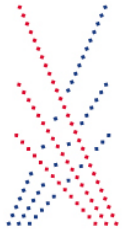

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Learning Orientation and Social Enterprise Performance: The Mediating Role of New Product Development Capability

Dr. Charan Raj Bhattarai

(Corresponding author)

Ad1676@coventry.ac.uk

International Centre for Transformational Entrepreneurship (ICTE),

Coventry University,

William Lyons Building, Room G05, Gosford Street, Coventry, CV1 5DL

Dr. Caleb Kwong

ckwong@essex.ac.uk

Essex Business School, University of Essex,

Elmer Approach, Southend-on-Sea, UK, SS1 1LW

Dr. Misagh Tasavori

tasavori@essex.ac.uk

Essex Business School, University of Essex, Elmer Approach,

Southend-on-Sea, UK, SS1 1LW

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Abstract: Although social enterprises are encouraged to improve their performance not only to fill the increasing funding gaps but also to address the increasing social issues, little is known about how they can do so. Scholars have identified learning orientation and new product development capability as two valuable resources that improve commercial firm performance. However, considering the differences between social enterprises and commercial businesses, how they improve the economic and social performance of social enterprises is still unclear. Aiming to fill such research gaps, drawing on the resource based view and dynamic capability perspective, we analysed data obtained from a survey of 164 UK social enterprises and found that the adoption and the development of learning orientation, a valuable resource, and new product development capability, a dynamic capability, can improve both the economic and social performance of social enterprises. Furthermore, we also found that new product development capability fully mediates the learning orientation to improve the economic and the social performance of social enterprises.

Key words: Social enterprise, learning orientation, new product development capability, dynamic capability, resource based view and social and economic performance

3.1. Introduction

The current socio-economic and political environment has increasingly encouraged social enterprises to improve not only their economic performance to meet the increasing funding gaps but also their social performance to address the increasing social problems (Kerlin & Pollak, 2011; Maclean et al., 2013; Rey-Martí et al., 2016). It is therefore crucial for social enterprises to adopt and develop resources and capabilities that improve not only economic but also social performance. Prior studies in commercial businesses have identified several valuable resources and capabilities that improve the performance of commercial firms. Learning orientation (Kropp et al., 2006) and new product development capability (McKelvie & Davidsson, 2009) are among those identified as valuable resources and capabilities, respectively. Empirical studies in the context of commercial businesses shows a positive association between learning orientation and firm performance (Baker & Sinkula, 1999a, b; Calantone et al., 2002; Real et al., 2014), learning orientation and new product development capability (Calantone et al., 2002), and new product development capability and firm performance (Guan & Ma, 2003). However, how learning orientation is deployed and processed to improve firm performance is still limited (Calantone et al., 2002). Specifically, our knowledge of how social enterprises process learning orientation to improve not only economic performance but also social performance is still unclear. Social performance simply refers to the performance of an organization in creating social values for the customers or in achieving social missions, goals, and objectives (Coombes et al., 2011), while economic performance refers to the performance of an organization in capturing economic values from its activities (Kropp et al., 2006).

Although empirical studies in the context of commercial businesses have provided evidence of a positive relationship between learning orientation, new

product development capability, and firm performance, it still needs to be tested their relationships in the context of social enterprises (Costanzo et al., 2014) because the context of commercial businesses and social enterprises are different (Austin et al., 2006; Barraket et al., 2016) and in the different contexts the values of resources and capabilities could also be different (Barney, 2001b; Priem & Butler, 2001). Furthermore, although prior studies in the context of commercial businesses have linked learning orientation to the economic performance (Calantone et al., 2002), its link to social performance has not yet been explored. Hence, although based on the business literature some inferences could be made regarding the relationship between learning orientation and the economic performance of social enterprises, no such inferences could be made regarding the relationship between learning orientation and the social performance of social enterprises. Moreover, due to the conflicting arguments and assertions concerning whether and how social enterprises can simultaneously improve both economic performance and social performance, our understanding of social enterprise performance is still underdeveloped. For example, some scholars argue that the economic and social goals of social enterprises are independent (Stevens et al., 2015) and complementary (Di Zhang & Swanson, 2013) to each other and hence they could be improved simultaneously. However, others (Massetti, 2008) argue that the economic and the social goals of social enterprises lie at the opposite ends of a continuum and hence they trade off each other.

Therefore, drawing on the resource based view (Barney, 1991; Barney, 2001a; Barney, 2001b; Priem & Butler, 2001), this study aims to address the above mentioned research gaps. Specifically, adopting a resource-processing perspective (Priem & Butler, 2001), we examine learning orientation as a valuable resource and new product development capability as one of the valuable resource-deploying or

processing capabilities. Put simply, drawing on the resource based view and the quantitative data obtained from a survey of 164 UK social enterprises, this research attempts to answer the following research questions:

1. Does adoption of learning orientation and development of new product development capability improve both the social and economic performance of social enterprises?
2. Does adoption of learning orientation improve the new product development capability of social enterprises?
3. Does new product development capability mediate the effect of learning orientation on the economic performance and social performance of social enterprises?

The expected contributions of this research are as follows. First, this study is possibly the first to offer a comprehensive explanation of how learning orientation and new product development capability collectively influence (directly and/or indirectly) the economic and social performance of social enterprises. Second, our research responds to important calls for more quantitative and empirical studies in social entrepreneurship (Dacin et al., 2011; Grimes, 2010; Liu et al., 2015; Meyskens et al., 2010) as well as learning orientation literature (Calantone et al., 2002). Third, this research sheds light on conflicting arguments about the effect of the implementation of commercial business practices on the economic and social performance of social enterprises. Specifically, we highlight whether the adoption of learning and innovating practices in social enterprises can improve their economic performance and social performance *simultaneously*. Fourth, by linking a resource and a capability to the economic performance and social performance of social

enterprises, this study extends the scope and applicability of the resource based view (Barney, 1991) to the context of social enterprises. Finally, this study offers practical implications to social enterprise managers about whether and how they should implement and develop learning orientation and new product development capability in their organizations to achieve not only financial sustainability but also social objectives. The findings of this study will be very insightful and useful for managers given the increasing pressures on social enterprises to rely more on market-based strategies and less on government grants and funding and to address increasing social issues (Kerlin & Pollak, 2011).

