

Marketing Amid the Uncertainty of the Social Sector: Do Social Entrepreneurs Follow Best Marketing Practices?

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In a recent study in Journal of Marketing, Read et al. (2009) conduct an experiment to identify how experts approach marketing in uncertain, entrepreneurial contexts. In response, the current study adapts Read et al.'s model slightly to make it relevant to practicing entrepreneurs and tests it on a randomized database of experts and novices in the process of creating for-profit organizations in the United States. The results suggest that these best marketing practices are largely reflective of those employed by practitioners. The author then conducts tests to determine the degree to which social entrepreneurs employ these best marketing practices. The results suggest that social entrepreneurs are less likely than commercial entrepreneurs to implement several best marketing practices.

Keywords: best marketing practices, effectuation, marketing strategy, Panel Study of Entrepreneurial Dynamics II, social entrepreneurship

Although social entrepreneurs are primarily concerned with growing their organizations, most fail to scale their impact to the desired level (Bloom and Chatterji 2008). In light of this widespread failure, Bloom (2009, p. 134) laments that “business and marketing scholars have yet to turn much attention to how to improve the effectiveness and impact of social entrepreneurs.” Although the “tools of marketing ... all have great relevance to social entrepreneurs” (Bloom 2009, p. 133), the markets in which social entrepreneurs operate are highly uncertain. Thus, the necessary inputs (e.g., data on demographics, market demand) on which traditional marketing analyses rely are often unreliable and/or unavailable to social entrepreneurs. Although scholars have recently attempted to identify effective tools, strategies, and approaches for social entrepreneurs (Huggett 2010; Newbert and Hill 2010; Robinson 2010; Trabold, Bloom, and Block 2010), limited normative advice for social entrepreneurs remains. However, given that *for-profit* social entrepreneurs face many of the same challenges as commercial entrepreneurs, advice for the latter should apply to the former (Newbert and Hill 2010).

Recently, Read et al. (2009, p. 13) conducted an experiment from which they identify “a set of prescriptions for marketing decision making under uncertainty.” A major strength of this study is that it establishes a set of best marketing practices for entrepreneurs. Best practices reflect the routines, processes, tactics, and so forth, used by best-in-class companies (Mann, Sampson, and Dow 1998; Shetty

1993) and constitute the building blocks of strategy that enable organizations to respond to challenges in their environment (Christmann 2000; Goodman and Darr 1996). Given that Read et al.'s (2009) best practices are intended to apply to all for-profit entrepreneurs, the current study aims to determine their degree of use in the social context.

In doing so, it must be noted that although Read et al.'s (2009) experiment was rigorously conducted, it is unclear whether the best marketing practices they identify from their simulated setting hold for practicing entrepreneurs. Thus, this study attempts to identify whether people involved in the process of creating for-profit organizations actually execute these best marketing practices in the hopes of complementing and adding generalizability to Read et al.'s findings. In addition, if Read et al. are correct that effectual logic is particularly relevant in the uncertain environments in which entrepreneurs operate, the relevance of the best marketing practices they identify should be especially important in social sector markets in which uncertainty is greatest. Thus, the main objective of this study is to assess the degree to which for-profit social entrepreneurs implement these best marketing practices. In addressing these two issues, this study endeavors to respond to Bloom's (2009) call for more rigorous empirical research on marketing in the social sector.

Conceptual Development

Read et al. (2009) argue that entrepreneurs can effectively navigate uncertain environments using marketing practices grounded in effectual logic. According to a rational view of decision making, people predict changes in the environment, which cannot be controlled, so in turn they can predict the future and make decisions according to that inevitable

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reality. Conversely, an effectual view of decision making assumes that people know, by way of their bounded rationality (Simon 1991), that they cannot predict the future but may be able to control it by influencing the environment, thereby cocreating the future (Sarasvathy 2002).

Such a theoretical context is particularly relevant to entrepreneurs in two ways. First, entrepreneurs are notoriously overconfident about their prospects for success (McCarthy, Schoorman, and Cooper 1993); thus, it is likely that they would demonstrate a measure of hubris with regard to control of factors external to the firm. Second, the environments in which entrepreneurs operate are highly unpredictable. Indeed, in his seminal work on entrepreneurship, Knight (1921) argues that it is profit that is unattainable in the absence of uncertainty, because otherwise all people would have perfect information about all available opportunities.

Given this framing, Read et al. (2009) argue that expert entrepreneurs, or those with “expertise in uncertainty,” tend to rely on their expertise, as opposed to predictive information, when making marketing decisions. They test this assertion with an experiment that compares the decisions made by 27 entrepreneurs with prior start-up experience (whom the authors label as “experts”) and those made by 37 graduate students without entrepreneurial expertise (whom the authors label in this study as “managers” but elsewhere as “novices”; see Dew et al. 2011; Read and Sarasvathy 2005) regarding a fictitious start-up that is producing a radically innovative new product. Participants were provided a written description of and two pages of market research relevant to the firm and were asked questions pertaining to customers, competitors, market research, growth prospects, segmentation, pricing, and distribution. From analysis of variance and chi-square tests of the responses, Read et al. identify significant differences between the marketing decisions made by expert and novice entrepreneurs. They conclude that expert entrepreneurs are more likely than novice entrepreneurs to ignore market research, base decisions on experience, evaluate affordability, employ holistic decision frames, consider alternative markets and products, price high, and form relationships with supply chain partners.

Because experts and novices were found to differ significantly with regard to their approach to marketing, the practices identified by the experts reflect a set of “best practices” for entrepreneurs operating in uncertain environments (Goodman and Darr 1996; Shetty 1993). Furthermore, because effective marketing strategies are important to the successful emergence of any innovative organization (De Luca and Atuahene-Gima 2007; Li and Calantone 1998), these best marketing practices should be relevant to *all* entrepreneurs, regardless of context. To succeed in creating viable for-profit organizations, both social and commercial entrepreneurs must develop viable business models that they can use to market their products and services effectively. Although social entrepreneurs are uniquely motivated by a vision that includes, in part, a desire to serve society, they need not allow that vision to restrict their business operations (Weerawardena and Sullivan Mort 2006). Indeed, because social entrepreneurs face many of the same challenges as commercial entrepreneurs when creating for-profit organizations, they should apply the same business funda-

mentals in meeting them (Newbert and Hill 2010). Moreover, given that social sector markets are far more uncertain than traditional commercial markets (Kanter 1999), best marketing practices found to be effective in uncertain environments should form the basis of a particularly effective marketing strategy for social entrepreneurs.

To the extent that the fundamentals of good business should apply to both commercial and social settings, hypotheses are developed that explore the degree to which for-profit social entrepreneurs follow Read et al.’s (2009) best marketing practices. Yet, because of the experimental nature of Read et al.’s study, whether expert entrepreneurs actually implement these best marketing practices in practice remains to be seen. Thus, hypotheses are first developed that situate Read et al.’s findings in the context of practicing entrepreneurs. In developing these hypotheses, reliance on analogical reasoning is excluded from consideration because the data set used in this study does not include the data with which to test it.

Market Research

Read et al. (2009) argue that because expert entrepreneurs have more exposure to real-world knowledge than managers, they are less likely to rely on current information about the environment in which they operate because it does not account for the way their own decisions will affect that environment in the future (Van Heerde, Dekimpe, and Putsis 2005). Although Read et al. conclude that experts are more likely than novices to ignore market research, their conclusion seems to be largely an artifact of the study design and unlikely to hold for entrepreneurs in the process of creating real organizations. To begin with, the participants in the study are told they are playing an imaginary game of entrepreneurship, are knowingly provided artificial market research, and are asked the degree to which they would rely on that data to make mock decisions about marketing. For the experts, the market data provided were likely less accurate than their own understanding of the entrepreneurial situation, which may well have resulted from research they had conducted while founding a previous firm. Moreover, the participants were considering the development of a radically innovative product, suggesting that market data defining competitor or buyer behavior might not exist or be inaccurate. In addition, because there was little downside risk to making bad decisions in the experiment (other than losing a game), it is not surprising that expert entrepreneurs failed to rely on market data when deciding what marketing tactics to implement.

