

## EXPANDED ABSTRACT

### **Economic result and employment in social organizations of family origin**

**Aim:** Social enterprises are a tool to correct socioeconomic imbalances in modern welfare states. In the European context, they are responsible for the creation of economic growth, social impact and employment. These organizations can have different origins based on the cultural tradition and the evolution of each country. In the Spanish context, the majority of social enterprises are created by families, although the influence of these families in the interaction between economic result and social impact has not been studied yet. For this reason, the aim of this paper is double. Firstly, we study the relationship between the economic result and the level of employment, as indicator of social impact. Secondly, we analyze possible differences in this interaction taking into account the profit-making nature of the family structure. Both aims enable us to identify possible behaviors of social enterprise in this specific context.

**Design/Methodology/Approach:** These aims are analyzed through the formulation of two working hypotheses. The first hypothesis proposes a positive and significant interaction between the economic result and the level of employment, as indicator of social impact. Although the previous literature postulated a positive sign in this interaction (Albinger & Freeman, 2000; Makni et al, 2009; Orlitzky et al, 2003; Wu, 2006; Margolis et al, 2007; Beurden & Gössling, 2008), there are some authors who evidence no interaction (McWilliams et al. 1999 and McWilliams & Siegel 2000) or, even, a negative pattern (Abiodun 2012). As we can observe, there is no consensus about the sign of this interaction. For this reason, we have proposed our first working hypothesis.

The second working hypothesis introduces the profit-making nature of the family structure as a moderator variable. In this paper, we identify four possible models to create social organizations from family structures. The first two models create economic and social impact from for-profit legal forms. The model 1 (traditional family enterprise) will be considered as a social enterprise model if the entity prioritizes a social aim. The model 2 (hybrid family enterprise) will be based on two entities, the family enterprise for developing economic activities and the foundation to create social impact as part of the CSR policy. The second two models are based on nonprofit legal forms. The model 3 (hybrid family foundation) is also based in the same two entities, but in this case, the enterprise will be created by the foundation as part of its economic activity. The model 4 (traditional family foundation) will promote a key social aim and the development of a market orientation in the foundation. The influence of these models is tested in our second working hypothesis.

To test both hypotheses, we have studied a sample of Aragonese social organizations of family origin. In particular, we have 2,931 social organizations of family origin with for-profit legal form and 117 social organizations of family origin with nonprofit legal form. This sample allows us to study the interaction between the economic result and the level of employment and the moderator effect of the legal form chosen by the family. In each case, we have analyzed the accounting information related to the financial and social position of these entities. After this analysis, we have studied the correlation matrix and we have defined two dimensions related to the economic result and the level of employment by using confirmatory factor analysis (CFA). The estimation of the factor scores was studied to test the first working hypothesis. In a second step, through a multi-group analysis, we have examined the moderator effect of the profit-making nature of the family structure. This comparison is based on the Lagrange test (LM) and it has supported the result related to the second working hypothesis.

**Results/Limitations/Implications:** The obtained results show a low interaction between the economic result and the level of employment created by the analyzed organizations. Moreover, differences of behavior in this relationship are not detected when the profit-making nature of the family structure is taken into account. However, this interaction is intensified in nonprofit legal forms (models 3 and 4) in some phases of the economic cycle.

Some limitations have been detected in the development of this paper. Firstly, there is a lack of consensus in the definition of the variables that measure the creation of economic result and, in particular, social impact. In this study, we have focused on the input approach through the analysis of the level of employment achieved by the organization. Secondly, we have studied a sample of Aragonese social organizations of family origin where we have detected a strong heteroscedasticity. This dispersion complicates the extrapolation of the results. Finally, the four models to create social organizations from family structures have been grouped together taking into account the profit-making nature based on the legal form. This is a limitation because other moderator variables, such as the capital intensity or the type of activity, have not been taken into consideration.

As main implication of this paper, we highlight the low level of development of the social enterprise model in the Aragonese family organizations. This result could be explained by both a contextual situation and a lack of knowledge and incentives to evolve to hybrid behaviors despite of the capacities and strengths detected in these organizations. In any case, the social organizations of family origin with for-profit legal form (traditional family enterprise and the hybrid familiar enterprises) are the “core” of the social enterprise model, being detected a more intense tendency to create social impact.

**Conclusions/originality:** In this paper, we have identified four patterns of social organizations of family origin (traditional family enterprise, hybrid family enterprise, hybrid family foundation and traditional family foundation). A social activity can be developed in all these models, although our results show that there is no a positive relationship between the economic result and the level of employment achieved by these organizations. In other words, the model of behavior was really different from

the characteristic pattern of a social enterprise in the last few years. In relation to the profit-making nature of the family structure, we can observe a moderator effect in 2010 and 2013. In particular, the models 3 (hybrid family foundation) and 4 (traditional family foundation) developed a worse interaction between the economic results and the level of employment, as indicator of social impact. These entities had to destroy employment in the downward trend of the economic cycle. Despite of this behavior, we also observe a tendency to substitute granted employment by non-granted employment in a movement which can be interpreted as a market orientation of social organizations of family origin with non-profit legal form.

As a consequence, our results are far from the proposal of Porter & Kramer (2011) about the creation of shared value. In these entities, there is no a complementary relationship between the economic result and the level of employment. This result does not mean that we can observe a general negative relationship as Abiodum (2012) detected. Although we have obtained some negative signs, this is no the general behavior of the studied sample. Then, our result supports the conclusion of McWilliams et al (1999) and McWilliams & Siegel (2000) who do not detect empirical relationship between indicators of economic and social performance. In relation to the differences between the proposed models, our results do not support the conclusions of Kerlin (2006), Dorado (2006) and Thompson & Doherti (2006). In this sense, social organizations of family origin with nonprofit legal form would not able to create a more positive relationship between the economic result and the level of employment as proxy of social impact.

In any case, this paper goes into detail about the analysis of the behavior of family organizations as social enterprises. Social enterprises are the wager of European institutions to redefine economic markets and productive processes. In our study, we evidence the development of a similar behavior from for-profit and nonprofit legal forms. Moreover, we introduce a multi-group analysis in order to evidence the differences between both types of entities.

**KEYWORDS:** Economic result, Social impact, Employment, Family business, Family nonprofit.