In the next section, we develop hypotheses for our study, followed by the research methodology section. The next section presents the results of the analysis and the tests of the hypotheses. Then, the final section discusses the findings, contributions, and implications of the study and offers some recommendations for future research.

3.2. Theory and Hypotheses

3.2.1. Learning Orientation and Social Enterprise Performance

Built upon a resource based view (Barney, 1991), scholars (Baker & Sinkula, 1999a, b) argue that learning orientation is a valuable resource and hence it can improve firm performance. The learning orientation is simply defined as a 'basic attitude towards learning' (Real et al. 2014, p. 189). This study views learning orientation as an organizational value that supports the idea that learning orientation is a key to improvement (Kropp et al., 2006; Real et al., 2014; Sinkula et al., 1997). Such organizational values and beliefs are crucial for 'the development of new knowledge or insights that have the potential to influence behavior… of the

organization' towards the adoption and development of practices that can improve their performance (Huber, 1991; Hult et al. 2004, p. 431).

The positive relationship between learning orientation and firm performance has long been corroborated in business literature. Furthermore, studies have provided the evidence of a positive relationship between the learning orientation and firm performance in various contexts. For example, scholars have found positive association between learning orientation and firm performance in their empirical studies in small and medium sized firms (Rhee et al., 2010), medium and large firms (Wang, 2008) as well as commercial firms from a variety of industries (Calantone et al., 2002). Similarly, studies (Salavou et al., 2004) show that learning orientation is crucial for a firm that operates in a competitive or a stable environment. However, the authors (Salavou et al., 2004) found that the learning is more effective in the firms that operate in a competitive environment than the firms that operates in a stable environment.

Slater and Narver (1995) suggest that learning in organizations enables firms to generate information about customers' needs and demands and competitors' actions, and disseminate such information among the individuals working in the organizations. Hence, learning may enable firms to understand and then fulfil the needs and demands of customers better than their competitors. Similarly, other scholars (Calantone et al., 2002) argue that learning oriented firms are proactive in updating and upgrading their operations, products, and services as per current and anticipated needs and demands of customers. Hence, learning orientation may enable firms to address not only the current needs and demands but also prepare for addressing latent needs and demands of the customers.

Scholars argue that learning oriented firms promote and create favourable environments for the development and promotion of learning and innovating cultures and values in their firms (Baker & Sinkula, 1999a). Such firms' learning and innovating cultures and values can encourage employees to commit to and then engage in learning new knowledge and skills and sharing the existing ones (Colquitt & Simmering, 1998; Matzler & Mueller, 2011; Wu & Lin, 2013). Through learning and sharing of knowledge and skills, firms can acquire, create, and develop their knowledge-based resources (Bell & Kozlowski, 2002; Grant, 1996; Kaya & Patton, 2011). The knowledge-based resources or the knowledge and skills of individuals working in a firm are critical in processing and utilizing their resources to operate and achieve their goals effectively and efficiently (Calantone et al., 2002).

Scholars suggest that learning can play an important role in social enterprises. Liu et al. (2015), for example, suggest that implementation of a learning culture and values in social enterprises enables them to understand the interests and concerns of their potential and existing donors, funding agencies, volunteers, employees, customers and beneficiaries. Information about them may enable social enterprises to identify and grasp opportunities related to fund-raising and financing, commercial trading activities, recruitment of volunteers and employees, and the development of appropriate new products and services not only to fulfil the financial needs of the social enterprises but also to address social issues and problems (Cooney, 2006; Gainer & Padanyi, 2002; Liu et al., 2015; Macedo & Carlos Pinho, 2006). We thus propose that:

Hypothesis 1a (H1a): Learning orientation positively influences economic performance of social enterprises, and

Hypothesis 1b (H1b): Learning orientation positively influences social performance of social enterprises.

3.2.2. Learning Orientation and New Product Development Capability

Firms' valuable resources are crucial for developing and strengthening their capabilities (Barney et al., 2001; Helfat & Peteraf, 2003). As learning orientation is one of the valuable resources of firms (Baker & Sinkula, 1999a), it can play a considerable role in the development of their capabilities. Slater and Narver (1995) suggest that learning orientation is directly related to new product success because the development of new products and services is itself a learning process (McKee, 1992). Furthermore, by creating and promoting the learning culture, values, and environment of a firm, and thereby motivating and encouraging their employees to engage in learning new and sharing existing knowledge and skills, learning orientation significantly contributes to improving the knowledge, skills, and creativity of employees (Flores et al., 2012; Hanvanich et al., 2006; Hirst et al., 2009). Studies show that such employees' human capital can improve innovativeness (Amabile, 1988), innovation capability (Çakar & Ertürk, 2010; Calantone et al., 2002) or new product development capability (McKelvie & Davidsson, 2009), and in turn the performance of the firms (Gong et al., 2009).

Moreover, scholars argue that the creation of a learning environment and opportunity in a firm can improve employees' positive attitudes and behaviours towards learning, creative self-efficacy, and commitment to the organization (Bunderson & Sutcliffe, 2003; Gong & Fan, 2006; Porter, 2005; Porter et al., 2010). These traits drive employees to improve their innovativeness and creativity, and thereby collectively improve the innovativeness of the organization as a whole

(Cottam et al., 2001; Gong et al., 2009; Green & McIntosh, 2001; Tierney & Farmer, 2002).

