MISSION STATEMENTS AND RESPONSIVENESS TO STAKEHOLDERS: AN EXPLORATORY STUDY OF SOCIAL VENTURES

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ABSTRACT

This study roots itself in the stakeholder theory (Freeman, 1984) to further examine the relationship between mission statement content and actions regarding stakeholder groups with respect to social ventures. While this area of research has been previously studied (Bartkus and Glassman, 2008), no significant relationship had been found between content and actions concerning stakeholders for commercial firms. However, using social ventures as a mediator, our analysis now shows a significant relationship between content and actions for social ventures. Furthermore, we examined the relationship between the nature of the social venture's customers (consumers or businesses) and social performance, finding no significant relationship.

These findings contribute to the emerging scholarship on social entrepreneurship, the stakeholder salience framework of stakeholder theory, and to the literature investigating the antecedents of social performance.

INTRODUCTION

There has been an increasing interest among scholars and practitioners in social entrepreneurship, referring to the creation of social value by providing solutions to social problems (Dacin *et al.*, 2011). Although definitions of social entrepreneurship abound (Dacin *et al.*, 2010), a common underlying element of social entrepreneurship is the high degree of emphasis of social ventures on value creation relative to value capture (Mair and Marti, 2006; Santos, 2012). This distinct strategic focus distinguishes social ventures from commercial organizations.

The growing scholarly interest in social entrepreneurship is manifest in a growing volume of research in established publishing outlets (Moss *et al.*, 2011), as well as in the formation of new journals devoted to the topic, such as *Journal of Social Entrepreneurship* and *Social Enterprise Journal*. Within the practitioner realm, this heightened interest is exhibited by the proportion of individuals engaged in social ventures (Harding, 2004), the sponsorship of awards for practitioners from organizations such as the Skoll Foundation (Nicholls, 2010), and the creation of practitioner journals such as *Stanford Social Innovation Review*.

The distinct nature of and rising interest in social entrepreneurship suggests that it is a phenomenon worthy of scholarly attention. Even though a gap in the literature has been identified and there has been a call for greater theoretical development and quantitative research in this area (Short, Moss and Lumpkin, 2009). To date, much of the research in social entrepreneurship has focused on the "heroic" nature of social entrepreneurs (e.g., Bornstein, 2007) and on case studies of individual social ventures. In a recent review of social entrepreneurship articles, Short et al. (2009) found that 60% of empirical articles employed a case study methodology, while quantitative methods were used in only 22% of empirical articles (with regression analysis utilized in just 3%). Scholars have argued that the progression of social entrepreneurship necessitates more generalizable research through robust empirical methods and larger sample sizes (Short et al., 2009; Moss et al., 2011).

A more in-depth understanding of social entrepreneurship, backed by such robust methods, may be provided by using a stakeholder theory lens to examine the mission statements of social ventures. Stakeholder theory emphasizes the necessity of considering the interests of all groups impacted by an organization, in addition to the interests of shareholders (Freeman, 1984). Furthermore, the stakeholder salience framework of stakeholder theory suggests that organizations are more responsive to stakeholder groups deemed more powerful, legitimate, and urgent (Mitchell *et al.*, 1997). Given their emphasis on social value creation for multiple stakeholders, social ventures represent a valid area of inquiry for stakeholder theory.

Prior research has used stakeholder theory to examine organizations' mission statements. For instance, mission statements are a fundamental reflection of an organization's identity (*Hitt et al.*, 2012; Thompson *et al.*, 2013) and shed light on organizations' relationship with stakeholder groups (Bartkus and Glassman, 2008). In particular, Bartkus and Glassman (2008) examined the relationship between mission statement content and actions regarding stakeholder groups among commercial firms. However, their finding showed no significant relationship between the two construct and concluded that references to specific stakeholder groups may be a result of institutional pressures. However, the distinct nature of social entrepreneurship, with its focus on a social need rather than on profit; suggests that different results may be found in a specific examination of social ventures as a subset of commercial firms.

