

LEADERSHIP BEHAVIORAL COMPLEXITY AS AN ANTECEDENT TO SCALING
SOCIAL IMPACT AND FINANCIAL PERFORMANCE

By

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ABSTRACT

Leadership Behavioral Complexity as an antecedent to Scaling Social Impact and Financial Performance among Nonprofit Social Enterprises

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This study sought to understand whether leaders of nonprofit social enterprises could influence their organization's ability to pursue social and financial goals through developing necessary organizational capabilities. A mediation model where organizational capabilities (SCALERS, Structure and System) served as potential mediators of the proposed relationship between leadership behavioral complexity and perceptions of scaling social impact and financial stability was tested. Leaders with greater behavioral complexity were argued to have a wider portfolio of behaviors to develop organizational capabilities, which would in turn allow organizations to reach contradictory, social and financial goals. Eighty-three executives in the social sector (primarily nonprofit) completed an online survey. A sub-sample of 12 executives participated in follow-up qualitative interviews. Ordinary least square regression was used to test the study hypotheses. Results showed that organizational capabilities predicted perceptions of scaling social impact and financial stability. However, there was no support for organizational capabilities as a mediator between leadership behavioral complexity and the study outcome variables. Post-hoc, exploratory analyses revealed a subtler, unanticipated mediated relationship where specific capabilities (i.e., lobbying, earnings generation, replication and stimulating market forces) mediated the impact of organizational structure and system on perceptions of scaling social impact and financial stability. Moreover, the study shed new light on previously held assumptions about the relationship between social and financial goals in nonprofit social enterprises. Implications for theory, future research, and practice are discussed.

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CHAPTER 1: INTRODUCTION

Several long-standing social problems have eluded government and private business remedy such as climate change, poverty, homelessness, and HIV/AIDS to name a few (Trivedi & Stokols, 2011). In response to perceived market failure and the inability of government to take on various social challenges, the social sector has risen to prominence over the last 20 years (Salamon, 1987; Young, 1989). Some scholars see the rise of the social sector as a reaction to the perceived flaws of capitalism and the limited way in which ‘value’ is defined (e.g., emergence of double and triple bottom line and other social accounting methods) (Emerson, 2003; Dacin, Dacin & Tracey, 2011). The social sector plays an important role because large-scale systemic social problems are often beyond the reach of governments and businesses (Young, Salamon & Grinsfelder, 2012; Zahra, Gedajlovic, Neubaum & Shulman, 2009). With ever more degree granting academic programs, research centers, trade and scholarly journals devoted to it, the social sector represents an important component of society (Landsberg, 2004; Salamon, 1987).

Lines between the social and business sectors have blurred over the years as the social sector landscape has become more complex and competitive (Dees & Anderson, 2003; Dees, 1998; Peredo & Mclean, 2006; Bosscher, 2009). Competition for government contracts have intensified and, as a result, nonprofit organizations are realizing the limitations of being too reliant on grants and donations due to their unpredictable nature (Froelich, 1999). Some would suggest this reliance actually prevent nonprofits from investing in important organizational capacities (Gregory & Howard, 2009; Miller, 2001). In response to increased competition, nonprofits have begun diversifying their funding base (Eikenberry & Kluver, 2004) by adopting earned income strategies such as fee for services (Haugh, 2005; Young, 2005; Young, Jung & Aranson, 2010). As nonprofits engage in earned income strategies and other commercial

ventures, their organizational environments become increasingly ambiguous, contradictory and paradoxical in nature (Landsberg, 2004; Smith, Bins & Tushman, 2005; Besharov & Smith, 2013).

Perhaps the biggest social sector trend over the past 15 years has been the commercialization of the nonprofit giving rise to multiple conflicting institutional logics (Weisbrod, 1998; Young, Salamon & Grinsfelder, 2012; Cooney, 2006). Researchers have noted this trend and share concerns about the potential tension from having social and financial goals to juggle (Knutsen, 2012; Zeyen & Beckmann, 2011). Knutsen (2012) discussed the competing logics that exist externally to nonprofit organizations compelling them to adapt to their environment. Weisbrod (1998) has written on nonprofit commercialization, while Salamon (1987; Young, Salamon & Grinsfelder, 2012; Chetkovich & Frumkin, 2003) has looked at their professionalization. Others researchers have studied nonprofits as ‘hybrids’ as seen in the emerging narrative around social enterprises (Billis, 2010; DiMaggio, 2006; Evers, 2005; Alter, 2007; Haugh, 2005; Mair & Marti, 2006; Austin, Stevenson & Wei-Skillern, 2006; Trivedi & Stokols, 2011; Nicholls, 2009; Short et al., 2009; Moss et al., 2008; Lehner & Kaniskas, 2012, Hoogendoorn, Pennings & Thurik, 2010).

A consequence of commercialization is the blurring lines between traditional nonprofits and newer forms of organization such as social enterprises. As a result, there have been and continue to be definitional debates around social enterprises and to what extent they overlap with nonprofits (Boschee, 1998; Alter, 2007). In fact, whether to register as a nonprofit or a for-profit entity represents a dilemma for many social entrepreneurs (see Chhabra, 2013). To be inclusive, the current study focuses on contexts that involve both social and financial goals encompassing several legal entities (i.e., nonprofit, for-profit, hybrid, or both). I use the term ‘social enterprise’

broadly to include both nonprofit, for-profit and hybrid social enterprises and reference other legal forms such as L3C (i.e., Low-profit limited liability company) and B-corporations (i.e., Benefit corporation) when appropriate.

The trend of commercialization and professionalization in the social sector reflects the presence of two conflicting, yet complimentary, overarching social and financial goals. This reflects the need to maintain focus on the social mission, while also ensuring a steady stream of financial capital is available to fund various programs and services. Therefore the presence of two contradictory organizational goals in social enterprises is one of the main assumptions of this dissertation.

