

## **The Moderating Effects of Organizational Identity on Collaboration in Social Enterprises**

### **Abstract**

Recognizing that a core ability of a social enterprise is to collaborate with a range of partners, our study assesses how a social enterprise's *Community Identity* moderates its ability to develop meaningful collaborative relationships with others outside the organization through which to deliver on its social mission objectives. We draw on the institutional logics and organizational identities literatures to develop the notion of a community identity as being coherent with the institutional logics that shape organizational practices to achieve legitimacy for this organizational form. We argue that social enterprises require an organizational identity that demonstrates its adherence to a normative, other-directedness that reflects its attention to societal goals that requires it to make clear its commitment to inclusive governance, transparent systems, and processes for engaging with a wide range of partners in order to address social needs.

**Keywords:** Social enterprise, organizational identity, institutional logics, collaboration

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As businesses with primarily social objectives, social enterprises engage in multiple collaborations as a fundamental part of their operations (Dees & Anderson, 2006). Through relationships with other organizations, social enterprises attempt to create long-term sustainability, build capabilities and overcome internal resource constraints to address unmet social needs (Montgomery, Dacin & Dacin, 2012; Sakarya, Bodur, Yildirim-Öktem, & Selekler-Göksen, 2012; Le Ber & Branzei, 2010). At the same time as building these capabilities, we propose the benefits flowing from engagement with external partners will be enhanced to the extent these collaborations are congruent with the social enterprise's identity as an organization that 'lives' its mission (Albert & Whetten, 1985; Whetten, 2006; Gioia, Patvardhan, Hamilton, & Corley, 2013) – or what we term its *Community Identity*. We define community identity as the articulated claims surrounding the social enterprise that provides meaning in response to the questions of who we are, what do we do, and why and how do we do it, and utilize Whetten's (2006) construct that combines functional and structural attributes of organizational identity.

We develop our argument that social enterprise identities will be judged to be appropriate and legitimate to the extent they extol the virtues ascribed to them in the dominant logic – namely that they should support social value creation, be tied closely to local communities, exhibit transparent and democratic decision making processes, and work closely and purposively with a range of partners. To explore this relationship we draw on the institutional logics theory (Thornton, Ocasio & Lounsbury, 2012) that posits an important link between macro social orders and organizational enactment through an organization's identity (e.g. Whetten, 2006; Glynn, 2008). We propose organizational identity moderates the relationship between building external collaborations and organizational performance.

Testing our model on a dataset of social enterprises in the UK, we find *Community Identity* interacts with the development of external partnerships and the ability to develop services or products; to achieve new business opportunities; and to achieve higher levels of perceived organizational sustainability. In all, our results suggest that the absence of a well-developed *Community Identity* weakens a social enterprise's ability to develop meaningful external partnerships that enhance internal capabilities and organizational outcomes.

Our paper begins by providing insight to social enterprises and reviews the literature that suggests the development of external partnerships is a necessity for these organizations. In so doing, we develop our argument of a welfare/community logic that gives shape to practices and organizational identity, differentiating social enterprises from for-profit businesses associated with a market logic. We then examine the notion of organizational identity and elaborate on the inter-linkages between organizational identity, logics and collaboration with external partners to build our theoretical arguments and hypotheses. We then set out our data collection methods before presenting our findings. We conclude with a discussion and implications for future work.

### **Social Enterprises, Community Logics and Collaborative Norms**

As organizational forms, social enterprises have increasingly come to dominate the ground between traditional for-profit corporations, non-profit organizations, and the public sector in providing a range of services to achieve societal objectives, including reducing the effects of poverty, creating sustainable communities, and addressing issues such as unemployment, disability and inequality (Garrow & Hasenfeld, 2014) in communities that are often marginal (Social Enterprise UK, 2011). The distinctive characteristic of social enterprises is that they pursue a dual mission of meeting a social need while also seeking to create economic value to achieve financial security (Stevens, Moray & Bruneel, 2015) and can be regarded as emergent

from, but separate to, the main class of non-profit organizations (Dart, 2004). Our focus here is on the class of organizations referred to as social enterprises in the UK, but that extend more broadly to include Benefit Corporations and the Low-Profit Limited Liability Companies (L3C) in the United States (Wood, 2010). We use the UK government's definition of a social enterprise as "*a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners*" (BIS, 2011, p. 2).

Social enterprises offer an interesting category of organizations because their very essence is to provide a range of services or products to often marginal communities overlooked by corporations (Mair & Martí, 2006). Given their special position, social enterprises are challenged to provide new services or products, or to provide existing products or services in different ways than has hitherto been the practice of either for-profit or public sector organizations. Such actions are often categorized as social innovation, defined as new products, services or business models that provide "*a novel solution to a social problem that is more effective, efficient, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals*" (Phills, Deiglmeier & Miller, 2008, p.39) or simply as "innovation activities and services that are motivated by the goal of meeting a social need" (Mulgan, 2006, p. 146). Of particular interest to our investigation is the notion that the pursuit of social innovation should "create new social relationships or collaborations" and is "social both in ends and means" (European Commission, 2013, p. 6) which suggest a unique requirement and status for social enterprises.

