


Founding Team Entrepreneurial Experience, External Financing and Social Enterprise Performance

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This paper examines the influence of founding team entrepreneurial experience (for-profit and non-profit) on social enterprise performance and also considers the contingent effects of two forms of external financial capital (commercial and philanthropic finance), through the lens of both human capital and institutional logics. Using a global dataset of social enterprises, we find that non-profit entrepreneurial experience boosts social enterprise performance. Additionally, we find that having a complementary institutional logics (social or commercial) fit between the founding team's human capital and external financial capital is positively associated with social enterprise performance.

Introduction

Social enterprise is an important institution, contributing to economic development and growth (Estrin, Mickiewicz and Stephan, 2013; Nicholls, 2010b). Unlike commercial entrepreneurs, social entrepreneurs emphasize social value creation over economic value creation (Austin, Stevenson and Wei-skillern, 2006). Given the differences in their mission, opportunity perception and organizational form, it is likely that social enterprises are influenced by different types of skills, experiences and abilities (i.e. human capital), and by the context in which they are embedded (Estrin, Mickiewicz and Stephan, 2016; Welter and Baker, 2021). These factors lead to differences in governance (Ebrahim, Battilana and Mair, 2014), internal tensions (Battilana and Dorado, 2010) and resourcing (Jayawarna, Jones and Macpherson, 2020).

Despite extensive research on the role of human capital (education and experience) in entrepreneurship (see Marvel, Davis and Sproul, 2016, for a review), significant gaps exist in our understanding of how human capital influences social enterprise performance. First, despite acknowledged differences in motivations and outcomes between social and commercial entrepreneurs (Austin, Stevenson and Wei-skillern, 2006; Stephan *et al.*, 2016), few studies have explored the role of entrepreneurship-specific human capital in social enter-

prise outcomes (Estrin, Mickiewicz and Stephan, 2016; Sahasranamam *et al.*, 2021). For example, we have limited knowledge of the role of the founding teams' human capital on the performance of social enterprises. Second, prior research on human capital and entrepreneurship has considered the role of external contingencies at country and regional levels on the relationship between entrepreneurship-specific human capital and venture outcomes (De Clercq, Lim and Oh, 2013; Sahasranamam and Nandakumar, 2020). However, limited research exists on the contingency effects of investment from different external financing sources (Marvel, Davis and Sproul, 2016; Unger *et al.*, 2011), particularly with regard to social enterprises. Research has established that human capital is the most frequently used selection criterion in external financing decisions (Gimmon and Levie, 2010; Zacharakis, McMullen and Shepherd, 2007). However, unlike commercial enterprises, social enterprises often rely on a combination of commercial and philanthropic financing sources (Lall and Park, 2022; Sahasranamam and Nandakumar, 2020). Hence, there is a need to understand the combined influence of founding team entrepreneurial experience (i.e. for-profit and non-profit experience) and investment from different financing sources (i.e. debt, equity and philanthropy) on social enterprise outcomes. Therefore, we address the following research questions in this study. (1) How do different types of

entrepreneurial experience affect social enterprise performance? (2) How does financial capital from different sources moderate the relationship between entrepreneurial experience and social enterprise performance (in terms of revenues and firm size)?

We draw on human capital and institutional logics literature to study these questions. Human capital theory highlights the value of education and experience, indicating that individuals have varying levels of knowledge and skills that can transform into differing amounts of economic value (Becker, 1994; Schultz, 1959). Founding entrepreneurial teams are likely to influence emerging organizations through the outcomes of their previous experience and leadership (Colombo and Grilli, 2005). In the context of social enterprises, the entrepreneurial experience of founders is likely to emanate from their prior involvement in both for-profits (commercial logic) and non-profits (social logic). During the early stages of a new venture, when other credible forms of legitimacy are yet to be established, endorsements from external actors, including investors, can serve as a source of both financial and reputational capital and can shape potential opportunities and how the venture will respond to these (Gimmon and Levie, 2010; Islam, Fremeth and Marcus, 2018). Aside from the human capital of the founding team, relationships with external sources of financial capital can have a contingent effect on the orientation of a social venture (Wood and McKinley, 2010). This can lead to the venture being shaped in terms of various structural aspects, including its hiring process and its overall revenues. Social entrepreneurs typically rely on a wide range of financing sources, including philanthropy and commercial sources such as debt and equity (Nicholls, 2010a). The nature of alignment between the institutional logics of the founding team and investors is expected to lead to varied venture outcomes (Battilana and Dorado, 2010). Thus, through the integration of human capital and institutional logics literature, we discuss the influence of founding team entrepreneurial experience on social enterprise performance and also the contingent effect of different financial capital sources on this.

We empirically test the model using data from the Global Accelerator Learning Initiative (GALI), a database that aggregates anonymized application data from social accelerators around the world (Roberts and Lall, 2019). Although collecting data on social ventures at a global scale is challenging for multiple reasons, the GALI dataset overcomes many of the limitations of past efforts by including both founding team and venture-level data from a wide range of accelerator programmes, rather than data from a single intermediary.

The study makes three theoretical contributions. First, while extensive research exists on human capital and entrepreneurship (Marvel, Davis and Sproul, 2016; Unger *et al.*, 2011), by distinguishing between experi-

ence in the for-profit and non-profit sectors, and the effects of different entrepreneurial experiences on social enterprise performance, our study highlights the under-explored aspect of the diversity of entrepreneurial experiences. Second, although extant research discusses the influence of individual characteristics and social entrepreneurship (Bacq and Alt, 2018; Estrin, Mickiewicz and Stephan, 2016), founding team-level effects are largely unexplored (Saebi, Foss and Linder, 2019). We contribute to this gap by highlighting the influence of the founding team's human capital on social venture outcomes. Third, we build on existing institutional logics research (Battilana and Dorado, 2010; Zhao and Lounsbury, 2016) to inform our understanding of social entrepreneurship antecedents and outcomes (Jayawarna, Jones and Macpherson, 2020; Molecke and Pinkse, 2020). Our focus is uniquely placed on empirically testing the effects of tensions in multiple logics (Besharov and Smith, 2014) on social enterprise performance. We do this by taking into consideration investment from both commercial (debt, equity) and philanthropic financing sources (Lall and Park, 2022; Nicholls, 2010a) to highlight how the different profiles of investors interact with founding teams' entrepreneurial experiences in influencing the performance of social enterprises. Finally, while prior research discusses multiple levels of analysis in institutional logics (Tracey, Phillips and Jarvis, 2011), we make a novel empirical contribution by employing a quantitative approach to examine institutional logics at multiple levels in the context of social enterprises. Thus, we test prior qualitative research-based theorizing on intrinsic and extrinsic tensions in hybrid organizations (Battilana and Dorado, 2010; Besharov and Smith, 2014) using a large dataset and contribute to a better understanding of the relationship between the founding team and investors in the context of organizations with hybrid objectives.

Theory and hypotheses

Human capital and entrepreneurship

Human capital theory was originally developed to study the value of education and broadly suggests that educational achievements and experiences can generate differing economic value (Becker, 1994; Schultz, 1959). This conceptualization has been extensively used in the entrepreneurship literature (see Marvel, Davis and Sproul, 2016 for a literature review) to understand its effect at an individual (Estrin, Mickiewicz and Stephan, 2016) and a team (Colombo and Grilli, 2010) level. It is acknowledged that human capital helps in the discovery and exploitation of opportunities through the attraction of external resource support and by creating a competitive

advantage through new knowledge accumulation (Marvel, Davis and Sproul, 2016).