In addition to the complexity of having dual, conflicting goals, social problems are becoming greater and greater in scale. Not only must social enterprises wrestle with the tension that commercialization brings, they must address social problems in a large-scale systemic manner (i.e., the Theory of Change methodology was developed to address this; Mason & Barnes, 2007; Hunter, 2006). Some would argue that social enterprises are able to make an impact to the extent that they can scale their operations (i.e., multi-site, franchise etc.; Oster, 1996; Young, 1989; Grossman & Rangan, 2001; Bradach, 2003; Dees, Anderson & Weiskillern, 2004; also ‘capacity building’; Schuh & Leviton, 2006). Others suggest that scaling social impact is the *raison d’être* of social enterprises (Roy, 2011). This dissertation explores the dynamics of operating in conflicting institutional environments – contexts with both social and financial goals – while trying to scale impact.

Scholars generally agree that scaling requires sufficient political, social, human and financial capital (Weber, Kroger & Lambrich, 2012). Furthermore, it is the organization’s ability to effectively use its capital resources (i.e., organizational capabilities) that determines scaling

success. While scaling of operation implies changes at the organizational level (Bradach, 2003), organizational development scholars recognize that ultimately, the decisions to allocate resources in specific ways are made by individuals in leadership positions (Ulrich & Lake, 1991). Yet, despite some research on the impact of leadership on team (Keller, 2006), unit (Bass, Avolio, Jung & Berson, 2003), and firm performance (Peterson, Walumbwa, Byron & Myrowitz, 2009) we do not know how leaders influence an organization's pursuit of contradictory social-financial goals and whether that occurs through the development of organizational capabilities. Therefore, this study examines leadership behaviors and their influence on organizational capabilities.

The purpose of this study is to understand what allows social enterprises to scale their social impact, thus broadening their reach while remaining financially stable. This is important because social enterprises have and will continue to wrestle with social and financial goals into the foreseeable future (Emerson & Twersky, 1996; Emerson, 2003). Even corporations are expected to be accountable for social and environmental well being beyond financial profits (Carroll, 1991). It is conceivable that in the future, all organizations will be pressured to account for not just financial returns to shareholders, but social/environmental returns to society. Thus as wider societal forces continue to shape organizational contexts toward adopting social and financial goals, it is important for scholars to examine what might predict performance in these unique environments. Furthermore, many social issues are large in scale, spanning multiple geographic locations (i.e., poverty, homelessness). It is imperative for organizations that have figured out a viable solution to demonstrate how to spread their impact beyond their immediate beneficiaries; hence the knowledge of scaling is crucial. Organizations that fail to rigorously attend to both social and financial goals risk treating the dual goals as trade-offs, rather than

holding the tension paradoxically (Smith & Lewis, 2011). Ultimately, a paradox perspective leads to sustainability and this study seeks to help social enterprises achieve sustainability.

I examine leadership behaviors and organizational capabilities as predictors of social impact and financial performance. The research question is: What is the relationship between leadership behavioral complexity and the contradictory goals of scaling social impact and financial performance? If there is a positive relationship, to what extent do organizational capabilities serve as mediators?

A mixed-method research design was used to answer this question (Creswell, 2003). This allowed quantitative hypothesis testing as well as qualitative interviews to explore questions that were beyond the reach of quantitative analyses alone. In particular, qualitative methods are more suitable for phenomena such as tension and paradox because of their highly ambiguous and dynamic nature (Smith & Lewis, 2011; Luscher & Lewis, 2008; Jay, 2013). Various frameworks such as the Competing Values Leadership framework (Cameron, Quinn, Degraff & Thakor, 2006), the SCALERS model of organizational capabilities (Bloom & Smith, 2010) and the paradox perspective (Cameron, 1986; Quinn, 1988; Lewis, 2000; Smith & Lewis, 2011) informed the theoretical model.

This study contributed to the social enterprise literature by exploring leadership and organizational capability mechanisms that led to social impact scaling. It extended the Competing Values Leadership Framework (CVLF) to double bottom-line contexts (social and financial goals) not often found in past CVLF studies (see Balduck & Buelens, 2008 for exception; see also Baruch & Ramalho, 2006; Herman & Renz, 2008; Rojas, 2000 for discussion of CVF in nonprofit organizational effectiveness research). The next chapter provides further background and justification for the study.

CHAPTER 2: LITERATURE REVIEW

The first section provides a context and rationale for the study by examining why antecedents to scaling social impact and financial performance should be explored. Then, the paradox perspective is offered as an overall conceptual framework to situate the study. Finally, specific theoretical frameworks such as the competing values leadership framework (CVLF), the SCALERS model of organizational capability and the Burke-Litwin (1992) framework are offered.

Rationale and Context for the Study

Recently, ‘scaling’ has become a buzzword with the recognition that for true social value creation, local solutions must be scaled upward to be replicated in other locales (Bradach, 2003; LaFrance, Lee, Green, Kvaternick, Robinson & Alarcon, 2006; Grant & Crutchfield, 2007; Bloom & Smith, 2010; Dees, Anderson & Wei-Skillern, 2004). Some scholars argue that scaling is a moral imperative for social enterprises because it allows them to help more people with a solution that is already viable (Roy, 2011). While past research has focused on social impact, there continues to be debate about the validity of various measures of social impact (Mair & Sharma, 2012; Moss, Lumpkin & Short, 2008). Instead of focusing on the more conceptually contested ‘social impact’, the current study looks at ‘scaling’ of social impact.