In practice, however, few new organizations actually pursue the development of radical innovations (Kirchhoff 1994) and thus are likely to benefit from conducting research on the market they intend to enter. Read et al. (2009, p. 15) acknowledge that “although market research is not positively correlated to performance for radical innovation, it may be beneficial for entrepreneurs to conduct market research if the new firm is creating incremental products that meet existing market needs.” In support, empirical evidence suggests that firms that best understand their market, such as by understanding competitors, are better able to develop and distribute new products than those that do not (Li and Cantalone 1998).

H_{1a}: Expert entrepreneurs are more likely than novice entrepreneurs to consider market data critical to the start-up effort.

Viewing the environment “rationally” is likely to be more common in commercial than social sectors for at least two reasons. First, a social entrepreneur’s ultimate goal is not merely to alleviate a social problem, but more fundamentally to solve it (Bloom and Dees 2008). However, solutions to most social problems are likely to exceed the capacity of any one organization. Therefore, unlike commercial entrepreneurs, for whom aggressively defending against competitors is a main operational activity (Porter 1979), social entrepreneurs often benefit from the presence of other organizations striving to serve the same need to the same target market (Grant and Crutchfield 2007). Second, even in cases in which such benefits do not apply, conducting market research in social sector markets is difficult. As Bloom and Dees (2008) note, the ecosystem in which social entrepreneurs operate is messy, with ill-defined boundaries. For example, unlike traditional notions of “customers,” the beneficiaries of social entrepreneurs are often not the same entities/individuals that pay for the product or service and, in many cases, do not even interact with the social entrepreneur (Bloom and Dees 2008). Given the nontraditional and often complex notions associated with a social entrepreneur’s competitors and customers (Grant and Crutchfield 2007), social entrepreneurs are not expected to devote the same amount of scarce resources to conducting market research as commercial entrepreneurs.

H_{1b}: Social entrepreneurs are less likely than commercial entrepreneurs to consider market data critical to the start-up effort.

Affordable Loss

Read et al. (2009, p. 7) define affordable loss as “the tendency of expert entrepreneurs to evaluate an investment according to whether they could survive a total failure of the initiative.” They find evidence to suggest that because experts recognize the risks involved with starting a new organization, they are more likely to factor cost into their decisions to exert some control over, and thus minimize, the likelihood of failure. Such a consideration is likely to hold for practicing entrepreneurs as well. According to Matlin (2005), with experience comes an increased attention to the attributes of a domain that are essential to its primary function. Because most new firms fail to emerge (Shane and Delmar 2004) and, of those that do emerge, most terminate operations within a few years (Kirchhoff 1994), the people who create successful firms tend to be those who best understand the elements of a profitable business model. In support, Baron and Ensley (2006) find empirical evidence to suggest that expert entrepreneurs are significantly more concerned than novice entrepreneurs with the organization’s ability to generate revenues and positive cash flow. Similarly, Tornikoski and Newbert (2007) find that entrepreneurs who develop financial projections during the start-up phase are more likely to succeed in creating new organizations.

H_{2a}: Expert entrepreneurs are more likely than novice entrepreneurs to consider how much money they have and what the start-up effort is going to cost them.

Although social entrepreneurs recognize the instrumental role of revenue (Mair and Marti 2006), they nevertheless tend to place greater emphasis on creating social rather than economic value (Leadebeater 1997). As Kanter (1999) notes, because of the poor institutional quality and unsavory demand conditions characterizing social sector markets, many social entrepreneurs often find themselves pursuing the exploitation of opportunities for which there is far less assurance of profitability than those pursued by most commercial entrepreneurs, whose efforts tend to reside in established markets with known demand (Kirchhoff 1994). However, rather than abandon these less desirable markets because of the limited potential they seem to provide, as would be expected of commercial entrepreneurs, social entrepreneurs often abandon traditional Western business models, which promote maximizing the value the entrepreneur can appropriate from the exploitation of an opportunity, and agree to share what economic value they do create with intermediaries, such as government agencies, charitable organizations, and philanthropists (Maddy 2001). In light of this important difference, social entrepreneurs are expected to be less likely to factor profitability into their decisions when attempting to start a new business.

H_{2b}: Social entrepreneurs are less likely than commercial entrepreneurs to consider how much money they have and what the start-up effort is going to cost them.

Decision Framing

According to Bettman and Sujan (1987), past experience leads to a deep understanding of the problem domain faced by the individual. For this reason, Read et al. (2009) argue, and find evidence to suggest, that experts are more likely than novices to visualize and articulate how the various functions of a business are related. The propensity to frame entrepreneurial challenges holistically is likely to hold for practicing entrepreneurs in the form of planning.

Business planning is important for entrepreneurs because it enables them to understand what opportunities they are pursuing, how those opportunities have been shaped by the environment, what strategies will enable them to exploit the opportunities, and how they will implement those strategies (Timmons 1980). In support, Wyckham and Wedley (1990) observe that practicing entrepreneurs typically use business plans as internal planning documents and to make marketing decisions. Shane and Delmar (2004) go so far as to advise entrepreneurs to write a business plan before undertaking *any* marketing activity. For these reasons, empirical evidence suggests that business planning reduces the likelihood of termination of emerging organizations (Delmar and Shane 2003; Shane and Delmar 2004) and increases the likelihood of survival and growth of new organizations (Bracker, Keats, and Pearson 1998; Schwenk and Shrader 1993).

H_{3a}: Expert entrepreneurs are more likely than novice entrepreneurs to explicitly visualize building a whole business.

Because business experience leads to an understanding of the problems a business might face as well as how the various functions of a business are related, many scholars have found that business-related education and experience are essential for entrepreneurial success (e.g., Baum and

Silverman 2004; Cooper, Gimeno-Gascon, and Woo 1994; Hall and Hofer 1993; Jo and Lee 1996; Sapienza and Grimm 1997; Shepherd, Ettenson, and Crouch 2000). However, most people working in the social sector lack the educational and professional backgrounds that qualify them for work in the commercial sector (Amin 2009). According to Miller and Wesley (2010), social entrepreneurs' lack of business-related human capital negatively affects their effectiveness. In light of social entrepreneurs' limited experience in and understanding of business, they are not only likely to be at a disadvantage compared with commercial entrepreneurs when framing the decisions facing their businesses but also less likely to articulate them.

H_{3b}: Social entrepreneurs are less likely than commercial entrepreneurs to explicitly visualize building a whole business.

Market and Product

Conventional theory in marketing holds that organizations should begin with an idea for a product and then build a comprehensive pricing, promotional, and placement strategy around that product (Kotler and Armstrong 1999). However, Read et al. (2009, p. 7) argue that this type of dominant logic approach does not hold for uncertain contexts in which "market targets and product offerings can be considerably transformed along the path from concept to acceptance." The results from their experiment in turn suggest that expert entrepreneurs are more likely than novice entrepreneurs to consider multiple markets for the products.