Human capital comprises general and specific types of human capital. General human capital refers to the educational attainment of individuals, while specific human capital relates to having the knowledge and skills required for a specific purpose, in this case, entrepreneurship (Estrin, Mickiewicz and Stephan, 2016). Each of these forms of capital is likely to have varied effects on different aspects of entrepreneurship, and hence they benefit from being studied in isolation (Marvel, Davis and Sproul, 2016). For instance, Davidsson and Honig (2003) found that specific human capital was beneficial to nascent entrepreneurs and venture development, while general human capital did not have an impact at this early stage. In the context of initial public offerings, Dimov and Shepherd (2005) found that general human capital was helpful, while specific human capital was of little value. Similarly, external environment factors have different contingent effects on the relationship between these two forms of human capital and entrepreneurial outcomes. For example, De Clercq, Lim and Oh (2013) observed positive moderating effects for financial and educational systems on specific human capital investment towards commercial entrepreneurship, while there was a negative moderating effect for cultural factors such as hierarchy and conservatism. The study by Xavier-Oliveira, Laplume and Pathak (2015) noted a negative moderating effect of economic inequality on the relationship between general human capital and entry into necessity-based entrepreneurship. Estrin, Mickiewicz and Stephan (2016) found that the rule of law influences only the specific human capital investment towards commercial entrepreneurship entry and not general human capital. Similarly, it has been observed that the education system positively moderates specific human capital investment towards social entrepreneurship entry (Sahasranamam and Nandakumar, 2020). Finally, in high-individualism cultures, specific human capital is directed more towards commercial entrepreneurship compared to social entrepreneurship (Sahasranamam *et al.*, 2021). Furthermore, as suggested earlier, there is limited research that explores the role of human capital in social enterprises, including its contingencies (Estrin, Mickiewicz and Stephan, 2016; Sahasranamam *et al.*, 2021). Our study aims to address this gap.

Institutional logics and social entrepreneurship

Thornton and Ocasio (1999, p. 804) defined institutional logics as ‘the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’.

The core assumption behind this approach is that of embedded agency, wherein the interests, identities and values of individuals or organizations are embedded within the prevailing institutional logic (Thornton and Ocasio, 1999). There exist multiple logics, which are manifest at multiple levels, such as fiduciary and corporate logic in public accounting (see Thornton and Ocasio, 2008, for a list of categorizations). These multiple logics differ based on their sources of legitimacy, identity and authority, and the nature of governance mechanisms they employ, among others factors (Thornton and Ocasio, 2008).

In the context of social enterprises, the idea of dual institutional logics (social and commercial) is widely used to discuss the internal and external behaviours of social enterprises (Battilana and Dorado, 2010; Lee and Battilana, 2013). Social enterprises often struggle to perform, not only because they shoulder the burdens of newness and smallness but also because of dual logics, as they straddle the social and commercial domains (Battilana and Dorado, 2010). These dual logics are likely to trigger internal tensions that may create conflicts among members, who are ultimately the very people who enact the actions (Doherty, Haugh and Lyon, 2014; Mikołajczak, 2020). Dual logics also pose challenges for social enterprises seeking external resources, as their hybrid design may make their value uncertain to resource providers, for example having to constantly balance the interests of philanthropic and commercial capital providers (Austin, Stevenson and Wei-skillern, 2006).

We build on this discussion of the internal and external tensions of the dual logics experienced by social enterprises by a specific focus on the interplay of institutional logics between the founding team and external investors and on the impact of this interplay on social enterprise performance. In summary, we build on the literature on human capital (Marvel, Davis and Sproul, 2016) and dual institutional logics (Besharov and Smith, 2014) in the following sections, to develop our hypotheses.

Founding team's entrepreneurial experience and social enterprise performance

The founding team's specific entrepreneurial experience is a valuable asset for entrepreneurial ventures (Colombo and Grilli, 2005; Colombo, Delmastro and Grilli, 2004). It is often noted to be of more value than general human capital (educational qualifications) in shaping the performance of new ventures (Ucbasaran, Wright and Westhead, 2008). It equips the founding team with the knowledge and skills needed to evaluate the viability of new business opportunities and to mobilize the resources needed to exploit these opportunities (Davidsson and Honig, 2003). As such, it is suggested

that, all else being equal, founding teams with greater stocks of entrepreneurial experience are more likely to perform better (Marvel, Davis and Sproul, 2016; Unger *et al.*, 2011).

Entrepreneurial experiences in the case of social enterprises can emanate from working in both for-profit and non-profit sectors. In the case of social enterprises, as they tackle hybrid objectives of both an economic and a social nature, the two different forms of entrepreneurial experience are likely to offer different skill sets (Lee and Battilana, 2020). Both these forms of entrepreneurial experience are likely to be crucial for the social venture's performance. Experience in the for-profit sector would equip the founding team with knowledge of commercial approaches to raising external investments and also of the growth metrics that commercial enterprises routinely employ. Prior founding experience in the for-profit sector also potentially offers a greater understanding of business operations, prioritization of the profit motive, and more familiarity with commercial financial actors such as banks and venture capitalists (Gimmon and Levie, 2010). The founding team's experience in the non-profit sector provides knowledge of collaborative approaches and appropriate ways of measuring social impact and engaging with social communities (Lall, 2017; Scarlata, Zacharakis and Walske, 2016). Therefore, we posit that both forms of entrepreneurial experience are likely to have a positive effect on social enterprise performance.

H1: Founding team for-profit entrepreneurial experience has a positive effect on social enterprise performance

H2: Founding team non-profit entrepreneurial experience has a positive effect on social enterprise performance

Entrepreneurial experience, external financing and social enterprise performance

Despite entrepreneurial experience being a valuable asset in improving social enterprise performance relative to other firms, absolute performance is often dependent on the overall context in which the enterprise operates and on the enterprise's ability to mobilize external resources (Bertoni, Colombo and Grilli, 2011; Marvel, Davis and Sproul, 2016). In this context, Short, Moss and Lumpkin (2009) noted the importance of examining financing as a viable area of research within the context of social enterprises. However, despite the promise of this research avenue, data and research on the topic are still relatively scarce (Kaushik *et al.*, 2023; Lall and Park, 2022).

Social enterprises do not exist in a vacuum, and their actions are influenced by external stakeholders (Battilana and Lee, 2014; Besharov and Smith, 2014). Exter-

nal financing is critical for firms to grow in size (Gilbert, McDougall and Audretsch, 2006). Higher levels of financing allow entrepreneurs to be more ambitious and offer flexibility (Plummer, Allison and Connelly, 2016). However, most early-stage ventures struggle to access financing, owing to the liabilities of newness and smallness (Zimmerman and Zeitz, 2002) and information asymmetries (Plummer, Allison and Connelly, 2016).

Founding team characteristics typically act as signals for potential investors, in the absence of other information on venture quality, enabling entrepreneurs to access the capital they need (Gimmon and Levie, 2010). However, it is important to recognize that not all sources of capital are the same. The entrepreneurship literature has focused primarily on two forms of financing when studying the capital structure for early-stage ventures – debt and equity (e.g. see Eddleston *et al.* (2016); Berger and Udell (1998)). However, philanthropic sources represent an increasingly important avenue for funding social enterprises and are often considered essential at the earliest stages of their development. Sahasranamam and Nandakumar (2020) find that the presence of philanthropic capital at the country level is an important factor in supporting social enterprise creation. Teasdale (2010) suggests that social enterprises draw on different aspects of their dual identity to attract commercial revenue, grant funding, private donations, and other forms of philanthropy. Lall and Park (2022) argue that philanthropic funding can help stimulate firm growth in social enterprises, while also acting as a positive signal to prospective debt financiers, suggesting that the dual goals of social enterprises support access to a wide range of funding sources. The dual logics of social enterprises confer flexibility and legitimize the acquisition of finance from both commercial and philanthropic sources (Chertok, Hammoui and Jamison, 2008). Nicholls (2010a) broadly distinguishes between two institutional logics among investors in social enterprises: a mainstream market-based logic (*zweckrational*), which places equity and debt closer to the commercial end of the spectrum, and a values-led logic (*wert-rational*), which places philanthropic funding closer to the values-led end. Therefore, we examine how external commercial finance (debt and equity) and external philanthropic finance moderate the effect of the founding team's entrepreneurial experience on social enterprise performance.

