



## Social Entrepreneurial Orientation and Performance of Third Sector Organizations in South-East, Nigeria

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**Abstract:** *The study focused on social entrepreneurial orientation and performance of third sector organizations. This study made use of the descriptive cross-sectional research design. The study's interest is the third-sector organizations that are operational in the South East region of Nigeria. The study applied simple random sampling technique to select 400 participants. Descriptive statistics determined the mean, standard deviation, and inter-item correlation. The analysis was carried out using Multiple Regression. The regression includes Hannan-Quinn criterion, F-statistic, and Durbin-Watson statistic. Satorra-Bentler Test was employed to spot issues of homoscedasticity. Findings showed that effectual orientation has significant positive effect on social performance and commercial performance of third-sector organizations. Finding further revealed that social mission orientation does not significantly relate with social performance of third-sector organizations, and that social mission orientation has no significant negative linear relationship between commercial performance. The study recommended among others that third-sector organizations should prioritize the adoption of effectual orientation as a core strategic approach, and should re-evaluate their operational strategies to ensure that the stated social missions are effectively translated into tangible, measurable actions that align with the needs and expectations of the communities served.*

**Keywords:** *Social Entrepreneurial Orientation, Effectual Orientation, Social Mission Orientation, Sustainability Orientation, Commercial Performance, Social Performance*

### I. Introduction

Entrepreneurial orientation (EO) is a strategic making tool that enables organizations to take advantage of opportunities in their environments and position themselves as market leaders of their industry. Apart from promoting firm innovation at all levels, entrepreneurially oriented firms are usually reputed for excellence in product development and delivery, as well as a knack for calculated risk-taking that usually improves their performance in prodigious ways (Covin et al., 2020; Wales et al., 2020). For researchers, there is a consensus that organizations with an entrepreneurial outlook are more favourably disposed and equipped towards opportunity identification, exploration, and exploitation within their environment than other organizations that are not entrepreneurially inclined (Ameer & Khan, 2020; Covin et al., 2020; Wilson et al., 2020). This is because research outputs in EO have only focused on the traditional/commercial model of entrepreneurship. Thus, academic interest in the area of social entrepreneurial orientation (SEO) have remained stunted, despite increased outputs in the area of social entrepreneurship (Halberstadt et al., 2021; Kraus et al., 2017). In Nigeria, although social entrepreneurship has the potential to generate both commercial and social gains at the long run, it is difficult to expedite and scale up; especially because in contexts like Nigeria, supporting institutions are either weak or non-existent. This apathy for SEO by practitioners and entrepreneurs have spilled over to researchers, thereby leaving a research gap that needs to be addressed as there are little research efforts that exhaustively deal with the intricacies of SEO within organizations. Nonetheless, it is very unlikely that the creation and delivery of social innovations capable of meeting social needs while enabling sustainability and

improved firm performance would be possible unless the organization has the capacity to promptly recognize and exploit social entrepreneurial opportunities in their environment (Halberstadt et al., 2021). Fortunately, extant literature has provided validated scales/measures as well as an applicable framework that enables further inquiries into the antecedents and outcomes of SEO (Kraus et al., 2017a; Kraus, et al., 2017b).

The main purpose of this study is to determine the effect of SEO on performance. A central question in commercial entrepreneurship literature has been the implication of commercial entrepreneurship orientation on firm performance and umpteen studies have established a positive relationship. Likewise, this study aims to answer the questions regarding the impact of the specific dimensions of SEO on performance of firms. The dimensions of SEO are effectual orientation, social mission orientation, and sustainability orientation (Hong et al., 2019; Syrjä et al., 2019; Werhahn et al., 2015). Effectual orientation is defined as "a strategic direction that emphasizes entrepreneurial decision making among employees along five dimensions (means orientation, partnership orientation, affordable loss orientation, contingencies orientation, and control orientation)" (Werhahn & Brettel, 2012). Effectual orientation is usually enforced at all levels in the organization and is thus a posture that supports the enforcement of attitudes, actions, and processes towards a strategic social goal.

Social mission orientation is an outlook or orientation that fosters the provision of social goods and services in order to meet the needs of members of society. Sustainability orientation is the extent to which social organizations are committed to environmental protection and their proclivity towards taking responsibility for the impact of their operations on the health, welfare, and safety of the people and natural resources in their environment.

Firms with a sustainability orientation exhibit "an understanding of how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and with what economic, psychological, social and environmental consequences" (Cohen & Winn, 2007). As stated earlier, this study aims to connect the dots between these dimensions and performance. However, unlike most studies of social entrepreneurship, performance would not be measured as a one-dimensional construct but as a two-pronged variable consisting of social performance and commercial performance