### ***Community logic***

Institutional theory provides a useful framework in which to observe how the linkages between multiple macro-level, or societal, orders give rise to identifiable logics that pervade forms of social organization. It encourages us to specify linkages between these logics and organizational practice, and suggests that organizational schemas are activated through affiliations and associations with specific identities (Thornton et al., 2012). As Thornton et al. (2012, p. 92) explain, "given a social actor's embeddedness within institutional logics and prior commitments and experiences, specific identities, goals and schemas will be readily accessible to attend to salient environmental stimuli." The cultural symbols and material practices associated with the societal orders provide meaning and circumscribe the sense of identity – the who, what, how and why of the organization – and its logics of action and practices (Lounsbury, 2007; Greenwood, Díaz, Li, & Lorente, 2010; Cox-Pahnke, Katila and Eisenhardt 2015).

In exploring the community logic of social enterprises, it is useful to delineate the elemental categories of relevant ideal types of institutional orders (Thornton et al., 2012) as a framework against which to examine the effects of how far they align with or deviate from the ideal. The logics that give shape to and delineate the attributes for social enterprises lie somewhere between the espoused logics of the state, market and community, representing as they do a hybrid form of organization (Doherty, et al., 2014). On the one hand, the market logic serves to align organizational actions behind economic imperatives for financial stability, while the welfare and community logic addresses meeting social needs (Di Domenico, Tracey, & Haugh, (2009). In Table 1, we highlight the core building blocks upon which we delineate the ideal types of market and welfare and community logics (Peredo & Chrisman, 2006; Garrow & Hasenfeld, 2014; Pache & Santos, 2013; Stevens et al., 2015; Dart 2004). Coherence across these building blocks shapes how individuals and organizations perceive themselves and their sense of

identity, the core values or goals, and what circumscribes action by specifying sources of authority and legitimacy (Thornton et al. 2012; Zietsma & Lawrence, 2010).

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INSERT TABLE 1 ABOUT HERE  
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While legitimacy of social enterprises derives from their social mission, the extent to which they become more dependent on market logics in the search for income, the more they are likely to sway too far from the route metaphor of creating social value and addressing social needs that will compromise their legitimacy (Garrow & Hasenfeld, 2014; Nicholls, 2010; Pache & Santos, 2013; de Bakker, Groenewegen, & den Hond, 2005; van Wijk et al., 2013). The extent of identification with the dominant logic could present an important source of variation in terms of a social enterprise's ability to engage with partners to develop and build capabilities. To the extent social enterprises rely on local communities not only for their legitimacy but also for their resources acquired through close and continuous interactions and communication with their constituents, we anticipate such relationships are amplified by the community logic.

### ***Collaborative norms***

Murphy and Coombes (2009) argue that social enterprises can best be thought of as emergent from an assemblage of appropriate resources that facilitate a new opportunity from within a socio-economic system. In particular they advocate that shared values in the community enable the mobilization of resources upon which the social enterprise relies. From this perspective, the ability to create products and services to meet its social mission is reliant upon the willingness and readiness of the social enterprise's constituency for support and hence its need to collaborate on a wide variety of dimensions. In similar vein, Montgomery et al. (2012) highlight the importance of collaboration between multiple actors to meet the objectives of social enterprises. They argue that arrangements for pooling and trading resources across the public, for profit and non-profit sectors at the same time as developing networks within their own 'service' communities constitute key building blocks to engineer social change.

The pursuit of a social objective or mission and how that fits with an economic remit is a common theme running through recent research (Doherty, Haugh, & Lyon, 2014; Ruvio & Shoham, 2011) that has highlighted the need for collaboration by social enterprises. Di Domenico, Tracey, and Haugh, (2009, p. 887) contend that collaborations between corporations and social enterprises need to be understood "through a different conceptual lens than same-sector collaborations because it brings together two contrasting organizational forms" with potential for considerable tension. Prior literature examines how social enterprises have mobilized their embeddedness within local communities to develop strong relational ties that actively engage partners in leveraging resources to meet social need, for example through forms of social bricolage (Di Domenico, Haugh, & Tracey, 2010). Likewise, Chalmers and Balan-Vnuk (2013) highlight the importance of meta-routines for external knowledge acquisition and learning among social enterprises, especially creating staff roles fulfilling boundary spanning roles to mobilize learning from collaboration as well as engaging in co-production of new services. Work focused on complementary alliances found social enterprises leverage their linkages with businesses partners in search of financial resources to develop and deliver services to their communities (Sakaraya et al., 2012).

In all, the literature suggests the pursuit of social goals are reliant upon the collective and dynamic interplay by actors working together (Dawson & Daniel, 2010) in which embeddedness (Shaw & Carter, 2007) and the ability to identify and develop linkages (Lettice & Parekh, 2010) are central to social enterprises. Further, studies have also found social enterprises tend to reflect specific socio-economic strengths, suggesting they are conscious of the resources available in their localities to support and maintain innovative projects and address social need (Kerlin, 2012) as well as across sectors (Edwards-Schachter, Matti, & Alcántar, 2012).

Insight on drivers and mechanisms for collaboration across for-profit and non-profit sectors (Selsky & Parker, 2005) and a recent burgeoning of studies of collaborations between corporations and NGOs (Arenas, Sanchez, & Murphy, 2013; Nicolls & Huybrechts, 2016) highlight a range of issues including trust, reputation, and partner complementarity (Rivera-Santos & Rufin, 2010). For example the motivation and governance mechanisms for corporations engaging with NGOs in corporate citizenship partnerships rely on trust and reputation rather than control via equity stakes (Rivera-Santos & Rufin, 2010; Bhanji & Oxley, 2014).