Scaling of social impact implies changes that take place at the organizational level and beyond (Ulrich & Lake, 1991; Bloom & Smith, 2010). Organizations must develop capabilities for scaling (Bloom & Smith, 2010). However, scholars in management and organizational development have long understood that while organizational capabilities allow an organization to accomplish its mission, the allocation of resources towards specific objectives are ultimately driven by leaders (Ulrich & Lake, 1991; LaFrance et al., 1991). Bacq, Janssen and Kickul (2011)

assessed the relationship between governance and organizational capabilities, yet more research is needed to make the empirical link between leadership and organizational capabilities. In this study, the extent to which leadership behaviors influence the development of organizational capabilities needed for scaling social impact are examined.

There is also the recognition that financial performance is just as central to the social mission because financial resources provide the fuel and lubricant for impact to be made and eventually scaled (Miller, 2001; Weber, Kroger & Lambrich, 2012). Consistent with recommendations from the literature (Rojas, 2000; Herman & Renz, 2008), the current study avoids single measures of performance outcomes by employing both perceived measures of scaling social impact and financial performance.

Over the years, management and organizational scholars have shifted their thinking about what makes organizations effective. Scholars are paying more and more attention to tension and contradiction in organizational life. In the 1980's Quinn, Cameron and colleagues began to assert that organizational and leadership effectiveness were paradoxical in nature (Cameron, 1986; Quinn, 1988). Subsequent scholars found support for this premise (Denison, Hooijberg & Quinn, 1995) paving the way for later scholars to take an explicitly paradoxical perspective towards organizational phenomena (Lewis, 2000; Smith & Lewis, 2011). Smith, Binns and Tushman (2010) suggested that the twin goals of social and financial performance represented paradoxical business models. Adopting this perspective, this dissertation assumes scaling social impact and financial performance as paradoxical performance goals (Smith & Lewis, 2011; Sanders, 2012) and makes an attempt to highlight leadership and organizational capabilities that help social enterprise leaders reach these goals.

Asserting that leadership and organizational effectiveness may be paradoxical in nature, Quinn and colleagues found broad support for their Competing Values Framework (CVF) (Quinn, 1984; Quinn, 1988; Denison, Hooijberg & Quinn, 1995; Cameron, Quinn, Degraff & Thakor, 2006). The CVF has even been considered in measuring nonprofit organizational effectiveness (Rojas, 2000; Herman & Renz, 2008). However, the influence of complex leadership behavior, as measured by the competing values framework (CVF), has not been examined in paradoxical, double bottom-line contexts. This study sought to fill this gap and contribute to both the social enterprise and leadership literatures. Furthermore, this study attempted to shift the focus of leadership and organizational scholarship beyond just the internal functioning of the organization toward greater societal impact (via scaling) as long standing social problems need to be addressed (Trivedi & Stokols, 2011; Nicholls, 2009).

The specific aim of the study was to test a model of leadership behavioral complexity on scaling social impact and financial performance as mediated by organizational capabilities. I argue that leader behavioral complexity, the ability to perform contradictory roles, directly influences an organization's capacity to develop resources needed to meet the dual, at times conflicting, objectives of scaling social impact and maintaining financial performance. Employing the competing values framework (Quinn, 1988), past research found that leaders with wide behavioral repertoire could play many roles and were perceived as more effective across situations (Denison et al., 1995; Hart & Quinn, 1993). Hart and Quinn (1993) examined the impact of leader behavioral complexity on the firm's business performance (growth and innovation). Nevertheless, the relationship between leadership behavioral complexity and organizational performance has not been tested in contexts with dual, conflicting goals; hence

this study focuses on a sample of social enterprise executives who managed social and financial performance goals.

Finally, past research has not taken the necessary steps to *fully* test the efficacy of ‘leader behavioral complexity’, the combination of opposing leadership roles (also known as ‘interpenetration’, Quinn, Spreitzer & Hart, 1992). While Quinn et al., (1992) have examined the effects of leader behavioral complexities on perceived performance, perceived charisma, and change outcomes, specific mathematical analyses were missing to adequately assess its statistical (and practical) utility. More importantly, past research has not examined the impact of leader behavioral complexity on organizational capabilities and scaling social impact. Therefore this study extended leader behavioral complexity beyond what has been established in past research (Bobko & Schwartz, 1984; Quinn, Spreitzer & Hart, 1992; Evans, 1991). In the next section, the theoretical frameworks that inform the study are described.

Theoretical Frameworks

Paradox Perspective

As organizational environments have gotten more turbulent and complex, scholars have turned to various metaphors to anchor their theories – ranging from chaos and complexity theory to the human brain – for how organizations do and should function (Morgan, 2006). The paradox perspective is one such metaphor that rose to prominence in the 1980’s (Cameron, 1986; Quinn, 1988) and is experiencing resurgence as indicated by recent calls for papers in prominent journals (Jules & Good, 2012; Erez, Jarvenpaa, Lewis, Smith & Tracey, 2013). This perspective focuses on tensions and contradictions in organizational life (Lewis, 2000).

The paradox perspective is an alternative approach to managing tensions in organizational life. Early organizational theories asked ‘A or B?’ and generally assumed one best

way to be successful (e.g., Theory X, Theory Y). By extension, contingency theory looked at contextual influence for choosing which option was optimal and asked ‘under what conditions, A or B?’ (Lawrence & Lorsch, 1967; Galbraith, 1973). In contrast, paradox theory approaches organizational tension by asking ‘how to engage A and B, simultaneously?’ (Smith & Lewis, 2011; Cameron & Quinn, 1988; Smith & Berg, 1987). The theoretical assumption of the paradox perspective, which is the underlying assumption of this dissertation, is that contradiction and tension are inherent in organizational systems and should be leveraged for high performance (Smith & Lewis, 2011; Cameron et al., 2006). The paradox perspective makes a shift from a dilemmatic mindset that imposes an either/or trade-off, to simultaneously embracing seemingly contradictory choices (both/and). The paradox perspective can also be applied to conflicting leadership roles that must be played for leadership and organizational effectiveness (Denison et al., 1995; Hooijberg, Hunt & Dodge, 1997).