## II. Review of Literature

### 2.1 Conceptual Review

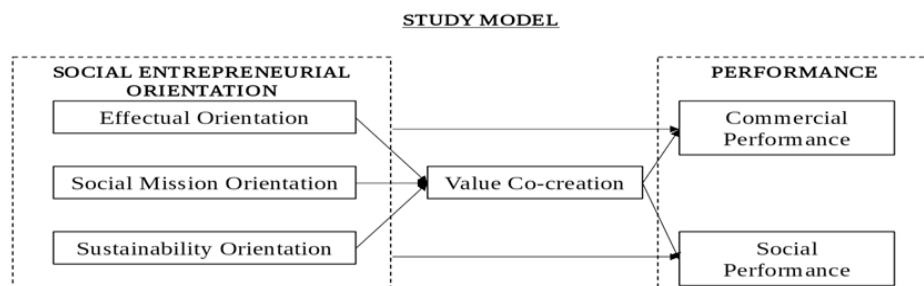
Social entrepreneurship orientation (SEO) encompasses policies, programs, activities, and systems adopted by firms or individuals to establish organizations focused on addressing social needs in society (do Adro et al., 2021; Liu & Huang, 2020). This approach facilitates the emergence of new social enterprises in a given environment. Derived from entrepreneurship orientation (EO), SEO builds upon the decision-making mindset, behaviors, and processes underlying a firm's strategic practice, competitive posture, and management philosophy, encapsulating the entrepreneurial tendencies of the organization (Hughes et al., 2015:119). EO signifies an organization's ability to identify and exploit opportunities in its environment.

Conversely, SEO emphasizes the development of strategies, processes, and systems that enable the fulfilment of societal needs at minimal or no cost. The context and type of entrepreneurial activities play a pivotal role in the implementation of EO and SEO, allowing for various interpretations and methodologies (Halberstadt et al., 2021; Miller, 2011). SEO has been defined as a profit-oriented yet socially-focused organizational approach, often employed to fill institutional voids in environments with weak institutional frameworks (Gali et al., 2020;

Swanson & Zhang, 2011). This implies that existing firms can transform themselves to prioritize economic goals and align with a social mission. Individual SEO is measured through factors such as social passion, innovativeness, pro-activeness, and risk-taking (Satar &

Natasha, 2019). This study further categorizes SEO into effectual orientation, social mission orientation, and sustainability orientation. Effectual orientation involves an entrepreneurial approach to decision-making, particularly in times of uncertainty and environmental fluctuations, as traditional methods may not provide optimal solutions (Werhahn et al., 2015; Wiltbank et al., 2006). Effectual orientation measures include the organization's preparedness for potential losses, collaboration with beneficiaries, securing funding commitments, and conducting pilot projects before full implementation (Liu & Huang, 2020). Social mission orientation reflects an organization's pursuit of societal benefits beyond profit motives, with a focus on contributing positively to the environment and society (Bangsawan et al., 2020; Syrjä et al., 2019). To ensure the success of a social mission, it is crucial to align the mission with the organization's existing objectives, communicate it effectively, and avoid controversial or divisive missions (Muñoz & Kimmitt, 2019; Sanders & McClellan, 2014). Sustainability orientation (SO) emphasizes an organization's responsibility for environmental protection and the welfare of the community, reflecting a commitment to sustainable entrepreneurship (Halberstadt et al., 2021; Soo Sung & Park, 2018). Sustainable entrepreneurship entails considering the economic, environmental, and social implications of business policies, aligning with the Triple Bottom Line (TBL) framework, which evaluates performance based on social, environmental, and economic dimensions (Charter & Tischner, 2001; Christmann & Taylor, 2001). Value co-creation involves collaborative efforts between organizations and customers to enhance the customer experience and create value from products and services (Crick et al., 2020; Cossío-Silva et al., 2016). This process emphasizes understanding customer preferences and fostering interactive relationships to optimize product and service delivery.

## 2.2 Conceptual Framework



## 2.3 Effectual Orientation and Commercial Performance

Effectual orientation in entrepreneurship underscores the significance of sound decision-making to positively impact a firm's profitability. This approach ensures that market identification aligns with the organization's available resources, enabling entrepreneurs to target high-growth potential markets with suitable products or services, leading to substantial financial returns (Liu & Huang, 2020; Fadda & Sørensen, 2017). Yamamoto & Kan (2017) assert that a firm's Entrepreneurship Orientation (EO) influences the effectual behaviors of its entrepreneurs or managers, wherein a high SEO compels entrepreneurs to seek new customers strategically to enhance entrepreneurial performance. A proactive entrepreneurial approach to market creation enables a firm to gain a competitive advantage, while astute management of opportunities as resources is critical for sustainable commercial performance (Laskovaia et al., 2019). Researchers have found that prioritizing affordable losses and available means contributes to higher performance levels and reduced failed investments, especially in highly innovative research and development projects (Brettel et al., 2012;

Wiltbank et al., 2009). Effectual orientation holds substantial importance in facilitating firm performance, even for social organizations that prioritize non-financial goals during economic downturns. Understanding the dynamics of effectual behavior and its strategic implementation is crucial for sustaining and enhancing a social firm's commercial performance.

#### **2.4 Effectual Orientation and Social Performance**

Effectuation, viewed as a resource-dependent theory, serves as a guiding principle for entrepreneurs to enhance social performance. Emphasizing effective resource allocation, it ensures that stakeholder investments are maximized, assuring them of the optimization of limited resources and the achievement of social goals (DesJardine & Durand, 2020). However, a low score on effectual orientation might impede timely execution of social objectives, prompting stakeholders to engage in activist ownership, influencing the management of the organization (DesJardine & Durand, 2020). Beisland et al. (2021) suggest that effective implementation of social objectives relies heavily on effectual orientation, particularly through the means orientation, which encourages entrepreneurs to allocate resources based on the firm's current holdings rather than future prospects. Furthermore, partnership orientation fosters the utilization of social capital for innovative product development, leading to enhanced social performance. Thus, the extent of effectual orientation's impact on social performance depends on the level of managerial efficiency, characterized by knowledge, experience, beliefs, and values guiding the execution of social goals and objectives.