Similarly, scholars suggest that learning orientation enables firms to enhance the knowledge and skills of employees to create, develop, and execute the knowledge-based resources of a firm (Calantone et al., 2002). The knowledge based resource is one of the most important resources for the development of new products and services in a firm (Leonard-Barton, 1995). Furthermore, organizational learning enables firms to understand the needs and demands of customers and the actions of competitors (Slater & Narver, 1995). Hence, learning offers the firms the opportunity to create and capture marketing and product development opportunities (Argote et al., 2003; Calantone et al., 2002; Slater & Narver, 1995). Learning can improve the ability of a firm to generate, evaluate, assimilate and use information about customers and competitors, and hence learning can improve the capability of a firm to innovate new products and services (Cohen & Levinthal, 1990).

Learning organizations are proactive towards engaging in not only generating knowledge in the firm, but also accessing external knowledge from stakeholders such as suppliers, users, and customers from whom they may get new useful ideas (Lasagni, 2012). The generation of such new knowledge and ideas can enhance the innovativeness of the firm. The positive relationship between learning orientation and the firm performance is evident in the empirical studies in the commercial business sector (Calantone et al., 2002) as well as in the not-for-profit sector (Garrido & Camarero, 2010; Garrido & Camarero, 2014). Furthermore, Dees (1998) argues that product innovation in a socially oriented organization stems from a continuous process of learning, exploring, and improving. We thus propose that:

Hypothesis 2 (H2): Learning orientation positively influences the new product development capability of social enterprises.

3.2.3. New Product Development Capability and Social Enterprise Performance

Scholars (Slater et al., 2014) argue that the development of new products and services is crucial to capture values for the firm by generating revenues and also to create values for customers by offering them choices for fulfilling their needs and demands. Indeed, to produce such new products and services, firms need to develop their new product development capability (McKelvie & Davidsson, 2009; Schilke, 2014). New product development capability is a dynamic capability (Eisenhardt & Martin, 2000; McKelvie & Davidsson, 2009; Schilke, 2014; Teece et al., 1997), which enables firms to configure and combine resources to produce new products and services as per the changes in environment (e.g. changing the needs and demands of customers, and the actions of competitors).

The firm that displays a greater ability to develop new products and services can not only respond more successfully to but also create the changes in their environment (Hult et al., 2004). These changes in environments may create imbalance or instability for the competitors (Schilke, 2014). Hence, new product development capability may enable firms to destroy the harmony of the market in which the competitors were enjoying market equilibrium. The destruction of an existing market can be a catastrophe for competitors and hence through the development of new products or services, firms can achieve competitive advantages in the market (Schumpeter, 1950).

The firm with a higher level of new product development capability can develop and offer new products and services to the market before the competitors do,

and hence innovative firms may enjoy first-mover advantages (Kerin et al., 1992; Lieberman & Montgomery, 1988). A firm's developing and offering new products and services to the market means that the firm is offering multiple choices to their customers. When customers are offered multiple choices to address their needs, they may take a better option that suits their circumstances and hence the offering of new products and services in the market can improve customer satisfaction (Nemati et al., 2010). Customer satisfaction is positively associated with a firm's long term profitability (Anderson et al., 1994).

Scholars have empirically studied and established the positive relationship between new product development capability and firm performance in various commercial business sectors. For example, empirical studies on large and medium firms (Darroch, 2005), small and medium firms (Rosenbusch et al., 2011), technology firms (Chow & Gong, 2010; Thornhill, 2006), manufacturing firms (Thornhill, 2006), and service industries (Agarwal et al., 2003; Hipp & Grupp, 2005) have all corroborated the positive association between new product development capability or innovativeness and their economic performance.

In addition, some studies in not-for-profit sectors also attest to the positive relationship between new product development capability and the performance of not-for-profit firms (Garrido & Camarero, 2010; McDonald & Srinivasan, 2004; Voss et al., 2006). In a study on U.S. hospitals, McDonald and Srinivasan (2004) show that innovation can reduce not only the hospitals' operational costs, but also enhance the values of the products and services offered to customers. Similarly, in a study of the not-for-profit professional theatre industry, Voss et al. (2006) demonstrate that innovations can improve their economic performance by increasing revenue from royalties and selling of tickets. Likewise, in a study of not-for-profit museums,

Garrido and Camarero (2010) show that product innovations enable the not-for-profit museums to attract more visitors and generate more revenues, and also enable them to improve the conservation and collection of rare items.

Moreover, the beneficiaries of social enterprises are usually the poor and deprived who need affodable alternative products and services rather than high quality premium products and services of commercial firms. Therefore, by developing and offering affordable alternative products and services, social enterprises can not only compete against commercial businesses to achieve their economic goals but also fulfil the needs and demands of customers and/or beneficiaries to achieve their social goals (Christensen et al., 2006; Kramer, 2011). The affordability and social values of new products and services of social enterprises could serve as a source of competitive advantage over the competing products and services of commercial firms (Porter & Kramer, 2002). Thus, the development and marketing of such new products and services can generate not only revenue for a firm, but also create social values for societies and communities (Kramer, 2011). It can thus be proposed that:

Hypothesis 3a (H3a): New product development capability positively influences the economic performance of social enterprises, and

Hypothesis 3b (H3b): New product development capability positively influences the social performance of social enterprises.