Debt and equity finance are more strongly associated with commercial institutional logic (Lall and Park, 2022; Nicholls, 2010a). Debt financing plays an important role in the early-stage capitalization of ventures (Berger and Udell, 1998; Eddleston *et al.*, 2016). Research across different countries has consistently found that nascent firms, with no collateral and with limited records of accomplishment, find it difficult to obtain loans from banks and other commercial sources

(Eddleston *et al.*, 2016; Robson *et al.*, 2013). Because bank lenders are more concerned with the repayment of loans, loan officers are likely to view founding team for-profit experience positively as it is complementary to their institutional logic (Daggers and Nicholls, 2016; Nicholls, 2010a). Similarly, equity-based investors that seek high levels of financial returns are likely to look for complementarity in logics with the founding team's for-profit entrepreneurial experience. For instance, in commercial entrepreneurship research, prior for-profit entrepreneurial experience has been consistently shown to attract more equity financing (Gimmon and Levie, 2010; Hsu, 2007). Based on this, we argue that a complementary fit between the commercial logic of the founding team's for-profit experience and external commercial finance is likely to enhance social enterprise performance. Correspondingly, debt and equity funders are likely to view a greater degree of founding team non-profit entrepreneurial experience less positively as it conflicts with their commercial logic. Therefore, commercially oriented funding (debt or equity) is less likely to see a fit with the founding team's non-profit entrepreneurial experience, leading to a negative moderating effect on venture performance. Accordingly, we hypothesize that:

H3a: External commercial finance (debt or equity funding) positively moderates the relationship between the founding team's for-profit entrepreneurial experience and social enterprise performance.

H3b: External commercial finance (debt or equity funding) negatively moderates the relationship between the founding team's non-profit entrepreneurial experience and social enterprise performance.

Philanthropic capital investors are more interested in the social purpose of social ventures and hence are often more supportive of them than debt or equity investors (Lall and Park, 2022; Scarlata, Zacharakis and Walske, 2016). Philanthropic capital investors take a more collaborative approach with social ventures, intending to improve the overall performance of the venture (Scarlata and Alemany, 2010; Scarlata, Zacharakis and Walske, 2016). Private philanthropic foundations in the United States alone made nearly 3000 donations focused on entrepreneurship in developing countries between 2010 and 2014, totalling \$536 million, highlighting the growing prevalence of this source of financing (Aspen Network of Development Entrepreneurs, 2016). While the study of philanthropic funding in social enterprises is relatively new, emerging research suggests that these funders also spend considerable time and effort in screening and selection criteria and they tend to place more emphasis on the social mission of the organization over financial returns (Scarlata and

Alemany, 2010; Scarlata, Zacharakis and Walske, 2016). Philanthropic funders lie closer to the *values* end of the spectrum (Nicholls, 2010a) and are likely to understand and value the experience of working in the social sector (e.g. NGOs, and non-profit organizations) and will appreciate the complimentary social logic shaped by the founding team's non-profit entrepreneurial experience. For instance, philanthropic capital funds such as the Acumen fund offer loans on preferential terms to individuals with significant non-profit experience working in impoverished communities (Scarlata and Alemany, 2010). Owing to the fit between founding teams' non-profit experience and philanthropic capital, we expect improved social enterprise performance. At the same time, philanthropic investors are not likely to be keen on obtaining high financial returns from a social enterprise (Scarlata and Alemany, 2010). In this regard, a greater extent of founding team for-profit experience is likely to conflict with the institutional logics of philanthropic investors (Bridgstock *et al.*, 2010). This conflict in logics could create tensions leading to a decrease in social enterprise performance. Hence, we hypothesize that:

H4a: External philanthropic finance negatively moderates the relationship between the founding team's for-profit entrepreneurial experience and social enterprise performance.

H4b: External philanthropic finance positively moderates the relationship between the founding team's non-profit entrepreneurial experience and social enterprise performance.

The conceptual model for our hypotheses is summarized in Figure 1

Data and methods

Data on early-stage social ventures are extremely challenging to obtain. While some efforts such as the Global Entrepreneurship Monitor have collected data on entrepreneurial perceptions and attitudes (Hill *et al.*, 2022), datasets that combine both venture-level and entrepreneur-level characteristics are rare. Where they do exist, they often focus on ventures that are already successful and more established, collected by a single intermediary (Grimes, Gehman and Cao, 2018), rather than on a broader sample of nascent social ventures. In this study, we use a unique sample of 23,368 early-stage ventures that applied to 369 social enterprise accelerator¹ programmes from around the world. The dataset

¹Accelerators typically attract nascent, growth-oriented ventures that are seeking investment and select cohorts of 8–15 entrepreneurs for an intensive mentoring and networking-based programme to 'accelerate' their growth and help them acquire external financing (Cohen, 2013).

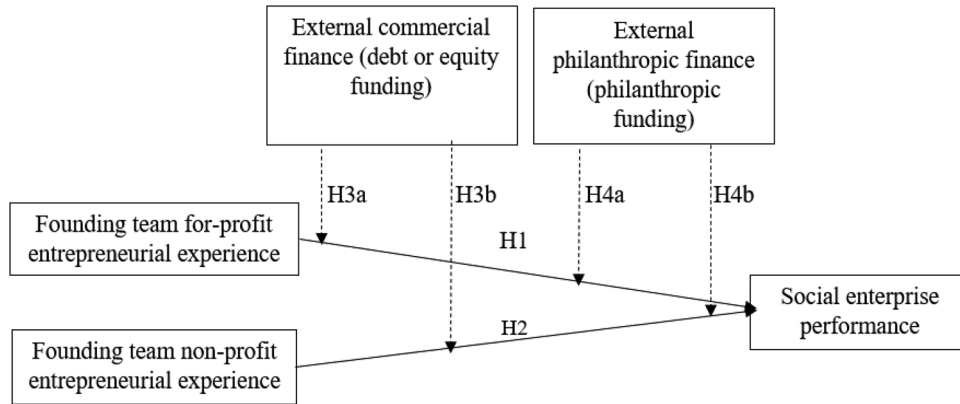


Figure 1. Conceptual model for hypotheses

was aggregated by the Entrepreneurship Database Program (EDP) at Emory University, as part of the Global Accelerator Learning Initiative (GALI), between 2013 and 2020. Participating accelerator programmes implemented an online survey as part of their application process, and applications from ventures that agreed to have their data shared with researchers were anonymized and aggregated. The accelerator programmes that contributed to these data specifically target entrepreneurs with social and environmental objectives, as illustrated by the language used in their promotional material and application calls. For instance, one Latin American accelerator aims ‘...to provide entrepreneurs who are intentionally building businesses that solve social and environmental challenges in Latin America with the resources they need to grow’.

The dataset includes all the ventures that applied to these accelerator programmes, not only the ones that were selected, which somewhat reduces potential concerns of survivorship bias present in other samples. As there are no formal registries of social ventures in most countries, we believe this dataset provides a reasonably robust way to collect data on nascent social ventures. The data are being increasingly used in social entrepreneurship research (Lall and Park, 2022; Roberts and Lall, 2019).