Given this call for further research in our understanding of social ventures, our paper will seeks to answer two primary research questions. First of all, we want to ascertain whether the mission statements of social ventures are, unlike in commercial organizations, consistent with actions regarding their stakeholders. Our secondary question is whether social ventures' proximity to end consumers might impact actions regarding their stakeholders. That is to say whether a difference exists for B2B social venture compared to B2C social ventures.

This research intend to add to the wealth of research in four different ways; First we aim to contribute to social entrepreneurship research by joining calls to provide a better understanding of how social ventures differ from commercial organizations (Moss *et al.*, 2011). Notably, among these calls has been suggestions that researchers examine the relationship between mission and strategy for social ventures (Austin *et al.*, 2006), consistent with the focus of this paper. Second, we want to contribute to social entrepreneurship research by completing the first quantitative study, to my knowledge, on the antecedents of social performance among a relatively large sample of social ventures, again responding to calls for greater quantitative rigor in social entrepreneurship (Short *et al.*, 2009). Third, we contribute to stakeholder theory by examining stakeholder management actions in a unique context – organizations that emphasize social value creation. And finally, we introduce a contingency into the literature that investigates the antecedents of social performance by testing the importance of proximity to end consumers and its influence on the social performance of social ventures.

In order to achieve the goals we set above, we will organize our paper by first grounding our reflection in the stakeholder theory. In this section we will review the stakeholder theory and previous research on mission statements, and develops theory regarding the relationship between mission statement content and actions concerning stakeholder groups among social ventures. This section will also address what role social ventures' proximity to end consumers might play with respect to those actions. Then we will develop a section devoted to our methodology, followed by an analysis of our results, discussion of the implications of these results and offer suggestions for further research.

STAKEHOLDER THEORY AND COMPANY MISSION

Freeman's (1984) articulation of stakeholder theory suggested that the depth and breadth of changes in the business environment rendered existing management theories inadequate. He detailed significant environmental shifts among internal stakeholders such as shareholders and employees, and among external stakeholders such as the government and advocacy groups. In response, he urged managers to "take into account all of those groups and individuals that can affect, or are affected by, the accomplishment of the business enterprise" (Freeman, 1984, p. 25).

Subsequent development of stakeholder theory has noted both an instrumental and normative dimension (Laplume *et al.*, 2008). Instrumental stakeholder theory suggests that ethical behavior with regard to stakeholders can serve as a source of competitive advantage (Jones, 1995). The rationale for this assertion is that trust and cooperation in relationships between a firm and its stakeholders reduce the threat of opportunism. Furthermore, given the high costs of opportunism, firms that are able to reduce those costs through trusting and cooperative relations with stakeholders would be expected to hold an advantage over firms not able to do so (Jones, 1995). A number of empirical studies have found support for instrumental stakeholder theory (e.g., Berrone *et al.*, 2007; Hillman and Keim, 2001; Waddock and Graves, 1997).

Normative stakeholder theory, by contrast, is grounded in moral or philosophical arguments; the concern is how organizations should behave concerning stakeholders on the basis of those arguments (Donaldson and Preston, 1995). Donaldson and Preston (1995) suggest property rights as a normative foundation of stakeholder theory, while other suggested normative foundations include organizational justice (Hosmer and Kiewitz, 2005) and Aristotelian ethics (Wijnberg, 2000).

With that dichotomy of stakeholder theory framework in place, the research field developed the stakeholder salience framework that bridges the two theoretical approaches. The stakeholder salience posits that stakeholders with higher levels of power, legitimacy, and urgency will encounter greater responsiveness from organizations (Mitchell *et al.*, 1997). Powerful stakeholders hold resources that firms value, legitimate stakeholders are deemed credible by society, and urgent stakeholders voice concerns that are time-sensitive and critical (Mitchell et al., 1997). Empirical tests of stakeholder salience have been generally supportive (e.g., Agle *et al.*, 1999; Eesley and Lenox, 2006; Parent and Deephouse, 2007).