3.2.4. The Mediating Role of New Product Development Capability in the Relationship between Learning Orientation and Social Enterprise Performance

Some scholars have suggested that the relationship between learning orientation and firm performance is conditional or dependent on other organizational factors (Baker & Sinkula, 1999b). Similarly, Calantone et al. (2002) propose that research should focus on identifying the underlying processes that determine the contribution of learning orientation to firm performance. The authors (Calantone et al., 2002) surmise that one of the most profound contributions of learning orientation may lie in its links with innovation capability or new product development capability, which enable a firm to process the knowledge and skills of employees and its other resources to develop new products and services. Hult et al (2004) report that learning orientation is one of the crucial antecedents of introducing new products, processes, or ideas in organizations, and has direct positive links to business performance. Furthermore, Hult et al (2004) state that learning orientation 'occurs primarily at the culture level of the firm and is likely to be mediated by factors that impact directly on business performance' (p. 431). As studies show that the learning orientation and the product innovation capability or the new product development capability improve firm performance, and the learning orientation positively influences the innovation capability of the firm (Calantone et al., 2002), and drawing on the literature of Priemand Butler (2001), it could be argued that the positive effect of learning orientation on firm performance could be processed or mediated through the new product development capability.

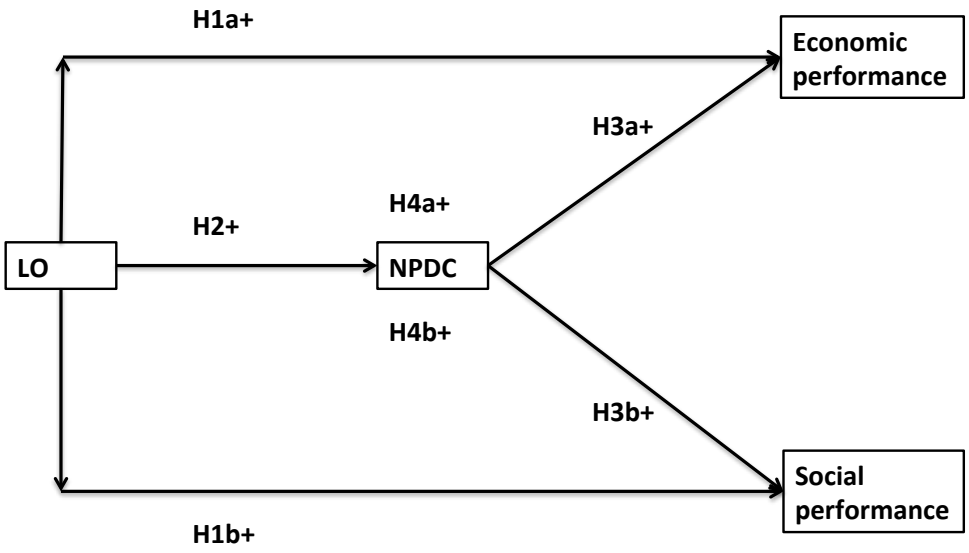
Some studies in not-for-profit firms also suggest that innovativeness may mediate the impact of learning on the economic performance and social performance of the not-for-profit firms. For example, researchers (Garrido & Camarero, 2010; Garrido & Camarero, 2014) demonstrate that the adoption of learning culture and values in not-for-profit museums can improve their products' innovativeness, and in

turn increase the revenues (economic goal) by developing and offering new products and services to the customers, and also increase the social performance by expanding the collections of rare items (social objectives).

Furthermore, scholars suggest that through learning, social enterprises can understand the unmet needs and demands of customers, concerns and expectations of potential and existing donors, volunteers, and employees, and about other accessible resources (Liu et al., 2015). The knowledge of these resources, particularly the information about the needs and demands of customers, offers an opportunity to develop new products and services in such a way that may fulfil not only their needs and demands but also generate revenues (Edvardsson & Olsson, 1996; Han et al., 1998). As social enterprises usually blend both social and economic objectives in their innovative activities or products and services (Austin et al., 2006; Garrido & Camarero, 2010; Garrido & Camarero, 2014), we expect that new product development capability serves as a driving force of not only economic performance but also social performance of social enterprises. We thus propose that:

Hypothesis 4a (H4a): New product development capability acts as a mediating variable between learning orientation and the economic performance of social enterprises, and

Hypothesis 4b (H4b): New product development capability acts as a mediating variable between learning orientation and the social performance of social enterprises.



H4a+: NPDC mediates the positive effect of LO on economic performance
H4b+: NPDC mediates the positive effect of LO on social performance

Note: LO = learning orientation and NPDC = new products development capability

Figure 5. Conceptual Framework

3.3. Methodology

3.3.1. Sample and Data Collection

Our sample was drawn from UK social enterprises registered in online social enterprise directories (see Appendix A). We used the UK government definition of social enterprises (DTI, 2002), which suited the context of this research. According to the DTI (2002, p. 13), social enterprise is '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'.

Following the procedures described by Dillman (2011), we sent initial emails providing a link to the survey to the owners/managers of 1000 social enterprises. We

selected owners/managers as our respondents because they usually have better knowledge of the overall business than other stakeholders of the firm (Zahra et al., 2002). After sending two reminders, we received responses from 210 social enterprises. We then eliminated 46 unusable, incomplete, or unengaged responses, and retained 164 useable responses (16.4 per cent) to test the hypotheses. Scholars (Baldauf et al., 1999; Greer et al., 2000; Scarborough, 2011; Tomaskovic-Devey et al., 1994) suggest that the surveys sent to organizations (organizational surveys) usually have low response rates and hence a response rate of above 15 per cent is considered to be an acceptable response rate in an organizational survey. A low response rate may engender non-response bias. Following the procedure described in Armstrong and Overton (1977), we assessed potential non-response bias and found no response bias in the data.

Out of 164 social enterprises (sample size), the majority of them are more than five years old (70%). Furthermore, the majority of our sampled social enterprises have access to financial capital (51.2%) and technical expertise (61.6%).

