

SOCIAL ENTREPRENEURS: THE ROLE OF ENTREPRENEURIAL ORIENTATION AND
LEADERSHIP STYLE IN NON-PROFIT ORGANIZATIONS

by

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Abstract

Much has been written over the last decade of the importance of social entrepreneurship, and the goal of this research was to determine whether social entrepreneurship was important to the success of the non-profit. This research analyzes the survey responses of 177 non-profit organizations in the United States and Canada in order to determine the influence of leadership style and entrepreneurial orientation on the effectiveness of non-profits. Organizational effectiveness was measured through the ability of the non-profit to accomplish their mission and how much financial stability they had as an organization. It was determined that a transformational leadership style has a positive influence on the ability to accomplish the mission of the organization, while transactional leadership does not influence the effectiveness of the organization. It was also determined that entrepreneurial orientation plays a significant role in the success of the organization and influences both the ability to accomplish the mission of the organization and the financial stability of the organization.

Preface

This research was approved by the University of British Columbia Behavioral Research Ethics Board. The certificate number is H07-02390.

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Introduction

The term social entrepreneur has recently become a popular research interest and is defined as an individual that runs either a for-profit or non-profit organization in an entrepreneurial manner, who has a strong desire to promote social change (Perrini & Vurro, 2006; Thompson, Alvy, & Lees. 2000; Roberts & Woods, 2005; Prabhu, 1999). Social entrepreneurs are to non-profits what entrepreneurs are to for-profits. Social entrepreneurs want broader social impact with the use of innovation as the primary means of achieving those ends, just like entrepreneurs want greater financial success by taking risks and being innovative. This research will introduce a new term called social entrepreneurial organizations. In the business literature, one definition of entrepreneurship is an individual that is innovative and takes risks. The entrepreneurial orientation literature evolved to be an organizational level manifestation of innovation, risk-taking, and proactiveness (Covin & Slevin, 1988). Social entrepreneurial orientation is the same organizational level manifestation of entrepreneurial traits, except the organization uses their innovation, risk-taking and proactiveness to solve complex social issues. The social entrepreneur leads these social entrepreneurial organizations and embeds their entrepreneurial skills of innovation and risk-taking to allow the organization to be more effective in solving social issues. Social enterprise is another concept that will arise in future research considerations and is similar to the terms discussed in this research. Social enterprises are non-profit organizations that have an operating model that includes some product or service that they provide for a fee; in effect, a non-profit organization that has a for-profit like business model (Casselmen, 2007). The various definitions of terms utilized in this research are summarized in Table 1.

To date, there has been limited research into what allows social entrepreneurs to be successful in terms of accomplishing their organizational mission (Mair, Robinson & Hockerts, 2006). We need effective tools in order to help social entrepreneurs solve large-scale social problems (Dees, Anderson, Wei-Skillern, 2004), and in order to develop those tools we need to better understand the relationship of entrepreneurship and leadership style with the effectiveness of these social entrepreneurial organizations. Research has occurred in traditional business environments, but how well does that translate into these social organizations? Dees and Backman (1994) suggested that the differences between private enterprises and charitable organizations lie on a continuum. The struggle with understanding social entrepreneurs is that they operate in the middle of this continuum, not a pure private enterprise, nor purely a charitable organization. Most of the theoretical research has occurred on the ends of the spectrum, but the middle is increasingly becoming more important. Leadership and effectiveness may be different between private and the social sectors (Parry & Proctor-Thomson, 2003), and even within the social sector there may be differences between social entrepreneurs and traditional non-profits.

In theory, the people, context, and opportunity are inherently different between social entrepreneurs and for-profit organizations (Austin, Stevenson & Wei-Skillern, 2006). The first difference is the relationship between financial and mission oriented objectives. For-profit organizations have a strong financial accountability, but usually have some mission they are trying to accomplish, although that mission is generally oriented towards customers, employees, and financial growth. Non-profit organizations are oriented to accomplishing an important social mission, although without some financial success the ability to accomplish the mission of the organization is compromised. For social entrepreneurs, the importance of mission is exceedingly high, and many times the desire to influence social change is heightened, however this requires

greater financial resources to provide the funds needed for investment in innovative ideas. The relative importance of mission and finance goals is increased in social entrepreneurs, which in turn may influence organizational characteristics like leadership styles, organizational culture and operating models.

The second difference is the complexity of the relationship that social entrepreneurs have with stakeholders. Social entrepreneurs deal with dynamic environments, similar to many innovative for-profit organizations pushing the creativity boundary (Alvord, Brown, & Letts, 2004; Ganesh, 1999). For-profit businesses have a primary stakeholder relationship with their owners and secondary stakeholder relationship with other constituencies like employees, customers, and communities, which can help or hinder them from achieving their financial goals. The role of the board of directors in for-profit organizations is to act as fiduciary agents on behalf of the owners of the company, which is a very clear and unambiguous role. Non-profit organizations have to more effectively deal with primary stakeholders such as customers, donors, and communities because those are the sources of their ability to accomplish the mission of the organization, and obtaining financial resources necessary to keep the organization running (Balsler & McCluskey, 2005; Ospina, Diaz, & O'Sullivan, 2002; Dart, 2004). This difference is manifest in the role of the board of directors in non-profit organizations. The board still has a fiduciary responsibility, but not to the owners of the company, but to all of its stakeholders. This creates a more complex and dynamic process for non-profits that does not exist in their for-profit counterparts. A more complex governance structure means that social entrepreneurs have to deal with these various stakeholders even more effectively in order to promote innovative ideas and gain the additional financial resources necessary to carry out those ideas. Another source of complexity is the relationship with competition. Whereas for-profit organizations mobilize

resources to keep distance with the competition, social entrepreneurs use resources to cooperate and help other similar organizations (Dacin, Dacin and Matear, 2010). This creates a dynamic where social enterprises have to strike a balance between their own success and making sure broader missions are achieved with the help of other organizations. This complexity is seen in Judy Wicks, White Dog Café, in Philadelphia (Phillips & Phillips, 2007). It is a constant balancing act between being a restaurant and trying to advance the social missions that Judy Wicks felt passionate about, which meant helping other restaurants. After a number of successful years she finally separated the two and sold the restaurant to focus on her social goals. Social entrepreneurs operate in a very dynamic environment, which again may change the required leadership style and other organizational characteristics.

Research questions

This research will investigate the relationship between leadership style and entrepreneurial orientation and then relate those to the effectiveness of non-profit organizations in achieving their goals. In one of the earliest essays on entrepreneurial orientation, Lumpkin and Dess (1996) repeatedly mention leadership as an important characteristic of entrepreneurial orientation. The amount of autonomy needed to be entrepreneurial was based on how the leaders of the organization managed. Lumpkin and Dess also listed a number of organizational factors such as structure, strategic decision-making and top management characteristics as critical to an organization. Subsequent studies have concluded that there are many similarities between the traits of transformational leadership style and traits of successful entrepreneurs (Matzler, et al., 2008; Timmons & Spinelli, 2004; Visser, de Coning & Smit, 2005). There has not, however, been many subsequent studies on the relationship between leadership style and entrepreneurial

orientation, although Morris and et al. (2007) did examine leadership style, entrepreneurial orientation and firm performance in non-profits.

This research will address two important questions and build on the previous work of Morris and et al. (2007) Does entrepreneurial orientation relate to the organizational effectiveness of non-profits, as it does in for-profit organizations? Does the leadership style employed by the non-profit executive director influence the entrepreneurial orientation and effectiveness of the organization?

The scope of this research is non-profit organizations in the United States and Canada and will build on a number of existing topics within the social entrepreneurship, leadership, and organizational effectiveness literatures. The first contribution of this research will be to define organizational effectiveness in social entrepreneurial organizations. Second, this research will develop an integrative model of leadership style, entrepreneurial orientation and organizational effectiveness in non-profit organizations. Much has been written about the definition of social entrepreneurship and no real agreement has been found, but as Dacin, Dacin and Matear (2010) suggest the key is not in the definition but in how existing theories fit into social entrepreneurship. This research extends the social entrepreneurship literature by addressing important theories and providing empirical evidence to suggest what role those theories play in social enterprises.

The objectives of this study will be to determine what variations may exist in non-profit organizations as related to the amount of entrepreneurial orientation and what role that has on the relationship with organizational effectiveness. The implication is that non-profit organizations that are innovative and exhibit entrepreneurial orientation are more effective in achieving their goals. The social entrepreneurs that lead those organizations play a valuable role, and efforts

should be made to more actively understand how to develop more social entrepreneurs and social entrepreneurial organizations.

Theory development

Before presenting the research and proposing various hypotheses, it is important to describe the three primary theories included in the model. Leadership style, entrepreneurial orientation and organizational effectiveness each are very broad constructs with many different viewpoints as to definitions and classifications.

Leadership style- literature review and definition

One of the complexities of dealing with the topic of leadership is the wide variety of definitions used by various researchers. Hemphill and Coons (1957) defined leadership as the actions of an individual when he is directing group activities in order to accomplish a shared goal. Stodgill (1974) came up with the definition: “the initiation and maintenance of structure in expectation and interaction (pg. 411)”. This definition points to the importance of have leaders that set clear expectations of staff members and make sure proper communication channels exist among individuals in the organization. Janda (1960) added a component of power into the leadership equation by defining leadership as “a particular type of power relationship characterized by a group member’s perception that another group member has the right to prescribe behavior patterns for the former regarding his activity as a group member. (pg. 14)” Katz and Kahn (1978) added a transformational element to leadership by defining it as the ability to be influential over and above the policies and procedures of the organization. Yukl (2002), in a more recent definition, viewed leadership as “the process of influencing others to understand and agree about what needs to be done and how it can be done effectively, and the process of facilitating individual and collective efforts to accomplish a shared objective (pg. 3)”. Each of

these definitions identifies an important element in determining successful leadership. An effective leader must direct the activities of a group of individuals using an appropriate source of power and influence to achieve goals that reach beyond a normal work environment. Leaders can get a group of people to deal with complex and difficult choices in order to meet the goals of the organization.

The early literature refers to two primary forms of leadership styles, task-oriented and consideration (Fleishman, 1953). The leader sets the decision-making boundary based on the comfort level with sharing power. If the leader is willing to share power, then the workers have greater latitude to solve the problem; this is a consideration approach. If the leader is not willing to share power, then workers have little flexibility and a more task-oriented style is used.

McGregor (1960) defined it as trust in employees so that general supervision is more effective than controlling them. In summarizing these two distinctions, Bass (1981) offered the following analysis:

“A task-focused leader initiates structure, provides the information, determines what is to be done, issues the rules, promises rewards for compliance, and threatens punishments for disobedience. The follower-focused leader solicits advice, opinions, and information from followers and checks decisions or shares decision making with followers. The leader-focused or task-focused leader uses his or her power to obtain compliance with what the leader has decided. The follower-focused leader uses his or her power to set the constraints within which followers are encouraged to join in deciding what is to be done” (pg 292).

The reason this contrast contains only two options is that, as Bass (1981) points out, the only way to change behavior is by providing additional information to individuals from which

they can act differently, or change the level of motivation so they want to change. If the leader has all the information, then using the task-oriented approach to leadership may work. If the subordinates have more information than the leader, then the only option is through changing the level of motivation. In effect, if the subordinates have position power due to information knowledge then the leader must resort to inclusive decision processes that consider the needs of the subordinates.

Bass (1981) took this early literature and expanded the constructs and developed the concept of transformational and transactional leadership. Transformational leadership addresses the relationship component of leadership. Transformational leaders tend to be participative in their leadership style and the emphasis is on the personal relationships and associations. There are four primary components of transformational leadership (Bass & Riggio, 2006). These four leadership styles are heavily focused on building relationship and making sure that subordinates are productive and challenged in their roles.

(1) ***Idealized Influence (II)***. Transformational leaders do the right things in a consistent and ethical manner. Their behavior allows their followers to look to them as role models and the leaders are admired and respected. Leaders with idealized influence are seen as having extraordinary capabilities and determination.

(2) ***Inspirational Motivation (IM)***. Transformational leaders find ways to inspire and motivate followers to find challenge and meaning in their work. A clear vision of the future is laid out and expectations of how to achieve that vision are distinctly communicated.

(3) ***Intellectual Stimulation (IS)***. Transformation leadership is about creativity. The leader encourages their followers to test assumptions and reframe problems to find innovative

solutions. The leader does not openly criticize mistakes and everyone is included in the exploration of solutions to the problems.

(4) ***Individualized Consideration (IC)***. Transformational leaders work with each individual to provide coaching and mentoring. The leader will look for ways to develop each employee and a two-way communication is held so that each person reaches their potential. Coaching is provided through listening to the needs of the employee, and delegating tasks that will help the person develop their skills.

Transactional leadership, on the other hand, is a task-oriented leadership style that shows great concern for goal achievement and a more directive leadership style. The output of the group is the highest priority, and the leader responds correspondingly (Bass, 1981).

Transactional leadership is defined by two factors, both of which focus on the performance of employees (Bass & Riggio, 2006).

(1) ***Contingent Reward (CR)***. Transactional leaders will use rewards as a means to motivate employees. An agreement is reached between the leader and employees that if certain behavior is given, a corresponding reward will be obtain. The reward can be material in nature, like a promotion or bonus, or can be psychological.

(2) ***Management-by-Exception (MBE)***. Transactional leaders will correct behavior when they see mistakes made in performance. This can be through either an active approach of monitoring behavior for deviance from standards to mistakes, or a passive approach which waits for complaints to be received before taking corrective action.

This research will focus on transformational and transactional leadership as defined by Bass & Riggio (2006). Transformational leadership is a relationship-based approach to management that focuses on the needs of the individuals as demonstrated through idealized

influence, inspirational motivation, intellectual stimulation and individualized consideration.

Transactional leadership is a performance and goal-oriented based management style based on contingent reward and management-by-exception. It should be noted, however, that transformational and transactional leadership are not opposite ends of the spectrum, in fact it is argued that master managers are both transformational and transactional in nature (Egri & Herman, 2000). Each leadership style exists on its own continuum and a master manager may have high skills in both transformational and transactional leadership, or a poor manager could have limited skills in either leadership style.

Entrepreneurial orientation- literature review and definition

Joseph Schumpeter (1961) was one of the first researchers to provide an economic definition of entrepreneurship. His view was that entrepreneurs would innovate, thereby disrupting equilibrium and pushing the economy to greater growth. This “creative destruction” would lead to new businesses, processes, technology and improvements, and therefore push the economy forward. Schumpeter went on to posit that the reason entrepreneurs act creatively is the joy of being able to act innovatively and use their ingenuity and energy to create something new (Schumpeter, 1961; Sandberg, 1986).

Over time six different schools of entrepreneurship have emerged (see Table 2). These schools asked slightly different questions and had different focuses around the subsequent research. Schumpeter’s message of creative destruction is now part of the classical approach to entrepreneurship and the primary focus of this research. Most of the entrepreneurship research has been at the individual level, but Miller (1983) introduced the concept of having entrepreneurship at the organizational level, which has subsequently become known as entrepreneurial orientation.

The entrepreneurship literature at the firm level has used a definition aligned with Schumpeter. Entrepreneurial Orientation is an organizational level construct that is similar to entrepreneurship at the individual level; in effect it is the organizational manifestation of Schumpeter's entrepreneurship (Covin & Slevin, 1988). Miller (1983) concluded that the leader's personality, power and information could dominate simple firms, and therefore determine the level of entrepreneurship in the organization.

From a strategic management process, a continuum exists with the conservative firm that is risk-averse, non-innovative, and reactive at one end of the continuum and the entrepreneurial firm that is risk-taking, innovative, and proactive at the other end of the spectrum (Covin & Slevin, 1989). This continuum led to the entrepreneurial orientation literature centering on the impact of innovation, proactiveness and risk-taking on firm performance (for example: Zahra & Covin, 1995; Lumpkin & Dess, 1996; Zahra & Garvis, 2000; Wiklund & Shepherd, 2005; Jantunen et al, 2005).

Transferring the concept of the entrepreneurial orientation literature to the non-profit sector is difficult (Morris et al., 2007). A common understanding exists in the business literature on the meaning of innovation, risk-taking and proactiveness, but in the non-profit sector, this definition seems to have limitations. Morris and et al. (2007) highlighted the concerns:

“ . . .specifically, with non-profits, if more time and money is allocated to innovation, one might ask: a) whether more innovation will be produced?; b) if the innovation is successful, what will be the outcome for key stakeholders?; c) how does this outcome relate to the mission of the non-profit?; d) what are the implication for the financial performance of the non-profit?; e) what are the implication of not innovating?” (pg 15).

This same line of reasoning can apply equally to risk taking and proactiveness. Is risk taking in non-profits solely a financial issue or are there non-financial risks involved (Morris et al, 2007). Their conclusion is that entrepreneurs stimulate social improvement through embracing change and pursuing opportunities that serve the organizational mission within the resource and stakeholder constraints that they are given.

The term social entrepreneur has developed over the last decade. The concept of social entrepreneurs is similar to the previous discussions on entrepreneurship, but with a social and environmental component. It is sometimes thought that the difference between an entrepreneur and a social entrepreneur is that the traditional entrepreneur is mostly concerned about profit and the social entrepreneur is only concerned about altruism (Prabhu, 1999; Bornstein, 1998). This is an oversimplification of the underlying differences between these types of entrepreneurs. Economic wealth creation and social wealth creation are possible outcomes of any type of organization. A traditional entrepreneur may focus primarily on economic wealth creation with social wealth creation being a reasonable by-product of the venture. The social entrepreneur may be more interested in social wealth creation aspect of the new venture with economic wealth being the by-product (Mair & Marti, 2006).

Social entrepreneurs have typically been discussed in the context of the public sector and people who take non-traditional approaches to solving social challenges. Waddock and Post (1991) defined social entrepreneurs as “private sector citizens who play critical roles in bringing about ‘catalytic changes’ in the public sector agenda and the perception of certain social issues” (pg. 393). The leadership characteristics that Waddock and Post (1991) use to separate social entrepreneurs from other leaders is their ability to frame complex social issues in such a manner as to create a sense of purpose, this purpose goes beyond the economic terms and also creates important social values. Barendsen and Gardner (2004) suggest that social entrepreneurs combine the entrepreneurial spirit and business sense to create change. Social entrepreneurs are change promoters who pioneer innovation within the social sector by

taking ideas, building capacity, and demonstrating positive social impacts (Perrini & Vurro, 2006).

Thompson (2002) added further clarity to the definition of social entrepreneurs by creating a number of categories, based on entrepreneurship being defined as people who create opportunities that are innovative and create value. The social entrepreneur can then be located in both the for-profit business sector and the public sector of governments or non-profits. The for-profit business sector can still be the basis for social entrepreneurs, but these entrepreneurs are “more concerned with caring and helping than with ‘making money’” (Thompson, 2002, pg. 413).

Dees (1998) views social entrepreneurs as primarily change agents within the social sector. His view is that the social mission is “explicit and central” and that “mission-related impact becomes the central criterion, not wealth creation” (pg. 2). He concluded by suggesting that the change agent role played by social entrepreneurs is done through:

- Adopting a mission to create and sustain social value (not just private value),
- Recognizing and relentlessly pursuing new opportunities to serve that mission,
- Engaging in a process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand, and
- Exhibiting heightened accountability to the constituencies served and for the outcomes created.

The argument being, social entrepreneurs do operate in markets, but that market forces do not necessarily provide the right incentive or direction to the change agent. They have to look for other sources of feedback to determine if their mission is being carried out successfully.

Peredo and McLean (2006) carried this theme through an analysis of the literature and concluded that social entrepreneurship had to include a for-profit component due to the number of examples of companies doing great social good in a for-profit model. They concluded that social entrepreneurship had to include the following five components and could be in a not-for-profit or a for-profit business model.

The first component is that the social venture had to aim to create social value. Second, it had to take

advantage of opportunities. Third, it had to employ some level of innovation. Fourth, the person starting the social venture had to take some amount of risk. Fifth, the person starting the social venture also had to be resourceful at securing assets and other resources (Peredo & McLean, 2006).

In Dacin, Dacin and Matear's (2010) overview of the definitions of social entrepreneurship they found four different factors reflected in the various definitions found in the literature. The first is the characteristics of the social entrepreneur, the sector in which they are operating, the process used, and finally the primary mission and outcomes. They went on to compare social entrepreneurship with conventional, institutional and cultural entrepreneurship and found many similarities. Conventional entrepreneurs and social entrepreneurs tended to follow a similar business model and social entrepreneurs and institutional entrepreneurs both have a desire and need for legitimacy.

In summary, social entrepreneurs are innovative entrepreneurs who find creative solutions to existing social problems by combining resources in new ways. Social entrepreneurs also create organizations that are proactive, innovative and take risks. Social entrepreneurs have a strong desire to solve complex social and environmental issues, even over financial return. The result is a change agent trying to transform society. The organizations that social entrepreneurs lead exhibit entrepreneurial orientation and are more willing to innovate, be proactive, and take risks. Although social entrepreneurs can operate for-profit or non-profit organizations, this research will take a narrower view of social entrepreneurship and focus on non-profit organizations.

Organizational effectiveness- literature review and definition

One of the difficulties of measuring organizational effectiveness is determining what exactly to measure. Most studies of organizational effectiveness, including those dealing with leadership style and entrepreneurial orientation, primarily have been for-profit businesses, and

the measurement has been some form of financial return (see Table 3 for examples). With non-profits and social entrepreneurial organizations, there is also an element of social returns and how to measure the mission of the organization (Darby & Jenkins, 2006). In effect, we are now dealing with at least a double bottom line. Emerson (2003) discussed the role of blended value statements. Blended values are those that incorporate both social and financial returns. The traditional business and entrepreneurship literature has focused on primarily financial returns, but the non-profit sector has started to focus on how to measure social returns. Certainly using financial returns as the sole indicator of success of non-profits is not viable and additional factors need to be considered. Table 3 also provides some examples of how organizational effectiveness has been measured in the non-profit sector.