#### **2.5 SMO and Commercial Performance**

In the realm of social entrepreneurship, maintaining a delicate balance between social and economic objectives is crucial (Muñoz & Kimmitt, 2019). Social entrepreneurs aim to create social change by addressing prevalent issues within their communities at a lower cost compared to traditional enterprises. This involves providing employment opportunities and essential amenities while seeking the financial resources necessary for product development and sustainability (Nicholls, 2010). However, achieving both objectives can be challenging, especially when market dynamics threaten the survival of the organization, leading to potential reprioritization of social missions to accommodate commercial aspects (Moss et al., 2011). While some social entrepreneurs may prioritize economic goals over social missions, often termed "mission drift," they attempt to manage this conflict through stakeholder engagement strategies (Cornforth, 2014). Conversely, others utilize social missions as a means to drive economic ends, recognizing the strategic benefits of social objectives in fostering competitive advantage (Ramus & Vaccaro, 2017). Formulating a compelling social mission backed by organizational support can position a social enterprise as a market leader, combining social missions with an economic outlook for improved viability (Muñoz & Kimmitt, 2019). Effectuating this strategy hinges on a strong conviction that social missions can yield economic returns, enabling the simultaneous achievement of social and financial objectives (Cho & Lee, 2019).

#### **2.6 SMO and Social Performance**

The social mission of organizations is central to their strategies for achieving social performance (Chell et al., 2016). Corporate Social Responsibility (CSR) holds particular importance within this mission, serving as a fundamental characteristic that shapes the behavior of workers and volunteers, guides decision-making processes, and prioritizes social needs in various environments (Dwivedi & Weerawardena, 2018). Moreover, in countries with inadequate governmental support, social enterprises might exhibit reduced dedication to their social mission, reflecting the broader context's impact on the micro-level operations. In such

environments, adopting social performance management principles becomes crucial in navigating the complexities of the external landscape (Kinyuira, 2017). In summary, a robust SMO fosters ethical practices, encourages innovation, and promotes social value creation within communities, guided by strong donor and investor support and strategic alignment with socially acceptable standards. Social enterprises, therefore, can effectively navigate challenges and fluctuations in their operating environments to achieve their social objectives while maintaining a sustainable business model.

### **2.7 SO and Commercial Performance**

The SO is crucial in ensuring that organizations prioritize environmental consciousness and minimize their negative impact on the environment (Adomako et al., 2019). Firms can leverage their resources to integrate environmental sustainability into their corporate strategies, decision-making processes, and overall operations, thereby fostering commercial performance (Adomako et al., 2019). The resource-based view (RBV) model explains how organizations can achieve growth and sustainability by acquiring valuable, rare, and inimitable resources, such as skilled human resources, that differentiate their services and yield higher returns (Croom et al., 2018; Roxas et al., 2017). Firms that address social issues like education, discrimination, unemployment, and poverty in addition to environmental preservation are more likely to garner support and revenue. Thus, effective SO strategies should positively impact the lives of the communities they serve to bolster commercial performance (Danso et al., 2019). Research has shown a clear correlation between environmental SO and financial performance, highlighting the importance of integrating sustainable practices to achieve business success (Danso et al., 2019; Croom et al., 2018)

### **2.8 SO and Social Performance**

The influence of SO on the social performance of social organizations can be justified through various strategies. Diversifying organizations to include both biodiversity and socio diversity can enhance social performance by providing a comprehensive approach to sustainability issues (Corral-Verdugo et al., 2009). Recognizing the interconnectedness of these two dimensions within the framework of SO can yield holistic benefits across social, economic, and environmental domains, leading to more effective performance outcomes. Moreover, the combination of SO with other organizational and environmental strategies, such as sustainability, innovation, achievement motivation, and resource management, can contribute to social performance in organizations (Kraus et al., 2017a). Social entrepreneurs and their organizations are often at the forefront of identifying new opportunities and addressing environmental challenges, contributing significantly to the socio-economic development of their communities (Kraus et al., 2017b). Their proactive approach to risk-taking and environmental problem-solving positions them as key contributors to societal well-being and ecological preservation.

### **2.9 The Mediating Role of Value Co-Creation**

This study posits that the mediating role of value co-creation can significantly influence the relationship between social entrepreneurial orientation (SEO) and both commercial and social performance. Value co-creation involves a collaborative approach between organizations and customers in generating value, emphasizing the importance of customer engagement and input in shaping business outcomes. Regarding the influence of SEO variables on commercial performance, value co-creation plays a crucial role in decision-making processes, product development, and market penetration strategies. By actively involving customers in the value creation process, social firms can gain insights into customer expectations, resulting in the development of products and services that effectively meet consumer demands (Cossío-Silva

et al., 2016). In terms of the link between SEO and social performance, value co-creation influences the satisfaction of social needs and the establishment of effective pricing strategies that do not compromise the organization's social reputation. Customer insights aid in identifying marginalized social issues, enabling the firm to allocate resources strategically and cater to the needs of the target market (Saarijärvi et al., 2013).