Such a tendency is likely to be particularly salient among practicing entrepreneurs given that their high degree of exposure often necessitates changes in strategy. Because entrepreneurs generally leverage their personal assets to secure the resources necessary to get the new firm operational, their business and personal lives often become so interconnected that failure in the former would signify failure in the latter (Ang 1991). In such cases, entrepreneurs are likely to consider multiple alternatives in strategic direction to avoid the burden associated with failure. Such a shift in strategy is likely to be more pronounced for entrepreneurs who have previously started new organizations, given their experience operating in uncertain and dynamic contexts in which adapting the value proposition is often critical (Sarasvathy and Kotha 2001).

H_{4a}: Expert entrepreneurs are more likely than novice entrepreneurs to consider changes to the market and product.

According to Locke (1997, p. 393), "achieving specific goals is the means to attaining values." Whereas the primary goal of commercial entrepreneurship is innovation as a means for earning profits (Schumpeter 1934), the primary goal of social entrepreneurship is innovation as a means for improving society (Dacin, Dacin, and Matear 2010), either directly, by solving specific social problems, or indirectly, by improving local economic conditions (Mair 2006). More important, this objective of social entrepreneurs is often restricted to a particular sphere involving a specific geography (i.e., a specific country or city), social problem (i.e., child nutrition), or both (Shaw and Carter 2007). Because this need by social entrepreneurs is rooted in deeply held values, the scope of options

available to satisfy their ambitions is often perceived to be quite narrow (Becker 1992). Conversely, commercial entrepreneurs are motivated broadly by profit, which can be attained through the exploitation of a multitude of opportunities. Thus, unlike commercial entrepreneurs, who can meet their generalized goal of financial success through the exploitation of a wide variety of products and markets, social entrepreneurs are likely to view their options as more limited because of their high level of commitment to one value-laden idea.

H_{4b}: Social entrepreneurs are less likely than commercial entrepreneurs to consider changes to the market and product.

Price

Read et al. (2009, p. 8) argue, and find evidence to suggest, that expert entrepreneurs "price on the basis of the highest level of value they have uncovered." Such a relationship is likely to hold for practicing entrepreneurs given that those who have previously interacted with customers are likely to recognize from their past experience that pricing is a value-driven construct and that it should be linked to willingness to pay rather than production costs and/or the generalized statistics of a demographic group (Anderson, Narus, and Van Rossum 2006). As a result, expert entrepreneurs should set relatively high prices that meet their customers' willingness to pay. Because novice entrepreneurs have limited understanding of buyer behavior, they will be less able to base their pricing models on perceived value and more likely to base them on preselected market analysis derived at the onset of the start-up effort (Sarasvathy 2001). Unfortunately, such predictive models tend to focus on the "lowest common denominator" for a given segment (Read et al. 2009). Thus, these models are likely to result in novice entrepreneurs setting lower overall prices to minimize the risk of exceeding the willingness to pay of customers in the segment.

H_{5a}: Expert entrepreneurs are more likely than novice entrepreneurs to price high.

Given that commercial entrepreneurs tend to seek wealth creation, they tend to concern themselves with the generation of profits for the organization (Schumpeter 1934). Thus, commercial entrepreneurs will likely price high to meet consumers' willingness to pay and, in turn, maximize their profits (Berthon and John 2006). Conversely, social entrepreneurs tend to concern themselves with service to others and focus on maximizing the organization's impact on people and communities, an objective commonly referred to as "scaling social impact" (Bloom and Chatterji 2008). Because prices for products and services that would maximize profits for social enterprises are often too high for most consumers in the target market, social entrepreneurs often provide their products and services to end users at reduced costs or for free (Kanter 1999; Prahalad and Hammond 2002). In light of these different approaches, commercial entrepreneurs are likely to employ a skim pricing strategy, whereas social entrepreneurs are likely to employ a penetration pricing strategy.

H_{5b}: Social entrepreneurs are less likely than commercial entrepreneurs to price high.

Channel

Read et al. (2009, p. 8) argue that “expert entrepreneurs are cognizant that successful ventures involve complete and complex webs of stakeholder relationships ... because relationships will create the market.” Although these authors find mixed support for the importance of supply chain relationships in an experimental setting, such relationships are likely to be important to practicing entrepreneurs given evidence of their utility in identifying opportunities (Hills, Lumpkin, and Singh 1997), mobilizing resources (Starr and Macmillan 1990), and stimulating cooperative behavior among transaction partners (Witt 2004). Such outcomes are essential to entrepreneurs given that they tend to lack not only the necessary menu of tangible and intangible resources to exploit the opportunities they have identified (Aldrich and Martinez 2001) but also the legitimacy to obtain the needed resources from suppliers at desirable terms (Suchman 1995). Tornikoski and Newbert (2007) rely on this logic to explain their empirical findings, suggesting that relationships with supply chain partners are a significant determinant of success for entrepreneurs starting new organizations. Furthermore, Li and Cantalone (1998) find evidence to suggest that organizations that best understand their customers are better able to develop and distribute new products than those that do not.

H_{6a} : Expert entrepreneurs are more likely than novice entrepreneurs to build relationships with supply chain partners.

Although relationships with supply chain partners can aid social entrepreneurs, research suggests that they lack ties to the types of external actors that can enhance the legitimacy of and facilitate resource flows for commercial entrepreneurs (Meyskens et al. 2010). According to Shaw and Carter (2007), networks are important to social entrepreneurs for many of the same reasons as commercial entrepreneurs; however, unlike commercial entrepreneurs, who overwhelmingly aim to exploit known markets with known demand (Kirchhoff 1994), social entrepreneurs tend to focus on markets characterized by much greater uncertainty (Kanter 1999). As a result, whereas the relationships initiated by commercial entrepreneurs are generally intended to facilitate operational issues (i.e., distribution), those initiated by social entrepreneurs are generally intended to aid in their understanding of the local socioeconomic conditions (Shaw and Carter 2007). Thus, although social entrepreneurs are likely to develop beneficial relationships, they are less likely than commercial entrepreneurs to form relationships with supply chain partners.

H_{6b} : Social entrepreneurs are less likely than commercial entrepreneurs to build relationships with supply chain partners.

Methodology

Sample

The data set used in this study is the Panel Study of Entrepreneurial Dynamics II (PSED II). The PSED II, coordinated by the University of Michigan Institute for Social Research, is a longitudinal data set of people involved in the process of starting for-profit businesses. These people

were identified from a random-digit-dialing telephone survey of 31,845 adults in the United States conducted from September 2005 to February 2006. From this target population, nascent entrepreneurs, or those who initiate “serious activities that are intended to culminate in a viable business startup” (Aldrich 2000, p. 77), were identified as meeting the following criteria: They (1) were trying to start their own business (either for themselves or for their employer); (2) were owners or part owners of the new firm, which would not be majority owned by another business; (3) were active in trying to start the new firm within the previous 12 months; and (4) were still in the start-up phase (Reynolds and Curtin 2008). From this initial screening process, 1214 people were identified as nascent entrepreneurs. These people were then contacted again between September 2005 and March 2006 by telephone for a comprehensive interview designed to obtain ongoing information about the conditions surrounding their start-ups. The average time between the initial screening interview and this interview was 16 days (Reynolds and Curtin 2008). Thus, the data used in this study are not assumed to be biased due to maturity and history effects

Although three follow-up telephone surveys were conducted at yearly intervals, virtually all the data used in this study come from the first interview because of concerns about priming. Empirical evidence suggests that when people are presented with information about future decisions, they are more likely to rely on that information when acting in the future and that this effect is more pronounced for novices than for experts (Bettman and Sujan 1987). Thus, it is likely that simply by asking about best marketing practices, the PSED II interviewers made their relevance to the start-up effort more obvious to the study respondents and, in turn, made it more likely that the respondents would implement them going forward. Because a main focus of the current study is the identification of differences in the behaviors of expert and novice entrepreneurs, it is important to minimize the probability that these entrepreneurs (particularly the novices) were alerted to the importance of behaviors that they would have otherwise not considered precisely because of their lack of experience. In light of the potential for bias due to priming, the best marketing practices are operationalized using data collected the first time respondents were asked about their execution. Details for the construction of these and all other variables in the analysis are discussed next and appear in the Appendix.