Recent scholars have taken to analyze social enterprises as hybrid organizations (Pache and Santos, 2013; Billis, 2010; DiMaggio, 2006; Evers, 2005) that must navigate the tensions of contradictory and, at times conflicting, institutional logics and cultural values. The increased marketization/commercialization of the nonprofit sector introduces conflicting institutional logics (Knutsen, 2012; Weisbrod, 1998). Institutions are sets of rules that guide group behaviors (Zeyen & Beckmann, 2011). Institutional logics are a set of values and beliefs that guide individual behavior (Zeyen & Beckmann, 2011). While tension is pervasive in organizational life, it is even more acute in settings with contradictory institutional logics and competing performance goals such as scaling social impact and maintaining financial performance (Pache & Chowdhury, 2012; Zeyen & Beckmann, 2011; Smith & Lewis, 2011). What had traditionally been a welfare sector where values of charity were pervasive is now subjected to institutional

logics that accompany marketization such as: efficiency, productivity, and problem solving (Dart, 2004; Dees, 2012; Eikenberry, 2009; Eikenberry & Kluver, 2004).

With dual conflicting and contradictory performance goals (Smith & Lewis, 2011) social enterprise leaders must answer to multiple stakeholders (Austin, Stevenson & Wei-Skillern, 2006) and be comfortable navigating and exploiting tension (Smith, Knapp, Barr, Stevens & Cannatelli, 2010; Seanor, Bull & Ridley-Duff, 2007; Stull, 2003; Bjerregaard & Luring, 2012). Scholars are noting the unique challenges of educating future social sector leaders because of the multiple institutional environments they must bridge (Pache & Chowdhury, 2012; Zeyen & Beckman, 2011; Smith et al., 2012; Tracey & Phillips, 2007). The growing consensus among researchers and practitioners is that social enterprises, in order to be sustainable, must manage a double bottom line – with both social and financial objectives (Emerson & Twersky, 1996; Miller, 2001; Schorr, 2006; Emerson, 2003; Emerson & Carttar, 2003). In fact, the logic of sustainability dictates that social enterprises must not ignore financial/economic values if they are to continue making, and eventually scale, their social impact (Dees, 2008; Dacin, Dacin & Matear, 2010; Bloom & Smith, 2010).

These performance goals (social impact and financial performance) are often considered to be at odds (Smith & Lewis, 2011; Smith et al., 2005), a source of tension (Seanor & Ridley-Duff, 2007; Stull, 2003; Smith, Knapp, Barr, Stevens & Cannatelli, 2010), and even paradoxical (Sanders, 2012). Furthermore, tensions often go beyond organizational performance goals to affect issues of organizational identity (Smith, Knapp, Barr, Stevens & Cannatelli, 2010), management (Hwang & Powell, 2009; Smith & Lewis, 2011) and culture (Dees, 2012).

In recognition of increasingly paradoxical organizational environments, Smith and Lewis (2011) proposed a Dynamic Equilibrium Model of Organizing that demonstrates how complex

organizations, like social enterprises, have performance paradoxes and multiple stakeholders to manage (also Smith, Binns & Tushman, 2010; Alvord, Brown & Letts, 2004). The Dynamic Equilibrium Model of Organizing proposes that what allows the embrace of paradox are individual-level factors such as ‘cognitive and behavioral complexity’ (Smith & Lewis, 2011, p. 389) and organizational-level factors such as ‘dynamic capabilities’ to help organizations manage tension (Smith & Lewis, 2011, p. 389). These individual and organizational factors allow acceptance, which leads to paradoxical resolution (splitting and integrating), and ultimately, sustainability. Smith, Besharov, Wessels and Chertok (2012) have applied the paradox lens to a leadership framework for training social enterprise leaders in the meta-skills to manage social and financial viability. As will be discussed below, the Dynamic Equilibrium Model of Organizing serves as a guiding framework for analyzing the effect of leadership and organizational capabilities on scaling social impact and financial performance (Smith & Lewis, 2011).

The paradoxical perspective thus provided not only a broad lens for understanding the organizational context that strives for a double bottom-line (social impact and financial performance), but also as a framework for understanding both leadership and organizational antecedents to paradoxical performance goals (Smith & Lewis, 2011). In the next sections, I review frameworks for both leadership and organizational antecedents to social and financial performance. To understand behavioral complexity in the context of leadership mechanisms that are associated with a double bottom line, it is necessary to examine a leadership framework that embodies paradox. In the next section, the competing values leadership framework (CVLF) is discussed.

Competing Values Leadership

The competing values framework (CVF) originated out of an analysis of Campbell's (1977) study on organizational effectiveness criteria. Initial research used the framework to describe how organizational effectiveness criteria evolved along with the organization's life cycle (Quinn & Cameron, 1983). The model yielded four organizational effectiveness orientations, housed in four quadrants (i.e., Open Systems, Human Relations, Internal Processes, Rational Goal; see Figure 1) that have been confirmed and replicated across many studies (Denison et al., 1995; Kalliath, Bluedorn & Gillespie, 1999; Lawrence et al., 2009). The authors of the competing values framework argued that 'all organized human activity has an underlying structure' (Cameron et al., 2006, p. 7) and that these four quadrant patterns could be found in all social action (Quinn, 1981).