In other work on such partnerships den Hond, de Bakker, and Doh (2015) draw on resource dependency theory to suggest a symbiotic relationship between corporations and NGOs in addressing cooperative approaches to meeting social goals. They highlight the importance of factors such as reputation, legitimacy and social acceptance on forming cooperative relationships – all of which tie to organizational identity. Of particular interest to our study is that they explore the notion of institutional trust (Bachmann & Inkpen, 2011) or trust based not on micro-level individual relationships or past experience, as is highlighted in mainstream alliance research, but on institutions. Such trust is expected to derive from an implicit acceptance that a collaborative partner will deliver on its word because it is a member of an institutional category and that institutional safeguards or arrangements exist such that corporations would trust an NGO because of its status as an NGO (den Hond et al., 2015). In our case, as we explore below, a social enterprise is expected to behave in a certain way because it is a member of the set of organizations that constitute the institution of social enterprises that gives rise to its organizational identity. Although den Hond et al. (2015) did not find empirical support in their regression model to demonstrate the importance of institutional trust, we suggest and explore later that such trust is bound up with organizational identity.

While many studies examine discrete relationships, most of which are dyadic in nature, and address issues of collaborating in an international development context especially and in furtherance of a firm's CSR strategy, we can draw the conclusion that partnerships and collaboration are central. Taken as a whole the literature suggests a direct relationship should be present between external collaboration with partners and a social enterprise's ability to meet social needs and to sustain its operations over time.

*Hypothesis 1a: There is a positive relationship between external partner relationships and the introduction of new services or products.*

*Hypothesis 1b: There is a positive relationship between external partner relationships and the acquisition of new business opportunities.*

*Hypothesis 1c: There is a positive relationship between external partner relationships and perceived organizational sustainability.*

Such relationships, however, and the associated access to resources, may well be dependent on the social enterprises' community identity as a source of legitimacy (Dart, 2004; Suchman, 1995). Suchman (1995, p. 574) proposes the concept of legitimacy as behaviors and actions that are "desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." As such we anticipate social enterprises seeking to evolve and retain relationships through which they can leverage resources will adopt taken-for-granted practices creating identities as legitimate social enterprises that conform to broader societal expectations of what it is to be a social enterprise.

In the next section we develop our argument that organizational identities rooted in a community logic activate specific goals and schemas, that in turn shape social interactions and generate communication flows that help mobilize resource flows, foster greater trust, and that contribute to opportunities for new forms of service delivery and products, business opportunities and sustainable business model.

### **Organizational Identity and Social Enterprises**

Organizational identity refers to the "central and enduring attributes of an organization that distinguish it from other organizations" and which are seen as 'claims' through which an organization signals its position and that are "reflected in its unique pattern of binding commitments" (Whetten, 2006, p. 220). We adopt the perspective of identity as a "verifiable property of organizations" (Whetton, 2006, p. 220) rather than as a property ascribed to an organization by others. To speak of an organization's identity three tenets have to be present - central, enduring and distinctive – such that identity gives meaning to an organization while at the same time that meaning has to be distinctive.

In the context of social enterprises, 'meaning,' or who and what we are, is tightly bound up with their existence as community-based entities – they are distinct from for-profit companies and non-profits and they are distinct from each other by the niche that each fulfills in meeting specific social needs, often at a very local level. Hence, identity is bound up with certain attributes that serve to distinguish it from others, that it corresponds to certain ideal-type attributes of the specific organizational class or type to which it belongs, such as 'we are a social enterprise,' and that these identity claims are framed as foundational or 'truth' claims (Whetten, 2006). Such claims can be attributed using the institutional logics outlined in Table 1 that provides a comparative set of referents of what it is to be a social enterprise. Because these referents derive from generally understood macro-level social orders they can be accessed and utilized by decision makers across both the social enterprise and its partners (Zietsma & Lawrence, 2010).

The centrality construct of identity confers an inter-organizational dimensionality (Glynn, 2008) that can be understood as providing a guide to the appropriateness of how external partners should relate to a social enterprise. Identity has also to be central to the organization's existence – in this respect to be a social enterprise requires deep and long-lasting commitment to enact and live its mission of meeting social needs revealing discourse around the what and why of its identity, or the structural elements of identity proposed by Whetten (2006). Such commitments will be revealed through making them the cornerstone of an organization's practices and operate as a signaling device for institutional trust (Bachmann & Inkpen, 2011).

Organizational identity provides a guide to shape members' action activated by the situation because it give focus to the basis of attention (Ocasio, 1997) and provides a frame of

reference within which strategic decisions about the organization are taken. Social enterprises that get the balance of their hybrid existence wrong, and put economic goals before social goals, become suspect (Garrow & Hasenfeld, 2014). Where a social enterprise drifts from its core mission, its identity no longer serves the purpose of guiding attention as it no longer coheres in ways that internal and external partners expect, nor see as legitimate (Ocasio, 1997); in other words, its identity fails to fulfill the endurance criteria. As Whetten (2006, p. 223) puts it, “the penalties for incoherent, inconsistent, organizational practices are so severe that they in effect place an upper limit on the level of ambiguity that can be tolerated.”