Weerawardena and Mort (2006) stated that social value creation is a function of the innovativeness, risk management and proactiveness of the organization subject to the social mission, environment and sustainability of the organization. Many of the social entrepreneurs whom they interviewed talked about the importance of balancing money and social mission. Money is important because of the need to pay rent, salaries, and other expenses, but these are means to an end and the ultimate goal is making a difference. One of the entrepreneurs quoted in their paper suggests, "I think the fact is that we are deeply committed to being an organization that focuses on its mission as our first priority. Financial performance for us is secondary, very important but secondary, to achieving our mission. That is probably the number one differentiator for us [from for-profits]" (Weerawardena & Mort, 2006, pg. 30).

In order to accomplish the mission of the organization, the first requirement is having a clear mission statement. Non-profits mission are oriented towards social change, whereas for-profit missions are means towards a financial end. Many organizations use mission statements,

but for non-profits it is especially important to help guide the organization. After completing the mission statement, the organization needs to use it as a guide to determine programs and activities the non-profit chooses to undertake. Finally, the internal processes need to be aligned to make sure employee performance is effectively accomplishing the mission of the organization. In a for-profit organization, high-performing employees help to increase profits; in a non-profit organization, high-performing employees help better accomplish the mission of the organization.

Revenue growth or net income is frequently the measurement of financial performance, but neither is an adequate measure for non-profits. This research will look at financial stability as the indicator of financial performance. Financial stability is based on the diversity and availability of financial resources. Non-profits often have multiple sources of funds, including membership dues, grants from foundations, donations, and fees for products or services. Non-profits that have a greater diversity of sources of financial resources and are confident in their ability to raise financial capital are in a better situation to make innovative investments in initiatives that promote social change. Non-profits that have cash reserves also have more flexibility to make investments in new programs or services, and therefore have an increased ability to be entrepreneurial. Finally, non-profits that are confident in their ability to raise money will be more likely to invest in entrepreneurial ideas. The diversity of income, cash reserves, and ability to raise money are all a function of the financial stability of the organization.

Legitimacy is an extension of Katz and Kahn's (1978) view of political effectiveness. Political effectiveness has translated recently into the ability to manage key stakeholders, whether in a for-profit or non-profit governance system. One of the postulates made is that non-profit effectiveness is based on the ability to manage the concerns of stakeholders (Balsler & McCluskey, 2005). Non-profits view the management of these stakeholder relationships as

critical to legitimacy and accountability (Ospina, Diaz, & O'Sullivan, 2002). To that end, social entrepreneurs have a little bit of an advantage because the social mission itself can provide some measure of legitimacy (Dacin, Dacin & Matear ,2010), although that can only carry them so far and in the end must create valuable outcomes in the minds of stakeholders or risk losing legitimacy (Dart, 2004). Another key component of legitimacy is the ability of the organization to have enough resources to have an impact on the social system. Legitimacy comes from an organization's ability to survive over time and adapt to changes in the environment.

One approach to measuring the ability of the enterprise to manage stakeholders is to look at the experience of the board of directors (Low, 2006). Boards have the ability to be boundary spanners and build relationships between the organization and key external stakeholders (Muth & Donaldson, 1998). Abuzg and Galaskiewicz (2001) concluded that the boards of non-profits provide a valuable tool for stakeholders to judge the legitimacy of the organization. The greater the experience and prestige within the community, the greater ability the board members have to span boundaries and create important social networks. Pfeffer and Salancik (1978) hypothesized that organizations will co-opt boards to help deal with issues of interdependence. If legal or resource constraints do not allow proper management of interdependencies, then the board of directors is a viable solution. Non-profits have an inherent legitimacy struggle because they do not have the same financial signals to judge success like for-profit companies. Judging the success of the mission is complicated, so the board of directors can provide a barometer of legitimacy.

Austin et al. (2006) suggest that the board of directors adds value to the organization through bringing it legitimacy and credibility, along with the capability and resources needed within the organization. One of the reasons for the added legitimacy comes from the fiduciary

responsibility of the board of directors in social organizations. Non-profits do not have shareholders, in which case the board of directors serves as a proxy for the “owners” of the company (Axelrod, 2005). Austin et al. (2006) went on to define legitimacy as the third-party recognition that the social enterprise’s “decisions, positions, and beliefs are valid”. Non-profits that they study intentionally looked for credible members of the community to bring expertise and build legitimacy.

Social entrepreneurial organizations differ from other for-profit organizations because of their desire to sponsor social change; therefore, the frame of organizational effectiveness will be different from other organizations. An organization must also be able to accomplish the mission and have enough legitimacy within the community to grow the organization to the point that it will have a significant impact on society. Simply looking at profits, revenue growth, or other financial returns does not account for the importance of mission to social enterprises, although without financial stability, social change is not going to occur. This leads to the conclusion that measuring the effectiveness of social enterprises is a combination of mission accomplishment, legitimacy, and financial stability (Table 4 summarizes the definitions).

The relationship between transformational leadership and organizational effectiveness

Leadership style has an influence on organizational performance as can be seen in numerous studies. Transformational leadership has a positive impact on workers providing more effort on the job in the apparel industry in the U.S. (McCann, 2008), increased organizational commitment in the financial sector in China, India and Kenya (Walumbwa & Lawler, 2003), increased employee satisfaction and commitment (Sparks & Schenk, 2001), improved levels of innovation (Lee & Chang, 2006;), improved group performance (Sivasubramaniam, Murry, Avolio & Jung, 2002; Avolio, Waldman & Einstein, 1988), business unit performance (Howell

& Avolio, 1993; Howell, Neufeld & Avolio, 2005), platoon performance in the military (Bass, Jung, Avolio & Berson, 2003), company performance (Brown & Moshavi, 2002; Elenkov, 2002) and sporting teams performance (Ristow, Amos & Staude, 1999). Employees are also more productive and have higher job satisfaction if their leader is perceived as having transformational leadership skills (Moshavi, Brown & Dodd, 2003). Various studies have also looked at mediating relationships between transformational leadership and organizational effectiveness and found that organizational citizenship behavior (extra-role behavior, or going beyond expectations) mediates the positive relationship between transformational leadership and organizational effectiveness (Boerner, Eisenbeiss & Griesser, 2007), as does organizational culture (Xenikou & Simosi, 2006), job satisfaction (Griffith, 2004), trust (Jung & Avolio, 2000), and innovation and organizational learning (Garcia-Morales, Llorens-Montes & Verdu-Jover, 2008). Relationships have also been studied with the role of humor moderating the relationship between transformational leadership and business unit performance (Avolio, Howell, & Sosik, 1999).

“Transformational leaders motivate others to do more than they originally intended and often even more than they thought possible” (Bass & Avolio, 1994, p 3). Transformational leadership has been found at the team, organization and societal levels (Bass, 1999). At the team level, the four transformational leadership dimensions would produce greater amounts of shared vision, team commitment, a more empowered team environment, and a better ability to deal with conflict productively (Dionne, et al., 2004). These would then provide intermediate outcomes of better team communication, cohesion and conflict management. At the organization level, the effectiveness is based on the efficiency and process reliability, human capital, and adaption to the external environment (Yukl, 2008). Transformational leadership would most impact the human

capital and adaptation to the external environment, while transactional leadership, discussed below, would have the largest impact in the efficiency and process reliability.

Hart and Quinn (1993) defined the competing roles of leadership as vision setter, motivator, analyzer, and task master. Leaders that can balance the competing roles of executives influence business performance and stakeholder performance, but have less of an influence over financial performance (Hart & Quinn, 1993). CEO's have an influence over financial performance in highly dynamic situations (Tosi et al., 2004; Waldman et al., 2001). The ability of a leader to communicate a vision, which is a component of transformational leadership, has an influence on the growth of entrepreneurial firms (Baum, Locke and Kirkpatrick, 1988). Leadership style has also been tested in a number of other organizational situations, like on the impact of platoon performance in the military (Bass et al., 2003). In a study of MBA students playing a simulation game, both transformational and transactional leadership skills were related to higher performance (Avolio, Waldman and Einstein, 1988).

The question then becomes whether non-profits are similar enough to their for-profit counterparts that the leadership-effectiveness relationship found in the for-profit sector will generalize to non-profit sector organizations. Non-profit leaders must focus on external and internal environments, including planning, motivating, organizing, decision making, delegating, coordinating, reporting, supervising, managing finances, and fundraising; all but the last is similar to the expectations of a for-profit leader (Block, 2001). In the end, non-profits must have some degree of financial stability to continue to provide services to the community and, therefore, the same relationship seen in the for-profit sector between transformational leadership and financial growth is expected in the non-profit sector as well.

In the public sector, which has many similarities with the social sector, Parry and Proctor-Thomson (2003) found that transformational leadership had an influence on the effectiveness and productivity of the organization. Thach and Thompson (2007) studied 20 leadership competencies and interviewed for-profit and non-profit leaders and found a very similar priority ranking of the competencies, with honesty, collaboration, and developing others being the top three in both lists. These competencies relate to idealized influence and individualized consideration in the transformational leadership dimension.

The other question is whether the level of dynamic uncertainty in non-profits would require more transformational leadership (Waldman et al., 2001). Non-profits are under increased competitive pressure due to greater competition for funds, higher levels of accountability by donors (Myers & Sacks, 2003), and for-profit businesses entering traditional non-profit territory. The number of non-profits is growing, but the amount of funding has stayed relatively stable, leading to more competition between non-profit organizations (Thompson, 2002). The result of this competition is that non-profit organizations are required to adapt business mindsets and processes due to the dynamic nature of the environment in which they are operating. Given the dynamic environments faced by social enterprises and the similarities in leadership responsibilities with for-profit businesses, then transformational leadership can positively influence the financial stability component of organizational effectiveness.

Hypothesis 1a: Transformational leadership is positively related to financial stability in non-profit organizations

Geer, et al. (2008) studied the impact of transformational leadership on the accountability of the organization. In this study, accountability is measured as the fiscal responsibility, good governance, adherence to mission and program effectiveness. A transformational leader will

optimize the exchanges between leaders and followers so the mission of the organization is improved (Mink, 1992). Leaders also help followers develop themselves which in turn promotes their commitment to jobs, co-workers and the whole organization (Avolio, Waldman, & Yammarino, 1991). Mary (2005) studied transformational leadership and the outcomes of leadership and concluded that a significant relationship exists between transformational leadership and the effectiveness of the leader, the extra effort the leader is willing to put in, and satisfaction with the leader. In principle, if those three outcomes are improved, then it is likely that the mission has a higher chance of being accomplished. Mission is also related to the vision of the organization, and vision is part of transformational leadership. A transformational leadership will be able to use their skills of inspirational motivation to create the vision and then the other transformational skills of idealized influence, intellectual stimulation and individualized consideration to help carry out that vision through the mission of the organization (Moxley, 2004).

Hypothesis 1b: Transformational leadership is positively related to mission accomplishment in non-profit organizations.

The ability to manage key stakeholders is a critical component of non-profit leadership (Ospina, Diaz, & O'Sullivan, 2002; Dart, 2004), and it is the successful management of those stakeholders that bring the organization legitimacy. The successful ability to manage stakeholders is found in transformational leadership. A leader communicating a vision internally helps to promote the mission of the organization, the same leader communicating the vision of the organization externally helps to promote legitimacy within the community. Operating in an ethical and consistent manner, as seen in idealized influence, helps externally to show stakeholders that the organization can be trusted. The external manifestation of transformational

leadership styles would enhance perceived legitimacy in the community. To date, no research has occurred looking at the role of transformational leadership on the perceived legitimacy of a non-profit organization.

Hypothesis 1c: Transformational leadership is positively related to perceived legitimacy in non-profit organizations

The relationship between transactional leadership and organizational effectiveness

Transactional leadership is concerned with the use of rewards and other control systems to promote positive organizational behavior. The two dimensions of transactional leadership are contingent reward and management-by-exception. Contingent reward is about the use of reward systems to promote correct behavior, and management-by-exception is about monitoring behavior and making corrections when necessary. Transactional leadership still plays a role in organizational effectiveness, although not studied nearly as much as transformational leadership, and without the clarity of results found in the research on transformational leadership.

Transactional leaders were successful in leading workers to be more effective on the job (McCann, 2008), increasing team performance (Avolio, Waldman & Einstein, 1988), increasing the achievement of business objectives (Elenkov, 2002), military platoon performance (Bass, Jung, Avolio & Berson, 2003), and revenue growth (Ensley, Pearce & Hmieleski, 2006).

Contingent reward, a part of transactional leadership, had a positive relationship with job satisfaction and organizational effectiveness (Brown & Moshavi, 2002), while having an insignificant relationship in business unit performance in Canadian financial firms (Howell, Neufeld & Avolio, 2005), and sporting teams in South Africa (Ristow, Amos & Staude, 1999).

Transactional leadership also had a negative relationship with business unit performance (Howell

& Avolio, 1993). The mixture of results suggests more understanding is needed on the role of transactional leadership in organizations, and what influence it has on performance.

Yukl (2008) saw efficiency and process reliability as important factors in performance, and a transactional leadership style would influence the efficiency and processes of the organization. The same logic applies with transactional leadership that was applied to transformational leadership. Are for-profit and non-profit organizations similar enough that these findings in for-profit organizations are applicable in non-profit organizations? Given the list of management skills discussed earlier, some of which are more transactional in nature, it would be expected that transactional leadership style would have a positive influence on the financial stability of the firm. Those organizations that are able to put in proper controls and performance management systems should see those actions translated into higher financial stability.

Hypothesis 2a: Transactional leadership is positively related to financial stability in non-profit organizations.

Previously it was discussed that transformational leadership would have a positive relationship with the accomplishment of the organizational mission. It is less clear what impact transactional leadership would have on the mission accomplishment of the organization. What little research has occurred on leadership in non-profits has focused on transformational leadership. One could argue that the control portion of transactional leadership, which has a role in financial performance, would also have an impact on the ability of the organization to accomplish their mission. The reward systems and other performance management techniques associated with transactional leadership may also influence the ability of the organization to accomplish their mission. Employees that perform well on the job translate into higher

performance of the organization and for non-profits that would drive the ability to accomplish the mission of the organization. However, most of the research on accomplishing the mission has focused on the vision and other transformational leadership styles.

Hypothesis 2b: Transactional leadership is positively related to mission accomplishment in non-profit organizations.

The relationship between transactional leadership and legitimacy also suffers from a lack of previous research. It is hard to develop a compelling argument as to why the control and internal focus of transactional leadership would impact legitimacy which is outwardly focused. The relationship still needs to be tested, but no significant relationship is anticipated.

Hypothesis 2c: Transactional leadership will not have a significant relationship with perceived legitimacy in non-profit organizations.

The relationship between transformational leadership and entrepreneurial orientation

There are three primary arguments for proposing a relationship between transformational leadership and entrepreneurial orientation. The first is the similarity in the skills necessary to be a transformative leaders and an entrepreneurial leader (Visser, de Coning & Smit, 2005). The second is the dynamic nature of many industries that require a high degree of transformation to adjust to the external business requirements (Lumpkin & Dess, 1996; Miller & Friesen, 1982; Emery & Trist, 1965). The third is that the dynamics in the for-profit business environment is also applicable to the non-profit environment (Morris, et al., 2007; Santora, Seaton & Sarros, 1999).

Many of the skills necessary to be a successful entrepreneur can be found in the transformational leadership style (Matzler, et al., 2008). Timmons and Spinelli (2004) outlined many of the skill sets necessary to be a successful entrepreneur. Of their six major leadership themes, many of them relate to the four constructs of Bass in his analysis of transformational leadership (see Table 5). Leadership is demonstrated through inspiration, idealized influence and individualized consideration. Traits under tolerance for risk and ambiguity are manifest in intellectual stimulation, and the motivation to excel is seen in individualized consideration. The relationship between these factors provides one of the primary reasons that transformational leadership is related to entrepreneurial orientation. Both entrepreneurial traits and transformational leadership traits exist in organizational leaders in small and medium size enterprises in South Africa (Visser, de Coning & Smit, 2005). In their study they surveyed small and medium sized enterprises and found a positive relationship between the four dimensions of transformational leadership and six dimensions of entrepreneurship.

The dynamic nature of many business environments calls for entrepreneurial tendencies (Miller & Friesen, 1982). The autonomy required for innovation to deal with those dynamic environments will influence the type of leadership style employed by the leader. Exercising autonomy requires strong leaders that can disengage from the organizational constraints to find new products or solutions (Lumpkin & Dess, 1996). Proactiveness requires vision and imagination to find new opportunities (Lumpkin & Dess, 1996). Both autonomy and proactiveness are more closely related with the skills of transformational leaders as shown through the inspirational motivation and intellectual stimulation factors.

Leadership is needed in turbulent markets (Bass, 1981). In a rapidly changing environment, a more organic style of management is preferred (Burns & Stalker, 1961). Leaders

in turbulent fields are more inclined to share power and decision making responsibilities within their organization (Emry & Trist, 1965). Transformational leadership has a positive impact on growth rates and revenue in entrepreneurial companies facing very dynamic environments (Ensley, Pearce, & Hmieleski, 2006). Leaders have greater latitude in inserting their own leadership styles into the decision making process when the situation is complex or ambiguous. An individual who has transformational leadership characteristics is then able to have a greater impact on the direction of the organization. In a highly innovative environment, transformational leaders will build on the assumptions that people are trustworthy; everyone has a contribution, and therefore the leader will handle problems at the lowest level in the organization (Bass & Avolio, 1993). Studies examining leadership and entrepreneurship found a positive relationship between transformational leadership and entrepreneurial orientation in organizations that operate in dynamic markets (Tarabishy, et al., 2005; García-Morales, et al., 2008; Jung, Wu & Chow, 2008).

From an environmental dynamic standpoint, there seems to be little difference between non-profits and for-profit organizations. As discussed previously, the environment of non-profits is becoming increasingly competitive and accountable to key stakeholders. Leadbeater (1997) suggests that social entrepreneurs are transformational in nature in that they transform the organizations they lead and create dynamic organizations out of organizations that were becoming less relevant in dealing with social and environmental problems. The mission of the organization is very important, so getting key stakeholders to engage and help with that mission is critical to success. The mission has to be challenging and ambitious enough to create change in the organizations the social entrepreneurs lead (Leadbeater, 1997). Social entrepreneurs also have the difficult task of dealing with greater stakeholder involvement (Alvord, Brown, and

Letts, 2004). The ability to build bridges among diverse stakeholders is critical to success. The social enterprise relies more on external stakeholders for legitimacy and resources because the board and ownership are not equity based. The success of the organization hinges on the ability to network and manage the relationship with external stakeholders (Ganesh, 1999).

The dynamic natures of non-profits will require greater ability to adapt and greater levels of transformational leadership to make that happen. In order to navigate the dynamic nature of nonprofits a more entrepreneurial and transformational leadership style is required (Santora, Seaton & Sarros, 1999; Morris, et al., 2007) Jaskyte published two studies with different results, both looking at the human services sector. Jaskyte (2004) concluded that transformational leadership did not have a significant influence on the level of innovation in the company. A later study (Jaskyte & Dressler, 2005) showed a positive relationship between transformational leadership and innovation.

Hypothesis 3: Transformational leadership is positively related to entrepreneurial orientation in non-profit organizations.

The relationship between transactional leadership and entrepreneurial orientation

A transactional leadership style is more about the day-to-day operations and performance of the organization. The two dimensions are management-by-exception and contingent rewards, neither of which relates well to the entrepreneurial leadership skills discussed earlier. The relationship could potentially be negative and a higher level of transactional leadership could diminish the entrepreneurial nature of the organization. The exchange component of transactional leadership could diminish the creativity and innovation of the organization as it deals with the necessity of monitoring and controlling performance. Table 5 shows entrepreneurial traits and their relationship with transactional leadership dimensions.

Entrepreneurship is multi-faceted and requires a balance of different leadership traits. This is especially true in smaller companies where a leader has to play a greater number of roles and specialization of roles is not an option. This requires a master manager that can balance the competing and some-times contradictory dimensions of transformational and transactional leadership styles. Entrepreneurial orientation is also multifaceted and contains elements of risk taking, proactiveness, and innovation. Transactional leadership may influence entrepreneurial orientation in different ways from transformational leadership; therefore it is feasible that both have a positive relationship with entrepreneurial orientation.

There is a research thread on the importance of having decentralized control to help improve innovation (Morris & et al., 2007; Geiger & Chasen, 2002; Shih & Yong, 2001; Covin & Slevin; 1991). The argument is not that controls stifle innovation, but that the right types of controls can improve the chance of creative success. One approach is focusing the controls on results instead of the process, which still allows innovation to occur while meeting the required standards. Feed-forward (versus feed-back) approaches that try to find the problem in advance, before they become serious, is another control approach that still allows for innovation. The last is a more decentralized control system that can still aid the innovation process.

The research has had mixed results. Morris, et al. (2007) found that transactional leadership did not have a significant relationship with performance. On the other hand, Yang (2006) found a slightly positive relationship between transactional leadership and performance in his study of Taiwanese small and medium enterprises. There are a couple of potential reasons for the discrepancies in the previously mentioned research. One potential reason is that in the Morris study, they had organizational control systems as a separate variable from transactional leadership. Transactional leadership might have had a positive relationship had the control

aspect been part of the leadership variable, instead of being a separate measure. The other is that the Yang study focused on for-profit business, while the Morris study looked at non-profits, and there might be a difference between the two types of organizations. Given the discrepancies between previous researches, it is well worth exploring in a different situation.