Quinn (1984) applied the Competing Values Framework (CVF) to develop a general theory of leadership which stated that leaders who had a wider behavioral repertoire would be able to play more leadership roles, allowing them to be perceived as more effective (Hooijberg & Choi, 2001; Quinn et al, 1992; Denison et al., 1995). Each quadrant in the Competing Values Framework links culture orientation, model of effectiveness, leadership orientation, and roles (see Cameron, Quinn, Degraff & Thakor, 2006, p. 32; see Figure 1). The two primary patterns that form the axes are individual flexibility – stability control and internal maintenance – external positioning; together they form four quadrants. While the original names of each quadrant referred to culture type, Cameron et al., (2006) simplified the names to describe how leaders created value (Create, Collaborate, Control, Compete; see Cameron, Quinn, Degraff & Thakor, 2006); these names are used for consistency throughout this manuscript when referring to the four quadrants containing leadership roles.

Similar patterns had emerged across early leadership research such as the classic consideration versus initiation of structure (Schriesheim, House & Kerr, 1976; Quinn et al., 1992) and stability versus change (Greiner, 1972; Quinn et al., 1992). Quinn and colleagues reasoned that our perceptual and cultural biases prevented these patterns from emerging more frequently, preventing us from taking a paradox perspective (see Janusian Thinking; Rothenberg, 1979) where we could embrace opposites and contradiction. In fact, as Quinn and colleagues categorized, combined and organized existing leadership traits and behaviors, they began to notice that all four quadrants had positive and negative zones, and that imbalanced leaning toward any one quadrant meant that the positive qualities of the opposite quadrant were overlooked (Quinn, 2004; see Figure 2). Quinn (1984; see also Zaccaro, 1996) emphasized that true effectiveness was the ability to play positive roles in each quadrant while preventing slippage into negative zones. This required a balancing of opposing quadrants called ‘interpenetration’, which is explored in the next section (Quinn et al., 1992).

The competing values leadership framework (CVLF) was particularly well suited to the current study because it embodied a paradox perspective and had a strong foundation of empirical support; it was the ideal framework to shed light on the social enterprise context. First, nonprofit scholars argued that organizational effectiveness and performance in the social sector represented a multidimensional construct (Herman & Renz, 2008; Rojas, 2000). Quinn and colleagues found that different organizational cultures had different ideas of what was considered organizationally effective and what it meant to be an effective leader (Quinn, 1984). Moreover, Quinn (1988) suggested that it was possible to have more than one cultural and effectiveness orientation in one enterprise. I argued that hybrid organizations such as social enterprises (Dees and Anderson, 2002) and nonprofits seeking financial self-sufficiency through earned income

(Haugh, 2005; Morris et al., 2011) embodied multiple conceptions of organizational effectiveness.

Second, the competing values leadership framework was tied to organizational performance, rather than being a leadership theory focused on motivating individual followers (Yukl, 2012). Other leadership frameworks under consideration were: Transformational Leadership Theory (Bass, 1990); Authentic Leadership Theory (Avolio & Gardner, 2005); and Leader-Member Exchange theory (Graen & Uhl-Bien, 1995). These frameworks focused on motivating followers, rather than a direct focus on organizational performance, although Transformational Leadership had been found to influence firm performance (Peterson, Walumbwa, Byron & Myrowitz, 2009). Since this study focused on social and financial performance outcomes (Dacin et al., 2010), the CVLF was appropriate.

Finally, organizational contexts with contradictory, social and financial goals are best complemented by a leadership framework that also embodies contradiction and paradox (Quinn, Spreitzer & Hart, 1992). Next, I explain each individual quadrant of the CVLF in detail (refer to Figure 1 and Figure 2).

The Control quadrant (lower left quadrant) defined value enhancement as a function of pursuing improvements in efficiency through better processes. Leaders in this quadrant value predictability, process measurement, and control, e.g., activities from this quadrant include: six sigma, cost and productivity improvement, reduction in manufacturing cycle time, efficiency enhancement measures. They tend to be organizers and administrators; they are detail-oriented, conservative, cautious, logical, precise, analytical, methodical, and information driven (Cameron et al., 2006).

The Create quadrant (upper right quadrant) defined value enhancement as a function of innovation in products and services. Leaders in this quadrant value entrepreneurship, vision, and constant change (e.g., activities from this quadrant include: innovation in product-line extensions, innovation in logistics and distribution, and new technology development). They tend to be gifted visionaries, futurists, inclined towards risk and they embrace uncertainty. These leaders are imaginative, original, thoughtful in their experimentation and yet, they embrace learning from mistakes and failing early to succeed quickly (Cameron et al., 2006).

The Collaborate quadrant (upper left quadrant) defined value enhancement as building human competencies, developing people, and solidifying organizational culture. Leaders in this quadrant value consensual and cooperative processes, cohesion, shared objectives, mutual contribution, participation and engagement (e.g., activities include: reinforcing organizational values, norms, and expectations; developing employee and cross-functional work groups; developing programs to enhance employee retention; fostering teamwork and decentralized decision making). Leaders operating from this quadrant tend to take the role of parental figures, mentors, facilitators and team builders. They strive to foster environments that are free of conflict/tension and foster work/life balance and loyalty (Cameron et al., 2006).

The Compete quadrant (lower right quadrant) defined value enhancement as a function of being aggressive and forceful in pursuit of competitiveness. Leaders in this quadrant value competitive positioning, speed, responsiveness to market signals and immediate results-right-now (e.g., activities include: aggressive measures to expand working capital, outsourcing certain aspects of product/services, acquisition of smaller firms, and attacking competitor market positions). Leaders operating from this quadrant tended to emphasize short-term profitability, focus on market share, revenues and meeting budget targets. They foster intense pressures to

perform and to deliver results. They are hard driving, directive and competitive (Cameron et al., 2006).