### III. Research Methods

This study made use of the descriptive cross-sectional research design. The study's interest is the third-sector organizations that are operational in the South East region of Nigeria. The population (2,899) for the study consisted of employees of third sector organizations – those that are neither in the public and private sectors, but are majorly focused on delivering value without necessarily seeking profits. They include NGOs, community groups, charity groups, cooperative societies and civil society organizations that operate in the five South Eastern states of Nigeria, namely Abia, Anambra, Ebonyi, Enugu, and Imo. The sample size (400) for the study was derived using the Taro Yamane's formula. This formula has been proposed to be suitable for ascertaining sample sizes for random large finite populations (Adam, 2020).

$$n = \frac{N}{1 + N(e)^2}$$

Where; n = Sample size; N = Population; e = error margin 5% (0.05); 1 = Constant.

The study applied simple random sampling technique to select the participants. The participants of the study were 400. 245 participants (61.25%) were male; while 155 participants (38.75%) were female. 227 participants (56.75%) falls within the bracket of very small firm; 121 participants (30.25%) falls within the bracket of small firm; and 52 participants (13.0%) falls within the bracket of moderate firm.

The measures of 'effectual orientation' was gotten from 4-item scale that was validated and used by Liu and Huang (2020). A sample item is "On high social impact projects, we took steps to ensure that potential losses are affordable". The validity scores for 'effectual orientation' ranged between 0.716 and 0.837. The composite reliability score is 0.823. The measures of 'social mission orientation' was gotten from 2-item scale that was validated and used by Liu and Huang (2020). A sample item is "Our philosophy guides everything we do in the organization". The validity scores for 'social mission orientation' ranged between 0.811 and 0.876. The composite reliability score is 0.817. The measures of 'sustainability orientation' would be gotten from 2-item scale that was validated and used by Liu and Huang (2020). A sample item is "We always seek to balance mission and financial viability in the organization".

The validity scores for 'sustainability orientation' ranged between 0.821 and 0.834. The composite reliability score is 0.855. The measures of effectual orientation was gotten from 2-item scale that was validated and used by Liu and Huang (2020). A sample item is "We have been providing more social services". The validity scores for 'social performance' ranged between 0.818 and 0.823. The composite reliability score is 0.892. The measures of effectual orientation would be gotten from 2-item scale that was validated and used by Liu and Huang (2020). A sample item is "We have been experiencing an increase in revenue". The validity scores for 'commercial performance' ranged between 0.814 and 0.868. The composite reliability score is 0.877.

**Table1.** Measurements and Reliability of Variables

Question Item	EO	SMO	SO	VCO	SP	CP	C.R	AVE
Effectual Orientation							0.823	0.788
EON1	0.837							
EON2	0.822							
EON3	0.799							
EON4	0.716							
Social Mission Orientation							0.817	0.795
SMO2		0.876						
SMO3		0.811						
Sustainability orientation							0.855	0.782
SON1			0.834					
SON2			0.821					
Value co-creation							0.866	0.796
VCC1				0.888				
VCC2				0.861				
VCC3				0.853				
VCC4				0.841				
Social Performance							0.892	0.787
SPE1					0.823			
SPE2					0.818			
Commercial Performance							0.877	0.789
CPE1						0.868		
CPE2						0.814		

Source: SPSS Version 24

Descriptive statistics was used to determine the mean, standard deviation, and inter-item correlation. The analysis was carried out using Multiple Regression. The regression includes Hannan-Quinn criterion, F-statistic, and Durbin-Watson statistic. Satorra-Bentler Test was employed to spot issues of homoscedasticity.

## IV. Results and Discussion

### 4.1 Data Analysis and Results

In this section, the analysis of the data collected is done and results are presented in figures and tables.

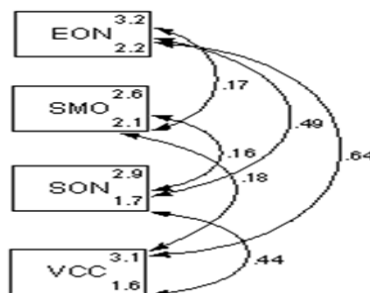


Figure 2. Structural Equation Model

Figure 2 shows the relationship between the latent variables. The results show that all the latent variables have no autocorrelation, except value co-creation and effectual orientation that have the correlation of 0.64. However, value co-creation is used as a mediator. Thus, the latent variables are considered appropriate for the data.