Hypothesis 4: Transactional leadership is positively related to entrepreneurial orientation in non-profit organizations.

The relationship between entrepreneurial orientation and organizational effectiveness

The foundation of the entrepreneurial orientation literature is based on innovation and creativity influencing the performance of the firm (examples: Miller & Friesen, 1982; Lumpkin & Dess, 1996; Lumpkin & Dess, 2001; Covin & Slevin, 1991), and numerous studies have researched the relationship and found a positive relationship between entrepreneurial orientation and performance. Entrepreneurial orientation has a positive relationship with profit (Chow, 2006), organizational performance in U.S apparel specialty retailers (Smart & Conant, 1994), Taiwanese companies (Lee & Sukoco, 2007), the Asian hotel industry (Jogarathnam & Tse, 2006), and Swedish firms (Wiklund, 1999; Wiklund & Shepard, 2005). Other research has led to mixed results depending on what was being measured. Entrepreneurial orientation had a positive relationship with market orientation (defined as responsiveness to clients' and donors'), but not financial performance in non-profits (Morris, Coombes, Schindehutte & Allen, 2007); sales growth was positively related, but other financial measurements were insignificant (Mostafa, Wheeler & Jones, 2005); entrepreneurial orientation was positively related to performance in firms over 11 years of age, but not significant in firms under 11 years old (Runyan, Droge, & Swinney, 2008); innovation and proactiveness were positively related to firm performance, but competitive aggression, risk taking, and autonomy were less clear (Coulthard, 2007). Other

relationships have also been analyzed with learning organizations mediating the positive relationship between entrepreneurial orientation and performance in medium to large U.K. firms.

Much of the research is concerned with that relationship and the debates are more about the measurement of performance, versus whether there is a relationship or not. Lumpkin and Dess (1996) developed one of the early models of entrepreneurial orientation. In their model they had entrepreneurial orientation having an influence on firm performance, which they defined as sales growth, market share, profitability, overall performance, and stakeholder satisfaction. Wiklund (1999) also looked at the relationship between entrepreneurial orientation and firm performance. His criterion for the success of the organizations was based on the financial growth and profitability of the firm compared to their competition. García-Morales, et al. (2008) studied Spanish companies and found a significant relationship between innovation and the financial performance of the company.

Much of the focus has been on financial performance, given that much of the research has occurred in for-profit organizations. Even in the non-profit arena, much of the focus is on the financial performance of the organization. Morris, et al. (2007) measured non-profit financial performance as a function of total revenue, changes in assets, fund-raising expenses, total expenses, and net revenues.

This research deviates from past research on financial success that tend to measure growth rates and financial performance. Although growth and financial performance are important, the non-profit organization's ability to have a stable funding source allows it to take more risks. A diverse resource base, access to financial resources and reserves all lead to that financial stability that is necessary to promote innovation. In the for-profit arena, financial stability is not as significant a factor because it is common place for individuals or companies to

risk financial capital with the potential of losing everything. In the non-profit sector, the executive director and board of directors are not going to place a bet on the future of the organization in undertaking a risky new program. Innovation will only take place on the foundation of having a secure financial future.

Hypothesis 5a: Entrepreneurial orientation is positively related to financial stability in non-profit organizations.

The success of a non-profit organization, however, cannot be measured solely by financial success. One of the primary benefits of this research is looking beyond just the financial success of the company and seeing what influence entrepreneurship has on the ability to accomplish the mission of the organization, and the level of legitimacy within the community.

A non-profit organization's primary purpose is to accomplish the mission of the organization. A non-profit's ability to be creative in order to introduce new programs and services that better accomplish that mission is of prime importance. This is especially true given the dynamic nature of the non-profit environment and the necessity to adapt to changing circumstances. In that dynamic environment, entrepreneurial orientation becomes increasingly important to accomplishing the mission of the organization.

The very notion of social entrepreneurship places a high degree of importance on the innovation and creativity of the organization. The definitions of social entrepreneurship reviewed previously all spoke to the importance of the mission of the organization and the innovation and creativity that the social entrepreneur sparked in the organization. If social entrepreneurs cannot improve the ability of the organization to accomplish their mission, then it calls into question the entire notion around social entrepreneurship as an area of unique study. Barrett, Balloun, and Weinstein (2005) analyzed creativity in non-profits and found that

creativity can improve the planning, implementation and control of a non-profit organization.

This improvement in planning and implementation will improve the ability of the organization to execute their mission.

Hypothesis 5b: Entrepreneurial orientation is positively related to mission accomplishment in non-profit organizations.

Legitimacy is the least researched relationship with entrepreneurial orientation. Legitimacy is an outcome of the perceptions in the community. The more an organization can creatively solve problems, the more their standing increases with their external stakeholders. The stakeholders play an important role in non-profits, given their ability to raise financial capital and help bring other networks and resources to the organization. As the stakeholders see greater legitimacy in the organization, they are more willing to bring additional resources. Legitimacy is increased as the ability of the non-profit to be innovative through creative programs, which solve environmental and social problems, becomes better known in the community.

Hypothesis 5c: Entrepreneurial orientation is positively related to perceived legitimacy in non-profit organizations.

The relationship between leadership style, entrepreneurial orientation and organizational effectiveness

Hypotheses have been developed leading to the conclusion that the relationship between leadership style and organizational effectiveness is mediated by entrepreneurial orientation. Mediation occurs when an independent variable has a direct impact on the dependent variable and an indirect effect through a third mediator variable. These relationships are captured in Figure 1. The deductive reasoning is that if leadership style has a positive relationship with organizational effectiveness and leadership style has a positive relationship with entrepreneurial

orientation and entrepreneurial orientation has a positive relationship with organizational effectiveness, then entrepreneurial orientation has a mediating role. Leaders have a responsibility to nourish the entrepreneurial capability of their employees and make sure the innovative ideas are protected and implemented (Covin & Slevin, 2002). This links leadership, entrepreneurial orientation and the business strategy. In the non-profit sector, Parry and Proctor-Thompson (2003) suggest that a reciprocal relationship exists between transformational leadership, innovative cultures and performance effectiveness. This mediation has only been indirectly testing on one other occasion (Morris, et al, 2007). Their research study had a number of variables and tested the relationship using structural equation modeling. A component of their hypothesis was that entrepreneurial orientation would mediate the relationship between leadership style and organizational performance, but their data did not confirm that premise. Transformational leadership did have a positive relationship with entrepreneurial orientation, but market orientation acted as a mediator between entrepreneurial orientation and organizational performance.

Hypothesis 6: Entrepreneurial orientation will mediate the relationship between leadership style and the organizational effectiveness in non-profits.

Methods

Constructive research aims to establish four types of validity. Statistical conclusion validity is determined by the statistical inference of covariation between variables. Internal validity addresses whether the observed covariation establishes a casual relationship. Construct validity considers whether the observed variables explain the theoretical construct. External validity examines whether the results can be generalized across the entire population sample (Calder, Phillips & Tybout, 1982). This section outlines some of the potential issues meeting these research requirements. Research is inherently complex and difficult to meet every requirement (Lynch, 1982), therefore trade-offs must be made to balance the four research validities, ethical considerations, and the value the research adds to the literature (McGrath, 1981).

Social research works best when unbiased data are used that accurately reflect the leadership style, innovation and effectiveness of the organization. The collection of data can use a variety of techniques with corresponding costs and benefits. Using a trained observer that watches the leadership and interactions within the organization is the best method of collecting data. Limitations of this approach are the time and costs of having an observer watch the organization for a long enough period to collect meaningful data. For small sample size and case studies, this is a valuable approach, but for larger studies trying to accommodate the breadth of organizations, this method of data collection does not provide statistical validity (Yukl, 2002).

The most common approach is to use quantitative questionnaires completed by organizational members (Stanton et al., 2002). Potential concerns with this approach are whether respondents are recalling experiences accurately and whether there are inherent biases in the way people complete surveys (Yukl, 2002). Surveys also introduce common method variance as a

critical issue. Common method variance is variance attributable to measurement errors and not to the relationship between variables (Campbell & Fiske, 1959; Spector, 1987). Method effects come from four potential sources, primarily related to having a single rater or instrument (Podsakoff et al., 2003). Common rater effect comes from the artificial relationship caused by a single rater measuring both independent and dependent variables. Item characteristic effect causes bias in the interpretation of each question in the survey. Item context effect is the bias caused by one item being influenced by other items in the survey. The fourth source of common method variance is measurement context effects, which occurs when the dependent and independent variables are measured at the same time and place.

The design of this study was exploratory and used a survey research method, despite some of the methodological concerns caused by common method variance. There is considerable research in the entrepreneurial orientation, leadership style and organizational effectiveness literature, however, very few studies have analyzed the complex relationships among these variables. The social entrepreneurship literature is confined to a few qualitative or small quantitative studies. This necessitates an exploratory study that is essential “whenever a researcher is breaking new ground, and they almost always yield new insights into a topic of research” (Babbie, 2004, pg. 89).

Using a survey instrument to explore organizational characteristics has inherent advantages and disadvantages (Krosnick, 1999). The advantage is that a large number of organizations can participate, and then comparisons can be conducted among those organizations. The larger sample size also allows greater applicability to the overall sample population, however, exploratory studies still struggle with representativeness and may not entirely reflect the broader population (Babbie, 2004). Another limitation is the incongruence

between espoused and practiced behavior. The survey participant may respond to an idealized perception of their behavior, which may not accurately reflect organizational dynamics.

Another problem is the how to capture the complexity of the organization.

“Organizations are extremely complex systems Personalities, small groups, intergroups, norms, values, attitudes all seem to exist in an extremely complex multidimensional pattern” (Argyris, 2000, pg. 11). In order to attempt to capture the complexity of the organization, a large number of variables are being considered which requires a larger sample size to perform the required statistical analysis.

The third issue is determining who to have complete the survey. Ethical considerations and practicality requires that each organization only have a single respondent, the executive director of the organization. Single-respondent bias then becomes a significant issue in this research design. Steps were taken to mitigate the potential issues of only having a single-respondent representing the entire organization.

The design of this research worked to mitigate these potential challenges and increase the validity of the results and conclusions. One way to mitigate the problems of survey research is to use well-tested surveys that have demonstrated validity in a wide-variety of settings. Therefore, this dissertation predominantly used established survey instruments tested across multiple groups and researchers. The survey design and distribution can also reduce bias, and mitigate some of the inherent problems with survey research.

Survey procedures

The requirement of a large amount of organizational data necessitates that the executive director complete the survey for their organization by doing a self-assessment. Ethical considerations make it difficult to contact all members of an organization without approval of the

executive director. Given the statistical requirement of 100-200 organizations participating in the survey, this would mean getting approval from over 100 executive directors to survey their entire organization. A 360-degree survey completed by the executive director, staff members and board of directors is preferable as a check for internal consistency and bias; the trade-off is the breadth of analysis. The executive director had the option of doing a wider organizational assessment with data collected from board members, staff members and volunteers so that the results can be validated to see if the responses of the executive director were similar to others in the organization. If a subset of the organizations can provide 360-degree feedback, then a statistical analysis can be performed to see if all employees view the leadership, entrepreneurial orientation and effectiveness similarly and determine if any bias exists. A previous study looking at the leadership style of environmental non-profits using 360-degree data found very little difference between the responses of the executive director when compared to the staff and board members (Mayberry, Egri & Thomson, 2007). Klamon (2006) performed a leadership survey of social enterprises that included all members of the organization, however, over a small sample size. She found in her dissertation that most of the organizations had a small variance in survey results across the survey participants within an organization. Although neither study eliminates the concern, both studies do suggest that in smaller organizations there may not be as large a gap in the perceptions of leadership styles and organizational culture across organizational members. Ogbonna and Harris (2000) also chose to capture single response data from a large sample size, similar to this research project.

The survey used the online tool Survey Monkey (www.surveymonkey.com), with the link embedded in the email, along with an explanation of why the research is taking place. The use of the internet to conduct this survey includes some limitations, including response rates,

representativeness of responses, and confidentiality (Simsek & Veiga, 2001), but these limitations can be mitigated and to some extent exist no matter what method you use to gather data from a large number of organizations. Follow-up emails encouraged participation; both of these actions provide a reasonable response rate. Confidentiality was also maintained once the survey had been completed and the letter requesting participation stressed the confidential nature of the survey. Representativeness is an issue throughout the research. Questions arise as to whether the executive directors that responded to the survey adequately represent the entire sample population. There is also a question whether the entire sample population adequately represents the entire population of non-profits. The issue also arises as to whether the organizations that completed the 360-degree survey represent the sample of all of the organizations that responded to the initial survey. It is difficult to evaluate the impact of the response patterns on the degree of representativeness.

Ethical considerations

Ethics is an important part of any research design and care must be taken to never harm study participants (Babbie, 1998). All elements of this research consider the impact on the participants, and in many cases restricts what research processes can be utilized. The email soliciting participation communicated that participation in the survey is purely voluntary. The email also communicated to survey participants that all information is confidential, and no organizational-specific data will be provided any organization associated with this research. Presentation of data will be aggregated across all organizations.

The research design did require a confidentiality breach in one instance to try to gather 360-degree information. If the executive director wanted to send the survey to board and staff members, then it was necessary to get their email and contact information to make appropriate

arrangements. This was an important research design to test for self-response bias, but did require the executive directors to identify themselves through providing an email address. Ethical considerations require that the executive director approve any survey going to their organizational members. Logistically, the executive director is the only source of all email addresses from board and staff members. The research sent the email to the survey participants directly so there is no perception of influence from the executive director, who in large measure is the subject of the survey. The executive director had to include all members of the organization so there is not the appearance of selective participation. Again, confidentiality is critical and no individual responses were provided the executive director. All public presentation of the data will aggregate the information at the organizational level to eliminate any chance of identifying participant responses.

Sample

One of the potential issues with this research is the requirement for a large sample size of organizations. This introduces the issue of finding enough organizations to participate in the survey, given traditionally low response rates with email surveys. One way to mitigate this issue is to find networks that will support the survey and provide some measure of legitimacy to the survey participants. The other way to enhance response rates is to provide some incentive for the survey participants to spend the time to complete the survey. Survey participants had the opportunity to receive personal development feedback. In the email used to solicit their participation in the survey, the executive directors were provided the option of receiving feedback on their leadership style and organizational culture in comparison to other survey participants. Survey participants only received the information if they included an email contact

at the end of the survey, therefore providing the option of not receiving feedback and maintaining confidentiality.

The Social Enterprise Alliance is based in Washington DC and was started in late 2001 after discussions with many people involved in the social entrepreneurship movement. In 2002, the organizations merged with SeaChange and became the Social Enterprise Alliance (SEA). SEA is a membership-based organization that provides help to non-profit and for-profit organizations that support non-profit organizations in their attempt to earn income. Participants were sent an initial email, with a follow-up email reminder sent one week later. The original distribution list obtained from the Social Enterprise Alliance contained 3,998 email addresses. This list was analyzed and duplicate names were deleted. Email addresses that ended with .edu and international domain names outside of the U.S. and Canada were also deleted. The survey was distributed to the 3,160 email addresses, with 300 email addresses getting bounced for no longer being valid so the survey was distributed to 2,860 potential respondents. Of the potential respondents, 282 started the survey, with 205 completing the survey. Of the 205 completed surveys, seven were removed due to significant numbers of questions not being answered. A number of other surveys were missing responses to some of the control variables, but some of those were retained and adjustments made to account for missing values when applicable. The final model included 177 responses. The final response rate was 7%. It is possible that a number of the recipients of the survey did not match the criteria of the study, for example, some may have been consultants, educators, and others with an interest in social enterprises but no direct involvement. Therefore, it is impossible to determine the true sample size, but the 7% would be higher if based on the number of surveys sent to non-profit organizations.

SEA deals with a wide variety of non-profit organizations, so the population sample should mirror non-profit organizations in general. The one key difference is that SEA primarily focuses on non-profit organizations that are offering a product or service, or at least are considering moving in that direction. For the organizations responding to the survey, 58% receive at least 10% of their revenue from the sale of products and services, this is likely higher than the national average, although there is no data source to confirm.

The non-profit sector lacks much of the industry structure that has developed in the for-profit business sector. The business sector has industry codes and the government and other institutions have gone to great length to identify the breadth of environmental factors. The social sector transcends the geographic and sector-specific boundaries, which makes it complicated to size the entire population. The Internal Revenue Service has a list of non-profit NTEE category codes. Table 6 shows the IRS non-profit category code versus the respondents to the survey. Most of the primary categories are represented in the study sample. The non-profit sectors represented by the sample include community improvement = 31.3%, mental health = 14.3%, education = 11.5%, employment = 9.9%, health = 8.8%, housing = 5.0%, civil rights = 4.4%, food and agriculture = 3.9%, environmental protection = 2.2%, arts, culture and humanities = 1.1%, crime and legal issues = 1.1%, and other = 6.6%. The major categories not represented in this data set are religious, human services, philanthropy and recreation organizations. The dynamics in these types of organization are different and the information learned in this study will not be transferable to those types of organizations without further research.

Of the individuals who that responded, 56% were female and 44% were male. The leaders who claimed some business experience was 72%, while 28% said they had no business experience. By position, the respondents were executive directors of non-profits (67%), senior

managers (17%), board members (4%) and the other 13% had other non-profit administrative jobs, such as program manager. Of those that responded to the survey, 6% were between the age of 20 and 29, 18% between the age of 30 and 39, 22% between the age of 40 and 49, 42% were between the age of 50 and 59, with 12% being over the age of 60 years. The respondents were well educated with 94% of respondents having at least a bachelor's degree and two-thirds of the respondents having a graduate degree. The implication of this is that most of the people responding to the survey have considerable experience, with over three-quarters of the respondents having at least 15 years of work experience, and most are highly educated.

The respondents represent a wide variety of organizations. Those organizations that did not receive any revenue from the sale of products or services was 53%, while the remaining 47% had varying degrees of their total revenue come for traditional business opportunities. The age of the organizations was evenly distributed with 17% being less than five years old, 14% of the organizations were between 6 and 10 years old, 17% were between 11 and 20 years old, 15% were between 21 and 30 years old, 12% were between 31 and 40 years old, 9% were between 41 and 50 years old, 13% were between 51 and 100 years old, and 3% have existed for over 100 years. The size of the organization in terms of revenue tends to be skewed towards larger organizations, with 28% of the organizations having budgets in excess of \$5 million, while 27% have budgets between \$1 million and \$5 million, 12% have budgets between \$500,000 and \$1 million, and the remaining 32% of organizations have budgets of less than \$500,000. From a geographic standpoint, 31% are located on the east coast, 29% are located in the midwest, 6% located in the rocky mountain states, 21% on the west coast, 12% are located in Canada, and the remaining 2% were outside of the U.S. and Canada. Although the survey was predominantly aimed at the U.S. and Canada, there was no way to ensure that those outside of those 2 countries

did not get the survey. Of the three organizations located outside of the U.S. and Canada, two are located in India and one in Brazil. A summary of the information from participating organizations is included in Table 7 and the characteristics of the survey participants is in Table 8.

One research limitation is that there is a single response from each organization, thereby making it difficult to determine the accuracy of their response versus the overall organization, and thereby creating some degree of potential bias in the results. Organizations were given an opportunity to do an organization wide assessment in order to gather data to test for single respondent bias. Due to confidentiality and to ensure no selection bias on the part of the leader requesting the survey, the process was set up so that the leader was given an opportunity to do the survey and they provided the researcher the email addresses of all organizational members. The researcher then sent the survey to employees so it did not come directly from the organizational leader. Seven organizations agreed to participate in the organizational wide survey and there was a total of 21 completed surveys amongst the seven organizations. Four of the organizations had one respondent, two organizations had four respondents, and one organization had eight respondents. The few responses that were obtained in the 360-degree survey were highly variable in terms of how similar the responses were of the executive director and other organizational members. The differences were as close as 5% and as wide as 19% in terms of the average leadership item response score of the leader versus the average of all of the organization members. Unfortunately, the lack of responses in terms of the number of organizations participating and the lack of enough respondents in the organizations makes it impossible to check for single response bias.

Measures

Leadership styles. The most widely used survey to gather data on transformation and transactional leadership styles is the Multifactor Leadership Questionnaire (MLQ) developed by Bass and Avolio (1994). The MLQ measures a number of factors of transformational and transactional leadership styles. The MLQ 6s survey consists of 21 items, with three items measuring laissez-faire management style. The survey will focus on 18 items, with 12 items relating to the four transformational leadership factors and 6 items relating to the two transactional leadership factors. The MLQ 6s uses a five-point Likert-type scale (0=not at all; 1=once in a while; 2= sometimes; 3=fairly often; 4=frequently, if not always). A histogram of the results of each of the questions is found in Figure 2. One of the concerns of the survey is that the executive directors would have a bias and answer the questions highly positively. The histograms show that executive directors did have a variety in their responses to each of the leadership items.