Measures

In line with Read et al. (2009), expert and novice entrepreneurs are distinguished according to their previous start-up experience. However, to add richness to Read et al.’s dichotomous conceptualization of this variable, expertise is defined herein as the number of organizations each entrepreneur had successfully started before the current attempt. Of the respondents, 551 (45.4%) had started at least 1 new firm (i.e., experts), with a minimum of 1 and a maximum of 25, and 663 (54.6%) had not (i.e., novices). Because this variable is skewed in its raw form, it is log-transformed to normalize the distribution.

Social entrepreneurs are people who want to create social value (Dacin, Dacin, and Matear 2010), either directly, by exploiting opportunities to solve specific social problems, or indirectly, by improving local economic conditions (Mair 2006). In pursuit of such ends, social entrepreneurs tend to “make quite deliberate decisions to solve social problems, rather than simply stumbling into their work by accident or circumstance” (Light 2009, p. 22). Thus, social entrepreneurs exhibit a purposeful intention to fulfill some societal need. In the PSED II, respondents were asked on two occasions why they wanted to start a new business, the responses to which were open ended and then classified by the interviewers at the University of Michigan Institute for Social Research using an array of 44 categories for the first question and 62 for the second. According to these categories, social entrepreneurs are defined as those whose responses to either of these two questions were classified as “to help others; help community” (i.e., create social value directly by solving specific social problems) and/or “to aid in economy; economic development” (i.e., create social value indirectly by improving economic conditions).

Market research refers to the gathering of information about the local market. In the PSED II, respondents were asked whether they had collected information about the potential competitors their new businesses would face and whether they had made an effort to define the market opportunities they wanted to exploit with their new businesses. Respondents answering yes to either of these items are determined to have conducted market research.

Affordable loss refers to the tendency to evaluate the downside risk of an investment (Read et al. 2009). One tangible mechanism by which such a consideration is evaluated is through the development of financial statements. Thus, the respondents who indicated having developed financial projections for the business (e.g., income statements, cash flow statements, breakeven analyses) are defined as having evaluated whether their investment in the new business represented an affordable loss.

Entrepreneurs’ decision framing refers to the comprehensiveness with which they understand the new business, which is typically manifest in planning that accounts for all aspects of the business (Read et al. 2009). In the PSED II, a business plan was defined for respondents as a document that outlines the markets to be served, the products or services to be provided, the resources required (including money), and the expected growth and profit of the new business. Given the holistic nature of such a plan, entrepreneurs are considered to have a comprehensive decision frame if they had begun the preparation of a business plan for their new business.

Because of the uncertainty of the entrepreneurial process, the markets and products new businesses serve often change over time (Knight 1921). To capture evidence of such a transformation, respondents were asked during the second interview whether they had changed the nature of their businesses’ primary activity from the previous year. Those who indicated having done so are determined to have changed their market and product orientation.

Because the firms the entrepreneurs in the sample were starting were not operational when the data were collected, no objective prices existed for their products at the time.

However, respondents were asked the degree to which low prices would be important to be competitive, with responses ranging from “strongly agree” (1) to “strongly disagree” (5). Respondents who agreed or strongly agreed that low price was important are coded as zero, and those who did not agree are coded as one.

The more complete and complex the channels of distribution surrounding a new organization, the more likely it will succeed (Read et al. 2009). Respondents were asked if they had talked with potential customers about the product or service of the new business and if they have established credit with suppliers. Respondents answering yes to either of these items are determined to have established relationships with supply chain partners.

To control for additional effects that might influence marketing decisions, the following control variables are included. As noted previously, business education and experience are critical to entrepreneurial success. Thus, age is controlled for with a variable indicating the age of the respondent, though it is log-transformed to normalize the distribution. Industry experience is operationalized as the number of years the respondent worked in the industry in which the new firm is to compete. It is also log-transformed to normalize the distribution. Education is operationalized as a dummy variable, coded as one for respondents who indicated having obtained at least a four-year college degree and zero otherwise.

Given the possibility that social entrepreneurs will be more focused on scale and less focused on wealth than commercial entrepreneurs, the ambitions of respondents are also controlled for with the following two variables. Scaling goals are controlled for with the inclusion of a dummy variable, coded as one for respondents who indicated wanting their business to be as large as possible and zero for those who indicated wanting their business to be small enough to manage alone or with a few employees. Wealth accumulation goals are controlled for according to respondents’ indications of how important it was to build personal wealth from their businesses. Responses to this item, provided on a five-point scale ranging from “no extent” (1) to “a very great extent” (5), are used to operationalize this variable.

Because of variation in the amount of time respondents had been active in their start-up efforts, respondents may not have had equal opportunity to implement the best marketing practices at the time of data collection. Thus, the number of years between the time the respondent first conceived of the business idea and the initial PSED II interview is controlled for. Because this variable is skewed in its raw form, it is log-transformed to normalize the distribution.

Finally, given that uncertainty is central to the theoretical model, the uncertainty of the market in which the entrepreneur is trying to operate is controlled for with a variable that measures the proportion of the firms’ potential customers who would view the products or services provided as novel. In this way, the variable accounts for the disruptiveness of the product, which is characteristic of the level of market and technological uncertainty a firm faces (Bower and Christensen 1995). Responses to this item, provided on a three-point scale ranging from “none” (1) to “all” (3), were used to operationalize this variable. Because this variable is

skewed in its raw form, it is log-transformed to normalize the distribution.

Analysis and Results

Table 1 lists the descriptive statistics and correlations. The descriptives, along with a visual inspection of the data, suggest that all variables are normally distributed. In addition, all correlations are low enough (all at or below .34) to alleviate concerns about multicollinearity among independent variables that might confound the results of any statistical tests.

Because binary dependent variables violate the assumptions of homoskedasticity, linearity, and normality, linear regression techniques cannot be used to test the hypotheses (Tonidandel and LeBreton 2010). Thus, in line with the advice of McArdle and Hamagami (1994), the data are analyzed using logit regression, which produces unbiased

parameter estimates intended to predict the occurrence of an outcome of interest (Lieli and Nieto-Barthaburu 2010)—in this case, the implementation (or not) of each of Read et al.'s (2009) best marketing practices. In conducting these analyses, the data were weighted using the weights created by the University of Michigan Institute for Social Research. From the March 2005 Current Population Survey conducted by the U.S. Census Bureau, these weights were created to correct for differences in selection probabilities and differential nonresponse rates so that the estimated results would be representative of and therefore generalizable to the entire U.S. population (Reynolds and Curtin 2008). The results of these analyses appear in Table 2.