*Table 2. Satorra-Bentler Test*

	<b>Coef.</b>	<b>Std. Err.</b>	<b>Z</b>	<b>p-val</b>	<b>[95% Conf. Interval]</b>	
<b>mean(EON)</b>	3.185	.0738449	43.13	0.000	3.040267	3.329733
<b>mean(SMO)</b>	2.615	.0718843	36.38	0.000	2.474109	2.755891
<b>mean(SON)</b>	2.9325	.0645583	45.42	0.000	2.805968	3.059032
<b>mean(VCC)</b>	3.08	.0626003	49.20	0.000	2.957306	3.202694
<b>var(EON)</b>	2.175775	.0868209			2.012093	2.352772
<b>var(SMO)</b>	2.061775	.0971065			1.87997	2.261161
<b>var(SON)</b>	1.662944	.0826256			1.508636	1.833034
<b>var(VCC)</b>	1.5636	.0825308			1.409928	1.734021
<b>cov(EON,SMO)</b>	.166225	.1033947	1.61	0.108	-.036425	.368875
<b>cov(EON,SON)</b>	.4924875	.1034608	4.76	0.000	.289708	.695267
<b>cov(EON,VCC)</b>	.6377	.1008493	6.32	0.000	.440039	.835361
<b>cov(SMO,SON)</b>	.1615125	.0921173	1.75	0.080	-.019034	.342059
<b>cov(SMO,VCC)</b>	.1808	.0926097	1.95	0.051	-.0007116	.3623116
<b>cov(SON,VCC)</b>	.4354	.089462	4.87	0.000	.2600577	.6107423

Table 2 shows that the coefficient for the "effectual orientation" latent variable is 3.185; the coefficient for the "social mission orientation" latent variable is 2.615; the coefficient for the "sustainability orientation" latent variable is 2.9325; and the coefficient for the "value co-creation" latent variable is 3.08. The latent variables also have significant effect on the outcome in the model. The Z-scores for all the coefficients are very large (43.13, 36.38, 45.42, and 49.20), indicating that the effects are highly significant.

The coefficient for the variance of effectual orientation is 2.175775. The standard error associated with this coefficient is 0.0868209. The 95% confidence interval for the variance ranges from 2.012093 to 2.352772. The coefficient for the variance of social mission orientation is 2.061775. The standard error associated with this coefficient is 0.0971065. The 95% confidence interval for the variance ranges from 1.87997 to 2.261161. The coefficient for the variance of sustainability orientation is 1.662944. The standard error associated with this coefficient is 0.0826256. The 95% confidence interval for the variance ranges from 1.508636 to 1.833034. The coefficient for the variance of value co-creation is 1.5636. The standard error associated with this coefficient is 0.0825308. The 95% confidence interval for the variance ranges from 1.409928 to 1.734021. These variances represent the spread of data points around the mean.

The table also displays the results of the analysis of co-variances between different latent variables. Covariance between "effectual orientation" and "social mission orientation" is 0.166225. The standard error associated with this covariance is 0.1033947. The Z-value is 1.61, and the corresponding p-value is 0.108. The 95% confidence interval for the covariance ranges from -0.036425 to 0.368875. These indicate that there is no issue of homoscedasticity between "effectual orientation" and "social mission orientation". The covariance between "effectual orientation" and "sustainability orientation" is 0.4924875. The standard error associated with this covariance is 0.1034608. The Z-value is 4.76, and the corresponding p-value is 0.000. The 95% confidence interval for the covariance ranges from 0.289708 to 0.695267. Also, there is no issue of homoscedasticity between these variables. The covariance between "effectual orientation" and "value co-creation" is 0.6377. The standard error

associated with this coefficient is 0.1008493. The Z-value is 6.32, and the corresponding p-value is 0.000. The 95% confidence interval for the covariance ranges from 0.440039 to 0.835361. There is a mid-correlation between these variables. The covariance between "social mission orientation" and "sustainability orientation" is 0.1615125. The standard error associated with this coefficient is 0.0921173. The Z-value is 1.75, and the corresponding p-value is 0.080. The 95% confidence interval for the covariance ranges from -0.019034 to 0.342059. There is no issue of homoscedasticity between these variables. The covariance between "social mission orientation" and "value co-creation" is 0.1808. The standard error associated with this coefficient is 0.0926097. The Z-value is 1.95, and the corresponding p-value is 0.051. The 95% confidence interval for the covariance ranges from -0.0007116 to 0.3623116. The covariance between "sustainability orientation" and "value co-creation" is 0.4354. The standard error associated with this coefficient is 0.089462. The Z-value is 4.87, and the corresponding p-value is 0.000. The 95% confidence interval for the covariance ranges from 0.2600577 to 0.6107423. The covariances indicate the degree to which two variables change together, providing information about the relationship between them. However, there are no issues of homoscedasticity between these variables.

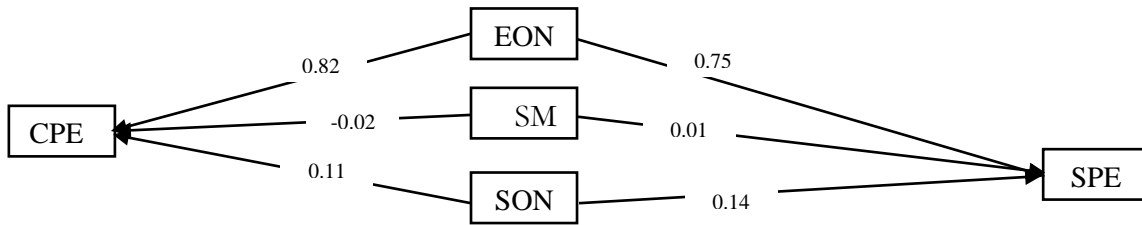


Figure 3. Regression Model  
Source: Authors

Figure 3 demonstrates the effect of effectual orientation, social mission orientation and sustainability orientation on both commercial performance and social performance. Table 3 provides more elaborate results, showing the scientific evidences concerning the linearity of the relationship between the variables.