Instantiations of identity can be found in the shared values, beliefs and goals of an organization as well as in its processes, routines and structures (Dutton & Dukerich, 1991). An organization reveals its identity in a number of claims it makes about itself through not only its behavior but also the symbols it promotes and its communication with partners (Glynn, 2000; Ravasi & Shultz, 2006). More broadly, organizational identity acts as a mechanism through which to filter others’ perceptions of the appropriateness of an organization’s practice. A tight alignment between practices and identity associates with greater legitimacy (Suchman, 1995; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011) as well as providing a strategic resource for organizational survival and adopting appropriate practices (Raffaelli & Glynn, 2014).

We argue that an organization’s identity will be salient in engaging with external partners to develop capabilities through which a social enterprise can enhance its ability to meet social needs (Chalmers & Balan-Vnuk, 2013). Support for this argument can also be drawn from Scott and Lane (2000) who propose stakeholders will support more strongly organizations with which they have heightened identification. Further, organizations have identity orientations that serve to align legitimate action toward stakeholder engagement since “only organizations behaving within the confines of what is expected of them, given the identity orientation that they have negotiated with stakeholders, will be seen as behaving appropriately” (Brickson, 2005, p. 602), suggesting an institutional identity as a member of a specific category.

Organizational identity is located in a set of claims coherent with the institutional logics (Gioia et al., 2013) that render the central, enduring, and distinctive attributes of an organization visible to both internal and external partners (Dutton & Dukerich, 1991). In particular, as an institutional claim, identity represents an enduring attribute (Ravasi & Schultz, 2006). Consequently, from an organizational identity perspective, we argue the notion of community identity should operate as a powerful determinant of a social enterprise’s efforts to meet social needs as this is central to what a social enterprise is as an organization. To meet these needs, the core attributes of the social enterprise should cohere to ensure participation with, and commitment from, its various partners – including the local community (Peredo & Chrisman, 2006). Mechanisms, practices and processes that enable such participation and support involve a range of deeply held everyday ways of working (Powell & Colyvas, 2008) – such as processes predicated on openness, transparency, and inclusion – and give meaning to the identity of a social enterprise.

In conclusion, from the above literature review and our core arguments, we combine theory on social enterprises, logics and organizational identity to propose that the degree to which a social enterprise’s identity coheres to the community logic, and in which core practices are well defined and integrated, will enhance its relationships with external partners to render capability building to meet social need. Specifically,

*Hypothesis 2a: Community identity moderates the relationship between external partnerships and the introduction of new services or products, such that external partnerships more positively influence the introduction of new services or products when community identity is stronger than weaker.*

*Hypothesis 2b: Community identity moderates the relationship between external partnerships and the acquisition of new business opportunities, such that external partnerships more positively influence the acquisition of new business opportunities when community identity is stronger than weaker.*

*Hypothesis 2c: Community identity moderates the relationship between external partnerships and organizational sustainability, such that external partnerships more positively influence organizational sustainability when community identity is stronger than weaker.*

## **Methods**

### ***Sample***

Our study is based on responses from a survey of top management representatives of 124 social enterprises drawn from across the UK. While most social enterprises operated in their local areas, reflecting their community base, one quarter operated across multiple regions. The average social enterprise had been in operation for ten years, and the majority for more than three years. In terms of size, a large proportion of the social enterprises were small firms and most of these were micro-enterprises: 55 percent employed less than 10 people and only 15 percent employed more than 50 people. The average turnover was £2.6m, with the largest organizations (14 percent) having a turnover in excess of £5m. Social enterprises operate across a spectrum of product and service sectors and our sample comprises organizations operating in education and youth services (27 percent), business services and marketing (17 percent), environment, renewables and energy (14 percent), health and social care (12 percent), retail and leisure (11 percent), as well as housing and financial services.

### ***Survey***

The data were collected through a survey designed with a panel of academics and social enterprise practitioners and administered on-line through a social enterprise-related publication website and through a UK body with a social enterprise remit. Because the survey was administered via an on-line platform, we applied several controls to ensure all responses were from valid entities. First we requested respondents to provide contact information (telephone, e-mail or address) along with the name of the social enterprise. We used the contact information to undertake a sample of call-backs to verify the person had indeed completed the survey. Second, we corroborated the existence of the social enterprise and validated data from the survey with that contained on their websites and in documents obtained from them.

To check financial, age and employment size information were correct, we cross-validated the survey responses with website data and with the UK Charities Commission where appropriate. By using a mix of objective and perceptual measures (Healey et al., 2015), designing the questionnaire to separate out items for the dependent and independent variables, and collecting a range of data not used in this study, we aimed to reduce potential for psychological linkages by the respondents (Podsakoff et al., 2003) to address concerns about



common method bias associated with a single informant completing the survey. Further, to check for the potential problem of common method variance in our survey data, we subjected the scale items in our variables to Harmon's single factor test and found that the items loaded as expected onto different factors rather than a single factor, and no one factor accounted for a large proportion of variance. This suggests that the respondents were thinking about discrete responses and, while these results do not rule out the possibility of common method variance, they do suggest our data should not suffer from this potential problem.

### ***Summary of Measures***

In the following section we detail the dependent, independent and moderator variables and list the control variables utilized in our models.