Lowe and Galen (1996) found the MLQ to be the best instrument and most widely used leadership instrument. Lowe, Kroeck and Sivasubramanian (1996) performed a meta-analysis on 39 studies using the MLQ and found that the transformational leadership scale items were valid, as measured through mean corrected correlation, ranging from .71 to .60. Validity for transactional leadership scale items ranged from .41 for contingent reward to .05 for management by exception. Table 9 shows the various results of the Lowe, et al (1996) study. The meta-analysis also highlights potential issues with high correlations between some of the variables. The major challenge is that one of the transactional leadership variables, contingent reward is correlated with the transformational leadership variables of charisma ($r = .70$), individualized consideration ($r = .70$) and intellectual stimulation ($r = .63$). The MLQ has gone

through a number of revisions, with this research using the MLQ 6s version. Elenkov, Judge, and Wright (2005) surveyed 223 firms in six countries using the MLQ 6s, and found the internal consistency of factor scales (Cronbach alphas) to be as follows: Idealized/Charismatic Influence ($\alpha = 0.78$), Inspirational Motivation ($\alpha = 0.81$), Intellectual Stimulation ($\alpha = 0.75$), Individual Consideration ($\alpha = 0.74$), Contingent Reward ($\alpha = 0.73$), and Management-by-Exception ($\alpha = 0.72$).

First, a confirmatory factor analysis (CFA) was conducted using Lisrel. The results of the CFA did not meet recommended levels [$\chi^2 = 946.36$, d.f. = 126, RMSEA = 0.18, NNFI = 0.65, CFI = 0.71]. Second, an exploratory factor analysis was conducted using SPSS with a maximum likelihood extraction with oblimin rotation procedure (Costello & Osborne, 2005), which resulted in a five-factor solution. Scale items were included if the value was above .32 and did not have crossloadings above .32 on any other factor (Tabachnick & Fidell, 2001; Costello & Osborne, 2005). The analysis showed that the respective items loaded onto predominantly the idealized influence, intellectual stimulation and contingent reward subscales, and that the items for inspirational motivation, individualized consideration and management-by-exception had significant cross-loading issues or did not meet the required threshold of .32 (see Table 10 for results of the exploratory factor analysis). Four items were then removed from the factor analysis (“I express with a few simple words what we could and should do”; “I give personal attention to coworkers who seem dejected”; “I am satisfied when coworkers meet standards”; “As long as things are working, I do not try to change anything”) and a second factor analysis was completed. Two additional items were subsequently removed (“I help coworkers find meaning in their work”; “I let coworkers know how I think they are doing”) until a final model resulted in a three-factor solution with all items meeting the threshold requirements. Table 11

shows the results of the factor analysis for this three-factor solution with idealized influence being one factor and another factor which combined intellectual stimulation, inspirational motivation, and individualized consideration.. The third factor is predominantly contingent reward leadership style, although one item is related to management-by-exception. The Cronbach's alpha scale reliability of idealized influence is .65, intellectual stimulation/inspirational motivation/ individualized consideration is .79, and contingent reward/management-by-exception is .75. Previous authors have only used the transformational leadership style measure due to the focus of hypotheses and some concern over the discriminant validity of the four subscales that define transformational leadership (Avolio and et al, 2004; Jung & Avolio, 2000; Yammarino and et al, 1997). Therefore idealized influence and intellectual stimulation were combined into one transformational leadership style measure with a scale reliability of .75. The contingent reward/management-by-exception factor was the transactional leadership measure with a scale reliability of .75.

The results of the leadership factor analysis require some explanation. The short form of the MLQ is used less frequently than the longer version of the survey, and due to having fewer questions has been more susceptible to crossloading and lower scale reliabilities. Bartram and Casimir (2007) used the 5x version of the short form to study transformational leadership and had to delete a couple of items before obtaining satisfactory factor analysis results. Casimir and et al (2006) used the 5x short form to study transactional and transformational leaders in Australia and China. The scale reliabilities for transactional leadership were .73 and .71, and for transformational leadership were .92 and .91. Barbuto (2005) had scale reliabilities above .70 for all six factors in the model, substantially better results than this study. Frequently the MLQ has been abbreviated into transformational and transactional variables (Bass, 1997; Lowe and et al,

1996; Den Hartog, Van Muijen & Koopman, 1997). It has been challenging to find second order factors in the Bass leadership structure (Tejeda, Scadura & Pillai, 2001; Heinitz, Liepmann & Felfe, 2005; Hinkin & Schriesheim, 2008), even with the longer version of the MLQ.

Organizational effectiveness. One debate in the organizational effectiveness literature is the use of objective versus subjective measures for non-profit performance. Wall et al. (2004) highlighted that the voluntary sector has no appropriate financial records to measure performance. For social entrepreneurs, mission and legitimacy are important measures of success, neither of which are objective measures. Wall et al. (2004) conducted three studies on potential differences between objective and subjective measures and found construct validity for both.

This study measured three dimensions of organizational effectiveness using a 7-point Likert scale (1= strongly disagree to 7= strongly agree). The first organizational dimension was measured with a new 3-item scale related to financial stability and asked about the diverse source of income, the ability to raise sufficient funds, and whether the non-profit has sufficient cash reserves to meet a short term drop in revenue. The second organizational effectiveness dimension consisted of a 3-item scale relating to accomplishing the organization mission that was developed in a non-profit survey by Snow (1992). The three items are: “does the organization have a clear mission statement”, “do they use their mission statement to guide programs”, and “does the organization effectively accomplish their mission”. The third dimension of organizational effectiveness was a 4-item scale measuring perceived organizational legitimacy with two items relating to trust and reputation of the organization and the other two items relating to the experience and skill set of the board of directors that was adapted from Cornforth (2001).

An exploratory factor analysis was conducted on the three proposed components of organizational effectiveness. The ten organizational effectiveness items loaded onto two factors rather than the expected three factors (see Table 12). The four items related to the legitimacy of the organization split with the two items relating to the board of directors loading with the financial stability items, while the two items relating to the reputation of the organization loaded with the organizational mission items. This could be interpreted as there being two important measures in the success of the non-profit. The first is availability of financial resources and board of director competences, the second is the legitimacy due to the ability to accomplish the organization's mission and the reputation in the community. The first subscale on financial stability is the most problematic with board of director competencies and financial stability combined into one scale with a Cronbach Alpha scale reliability of .73. Although the factor analysis included the board of director questions and the financial stability questions together there is not a rational reason for them being in the same factor group. , therefore, the board of director competency items were removed from the scale, resulting in a 3-item financial stability scale with a Cronbach Alpha scale reliability of .77. The model in Table 12 shows the final scales.

Entrepreneurial orientation. Covin and Slevin (1989) developed a nine-item scale to measure entrepreneurial orientation at the organizational level. Wiklund's (1999) comprehensive analysis of studies using this entrepreneurial orientation measure confirmed its construct validity. Morris and Joyce (1998) subsequently adapted the Covin and Slevin scale to measure the entrepreneurial orientation of non-profit organizations. This survey used the Morris and Joyce (1998) instrument that consists of a total of 13 items measuring organizational innovation (5 items), proactiveness (4 items), and risk taking (4 items). Respondents were asked the extent to

which each item related to their organization using a 7-point Likert-type scale were 1= strongly disagree and 7= strongly agree. Five of the items were reverse coded (“My organization takes adherence to the status quo and stability as primary concerns”; “My organization has a management philosophy that emphasizes proven services, programs, and approaches”; “My organization makes decisions using cautious, pragmatic, step-at-a-time adjustments to problems”; “My organization has a philosophy of ‘live and let live’ with other organizations that compete for the same resources we do”; “My organization has a management philosophy that emphasizes the avoidance of heavy expenditures on developing new program”).

First, a confirmatory factor analysis was completed using Lisrel which did not meet recommended levels levels [$\chi^2 = 509.49$, d.f. = 65, RMSEA =0.18, NNFI =0.45, CFI = 0.54]. Second, an exploratory factor analysis was conducted using SPSS with a maximum likelihood extraction method and an oblimin rotation procedure (Costello & Osborne, 2005), which resulted in a four-factor solution. The initial model (see Table 13) resulted in a four-factor solution with 3 items not meeting the required threshold levels (“My organization makes decisions through active searches for major new opportunities”; “my organization compromises among conflicting demands of the different publics we serve”; and, “my organization has a philosophy of “live and let live” with other organizations that compete for the same resources we do”). These three items were removed and a second model resulted in a two-factor solution with all items meeting the required thresholds. The Cronbach Alpha scale reliability of the first factor was .79 and the scale reliability of the second factor was .65. (see results in Table 14). Rauch and et al (2009) performed a meta-analysis on entrepreneurial orientation and firm performance studies and found that 37 of the 51 studies using entrepreneurial orientation considered it a one-dimensional construct and the other 14 considered it multi-dimensional. The two scales were combined consistent with past research

to create a single entrepreneurial orientation measure with a Cronbach Alpha scale reliability of .75.

Organizational characteristics

Organization size. Size is a potential factor in the entrepreneurial orientation of organizations (Lumpkin & Dess, 1996). Lumpkin and Dess hypothesized that a number of organizational factors can influence the entrepreneurial capability of an organization. These factors include the size of the organization, structure, strategy, availability of resources, top management team and the culture of the organization. In this study, organizational size was measured in three ways: total annual revenue; number of employees; and number of office locations. Annual revenue was measured using 8 different categories; 1= less than \$10,000; 2= 10,001-\$50,000; 3= \$50,001-\$100,000; 4= \$100,001-\$200,000; 5= \$200,001-\$500,000; 6= \$500,001-\$1 million; 7= \$1 million-\$5 million; 8= greater than \$5 million. Three different approaches were used to determine any potential impacts on the analysis. The first was to use the ordinals 1-8 to represent the categories. The second approach was to use the midpoint of the revenue range for each of the eight categories. The third approach was used by creating a series of dummy variables for each of the categories and using those seven dummy variables to represent revenue. The greater than \$5 million in revenue was treated as the reference category. Given the small sample size in the four groups that are less \$200,000 in revenue, it is appropriate to combine some of those categories. This question will be addressed in an exploratory analysis to determine which of the variable treatments is most appropriate.

The second measure of organizational size was the number of employees (Wiklund & Shepard, 2005; Lee & Sukoco, 2007). This is complicated for non-profits as many people who may work for such organizations do so voluntarily, so data collected included the number of full-

time employees, part-time employees, and volunteers. The total number of staff, including paid staff members and unpaid volunteers, is included in this study.

The third measure of organizational size was the number of office locations. A more dispersed organization may have different obstacles to leadership and entrepreneurial orientation. This information was not used in the analysis due to 23 organizations not providing a response to the survey item.

Organization age: Organizations have lifecycles that they go through as they evolve over time (Greiner, 1972). The first stage is the entrepreneurial stage where there are lots of ideas and marshalling of resources. The next stage is the collectivity stage where informal structure and communication dominate. Then third stage is the formalization and control when a stable structure and rules start to emerge. The last stage is the elaboration of structure stage where the organization begins to adapt and decentralize decision making (Quinn & Cameron, 1983). The lifecycle of the organization is an important component to entrepreneurship (Smith & Miner, 1983). It is more difficult to be innovative as the organization matures and moves through the four life cycle stages (Lumpkin & Dess, 2001). Many studies researching both leadership style and entrepreneurial orientation have used organization age as a control variable (Wiklund & Shepard, 2005; Chow, 2006; Lee & Sukoco, 2007). A review of the non-profit literature did not reveal any studies relating organizational life cycles to non-profit organizations. It is anticipated that non-profits will have many of the same challenges as businesses as they form, grow, and mature. Respondents were asked to indicate the year the organization was founded in order to provide an indication of the life cycle stage of the organization. The age of the organization was calculated by subtracting the year the organization was founded from 2008 when the survey was conducted.

Revenue source: The entrepreneurial orientation of the firm is based on the strategy of the company (Lumpkin & Dess, 1996). In the non-profit sector these differences in strategies are manifest in how the non-profit earns its revenues. For traditional non-profits, revenue is from grants, memberships, or donations from other organization or individuals. Many non-profits, however, provide products or services to paying customers (Casselmann, 2007). This is much more of a business-like approach and may have an influence on the entrepreneurial nature of the organization. This strategy was measured by asking respondents to identify the percentage of total revenue obtained from a number of possible sources: foundation grants, membership, private donors, sale of goods or services, government funding, founders, shareholders, loans, in-kind donations, barter, and other. For this study, the primary interest is in the percentage of revenue obtained from the sale of products and/or services as this relates to potential business-like mentality of the organization. Therefore, the percentage of revenue from products/services (0-100%) was used in analyses.

Non-profit sector: The strategy of the non-profit is potentially influenced by the sector in which the organization operates in. Non-profits have a number of options in terms of which sector to support, and the main twelve categories in the Internal Revenue Service coding of non-profit 501c(3) filings was used to determine the sector category. Rajagopalan & Datta (1996) analyzed the relationship between CEO background and industry characteristics such as four-firm concentration, revenue growth rate and revenue stability and concluded there was a relationship. In most cases the relationships were positive, but in a few instances there was a negative relationship (for example: firm tenure and sales growth, firm tenure and industry concentration, and throughput orientation and advertising intensity). Sector was also used as a control variable in studies of both leadership style and entrepreneurial orientation (Wiklund &

Shepard, 2005; Chow, 2006; Lee & Sukoco, 2007). Although there are 12 possible non-profit sectors (including the 'other' category), seven of the non-profit categories had fewer than 10 responding organizations (Arts, culture, and humanities; Civil and human rights; Environmental protection; Food, nutrition, agriculture; Housing; Legal advocacy; and Other). These organizations were allocated to the 'other' sector category. A one-way ANOVA was used to verify if these categories could be combined or if there were significant differences in the dependent and independent variables. The one-way ANOVA test shows that they can be combined as there were no significant results in the five dependent and independent variables (transformational leadership, F-Test = .82, significance = .58; transactional leadership, F-Test = 1.13, significance = .37; entrepreneurial orientation, F-Test = 1.58, significance = .18; financial stability, F-Test = 1.20, significance = .34; mission accomplishment, F-Test = 1.31, significance = .28). The remaining six categories for the study sample were: community improvement, education, employment, health, mental health and other. These six categories were used to create five dummy coded variables with the 'other' category designated as the benchmark category.

Leader characteristics

Leader age: A number of individual factors may play a role in personal leadership style and in entrepreneurial orientation of the organization. A leader that is older will bring more experience and knowledge to the organization, which may influence the effectiveness of the organization. An older leader may also be more experienced in managing people and dealing with a wide variety of situations. In the non-profit sector, having a seasoned executive is critical for success (Tierney, 2006). As in other studies, leader age was included as a control variable (Mary 2005; Walumbwa & Lawler, 2003; Moshavi, Brown & Dodd, 2003). Leader age was

categorized as follows: 1 = 20-29 years; 2 = 30-39 years; 3 = 40-49 years; 4 = 50-59 years; 5 = 60 or more years.

Leader gender: Gender is another potential variable that may influence the leadership style and effectiveness of the organization. Transformational leadership has looked at gender as a control variable (Walumbwa & Lawler, 2003; Moshavi, Brown & Dodd, 2003) and in many studies looked at the relationship between gender and leadership style (Eagly, Johannesen-Schmidt, & van Engen, 2003; Eagly & Carli, 2003; Eagley & Johannesen-Schmidt, 2001; Eagly & Johnson, 1990). Tan (2008) researched the effect of gender on entrepreneurial orientation in China and discovered that the entrepreneurial orientation was similar, but the financial performance of women-led organizations was higher. Further research can explore more detail implications of gender and leadership style and entrepreneurial orientation. Gender was used as a dummy variable with 0 = female and 1 = male.

Leader education: The educational level of the organizational leader may also be a factor in the performance of the organization (Mary, 2005; Walumbwa & Lawler, 2003). This research gathered information as to the level of education obtained (1 = High school; 2 = Associates degree /2 years of college); 3 = Bachelor's degree; 4 = Graduate degree).

Leader business experience: As previously mentioned, many non-profits have similar strategies to for-profit businesses in terms revenue from products and services. It was also discussed that non-profits are becoming more competitive and accountable and having to run in a more business-like fashion. The background of the leader and how much business experience they bring to their leadership role may influence many of the factors considered in this study (Stone & Tudor, 2005). Lee and Sukoco (2007) used the professional experience of managers as a control variable in their research on entrepreneurial orientation in Taiwanese companies. This

study gathered what percentage of their work experience was in for-profit business versus non-profit organization versus the government public sector. The percentage of their career spent in business was included as a covariate in analyses.

Common method variance

Using well-tested survey instruments increases the confidence of achieving construct validity. Well-tested measures also minimize common method variance. In a study of 10 multitrait-multilevel analyses, Spector (1987) found only one study that identified common method variance. Spector concluded that common method variance is a larger problem for single items and poorly designed scales. Numerous studies have tested the three primary measures used in this research, covering a wide variety of situations and contexts.

A number of additional steps were taken to minimize the issue of common method variance through minimizing the effect of social desirability of responses. The first safeguard maintained confidentiality; thereby participants felt more at ease providing honest answers. No personal information, such as telephone number, email address, and organization name were collected, unless the survey participant wants to do the broader organizational assessment or is willing to be interviewed. The survey was positioned as an opportunity to do a self-assessment to get data that will help them become better managers. These survey methods reduce evaluation apprehension and help promote honest answers to the questions (Podsakoff et al., 2003). Other research design procedures to minimize common method variance were by having a scale that defined the midpoints, and having page breaks that create temporal separation which does not allow the survey participant to refer back to previous sections to answer questions (Podsakoff et al., 2003).

The third step taken was in the data analysis stage, which offers a number of statistical measures to improve validity (Podsakoff et al., 2003; Bagozzi & Yi, 1990; Williams, Cote & Buckley, 1989). A factor analysis was completed on all the variables to see if they loaded onto only one factor, a sign that common method variance is a significant issue. This test, called the Harman's one-factor test, is the first step in determining the extent of common method variance (Podsakoff & Organ, 1986). A principle components factor analysis was conducted and the unrotated solution is presented in Table 15. The first factor only explains 22.44% of the variance, which is not enough of a majority to be explained by a single factor, therefore it is likely that common method variance is not an issue, however, it does not rule out the possibility (Podsakoff et al, 2003).

A second statistical analysis was conducted using the unmeasured latent method construct (ULMC) procedure described by Podsakoff et al. (2003). Confirmatory factor analyses were conducted in LISREL with one model with each of the items loaded onto their respective latent variables, and then compared to the fit for a second model in which all items also loaded onto a common method factor. The fit of the model without the common method factor [$\chi^2 = 575.70$, d.f. = 289, RMSEA = 0.074, NNFI = 0.88, CFI = 0.90] was significantly poorer than the fit for the model including the common method factor was [$\chi^2 = 427.22$, d.f. = 263, RMSEA = 0.059, NNFI = 0.93, CFI = 0.94; $\Delta \chi^2 = 148.48$, $p < .001$; $\Delta CFI = .04$]. Given that the differences in model fit do not meet the chi-squared difference test and exceed the change in CFI cutoff level of .01 (Cheung & Rensvold, 2002), the issue of common method variance cannot be discounted.

Given that common method variance cannot be ruled out as an issue, a couple of approaches were tried to partial out the common method variance. The first approach used the first unrotated factor in the principal components exploratory factor analysis to partial out the

common method variance (Podsakoff & Organ, 1986). The first factor variable was saved from the EFA and then used in regression analyses. The results of this regression showed a highly significant common method variance when mission accomplishment was used as the dependent variable ($\beta = 1.10$, $p < .0$) and the R^2 rose dramatically to .78. ULMC has been criticized as an approach to dealing with common method variance (Richardson et al., 2009). There is no way to determine whether the partialled out variance is due to common method variance or the absence of other critical variables. Richardson et al. (2009) also found that the ULMC method was one of the least reliable approaches to determine the effect of common method variance. Based on these concerns and the unreliable results of the analysis, this approach is rejected.

The next approach consisted of using a marker variable to partial out the common method (see Podsakoff et al., 2003; Richardson, Simmering & Sturman 2009). Two items were included in the survey for this specific purpose. The two items were questions that asked the respondent about their life satisfaction and job satisfaction on a scale of 0 to 100. These items were combined into a common method covariate with a scale reliability of $\alpha = .54$, which is not high enough to be combined as a marker variable. Further, the job satisfaction question is significantly correlated to all of the study variables except transactional leadership (entrepreneurial orientation = .39; financial stability = .28; mission accomplishment = .24; transformational leadership = .38; transactional leadership = .11) and therefore is not appropriate for partialling out the common method variance. Another potential marker variable is one of the four culture constructs that were included in the survey. The culture construct with the lowest correlations to the primary variables was considered the best possibility. The correlation analyses showed that hierarchy had the lowest correlations with the study variables (entrepreneurial orientation = -.31; financial stability = .04; mission accomplishment = .05; transformational leadership = -.05; transactional

leadership = .13) with the only significant correlation being the negative correlation with entrepreneurial orientation.

In order to determine the potential impact of CMV, a series of models were tested in accordance with the process outlined by Richardson and et al (2009) and Williams and et al (2010). This entailed conducting 5 CFA models to determine the degree of common method variance effect. The first model, called the CFA model, established the factor loadings for the marker variable and those factor loadings are then fixed for the subsequent models. The Baseline Model sets the covariance of the marker variable with the covariances for each of the other latent variables set to 0. The Method-U model has additional factor loadings from the method marker latent variable to all other indicators. The Method-C is the same as Method-U, except that factor loadings from the latent marker variable to other items are forced to be equal. The Method-R model sets all of the substantive factor loadings as restricted to those in the baseline model. A summary of the results of the 5 CFA models is included in Table 16. The method-U approach had the lowest chi-squared of any of the models. Table 17 shows the completely standardized solution of the Method-U Model. Table 18 shows the reliability decomposition by breaking out the substantive reliability from the method reliability. Entrepreneurial orientation has a reliability composition of 61%, while transformational leadership and financial stability are about 35%. The high correlation with the latent marker variable and entrepreneurial orientation may be a concern.