Our second construct for our research is based on mission statements; broadly defined, mission statements provide direction and purpose to organizations (Ireland and Hitt, 1992). In the case of social ventures, mission statements have been found to reveal dual identities – both normative and utilitarian (Moss *et al.*, 2011). Mission statements reflect an organization's identity and convey the organization's values to stakeholders (Leuthesser and Kohli, 1997). Indeed, the inclusion of references to certain stakeholder groups in mission statements (Bartkus *et al.*, 2004) suggests that those stakeholders are salient to the organization. To the extent that mission statements may serve as a guide for the actions of the organization (Pearce and David, 1987), we would anticipate that references to certain stakeholders would be consistent with the organization's actions. For example, this logic would suggest that organizations referencing community stakeholders in their missions would have stronger performance with respect to the community than organizations that do not reference community stakeholders.

In a study of commercial firms, however, Bartkus and Glassman (2008) found that this was not the case. The authors' content analysis of mission statements found no relation between references to stakeholders and performance regarding those stakeholders, using performance data from KLD Research & Analytics. Although there was a relationship between references to specific social issues (the natural environment and diversity) and performance on those issues, the lack of significance for stakeholders suggests that stakeholder references may arise from institutional pressures. In other words, mission statement may be used in an attempt to gain legitimacy (Suchman, 1995), or organizations may profess concern for stakeholders but decouple their stated concerns from actions (Meyer and Rowan, 1977).

Although these conclusions have been suggested in the context of commercial firms, an open question is whether similar relationships (or lack there of) might hold for social ventures. Social ventures use market-based organizational forms to sustain social value creation (Miller *et al.*, 2012), and emphasize value creation over value capture (Santos, 2012). As such, social entrepreneurship is theoretically problematic (Miller *et al.*, 2012), and continued research is needed to reveal insights into the distinct nature of social entrepreneurship (Short *et al.*, 2009).

Stakeholder management is a fundamental source of potential differences between social ventures and commercial organizations. As Bartkus and Glassman (2008) suggest, commercial organizations may construct mission statements, in large part, as an exercise in securing legitimacy from salient stakeholders rather than in guiding actions. The inclusion of references to specific stakeholder groups in commercial organizations' mission statements may therefore be largely symbolic and decoupled from the organization's actions.

Social ventures, prioritizing social wealth creation over economic wealth creation (Mair and Marti, 2006), would be expected to view stakeholder management in different terms. Because they are not primarily driven by the desire to maximize financial returns for shareholders (Harding, 2004; Hartigan, 2006), social ventures may view value creation for certain stakeholder groups such as the community as their overarching goal. Given this mindset, references to stakeholders in mission statements would not be undertaken for purely symbolic means. Instead, the mission statement itself would be seen as a statement of purpose and as a tangible guide for future actions, consistent with views expressed in earlier research on mission statements (Ireland and Hitt, 1992; Pearce and David, 1987).

This view of mission statements, and of the inclusion of references to stakeholders therein, is a reflection of different views of stakeholder salience between social ventures and commercial organizations. For commercial organizations, shareholders arguably hold the greatest power, legitimacy, and urgency of any stakeholder group. But social ventures arise, in part, as a response to market failure, when commercial organizations fail to meet social needs (Austin *et al.*, 2006). As such, the salience of stakeholders whose needs the social venture seeks to fulfill becomes paramount.

Ultimately, this difference in the salience of stakeholder groups between commercial organizations and social ventures provides a means of understanding why we might expect mission statement content to be inconsistent with actions toward stakeholders for commercial organizations, but consistent for social ventures. In summary, non-shareholder stakeholders hold greater relative salience for social ventures, driving this consistency. Thus, we derive the following hypothesis:

H1 *Social ventures whose missions reference stakeholders are more likely to take actions that address the concerns of those stakeholders than social ventures whose missions lack such references.*

Our third research construct deals with consumer decision making and how firms can impact their decisions. Survey research indicates that an organization's societal impact is an important factor in consumer purchasing decisions (Nielsen, 2015). Performance with respect to community stakeholders and the natural environment would be expected to be both valued by and visible to consumers. High levels of charitable giving to and volunteering programs for causes that consumers recognize and care about provide a signal that an organization shares their values. Similarly, the avoidance of actions likely to have a negative economic or environmental impact on communities is another consumer expectation. The visibility of social performance (Penn Schoen Berland, 2010) suggests that organizations will be highly responsive to consumers' expectations.