Interpenetration

The diagonal quadrants of the CVLF represented contradictory approaches to value creation (e.g., Create – Control; Collaborate – Compete); as described in the previous section, each quadrant contains distinct perspectives, roles and behaviors that leaders use to create value. While organizational effectiveness frameworks in each of the four quadrants of the model are distinct, they are not mutually exclusive; organizations can inhabit more than one. Leaders are not expected to perform leadership roles and behaviors that are emblematic of *only* one quadrant. In fact, highly effective leaders are able to perform a wider variety of roles (Denison et al., 1995; Hart & Quinn, 1993). However, research suggests that over time leaders tended to gravitate toward one or two of the quadrants as they developed skills, areas of expertise, mental models and behavioral competencies that are biased toward one or more quadrants (Cameron et al., 2006; Quinn, 1988).

Quinn (1988; 2004; Cameron et al., 2006) outlined positive and negative zones in each quadrant to illustrate how leadership roles lead to positive results when enacted in a *balanced* fashion (see Figure 2). It is the integrative and balanced leader who performs in the positive zones of *both* opposing quadrants (see Figure 2). Thus the integrative and balanced individual displays leadership behavioral complexity and is able to transcend paradox (Smith & Lewis, 2011). Leaders who are not behaviorally complex will have a dominant quadrant and fail to see the positive attributes of the opposing quadrant and will likely see the opposite quadrant as destroying value (Cameron et al., 2006). If one performed too much of a role due to preference, personality or personal style, one could move from positive to negative.

For example, in the Create quadrant, innovation, adaptation and change are positive qualities, however, taken to the negative zone, results in premature responsiveness and disastrous experimentation (Cameron et al., 2006). Commitment, moral and human development in the Collaborate quadrant, taken to the negative zone results in extreme permissiveness and uncontrolled individualism (Quinn, 1988). Leaders accustomed to operating in the Compete quadrant emphasized speed and urgency may tend to overlook the positive dimension of the opposing quadrant (i.e., Collaborate) by viewing Collaborate leaders as ‘permissive, indulgent, lenient, detached, weak and aloof’, instead of ‘patient, caring, selfless, and authentic’ (p. 65). Cameron et al., (2006) suggest that ‘the most common leadership mistake...is not so much an extreme emphasis on positive behaviors as it is the ignoring of the positive *opposite* behavior’ (p. 67, italics added). Hence, leaders who were able to perform positive aspects of opposing roles were less likely to drift toward negative zones. While the notion that leadership roles in opposing quadrants should be integrated and balanced is central, this feature of the model has received limited empirical attention (see Quinn, Spreitzer & Hart, 1992).

Quinn, Spreitzer and Hart (1992) first operationalized this concept of interpenetration, integrating leadership roles from opposing quadrants. They employed a formula created by Bobko and Schwartz (1984; see also Bobko, 1985) to derive a composite index of interpenetration (i.e., Tough love and Practical vision). These studies found that leaders who were *integrative* and *balanced* on the four leadership quadrants were indeed higher performers (see also Zaccaro, 1996 and Hooijberg & Quinn, 1992; Quinn, 1984 for which roles get integrated). Quinn, Spreitzer and Hart (1992) experimented with three different ways of operationalizing interpenetration: by using the Bobko formula; by partitioning responses into high and low combinations (high/high, high/low etc.); and by creating new items that capture

opposing role behaviors. The Bobko formula was chosen because it was methodologically superior and explained more variance. Quinn, Spreitzer and Hart (1992) hypothesized that managers exhibiting tough love and practical vision would be associated with high performance. In their empirical study, they employed three different measures (e.g., partitioned, Bobko and factored measures) of practical vision and tough love, finally settling on the Bobko formula because it had methodological strengths over the other two (i.e., explained more variance and was closer to the conceptual characteristics of the framework, accounting for both strength and balance of characteristics) (Quinn et al., 1992).

In the spirit of balanced integration, Quinn et al., (1992) delineated new leadership behaviors through the following combinations: Tough Love (caring confrontation) and Practical Vision (see also Cameron et al., 2006). These combinations were referred to as ‘the fundamental state of leadership’ (Quinn, 2004, p. 191).

Practical vision combines hope and vision (Create) with reason and practicality (Control). A sense of hopefulness and vision is often attributed to successful leadership, and particularly for nonprofit leaders, it is crucial. It requires tremendous vision to see solutions to long-standing social issues and to bring about disequilibria to the status quo (Trivedi & Stokols, 2011; Hockerts, 2010). However, *only* focusing on hope and vision, while ignoring the opposite quadrant (reason and practicality) is impractical, delusional, and unrealistic. In the nonprofit context, hope and vision without the benefits of practicality results in projects that may feel and sound good, but have no measurable impact. They waste resources and once good will runs out, donors and volunteers may lose faith. Leaders need to demonstrate social impact to attract future donors and investors. Hence, nonprofit leaders must integrate roles from Create (i.e., Broker and Innovator) and Control (i.e., controlling projects, expecting accurate work) to create truly

sustainable social impact. In fact, it is only when these two quadrants are integrated that we see an enterprise truly bring an efficient, information-driven, systematic approach to solving long-standing social problems.