Other methods to limit common method variance issues were not feasible given other constraints in the study. The organizational effectiveness measure, the dependent variable, cannot be separated from the gathering of the independent variables. Many organizational effectiveness studies use revenue growth, stock price, or net income gathered from public

sources. Non-profit organizational effectiveness cannot be measured with a few financial indicators, and gathering these data would be inconsistent with the confidentiality and anonymity assurances provided to respondents. The other method of reducing measurement context effects is separating the collection of dependent and independent variables by time. Given the requirement for a large sample size, separating the surveys and having each executive director complete surveys at two different times potentially limits the number of respondents.

In summary, the standard steps for testing common method variance have not resulted in the ability to fully discount common method variance as an issue in this study. There are two possible ways of accounting for common method variance, the use of the hierarchy culture variables as a latent common method marker variable or the use of life satisfaction as a single marker variable. A number of studies have used a single variable instead of a latent variable. Griffith & Lusch (2007) used age as a single marker variable and Krishnan, Martin, & Noorderhaven (2006) used job tenure as a marker variable. Although the use of a single marker variable is not without precedence, analyses were conducted using hierarchy culture as a latent marker variable in the analysis, but not without concern over the high correlation with entrepreneurial orientation. Given this concern, two additional results are included. The first excludes the marker variable entirely and the second uses job satisfaction as a single marker variable in order to determine if the results are influenced by common method variance or the variable chosen as a marker variable.

Accounting for missing values

Missing values for the dependent and independent variables were dealt with by calculating scale scores using available scale items. Missing values for the control variables were found for 38 of the 198 responding organizations with the number of office locations (23

missing responses) and non-profit sector (16 missing responses) being the most problematic. Other variables were missing a small number of responses (8 missing for sources of revenue, leader age, gender, business experience, 3 missing for organization age, number of staff, and 1 missing for total revenue). Sixteen respondents did not answer both number of office locations and non-profit sector items. The number of office locations is not paramount to the research or theory and was included as a possible size variable, but both revenue and staff are better predictors so number of office locations was removed from the analysis and the number of surveys included in the analysis was 177.

The non-profit sector is a more relevant factor given the industry impact in for-profit organizations and determining if sector type has an impact on leadership and entrepreneurial orientation is potentially interesting. It was determined that trying to keep the sector variable was important, while trying to increase the number of usable responses was worthwhile, therefore, a missing sector dummy coded variables was created for the 16 surveys that did not complete this survey question. Regression analyses were conducted with and without the 'missing sector' dummy variable to test for any systematic variance due to this missing data. The change in R^2 was not significant when the missing sector dummy variable was included (financial stability $\Delta R^2 = .013$, significance $> .05$; mission accomplishment $\Delta R^2 = .001$, significance $> .05$)

Data analysis procedures

The hypotheses were tested using hierarchical regression. In the first step, all of the organizational level control variables were entered in the regression equation (age, revenue, # of staff, revenue source, and non-profit sector dummy variables). In the second step, all of the leader control variables were included in the equation (age of leader, leader business experience,

gender). In the third step, the common method marker variable and the dependent variables of transformational leadership, transactional leadership was included as part of the test for Hypothesis 6, but otherwise excluded from the analysis. The fourth step included all previous variables and entrepreneurial orientation, and is the primary focus of the analysis. These four steps were completed for financial stability and mission accomplishment. Entrepreneurial orientation does not require the third step so only three regression steps were included for this dependent variable.

Hypothesis 6 proposed a mediation effect.. This study uses the Baron and Kenny (1986) mediation procedure which involves four steps. Two models were created, the first with financial stability as the dependent variable and the second with mission accomplishment as the dependent variable. All control variables are included in the regression equations. In the first step, transformational leadership and transactional leadership are analyzed for their significance with each of the dependent variables. The second step added transformational leadership and transactional leadership and analyzes the significance of those relationships with entrepreneurial orientation as the dependent variable. In step 3, entrepreneurial orientation was added to assess its relationship with both financial stability and mission accomplishment. In step 4, transformational leadership, transactional leadership and entrepreneurial orientation are added to assess their influence on both financial stability and mission accomplishment. If the first three steps result in a significant relationship, and the fourth step results in a significant relationship between entrepreneurial orientation and either financial stability or mission accomplishment, then mediation is present in the relationship.

Multicollinearity was tested using a number of procedures. The first procedure involved examining the variable intercorrelations. No correlations were greater than $r = .70$ so

multicollinearity does not appear to be a significant issue. Two statistical factors were calculated to measure potential multicollinearity. The first is the variance inflation factor (VIF) which measures how much of the variance is caused by multicollinearity. The second is the condition index which measures the difference between the largest and smallest eigenvalue. The VIF was calculated for transformational leadership (VIF = 1.463); transactional leadership (VIF = 1.310); and entrepreneurial orientation (VIF = 1.139), all of which are well below the acceptable cutoff of 10 (Neter & Wasserman, 1985). Entrepreneurial orientation had the highest condition index of 20.25 which is near the acceptable cutoff of 20 (Belsley, Kuh, Welsch, 1980).

Results

The means, standard deviations and correlation coefficients for the study variables are provided in Table 19. Results of the hierarchical regression analyses to test the study hypotheses are presented in Table 20. Organizational legitimacy did not have sufficient scale reliability to be retained in the study, therefore the hypotheses related to legitimacy were not tested.

Hypothesis 1 posited that transformational leadership would be positively related to financial stability and mission accomplishment. Inconsistent with Hypothesis 1a, transformational leadership was not significantly related to financial stability ($\beta = -.11$, n.s., model 4). Inconsistent with Hypothesis 1b, transformational leadership was not positively related to mission accomplishment ($\beta = .17$, n.s., model 8). In sum, Hypothesis 1 was not supported in that transformational leadership was not significantly related to organizational effectiveness.

Hypothesis 2 posited that transactional leadership would be positively related to financial stability and mission accomplishment. Inconsistent with H2, transactional leadership was not significantly related to either financial stability ($\beta = .08$, n.s., model 4) or to mission accomplishment ($\beta = -.05$, n.s., model 8). In sum, Hypothesis 2 was not supported.

Hypothesis 3 posited that transformational leadership would be positively related to entrepreneurial orientation in non-profit organizations. Consistent with Hypothesis 3, transformational leadership was positively related to entrepreneurial orientation ($\beta = .35$, $p < .001$, model 11). Hypothesis 4 posited that transactional leadership would be positively related to entrepreneurial orientation in non-profit organizations. Inconsistent with Hypothesis 4,

transactional leadership was not positively related to entrepreneurial orientation ($\beta = .02$, n.s., model 11).

Hypothesis 5 posited that entrepreneurial orientation is positively related to financial stability and mission accomplishment in non-profit organizations. Consistent with Hypothesis 5a, entrepreneurial orientation was positively related to financial stability ($\beta = .23$, $p < .05$, model 4). Consistent with Hypothesis 5b, entrepreneurial orientation positively related to mission accomplishment in non-profit organizations ($\beta = .25$, $p < .01$, model 8). In sum, Hypothesis 5 was fully supported.

Hypothesis 6 posited that entrepreneurial orientation would mediate the relationship between leadership style and the organizational effectiveness in non-profits. Step 1 of the mediation model for financial stability showed insignificant relationships for both transformational leadership ($\beta = .39x + .43x^2$, model 3) and transactional leadership ($\beta = .08$, n.s.). Although transformational leadership has a significant relationship with entrepreneurial orientation and entrepreneurial orientation has a significant relationship with financial stability, this is not a mediated relationship. Transactional leadership does not have a significant relationship with entrepreneurial orientation or financial stability.

The mediation model for mission accomplishment was partially supported. In terms of transformational leadership, there is a significant relationship with mission accomplishment ($\beta = .26$, $p < .01$, model 7). For the second step, there is a significant relationship between transformational leadership and entrepreneurial orientation ($\beta = .35$, $p < .001$, model 11). Step 3 of the mediation model is the relationship between entrepreneurial orientation and mission accomplishment, which is significant ($\beta = .31$, $p < .001$). Step 4 of the mediation model includes both entrepreneurial orientation ($\beta = .25$, $p < .01$, model 8) and transformational

leadership ($\beta = .17, p > .05$, model 8). The result is that entrepreneurial orientation fully mediates the relationship between transformational leadership and mission accomplishment. In terms of transactional leadership, there is not a significant relationship between transactional leadership and mission accomplishment ($\beta = -.05, p > .05$), nor is there a significant relationship with entrepreneurial orientation ($\beta = .02, n.s.$), therefore this portion of the hypothesis is not supported.

Additional analysis

An additional hierarchical regression analyses was conducted for a single item common method marker variable (life satisfaction). Step 1 included all of the organizational level control variables, the leaders control variables and transformational leadership, transactional leadership and entrepreneurial orientation. Step 2 included all of the variables from step 1 plus the single item common method marker variable. The results of these analyses are presented in Table 21. When using life satisfaction as a single item CMV marker instead of hierarchy as a latent CMV marker, the primary difference is the relationship between transformational leadership and mission accomplishment which changes from insignificant ($\beta = .17, n.s.$, Table 20 model 8) to significant ($\beta = .20, p < .05$, Table 21 model 15). In this instance, the results of Hypothesis 1b would be supported and Hypothesis 6 would change from full mediation to partial mediation.

Discussion

This study addressed two research questions. Does entrepreneurial orientation relate to the organizational effectiveness in non-profits as it does in for-profit organizations? Does leadership style employed by non-profit executive directors influence the entrepreneurial orientation of non-profits? The answers to these questions are in the affirmative.

Entrepreneurial orientation plays a significant role in non-profit organizations. If the success of non-profits is driven by their ability to be entrepreneurial, then social entrepreneurship takes on additional meaning. Social entrepreneurship becomes an important field of research in order to untangle the complex relationships that have historically been dealt with primarily in for-profit organizations. (see Figure 3 for a summary of the model).

Two important conclusions can be drawn as a result of this research. The first is that leadership style plays the greatest role in the development of entrepreneurial orientation of non-profit organizations, and specifically that transformational leadership is the dominant leadership style. The original premise was that leadership style would have an important role in the success of non-profits, but the results indicate that this is much more of an indirect relationship than originally proposed. Non-profit organizations are acting in an increasingly more competitive environment (Myers & Sacks, 2003) and with greater complexity in dealing with their various stakeholders (Balsler & McCluskey, 2005; Ospina, Diaz, & O'Sullivan, 2002), but the apparent solution to this is not leadership style, but entrepreneurial orientation. In for-profit organizations the positive relationship was established between transformational leadership style and the effectiveness of the organization (Howell & Avolio, 1993; Howell, Neufeld & Avolio, 2005; Brown & Moshavi, 2002), but that positive relationship is not as pronounced in non-profit

organizations. The key relationship for non-profits is the positive relationship between transformational leadership style and entrepreneurial orientation. Although there has not been nearly as much research on the link between leadership style and entrepreneurial orientation, it is clear this is a relationship worth examining in more depth.

One of the reasons given for transformational leadership playing a significant role with entrepreneurial orientation was the dynamic nature of social entrepreneurs (Alvord, Brown & Letts, 2004; Ganesh, 1999). It may well be that this complexity dynamic is having a much bigger impact on non-profits than originally estimated. Entrepreneurial orientation is going to play a more significant role when the environment is ambiguous (Lumpkin & Dess, 1996; Miller & Friesen, 1982; Emery & Trist, 1965). The majority of respondents for this research are in community improvement, health, employment, and education non-profit sector. These are all sectors where governments have the primary responsibility to solve problems, yet with budgeting pressures it is increasingly difficult for them to fulfill that role. This is leaving non-profits to play a greater role in these sectors. This may require the leadership talents of executive directors to focus on more innovative solutions and trying to promote a more entrepreneurial orientation than non-profits have had to deal with historically.

In terms of past research on the link between leadership style and organizational effectiveness, this research does not disprove that relationship, even though that relationship did not hold in this study. Most of the studies cited were looking at a direct relationship between leadership style and firm performance, and entrepreneurial orientation was never considered as part of that relationship (Sparks & Schenk, 2001; Sivasubramaniam, Murry, Avolio, & Jung, 2002; Howell & Avolio, 1993; Bass, Jung, Avolio & Berson, 2003). This research builds on that previous research by introducing another important variable to consider. In this study,

transformational leadership did have a significant relationship with mission accomplishment when entrepreneurial orientation was excluded, but disappeared as a significant variable when it was included. The implication is that entrepreneurial orientation is a more significant factor in accomplishing the mission of the organization and acts as a full mediator. In effect, entrepreneurial orientation is the key variable behind the success of non-profits accomplishing their mission, instead of transformational leadership. The proper process for non-profit organizations is that transformational leadership has a positive relationship on entrepreneurial orientation, which in turn has a positive relationship with the accomplishment of their mission. Previous research has assumed that transformational leadership had a direct positive relationship with the success of non-profit organizations (Morris & Joyce, 1998; Santora, Seaton & Sarros, 1999; Morris et al, 2007) The implication is that entrepreneurial orientation needs to be a variable considered in future models determining the process by which non-profits improve their organizational performance.

Previous research had discussed the importance of being a master manager to improve the organization's performance (Egri & Herman, 2000). The role of transactional leadership in non-profits did not materialize in this research with the relationship between transactional leadership and both financial stability and mission accomplishment being insignificant. Transactional leadership also did not have a significant relationship with entrepreneurial orientation. Transactional leadership has been an inconsistent construct with most leadership research choosing to focus on only transformational leadership, and those that have included transactional leadership has had mixed results based on the earlier literature review . Various studies have achieved positive relationships (Avolio, Waldman & Einstein, 1988; Elenkov, 2002), negative relationships (Howell & Avolio, 1993), and insignificant relationships (Howell,

Neufeld & Avolio, 2005). The reasons for the lack of results for transactional leadership could fall into one of two categories. The first is that transactional leadership plays less of a role in non-profits, because of the differences between the for-profit and non-profit sector. Austin, Stevenson & Wei-Skillern (2006) posited that for-profits and social entrepreneurs were different in their relationship between mission and profit. For-profits focus their mission on customers, employees and growth, while non-profits focus on a social mission. Parry and Proctor-Thomson (2003) found differences between the private and social sector. No researchers had really broached the subject as directly as this research, with previous research focused on environmental advocacy non-profits (Egri & Herman, 2000). Their research found that transactional leadership important but did not look at direct results on the effectiveness of organizations. Morris and et al. (2007) examined transformational and transactional leadership in a specific type of non-profits (blood banks) and obtained results similar to this study. In the end, this difference between the private and social sector could impact the role of transactional leadership. More research needs to be done on the role of transactional leadership to determine whether it is really that important in non-profit organizations.

The second possible explanation is problems with the measurement of transactional leadership. Although the MLQ has been used extensively in research, the transactional portion of the survey has been used much less frequently. A December 2010 search through two management literature databases yielded far more results for transformational leadership than for transactional leadership. JSTOR had 3 articles that referenced transactional leadership in the title, while it had 16 articles that referenced transformational leadership. EBSCO had 51 titles with transactional leadership and 367 for transformational leadership. In almost all of the transactional leadership studies, the research also looked at transformational leadership and there

was no study that looked solely at transactional leadership, while many of the studies did look solely at transformational leadership. Judge & Piccolo (2004) performed a meta analysis of transformation and transactional leadership styles and had twice as many data points for transformational leadership then contingent reward leadership. The one previous study on transactional leadership in non-profits used a different survey than the MLQ (Egri & Herman, 2000) so the results might not be comparable. The shortened version of the MLQ may have also lost some of its explanatory value for transactional leadership given only 6 items were used to measure and only 4 items were in the final scale. Future research could minimize this lost of explanatory value by using the longer version of the MLQ. There have been few studies on leadership style and non-profit organizational effectiveness. Morris and Joyce (1998), Morris et al (2007) and Jaskyte (2004) were previous studies to broach the subject of leadership style, organizational performance, and innovation. In all cases, the research only looked at one type of non-profit organization (blood banks and the Associations of Retarded Citizens). Again, this builds on previous research by confirming the importance of leadership in non-profit organizations, but introducing another important factor that needs to be accounted for when studying non-profit organizations in a wider variety of non-profit sectors, including the education, health, employment, and community improvement sectors.

The second conclusion of this research is that the success of non-profits is influenced by the entrepreneurial orientation of the organization. Innovation, risk-taking and proactiveness are important ingredients in non-profits if they want to be successful. This was an important premise of the research and was confirmed as a vital dynamic. Most of the research on entrepreneurial orientation had occurred in the for-profit sector because it seemed plausible that entrepreneurship was a key factor for business success (Zahra & Covin, 1995; Lumpkin & Dess, 1996; Zahra &

Garvis, 2000; Wiklund & Shepard, 2005) Although this research focused on non-profit organizations, it does confirm that previous studies looking at entrepreneurial orientation and firm performance can be applied to non-profit organizations as well. As the literature review points out, very little has been done on entrepreneurial orientation in non-profits and this research points out the importance of the construct in the success of non-profits. Social entrepreneurship has been a growing field, but even then, most of the focus has been on the individual and not the organization. This research demonstrates that much more work needs to be done to understand the organizational level implications of entrepreneurship as described in the entrepreneurial orientation literature and future research needs to include both better measurement tools for entrepreneurial orientation in non-profits and a better understanding of the relationship of entrepreneurial orientation to other key variables like leadership style and performance.

An additional point should be made on legitimacy. It was theorized that legitimacy would be an important part of the effectiveness of non-profits, but the results did not materialize and therefore the hypotheses were not tested. There are two possible explanations for legitimacy not being a measurable scale. The first is that legitimacy is a valid method of measuring the effectiveness of non-profits, but the scale and questions used did not adequately represent the variable. This was the one part of the survey that had not been previously tested and therefore could be subject to legitimate measurement issues. The other reason legitimacy may have not been a valid scale is that legitimacy is really part of the financial stability and mission accomplishment of the organization. An organization that has legitimacy may have greater financial stability and an improved ability to accomplish their mission. Legitimacy may be a by-product of the success of the organization and not a measurement of success.

Managerial implications

The managerial implication of this research is apparent when it comes to entrepreneurial orientation. This research uncovered entrepreneurial orientation as one of the key ingredients to the success of non-profits, but also one of the least talked about aspects of non-profits, at least at the organizational level. Much of the social entrepreneurship literature, which is non-profit centric, is focused on the individual entrepreneur, with little research on the organizational implications. Social entrepreneurship is changing the dialogue around non-profits and based on this research that dialogue is even more important. How we develop the transformational leadership skills in non-profit executive directors becomes an important focus of training and development curriculum. Additionally, more conversations and research around what entrepreneurial orientation is in non-profits and how non-profit organizations can become more entrepreneurial needs to occur. The very existence of the Social Enterprise Alliance, which is dedicated to the development of entrepreneurship in non-profits, is a testament to the level of importance that is being placed in entrepreneurship, but more such efforts need to be put in place at a local level. At a university level, most business schools offer classes in entrepreneurship, and although it is a growing trend, most business schools still do not put emphasis on non-profit organizations. In the 2009-2010 Beyond Grey Pinstripes survey of business schools there were 239 courses taught in entrepreneurship, 109 courses in social entrepreneurship, and 34 in nonprofits. Business schools could do more to promote social entrepreneurship and non-profit innovation in their curriculum, as well as developing the transformational leadership skills of non-profit executive directors. Many local organizations also exist to help educate non-profits on fundraising, accounting, marketing, and other basic services. These organizations, however,

rarely deal with leadership, entrepreneurship and innovation and one step that could be taken is to expand their educational services into those areas.

Research limitations

This research has a number of limitations. The first limitation is that the survey was completed by a single respondent in each organization (Podsakoff & Organ, 1986; Podsakoff et al., 2003). The result is that the individual may bias their responses to the survey in terms of social desirability and wanting to look good to others. This would be able to be accounted for if multiple responses were gathered from the organization (Goffin & Gellatly, 2001). The management literature has used a variety of approaches to gathering data. The MLQ survey is frequently used in the context of the rater rating their supervisor, and previous studies tend to get multiple respondents from each organization (Lowe & Kroeck, 1996; Tejada, Scadura & Pillai, 2001). The entrepreneurial orientation literature, however, frequently has a single rater, usually a top level manager (Miller & Friesen, 1982; Covin & Slevin, 1988; Naman & Slevin, 1993; Smart & Conant, 1994; Richard et al, 2004; Lee & Sukoco, 2007). This research was consistent with past research in entrepreneurial orientation, but lacked the multiple raters used in leadership research.

An attempt was made to have multiple responses from a subset of participating organizations, but not enough organizations responded to be able to perform any analysis of the results. The next step to validate this research would include multiple responses from a number of organizations. As mentioned previously, a couple of studies analyzing leadership styles in non-profit organizations did include 360 data from managers, board members and staff and found little difference between the responses (Mayberry, Egri & Thomson, 2007; Klamon, 2006). The study could have focused solely on 360-degree data so there was not a single

respondent limitation, but this would have resulted in fewer organizations participating in the research which would limit the reliability of the statistical analysis.

The second limitation is the self-reported survey data, which can lead to the risk of inflated correlations due to common method variance (Podsakoff et al, 2003). Ideally the research contains some objective measurements to minimize the effect of self-report data. This is especially true in the organizational effectiveness literature which strives for independent measures of performance (Howell & Avolio, 1993; Howell, Neufeld & Avolio, 2005; Morris et al, 2007; Wiklund; 1999). Morris and et al. (2007) used a similar approach of single respondents from non-profit organizations, but collected financial data from IRS form 990s for all of the organizations. This approach separated the collection of the independent variables from the dependent variables, but confines organizational effectiveness in non-profit organizations to financial performance which may not fully represent the measurement of effectiveness in non-profit organizations.