As the results in Table 2 show, the control models and the full models boast significant likelihood ratio statistics for seven of the eight models. The results also show that for all eight models, the inclusion of the independent variables results in a decrease in the -2 log-likelihood and an increase

Table 1. Descriptives and Correlations

Variable	M	SD	1	2	3	4	5	6	7
1. Age	3.73	.32							
2. Industry experience	1.72	1.21	.24***						
3. Education	.38	.49	.18***	.08***					
4. Ambition (scale)	.20	.40	-.11***	-.08***	.03				
5. Ambition (wealth)	2.84	1.42	.26***	.03	.13***	.24***			
6. Time	1.26	.62	.09***	.19**	.02	.00	-.03		
7. Market uncertainty	.94	.27	.00	-.05	.04	.14***	.11***	.05	
8. Expert entrepreneur	.48	.60	.31***	.11***	.16***	.09**	-.06	.01	.08**
9. Social entrepreneur	.08	.27	.03	.00	-.07*	.09**	-.02	.05	.11***
10. Collected data on competitors	.53	.50	.07*	.02	.10***	.05	-.00	.05	-.02
11. Defined market opportunities	.44	.50	.13***	.01	.17***	.09***	.04	.04	.02
12. Developed financial projections	.29	.45	.06*	.03	.14***	.08**	.04	.06	-.02
13. Prepared business plan	.50	.50	-.03	.04	.13***	.10***	.05	.02	.02
14. Changed business activity	.07	.26	.03	.00	.00	-.04	.03	.00	-.04
15. Considered high price important	.19	.39	.12***	.03	.15***	-.02	-.09**	.07*	.00
16. Talked with customers	.67	.47	.00	.02	.07*	.02	-.02	.07*	-.03
17. Established supplier relationships	.21	.41	.05	.09**	.01	.03	.03	.06*	-.06*

Variable	8	9	10	11	12	13	14	15	16
1. Age									
2. Industry experience									
3. Education									
4. Ambition (scale)									
5. Ambition (wealth)									
6. Time									
7. Market uncertainty									
8. Expert entrepreneur	.00								
9. Social entrepreneur	.15***	-.06*							
10. Collected data on competitors	.19***	-.02	.34***						
11. Defined market opportunities	.17***	-.01	.26***	.34***					
12. Developed financial projections	.08**	.03	.22***	.27***	.31***				
13. Prepared business plan	-.01	-.06*	.06	-.02	-.05	-.04			
14. Changed business activity	.12***	-.02	.00	.04	.08*	.04	.03		
15. Considered high price important	.06*	-.03	.22***	.26***	.19***	.16***	.01	.02	
16. Talked with customers	.09***	-.05	.08**	.08**	.18***	.11***	-.03	-.04	.14***

* $p < .05$.

** $p < .01$.

*** $p < .001$.

Table 2. Factors That Predict the Implementation of Best Marketing Practices

	H₁: Market Research (Collected Data on Competitors)		H₁: Market Research (Defined Market Opportunities)		H₂: Affordable Loss (Developed Financial Projections)		H₃: Decision Framing (Prepared Business Plan)	
	Control Model	Full Model	Control Model	Full Model	Control Model	Full Model	Control Model	Full Model
Intercept	-.64	-.17	-2.40***	-1.94***	-1.38**	-.87	.32	.55
Age	.16	.00	.52***	.37**	.13	-.03	-.21†	-.28*
Industry experience	.01	.00	-.06†	-.07*	-.02	-.02	.02	.02
Education	.28***	.23**	.51***	.47***	.39***	.36***	.43***	.43***
Ambition (scale)	.17†	.16†	.20*	.19*	.17†	.15	.28**	.26**
Ambition (wealth)	.02	.02	.11***	.10***	.06†	.05†	.06*	.06*
Time	.09	.11†	.09	.12†	.16*	.18**	.06	.06
Market uncertainty	-.21	-.21	-.25†	-.25†	-.23	-.25†	-.03	-.05
Expert entrepreneur		.33***		.32***		.31***		.14*
Social entrepreneur		-.29*		-.25†		-.09		.05
-2 log-likelihood	1572.12	1546.86	1504.28	1481.42	1332.65	1314.90	1550.93	1546.90
Likelihood ratio	23.44***	48.70***	78.88***	101.75***	37.02***	54.78***	47.75***	51.77***
McKelvey-Zavoina R ²	.03	.07	.10	.13	.05	.08	.06	.07

	H₄: Market and Product (Changed Business Activity)		H₅: Price (Considered High Price Important)		H₆: Channel (Talked with Customers)		H₆: Channel (Established Supplier Relationships)	
	Control Model	Full Model	Control Model	Full Model	Control Model	Full Model	Control Model	Full Model
Intercept	-2.20*	-2.24*	-1.30*	-1.03†	.92†	1.28*	-1.76**	-1.43*
Age	.18	.18	.23	.15	-.15	-.27*	.28†	.17
Industry experience	.03	.02	.00	.00	.03	.03	.08*	.07†
Education	-.09	-.11	.32***	.30***	.33***	.30***	.02	-.03
Ambition (scale)	-.15	-.12	-.01	-.02	.15	.15	.14	.15
Ambition (wealth)	.05	.05	-.04	-.04	-.04†	-.05†	.04	.03
Time	-.03	-.02	.13†	.14*	.11†	.13†	.07	.09
Market uncertainty	-.04	.00	-.27†	-.28†	-.14	-.14	-.53***	-.51**
Expert entrepreneur		.05		.17*		.23**		.23**
Social entrepreneur		-.87†		-.03		-.20		-.40*
-2 log-likelihood	439.29	433.36	1185.79	1180.96	1443.94	1432.08	1104.63	1089.88
Likelihood ratio	3.03	8.95	30.33*	35.16***	25.32***	37.18***	25.56***	40.31***
McKelvey-Zavoina R ²	.01	.06	.05	.06	.04	.05	.05	.07

† $p < .10$.* $p < .05$.** $p < .01$.*** $p < .001$.

in the McKelvey-Zavoina R-square, suggesting that the independent variables improve predictive power (Fienberg 1983). It should be noted that the pseudo-R-square values reported in logit analyses cannot be meaningfully compared with R-square values found in ordinary least squares regression because they are not computed in the same way (Hagle and Mitchell 1992). Thus, it is not the magnitude but the direction of change that is important with regard to these statistics; as such, they should only be used in conjunction with other fit indexes, such as those described previously, to assess model performance (Hagle and Mitchell 1992). In summary, these statistics suggest that, overall, the full models fit the data not only well but also significantly better than the control models.

When viewing the parameter estimates for the control variables across the eight full models, it appears that those

most consistently related to the execution of the best marketing practices are education, ambition, and time. These findings suggest that entrepreneurs are more likely to implement the various best marketing practices the more educated they are, the greater their scaling and wealth ambitions, and the more time they have invested in the start-up.

Regarding the parameter estimates for the independent variables, H_{1a} predicts that expert entrepreneurs are more likely than novice entrepreneurs to conduct market research. As the results show, the parameter estimates for the expert entrepreneur variable are positive and significant in both market research models ($\beta = .33, p < .0001$; $\beta = .32, p < .0001$), suggesting that expert entrepreneurs are more likely than novice entrepreneurs to collect data on competitors and to define market opportunities. These findings support H_{1a}. H_{1b} predicts that social entrepreneurs are less

likely than commercial entrepreneurs to conduct market research. As the results in Table 2 show, the parameter estimates for the social entrepreneur variable are negative and significant in both market research models ($\beta = -.29, p = .03$; $\beta = -.25, p = .08$), suggesting that social entrepreneurs are less likely than commercial entrepreneurs to collect data on competitors and to define market opportunities. These findings support H_{1b} .

As the affordable loss model shows, the parameter estimate for the expert entrepreneur variable is positive and significant ($\beta = .31, p < .0001$), suggesting that experts are more likely than novices to develop financial projections. This finding is consistent with H_{2a} , which predicts that expert entrepreneurs are more likely than novice entrepreneurs to assess the downside risk of the business. Thus, the results support H_{2a} . The parameter estimate for the social entrepreneur variable, however, is nonsignificant ($p = .56$), suggesting that they are no less likely than commercial entrepreneurs to develop financial projections. This finding is inconsistent with H_{2b} , which predicts that social entrepreneurs are less likely than commercial entrepreneurs to assess the downside risk of the business. Given the lack of significant difference between social and commercial entrepreneurs, the results do not support H_{2b} .