***Dependent variables.*** We develop three variables to capture related aspects of the broad domain of organizational performance relevant to this study rather than a narrower focus on financial performance (Venkatraman & Ramanujam, 1986). Two of the dependent variables are dummy variables capturing whether the social enterprise had developed its service or product provision and whether it had obtained new business opportunities. In each case the variable is coded as 1 where it has changed its service or product provision or where it has achieved new business opportunities, and 0 where not. A third dependent variable is a composite measure of perceived organizational sustainability consisting of five items measured on a five-point scale. These capture perceptions that being a social enterprise 'helps our business win contracts or customers,' makes the business 'more attractive to clients or customers' and 'more sustainable,' and confers 'high employee satisfaction' and 'lower employee turnover.' We subjected these items to a principal component analysis with varimax rotation. The Kaiser-Meyer-Olkin measure demonstrates an acceptable sampling adequacy ( $KMO=.79$ ) above the minimum limit of .5 recommended by Kaiser (Field, 2009). Bartlett's test of sphericity ( $p<.001$ ) reveals the correlations are sufficiently large for principal component analysis. Finally, the items loaded onto one component accounting for 63 percent of the variance with Chronbach's alpha .85. We retained factor scores for use in the analysis.

***Independent variable.*** We collected survey responses on whether the social enterprises built external partnerships to develop capabilities in three areas: through gaining new skills, developing knowledge, and building expertise. We subjected these items to a categorical principal components analysis (Meulman & Heiser, 2011) revealing a single dimension accounting for 68.7 percent of the variance, an eigenvalue greater than one, and Chronbach's alpha .77.

***Moderator variable.*** *Community Identity* captures the notion that identity is both a verifiable property of the organization (i.e. how it sees itself rather than a measure of how others see it) and has structural elements embodied in organizational symbols and practices (Whetten, 2006). In conjunction with our expert panel involving social enterprises, we developed a list of statements that the expert panel felt would capture important attributes of community identity and created a scale as a proportion score of the number of these in which the enterprise engages (Henriques & Sadorsky, 1999). The index is expressed as a decimal where 0= does not engage in any of these and 1= engages in all of these practices. The items include whether the social enterprise has a public statement about the enterprise's social, environmental and ethical values;

statements related to the role of the board in setting and measuring annual targets for social, environmental and economic impact, that it communicates a community identity; that the social enterprise is transparent by using registered social auditors; and is other-directed by involving stakeholders in the social accounting process, and acknowledges the contribution of others to achieving the social mission.

Items were scored by respondents in the survey and further assessed by the researchers through accessing printed reports and materials available on social enterprise websites. This process of verification provides for triangulation of the data and helps avoid the potential for common method variance affecting our study. Chronbach's alpha for these scale items is .764. A high score on this identity measure indicates that the social enterprise engages in more sophisticated practices that not only takes seriously the social mission but also demonstrates commitment or a greater orientation to transparency and valuing partners consistent with the community logic presented previously in Table 1.

**Control variables.** To account for potential systematic firm differences, we include a number of controls in our models. Age controls for the ability to build up capabilities as well as leverage benefits accrued over time. A dummy variable captures the effects of geographical location (those operating across multiple regions versus those operating in their local region). To control for the effects of size on the ability to achieve stronger working relationships with external partners, we lagged our models using employment and turnover data from the prior year. We ran separate models in which we included dummy variables to account for the effects of industry sector but found these were non-significant so, for parsimony, do not include them in our final model.

### **Models**

To estimate the effect of the relationships between our independent variable and developing new services and products and achieving new business opportunities, as well as estimating the interaction effect of community identity on these relationships, we utilized logistic regression in SPSS. Logistic regression is sensitive to sample size and the number of variables being fitted in a model as well as the effect of high correlation between variables. Although we have a reasonable sample size (124), we dealt with potential sensitivity of the models to small numbers in two ways. We sought the most parsimonious model reducing the number of variable to obtain best fitting models and we use bootstrapping with 1,000 iterations to control for the effect of variance or bias in the standard errors (Field, 2009). To estimate models for the relationship between our independent variable and perceived organizational sustainability, and the effect of the interaction with community identity on this relationship, we utilized ordinary least squares regression.

### **Results**

The zero-order correlations are displayed in Table 2. Correlations among the independent variables are modest with the exception of a positive and significant correlation between age and turnover. We assess the effect of multicollinearity by examining the variance inflation factor for each variable, and find no issues. We further examined the condition indices with the highest for the interaction at 5.4 revealing no problems for multicollinearity as weak dependencies only set in with condition indices of around 10 (Belsley, 1991). An examination of the data indicates no violation of the assumptions of regression (Hair et al., 1998; Belsley, 1991).

INSERT TABLE 2 ABOUT HERE

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We first test the direct relationship between our independent variable, external partnerships, and the dependent variables. The results are shown in Models 1, 3 and 5 in Table 3. We find that after controlling for age, size and region this relationship is not significant. The results of the baseline models indicate that engaging with external partners to develop capabilities do not lead directly to new service or product development, new business opportunities, or enhance organizational sustainability.

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In Models 2, 4 and 6 we test our interaction hypotheses of whether community identity has an effect on developing new services and products, new business opportunities or perceived organizational sustainability from engaging with partners. The results of the logistic regression are shown in Models 2 and 4 in Table 3. The model  $\chi^2$  is significant ( $p < .001$ ) for the full models (Model 2 and Model 4), and is better fitting than the baseline (change in -2LL, 6.097,  $p < .05$  for Model 2 and 4.738,  $p < .05$  for Model 4). Both measures of pseudo  $R^2$  for logistic regression (Cox and Snell, and Nagelkerke) further demonstrate the full models (Models 2 and 4) provides greater explanatory power than Models 1 and 3 respectively.