3.3.2. Variables and Measures

3.3.2.1. Dependent Variables

The dependent variables were the economic performance and social performance of social enterprises. We extracted the items for measuring economic performance and social performance from the research of Kropp, et al. (2006) and Coombes et al. (2011), respectively (see Appendix B for their items). In line with previous studies examining economic performance (Kropp et al., 2006; Liu et al., 2015; Narver & Slater, 1990; Slater & Narver, 1994; Stam & Elfring, 2008; Vickery et al., 2003; Ward et al., 1994), and social performance (Coombes et al., 2011; Liu et

al., 2015) for small and medium-sized enterprises and social enterprises, we used subjective self-reported ratings for measuring them. Employment of subjective indicators for the measurement of economic performance is quite common in social enterprise research for three main reasons. First, not all social enterprises are legally obliged to publish financial information, and hence it is quite difficult to obtain their financial hard data; second, due to the sensitivity of financial information (hard data), respondents are usually reluctant to share such financial information with external agents (Narver & Slater, 1990; Vickery et al., 2003; Ward et al., 1994), for example, researchers; and, third, the use of objective indicators may underestimate economic performance due to the rent appropriation effects, while the use of subjective indicators to measure economic performance can overcome the issue of underestimation (Crook et al., 2011).

The employment of subjective indicators for the measurement of social performance is also common in social enterprise research because it is difficult to quantify social performance and therefore difficult to apply objective indicators for its measurement (Kroeger & Weber, 2014; Stevens et al., 2015). Scholars argue that, due to a lack of a common scale for measuring social performance (Kroeger & Weber, 2014; Norman & MacDonald, 2004), it is still difficult to apply even subjective measures to estimate the social performance of a social enterprise. To overcome this issue, we used a comparative and subjective approach to measure social performance in this study. This approach allowed us to capture the diversity of social performance emphasized by different social enterprises. The use of a comparative approach in handling performance is consistent with many previous studies (Li et al., 2008; Tan & Litschert, 1994). We believe that the adoption of the comparative approach is essential for the measurement of social performance given its diversity and therefore

the difficulty in finding a common measurement scale. We used a standard seven point Likert scale (e.g. 'strongly disagree' to 'strongly agree') to measure all the subjective indicators of dependent and independent latent constructs because the Likert scale is considered to be better at capturing the magnitude and degree of responses than 'non-Likert-type' questions (Gliem & Gliem, 2003).

3.3.2.2. Independent Variables

Learning orientation and new product development capability are the independent variables of this study. They are latent constructs. The measurement indicators of learning orientation and new product development capability were derived from the established research of Kropp et al. (2006) and McKelvie and Davidsson (2009), respectively (see Appendix B for their indicators). New product development capability has been conceptualised as the mediator in the relationship between learning orientation and social enterprise performance (economic and social) in the conceptual model of this study.

3.3.2.3. Control Variables

To increase the robustness of this study, we included some control variables such as age, access to technical expertise, and access to finance. Scholars argue that, compared to new firms, older firms tend to possess a stronger resource base, and therefore the age of a firm is considered as an important determinant of firm performance (Dobbs & Hamilton, 2007; Evans, 1987). Similarly, studies of McKelvie and Davidson (2009) show that access of a firm to technical expertise influences the development of dynamic capability, which is positively associated with superior firm performance (Eisenhardt & Martin, 2000). Furthermore, access to technical expertise can improve the knowledge based resource of a firm, which is positively associated with firm performance (Grant, 1991). Some researchers argue that access to financial

resources is also a crucial determinant of small business performance and growth (Wiklund, 2006; Wiklund & Shepherd, 2005). Therefore, we have controlled for their effects in this study.

3.3.3. Reliability and Validity of the Constructs

We assessed constructs' validity by evaluating the convergent validity and discriminant validity of each latent construct. We performed confirmatory factor analysis (CFA) to evaluate measurement model (Byrne, 2012) and to estimate and evaluate the composite reliability, convergent validity and discriminant validity of latent constructs. The data is suitable for performing CFA because the Kaiser-Meyer-Olkin (KMO) value is 7.8, which is well above the minimum cut-off point of 0.6 (Pallant, 2010).

The CFA included learning orientation, new product development capability, economic performance, and social performance, all latent constructs, and produced goodness of fit statistics as follows: Chi-square test (X2) = 118.281 (df= 94, P = 0.0459), root mean square error of approximation (RMSEA) = 0.040 (90% CI = 0.006 to 0.060), comparative fit index (CFI) = 0.988, Tucker-Lewis index (TLI) = 0.985, standardized root mean square residual (SRMR) = 0.057, indicating the measurement model fit with the data at an acceptable level (Bentler & Yuan, 1999; Byrne, 2012; Hu & Bentler, 1999).

Table 2. Cronbach's Alpha (Alpha), Composite Reliability (CR), Average Variance Extracted (AVE), and Latent Constructs' Correlation Matrix

Latent Construct	Alpha	CR	AVE	1.	2.	3.	4.
1. Learning Orientation	0.883	0.870	0.630	**0.794**			
2. New Products Development Capability	0.866	0.868	0.688	0.434	**0.829**		
3. Economic Performance	0.895	0.883	0.848	0.255	0.429	**0.921**	
4. Social Performance	0.960	0.963	0.896	0.326	0.434	0.178	**0.947**

Note: The diagonal values (bold faces) are the square roots of AVE. All correlations of latent constructs are significant ($P < 0.05$).

Since our measurement model is a good fit with the data and all the standardized factor loadings of each construct are above 0.5 (the majority of them are above 0.7) (see Appendix B), the convergent validity of all latent constructs of the conceptual model can be assumed (Hair et al., 2006). Furthermore, the Cronbach's alpha and composite reliability coefficient of each latent construct is above 0.7 (see Table 2), suggesting that all the latent constructs of this study exhibit an acceptable level of internal consistency, composite reliability, and convergent validity (Fornell & Larcker, 1981; Hair et al., 2006; Pallant, 2010).

