios were positive and inefficient if both ratios were negative. When the signs of the two ratios were not the same (i.e., one ratio was positive and one was negative), the company could not be declared either efficient or inefficient and the company was considered to be partially inefficient. If the ratios for both ROA and ROE were negative, the variable took the value 0 (WISE inefficient); if one of the two ratios was negative but the other was positive, the variable took the value 1 (WISE partially inefficient); and if both ratios were positive, the variable took the value 2 (WISE efficient).

The hypothesis of this study considered whether or not a significant relationship exists between the *use of strategic management tools* and the *degree of effectiveness (social and economic)* of work integration social enterprises (WISEs) in Spain. The hypothesis states that: the use of strategic tools influences the business performance of WISEs, whereby companies with a higher degree of management professionalization are more successful as organizations, in both social and business contexts.

First, a validity and reliability study of the constructs that made up the study's two dimensions (*level of professionalization* and *performance of the business*) was carried out. Second, a factorial analysis on each one of the constructs summarized and simplified the tests required. Finally, linear regression and correlation techniques were used to investigate the relationships between the dependent and independent variables.

## Findings

Table 3 shows the level of professionalization of the management of the WISEs studied. The majority of WISEs, just over 40 % of the total, had a medium degree of professionalization; 27 % had a low or non-existent (unprofessionalized) level of professionalization; and 30 % had a high level of professionalization. Despite 11 % of the WISEs lacking any degree of management professionalization, nearly three-quarters (73 %) of

**Table 3** Degree of management professionalization of the WISEs

Degree of professionalization	Number	Percentage
WISE unprofessionalized	14	10.85
WISE with low professionalization	21	16.28
WISE with medium professionalization	55	42.64
WISE highly professionalized	39	30.23
Total	129	100.00

these enterprises had a medium or high degree of management professionalization. These results indicate that WISEs do not show significant differences in the degree of management professionalization when compared with other types of enterprises within the SME sector (Carmona et al. 2012; Turner et al. 2012).

Table 4 shows that nearly half (47 %) of the WISEs were successful, in that they grew their staff over the period of 2007 through 2011. Only 17 % of the companies were unsuccessful, namely that they were forced to reduce their staff during the above period. The remaining 36 % managed to maintain their staff at the same level as in 2007. Considering that the period in question corresponds to a phase of economic recession, this performance can also be considered a success. In summary, more than 80 % of the WISEs studied showed social effectiveness that can be classed as sufficient or positive (growing or maintaining the size of their staff), which demonstrates that they are successful business from a social standpoint. A point worth noting here is that over the last 5 years the unemployment rate in Spanish companies has risen considerably. The relative stability in terms of employment rate in WISEs during this period implies that these companies are resistant to the recession. In fact, their resistance is even more noteworthy considering that a significant proportion of the jobs in WISEs are given to people with difficulties in accessing the regular job market or who are at risk of social exclusion.

Table 5 reveals that approximately half of the WISEs (52 %) have positive economic and financial profitability ratios and can therefore be considered efficient from an economic perspective. On the other hand, 27 % of the WISEs were inefficient in both their economic and their financial profitability and the remaining 21 % were inefficient in one of measure of profitability (partially inefficient). Thus, the findings indicate that a problem of business inefficiency exists in this type of organization, which the study must investigate. To determine the causes of this relative inefficiency (48 % of the enterprises investigated were partially or totally inefficient), the study investigated the relationship between the degree of management professionalization of these organizations, and their efficiency and inefficiency levels.

**Table 4** Level of social effectiveness of the WISEs

Effectiveness level	Number	Percentage
WISE successful	60	46.51
WISE unsuccessful	22	17.05
WISE neutral	47	36.43
Total	129	100.00



**Table 5** Level of business effectiveness of WISEs

Effectiveness level	Number	Percentage
WISE efficient	67	51.94
WISE inefficient	35	27.13
WISE partially inefficient	27	20.93
Total	129	100.00

To check the validity of the constructs,<sup>9</sup> we analyzed the reliability of the scales using Cronbach's alpha (Cronbach 1951). Cronbach's alpha ranges between 0 and 1, with scores approaching 1 implying greater internal consistency of the items that make up the measuring instrument. To apply the reliability analysis, the quantitative variables (*social effectiveness* and *economic effectiveness*) were converted to ordinal categorical variables, and multiple choice variables (*degree of management professionalization*) were converted to binary items. Table 6 shows the results obtained for Cronbach's alpha for each one of the scales used in the questionnaire. We also identified the items that show the greatest discrepancies from the other items of the same scale. The values for Cronbach's alpha varied between 0.751, for the construct *degree of management professionalization*, and 0.996, for the construct *economic effectiveness*. Hence, the measuring instrument shows an adequate level of reliability.