Dependent variable

Social enterprise performance. We use two measures of enterprise performance, namely revenues and the number of employees. In the context of social enterprises, there is limited relevance for measures such as Return on Assets, and there is also a lack of standardized measures of social performance (Ebrahim, Battilana and Mair, 2014; Lall, 2017). Hence, revenue generation and the number of employees² act as key measures for a so-

²In our dataset, using box plots, we found three outliers in the employee count. In social enterprise size_(t+2), there was one out-

lier observation of 1.8e+07, while all the other observations were less than 20,000. Similarly, in social enterprise_(t), there were two outlier observations of 1.5e+06 and 2.5e+06, while all the other observations were less than 200,000. We removed these three outliers from the analysis.

cial enterprise, as they provide a measure of the stability and credibility of a social venture (Battilana and Lee, 2014; Pache and Santos, 2013) and a useful proxy for growth ambition (Cassar, 2006). Employment is also a reflection of societal benefit, which is especially relevant for social enterprises (Pache and Santos, 2013; Tracey, Phillips and Jarvis, 2011). To address concerns of simultaneity, we operationalize this using data from the follow-up survey two years after the firms’ accelerator application. Prior research has also used a similar two-year lag in measuring start-up performance using firm size (Chatterji et al., 2019).

Independent and moderator variables

Founding team for-profit entrepreneurial experience. We measure this using the count of prior for-profit start-ups founded by the team members. We aggregate this measure at a founding team level by taking the sum of counts across three founding team members.³

Founding team non-profit entrepreneurial experience. We operationalize this as the count of the number of prior non-profit start-ups founded by the team members. Here again, we aggregate the count at the founding team level as the sum of experience across three founding team members.

External financing. We categorize external financing into external commercial finance and external philanthropic finance. We operationalize external commercial finance in terms of debt funding and equity funding obtained by the social enterprise. The providers of debt

³The GALI dataset captures the information only for up to three founding team members. There is a likelihood that the ventures might have more than three founding team members, which we acknowledge is a limitation of the dataset.

funding considered in our sample include banks, non-bank financial institutions, government agencies, other companies, friends and family, employees that are not owners, accelerators and other sources. The providers of equity funding in our sample include angel investors, venture capitalists, friends and family, crowd-funding, other companies, accelerators, etc. Similarly, we capture external philanthropic finance as philanthropic funding received by the social enterprise. This includes funding from government agencies, foundations or other non-profits, friends and family, fellowship programmes, crowd-funding and other individuals. We capture these as the volume of funding (in USD) that the social enterprise has obtained from each of the categories of investors since its inception (Islam, Fremeth and Marcus, 2018; Lall and Park, 2022).

Control variables

We control for a combination of the founding team, firm, industry and country-level variables that could affect social enterprise performance. Prior research shows that founding team characteristics such as educational qualifications, gender and financial investments influence venture performance (Colombo and Grilli, 2005; Gimmon and Levie, 2010). At the firm level, we control for firm age, legal status, financial performance, innovation performance and prior accelerator experience.

Founding team education. Higher educational qualifications equip the founding team with the knowledge to better identify opportunities and mobilize human resources for the venture (Marvel, Davis and Sproul, 2016). So, we coded the educational qualification of the founding team into seven categories (7 – post-graduate or higher, 6 – undergraduate, 5 – technical/vocational/associate degree, 4 – high school, 3 – middle school/less than 9th grade, 2 – primary school, 1 – none). We then considered its average across three founding team members to operationalize this measure.

Founding team financial investment. A higher volume of investment through bootstrapping and personal finance gives ventures a better chance of survival and increases their size (Vanacker *et al.*, 2011). So, we control for the *founding team's financial investment* measured as the amount of investment (in USD) made by the founding team in the venture since its inception.

Founding team gender diversity. Prior research highlights that the gender of the entrepreneur influences entrepreneurial activity (Murzacheva, Sahasranamam and Levie, 2020). So, we control for gender diversity by operationalizing it as a dummy variable, which is 1 if there is no gender diversity in the team, and 0 if there is gender diversity in the team.

Firm age. Prior research suggests that older firms are likely to recruit more employees and generate greater

revenues over time (Davidsson *et al.*, 2002). Hence, we control for firm age by capturing it in terms of the number of years since incorporation.

Legal status. Prior research has observed legal form as an important factor in enterprise performance (Davidsson *et al.*, 2002). So, we measure it as a categorical variable (2 – for-profit, 1 – non-profit, 0 – other).

Financial performance. Past financial performance makes the venture more resourceful (Stephan *et al.*, 2022), influencing the ability of the venture to generate more revenues and attract employees. We control for it using a dummy to capture whether the firm was profitable (= 1) or not (= 0).

Innovation performance. The ability of a venture to innovate increases its chances of improving its performance by generating greater revenues (Rosenbusch, Brinckmann and Bausch, 2011). So, we control for it using a dummy variable, which is coded as 1 if the firm has any patents, copyrights, or trademarks and 0 otherwise.

Prior accelerator experience. Prior participation in an accelerator programme may also act as a source for acquiring greater access to resources (Roberts and Lall, 2019). So, we control for it by operationalizing it as a dummy variable (1 – if the firm has prior accelerator experience, 0 otherwise).

We control for the industry effect through an *impact sector dummy*, a dummy variable for the impact area in which the social enterprises operates. We capture 30 impact sectors, which include clean water, education, energy and affordable housing, among others.

Finally, at the country level, we control for the origin of the legal system. JuriGlobe at the University of Ottawa classifies legal systems⁴ based on their origin into five categories, namely common law, civil law, mixed, customary,⁵ and Muslim⁶ law. We follow this categorization, which is also used by other management scholars (Williamson, Symeou and Zyglidopoulos, 2022), to create a dummy variable corresponding to each of these categories. Additionally, we control for other confounding country-level effects through a country dummy.

⁴Source: <http://www.juriglobe.ca/eng/sys-juri/index-alpha.php>

⁵Only one country in our dataset, namely Andorra, has a customary legal system, and we have only two observations from social enterprises headquartered in Andorra. Unfortunately, in both these instances, the follow-up data after the initial survey is missing. Thus, dependant variable information is missing, and hence both these observations are dropped in the final analysis. Therefore, although we consider the customary legal system, it is not a part of further analysis.

⁶We have only six observations from the Muslim legal system, namely from ventures headquartered in Afghanistan and Saudi Arabia. From these observations, only two ventures participated in the follow-up survey.

Data analysis

There are multiple methodological issues posing endogeneity concerns that are to be accounted for in this study. First, we use a repeated survey approach to capture information on the ventures. This involves a decrease in participation in subsequent rounds of the survey for a variety of reasons, including the possibility of the closure of the social enterprise. Our dependent variable is from a follow-up survey: this introduces sample selection bias, as better-performing firms might choose to respond to a follow-up survey. To overcome this, we employ a Heckman two-stage sample selection (following earlier research e.g. Bogatyreva *et al.*, 2019). Second, the simultaneous consideration of financing sources and performance measures could introduce reverse causality concerns. Therefore, we introduce a lag between our dependent variables and all the other variables. Furthermore, the independent variables of our concern are the entrepreneurial experience that the founding team has before engaging with the particular social enterprise that is evaluated for its performance. This also helps to overcome reverse causality concerns. Third, to address concerns over omitted variables to a large extent, we include lagged dependent variables in our model (following earlier research, e.g. Nair-Reichert and Weinhold, 2001).