Similarly, the values of AVE of all the latent constructs are above the minimum threshold of 0.5 and lower than the composite reliability of their respective constructs (see Table 2), exhibiting an acceptable level of convergent validity (Fornell & Larcker, 1981; Hair et al., 2006). Similarly, the square root of the AVE of latent constructs is bigger than the correlation coefficients between them (see Table 2), exhibiting an acceptable level of discriminant validity and no serious issue of multicollinearity (Fornell & Larcker, 1981; Hair et al., 2006).

3.3.4. Assessment of Common Method Bias (CMB)

Because we asked the same respondents about both dependent and independent variables in the same self-administered online survey, this could risk the presence of common method bias in the responses (Podsakoff et al., 2003). To reduce the risk of CMB, we employed the suggestions of Podsakoff et al. (2003) as follows. First, we guaranteed firms' anonymity so that the respondents could answer the questions freely and honestly. Second, we spread out the questions for dependent and independent variables in the questionnaire so that the respondents could not easily perceive a relationship between dependent and independent variables presented in the questionnaire and hence it deterred them from manipulating their responses (Krishnan et al., 2006).

We then followed three steps to assess the presence of common method bias in responses and their potential effect on the relationship between the dependent and the independent variables. First, we performed Harman's one factor test, which showed that the single factor explained less than 50 per cent of variance (24.9 percent), indicating no potential significant effect of CMB would be on the relationship between independent and dependent variables in this study (Doty & Glick, 1998).

Second, we evaluated the goodness of fit statistics of the single factor model. The single factor model exhibited the following goodness of fit statistics: Chi-square test (X^2) = 988.843 (df= 100, P = 0.0000), RMSEA = 0.233 (90% CI = 0.220 to 0.246), CFI = 0.571, TLI = 0.485, SRMR = 0.229, indicating that the single factor model does not fit with the data (Bentler & Yuan, 1999; Chen et al., 2008; Hu & Bentler, 1999). Third, we created a common latent factor and performed a statistical test to estimate and evaluate the variance explained by the common latent factor. Following a procedure described in the prior studies (Eichhorn, 2014; Liang et al., 2007; Podsakoff et al., 2003; Williams et al., 2003), a common latent factor was created. Then, following the method described in Eichhorn (2014), we included a common latent factor in CFA whose indicators included all the principal constructs' indicators that we set to equal, and also the variance of the common latent factor was constrained to one in order for the model to be identified. The model shows that the common latent factor explained 3.69% of variances with the following goodness of fit statistics. Chi-square value = 131.135 (df = 94, p = 0.007), RMSEA = 0.049, CFI = 0.982, TLI = 0.977, and SRMR = 0.060. It is important to understand whether this variance is significantly different from zero (0) to know whether this variance of common latent factor (common method bias) contaminates the results of the analysis or not. To perform the test, we developed another model in which all the factor loadings of common latent factors were constrained to zero (0) and the variance constrained to one. The model in which the factor loadings of common latent factor were constrained to zero shows the following goodness of fit statistics. Chi-square value = 131.183 (df = 95, p = 0.008), RMSEA = 0.048, CFI = 0.983, TLI = 0.978, SRMR = 0.059. Then, we performed 'chi-square different test' between these two models which shows that with the difference of one degree of freedom the chi-square

difference is 0.048. The difference in chi-square is not significant at P value 0.05 ($P<0.05$), confirming that the variance explained by the common latent factor is not significantly different from zero. Therefore, based on the results of the three tests mentioned above, we confirm that there is no serious issue of common method bias in this study.

3.4. Analysis and Results

We employed structural equation modelling (SEM) with Mplus (Muthén & Muthén, 2012) to analyse the survey data and then to test the hypotheses. We tested the hypotheses by creating two structural equation models. In the first model (Model 1), we allowed paths from learning orientation to new product development capability and then the new product development capability to economic performance and social performance to test hypotheses H2, H3a, and H3b. In the second model (Model 2), we allowed direct paths as well as indirect paths through new product development capability from learning orientation to economic performance, and social performance. Then, we used bootstrap (1000) analysis (Bollen & Stine, 1990) to test hypotheses H1a, H1b, H4a, H4b.