First, in Model 2, we find that after controlling for age, size and region in which the social enterprise operates, social enterprises that have a stronger community identity are able to leverage their external partnerships to develop capabilities that enable them to develop their services or products. We find (4.175,  $p < .001$ ) that community identity positively interacts with external partnerships in order to develop new services and products, thus providing empirical support for Hypothesis 2a. Turning to the interaction effect on the relationship that stronger community identity has on the ability of social enterprises to leverage their external partnerships to develop capabilities that enable them to exploit new business opportunities, we find a positive and significant interaction effect (2.746,  $p < .01$ ) shown in Model 4. This supports Hypothesis 2b that predicted acquisition of new business opportunities from external partnerships would increase when the social enterprise has a stronger community identity.

To model the interaction effects for organizational identity on the relationship between external partnerships for capability development and perceived sustainability, we utilize multiple regression analysis, the results of which are shown in Model 6 in Table 3. The change in  $R^2$  between the baseline Model 5 and the full Model 6 is significant ( $p < .05$ ) indicating that the full model is better fitting. Model 6 demonstrates the effect of our interaction term is positive and significantly correlated with the degree of perceived organizational sustainability (.630,  $p < .05$ ). The result provides empirical support for Hypothesis 2c that predicted stronger community identity would strengthen the relationship between a social enterprise's efforts to develop capabilities through external partnerships and its perceived sustainability.

Our findings are summarized in the interaction charts in Figures 1a-1c below. The interactions are calculated at +1 and -1 standard deviation from the mean value of the external partnership measure respectively for each of the three models. Our interaction model results shed light on the pivotal role of organizational identity in the context of social enterprises. The results suggest that in the absence of a well-developed identity that provides distinctiveness as well as

demonstrates commitment to central and during practices coherent with the community logic of social enterprises, then the ability to develop meaningful partnerships with others outside the organization through which to develop necessary capabilities to deliver on their social mission and other organizational opportunities is weakened.

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INSERT FIGURES 1a-c ABOUT HERE  
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In particular, Figure 1a shows the impact of community identity on the relationship between external partnerships and developing services and products. Cultivating external partnerships had no direct effect itself on adapting services or products as reported previously in Model 1. Rather, our results show that the effect of external partnerships depends on the community identity of the social enterprise. Developing services and products in social enterprises that have stronger community identities (i.e. one standard deviation above the mean) is greater than those with weaker community identities, even when they both have high levels of involvement with external partners.

## **Discussion**

Our study set out to understand the contribution of organizational identity to explain variance in outcomes for social enterprises that engage in building external partners through which to acquire capabilities. The starting point for our study stems from Thornton's et al. (2012) observations on linkages across the inter-institutional system that posited macro-social orders would have distinctive logics that shape, in patterned ways, the behaviors, practices and schemas of organizations and individuals. We build on these ideas and argue that organizational routines and practices that guide the potential for collaborating to develop capabilities for creating new products and services, leveraging new opportunities and contributing to creating a sustainable organization, derive from social enterprises embedded in their institutional logics.

We show that the mechanism through which this collaboration supports these outcomes relies on the specific organizational identities of social enterprises. The relationship between external collaboration to build capabilities, and subsequent impact, is better explained when organizational identity consistent with the community logic is taken into account. As we find in Hypotheses 2a-c, our construct of community identity amplifies the ability of social enterprises to develop new products and services and leverage new opportunities to serve their community's needs. Organizational identity serves to activate the relationships with a social enterprise's external partnerships in positive ways. In contrast, where a social enterprise has a non-conforming or weaker community identity, this sets up a contradiction that affects the degree to which the social enterprise and its external partners can effectively access the schema and sense-making processes necessary to develop relevant capabilities through the relationship.

It is especially important to note that social enterprises fail to develop such capabilities from relationships with external partners when they evoke weak organizational identities – even when they devote considerable effort to building those relationships. Indeed our interaction models (as revealed in Figures 1a-c) suggest there is a negative effect from this institutional contradiction. We attribute this failure to fundamental conflicts arising from societal expectations of what it is to be a social enterprise in terms not just of its distinctiveness as an organizational form, but more so its structural practices and commitments that define its identity (Whetten, 2006). In such instances a weak community identity fails to provide a focus of attention to

activate cooperative schemas and practices and legitimation (Ocasio, 1997) of the internal and external agents that results in conflict, dissonance (Jay, 2013) or detachment, and hence failure to deliver on the performance potential.

We develop the notion of community identity within an institutional logics frame that has emerged as a prominent lens through which to examine a broad range of organizational phenomena, though has largely been focused on issues of complexity, hybridity and institutional change (Lok, 2010). However, our work moves away from examining the source of tensions within organizations to examining how identity interacts with organizational practices. Importantly, our work suggests a link between higher-level macro-social orders establishing institutional logics (Thornton, 2012) and organizational behavior that has resonance for social enterprises. Insight from our study suggests how social enterprises can more effectively structure and manage their organizations to reflect coherence that will facilitate greater potential benefits from their external linkages – a core activity for organizations for which embeddedness in local communities and the ability to leverage support, commitment and resources to mobilize opportunities are essential.