We use a Heckman two-stage selection model for testing the hypotheses. We use the *Heckman* command in STATA to perform this operation, which includes the first-stage selection model in each of the second-stage regressions. This procedure helps to calculate the standard errors accurately. In the first-stage selection model, we model the selection effect of participation in the follow-up survey two years after the accelerator participation. We operationalize this as a dummy variable, which is 1 if the firm participated in the follow-up survey and 0 otherwise. In the selection model, we use the founding team characteristics⁷ and firm-level variables⁸ as predictors. Following Heckman (1979), we grant identification for the first-stage regression through an exclusion restriction. We use the variable *application year dummy* (a dummy variable for the year in which the startup applied to the accelerator) as the exclusion restriction.⁹ Previous entrepreneurship research has used similar dummy variables as an exclusion restriction in selection models (Bogatyreva *et al.*, 2019; Cumming, Meoli and Vismara, 2021).

⁷ *Founding team education, financial investment and gender diversity.*

⁸ *Firm age, legal status, financial performance, innovation performance, prior accelerator dummy, lagged dependent variable (social enterprise size_(t) or social enterprise revenues_(t)).*

⁹ We assume that start-ups that applied longer ago are more likely to have failed and hence be unlikely to respond, compared with those who applied recently.

In the second-stage regression model, we predict *social enterprise size_(t+2)* and *social enterprise revenues_(t+2)* using a hierarchical linear regression model with a 2-year lag between the dependent and all predictor variables. This model includes the inverse Mills ratio calculated from the first-stage regression. The variable *social enterprise size_(t+2)* is log-transformed before being used in the analysis, to account for skewness in its distribution. We also account for the industry-, and country-fixed effects.

Results

We provide summary statistics in Table 1, after dropping observations with missing data on our key variables. We observe that *equity funding* and *founding team financial investment* are larger in magnitude compared with *debt* and *philanthropic funding*. We also notice that the mean firm age is 2.73 years, which suggests that our sample consists largely of firms that are beyond the nascent stage (Reynolds *et al.*, 2005). From the mean values of entrepreneurial experience, we find that the founding team's for-profit entrepreneurial experience is on average greater than its non-profit experience in our sample. Table 2 illustrates the correlations between the variables in the study. We observe strong positive correlations between the different financing variables, which is expected. For example, debt and equity investors are more likely to invest in new ventures in which the founders have made higher personal investments (Gartner, Frid and Alexander, 2012).

In Tables 3 and 5, we present the results from the first stage of the Heckman regression, modelling the selection effect of participation in the follow-up survey 2 years after accelerator participation. We observe that founding team education, firm age, founding team gender diversity, financial performance and innovation performance significantly influence the participation of the firm in the follow-up survey. We calculate the inverse Mills ratio from this model and include it as a regressor in the second stage to overcome selection bias in follow-up survey participation.

We present the results from the second-stage regression analysis predicting *social enterprise size_(t+2)* in Table 4. Model 1 includes all the control variables, along with the predictor variables at the founding team level, that is, for-profit entrepreneurial experience and non-profit entrepreneurial experience. In Models 2, 3 and 4, we include the interaction effects of entrepreneurial experience variables with debt, equity and philanthropic funding, respectively.

From Model 1 in Table 4, we see a positive and significant effect of *founding team non-profit entrepreneurial experience* on *social enterprise size* ($\beta = 0.03$, $p < 0.1$), while the effect of *founding team for-profit*

Table 1. Summary statistics

Variables	Mean	Std dev.
Social enterprise size _(t+2)	31.65	640.27
Social enterprise revenue _(t+2) (in USD)	1,364,772	36,526,532
Social enterprise size _(t)	18.98	1400.31
Social enterprise revenue _(t) (in USD)	412,590	33,746,200
Founding team for-profit entrepreneurial experience - FP experience	1.84	3.83
Founding team non-profit entrepreneurial experience - NP experience	0.52	2.07
Debt funding (in USD)	92,528	4,457,092
Equity funding (in USD)	148,702	5,574,899
Philanthropic funding (in USD)	78,818	2,338,336
Founding team financial investment (in USD)	136,622	6,358,365
Founding team education level	4.42	1.67
Prior accelerator experience (1 = has experience)	0.05	0.21
Firm age (years)	2.73	4.48
Legal status (1 = for-profit)	1.70	0.64
Founding team gender diversity (1 = male)	0.64	0.48
Financial performance (1 = profitable)	0.49	0.50
Innovation performance (1 = has patents/copyrights/ trademarks)	0.44	0.50
Common legal system (1 = common law country)	0.27	0.44
Civil legal system (1 = civil law country)	0.35	0.48
Muslim legal system (1 = Muslim law country)	0	0.02
Mixed legal system (1 = mixed law country)	0.39	0.49

entrepreneurial experience is positive but insignificant ($\beta = 0.03$, $p = 0.13$). This result holds consistently in Model 4, while in Models 2 and 3 the positive effect of founding team for-profit entrepreneurial experience becomes significant. These findings imply that founding teams with a greater extent of non-profit experience are likely to perform more effectively in terms of attracting employees and growing their size. Thus, we find support for H2, but not for H1.

From Model 2, we find a positive and significant interaction effect between founding team for-profit entrepreneurial experience and debt funding ($\beta = 1.08$, $p < 0.01$), while the interaction effect is negative and significant in the case of founding team non-profit entrepreneurial experience ($\beta = -0.31$, $p < 0.01$). From Model 3, we observe a positive and significant interaction effect between founding team for-profit entrepreneurial experience and equity funding ($\beta = 0.62$, $p < 0.01$), while the interaction effect is negative and significant in the case of founding team non-profit entrepreneurial experience ($\beta = -0.19$, $p < 0.01$). Hence, H3a and H3b find support, implying that the complementary commercial logic fit between the founding team's for-profit experience and investment from commercial sources of finance (debt or equity) improves the social enterprise performance, particularly with regard to increasing the number of employees and growing in size.

From Model 4, we find a positive and significant interaction effect between founding team non-profit entrepreneurial experience and philanthropic funding ($\beta = 0.48$, $p < 0.01$), while the interaction effect is negative in the case of founding team for-profit entrepreneurial ex-

perience ($\beta = -0.10$, $p < 0.1$). This again implies that a complementary social logic fit between the founding team's prior non-profit entrepreneurial experience and investment from philanthropic sources of finance improves the social enterprise's performance. Thus, we find support for H4a and H4b.

In Tables 5 and 6, we present the results from the two-stage Heckman regression model on social enterprise revenues_(t+2). From Model 1 in Table 6, we find that neither founding team for-profit entrepreneurial experience nor founding team non-profit entrepreneurial experience has a significant effect on social enterprise revenues_(t+2). Similarly, from Models 2 and 4, we observe no significant moderating effects for debt and philanthropic funding. However, in model 3, we observe a positive and significant interaction effect between founding team for-profit entrepreneurial experience and equity funding ($\beta = 1.36$, $p < 0.01$), while the interaction effect is negative and significant in the case of founding team non-profit entrepreneurial experience ($\beta = -0.38$, $p < 0.01$). Thus, we find partial support for H3a and H3b, while the other hypotheses are not supported for social enterprise revenues_(t+2). In summary, we observe different effects of entrepreneurial experience and external financing on different facets of social enterprise performance.

Robustness tests

To check the robustness of our analysis, we tested multiple alternate analysis models.¹⁰ First, there could be potential selection effects in the founding team

¹⁰Available from the authors on request.