Tough love is a paradoxical integration of the Collaborate and Compete quadrants. Leaders who operate from the Collaborate quadrant have a genuine desire to see their people flourish and grow. A premium is placed on the welfare of others. These leaders truly believe that people are the most important resources and leaders from this quadrant demonstrate support and compassion. It is perhaps this quality that drew them to the social sector in the first place. However, the positive attributes of Collaboration taken to extremes, without the balance of positive attributes of the Compete quadrant, will turn caring into permissiveness, leniency, and indulgence (Cameron et al., 2006). On the other hand, leaders from the Compete quadrant are known for their boldness, taking swift action, demanding execution, and holding high standards of performance. However, without the balance from the Collaborate quadrant, these qualities can morph into their dysfunctional counterparts such as being overbearing, manipulative, oppressive, too intense, and self-serving (Cameron et al., 2006). This balance of tough love is especially important for social enterprise leaders. Often times, social enterprises have to rely on volunteers. The ‘culture of charity’ that is pervasive in the social sector may tend toward ‘minimizing discipline and perpetuating poor performance’ (Dees, 2012, p. 325). Because those who work in social enterprises often have to do so below market wages, it becomes ‘difficult to be critical of those making great sacrifices’ (Dees, 2012, p. 325). Hence, in a social enterprise context, weak results may go overlooked as evaluators bite their tongue when dealing with an ‘underpaid, yet under-performing’ director (Dees, 2012, p. 325). For these reasons, I argue that the

interpenetration of tough love is especially important in the social sector context where the temptation to be lenient is even greater.

Many scholars have linked managing social enterprises to managing tension (Dees & Anderson, 2002; Stull, 2003; Smith, Knapp, Barr, Stevens & Cannatelli, 2010; Seanor, Bull & Ridley-Duff, 2007; Tracey & Phillips, 2007; Smith, Besharov, Wessels & Chertok, 2012; Diochon & Anderson, 2011). Due to the perceived and real conflicting tension between social mission (i.e., products and services for community and societal needs) and financial performance (i.e., for scalability of the enterprise), there is fear that a trade-off will be made (Stull, 2003; Hockerts, 2010; Eikenberry & Kluver, 2004). The tensions can be summed up by Weerawardena and Mort (2006) who conducted an exploratory study to capture the balance between ‘mission and money’: ‘we need people who are both passionate about the mission, but pragmatic about the realities of the market place and not so ideologically hide-bound that they are unable to face the business realities’ (p. 30). This comment implied being strategic when choosing which social causes to pursue. I argue that behaviorally complex leadership, defined by leaders who are integrative and balanced in their leadership behaviors, can help social enterprises manage the tension between mission and money, and hence, scale social impact while maintaining financial stability.

Organizational Capabilities

While leaders initiate and set the direction that dictates how social enterprises can scale their impact, I argue that leadership behavioral complexity influences social impact scaling and financial performance through organizational capabilities. Ulrich and Lake (1991) defined organizational capabilities as ‘the firm’s ability to manage people to gain competitive advantage’

by adapting internal structures and processes to create organization-specific competencies (p. 77).

The current study employs Bloom and Smith's (2010) SCALERS model of organizational capabilities, which refers to an organization's reliable capacity to create, develop and maintain different forms of capital (i.e., financial, political, human, social, knowledge etc.) to scale impact and maintain financial stability. Grounded in the theoretical tradition of dynamic organizational capabilities (Dosi, Nelson & Winter, 2000; Teece, Pisano & Shuen 1997) the SCALERS model recognizes that beyond simply having access to capital resources, there is a need to *intentionally* develop and combine capital resources to match the changing needs of the external environment (Dosi et al., 2000; Teece et al., 1997). Smith (2009) suggested four different kinds of resources being crucial to growth: financial, human, social, and political capital.

The SCALERS model details organizational capabilities that tap into these diverse forms of capital. The different organizational capabilities of the SCALERS model included: staffing, communicating, alliance building, lobbying, earnings-generation, replicating, and stimulating market forces (Bloom & Smith, 2010; Bloom & Chatterji, 2009). Staffing refers to an organization's ability to fill labor needs from volunteers to top management and is closely tied to the development of human capital. Communication is the effectiveness in which the organization convinces stakeholders that its theory of change is worth supporting. This includes building favorable attitudes, perceptions, and behaviors towards the organization's programs and is associated with the development of social capital (Bourdieu, 1986). Alliance building refers to the organization's effectiveness in creating partnerships, joint ventures and forms of collaboration to engender social change by leveraging connections rather than acting in isolation.

This capability is another form of social capital. Lobbying refers to the organization's ability to get government, courts, administrative agencies, legislators and other public sector leaders to work in its favor. This capability is the development of the organization's political capital.

Earnings-generation refers to how effective the organization can generate a stream of revenue from earned income, donations, grants, sponsorship, membership fees, investments and other sources to exceed expenses. The development of financial capital is fundamental to scale.

Replication refers to the organization's effectiveness in reproducing programs and services delivery model via training, franchising, contracting, and other tools for multi-site expansion while preserving quality. Finally, Stimulating market forces refers to the organization's ability to create incentives to convince individuals and institutions that private interests and public good are complimentary. To do this, the organization must have an ability to create markets for their products and services. This is also closely tied to the development of financial capital (Bloom & Smith, 2010; Bloom & Chatterji, 2009).

Taking an ecosystem approach, the SCALERS model focuses on how social enterprises interact with the external environment (Bloom & Smith, 2010). The authors directed their attention to organizational capabilities for developing resources through external activities such as creating alliances to acquire resources and political support (Sharir & Lerner, 2006; Grant & Crutchfield, 2007) or building market incentives to change beneficiary behaviors (Bloom & Dees, 2008).

Internal Organizational Capabilities

By taking an ecosystem approach that emphasizes externally facing activities, one limitation of the SCALERS model is that it ignores the importance of internal organizational capacities (Bradach, 2003; LaFrance et al., 2006). As a result, it was important to supplement

analysis with internal organizational capacities for scaling social impact and financial performance.