Our work takes up the challenge of Greenwood et al. (2010) to provide a better understanding of how an organization's embeddedness within its local community helps shape its identity and practices. Our work complements their approach by suggesting mechanisms through which organizational identity plays a central role in aligning practices with the dominant logic. Organizational identity provides a mechanism for aligning behaviors – by establishing the salience of community identity we find organizations create schemas that act as filters of perceptions and shared expectations of what constitutes appropriate action in the social structure in its relationships with its local community. To this end our work further elaborates on the role of organizational identity in supporting manager-stakeholder relationships (Scott & Lane, 2000). In committing to establishing more comprehensive processes for social impacts, social enterprises that live their mission, captured in their organizational identity, create operational processes and supporting practices and culture that enables them to engage more meaningfully with partners.

#### ***Further research and limitations.***

One of the main limitations of our work is that while we address inter-linkages of macro-social orders with organizations, we acknowledge that although we assume the operation of micro-foundational mechanisms of the institutional logics perspective (Jay, 2013; Zietsma & Lawrence, 2010), our empirical approach limits our ability to examine the underlying mechanisms of attention structuring and sense-making. Further our study setting that focuses on social enterprises does not capture partner perspectives in the process of creating new services or products or leveraging new business opportunities.

Further work could examine microfoundations of institutional logics – specifically understanding relationships between organizational and individual identity. How people behave when interacting with others, for example when engaging with external organizations in the pursuit of collaboration for new services, products or business opportunities, are governed not only by the identity of the organizational but may also be through their self-perceptions of their organization. Building on the work of symbolic interactionist theory (Weaver & Agle, 2002; Salvador et al., 2013) further work could examine how manifestations of an organization's community identity could moderate individual behaviors.

As prior studies note, congruence of logics is important because it can trigger a positive self-identity that reinforces commitment and increases the salience of participants' goals in that arena (Stryker & Burke, 2000). In contrast, the presence of multiple and conflicting logics reduces motivation and creates cognitive dissonance (Jay, 2013, Stryker & Burke 2000). Following from Stryker and Serpe (1982) a lacuna of or ambiguity in structural constraints in interactions between the social enterprise and its external partners, individuals have more scope to interpret the appropriateness of their behaviors and consequently greater incongruence between actions and expectations leading to divergence between organizational efforts to engage with partners and the performance outcomes expected from that.

### **Conclusion**

We utilize organizational identity theory along with logics to explore how social enterprises can more effectively mobilize external ties to provide resources through which to achieve their social mission. The dominant institutional logic gives rise to a coherent set of goals, schemas and identities that shape interactions across external relationships. Applied to our context the theory maintains that an identity fit between social enterprises and external stakeholders is important given the ties between a social enterprise and its community members through the processes of identification, attention structuring and legitimation. The other-centeredness of our community identity construct provides an unequivocal demonstration that social enterprises seeking a dominant social rather than economic, profit centered goal facilitates a cooperative and sharing response from external partners.

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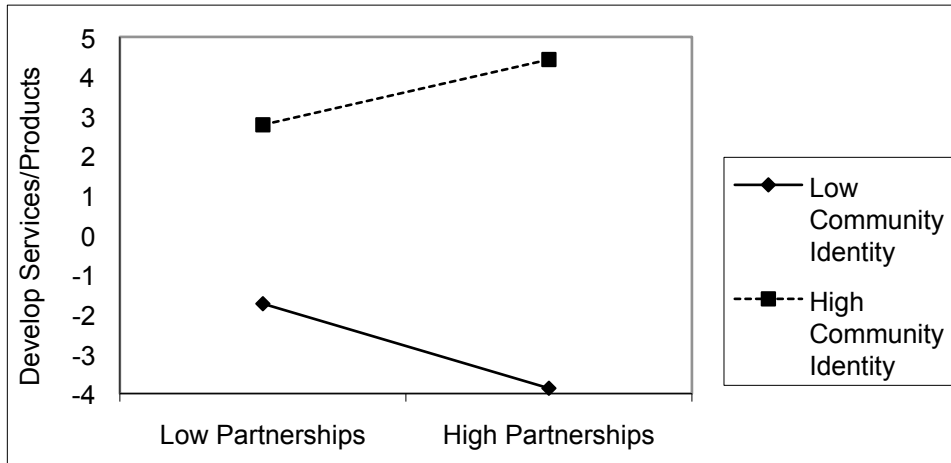
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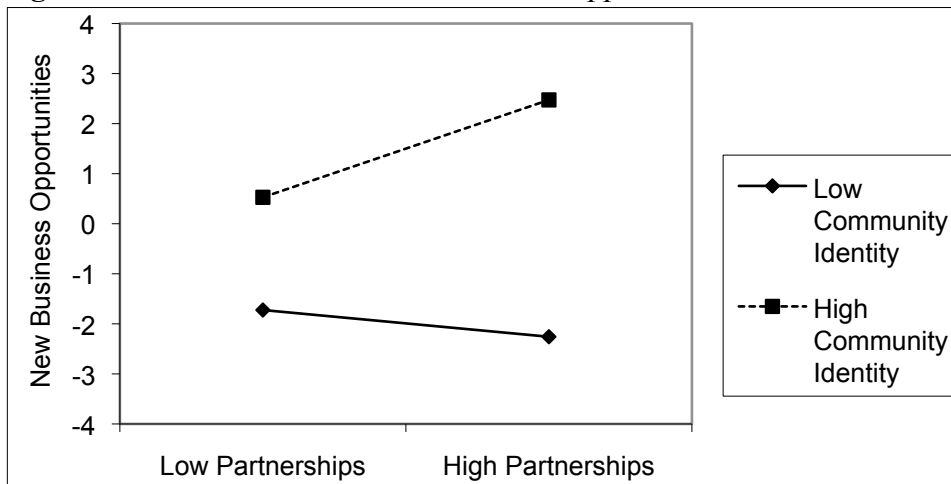
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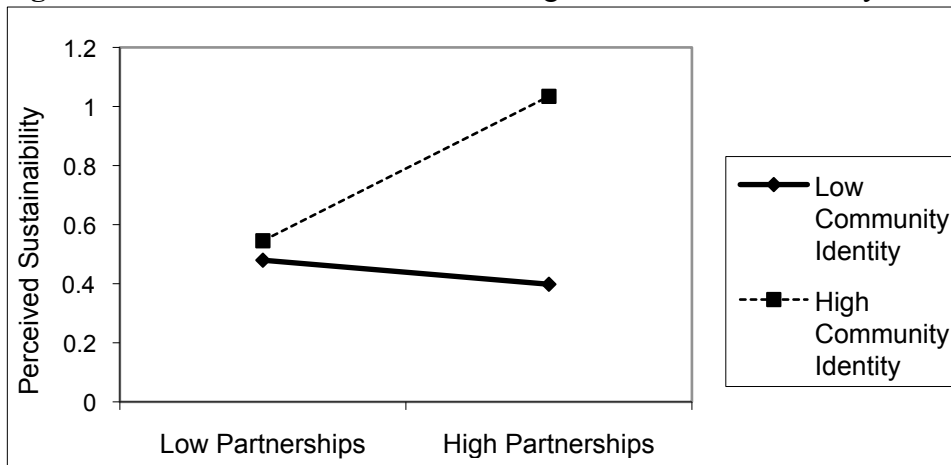
**Figure 1a.** Interaction effect: Develop services and products