Table 2. Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	
(1) Social enterprise size(+2) revenue(+2)	1.0000																					
(2) Social enterprise size(+2) revenue(+2)	-0.0001	1.0000																				
(3) Social enterprise size(+2) revenue(+2)	-0.0003	0.0009	1.0000																			
(4) Social enterprise revenue(t)	0.0039	0.0531*	0.0035	1.0000																		
(5) FP experience	-0.0044	0.0029	-0.0035	-0.0014	1.0000																	
(6) NP experience	-0.0021	-0.0082	0.0003	0.0166*	0.3310*	1.0000																
(7) Debt funding	0.0035	0.0283	0.0043	0.0181*	0.0190*	0.0441*	1.0000															
(8) Equity funding	0.0042	0.0384*	0.0004	0.0273*	0.0051	0.0093	0.2242*	1.0000														
(9) Philanthropic funding	-0.0004	0.0028	0.0002	0.0015	-0.0059	0.0011	0.0283*	0.0309*	1.0000													
(10) Founding team financial investment	0.0038	0.0351*	0.0005	0.0285*	0.0043	0.0107	0.2848*	0.5413*	0.0784*	1.0000												
(11) Founding team education	-0.0408*	0.0218	0.0051	0.0064	0.1878*	0.1026*	0.0080	-0.0047	0.0155*	-0.0108	1.0000											
(12) Prior accelerator experience	0.0090	-0.0091	-0.0023	-0.0023	0.0323*	0.0102	-0.0035	-0.0039	-0.0035	-0.0031	0.0513*	1.0000										
(13) Firm age	0.0297*	0.0019	0.0022	0.0204*	-0.0082	0.0162*	0.0633*	0.0611*	0.1163*	0.0754*	-0.0066	-0.0022	1.0000									
(14) Legal status	0.0022	-0.0048	-0.0074	-0.0110	0.0555*	-0.0521*	-0.0064	0.0035	0.0308*	0.0129	-0.0082	-0.0082	-0.0550*	1.0000								
(15) Founding team gender diversity	0.0322*	0.0247	-0.0080	-0.0104	-0.0426*	-0.0533*	-0.0030	0.0106	-0.0167*	0.0015	-0.3549*	0.0018	-0.0494*	0.0481*	1.0000							
(16) Financial performance	0.0165	-0.0160	0.0045	-0.0030	0.0268*	0.0360*	0.0103	-0.0055	-0.0132*	0.0082	-0.0316*	-0.0249*	0.0703*	0.0694*	0.0000	1.0000						
(17) Innovation performance	0.0121	0.0177	0.0040	0.0103	0.0857*	0.0204*	0.0035	0.0253*	-0.0060	0.0160*	0.0878*	0.0400*	0.0843*	0.0830*	0.0390*	0.0000	1.0000					
(18) Common legal system	-0.0134	-0.0207	-0.0052	-0.0056	-0.0040	-0.0378*	-0.0043	0.0032	0.0067	-0.0050	-0.0804*	0.0454*	-0.0178*	-0.0425*	-0.1487*	-0.0080	1.0000					
(19) Civil legal system	0.0355*	0.0343*	-0.0075	0.0131*	-0.0090	-0.0479*	0.0056	0.0101	-0.0059	0.0154*	0.0291*	-0.0532*	0.0223*	0.0379*	0.0306*	0.0477*	-0.4397*	1.0000				
(20) Mixed legal system	-0.0010	-0.0007	-0.0001	-0.0001	-0.0042	-0.0001	-0.0003	-0.0004	-0.0004	-0.0003	-0.0054	0.0091	-0.0017	0.0023	0.0002	0.0180*	0.0096*	1.0000				
(21) Mixed legal system	-0.0202	-0.0126	0.0120	-0.0077	0.0126	0.0812*	-0.0015	-0.0181*	-0.0003	-0.0105	0.0444*	0.0107	-0.0055	0.0013	-0.0290*	-0.0401*	-0.4753*	-0.5805*	1.0000			

*d < 0.05

Founding team entrepreneurial experience

Table 3. Heckman first-stage sample selection regression: dependent variable – participation in the follow-up survey in $t+2$ operationalized as a dummy variable

Variables	Selection model
Founding team education	0.03*** (0.01)
Founding team financial investment	0.00 (0.00)
Firm age	0.13*** (0.01)
Legal status	-0.02 (0.02)
Founding team gender diversity	-0.12*** (0.02)
Financial performance	0.13*** (0.02)
Innovation performance	0.13*** (0.02)
Prior accelerator experience	0.12** (0.06)
Social enterprise size _(t)	0.00 (0.00)
Constant	-0.70*** (0.07)
	Application year dummies
Observations	19,786

Standard errors in parentheses; application year dummies were significant at $p < 0.1$.

*** $p < 0.01$.

** $p < 0.05$.

* $p < 0.1$.

experience. Founding teams with prior entrepreneurial experience may choose to start social enterprises, which poses self-selection problems. To account for this selection effect-induced endogeneity, we performed a robustness analysis, wherein we created a pre-balanced sample on entrepreneurial experience using entropy balancing.¹¹ After pre-balancing the sample on entrepreneurial experience, we performed a regression analysis predicting social enterprise performance and observed results consistent with those in Tables 4 and 6, except that the positive moderating effect of equity financing on for-profit entrepreneurial experience (Model 3 in Table 4) becomes insignificant.

Second, unobserved variables of the founding team, such as factors from their childhood, could influence not only their entrepreneurial experience but also their social enterprise performance. To account for such endogeneity, we performed an instrumental variable regression. We considered the influence of exogenous natu-

¹¹Entropy balancing helps to achieve balance over specified moments of covariates by deriving sample weights, and these weights are used in subsequent weighted estimations (Hainmueller and Xu, 2013). This could be understood as the creation of a synthetic control group, where the observations of the control group are reweighted so that they mimic those of the treatment group (Abadie et al., 2010).

ral disasters as the instrument variable, which would directly influence the ability of the founding team members to accumulate entrepreneurial experience before engaging with the social enterprise of interest, but not the social enterprise's performance. Prior research has also used disasters as an instrument variable directly influencing human capital but not firm performance (Stern et al., 2021). We operationalized the instrument variable through the World Risk Index developed by the United Nations University.¹² We used this index from the year 2011, which is before the time t of the survey. Our regression analysis using the instrument variable offered similar interaction effects to those in Tables 4 and 6.

Third, other country-level variables such as culture are likely to influence social enterprise performance (Sahasranamam et al., 2021). We therefore performed a robustness test by including national culture variables as controls. Following Stephan et al. (2015), we considered performance-based culture and socially supportive culture as control variables. These variables were obtained from the GLOBE study (House et al., 2004). Here again, we observed results largely consistent with those in Table 4, except that the positive moderating effect of equity financing on for-profit entrepreneurial experience (Model 3 in Table 4) becomes insignificant.

Fourth, as highlighted earlier, it is challenging to measure social impact as there are no standardized metrics. However, organizations such as the Global Impact Investing Network (GIIN) and B-Lab have created impact measurement metrics such as IRIS and GIIRS, respectively. Our data captured information on whether the firms had any such impact measurement metrics. So as a robustness test, we considered a dummy variable (which is 1 if the venture uses an impact measurement metric) as an alternate performance metric. We observed the founding team's non-profit experience to have a positive effect on it, while the interaction effects are not significant.

Finally, in Table 2, we observe that there are significant correlations between *founding team financial investment* and funding from other external financing sources. To overcome concerns of potential bias in the estimates owing to such collinearity, we performed a robustness test excluding *founding team financial investment* as a control variable and repeated the analysis. We observed consistent results in this case too. In sum, the multiple robustness tests lend greater credibility to our results.