Table 3. Social entrepreneurial orientation and performance

	Model 1				Model 2			
	Coef	Std. Error	t-Statistic	P-value	Coef	Std. Error	t-Statistic	P-value
<b>C</b>	0.264366	0.159575	1.656691	0.0984	0.269111	0.139194	1.933357	0.0539
<b>EON</b>	0.751745	0.033557	22.40213	0.0000	0.818099	0.029271	27.94922	0.0000
<b>SMO</b>	0.011347	0.033424	0.339475	0.7344	-	0.029155	-	0.4384
<b>SON</b>	0.137820	0.038412	3.587940	0.0004	0.022616		0.775726	
<b>R-squared</b>	0.602401				0.694551			
<b>Adjusted R-squared</b>	0.599389				0.692237			
<b>S.E. of regression</b>	0.954590				0.832668			
<b>Sum squared resid</b>	360.8516				274.5611			
<b>Log likelihood</b>	-				-			
<b>F-statistic</b>	546.9759				492.3173			
	199.9931				300.1509			

<b>Prob(F-statistic)</b>	0.000000	0.000000
<b>Mean dependent var</b>	3.092500	3.142500
<b>S.D. dependent var</b>	1.508188	1.500942
<b>Durbin-Watson stat</b>	1.610727	1.853401

Note: The dependent variable for model 1 is social performance; the dependent variable for model 2 is commercial performance.

Table 3 shows that the R<sup>2</sup> is 0.602401, indicating that approximately 60.24% of the variation in the social performance can be explained by the independent variables in the model. The remaining 39.76% unexplained variation indicates that other variables that are not captured in the model can also account for the variations in the social performance. The adjusted R-squared value is 0.599389. The standard error of the regression is 0.954590. The F-statistic is 199.9931, with a probability value of less than 0.01, suggesting that the overall regression model is statistically significant.

The constant term (intercept) in the regression model one is 0.264366. The standard error for this coefficient is 0.159575, and the t-statistic is 1.656691, with a probability value of 0.0984. This shows that the constant term has no significant relationship with social performance.

The coefficient for the variable "effectual orientation" is 0.751745. The standard error associated with this coefficient is 0.033557, and the t-statistic is 22.40213, with a probability value of less than 0.01. This implies that 75.2% change in effectual orientation will lead to approximately 75.2% change in social performance. This means that effectual orientation has significant relationship with social performance. The coefficient for the variable "social mission orientation" is 0.011347. The standard error associated with this coefficient is 0.033424, and the t-statistic is 0.339475, with a probability value of 0.7344. This implies that 1.1% change in social mission orientation will lead to approximately 1.1% change in social performance. Thus, social mission orientation does not significantly relate with social performance. The coefficient for the variable "sustainability orientation" is 0.137820. The standard error associated with this coefficient is 0.038412, and the t-statistic is 3.587940, with a probability value of less than 0.01. This implies that 13.8% change in sustainability orientation will lead to approximately 13.8% change in social performance. That is, sustainability orientation significantly relates with social performance. The threshold for the Durbin-Watson statistic is 1.5-2.5. Since the Durbin-Watson statistic is 1.610727, it suggests that there is no problem of autocorrelation in the model.

For the model two, the R<sup>2</sup> is 0.694551, indicating that approximately 69.46% of the variation in commercial performance can be explained by the independent variables in the model. Other variables that are not included in the model can account for 30.54% variations in commercial performance. The adjusted R-squared value is 0.692237. The standard error of the regression is 0.832668. The F-statistic is 300.1509, with a probability value of less than 0.01, suggesting that the overall regression model is statistically significant. The Durbin-Watson statistic is 1.853401, indicating that there is no issue of autocorrelation in the residuals. The constant term (intercept) is 0.269111. The standard error for this coefficient is 0.139194, and the t-statistic is 1.933357, with a probability value of 0.0539. The coefficient for the variable "effectual orientation" is 0.818099. The standard error associated with this coefficient is 0.029271, and the t-statistic is 27.94922, with a probability value of less than 0.01. This

shows that 81.8% mean change in effectual orientation will result to corresponding change in commercial performance. The coefficient for the variable "social mission orientation" is -0.022616. The standard error associated with this coefficient is 0.029155, and the t-statistic is -0.775726, with a probability value of 0.4384. The result shows that there is no significant linear relationship between sustainability orientation and commercial performance. The coefficient for the variable "sustainability orientation" is 0.111470. The standard error associated with this coefficient is 0.033506, and the t-statistic is 3.326871, with a probability value of 0.0010. This implies that 11.1% change in sustainability orientation will lead to proportional change in commercial performance.