Some organizations, however, are likely to be more responsive to consumer expectations than others. Consumers interact with products or services at the end of their value chain as final goods. As such, organizations selling final goods to consumers would be expected to be more responsive to consumers than firms selling intermediate goods to businesses. Given that they are dependent upon the financial support of consumers for survival, organizations selling to end consumers recognize that consumer stakeholders are highly salient. By extension, we would anticipate that such organizations will be responsive to consumer expectations regarding the community and natural environment. Indeed, Khanna and Anton (2002) found that commercial firms selling final goods were more likely to have more comprehensive environmental management systems than commercial firms selling intermediate goods.

Although proximity to consumers does appear to influence responsiveness for commercial firms, it is unclear whether this proximity might also influence responsiveness for social ventures. To the extent that social ventures, like commercial firms, seek a sustainable business model, we would expect social ventures selling final goods to consumers to be responsive to consumer expectations. And social ventures selling to consumers might feel a heightened need to meet consumer expectations with respect to the community and natural environment, relative to social ventures selling to businesses. This logic would suggest the following hypothesis:

H2 *Social ventures selling to consumers will exhibit stronger performance with respect to the community and natural environment than social ventures selling to businesses.*

METHODS

Our sample of social ventures was derived from B Lab's list of certified B Corps. Founded in 2006, B Lab is a nonprofit organization that certifies businesses that meet standards for social and environmental performance, transparency, and accountability. To do their certification, B Lab's developed an Impact Assessment rating which is designed to assess a business's social and environmental performance. In their latest Impact Assessment methodology, points are awarded on the basis of performance in four dimensions: governance, workers, community, and environment. A minimum of 80 out of 200 possible points is required to earn the B Corp certification. B Lab's Impact Assessment is maintained and updated by an independent advisory councils composed of government, academic, investor, and sustainable enterprise stakeholders. As of January 2016, 1,550 organizations had achieved B Corp certification. A random sample of 120 U.S.-based B Corps was used in the analysis.

The dependent variable we used to test Hypothesis 1 was the Impact Assessment score for community. Consistent with Bartkus and Glassman (2008), we identified community as a stakeholder group but environment as a social concern; thus, environment was not used as a dependent variable for Hypothesis 1. In addition, with rare exceptions, the mission statements sampled did not reference employee stakeholders. Thus, the Impact Assessment score for workers could not be used as a dependent variable.

For Hypothesis 2, both community and environment were used as dependent variables. The community score seeks to capture impact on external community stakeholders, and reflects performance in criteria such as job creation and civic engagement. Also, the environment score, as it is designed, reflects both direct and indirect environmental impact.

The independent variable for Hypothesis 1 was mission statement content. A broad definition of mission statement was utilized, consistent with Leuthesser and Kohli (1997); following Bartkus and Glassman (2008), company descriptions and value statements including the elements of mission statements were also used. Missions were gathered from each venture's web site, and any explicit reference to community was coded as 1, while no reference to community received a value of 0. Sixty of the 120 ventures in the sample (50%) included a reference to community in their mission statements. For Hypothesis 2, the independent variable was consumer orientation; ventures selling at least some goods or services to consumers received a value of 1, while ventures selling exclusively to businesses received a 0. The determination of consumer orientation was made through a review of each venture's web site.

RESULTS

T-tests were used to test the hypotheses. For Hypothesis 1, ventures including references to community in their missions were compared to those not doing so. For Hypothesis 2, the comparison was made between ventures selling to consumers and those selling to businesses. Table 1 displays the number of organizations by industry against the following attributes: consumer orientation (number of organizations selling to consumers), reference to community in mission statement, and mean Impact Assessment scores for Community and Environment. Results of the t-tests are included in Table 2.