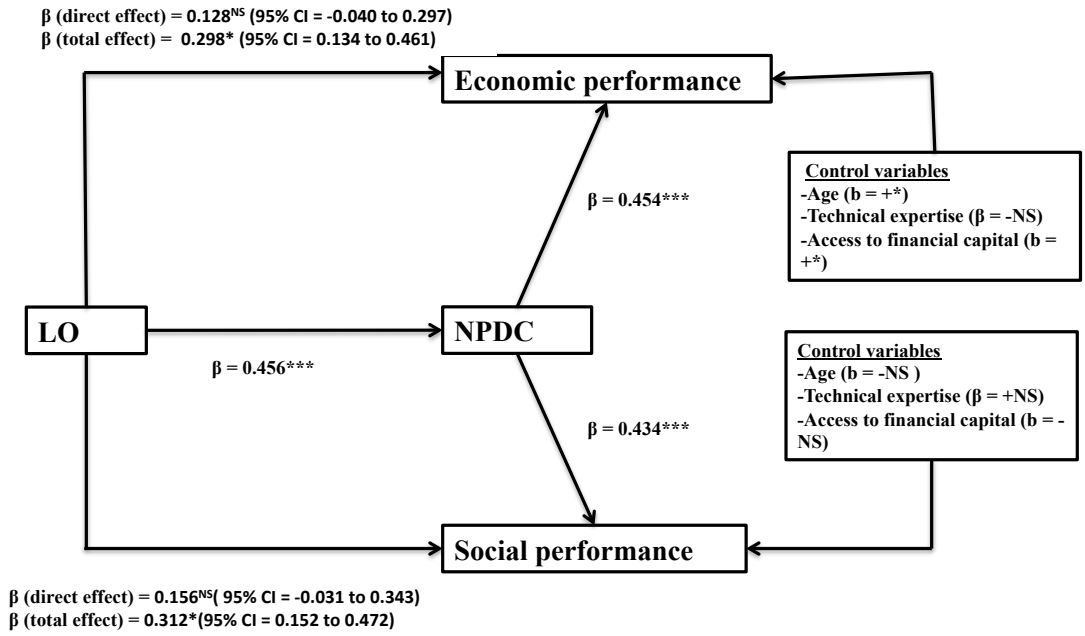
The use of the bootstrapping method in SEM has recently been increasing in social science research to evaluate mediation or indirect effects (Iacobucci, 2008). Unlike Baron and Kenny's (1986) method, the bootstrapping method enables the estimation of indirect effects (mediation effect), total (direct plus indirect) effects, and direct effects of independent variable(s) on dependent variable(s) simultaneously. Furthermore, it provides the level of significance (confidence intervals) of these effects (Zhao et al., 2010). Therefore, in line with several scholars (Collins et al.,

1998; Efron & Tibshirani, 1993; MacKinnon et al., 2000), we employed the bootstrapping method to investigate mediation or indirect effects in this study.

Table 3. The Model Fit Indicators of Main Effect and Indirect Effect Models

Indicators	Main effect model (Model 1)	Indirect effect model (bootstrap) (Model 2)
Free parameters	62	64
Log likelihood (H0)	-3065.411	-3062.802
Akaike	6254.823	6253.604
Bayesian	6446.635	6451.604
Sample size adjusted Bayesian	6250.352	6248.989
Chi squared test (X^2)	184.873 (df = 138, P = 0.0048	179.654 (df = 136, p = 0.0001)
RMSEA	0.046 (90 Percent C.I. = 0.026 to 0.062)	0.044 (90 Percent C.I. = 0.024 to 0.061)
CFI	0.978	0.979
TLI	0.973	0.974
SRMR	0.067	0.063

The goodness of fit statistics of Model 1 and Model 2 presented in Table 3 confirms that these models have a good fit with the survey data (Bentler & Yuan, 1999; Chen et al., 2008; Hu & Bentler, 1999).



The indirect effect of LO on economic performance through NPDC (β) = 0.169* (95% CI = 0.047 to 0.291).
The indirect effect of LO on social performance through NPDC (β) = 0.156* (95% CI = 0.034 to 0.278) .

Note: LO = learning orientation, NPDC = new products development capability, b = unstandardized coefficient, β = standardized coefficient, CI = confidence interval, NS = p>0.05, * = p<0.05, **= p<0.01, and ***=p<0.00, + = Positive, - = Negative.

Figure 6. The Results of the Analysis (Path Coefficients)

The results of the analysis presented in Figure 6 show that the effect of learning orientation is positive on new product development capability (standardized path coefficient = 0.456, $p < 0.001$), economic performance (standardized path coefficient = 0.298, at 95% CI = 0.132 to 0.461), and social performance (standardized path coefficient = 0.312, at 95% CI = 0.152 to 0.472). Similarly, the results of the analysis also show that the effect of new product development capability is positive on both the economic performance (standardized path coefficient = 0.454, $p < 0.001$) and the social performance (standardized path coefficient = 0.434, $p < 0.001$) of social enterprises.

Furthermore, the results of the analysis presented in Figure 6 demonstrate that new product development capability fully mediates the positive effect of learning

orientation on both the economic performance (standardized path coefficient of indirect effect = 0.169, 95% CI = 0.047 to 0.291; standardized path coefficient of total effect = 0.298, 95% CI = 0.134 to 0.461; and standardized path coefficient of direct effect = 0.128, 95% CI = -0.040 to 0.297) and the social performance (standardized path coefficient of indirect effect = 0.156, 95% CI = 0.034 to 0.278; standardized path coefficient of total effect = 0.312, 95% CI = 0.152 to 0.472; and standardized path coefficient of direct effect = 0.156, 95% CI = -0.031 to 0.343). Therefore, the results of our analysis supported all our hypotheses.

3.5. Discussion and Conclusion

The current socio-economic and political environment has increasingly been exerting pressure on social enterprises to improve not only their economic performance to fill the increasing funding gaps but also social performance to address the increasing social issues (Kerlin & Pollak, 2011; Maclean et al., 2013; Rey-Martí et al., 2016). Therefore, it is important for social enterprises to employ their resources and capabilities in such a way that improves not only economic performance but also social performance simultaneously.

Scholars have identified several valuable resources and capabilities that improve the performance of commercial firms. Learning orientation and new product development capability are among such identified valuable resources and capabilities, respectively. However, considering the differences between commercial businesses and social enterprises (Austin et al., 2006), the explanation of how the adoption and development of the learning orientation and the new product development capability, although they are proved to be valuable for improving commercial firm performance, can improve social enterprise performance (economic and social) is still unclear.

Given the urgent need for improvement of both the economic and social performance of social enterprises on the one hand and the lack of empirical studies showing how it could be achieved on the other, the knowledge of how learning orientation and new product development capability improves both the economic and social performance of social enterprise is thus crucial to contribute not only to develop theory but also to improve practice. In this research, we adopted the resource based view (Barney, 1991; Barney, 2001b; Priem & Butler, 2001), and examined learning orientation as a valuable resource and new product development capability as a valuable resource processing mechanism. Put simply, in this research, we studied how learning orientation and new product development capability influence the economic and social performance of social enterprises. Specifically, we investigated whether new product development capability mediates or processes the influence of learning orientation on the economic and social performance of social enterprises.