H_{3a} predicts that expert entrepreneurs are more likely than novice entrepreneurs to view the business holistically. As the results show, the parameter estimate for the expert entrepreneur variable is positive and significant ($\beta = .14, p = .05$), suggesting that experts are more likely than novice entrepreneurs to prepare a business plan when starting a new business. This finding supports H_{3a} . H_{3b} predicts that social entrepreneurs are less likely than novice entrepreneurs to view the business holistically. As the results show, the social entrepreneur variable is nonsignificant ($p = .72$); thus, H_{3b} is not supported.

As the market and product model shows, the parameter estimate for the expert entrepreneur variable is nonsignificant ($p = .71$), suggesting that experts are no more likely than novice entrepreneurs to change their business activity. This finding is inconsistent with H_{4a} , which predicts that expert entrepreneurs are more likely than novice entrepreneurs to modify the markets their new businesses would serve. Given the lack of significant difference between expert and novice entrepreneurs, the results do not support H_{4a} . The parameter estimate for the social entrepreneur variable, however, is negative and significant ($\beta = -.87, p = .06$), suggesting that social entrepreneurs are less likely than commercial entrepreneurs to change their business activity. This finding is consistent with the H_{4b} , which predicts that social entrepreneurs are less likely than commercial entrepreneurs to modify the markets their new businesses would serve. Thus, H_{4b} is supported.

H_{5a} predicts that expert entrepreneurs are more likely than novice entrepreneurs to employ a skim pricing strategy. As the results show, the parameter estimate for the expert entrepreneur variable is positive and significant ($\beta = .17, p = .03$), suggesting that expert entrepreneurs are more likely than novice entrepreneurs to price their products/services high. This finding supports H_{5a} . H_{5b} predicts that social entrepreneurs are less likely than novice entrepreneurs to price high. Given that the parameter estimate for

the social entrepreneur variable is nonsignificant ($p = .83$), H_{5b} is not supported.

Finally, the parameter estimates for the expert entrepreneur variable are significant and positive in both channel models ($\beta = .23, p = .002$; $\beta = .23, p = .003$), suggesting that expert entrepreneurs are more likely than novice entrepreneurs to talk with customers about their product and to establish relationships with suppliers. Both findings are consistent with H_{6a} , which predicts that expert entrepreneurs are more likely than novice entrepreneurs to establish relationships with their supply chain partners. Thus, the findings support H_{6a} . The parameter estimate for the social entrepreneur variables, however, is nonsignificant in the first of the two channel models ($p = .15$) but negative and significant in the second ($\beta = -.40, p = .03$). These results suggest that although social entrepreneurs are no less likely than commercial entrepreneurs to talk with customers, they are significantly less likely than commercial entrepreneurs to establish relationships with suppliers. These findings are partially consistent with the hypothesis that social entrepreneurs are less likely than commercial entrepreneurs to establish relationships with their supply chain partners. Thus, the findings offer partial support for H_{6b} .

Discussion

As Table 3 shows, the results suggest that the best marketing practices Read et al. (2009) identify are, on the whole, reflective of those executed by experts creating real, for-profit organizations. Specifically, the experts in the current study were more likely than novice entrepreneurs to conduct market research, evaluate the affordability of loss, use a comprehensive decision frame, employ a skim pricing strategy, and develop relationships with supply chain partners when creating new organizations. Despite the complementary nature of these results, two important differences emerge between Read et al.'s (2009) findings and those presented herein.

First, contrary to Read et al. (2009), this study hypothesizes and finds evidence to suggest that expert entrepreneurs are *more* (not less) likely to rely on market research than novices. As noted previously, it is unlikely that experts, who realize the sizable undertaking involved in starting a new business and who also evaluate the downside financial risk of failure of such a costly investment, would not collect data on the opportunity they seek to exploit and their competitors to guide their decision making. Yet it is this framing that may well explain Read et al.'s counterintuitive finding regarding market research. The participants in Read et al.'s experiment were asked to make decisions for a hypothetical company based on two pages of market research provided to them by the study administrators, which may have deviated from their understanding of the entrepreneurial situation. Were that the case, it is no wonder that they ignored the material when, in practice, they seem to find it an essential decision-making criterion.

Second, Read et al. (2009) find that expert entrepreneurs were more likely than novice entrepreneurs to consider new markets, whereas no difference was found herein. It is possible that this nonfinding is, again, due to the difference in the studies' designs. Because Read et al.'s study was an

Table 3. Summary of Results

Hypothesis	Result
H _{1a} : Expert entrepreneurs are more likely than novice entrepreneurs to consider market data critical to the start-up effort.	Supported
H _{1b} : Social entrepreneurs are less likely than commercial entrepreneurs to consider market data critical to the start-up effort.	Supported
H _{2a} : Expert entrepreneurs are more likely than novice entrepreneurs to consider how much money they have and what the start-up effort is going to cost them.	Supported
H _{2b} : Social entrepreneurs are less likely than commercial entrepreneurs to consider how much money they have and what the start-up effort is going to cost them.	Not supported
H _{3a} : Expert entrepreneurs are more likely than novice entrepreneurs to explicitly visualize building a whole business.	Supported
H _{3b} : Social entrepreneurs are less likely than commercial entrepreneurs to explicitly visualize building a whole business.	Not supported
H _{4a} : Expert entrepreneurs are more likely than novice entrepreneurs to consider changes to the market and product.	Not supported
H _{4b} : Social entrepreneurs are less likely than commercial entrepreneurs to consider changes to the market and product.	Supported
H _{5a} : Expert entrepreneurs are more likely than novice entrepreneurs to price high.	Supported
H _{5b} : Social entrepreneurs are less likely than commercial entrepreneurs to price high.	Not supported
H _{6a} : Expert entrepreneurs are more likely than novice entrepreneurs to build relationships with supply chain partners.	Supported
H _{6b} : Social entrepreneurs are less likely than commercial entrepreneurs to build relationships with supply chain partners.	Partially supported

experiment, all the participating entrepreneurs were effectively at the idea stage; none had actually committed any of their own resources to the start-up process. In contrast, the respondents in the PSED II had all initiated one or more activities within the previous 12 months aimed at getting the business operational. Many scholars have noted the observed tendency for entrepreneurs to irrationally increase investment in their firms as a result of their excessive overconfidence in their prospects for success (McCarthy, Schoorman, and Cooper 1993), often leveraging their personal assets in the process (Ang 1991). To the extent that the entrepreneurs in the PSED II are guilty of this escalation of commitment (Staw 1981), a change of course may have been psychologically and/or financially difficult.

The current findings also suggest that for-profit social and commercial entrepreneurs differ in their execution of best marketing practices. Social entrepreneurs are as likely to consider the affordability of a total loss, employ a comprehensive decision frame, and adopt a skim pricing strategy as commercial entrepreneurs but are less likely to conduct market research, change their business activity, and develop relationships with certain channel partners. Because effective marketing strategies are critical to the success of new organizations (De Luca and Atuahene-Gima 2007; Li and Calantone 1998), calls have been made for social entrepreneurs to apply the same business fundamentals as commercial entrepreneurs (Newbert and Hill 2010). After all, if those who understand best what it takes to start a viable, for-profit organization (i.e., experts) routinely execute certain practices, there is likely good reason to do so.