Factor analysis was employed to reduce, with the smallest possible loss of information, the number of variables used to define the constructs. This analysis was repeated for the group of variables that defined each of the constructs. The constructs *degree of management professionalization* and *social effectiveness* each consist of just one variable and so did not require factor analysis. Following the factor analysis, the scores for each group of items were used in the regression analysis to determine the group's importance when predicting the level of effectiveness of the organization. The factor analysis first used the method of principal component analysis (PCA), which then underwent a *varimax* rotation. Before applying the PCA to each group of variables, Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy provided measures for the validity and suitability of the PCA.

The results of the factor analysis appear in the Rotated Component Matrix (Table 7), which conserves the factors with autocorrelations close to or greater than one, as per the Kaiser criterion. These results provided the information needed to assign an appropriate designation to each one of the factors obtained.

For the construct of *economic effectiveness*, Bartlett's test obtained an acceptable value, since the significance level was zero, and the KMO was within the generally accepted threshold of 0.5. These results imply the adequacy of the factor analysis. The factor analysis revealed a factor (factor 1) which explains 65.32 % of the variance. All variables have scores higher than 0.5 in factor 1 and this factor explains

<sup>9</sup> Spanos and Lioukas (2001) defined three types of validity analysis: validity of content, validity of constructs, and nomological validity. In this study, we looked at the validity of the constructs since nomological validity did not apply.

**Table 6** Internal consistency: Cronbach's alpha

Dimension	Construct	Cronbach's alpha	Cronbach's alpha without divergent items
Organizational effectiveness	Social effectiveness	0.996	No divergent items
	Economic effectiveness		
Degree of professionalization	Degree of management professionalization	0.751	No divergent items

a large proportion of the variables, as shown by their high communalities. Factor 1 explains 65.32 % of the variance and has high variable saturation for the two variables. We denoted factor 1 *profitability*.

Table 8 presents a summary of the results of the factor analysis in terms of both overall and comparative scoring. The factorial analysis produced a total of three factors. In the worst case scenario, the factors explain 65.32 % of the variance. In general, the percentage of variance explained is very good and all the variables have scores of above 0.5 in one factor. Removing one of the scale items produced only a very small deviation in  $\alpha$  with respect to the value of  $\alpha$  for the complete scale, demonstrating the scale's high internal consistency. Thus, the factor analysis converted four variables to three factors.

The following is a list of measures used in the linear regressions and correlations used to test the hypothesis formulated above.  $R^2$ , which ranges between 0 and 1, indicates the proportion of the variance explained by the model; values close to 1 suggest optimal models and values close to 0 suggest models that do not fit the data well. The adjusted  $R^2$  performs the same function as the  $R^2$  but allows for the comparison between models, since the adjusted  $R^2$  in a sense unifies the units of measure. The Durbin-Watson statistic is also an indicator of the suitability of the model; the optimal values range between 1.5 and 2.5. Snedecor's F distribution indicates whether or not the model is a good fit. If the p-value is less than 0.05 then the model will be significant and, therefore, suitable. The

**Table 7** Factor analysis

	Alpha without item	Factors Factor 1	Communality
Factor analysis of economic effectiveness:			
Return on assets ROA	0.630	<b>0.808</b>	0.654
Return on equity ROE	0.486	<b>0.858</b>	0.654
% Variance explained		65.32 %	
Cronbach's alpha of the full scale: 0.700			
% Total variance explained: : 65.32 %			
KMO test: 0.500			
Barlett's Sphericity test: $\text{Chi}^2 = 12.526$ df: 1 sig. 0.000			

Statistically significant results are highlighted in bold

**Table 8** Summary of the results obtained from the factor analysis

Construct	# variables	# factors	KMO test	p-value Barlett's test	% variance explained	Variables not inc. in a factor
Degree of professionalization	1	1	–	–	–	–
Social effectiveness	1	1	–	–	–	–
Economic effectiveness	2	1	0.500	0.000	65.32 %	None

hypothesis refers to the existence of relationships between constructs as well as between dimensions.