Table 1
Sample Characteristics by Industry

Industry	Total	# of Ventures Selling to Consumers	# of Ventures Referencing Community in Mission	Mean Impact Assessment - Community	Mean Impact Assessment - Environment
Books	3	3	2	52.7	18.7
Clothing & apparel	4	4	2	25.5	48.5
Consulting	21	0	7	47.0	22.5
Design services	4	4	1	42.3	13.0
Education	5	2	4	59.6	7.2
Energy	4	3	0	22.8	40.0
Financial services	12	7	6	52.8	7.1
Food	20	16	12	33.7	28.9
Health care	3	1	2	59.7	6
Web site	4	3	1	39.3	12.3
Other: industry count of 2 or less	40	24	21	43.6	25.1
Total	120	62	60	43.3	22.5

Table 2
Mission Statement Content, Consumer Orientation, and Social Performance

Variable	Impact Assessment	Mean difference	*t*	Significance
Mission content	Community	20.83	5.623*	0.000
Consumer orientation	Community	0.28	0.068	0.946
Consumer orientation	Environment	3.72	1.303	0.195

*$p < .01$

Hypothesis 1 argued that social ventures that referenced stakeholders in their mission statements would be more likely to address the concerns of those stakeholders than social ventures whose missions lack such references. Our quantitative analysis found support for this hypothesis, as social ventures referencing community stakeholders had significantly higher

Impact Assessment scores than social ventures not referencing community stakeholders ($p < .01$).

Hypothesis 2 suggested that social ventures that sell to end consumers would have stronger community and environmental performance than social ventures selling to businesses. This hypothesis was not supported, as there was no significant difference based on consumer orientation.

DISCUSSION

Despite growing interest in social entrepreneurship, much work remains to be done to shed light on the unique nature of social ventures. This paper sought to contribute to a greater understanding of social ventures by examining the mission statements of social ventures with a stakeholder theory lens. We argued that there would be a significant relationship between mission statement content and actions regarding stakeholder groups for social ventures, and further suggested that social ventures selling to consumers would show stronger community and environmental performance than social ventures selling to businesses.

The results of this paper's analysis demonstrated that mission statement content was, indeed, related to stakeholder actions for social ventures. This result stands in contrast to Bartkus and Glassman's (2008) finding of a non-significant relationship for commercial firms. Different views of stakeholder salience may underlie these results, as shareholders are arguably the most salient stakeholder group for commercial firms, and the inclusion of other stakeholder groups in their mission statements may be influenced by institutional pressures. By contrast, social ventures prioritize social value creation over economic value creation (Mair and Marti, 2006). For social ventures, mission statements appear to act as a guide for social value creation, and the salience of stakeholders whose needs the social venture hopes to address becomes dominant.

The paper's analysis also revealed that social ventures' consumer orientation did not influence community and environmental performance. Consumer orientation has been found to impact dimensions of environmental performance for commercial firms (Khanna and Anton, 2002), providing additional insights into how social ventures differ from commercial firms. Social ventures have a goal of creating social value, and the nature of the venture's customers as either consumers or businesses does not seem to alter the strength of the venture's social performance.

This study's findings suggest that there may be a fundamental difference in how commercial firms and social ventures approach questions of legitimacy. Inconsistency between mission statement content and actions toward stakeholders in commercial firms highlights the role of symbolic legitimacy and decoupling (Meyer and Rowan, 1977). Legitimacy is not, it should be noted, irrelevant for social ventures. Indeed, Dart (2004) suggests that moral legitimacy may help to explain the emergence of social entrepreneurship. It may be that social ventures are held to a higher moral standard by stakeholders, and that mission statement content alone would not be expected to secure stakeholder support. Under such conditions, the symbolic legitimacy and decoupling employed by many commercial firms would, if employed by social ventures, risk a loss of stakeholder support and threaten the venture's survival.