The results of this research suggest that learning orientation is a crucial resource to improve new product development capability and, in turn, both the economic and social performance of social enterprises. Our findings also show that new product development capability is a processing mechanism through which learning orientation improves both the economic performance and the social performance of social enterprises. The findings of this study have fully supported our conceptual model (as all hypotheses are supported) and have significant implications for both theory and practice.

3.5.1. Contribution to Theory

This research offers several implications for theory. First, consistent with commercial business literature on learning orientation (Baker & Sinkula, 1999a, b;

Calantone et al., 2002; Real et al., 2014) and innovation capability (Calantone et al., 2002; Guan & Ma, 2003; Ngo & O'Cass, 2012), the findings of this research show that learning orientation and new product development capability can improve both the economic and social performance of social enterprise. By so doing, this study contributes by shedding light on the conflicting conceptual assertions about whether these two goals of an social enterprise can be improved *simultaneously*, and about whether the resources that are valuable for improving commercial business performance are also valuable for improving the social enterprise performance. Specifically, in contrast with some studies (Massetti, 2008), and in line with others (Costanzo et al., 2014; Di Zhang & Swanson, 2013; Liu et al., 2015), the findings of this research suggest that economic and social values of social enterprises do not necessarily trade off each other, and can be created and improved simultaneously.

Second, consistent with learning orientation literature in the context of commercial businesses (Calantone et al., 2002), our study shows that learning orientation is a valuable resource and is crucial for improving new product development capability and, in turn, both the economic and social performance of social enterprises. Thus, this study suggests that the values and the roles of learning orientation could be similar between commercial businesses and social enterprises. This suggestion contrasts with the conceptual assertions of some scholars, namely that the values of resources and capabilities may change when the context of the firm changes (Barney, 2001b; Priem & Butler, 2001). Here, the context of social enterprises and commercial businesses is different to some extent (Austin et al., 2006).

Furthermore, importantly, by providing evidence of systematic positive links between learning orientation, new product development capability, and performance,

our research redirects attention to the resource based view of the firm (Barney, 1991) as a potentially fruitful theoretical lens through which to study this very important phenomenon, not only in the context of commercial firms but also in the context of social enterprises. Thus, this study extended the applicability of resource based view to the context of social enterprises to explain heterogeneity in not only economic but also social performance.

Third, our findings corroborate prior works suggesting that valuable resources on their own are not adequate to create values in a firm: they need to be processed to realize their values (Priem & Butler, 2001). Specifically, in this research we suggest that learning orientation should be combined with new product development capability to enhance social enterprises' performance because our study shows that new product development capability fully mediates or processes the positive effect of learning orientation (a resource) on both the economic performance and the social performance of social enterprises. We thus suggest that new product development capability is a processing mechanism through which a firm can utilize the knowledge resources obtained or generated from learning. This finding also reaffirms the research of Garrido and Camarero (2010) in not-for-profit museums, which shows that the adoption of learning in not-for-profit museums can improve their innovativeness and in turn their economic and social performance.

3.5.2. Contribution to Practice

We believe that the findings of this study have significant practical implications for social enterprise managers, as the results of this study will guide social enterprise managers on how to achieve both the financial and social goals of their organizations. According to our findings, social enterprise managers should

implement learning orientation and develop new product development capability in order to improve the economic performance as well as the social performance of their organizations. Indeed, as social enterprises have very limited resources (Kickul & Lyons, 2015), they should be very careful in allocating them, and they should adopt and develop only those resources and capabilities that could enhance the creation of economic and social values simultaneously. The findings of this study clearly suggest that the social enterprise managers should create learning and innovating environments, culture, and values in their organizations if they want to achieve both economic and social goals simultaneously. Considering the currently surging socio-economic and political pressures on social enterprise managers to improve the performance of their organizations not only to fill the increasing funding gaps but also to address the increasing social issues, this study is timely and its findings are crucial guidance for social enterprise managers, owners, policy makers.

3.6. Limitations and Avenues for Future Research

Our study's limitations also provide exciting areas for future research. First, we acknowledge that there are many other resources and capabilities, including but not limited to learning orientation and new product development capability, respectively, that commercial business adopt and develop to enhance their performance. In this study, we focused only on the investigation of the influence of learning orientation (as a resource that commercial businesses adopt and develop to improve their performance) in strengthening new product development capability leading to better economic performance and social performance of social enterprises. Future research could investigate how the adoption and the development of other resources and capabilities than learning orientation and new product development

capability that are proved crucial for improving commercial firm performance influence, individually and together, the economic performance and the social performance of social enterprises to expand our understanding of how the adoption and implementation of commercial business practices can influence the economic and social performance of social enterprises.

Second, our study investigated new product development capability only as a capability that processes the learning orientation; other capabilities of social enterprises might process the values of learning orientation to improve performance. Hence, future research could investigate other capabilities in addition to new product development capability to expand our understanding of how social enterprises process learning orientation to improve not only their economic performance but also social performance.

Third, although our study is quantitative, which is scarce in social entrepreneurship research (Liu et al., 2015), the sample size (164 UK social enterprises) is still small. Future studies might consider a larger sample size.

Finally, this study focused only on UK social enterprises that are registered in online directories of the UK social enterprises; future studies could also include the social enterprises that are not registered in the online UK social enterprise directories for the sample to be more representative of wider social enterprises. Furthermore, as the definition of social enterprises may vary among countries (Kerlin, 2006), future studies might consider doing similar studies in countries other than the UK, to understand whether our model holds among wider social enterprises.

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