That social entrepreneurs are less likely to implement best marketing practices may come as no surprise given their

socially focused vision. Yet the results regarding the entrepreneurs' ambitions suggest that their failure to implement an optimal marketing strategy is not due to the primacy of their vision. As Table 1 shows, the correlation between social entrepreneur and scaling ambitions is positive and significant, whereas the correlation between social entrepreneur and wealth ambitions is nonsignificant. These statistics suggest that though social entrepreneurs may be more committed than commercial entrepreneurs to scaling their organizations, they are equally committed to making money. In other words, for-profit social entrepreneurs want scale, but *not* at the expense of profit. In addition, the results from the full models in Table 2 show that scaling and wealth ambitions are positively and significantly related to several best marketing practices. Given that these ambitions can only be attained by building healthy, sustainable, profitable businesses, these results suggest that social entrepreneurs should apply established business fundamentals (including, but not limited to, best marketing practices) when creating new organizations. Moreover, because social entrepreneurs are more committed to scaling their organizations, the implementation of such practices is perhaps even more important in their case than in that of commercial entrepreneurs.

Implications

The findings have important implications for scholars, teachers, practitioners, and policy makers. For scholars, they suggest a rift between the marketing strategies employed by social and commercial entrepreneurs. As noted previously, a mission to serve society need not be inconsistent with the generation of profit (Weerawardena and Sullivan Mort 2006). Moreover, because the entrepreneurs in this study

aimed to create for-profit organizations, it stands to reason that they would all (social and commercial alike) be wise to apply sound business fundamentals in meeting the challenges of for-profit markets (Newbert and Hill 2010). Considering that social entrepreneurs are not heeding this advice, Dacin, Dacin, and Matear's (2010) call for scholars to examine social entrepreneurs with rigorous, theoretically grounded studies is especially critical to gain a richer understanding of the bases on which they make decisions.

For teachers, the finding that education is positively related to the implementation of almost all the best marketing practices analyzed suggests that entrepreneurs derive at least some of their expertise from their college education. Unfortunately, because social entrepreneurs tend to lack formal education in business (Amin 2009), they are less likely than commercial entrepreneurs to gain exposure to the types of marketing skills that are essential to the successful creation of new organizations (Peltier and Scovotti 2010). If Bloom (2009) is right that the tools of marketing are relevant to social entrepreneurs, social entrepreneurs are likely to benefit from a formal business education. Thus, business schools are encouraged to engage students who are interested in social entrepreneurship but reside outside the business school, to improve the dissemination of knowledge of best marketing practices.

For practitioners, the finding that social entrepreneurs may be employing a suboptimal marketing strategy suggests that the fate of social entrepreneurs is, to some degree, under their control. In other words, it seems that social entrepreneurs can improve their chances of success by following the lead of the experts and executing a more robust menu of best marketing practices than has been the convention to date. In doing so, they may benefit in several ways.

By conducting market research, entrepreneurs may gain a better understanding of the scope/scale of the opportunity they want to exploit. The ability to identify opportunities is typically regarded as a function of how well people can leverage information they possess and/or changes in the macroenvironment. For example, the more information social entrepreneurs can accumulate about the social issues and/or markets in which they are interested, the more likely they will be able to spot existing unmet demand (Kirzner 1997). In addition, the more alert social entrepreneurs are to disruptive changes in technology, politics, regulatory systems, demographic trends, social norms, and the like, the more likely they will be able to determine how the new ideas resulting from these changes can be applied to existing problems in innovative ways, thereby creating new demand (Schumpeter 1934). Conducting market research may also enable social entrepreneurs to better position themselves against the competitive pressures they will face in exploiting opportunities. Although some social entrepreneurs may benefit from the presence of other organizations striving to serve the same need to the same market, by studying the attributes of their competitors' offerings (e.g., geography, product features, cost structure), they will be better able to identify the necessary points of parity as well as how to differentiate from their competitors (Anderson, Narus, and Van Rossum 2006).

By considering multiple strategic directions, social entrepreneurs may resist the tendency to overcommit to specific

means (the product/service) and instead focus on the end (solving the social problem) using multiple, alternative means. A post hoc chi-square analysis of the data reveals that compared with commercial entrepreneurs, a significantly higher percentage of social entrepreneurs indicated they had not changed their business activity (results are available on request). Thus, although social entrepreneurs are likely to be more fixated on a specific goal (i.e., educational reform) than commercial entrepreneurs (for whom profit from the exploitation of *any* opportunity may be an acceptable goal), they may want to avoid becoming fixated on a specific product or service by which to attain that goal because there are typically multiple ways to solve most social problems (i.e., in the case of education, solutions have included charter schools, low-cost laptops, high-quality administrators, and enthusiastic teachers).

Finally, by forming partnerships with suppliers, social entrepreneurs may be able to obtain critical resources they lack at desirable terms to offset the financial burden associated with starting a new organization. Although forming these relationships often requires a perception of legitimacy and a rich network of relevant ties, both of which social entrepreneurs tend to lack, recent research suggests that these resources can be attained through proactive networking behavior (Tornikoski and Newbert 2007). Thus, although interaction with supply chain partners may be a time- and resource-intensive investment, the benefits such a practice provides may be well worth it in the end.

The findings may also be informative in public policy decisions, particularly at the federal level. Given that the PSED II is a randomized data set of entrepreneurs in the United States aiming to create for-profit firms, findings from weighted analyses are generalizable to the U.S. population and are argued to have "substantial implications for policy makers who wish to improve the capacity of the US entrepreneurial sector" (Reynolds and Curtin 2008, p. 155). Recently, the federal government launched an ambitious program designed to support social entrepreneurship; thus, the timing of the current study is fortuitous because it may be useful in the paths taken by those charged with its implementation.

In April 2009, President Obama established the Social Innovation Fund under the Edward M. Kennedy Serve America Act. Administered by the Office of Social Innovation and Civic Participation (OSICP) and the Corporation for National and Community Service (CNCS), the fund was created to "grow promising, innovative community-based solutions that have evidence of compelling impact" (CNCS 2011b). In 2010, \$49.3 million in grants were awarded through the Social Innovation Fund, and Congress appropriated \$49.9 million for 2011 (CNCS 2011b).

In a recent review of the OSICP, Christensen, Kirsch, and Syman (2009) argue that the Social Innovation Fund reduces the barriers that have long prevented social innovations from taking hold by effectively guiding funding and support toward social enterprises that have an impact. In support, First Lady Michelle Obama stated in May 2009, "the idea is simple: to find the most effective programs out there and then provide the capital needed to replicate their success in communities around the country that are facing similar challenges" (White House 2009). According to

Patrick Corvington, chief executive officer of CNCS, the Social Innovation Fund represents “a critical step toward demonstrating that the federal government—working in partnership with nonprofit organizations, private philanthropies, municipal governments and other key agents of change—can be an innovative and effective catalyst for tackling some of our most persistent social challenges” (CNCS 2011a).

Notwithstanding the ambitious nature of this joint initiative, a central criterion of the funding parameters is that grants may only be given to nonprofit organizations (Perry 2009). The exclusion of for-profit organizations is problematic given that much of the social value created today is done by for-profit organizations (Leadebeater 1997; Mair and Marti 2006; Peredo and McLean 2006). Indeed, some researchers argue that social value is actually created *more effectively* by for-profit organizations given that they tend to possess higher-quality human and technological resources than nonprofits (Prahalad and Hammond 2002). Thus, despite the federal government’s efforts to reduce barriers to social innovation by directing funds to “key agents of change,” excluding for-profit organizations (perhaps including, but by no means limited to, those in the PSED II) actually *increases* barriers to social innovation for an entire population of organizations that can and often do contribute importantly to the improvement of social conditions. In light of the vital role of for-profit organizations in the development of solutions to social problems, decision makers within OSICP and CNCS may want to reconsider the exclusion of for-profit organizations from the Social Innovation Fund.