¹²Source: <https://reliefweb.int/report/world/worldriskreport-2011-can-disaster-be-prevented>

Table 4. Heckman second-stage regression results: dependent variable – social enterprise size_(t+2)

Variables	Model 1	Model 2	Model 3	Model 4
Social enterprise size _(t)	0.01*** (0.00)	0.01*** (0.00)	0.01*** (0.00)	0.01*** (0.00)
Founding team education	0.06*** (0.01)	0.06*** (0.01)	0.06*** (0.01)	0.06*** (0.01)
Founding team financial investment	0.01* (0.01)	−0.03 (0.04)	−0.06 (0.04)	−0.04* (0.02)
Firm age	0.16*** (0.02)	0.16*** (0.02)	0.16*** (0.02)	0.17*** (0.02)
Legal status	0.03 (0.03)	0.03 (0.03)	0.02 (0.03)	0.03 (0.03)
Founding team gender diversity	0.02 (0.04)	0.02 (0.04)	0.02 (0.04)	0.02 (0.04)
Financial performance	0.06 (0.04)	0.06 (0.04)	0.06 (0.04)	0.06 (0.04)
Innovation performance	0.20*** (0.04)	0.19*** (0.04)	0.19*** (0.04)	0.20*** (0.04)
Prior accelerator experience	0.06 (0.07)	0.07 (0.07)	0.06 (0.07)	0.06 (0.07)
FP experience	0.03 (0.02)	0.04** (0.02)	0.03* (0.02)	0.03 (0.02)
NP experience	0.03* (0.02)	0.05** (0.03)	0.05** (0.03)	0.04** (0.02)
Debt funding		0.46*** (0.16)		
FP experience * Debt funding		1.08*** (0.27)		
NP experience * Debt funding		−0.31*** (0.07)		
Equity funding			0.36*** (0.11)	
FP experience * Equity funding			0.62*** (0.20)	
NP experience * Equity funding			−0.19*** (0.06)	
Philanthropic funding				0.08 (0.05)
FP experience * Philanthropic funding				−0.10* (0.06)
NP experience * Philanthropic funding				0.48*** (0.17)
		Legal system dummies included	impact sector dummies included	country dummies included
Lambda	0.32*** (0.11)	0.31*** (0.11)	0.30*** (0.11)	0.31*** (0.11)
Constant	0.67 (0.61)	0.70 (0.60)	0.75 (0.60)	0.68 (0.60)
Observations	19,786	19,786	19,786	19,786

Standard errors in parentheses. FP experience: For-profit entrepreneurial experience, NP experience: Non-profit entrepreneurial experience.

*** $p < 0.01$.

** $p < 0.05$.

* $p < 0.1$.

Discussion and implications

Social enterprises are shaped both by the experiences of their founders and by external factors such as financing. While there is extensive scholarship on social enterprise founders, fewer studies have examined their financing and the interactions between financing and founder

experience. Here, we specifically examine the impact of different types of founding team entrepreneurial experience, namely for-profit experience and non-profit experience, and consider how this experience interacts with different types of commercial (debt, equity) and socially oriented (philanthropic) financing to influence social enterprise performance. In doing so, we contribute both

Founding team entrepreneurial experience

Table 5. Heckman first-stage sample selection regression: dependent variable – participation in the follow-up survey in $t+2$ operationalized as a dummy variable

Variables	Selection model
Founding team education	0.01* (0.01)
Founding team financial investment	0.01 (0.01)
Firm age	0.11*** (0.01)
Legal status	-0.04** (0.02)
Founding team gender diversity	-0.10*** (0.02)
Financial performance	0.10*** (0.02)
Innovation performance	0.08*** (0.02)
Prior accelerator experience	0.04 (0.05)
Social enterprise revenue _(t)	-0.53* (0.00)
Constant	-0.29*** (0.07)
Application year dummies	
Observations	20,811

Standard errors in parentheses; Application year dummies were significant at $p < 0.1$.

*** $p < 0.01$.

** $p < 0.05$.

* $p < 0.1$.

theoretically and empirically and underscore the importance of both commercial and social logics (Thornton and Ocasio, 2008) as essential to social enterprise performance (in terms of the number of employees and revenues). The findings inform our understanding of social entrepreneurship resourcing and outcomes.

We find that non-profit entrepreneurial experience is important for social enterprise size, but for-profit entrepreneurial experience appears to be less relevant for size. However, when considering revenues, we find that neither for-profit nor non-profit entrepreneurial experience appears to have an effect, suggesting that revenues are dependent on other factors. Additionally, philanthropic financing has a positive moderating effect on the relationship between non-profit experience and social enterprise size, while commercial financing (debt and equity) has a positive moderating effect on the relationship between for-profit experience and social enterprise size. Similarly, equity funding has a positive moderating effect on the relationship between for-profit experience and social enterprise revenues. Thus, we see that founding teams benefit from a diversity of entrepreneurial experiences, which helps them use complementary sources of finance to their optimum.

Theoretical and empirical contributions

Our study makes three key theoretical contributions. First, we add to research on human capital and entrepreneurship (Marvel, Davis and Sproul, 2016; Unger *et al.*, 2011). In the context of social enterprises, our results suggest that entrepreneurial experiences should be viewed distinctly in terms of for-profit and non-profit experience, as each of these is likely to allow founders to develop different skills (Lee and Battilana, 2013). We contribute to the literature by considering the constituent parts of entrepreneurial experience and delineating the effect of for-profit and non-profit experience on social enterprise performance. Furthermore, we find that different types of experience distinctly influence social venture outcomes. For instance, non-profit entrepreneurial experience enhances social enterprise size, while for-profit entrepreneurial experience has an insignificant impact.

Second, while research has typically focused on the individual social entrepreneur (Bacq and Alt, 2018; Estrin, Mickiewicz and Stephan, 2016), we extend this to the founding team level. We make a case for moving away from viewing individual social entrepreneurs as heroic to viewing the activities of the social enterprise as a collective endeavour influenced by the experiences and demographics of the founding team. During the early stages of a new venture, when other credible forms of legitimacy are yet to be established (Islam, Fremeth and Marcus, 2018), founding team characteristics have a crucial role in enterprise performance and in acquiring external resource support (Colombo and Grilli, 2010; Gimmon and Levie, 2010). At the founding team level, we find that the founding team's non-profit entrepreneurial experience is crucial for social enterprise performance. We also find that the founding team's education, which is their stock of general human capital, positively influences social enterprise performance. This aligns with earlier research findings of similar effects at an individual level (Estrin, Mickiewicz and Stephan, 2016; Sahasranamam *et al.*, 2021).