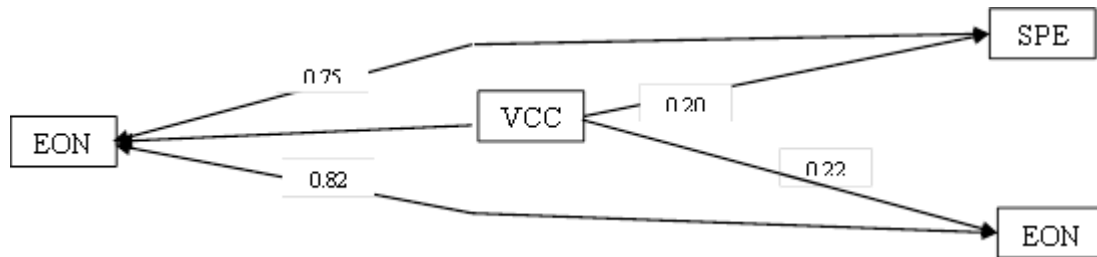


Figure 4. Regression Model  
Source: Authors

Figure 4 shows the results on the effect of effectual orientation on both social and commercial performance through value co-creation. The results in figure 4 provides a pictorial view of the results in table 4.

Table 4. Effectual orientation on performance through value co-creation

	Model 1				Model 2			
	Coef	Std. Error	t-Statistic	P-value	Coef	Std. Error	t-Statistic	P-value
C	2.143368	0.143730	14.91249	0.0000	2.217219	0.128213	17.29320	0.0000
VCC	-0.062983	0.062983	-0.985689	0.0000	-0.056183	0.056183	-0.985689	0.0000
EON*VCC	0.200396	0.011106	18.04372	0.0000	0.220160	0.009907	22.22228	0.0000
R-squared	0.535794				0.627036			
Adjusted R-squared	0.533456				0.625157			
S.E. of regression	1.030153				0.918943			
Sum squared resid	421.3028				335.2491			
Log likelihood	-577.9529				-532.2573			
F-statistic	229.1120				333.7227			
Prob(F-statistic)	0.000000				0.000000			
Mean dependent var	3.092500				3.142500			
S.D. dependent var	1.508188				1.500942			
Durbin-Watson stat	1.616327				1.753216			

The coefficient of determination (R<sup>2</sup>) is 0.535794 (in table 4), indicating that approximately 53.58% of the variation in the social performance can be explained by effectual orientation and value co-creation in the model. The adjusted R-squared value is 0.533456. The standard error of the regression is 1.030153. The F-statistic is 229.1120, with a probability value of less than 0.01, suggesting that the overall regression model is statistically significant. The Durbin-Watson statistic is 1.616327, suggesting no issue of autocorrelation. The constant term (intercept) in the regression model is 2.143368. The standard error for this coefficient is 0.143730, and the t-statistic is 14.91249, with a probability value of 0.0000. The coefficient for the variable "value co-creation" is -0.376995. The standard error associated with this coefficient is 0.062983, and the t-statistic is -5.985689, with a probability value of 0.0000. This implies that 37.7% increase in value co-creation will lead to about 37.7% decrease in social performance. The coefficient for the interaction term is 0.200396. The standard error associated with this coefficient is 0.011106, and the t-statistic is 18.04372, with a probability value of less than 0.01. This implies that effectual orientation has a significant effect on social performance through value co-creation in third-sector organizations. For the model 2, the R<sup>2</sup> is 0.627036, indicating that approximately 62.70% of the variation in the commercial performance can be explained by effectual orientation and value co-creation in the model. The adjusted R-squared value is 0.625157. The standard error of the regression is 0.918943. The F-statistic is 333.7227, with a probability value of 0.000000, suggesting that the overall regression model is statistically significant. The Durbin-Watson statistic is 1.753216, showing that there is no issue of autocorrelation. The constant term (intercept) in the regression model is 2.217219. The standard error for this coefficient is 0.128213, and the t-statistic is 17.29320, with a probability value of 0.0000. The coefficient for value co-creation is -0.451494. The standard error associated with this coefficient is 0.056183, and the t-statistic is -8.036076, with a probability value of less than 0.01. This implies that 45.1% change in value co-creation will lead to about 45.1% change in commercial performance of third-sector organizations. The coefficient for the mediating variable is 0.220160. The standard error associated with this coefficient is 0.009907, and the t-statistic is 22.22228, with a probability value of 0.0000. This implies that effectual orientation has a significant effect on commercial performance through value co-creation in third-sector organizations.

## 4.2 Discussion

Findings showed that effectual orientation has significant positive effect on social performance and commercial performance of third-sector organizations. The finding aligns with that of Haira et al. (2022) that effectual orientation has significant positive effect on social performance. This highlights the crucial role of effectual strategies in enhancing the overall effectiveness and success of these organizations. When third-sector organizations adopt an effectual orientation, they are more inclined to prioritize creativity, adaptability, and collaboration, which can lead to improved social performance and commercial performance.

The positive effect on social performance implies that organizations with an effectual orientation are more adept at addressing societal needs and creating a positive effect on target beneficiaries. Simultaneously, the positive effect on commercial performance signifies that these organizations can effectively manage their operations, finances, and resources, leading to improved financial sustainability and growth.

Finding revealed that social mission orientation does not significantly relate with social performance of third-sector organizations. This presents an intriguing and potentially important insight into the dynamics of these organizations. This implies that despite a strong emphasis on articulating and upholding social missions, the alignment between these missions and the actual social effect achieved by the organizations might not be as straightforward as anticipated. Finding further showed that social mission orientation has no significant negative

linear relationship between commercial performance. This also carry important implications for the understanding of the dynamics within third-sector organizations. This result implies that an organization's emphasis on its social mission does not necessarily impede its commercial performance, challenging the common perception that a strong social focus might come at the expense of financial success. This study's finding refutes the assertion of studies (Muñoz & Kimmitt, 2019; Moss et al., 2011) that social mission is a means of achieving commercial performance of the organization. Finding revealed that sustainability orientation has significant positive linear relationship with social performance and commercial performance of third-sector organizations. This underscores the critical role of sustainable practices in fostering overall organizational success and effect. This result highlights the importance of prioritizing sustainability initiatives and integrating them into the core operational strategies of these organizations to enhance their social and commercial outcomes. This supports the research position of Corral-Verdugo et al. (2009) that sustainability orientation strategies has positive relationship with social performance in firms.