In addition to relaxing this mandate on the legal form of the organizations eligible for funding, the Social Innovation Fund still lacks an important element: education. As was concluded previously, the marketing strategies social entrepreneurs adopt are deficient compared with those of commercial and expert entrepreneurs. However, absent from this program is an initiative that tries to educate social entrepreneurs on how to run an effective organization. To the extent that effective marketing strategies are important to the successful emergence and growth of innovative organizations (De Luca and Atuahene-Gima 2007; Li and Calantone 1998), it stands to reason that if social impact is the objective of the Social Innovation Fund, OSICP and CNCS should develop and administer (perhaps through partnerships with institutions of higher learning) programs focused around effective business strategies and tactics. Although the current study points to deficiencies in terms of marketing knowledge by social entrepreneurs, given evidence of their lack of formal business education (Amin 2009; Miller and Wesley 2010), similar deficiencies may exist across other functional business areas as well; thus, OSICP and CNCS may want to augment their charge to include a menu of educational offerings that can provide social entrepreneurs the tools to manage taxpayer dollars more efficiently and effectively.

Limitations and Directions for Further Research

The research presented herein adds to the understanding of marketing strategies employed by social entrepreneurs, but

it is not beyond reproach. Although every attempt was made to evaluate Read et al.’s (2009) full menu of best marketing practices, reliance on analogical reasoning was excluded from consideration because the data with which to test it are not included in PSED II. Given Read et al.’s conclusion that analogical reasoning is an important practice in entrepreneurial settings, scholars may want to explore the degree to which it is executed in social sectors.

Although the items used to define social entrepreneurs align with widely cited definitions of the construct (Dacin, Dacin, and Matear 2010; Light 2009; Mair 2006), the open-ended responses were classified by a single interviewer at the University of Michigan Institute for Social Research. Thus, the reliability of the classification process cannot be assessed. Readers should therefore accept the results guardedly in light of the survey design.

Expertise was operationalized herein with more precision than in Read et al. (2009), but the measure is still somewhat coarse. Although engaging in a particular activity certainly confers some level of expertise, it does not at the same time account for the performance of that activity. Thus, expertise would have ideally been defined not only on the basis of the number of new firms started but also on the basis of the performance of those firms. Unfortunately, such data are not available in the PSED II. Readers should therefore consider the current results in light of how expert entrepreneurs were operationalized.

Finally, the results of this study suggest that the best marketing practices Read et al. (2009) identify are also implemented, by and large, by practicing entrepreneurs and that they are less often implemented by social than by commercial entrepreneurs. Although such findings suggest that for-profit social entrepreneurs adopt less-than-optimal marketing strategies, it is nevertheless possible that some of these practices are less relevant to success in the social sector for at least two reasons. First, some of the markets that several of the social entrepreneurs in the sample intend to serve may be large enough that they can be exploited without the threat of losing profit to competing firms. In such cases, collecting data on competitors might not be as critical as in traditional commercial settings. Second, other marketing practices not identified by Read et al. (2009) may be uniquely effective in the social sector. In either case, social entrepreneurs would be wise to benchmark their marketing practices against experts in the specific contexts in which they operate to identify the idiosyncratic menu of marketing practices that can, by way of their implementation, maximize their chances for success (Mann, Sampson, and Dow 1998; Vorhies and Morgan 2005).

Given the purpose of this study to complement and extend Read et al.’s (2009) findings, these limitations were largely unavoidable. Because of the difficulties associated with obtaining quantitative data about organizations before they exist, studies of emerging organizations are inherently challenging from a data perspective (Bamford, Dean, and McDougall 2000). The PSED II represents the most rigorous and most widely used randomized, large-scale data set on nascent entrepreneurs, and thus it was best suited to test the model hypotheses. Nevertheless, scholars might replicate the current findings with qualitative data. Though comparatively more limited in terms of generalizability, qualita-

tive data might also yield rich insights into the marketing practices of nascent entrepreneurs.

Conclusion

In summary, the findings add to what is known about for-profit social entrepreneurs and, as such, may be informative to academics, practitioners, and policy makers. Scholars have long recognized the important role of for-profit entrepreneurs in general in commercializing innovative solutions to market

opportunities (Schumpeter 1934). Because of the recent trend by these entrepreneurs to commercialize innovations that catalyze social change, address social needs, and, in turn, improve overall social and/or economic conditions (Mair and Marti 2006), it is clear that a greater understanding of the dynamics that occur during the emergence of their organizations is critical. By examining their approach to marketing, this study adds richness to the ongoing discussion regarding effective strategies for social entrepreneurs.

Appendix. Measurement Model

Construct	PSED II Item	Variable Construction
Expert entrepreneur	How many other businesses have helped to start as an owner or part-owner?	Continuous variable: number of new organizations founded by the respondent (log)
Social entrepreneur	Why do you want to start this new business? What are the one or two main opportunities that prompted you to start this new business?	Dummy variable: coded one for respondents wanting to help others/community and/or aid in economy/economic development; coded zero otherwise
Market research	Has an effort been made to collect information about the competitors of this new business, will an effort be made to collect information about competitors in the future, or is this not relevant to the new business?	Dummy variable: coded one for respondents having collected information about the competitors; coded zero otherwise
	Has an effort been made to define the market opportunities for this new business, will an effort be made to define market opportunities, or is this not relevant for this new business?	Dummy variable: coded one for respondents having defined market opportunities; coded zero otherwise
Affordable loss	Have financial projections, such as income or cash flow statements or break-even analyses, been developed, will financial projections be developed in the future, or is this not relevant for the new business?	Dummy variable: coded one for respondents having defined financial projections; coded zero otherwise
Decision framing	Have you already begun preparation of a business plan for this new business, will you prepare one in the future, or is a business plan not relevant for this new business?	Dummy variable: coded one for respondents having completed a business plan; coded zero otherwise
Market and product	Last year, you told us that your business was engaged in [nature of activity]. Is this still an accurate description of the business activity?	Dummy variable: coded one for respondents having changed the business activity; coded zero otherwise
Price	Lower prices are important for this new business to be an effective competitor. Would you say you strongly agree, agree, neither agree nor disagree, disagree, strongly disagree or is it not relevant as it applies to this new business?	Dummy variable: coded zero for respondents who strongly agreed or agreed that low price was important to their firms' success; coded one otherwise
Channel	Has credit with a supplier been established, will credit with a supplier be established, or is this not relevant to the new business?	Dummy variable: coded one for respondents having established credit with a supplier; coded zero otherwise
	Has an effort been made to talk with potential customers about the product or service of this new business, will an effort be made to talk to potential customers in the future, or is this not relevant for the new business?	Dummy variable: coded one for respondents having talked with potential customers about the product; coded zero otherwise
Age	How old are you?	Continuous variable: age of the respondent (log)
Industry experience	How many years of work experience have you had in the industry where this new business will compete?	Continuous variable: total number of years of experience (log)
Education	What is the highest level of education you have completed?	Dummy variable: coded one for a minimum of a four-year college degree; coded zero otherwise
Ambition (scale)	Which of the following two statements best describes your preference for the future size of this new business: I want this new business to be as large as possible, or I want a size I can manage myself or with a few key employees?	Dummy variable: coded one for respondents who indicated wanting their new business to be as large as possible; coded zero otherwise

Appendix. Continued

Construct	PSED II Item	Variable Construction
Ambition (wealth)	To what extent is it important to you for establishing this new business to have a chance to build great wealth or a very high income?	Continuous variable: five-point Likert-type scale from “no extent” (1) to “a very great extent” (5)
Time	In what month and year did you first think about starting this new business?	Continuous variable: number of years elapsed between the time the respondent first conceived of the business idea and the initial PSED II interview (log)
Uncertainty	Will all, some, or none of your potential customers consider this product or service new and unfamiliar?	Continuous variable: three-point Likert-type scale from “none” (1) to “all” (3)

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