Again, steps were taken to mitigate the concerns of common method variance, but given the desire to survey a broad number of organizations it was problematic to find a way to not have self reported data. A number of statistical approaches were tried before including a latent common method variance marker variable, but future research needs to go further in making sure this is not an influence on the results. Further research could also look at more objective measurements of organizational performance like cash reserves as a proxy for financial stability and surveys from customers and other stakeholders providing their assessment of the organization's ability to accomplish their mission.

The ability to draw inferences about other organizations is also limited. Although the non-profits surveyed in this research cover a broad array of non-profit sectors, not all non-profit

sectors were included in the survey. The survey participants are part of the Social Enterprise Alliance which has a mission to help non-profit entrepreneurs. The implication is that the survey is biased towards organizations that believe they are entrepreneurial, which may have influenced study findings. Further research should expand the scope of non-profits participating in the research.

Potential future research directions

Beyond the analysis in this research, additional research streams should be explored in the future. Covin & Slevin (1991) outlined a number of other variables that would impact the entrepreneurial orientation of the firm. The organizational culture of the organization may influence the level of entrepreneurial orientation and is a potential mediator between entrepreneurial orientation and performance (Lumpkin & Dess, 1996). Cameron and Quinn (1999) identified four culture dimensions, (clan, adhocracy, market and bureaucracy) which are established along the dimensions of flexibility and control on one axis and internal and external on the other axis. The entrepreneurial orientation construct can be analyzed within the context of these cultural dimensions, especially adhocracy which specifically relates to an entrepreneurial organizational culture orientation.

Another potential exploration is the impact of values on entrepreneurial orientation and on social entrepreneurship. What role does leaders' values play in their ability to create an entrepreneurial organization, and what role do values play in social entrepreneurship? Future studies could include a values measure to see how it influences the leadership style and entrepreneurial orientation of the organization.

Conclusion

Social entrepreneurship is a growing field of research. This research has looked in greater depth at the role of leadership style and entrepreneurial orientation in the performance of non-profit organizations. The premise behind social entrepreneurship is that non-profits that are more entrepreneurial are going to better accomplish their organizational mission and are going to be more successful. This research suggests that non-profits that are entrepreneurial have a higher likelihood of being financially stable and accomplishing their organizational mission. This research has extended the social entrepreneurship literature by further refining the relationships between leadership style, entrepreneurial orientation and non-profit performance and provides a basis for further research into key variables influencing the performance of non-profit organizations.

Table 1: Definitions

	Term	Definition
Business Model Strategies	For-profit	An organization that is not tax-exempt and focuses primarily on the achievement of financial goals
	Non-profit	An organization that is tax exempt and focuses primarily on the achievement of social goals
	Traditional non-profit	A non-profit organization that generates revenue through traditional non-profit sources like grants, foundations, donations, membership
	Social enterprise	A non-profit organization that generates some revenue from selling a product or service, thereby having a business-like orientation to their operating model (Casselman, 2007)
Entrepreneurship Strategies	Entrepreneurship	Individuals who exhibit behaviors that led to innovations, while bearing risk and uncertainty (Schumpeter, 1961)
	Entrepreneurial Orientation	Organizations that utilize risk-taking, innovation, and proactiveness to be more entrepreneurial in their business model (Miller, 1983)
	Social entrepreneurship	Individuals who make innovations while bearing risk and uncertainty and are predominantly motivated by social change (Barendsen & Gardner, 2004)
	Social Entrepreneurial Orientation	An organization that utilizes risk-taking, innovation, and proactiveness to be more entrepreneurial while predominantly being motivated by a desire for social change - May be a non-profit or for-profit organization, although this research will specifically focus on non-profit organizations - May be social enterprises or traditional non-profits

Table 2: The six schools of entrepreneurship

Entrepreneurial Model	Definition	Measures
“Great Person”	- “Extraordinary Achievers”	Personal principles Personal histories Experiences
Psychological Characteristics	- Founder - Control over means of production	Locus of control Tolerance for ambiguity Need for achievement
Classical	- People who make innovations bearing risk and uncertainty - “Creative destruction”	Decision making Ability to see opportunities Creativity
Management	- Creating value through the recognition of business opportunity	Expertise Technical knowledge Technical plans
Leadership	- “Social architect” - Promotion and protection of values	Attitudes, styles Management of people
Intrapreneurship	- Those who pull together to promote innovation - Pockets of innovation within a larger organization	Decision making

Adapted from Cunningham & Lischeron (1991)

Table 3: Research on organizational effectiveness

Authors	Organizational Effectiveness Criteria
Examples of for-profit research	
Howell & Avolio (1993)	% of target goals met
Howell, Neufeld & Avolio (2005)	Profit, revenue, and productivity ratio
Elenkov (2002)	Achieving seven business objectives (not specified exactly what those were)
Garcia-Morales, Llorens-Montes & Verdu-Jover (2008)	Return on assets, return on equity, return on sales, market share
Chow (2006)	% profit
Smart & Conant (1994)	Sales per square foot, cash flow management, effectiveness of cost containment, sales per employee, net income after taxes, total sales growth over past 3 years, overall store performance/success.
Lee & Sukoco (2007)	Market share growth, Revenue growth, profit growth, customer satisfaction, new products, rapid commercialization of products, surprises, adapt goals, market response times, new market demands, streamline internal processes
Wiklund (1999)	Sales growth, employment growth, sales growth compared to competitors, and market value growth compared to competitors, gross margin, profits compared to competition, cash flow compared to competition.
Examples of non-profit research	
Morris et al (2007)	Total revenue, changes in assets, fund-raising expenses, total expenses, net revenues
Brown (2005)	Perceived organizational performance (customers saw improved service, more products, better at meeting goals, improved quality of service), financial performance, public support, fund-raising efficiency
Herman & Renz (1998)	Financial management, fundraising, program delivery, public relations, community collaboration, working with volunteers, human resource management, government relations, and board governance
Papadimitriou (2007)	Caliber of the board and external liaisons, interest in athletes, internal procedures, long-term planning and sports science support
Balser & McClusky (2005)	Dealing with funders, community, clients, programs and services, developing financial resources
Schmid (2002)	Satisfaction with services, performance of the organization, ability to adapt to difference needs
Eisinger (2002)	Ability to change needs to meet external environments, meet the needs of customers, quality,

Table 4: Measurement of organizational effectiveness of non-profit organizations

Financial Stability	Mission Accomplishment	Legitimacy
Diverse sources of income	Clarity of mission statement	Reputation in the community
Ability to raise sufficient funds	Use of mission statement to guide programs	Trustworthiness
Sufficient cash reserves	Effectiveness of achieving the mission statement	Board of Directors has good mix of skills
		Board of Directors gives appropriate time to the organization

Table 5: Entrepreneurship and leadership style

Entrepreneurship Theme	Attitude or Behavior	Transformational Leadership Style	Transactional Leadership Style
Leadership	<ul style="list-style-type: none"> - Self-started, high standards but not perfectionists - Team builder and hero maker; inspires others - Treat others as you want to be treated - Share wealth with all the people who helped to create it - Integrity and reliability; builder of trust; practices fairness - Not a lone wolf - Superior learner and teacher - Patience and urgency 	<p>Inspiration</p> <p>Idealized Influence</p> <p>Idealized Influence</p> <p>Idealized Influence</p> <p>Individualized Consideration</p>	
Commitment and determination	<ul style="list-style-type: none"> - Tenacious and decisive, able to recommit/commit quickly - Discipline - Persistence in problem-solving - Willingness to undertake personal sacrifice - Immersed 	<p>Inspiration</p>	Mgmt-by-exception
Opportunity obsession	<ul style="list-style-type: none"> - Having intimate knowledge of customers' needs - Market driven - Obsessed with value create and enhancement 	<p>Idealized Influence</p>	
Tolerance of risk, ambiguity and uncertainty	<ul style="list-style-type: none"> - Calculated risk taker - Minimizes risk - Shares risk - Manages paradoxes and contradictions - Tolerance of uncertainty and lack of structure - Ability to resolve problems and integrate solutions 	<p>Intellectual stimulation</p> <p>Intellectual stimulation</p> <p>Intellectual stimulation</p>	

Table 5 (continued): Entrepreneurship and leadership style

Entrepreneurship Theme	Attitude or Behavior	Transformational Leadership Style	Transactional Leadership Style
Creativity, self-reliance and ability to adapt	<ul style="list-style-type: none"> - Non-conventional, open-minded, lateral thinker - Restlessness with status quo - Ability to adapt and change; creative problem solver - Ability to learn quickly - Lack of fear of failure - Ability to conceptualize and 'sweat details' 	<ul style="list-style-type: none"> Intellectual stimulation Intellectual stimulation Intellectual stimulation Idealized Influence 	
Motivation to excel	<ul style="list-style-type: none"> - Goal and results orientation; high but realistic goals - Drive to achieve and grow - Low need for status and power - Interpersonally supporting - Aware of weaknesses and strengths - Having perspective and sense of humor 	<ul style="list-style-type: none"> Individualized Consideration Individualized Consideration 	<ul style="list-style-type: none"> Mgmt-by-exception Contingent reward

Source: Timmons, J.A. and Spinelli, S. 2004 "New venture creation: Entrepreneurship for the 21st century. Boston: Irwin McGraw-Hill., p. 250.

Table 6: Non-profit sector categories

Survey Sample size = 195

Population size = 1,483,132

NTEE Major Group	Survey Respondents	% of Total 501c(3)
Community Improvement, Capacity Building	31.32%	4.70%
Mental Health, Crisis Intervention	14.29%	2.70%
Education	11.54%	17.40%
Employment, Job Related	9.89%	1.30%
Health	8.79%	7.30%
Housing, Shelter	4.95%	5.00%
Civil Rights, Social Action, Advocacy	4.40%	0.70%
Food, Agriculture, and Nutrition	3.85%	1.00%
Environmental Quality, Protection, and Beautification	2.20%	2.30%
Arts, Culture, and Humanities	1.10%	11.20%
Crime, Legal Related	1.10%	1.80%
Other	6.59%	
Human Services- Multipurpose and Other		12.90%
Recreation, Sports, Leisure, Athletics		8.10%
Religion Related, Spiritual Development		5.90%
Philanthropy, Voluntarism, and Grantmaking Foundations		5.00%
Diseases, Disorders, Medical Disciplines		2.60%
Youth Development		2.20%
Animal-Related		1.80%
International, Foreign Affairs, and National Security		1.80%
Public Safety		1.60%
Public, Society Benefit- Multipurpose and Other		1.00%
Science and Technology Research Institutes, Services		0.60%
Medical Research		0.50%
Mutual/Membership Benefit Organizations, Other		0.30%
Social Science Research Institutes, Services		0.30%
Unknown		0.10%
Total	100.00%	100.00%

The Urban Institute, National Center for Charitable Statistics, <http://nccsdataweb.urbank.org/>

Source: Internal Revenue Service, Exempt Organizations Business

Master File (501C(3) Public Charities, 2007, Sep)

Table 7: Summary description of respondent sample: organizational characteristics

Organizational Revenue	(N = 195)
less \$9,999	4%
\$10,000 - \$49,999	3%
\$50,001 - \$99,999	5%
\$100,000 - \$199,999	5%
\$200,000 - \$499,999	16%
\$500,000 - \$999,999	12%
\$1,000,000 - \$4,999,999	27%
\$5,000,000 +	28%
Revenue Source (% of revenue from product or service)	(N = 177)
0%	47%
1-20%	23%
21-40%	12%
41-60%	8%
61-80%	3%
80-100%	6%
Organization Age	(N= 173)
0 - 5 Years	17%
6 - 10 Years	14%
11 - 20 Years	17%
21-30 Years	15%
31- 40 Years	12%
41 - 50 Years	9%
51 - 100 Years	13%
100 + Years	3%
Organization Location	(N= 173)
East Cost	31%
Midwest	29%
Rocky Mountain	6%
West Cost	21%
Canada	12%
Other	2%

Table 8: Summary description of respondent sample: personal characteristics

	(N = 195)
Position in Organization	
Executive Dir	67%
Board Member	4%
VP/Director	17%
Other	13%
Gender	(N = 177)
Female	56%
Male	44%
Age	(N = 175)
20-29	6%
30-39	18%
40-49	22%
50-59	42%
60+	12%
Education Level	(N = 176)
High school	4%
Associates	2%
Bachelors	27%
Graduate	66%
Business Experience	(N = 176)
0 Years	30%
1 - 5 years	33%
5 - 10 years	16%
10 - 20 years	9%
20+ years	11%

Table 9: Lowe and et al meta study results

	Mean Cronbach	Mean Raw Correlation	Range of Correlation Coefficients	Mean Corrected Correlation
Charisma	.92	.62	.10 to .91	.71
Individualized Consideration	.88	.53	-.01 to .84	.62
Intellectual Stimulation	.86	.51	.08 to .89	.60
Contingent Reward	.82	.34	-.25 to .72	.41
Management-by-Exception	.65	.04	-.54 to .47	.05

Table 10: Exploratory factor analysis of leadership measure: initial model

	Idealized Influence	Inspirational Motivation/ Individualized Consideration	Intellectual Stimulation	Contingent Reward/ Mgmt-by- Exception	Factor 5
1. I make coworkers feel good to be around me	0.42	0.12	-0.02	-0.03	0.13
2. Coworkers have complete faith in me	0.50	-0.02	0.17	-0.05	0.28
3. Coworkers are proud to be associated with me	1.04	-0.03	-0.10	-0.00	-0.16
4. I express with a few simple words what we could and should do	0.31	-0.06	0.13	0.07	-0.12
5. I provide appealing images about what we can do	0.22	0.01	0.44	0.18	0.20
6. I help coworkers find meaning in their work	0.28	0.46	-0.01	0.13	-0.22
7. I enable coworkers to think about old problems in new ways	0.03	0.24	0.55	-0.07	-0.00
8. I provide coworkers with new ways of looking at puzzling things	0.00	-0.05	0.81	0.00	-0.00
9. I get coworkers to rethink ideas that they had never questioned before	-0.04	0.09	0.48	0.29	-0.43
10. I help coworkers develop themselves	-0.06	0.80	0.34	-0.09	0.02
11. I let coworkers know how I think they are doing	0.06	0.37	-0.01	0.18	-0.04
12. I give personal attention to coworkers who seem dejected	0.27	0.11	0.03	0.25	-0.03
13. I tell coworkers what to do if they want to be rewarded for their work	-0.01	0.12	0.14	0.66	-0.05
14. I provide recognition/rewards when coworkers reach their goals	0.01	0.27	-0.05	0.37	0.13
15. I call attention to what coworkers can get for what they accomplish	0.05	-0.06	0.03	0.71	-0.07
16. I am satisfied when coworkers meet standards	0.12	0.25	0.14	0.10	0.27
17. As long as things are working, I do not try to change anything	-0.05	0.11	0.07	0.31	0.28
18. I tell coworkers the standards they have to know to carry out their work	0.04	0.28	0.10	0.49	0.00
Eigenvalues	5.34	1.65	1.49	1.14	1.11
% of variance explained	29.65%	9.18%	8.28%	6.35%	6.14%

Results from Pattern Matrix; Maximum Likelihood Analysis; Oblimin rotation procedure

Table 11: Exploratory factor analysis of leadership measure: revised model

	Inspirational Motivation/ Individualized Consideration	Idealized Influence	Contingent Reward/ Mgmt-by- Exception
1. I make coworkers feel good to be around me	-.02	.51	.03
2. Coworkers have complete faith in me	.06	.64	-.05
3. Coworkers are proud to be associated with me	.01	.76	.06
5. I provide appealing images about what we can do	.36	.28	.15
7. I enable coworkers to think about old problems in new ways	.70	.07	-.06
8. I provide coworkers with new ways of looking at puzzling things	.80	.05	-.12
9. I get coworkers to rethink ideas that they had never questioned before	.59	-.13	.21
10. I help coworkers develop themselves	.57	.04	.14
13. I tell coworkers what to do if they want to be rewarded for their work	.09	-.09	.81
14. I provide recognition/rewards when coworkers reach their goals	-.01	.08	.41
15. I call attention to what coworkers can get for what they accomplish	-.08	.03	.68
18. I tell coworkers the standards they have to know to carry out their work	.11	.03	.61
Cronbach Alpha	.79	.65	.75
Eigenvalues	4.23	1.48	1.32
% of variance explained	35.27%	12.30%	10.97%

Results from Pattern Matrix; Maximum Likelihood Analysis; Oblimin rotation procedure

Table 12: Exploratory factor analysis of organizational effectiveness measure

Initial Model	Financial Stability	Mission Accomplishment
1. Diverse source of income	.48	.19
2. Ability to raise sufficient funds to accomplish our mission	.53	.16
3. Sufficient cash reserves to meet a short term drop in revenue	.44	.15
4. <i>Board of directors has the right mix of skills</i>	-.14	.83
5. <i>Board members give the necessary time</i>	-.05	.68
6. Good reputation	.80	-.05
7. Acknowledged as a trustworthy organization	.72	-.15
8. Clear mission statement	.07	.57
9. Uses our mission statement to guide program	.20	.60
10. Effectively accomplishes our mission	.24	.65
Eigenvalues	1.57	4.06
% of variance explained	15.72	40.55
Revised Model	Financial Stability	Mission Accomplishment
1. Diverse source of income	.69	.04
2. Ability to raise sufficient funds to accomplish our mission	.78	-.02
3. Sufficient cash reserves to meet a short term drop in revenue	.59	.02
6. Good reputation	-.17	.86
7. Acknowledged as a trustworthy organization	.01	.65
8. Clear mission statement	.04	.59
9. Uses our mission statement to guide program	.13	.63
10. Effectively accomplishes our mission	.21	.63
Cronbach Alpha	.73	.77
Eigenvalues	1.30	3.64
% of variance explained	16.19%	45.54%

Results from Pattern Matrix
Maximum Likelihood Analysis
Direct Oblimin rotation procedure

Table 13: Exploratory factor analysis of entrepreneurial orientation measure: initial model

	Innovation	Proactiveness	Risk Taking	Factor 4
1. High rate of new program and service development	0.63	0.06	-0.09	-0.06
2. Seeks unusual, novel solutions	0.69	0.07	-0.02	0.14
3. Makes decisions through active searches for new opportunities	0.68	0.54	-0.26	-0.06
4. Major social change is the goal	0.36	-0.03	0.23	0.19
5. Adherence to the status quo and stability are concerns (reversed scored)	-0.17	0.48	0.20	-0.18
6. Emphasizes continuous improvement	0.01	0.08	-0.13	0.99
7. Management philosophy that emphasizes proven program (reversed scored)	-0.04	0.55	0.16	0.11
8. Makes decisions using cautious, pragmatic steps (reversed scored)	-0.17	0.28	0.56	0.12
9. Compromises among conflicting demands	-0.01	0.09	0.28	-0.14
10. Takes risks in seizing and exploiting new opportunities	0.82	-0.21	0.06	0.07
11. Philosophy of “live and let live” (reversed scored)	0.00	-0.02	0.22	-0.02
12. Management avoids heavy spending on new programs (reversed scored)	0.05	0.01	0.62	0.00
13. Makes large, bold decisions despite uncertainty	0.77	-0.31	0.05	-0.05
Eigen values	3.76	1.89	1.24	1.11
% of variance explained	28.92	14.57	9.55	8.53

Table 14: Exploratory factor analysis of entrepreneurial orientation measure: final model

	Factor 1	Factor 2
1. High rate of new program and service development	.553	.097
2. Seeks unusual, novel solutions	.716	.001
4. Major social change is the goal	.466	-.183
6. Emphasizes continuous improvement	.386	-.032
10. Takes risks in seizing and exploiting new opportunities	.847	.141
13. Makes large, bold decisions despite uncertainty	.724	.240
5. Adherence to the status quo and stability are concerns (reversed scored)	.262	.478
7. Management philosophy that emphasizes proven program (reversed scored)	.015	.520
8. Makes decisions using cautious, pragmatic steps (reversed scored)	.059	.696
12. Management avoids heavy spending on new programs (reversed scored)	-.105	.494
Cronbach Alpha	.79	.65
Eigen values	3.44	1.72
% of variance explained	34.36	17.19

Results from Pattern Matrix; Maximum Likelihood Analysis; Direct Oblimin rotation procedure

Table 15: Harman's one factor test

	1 Mission Accomplishmen t	2 Mission Accomplishm ent	3 Entrepreneurial Orientation	4 Financial Stability	5 Transactional Leadership	6 Transformation al Leadership	7 Entrepreneurial Orientation	8 Transformati onal Leadership
My organization has a diverse source of income that provides us financial security	.37	.52	-.20	-.11	.12	.28	-.29	.09
My organization has the ability to raise sufficient funds to accomplish our mission	.37	.45	-.26	-.30	-.06	.28	-.35	-.08
My organization has sufficient cash reserves to meet a short term drop in revenue	.22	.50	-.32	-.12	.04	.33	-.23	-.02
In general, our organization has a good reputation	.62	.26	-.15	.35	-.17	-.20	.12	.22
We are widely acknowledged as a trustworthy organization	.46	.30	-.29	.24	-.09	-.02	.24	.56
My organization has a clear mission statement	.57	.22	-.27	.17	-.01	-.31	.17	-.22
My organization uses our mission statement to guide programs	.63	.38	-.18	.24	.04	-.18	-.03	-.28
My organization effectively accomplishes our mission	.63	.48	-.17	.14	-.07	-.03	.06	.03
I make coworkers feel good to be around me	.28	-.30	.14	.22	.53	.07	-.10	-.09
Coworkers have complete faith in me	.49	-.11	.12	.23	.49	.20	-.20	.21
Coworkers are proud to be associated with me	.43	-.35	.08	.33	.45	.22	-.04	.13
I provide appealing images about what we can do	.57	-.35	.00	.16	.01	.02	-.07	.02
I enable coworkers to think about old problems in new ways	.50	-.42	.14	.12	-.27	.01	-.38	.06
I provide coworkers with new ways of looking at puzzling things	.53	-.37	.07	.24	-.33	-.05	-.28	.11
I get coworkers to rethink ideas that they had never questioned before	.44	-.44	-.12	.05	-.47	.01	-.04	.07
I help coworkers develop themselves	.60	-.36	-.07	-.05	-.16	-.03	-.26	-.33
I tell coworkers what to do if they want to be rewarded for their work	.52	-.41	-.35	-.18	-.15	.20	.19	.03
I provide recognition/rewards when coworkers reach their goals	.40	-.24	-.14	-.33	.13	.10	.23	.13
I call attention to what coworkers can get for what they accomplish	.27	-.52	-.30	-.23	.07	.32	.37	.08
I tell coworkers the standards they have to know to carry out their work	.53	-.34	-.26	-.17	-.02	.17	.19	-.34