Finding showed that value co-creation has significant negative effect on both social performance and commercial performance of third-sector organizations. This presents a notable and potentially challenging insight into the dynamics of organizational operations. This result implies that the process of value co-creation, which involves the collaborative creation of value with stakeholders, might not directly contribute to the desired enhancement of social or commercial performance for these organizations. The negative effect of value co-creation on social performance raises questions about the effectiveness of collaborative initiatives and the potential challenges associated with integrating stakeholder inputs into the organizational decision-making process. It suggests that the complex dynamics involved in value co-creation may inadvertently affect the organization's ability to achieve its social objectives, possibly leading to inconsistencies in the delivery of services, misalignment of stakeholder expectations, or difficulties in addressing societal needs effectively. Similarly, the negative effect of value co-creation on commercial performance highlights potential complications related to the collaborative process's effect on the organization's financial viability and sustainability. This suggests that while involving stakeholders in the co-creation process is intended to enhance the organization's offerings and services, it may lead to challenges in managing resources, decision-making complexities, or a dilution of the organization's value proposition, ultimately affecting its financial performance and stability.

Findings showed that effectual orientation has a significant positive effect on social performance and commercial performance through value co-creation in third-sector organizations. The findings underscore the critical role of strategic decision-making and innovative approaches in enhancing overall organizational effectiveness and success. This study highlights the importance of adopting an effectual orientation as a catalyst for driving value co-creation initiatives, which, in turn, positively affect the organization's social and commercial performance.

## V. Conclusion

The study highlights an interesting observation regarding the relationship between social mission orientation and the social performance of third-sector organizations. The evidence suggests that there is no significant association between social mission orientation and social performance within these organizations. This implies that while third-sector organizations prioritize and articulate their social missions, the direct correlation between these mission statements and the actual social effect might not be as pronounced as anticipated. It is essential to note that despite the lack of a significant relationship, the

presence of a strong social mission remains a fundamental guiding principle for these organizations, guiding their overall vision, values, and objectives. The study offers a critical perspective on the dynamic interplay between social impact and financial success. This result challenges the conventional assumption that a strong focus on social mission might hinder an organization's ability to achieve robust commercial performance.

This study affirms the critical role of sustainability orientation in driving both social performance and commercial performance within third-sector organizations. The significant positive linear relationship between sustainability orientation and these performance metrics highlights the transformative power of sustainable practices in fostering holistic organizational success and impact.

The research findings highlight the instrumental role of effectual orientation in driving both social performance and commercial performance through value co-creation within third-sector organizations. The significant positive effects of effectual orientation underscore the transformative potential of entrepreneurial and innovative approaches in enhancing the overall effectiveness and impact of these organizations. Also, it emphasizes the importance of fostering a culture of creativity and collaboration within third-sector organizations. By prioritizing effectual strategies, these organizations can actively engage stakeholders, foster meaningful partnerships, and implement initiatives that address societal needs, leading to the promotion of social well-being and sustainable development. In addition, it underscores the strategic advantage of embracing an entrepreneurial mindset in driving business growth and sustainability. By leveraging effectual approaches, organizations can optimize the value co-creation process, leading to improved resource management, enhanced service delivery, and strengthened stakeholder relationships, ultimately contributing to enhanced financial performance and long-term organizational sustainability.

### Recommendations

Based on the findings presented, the following recommendations are made that:

1. Third-sector organizations should prioritize the adoption of effectual orientation as a core strategic approach. By fostering a culture that values creativity, adaptability, and collaboration, they can optimize their social and commercial performance, driving innovation and sustainable growth.
2. While social mission orientation may not directly correlate with social performance, it remains a critical guiding principle for these organizations. Third-sector organizations should re-evaluate their operational strategies to ensure that the stated social missions are effectively translated into tangible, measurable actions that align with the needs and expectations of the communities served.
3. Third-sector organizations should promote the integration of sustainable practices within their core operational strategies. By prioritizing sustainability, they can effectively address social and environmental challenges while enhancing their financial viability and long-term sustainability.
4. Stakeholders should advocate for a balanced approach to value co-creation that considers the potential challenges and complexities involved. Third-sector organizations should also pursue the implementation of clear mechanisms for managing stakeholder relationships, effective communication, and alignment of stakeholder expectations with organizational objectives. This can help mitigate any adverse impacts on organizational performance while fostering meaningful and productive stakeholder engagement.
5. Third-sector organizations should leverage the positive effects of effectual orientation on both social and commercial performance through value co-creation. This can be achieved by fostering an environment that encourages creative problem-solving, collaboration, and adaptive decision-making, enabling organizations to optimize the co-creation process for enhanced social and commercial outcome.

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