An interesting question for future research is whether the relationship between mission statement content and actions concerning stakeholders changes as social ventures mature. A venture whose mission involves poverty alleviation through economic development, for example, might face criticism for negative environmental impacts arising through this development. Whether social ventures combat such criticisms through symbolic (mission statement content without corresponding actions) or substantive (positive environmental actions) activities remains an open question. If, as has been suggested, the triple bottom line of sustainability constitutes an appropriate measure of fitness for social ventures (Meyer and Gauthier, 2013), it may be that stakeholder management may be a more complex task for social ventures than for commercial firms.

Another area worthy of further exploration resides in the potential financial impact underlying with our research. As mentioned, we found that social ventures referencing community stakeholders had significantly higher Impact Assessment scores than social ventures not referencing community stakeholders, suggesting a potentially higher buy-in from these stakeholders. Hence, if stakeholders indeed buy-in more into the company purpose, does that translate into higher financial return? i.e. does firms with higher Impact Assessment score financially outperform firm with lower score?

As with any research, there are some limitations to our study that should be acknowledged. First, this study was exploratory in nature with a relative small sample size of N=120. Future research concerning mission statements and stakeholder salience for social ventures might consider more robust quantitative techniques such as regression analysis or structural equation modeling and a larger sample size. Second, the cross-sectional design of the study constitutes a limitation. Future studies might consider longitudinal designs that consider changes in social performance over time. Third, the Impact Assessment scores used in the analysis represent an initial attempt at quantifying social performance among social ventures. As the field of social entrepreneurship matures and measures of social performance are refined, future research may be able to generate more granular insights into the performance of social ventures. And fourth, the study's sample consisted only of U.S.-based social ventures.

CONCLUSION

This paper makes four contributions to the field. First, we contribute to social entrepreneurship scholarship by answering calls to offer a greater understanding of the differences between social ventures and commercial organizations (Moss *et al.*, 2011). Our analysis reveals differences rooted in stakeholder salience between social ventures and commercial firms, and suggests the different role that mission statements play between these two types of organizations. While missions may broadly be seen as statements of purpose, the extent to which mission statements guide organizational actions rather than act as a means to secure external legitimacy may differ between social ventures and commercial firms. Examination of the relationship between mission and strategy has been suggested as an area for future research in social entrepreneurship (Austin *et al.*, 2006), and this paper's exploratory study attempts to offer initial insights in this area.

Second, this paper offers an additional contribution to social entrepreneurship scholarship by answering calls for further empirical research in general, and for the use of larger sample sizes in particular (Short *et al.*, 2009). Although case study research has generated significant insights and will continue to do so, analyses of larger samples may offer greater generalizability.

Third, the paper contributes to stakeholder theory by exploring stakeholder management in the context of social value creation. Stakeholder salience (Mitchell *et al.*, 1997) has been an especially helpful framework within stakeholder theory, arguing that organizations are most responsive to stakeholders perceived as the most powerful, legitimate, and urgent. Although stakeholder salience has been criticized as insufficiently comprehensive (Driscoll and Starik, 2004), it can continue to be refined and extended through application to social entrepreneurship.

A fourth contribution is to the literature that explores antecedents of social performance. While past research has found consumer orientation to be one such antecedent (Khanna and Anton, 2002), the results of this paper's analysis indicate that this relationship may apply only to commercial firms. This finding suggests a need for future research into the impacts of visibility on social performance for social ventures, to the degree that consumer orientation is one indication of an organization's visibility.

Finally, social entrepreneurship has attracted significant interest among both scholars and practitioners. As interest in social entrepreneurship grows and scholars conduct more robust empirical research, important insights into the distinct nature of social ventures will be identified. This study sought to offer insights into the missions and social performance of social ventures, using a stakeholder theory lens, and revealed a consistency between mission statement content and actions regarding stakeholders that had not been found in prior studies of commercial firms. In addition, this study found that an important aspect of visibility – consumer orientation – did not influence social performance, in contrast with previous research on commercial firms.

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