Table 15 (continued): Harman's one factor test

	1	2	3	4	5	6	7	8
	Mission Accomplishmen t	Mission Accomplishm ent	Entrepreneurial Orientation	Financial Stability	Transactional Leadership	Transformation al Leadership	Entrepreneurial Orientation	Transformati onal Leadership
My organization has a high rate of new program and service development compared to other organizations in our field	.57	.34	.19	-.33	-.09	.05	.06	.17
My organization seeks unusual, novel solutions by managers to problems via the use of "idea people", brainstorming, etc.	.66	.21	.22	-.33	.15	-.18	.17	-.02
My organization has major social change as a dominant goal	.36	-.11	.13	-.36	.22	-.38	.01	.05
My organization takes adherence to the status quo and stability as primary concerns	.31	.04	.65	.20	-.02	-.08	.11	.00
My organization has an emphasis on continuous improvement in methods of operation or service delivery	.59	.06	-.02	.20	.17	-.30	.08	-.20
My organization has a management philosophy that emphasizes proven services, programs, and approaches	-.04	.07	.67	.02	-.14	.20	-.01	.10
My organization makes decisions using cautious, pragmatic, step-at-a-time adjustments to problems	.21	.15	.56	.19	-.29	.31	.20	-.06
My organization takes risks in seizing and exploiting new opportunities	.61	.09	.46	-.38	.04	-.09	-.06	-.03
My organization has a management philosophy that emphasizes the avoidance of heavy expenditures on developing new programs	.14	.32	.21	.36	-.05	.50	.32	-.35
My organization makes large, bold decisions despite uncertainty	.49	.06	.53	-.40	-.03	.01	.01	.02
Eigen value	6.73	3.21	2.65	1.82	1.48	1.39	1.17	1.06
% of Variance Explained	22.44%	10.71%	8.84%	6.08%	4.92%	4.62%	3.89%	3.54%

Table 16: Chi-square, goodness-of-fit values, and model comparison tests

Model	χ^2	df	CFI
1. CFA	1,471.70	545	.92
2. Baseline	1,491.92	559	.91
3. Method-C	1,752.91	559	.88
4. Method-U	1,052.70	529	.95
Method-R	1,151.10	539	.94
Chi-Square Model Comparison Tests			Chi-Squared Critical Value;
Δ Models	$\Delta \chi^2$	Δ df	0.05
1. Baseline vs. Method-C	261.91*	4	9.49
2. Method-C vs. Method-U	700.91*	30	43.77
3. Method-U vs. Method-R	99.1*	10	18.31

*p<.05

CFA Model allows the marker variables to be freely estimated, except for 1 variable with each construct that is set to 1. This model establishes the estimates for the marker variables that are used in the baseline model.

Baseline model allows all variables, except 1 for each construct which is set to 1, to be freely estimated except the marker variables that are set equal to the estimates in the CFA model.

Method-U model has factor loadings from the method marker latent variable to all other variables.

Method-C is the same as Method-U, except that factor loadings from the latent marker variable to other items are forced to be equal.

Method-R model sets all of the substantive factor loadings as restricted to those in the baseline model.

Table 17: Method-U model factor loadings: completely standardized solution

Item	Transformational Leadership	Transactional Leadership	Entrepreneurial Orientation	Financial Stability	Mission Accomplishment	Marker
Transform1	.42*					-.47*
Transform2	.63*					-.29*
Transform 3	.56*					-.53*
Transform 4	.55*					-.26*
Transform 5	.70*					-.08
Transform 6	.71*					.09
Transform 7	.70*					.10
Transform 8	.79*					.16*
Transact1		.72*				.30*
Transact 2		.70*				.33*
Transact 3		.57*				.54*
Transact 4		.40*				.59*
Financial1				.67*		.40*
Financial 2				.57*		.49*
Financial 3				.54*		.41*
Mission1					.57*	.24*
Mission 2					.66*	.26*
Mission 3					.74*	-.06
Mission 4					.72*	-.01
Mission 5					.64*	-.17*
EO1			.53*			-.28*
EO2			.68*			-.21*
EO3			.30*			-.35*
EO4			.43*			-.45*
EO5			.55*			-.57*
EO6			.38*			-.62*
EO7			.45*			-.69*
EO8			.39*			-.65*

Table 17 (continued): Method-U model factor loadings: completely standardized solution

Item	Transformational Leadership	Transactional Leadership	Entrepreneurial Orientation	Financial Stability	Mission Accomplishment	Marker
EO9			.18*			-.62*
EO10			.13			-.58*
MARKER1						.65 ^a
MARKER2						.65 ^a
MARKER3						.60 ^a
MARKER4						.57 ^a
MARKER5						.44 ^a

^a Factor loadings taken from baseline model and held constant through the model comparison.

Transform= Transformational Leadership, Transaction = Transactional Leadership, Financial = Financial Stability, Mission= Mission Accomplishment, EO= Entrepreneurial Orientation, Marker= CMV Marker variable

Table 18: Reliability decomposition

Latent Variable	Reliability	Decomposed Reliability Method-U Model		
	Baseline Model	Substantive	Method	% Reliability
	Total Reliability	Reliability	Reliability	Marker Variable
Transformational Leadership	.85	.83	.04	4.84
Transactional Leadership	.83	.55	.29	35.16
Entrepreneurial Orientation	.88	.35	.54	60.93
Financial Stability	.78	.51	.27	34.78
Mission Accomplishment	.80	.81	.00	0.61
Marker Variable	.76	.76		

Table 19: Descriptive statistics: means, standard deviations, and correlations^a

	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Transformational leadership	3.17	0.46	(.75)								
2. Transactional leadership	2.52	0.75	.49	(.75)							
3. Entrepreneurial orientation	4.88	0.82	.35	.14	(.75)						
4. Financial stability	4.77	1.42	.02	.12	.18	(.73)					
5. Mission accomplishment	6.22	0.74	.27	.15	.26	.31	(.77)				
6. Organization age	27.67	24.99	-.04	.00	-.17	.02	.08				
7. Revenues (\$ millions)	3.06	2.98	-.09	.05	-.06	.21	.08	.25			
8. Org. size: no. employees	276.84	855.68	.07	.05	.07	.00	.08	.22	.05		
9. % revenue products/ services	18.13	27.34	.03	-.01	.08	.05	-.07	-.02	-.06	-.10	
10. Community and economic development sector	.29		-.10	.01	-.21	-.10	-.10	.04	.03	-.04	.09
11. Education sector	.11		.10	.19	.09	.11	.03	.00	.03	.03	-.03
12. Employment sector	.09		-.03	-.05	.07	-.08	-.13	-.10	-.06	.01	-.14
13. Health sector	.08		.10	.01	.01	-.06	-.04	.01	-.03	-.01	.12
14. Mental health sector	.13		.06	.01	.00	-.11	-.13	-.15	-.24	-.05	.18
15. Sector dummy variable ^b	.22		.00	-.01	.16	.05	.09	-.06	.12	-.04	.04
16. Industry Missing Value	.08		-.03	-.05	-.03	.06	.09	.07	.03	.03	-.09
17. Leader age ^c	3.39	1.07	.14	.08	.06	-.06	.18*	.17	.08	.03	.07
18. Leader business experience	25.89	29.82	-.05	.03	.13	-.09	-.10	-.22	-.25	-.08	.27
19. Leader gender ^d	0.42	0.49	-.09	-.10	-.04	-.11	-.15	.00	.11	.14	.16
20. CMV Marker	3.85	1.11	-.05	.13	-.31	.04	.05	.15	.24	.10	-.14

^a Scale reliabilities (Cronbach α) are on the diagonal in parentheses. Correlations $r \geq |.139|$ are significant at $p < .05$ level, and $r \geq |.182|$ are significant at $p < .01$ level

^b Other Sector (Arts, culture, and humanities; Civil and human rights; Environmental protection; Food, nutrition, agriculture; Housing; Legal advocacy; and Other)

^c Leader Age categories (1=20-29; 2=30-39; 3=40-49; 4=50-59; 5=60+)

^d Male = 1; Female = 0

Table 19 (continued): Descriptive statistics: means, standard deviations, and correlations ^a

	10	11	12	13	14	15	16	17	18	19
10. Community and economic development sector										
11. Education sector										
12. Employment sector										
13. Health sector										
14. Mental health sector										
15. Sector dummy variable ^b										
16. Industry Missing Value										
17. Leader age ^c	.03	-.08	-.02	.05	-.21	-.01	.08			
18. Leader business experience	-.01	.02	-.01	.14	.16	.10	-.12	-.07		
19. Leader gender ^d	.14	.07	.06	.18	.11	-.06	-.14	-.01	.20	
20. CMV Marker	.01	-.09	-.04	.02	-.06	-.05	.06	-.02	-.07	.14

^a Scale reliabilities (Cronbach α) are on the diagonal in parentheses. Correlations $r \geq |.139|$ are significant at $p < .05$ level, and $r \geq |.182|$ are significant at $p < .01$ level

^b Other Sector (Arts, culture, and humanities; Civil and human rights; Environmental protection; Food, nutrition, agriculture; Housing; Legal advocacy; and Other)

^c Leader Age categories (1=20-29; 2=30-39; 3=40-49; 4=50-59; 5=60+)

^d Male = 1; Female = 0

Table 20: Results of regression analysis: with CMV marker variable

Model	Financial Stability				Mission Accomplishment				Entrepreneurial Orientation		
	1	2	3	4	5	6	7	8	9	10	11
Organization age	-.05	-.06	-.06	-.03	.04	.00	.01	.04	-.17*	-.17*	-.12
Revenues	.17*	.18*	.16	.15	.00	.02	.03	.01	-.07	-.04	.07
Organization size	-.00	.01	.01	-.02	.05	.07	.05	.03	.10	.11	.10
% revenue products/ services	.108	.14	.15	.15	-.05	-.04	-.04	-.04	.14	.09	.02
Community and economic development sector ^a											
Education sector	.26**	.24*	.22*	.20	.14	.15	.12	.10	.17	.18	.08
Employment sector	.20	.02	.03	-.01	-.07	-.08	-.08	-.13	.19	.19	.18
Health sector	.06	.09	.09	.07	.05	.04	.01	-.01	.14	.13	.18*
Mental health sector	-.01	-.03	-.02	-.04	-.02	.02	-.03	-.03	.06	.08	.10
Other Sector	.09	.08	.09	.04	.15	.14	.13	.07	.28**	.26**	.03
Missing value dummy	.26	.24	.24	.17	.15	.13	.09	.01	.36	.35	.21*
Leader age		-.09	-.09	-.11		.16*	.14	.13		.09	.04
Leader business experience		-.05	-.06	-.08		-.04	-.02	-.05		.09	.12
Leader gender		-.11	-.11	-.12		-.12	-.11	-.12		-.07	.02
CMV marker			.03	.11			.06	.14			-.32***
Transformational leadership			-.03	-.11			.26**	.17			.35***
Transactional leadership			.08	.08			-.04	-.05			.02
Entrepreneurial orientation				.23*				.25**			
Model F	1.54	1.48	1.27	1.63	.80	1.15	1.61	2.04**	2.14**	1.88*	5.07***
Model R ²	.09	.11	.11	.15	.04	.08	.14	.18	.11	.13	.34
ΔR^2		.02	.00	.03		.04	.06*	.04**		.02	.21***

^a Community and economic development sector was the excluded dummy variable

* p < .05 ** p < .01 *** p < .001

Table 21: Hierarchical regression results: alternative analysis with single-item CMV marker variable

	Financial Stability		Mission Accomplishment		Entrepreneurial Orientation	
	12	13	14	15	16	17
Organization age	-.03	-.04	.04	.04	-.15*	-.14
Revenues	.17*	.17*	.04	.05	-.00	-.00
Organization Size	-.01	-.02	.03	.04	.09	.10
% revenue products/ services	.14	.14	-.05	-.05	.08	.09
Community and economic development sector ^a						
Education sector	.20	.20	.10	.01	.12	.12
Employment sector	-.04	-.03	-.14	-.15	.17	.16
Health sector	.07	.06	-.00	-.00	.08	.09
Mental health sector	-.01	-.01	-.02	-.02	.00	.00
Other Sector	.03	.03	.06	.06	.22	.21*
Missing value dummy variable	.18	.19	.02	.02	.27	.26
Leader age	-.10	-.09	.13	.13	.05	.04
Leader business experience	-.09	-.09	-.05	-.05	.11	.12
Leader gender	-.09	-.08	-.08	-.08	-.02	-.04
Transformational leadership	-.08	-.09	.20*	.20*	.40***	.41***
Transactional leadership	.08	.09	-.03	-.03	-.05	-.06
Entrepreneurial orientation	.19*	.20*	.19*	.19*		
CMV marker ^c		.07		-.01		-.09
Model F	1.63	1.58	2.04*	1.91*	3.68***	3.57***
Model R ²	.14	.15	.17	.17	.26	.27
ΔR^2		.01		.00		.01

^a Community and economic development sector was the excluded dummy variable

^c Single-item CMV Marker variable is life satisfaction

* p < .05 ** p < .01 *** p < .001

Figure 1: Relationship of leadership style, entrepreneurial orientation and organizational effectiveness