*Hypothesis: the use of strategic tools influences the business performance of WISEs, whereby companies with a higher degree of management professionalization are more successful as organizations, in both social and business contexts.*

To test the above hypothesis we performed two linear regressions where the two dependent variables were the two factors for the degree of managerial success, as shown in Table 9. The independent variable in this case was the original continuous variable from the questionnaire on the level of professionalization of the management. Table 9 shows that the values for the adjusted  $R^2$  for the two models are low and thus the models are not very explicative. However, the values for Snedecor's F distribution and the values for the Durbin-Watson statistic are both at an appropriate level and thus both models are significant. The beta in model 2 is negative, which implies a negative influence of the degree of management professionalization on the economic effectiveness of the enterprise. Therefore, the results imply that the degree of management professionalization in WISEs is a positive determinant factor for social performance and a negative determinant factor for economic performance.

**Table 9** Regression analysis

	Factor 1 Social effectiveness		Factor 2 Economic effectiveness	
	Beta	Sig.	Beta	Sig.
Constant	1.112	0.000	1.374	0.919
Professionalization	0.121	0.171	–0.072	0.729
$R^2$	0.015		0.005	
Adjusted $R^2$	0.007		–0.003	
Durbin-Watson	1.858		1.846	
Snedecor's F	1.893		0.666	
Significance F	<b>0.171</b>		<b>0.416</b>	

Statistically significant results are highlighted in bold

In summary, the following equation explains each one of the two dependent variables:

- 1) Social effectiveness =  $1.112 + 0.121 * \text{Degree of management professionalization}$ ;
- 2) Economic effectiveness =  $1.374 - 0.072 * \text{Degree of management professionalization}$ .

## Conclusion

Over the last few years Social Enterprises have gained a prominent role in the economy of the European Union. WISEs, as well as contributing to the economy through their business activity, perform an important social function, since their main objective is the integration into the labor market of social groups that are disadvantaged or at risk of social exclusion. WISEs also value the protection of the environment. During periods of economic difficulty, their role is even more important, within the context of entrepreneurship and social innovation.

WISEs represent the majority of social enterprises in countries like Spain. As companies in transition, WISEs contribute to training and educating marginalized persons with the aim of providing them with access to a permanent position in the labor market. However, the nature of their surroundings means that they must improve their efficiency levels in order to survive. Thus, WISEs must apply strategic analysis tools in their management.

This study shows that the majority of WISEs have a professionalized management, with more than a quarter of the sample investigated demonstrating a highly professionalized management. Thus, levels of management professionalization among WISEs do not differ greatly from those of other SMEs. The findings show that WISEs are generally socially effective, since more than three quarters of the companies studied succeeded in growing, or at least maintaining, the size of their staff during the economic recession. This achievement demonstrates the importance of WISEs in countries like Spain, where the level of unemployment has grown at an alarming rate in the last 5 years. The inefficiency levels of the WISEs studied are at the very least worrying, given that almost half of the companies in the sample were revealed to be partially or totally inefficient. This lack of efficiency or poor business performance is precisely what leads us to suggest the need for improvements in the professionalization of the management of these businesses via the use of precompetitive tools and, particularly, by setting up strategic plans.

The analysis shows a significant influence of the use of strategic tools on business performance. In other words, the (social and economic) success of WISEs depends on the use of precompetitive tools such as the budget, the management plan and, above all, the strategic plan. The results show that the two models analyzed (social and economic effectiveness) are significant and that a relationship exists in both cases between the dependent variables and the independent variable. The strategic tools implemented by these enterprises positively influence the companies' social performance or effectiveness, whereas the influence of these tools on financial performance is negative, even though in the latter case statistical significance is not as high. On one hand, the results suggest that the social effectiveness of WISEs depends on the

use of strategic tools, which implies that these tools are important in the functioning of this type of company. On the other hand, the results of this study suggest that the improvement of management via the use of strategic tools does not have a positive effect on the economic performance of these businesses. This finding is despite the fact that improvement of management by using strategic tools is exactly what we cite as being necessary to increase the competitiveness of WISEs. These results may show that a lack of business efficiency is not so much due to low use of precompetitive tools, but rather due to other factors such as a lack of training of the human resources, particularly among the management staff.

The methodological limitations of this study may have affected its results. One of the main limitations is to have considered only the variable *use of certain strategic tools* (budget, management plan and strategic plan) as an indicator of *degree of management professionalization* of these businesses, without taking into account other potentially influential variables such as *capacity level of the human resources*. The selection of dependent variables also contained a certain bias, given that the measurement of *social effectiveness* and *economic effectiveness* is very complex and subjective. The use of other types of variables apart from *variation in number of employees* and *economic profitability* should perhaps have been included. Thus, we propose a new study with the aim of introducing new independent variables related to the professionalization of the management (in addition to the use of strategic tools) that may explain the social and economic performance of this type of business. A comparison with companies without a specific focus on social goals would allow us to determine whether or not significant differences exist between the two types of businesses.

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