Third, we build on institutional logics research (Battilana and Dorado, 2010; Zhao and Lounsbury, 2016) to inform our understanding of social entrepreneurship antecedents and outcomes (Jayawarna, Jones and Macpherson, 2020; Kaushik *et al.*, 2023). The presence of social and of commercial logics in social enterprises may be compatible or incompatible and could potentially prove detrimental to organizing efforts and outcomes (Besharov and Smith, 2014). Founding teams in social enterprises reflect these nuances, with individuals coming from a variety of backgrounds, ranging from the private sector to volunteering (Roumpi, Magrizos and Nicolopoulou, 2020), which naturally reflects on their skillset and competencies. These have immediate links to investors' choices. As proposed by Nicholls (2010a),

Table 6. Heckman second-stage regression results: dependent variable – social enterprise revenues_(t+2)

	Model 1	Model 2	Model 3	Model 4
Social enterprise revenue _(t)	3.33*** (0.69)	3.37*** (0.70)	3.33*** (0.70)	3.40*** (0.70)
Founding team education	0.03** (0.01)	0.03** (0.01)	0.02** (0.01)	0.03** (0.01)
Founding team financial investment	-0.05*** (0.02)	0.07 (0.05)	-0.09* (0.05)	-0.03 (0.02)
Firm age	0.00 (0.02)	0.01 (0.02)	0.00 (0.02)	0.01 (0.02)
Legal status	-0.02 (0.03)	-0.02 (0.03)	-0.03 (0.03)	-0.02 (0.03)
Founding team gender diversity	0.08** (0.04)	0.08** (0.04)	0.08** (0.04)	0.08** (0.04)
Financial performance	-0.04 (0.04)	-0.04 (0.04)	-0.03 (0.04)	-0.04 (0.04)
Innovation performance	0.03 (0.03)	0.03 (0.03)	0.02 (0.03)	0.03 (0.03)
Prior accelerator experience	0.02 (0.07)	0.02 (0.07)	0.03 (0.07)	0.02 (0.07)
FP experience	0.00 (0.02)	-0.00 (0.02)	0.02 (0.02)	0.00 (0.02)
NP experience	-0.02 (0.02)	-0.03 (0.03)	-0.03 (0.03)	-0.02 (0.02)
Debt funding		-0.43** (0.17)		
FP experience * Debt funding		-0.17 (0.28)		
NP experience * Debt funding		0.06 (0.08)		
Equity funding			0.49*** (0.12)	
FP experience * Equity funding			1.36*** (0.21)	
NP experience * Equity funding			-0.38*** (0.06)	
Philanthropic funding				-0.06 (0.05)
FP experience * Philanthropic funding				-0.01 (0.06)
NP experience * Philanthropic funding				-0.20 (0.18)
		Legal system dummies included	impact sector dummies included	country dummies included
Lambda	0.19** (0.10)	0.19** (0.10)	0.18* (0.09)	0.20** (0.10)
Constant	-0.36 (0.64)	-0.38 (0.64)	-0.32 (0.63)	-0.36 (0.64)
Observations	20,811	20,811	20,811	20,811

Standard errors in parentheses. FP experience: For-profit entrepreneurial experience, NP experience: Non-profit entrepreneurial experience.

*** $p < 0.01$.

** $p < 0.05$.

* $p < 0.1$.

the decision-making of debt and equity investors is led by market logics (for-profit experience), while philanthropic investors primarily consider values-led logic (non-profit experience), such that their magnitude of investment is influenced by the nature of the prior entrepreneurial experiences of founding teams. Prior studies in commercial entrepreneurship show that ventures with for-profit founding team entrepreneurial experi-

ence attract more equity financing, aiding in venture performance (Gimmon and Levie, 2010; Hsu, 2007). Our study extends this understanding to the context of social enterprises, wherein we find that complementary logics fit between commercial logics (for-profit experience and external commercial finance) and social logics (non-profit experience and external philanthropic finance) improves social enterprise size. Through this,

we also contribute to the nascent body of literature on social finance funders, complementing the work on philanthropic venture capital (Scarlata, Zacharakis and Walske, 2016) and impact investing (Daggers and Nicholls, 2016; Hockerts *et al.*, 2022).

Finally, we make an empirical contribution to research on institutional logics by testing the theory of complementarity of logics on intrinsic and extrinsic tensions in hybrid organizations (Battilana and Dorado, 2010; Besharov and Smith, 2014). These complementarity of logics were conceptualized through grounded theory approaches, and our research is amongst the first to test this using a large-sample quantitative approach. We find that finance providers value founding teams that are generally compatible with their institutional logics; while this may not be surprising, this finding offers another layer of nuance on how compatibility is viewed in hybrid organizations.

Policy and practice implications

Our study offers multiple practical implications for enhancing social enterprise performance, particularly based on the composition of the founding team. First, it helps to provide an understanding of the value of different forms of entrepreneurial experience on venture outcomes. In particular, our results suggest that social enterprise founding teams should incorporate founding team members with non-profit entrepreneurial experience in order to enhance the venture performance. Second, considering that commercially oriented (debt/equity) and philanthropic investors view for-profit and non-profit entrepreneurial experiences in a contrary manner, diverse teams that combine both non-profit and for-profit experiences may be effective at attracting funding across the spectrum of financial investors. Therefore, founders developing new social ventures could consider building teams with diverse backgrounds. Third, results from our control variables suggest that it helps to have founding team members with better educational qualifications to enhance social enterprise performance.

We also offer important policy implications. Given the inhibiting role of contradictory institutional logics, government agencies may be able to support social ventures by facilitating greater cross-pollination and learning opportunities for entrepreneurs from for-profit and non-profit domains. Such opportunities could be in the form of collaborative learning sets or workshops that may help develop teams with a greater level of interdisciplinarity. Similarly, governments could support the creation of interdisciplinary accelerators/incubators. Similar efforts to engage commercial and philanthropic investors would also help institutionalize social investment, building greater coordination between different

sources of financing, which may be used at different stages and for different purposes.

Limitations and future research

As acknowledged above, there are limited data sources available for social enterprises that offer information of interest to our research questions. Our dataset overcomes the limitations of other popular social enterprise datasets such as the Global Entrepreneurship Monitor (Hill *et al.*, 2022) by including both founder- and venture-level data and using continuous measures for entrepreneurial experience, external financing and enterprise size. Despite this, there are limitations to our study. For instance, the data do not have information that captures specific social performance outcomes of social enterprises and other growth measures. The lack of established measures of social performance has been an area of consistent concern in social entrepreneurship research (Ebrahim, Battilana and Mair, 2014). The extent of the founding team's non-profit experience is likely more relevant for nuanced measures of social performance, in terms of inclusivity, breadth, and depth of outreach (Lall, 2017). Exploring such aspects of founding team characteristics and social performance is a promising area for future research in this field.

Relatedly, while we use employment growth as one of our main dependent variables, recent research in emerging markets (especially those with male-dominated labour markets) suggests that such growth may be driven by an increase in male employment at the expense of female employment (Johan and Valenzuela, 2021), which would be at odds with the overall mission of social value creation. Similarly, we also note the importance of gender diversity in funding organizations (Strøm, D'Espallier and Mersland, 2023), and broader issues of the gender gap in venture financing (Guzman and Kacperczyk, 2019). Unfortunately, while the GALI dataset has information on founding team gender, it does not provide similar distributions of male versus female employment and gender financing. Future research should examine such interactions between gender, financing, and employment growth in social enterprise. Another related intersectionality to explore would be to consider the presence of ethnic-minority and immigrants in founding teams (Dabić *et al.*, 2020).

Finally, we do not expect the dataset to be a representative sample of social entrepreneurs overall, as it is drawn from a self-selected group of accelerators that agreed to participate in the data collection initiative. Nevertheless, because the data are drawn from a broad sample of social accelerators, and include all applicants rather than only participants in the accelerator programme, we believe the findings are relatively generalizable.

To conclude, our study is among the earliest to quantitatively explore the impact of different forms of entrepreneurial experience and the fit between dual institutional logics in the context of social enterprises. We highlight the importance of founding team entrepreneurial experience on social enterprise performance, wherein we find non-profit entrepreneurial experience to be particularly valuable. Furthermore, we find that a complementary logics fit between founding team entrepreneurial experiences and external financing (non-profit experience with philanthropic funding and for-profit experience with debt or equity financing) enhances social enterprise performance. The distinctly different perceptions of non-profit and for-profit founding team experience, by social and commercial investors, highlight the inherent dichotomy of the social enterprise model and offer paths for more integration.

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