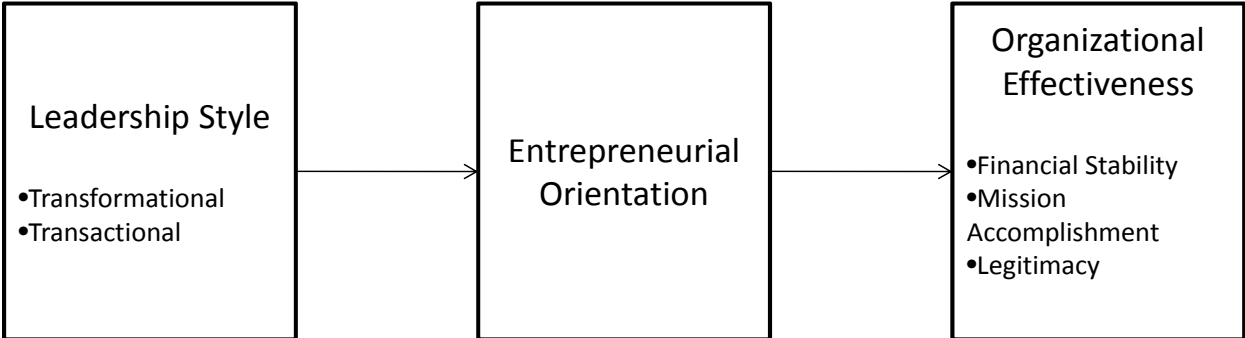


Figure 2: Histogram of leadership item responses

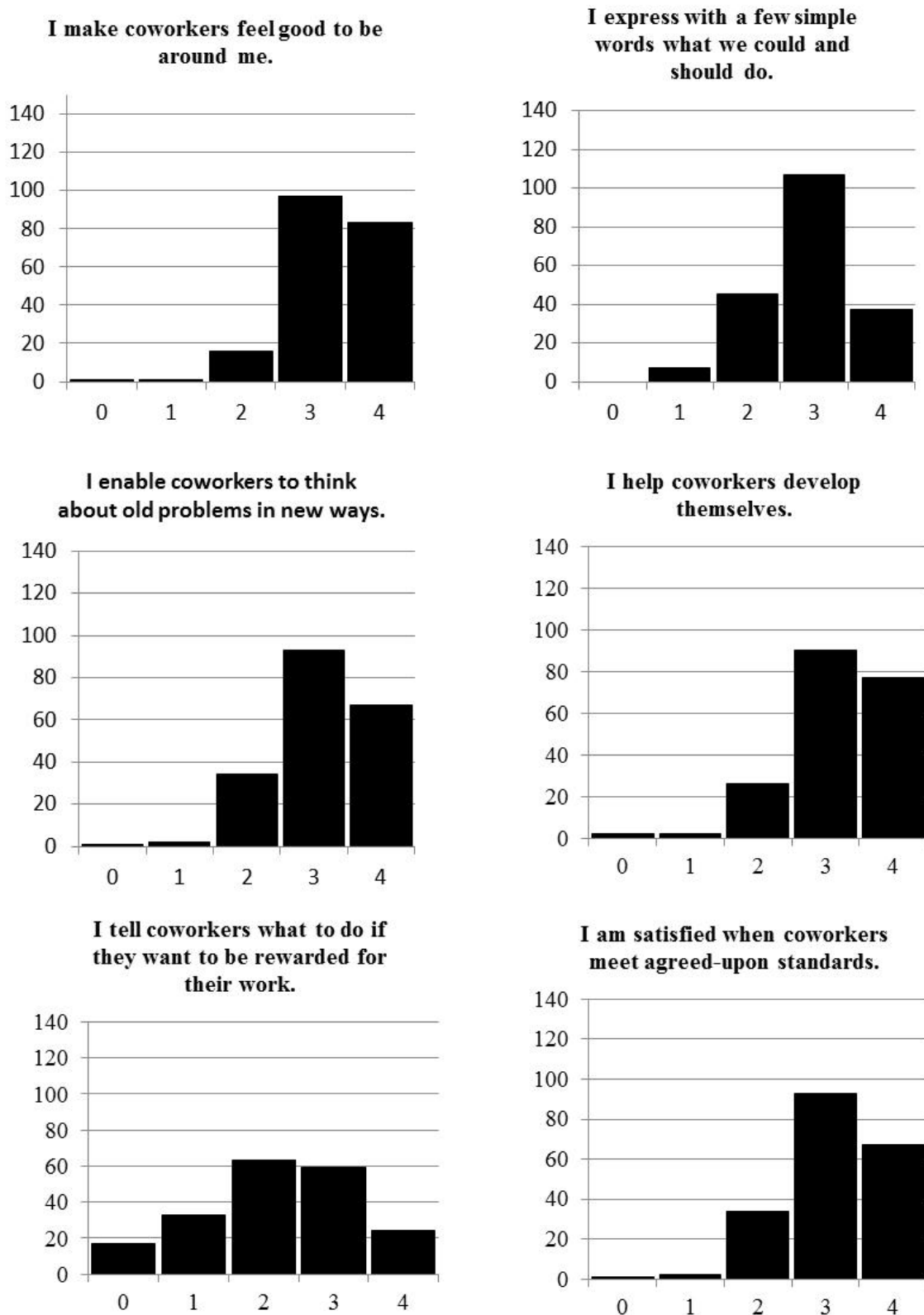


Figure 2 (continued): Histogram of leadership item responses

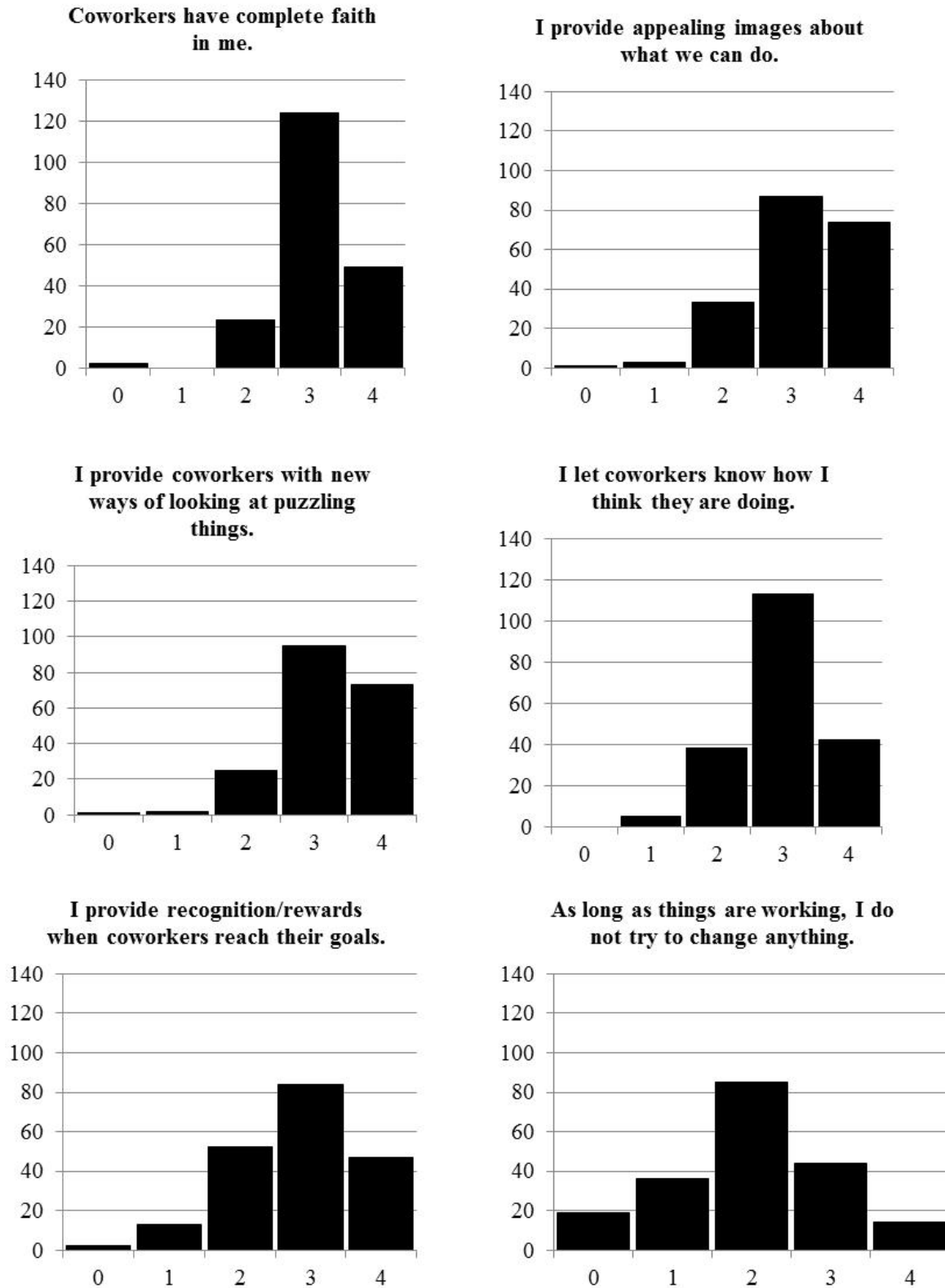


Figure 2 (continued): Histogram of leadership item responses

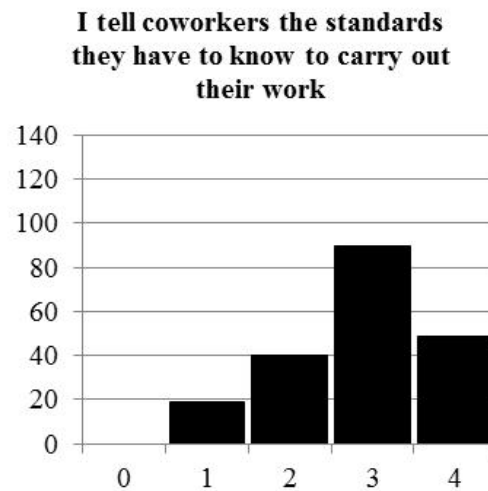
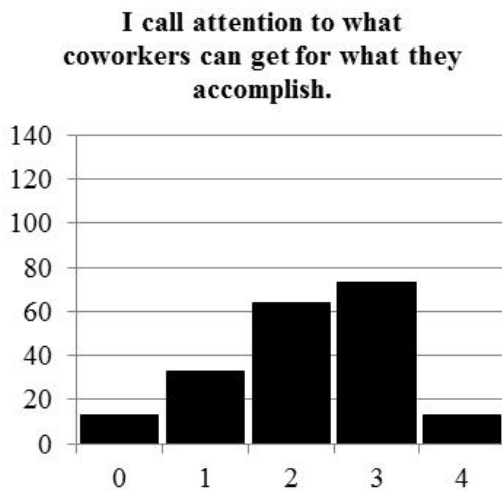
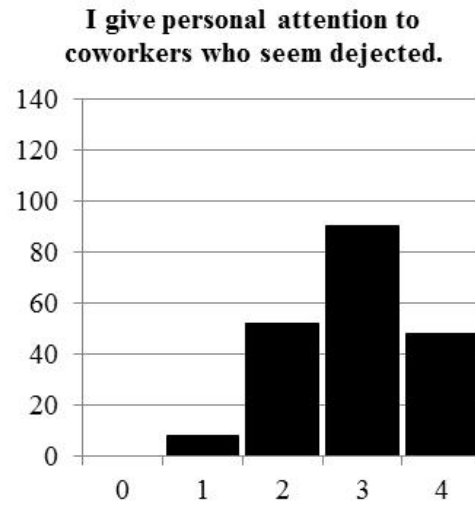
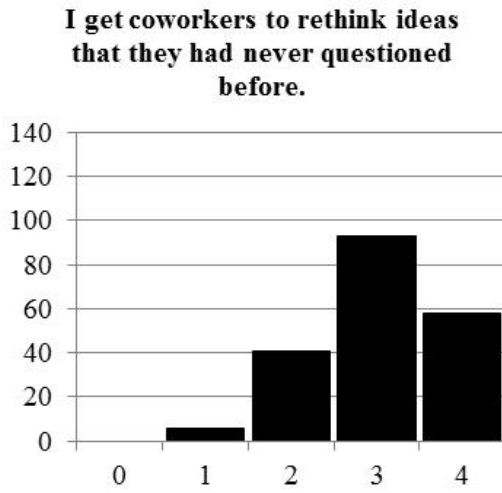
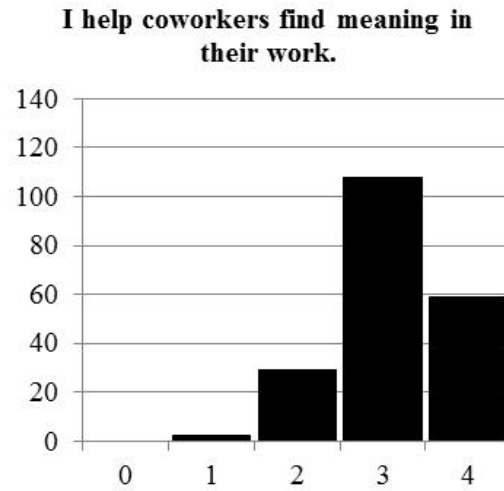
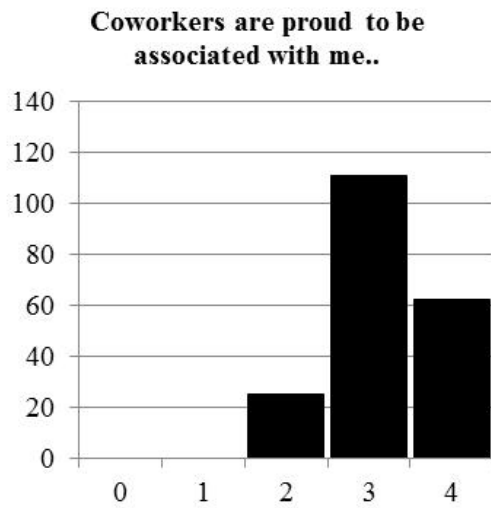
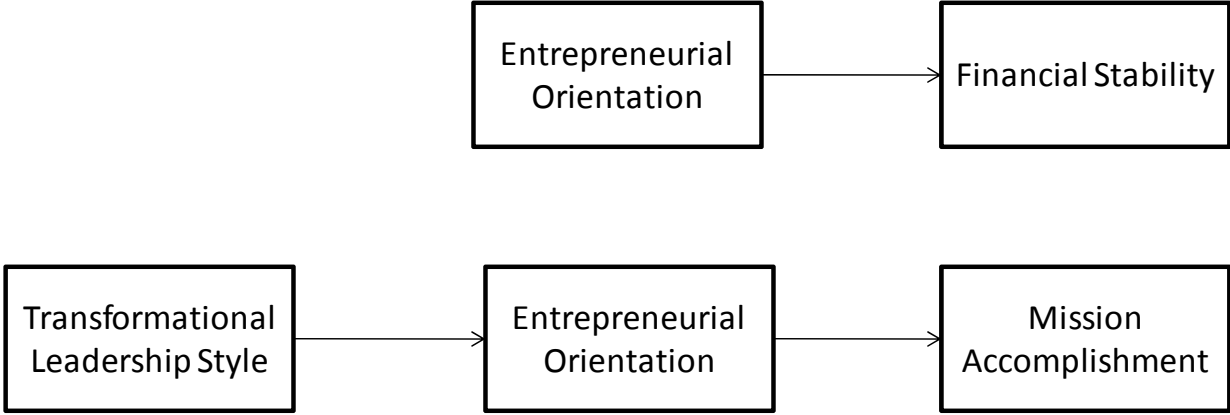


Figure 3: Model of research relationships



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Appendices

Appendix A: Letter to participants

Non-profit Survey on Leadership and Culture

Dear Colleague,

I would like to invite you to participate in the online survey below looking at leadership style and organizational culture in non-profits. Non-profit organizations are facing many challenges- more competition for funding, for-profit businesses starting in traditional non-profit territories, and increased accountability. This survey is meant to help determine what impact these changes are having on non-profit organizations.

The benefit of the survey is that you will receive feedback on your own leadership style and organizational culture. This self-assessment is helpful to your continuing development as a non-profit leader. In a couple of weeks, you will be emailed your results compared to the average of all the executive directors responding to the survey. I realize that you are busy, but you may consider that it is worth the time to gain some insights into your own leadership style, and even thinking through your responses to the questions will be useful. The survey will take about 25-30 minutes and consists primarily of questions requiring an answer on a scale of 1 to 7. Craig Mayberry, a graduate student at the University of British Columbia, is conducting the research as part of his dissertation.

In addition, at the end of the survey there is a question as to whether you want to do an organizational assessment. This is purely voluntary and would provide insights into how your staff and board members view your leadership style. A similar survey would be sent to staff, volunteers and board members for their responses. If you answer yes, Craig will contact you directly and work out the details.

Your participation is voluntary and completely confidential. Your decision to participate in this survey or not will not affect your relationship with our organization. Participants may be contacted in the future to complete the questionnaire again. When you are ready to take the survey, click on the link below.

http://www.surveymonkey.com/s.aspx?sm=_2bO2dbFkC9QVXpePvygDSqg_3d_3d

If you have any concerns about your treatment or rights as a research subject, you may contact the Research Subject Information Line in the UBC Office of Research Services at 604-822-8598 or if long distance e-mail to RSIL@ors.ubc.ca.

Sincerely,

Researcher

Study Title- The Impact of Leadership and Culture in Non-Profits

Craig Mayberry

Graduate Student, University of British Columbia

Appendix B: Survey

Survey website:

http://www.surveymonkey.com/s.aspx?sm=MQk0rTs58OmvgfXz3NilWg_3d_3d

This questionnaire will provide feedback as to your leadership style and characteristics of your organizational culture. Given the limitations of Survey Monkey, the results will be emailed to you. At the end of the survey you will be asked for your email address. This will only be collected for purposes of sending you a feedback report. All answers are confidential and participation in this survey is voluntary.

Background Information:

Your position in the organization [Executive Director, Other]

Year Organization Founded:

Did you start the organization? [Yes, No]

How many full-time paid staff does your organization employ?

How many part-time paid staff?

How many volunteers?

[Consistent with Snow, 1992]

Annual Budget: (less than \$10,000; \$10,000-\$50,000; \$50,001-\$100,000; \$100,001-\$200,000; \$201,000-\$500,000; \$500,000-\$1 million; \$1 million - \$5 million; Over \$5 million)

Currency of revenue [U.S Dollar, Canadian Dollar, Other]

Mission orientation (pick the one that applies the most)

[listed in alphabetical order]

Arts, culture, humanities

Civil and human rights

Community improvement and economic development

Education

Employment

Environmental protection

Food, nutrition, agriculture

Health

Housing

Legal advocacy

Mental health

Location of the headquarters of your organization

State/Province: _____
Country: _____

How many cities do you have staff/volunteers located in: _____

Leadership Style:

Instructions: This questionnaire provides a description of leadership styles. Eighteen descriptive statements are listed below. As the leader of the organization, judge your own performance. The word co-worker means your staff, clients, or group members.

Key:

0 = Not at all

1 = Once in a while

2 = Sometimes

3 = Fairly often

4 = Frequently, if not always

- | | |
|------------------------------------------------------------------------------|-----------|
| 1. I make coworkers feel good to be around me. | 0 1 2 3 4 |
| 2. I express with a few simple words what we could and should do. | 0 1 2 3 4 |
| 3. I enable coworkers to think about old problems in new ways. | 0 1 2 3 4 |
| 4. I help coworkers develop themselves. | 0 1 2 3 4 |
| 5. I tell coworkers what to do if they want to be rewarded for their work. | 0 1 2 3 4 |
| 6. I am satisfied when coworkers meet agreed-upon standards. | 0 1 2 3 4 |
| 7. Coworkers have complete faith in me. | 0 1 2 3 4 |
| 8. I provide appealing images about what we can do. | 0 1 2 3 4 |
| 9. I provide coworkers with new ways of looking at puzzling things. | 0 1 2 3 4 |
| 10. I let coworkers know how I think they are doing. | 0 1 2 3 4 |
| 11. I provide recognition/rewards when coworkers reach their goals. | 0 1 2 3 4 |
| 12. As long as things are working, I do not try to change anything. | 0 1 2 3 4 |
| 13. Coworkers are proud to be associated with me. | 0 1 2 3 4 |
| 14. I help coworkers find meaning in their work. | 0 1 2 3 4 |
| 15. I get coworkers to rethink ideas that they had never questioned before. | 0 1 2 3 4 |
| 16. I give personal attention to coworkers who seem dejected. | 0 1 2 3 4 |
| 17. I call attention to what coworkers can get for what they accomplish. | 0 1 2 3 4 |
| 18. I tell coworkers the standards they have to know to carry out their work | 0 1 2 3 4 |

Organizational Culture (OCAI):

Scale

7- Completely Agree

6- Mostly Agree

5- Slightly Agree

4- Neither Agree or Disagree

3- Slightly Disagree

2- Mostly Disagree

1- Completely Disagree

Instructions: This questionnaire provides a description of types of organizational culture. Twenty descriptive statements are listed below. As the leader of the organization, judge your own organization.

1. Dominant characteristics
 - a. My organization is a very personal place. It is like an extended family. People seem to share a lot of themselves
 - b. My organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
 - c. My organization is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.
 - d. My organization is a very controlled and structured place. Formal procedures generally govern what people do.
2. Organizational Glue
 - a. The glue that holds my organization together is loyalty and mutual trust. Commitment to this organization runs high.
 - b. The glue that holds my organization together is a commitment to innovation and development. The emphasis is on being on the cutting edge.
 - c. The glue that holds my organization together is the emphasis on achievement and goal accomplishment.
 - d. The glue that holds my organization together is formal rules and policies. Maintaining a smooth-running organization is important.
3. Strategic Emphases
 - a. My organization emphasizes human development. High trust, openness, and participation persist.
 - b. My organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.
 - c. My organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
 - d. My organization emphasizes permanence and stability. Efficiency, control, and smooth operations are important.
4. Criteria of Success
 - a. My organization defines success on the basis of the development of human resources, teamwork, and concern for people.
 - b. My organization defines success on the basis of having the most unique or the newest product or service. It is a product or service leader and innovator.
 - c. My organization defines success on the basis of outpacing the competition. Competitive leadership is key.

- d. My organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.

5. Management Style

- a. The management style in my organization is characterized by teamwork, consensus, and participation.
- b. The management style in my organization is characterized by individual risk-taking, innovation, freedom, and uniqueness.
- c. The management style in my organization is characterized by hard-driving competitiveness, high demands, and achievement.
- d. The management style in my organization is characterized by security of employment, conformity, predictability and stability in relationships.

Organizational Effectiveness Survey:

Scale

- 7- Completely Agree
- 6- Mostly Agree
- 5- Slightly Agree
- 4- Neither Agree or Disagree
- 3- Slightly Disagree
- 2- Mostly Disagree
- 1- Completely Disagree

Answer the following questions as to how much you agree or disagree with the statement.

Financial (7 point scale)

- 1. My organization has a diverse source of income that provides us financial security 1 2 3 4 5 6 7
- 2. My organization has the ability to raise sufficient funds to accomplish our mission 1 2 3 4 5 6 7
- 3. My organization has sufficient cash reserves to meet a short term drop in revenue 1 2 3 4 5 6 7

Legitimacy (7 point scale)

- 1. In general, our organization has a good reputation 1 2 3 4 5 6 7
- 2. We are widely acknowledged as a trustworthy organization 1 2 3 4 5 6 7
- 3. Our board of directors has the right mix of skills and experience 1 2 3 4 5 6 7
- 4. Board members are able to give the necessary time to do the job well 1 2 3 4 5 6 7

Mission Accomplishment (7 point scale)

- | | |
|-----------------------------------------------------------------|---------------|
| 1. My organization has a clear mission statement | 1 2 3 4 5 6 7 |
| 2. My organization uses our mission statement to guide programs | 1 2 3 4 5 6 7 |
| 3. My organization effectively accomplishes our mission | 1 2 3 4 5 6 7 |

Entrepreneurial Orientation:

(1 = Completely Disagree, 7 = Completely Agree)

Innovation

1. My organization has a high rate of new program and service development compared to other organizations in our field
2. My organization seeks unusual, novel solutions by managers to problems via the use of “idea people”, brainstorming, etc.
3. My organization makes decisions through active searches for major new opportunities
4. My organization has major social change as a dominant goal
5. My organization takes adherence to the status quo and stability as primary concerns

Proactiveness

6. My organization has an emphasis on continuous improvement in methods of operation or service delivery
7. My organization has a management philosophy that emphasizes proven services, programs, and approaches
8. My organization makes decisions using cautious, pragmatic, step-at-a-time adjustments to problems
9. My organization compromises among conflicting demands of the different publics we serve, including sources of funding, clients, employees, government, board members, etc.

Risk-taking

10. My organization takes risks in seizing and exploiting new opportunities
11. My organization has a philosophy of “live and let live” with other organizations that compete for the same resources we do
12. My organization has a management philosophy that emphasizes the avoidance of heavy expenditures on developing new programs
13. My organization makes large, bold decisions despite uncertainty

Identify the approximate percentage of revenue from each of the following sources today.

	Today
Foundation Grants	_____
Membership	_____
Private Donors	_____
Sale of Goods or Services	_____
Government Funding	_____
Founders	_____
Shareholders	_____
Loans	_____
In Kind	_____
Barter	_____

Other (please specify _____) _____

Participant Information:

Gender: (Female; Male)

Education Level: (High School; Associates Degree; Bachelors Degree; Graduate Degree)

What is your predominant educational background?

% of total years work experience in each sector: (Non-profit, Business, Government, Other)

Age: (20-29; 30-39; 40-49; 50-59; 60+)

Please take a moment to think about how satisfied you are with YOUR JOB IN GENERAL. In the space below enter a number between 0 and 100 that best summarizes your feelings toward your job. 100 would be very satisfied or very warm feeling, while 0 would be a very dissatisfied or very cold feeling. You can think of it in terms of a thermometer.

Please take a moment to think about how satisfied you are with YOUR LIFE IN GENERAL. In the space below enter a number between 0 and 100 that best summarizes your feelings toward your life. 100 would be very satisfied or very warm feeling, while 0 would be a very dissatisfied or very cold feeling. You can think of it in terms of a thermometer.

If you would like the results of this surveyed emailed to you, please include your email account. This will be kept confidential.

Would you like to conduct a broader organizational assessment of leadership and organizational culture? This would consist of sending parts of this survey to staff and board members and is entirely voluntary (If the answer is “yes”, please include your phone number below so the researcher can call to discuss the process) [yes, no]

Are you willing to be interviewed by telephone so that we can gain a greater understanding of your thoughts about leadership and organizational culture in non-profit organizations?
(Yes: No)

If the answer to question #10 or #11 is Yes, please provide your phone number where you can be contacted.

Appendix C: Instrument scoring

Leadership Style

The MLQ-6S measures your leadership on seven factors related to transformational leadership. Your score for each factor is determined by summing three specified items on the questionnaire. For example, to determine your score for Factor 1, Idealized influence, sum your responses for items 1, 8, and 15.

Transformational Leadership Styles

- Idealized influence (items 1, 7, and 13) Factor 1
- Inspirational motivation (items 2, 8, and 14) Factor 2
- Intellectual stimulation (items 3, 9, and 15) Factor 3
- Individualized consideration (items 4, 10, and 16) Factor 4

Transactional Leadership Styles

- Contingent reward (items 5, 11, and 17) Factor 5
- Management-by-exception (items 6, 12, and 18) Factor 6

Score range: high = 9-12, moderate = 5-8, low = 0-4

Scoring Interpretation

Factor 1. Idealized influence indicates whether you hold subordinates' trust, maintain their faith and respect, show dedication to them, appeal to their hopes and dreams, and act as their role model.

Factor 2. Inspirational motivation measures the degree to which you provide a vision, use appropriate symbols and images to help others focus on their work, and try to make others feel their work is significant.

Factor 3. Intellectual stimulation shows the degree to which you encourage others to be creative in looking at old problems in new ways, create an environment that is tolerant of seemingly extreme positions, and nurture people to question their own values and beliefs and those of the organization.

Factor 4. Individualized consideration indicates the degree to which you show interest in others' well-being, assign projects individually, and pay attention to those who seem less involved in the group.

Factor 5. Contingent reward shows the degree to which you tell others what to do in order to be rewarded, emphasize what you expect from them, and recognize their accomplishments.

Factor 6. Management-by-exception assesses whether you tell others the job requirements, are content with standard performance, and are a believer in "if it ain't broke, don't fix it."

Factor 7. Laissez-faire measures whether you require little of others, are content to let things ride, and let others do their own thing.

Organizational Culture

Scoring is based on adding up the scores from each letter under the 5 categories and dividing by 5.

Clan= all answers for 'a' divided by 5
Adhocracy= all answers for 'b' divided by 5
Market= all answers for 'c' divided by 5
Hierarchy= all answers for 'd' divided by 5