**Figure 1b.** Interaction effect: New business opportunities



**Figure 1c.** Interaction effect: Perceived organizational sustainability



**Table 1.** Ideal types of institutional logics

<b>Organizing Principles/ Attributes</b>	<b>Market Logic</b>	<b>Welfare and Community Logic</b>
Root metaphor	<ul style="list-style-type: none"> <li>• Economic wealth creation</li> <li>• Profit seeking</li> </ul>	<ul style="list-style-type: none"> <li>• Creating social value</li> <li>• Addressing local social needs</li> </ul>
Sources of legitimacy	<ul style="list-style-type: none"> <li>• Capital ownership</li> <li>• Technical and managerial expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to social mission</li> <li>• Reciprocity - welfare and community benefit</li> </ul>
Sources of authority	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Hierarchy</li> </ul>	<ul style="list-style-type: none"> <li>• Citizens</li> <li>• Democratic control</li> <li>• Representation and participation of local stakeholders</li> </ul>
Identity and focus of attention	<ul style="list-style-type: none"> <li>• Firm centered, self-regarding – utilitarian</li> <li>• Attention to economic goals</li> </ul>	<ul style="list-style-type: none"> <li>• Representative of local community – normative</li> <li>• Social goals – ‘other directed’</li> </ul>
Basis of strategic imperatives	<ul style="list-style-type: none"> <li>• Efficiency, effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Social justice</li> <li>• Redistribution</li> </ul>

**Table 2.** Correlation matrix

	1	2	3	4	5
1 Employees					
2 Age	.155 <sup>†</sup>				
3 Turnover	.662 <sup>**</sup>	.172 <sup>†</sup>			
4 Region	.074	.006	.055		
5 Community identity	.081	.207 <sup>**</sup>	.042	.055	
6 External partners	.152 <sup>†</sup>	.161 <sup>*</sup>	.216 <sup>*</sup>	.029	.203 <sup>*</sup>

\*\*p<.01; \*p<.05; †p<.1; N=124

**Table 3.** Results

	Develop New Services and Products (Logistic Regression)		New Business Opportunities (Logistic Regression)		Perceived Organizational Sustainability (Regression)	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Employees	.006* (.006)	.008* (.004)	-.003 (.005)	-.003 (.005)	.000 (.001)	.000 (.001)
Age	.010 (.026)	.002 (.032)	.027 (.023)	.020 (.027)	.005 (.004)	.002 (.004)
Turnover	.000 (.000)	.000 (.000)	.000 (.000)	.000 (.000)	.000 (.000)	.000 (.000)
Region	-1.225 <sup>†</sup> (.860)	-1.413* (1.011)	.480 (.549)	.476 (.566)	.158 (.146)	.148 (.144)
Community identity	10.011*** (2.653)	11.603*** (3.707)	5.678*** (1.357)	6.339*** (1.612)	.600** (.238)	.630** (.234)
External partners	.022 (.565)	-2.100** (1.674)	0.449 (.378)	-.856 (.794)	.107 (.079)	-.171 (.148)
External partners * Community identity		4.175*** (3.169)		2.746** (1.588)		.630* (.287)
Constant	-5.021*** (1.288)	-5.783*** (1.851)	-2.981*** (.620)	-3.213*** (.799)	.318** (.133)	.302* (.131)
Model $\chi^2$		92.383***		60.614***		
-2 Log likelihood	84.452	78.355	115.734	110.996		
Change in 2LL		6.097*		4.738*		
Cox & Snell		.525		.387		
Nagelkerke		.703		.516		
R Square					.116	.151
Change in R <sup>2</sup>						.035*

\*\*\* p<.001; \*\* p<.01; \* p<.05; <sup>†</sup>p<.1; N=124 (Standard errors in parentheses)