A review of scaling in the literature suggests structure and systems as important internal organizational factors (Alvord, Brown & Letts, 2004; Bradach, 2003; Sezgi & Mair, 2010; La France et al., 2006; Light, 2004; Young, 1989; Oster, 1996). Light (2004) reported on a random sampling of nonprofit organizations that focused on the following capacity building areas: internal management systems (e.g., IT, accounting, human resource and organizational assessment systems); internal structure (e.g., team building); and leadership development.

Alvord, Brown and Letts (2004) provided a comparative analysis of seven social enterprise cases and found the following aspects of organizational operations to be important: management system, staff development, monitoring and evaluation activities. Finally, Sezgi and Mair (2010) provided an organizational perspective to scaling by focusing on organizational structure for control and coordination. They examined the highly successful scaling of the Aravind Eye Care System in India to find three different modes of scaling including branching, setting up affiliated units, and disseminating knowledge. They concluded that depending on the scaling strategy, the organization needed to have the appropriate organizational control system and structure to coordinate the direction of scale and maintain consistency throughout the system.

Because there is no one model in the nonprofit literature that comprehensively looks at internal organizational capabilities for scaling social impact, the Burke-Litwin Model (Burke & Litwin, 1992) of organizational performance was chosen because of its focus on the internal mechanisms of the organization performance. Moreover, the Burke-Litwin Model comprehensively tied in the different components to organizational performance mentioned by

several social enterprise and nonprofit scholars, namely structure and system. This served to complement the SCALERS model's externally oriented focus. While scaling social impact is felt externally to the organization, it was important to account for potential internal organizational capabilities.

Structure refers to an organization's arrangement of functions and people into specific areas with implications for level of responsibility, decision-making authority, communication and relationships in service of the organization's strategy (Burke & Litwin, 1992). Proper organizational structures are crucial to managing and deploying resources needed for scaling. Organizational structures help to manage the tension of maintaining control and flexibility between the central (global office) and affiliate (local office) sites (LaFrance et al., 2006). As a social enterprise expands into multiple sites, the challenge of facilitating communication, knowledge sharing of best practices between multiple locations, while maintaining a level of autonomy and flexibility, requires thoughtful organization design (i.e., structure).

Systems refer to standardized policies and mechanisms to manage rewards, information, performance appraisal, goals and budgets (Burke & Litwin, 1992). Systems facilitate the coordination of internal resources needed for scaling. In their review of factors involved in scaling social impact, Weber, Kroger and Lambrich (2012; see also Sherman, 2005) found systems around goal setting, monitoring, evaluating, reporting and budgeting to be crucial. LaFrance et al., (2006) argued for the importance of systems for IT, HR, facilities and communication. Managerial control systems ensure that individual, departmental, and organizational goals are in alignment (Flamholtz, 1979). Thus, systems are expected to help organizations meet their social and financial performance goals.

Finally, both systems and structure are necessary for social enterprises that choose to scale through replication. The organization's ability to successfully replicate – whether it scales the organization or program, through branching or affiliation – is determined structurally by how effectively it can build 'self-contained tasks' into its structure (Galbraith, 1974; Bloom & Smith, 2010) as well as its ability to codify or standardize core elements of its program (or service delivery model) by setting up necessary systems (Weber et al., 2012; LaFrance et al., 2006).

Linking Leadership to Organizational Capabilities

While scaling requires organizational-level capabilities to harness social, political, human and financial resources into organization-specific 'drivers' (Bloom & Smith, 2010; Ulrich & Lake, 1991) it is the leader that is responsible for decision-making. I argue that leadership behavioral complexity; drawing from four quadrants, enable organizations to build up their capabilities.

Leaders operating from all four quadrants enable the organization to develop a broad range of needed resource for scaling. For example, leaders demonstrating Practical Vision understand that organizational responsiveness is a function of continuously moving between innovation and stability that lead to growth while maintaining continuity. Leaders with practical vision drive the organization toward growth *and* continuity (Quinn et al., 1992). Leaders with practical vision are expected to lead their organizations through scale, while maintaining the continuous flow of the work. As organizations must meet the dynamic needs of their environment (Teece et al., 1997; Bloom & Smith, 2010), leaders are instrumental in coordinating internal capital to meet external needs. These leaders must simultaneously have an external strategic-political orientation and a technical-operational orientation (i.e., Practical Vision).

The leader exhibiting tough love attends to both task and people simultaneously (Quinn et al., 1992). The tension to be managed is between task accomplishment and group cohesion. Not only is this orientation facilitated through internal structures and processes, but also through culture (LaFrance et al., 2006). Leaders who are able to balance the Collaborate and Compete quadrant (Tough love) focus on internal human development while paying attention to external positioning to secure external resources (e.g., financial) and meet objectives. Hence, the leader displaying tough love focuses on internal structure, systems, processes and culture, while ensuring social and financial objectives are met.

The four quadrants of the competing values framework illustrate different emphasis on different types of capital. Leaders in the Create quadrant emphasized new intellectual capital while maintaining a strategic-political orientation; leaders in the Compete quadrant emphasized acquiring financial capital resources; leaders in the Control quadrant rely on technological capital; and finally, leaders in the Collaborate quadrant focus on developing human capital. Earlier models of the competing values framework (CVF) argued that the upper right quadrant (Create quadrant) included leadership roles such as brokering (Denison et al., 1995; Quinn et al., 1992), which focused on influencing and establishing external network connections.

Within the context of specific scaling-related capabilities, LaFrance et al., (2006) suggested that leaders must develop structures that allow the organization to balance control and flexibility, consistent with the individual flexibility – stability control axis in the competing values leadership framework (Cameron et al., 2006; Lawrence et al., 2009) (LaFrance et al., 2006; Cameron et al., 2006). Bradach's (2003) research on scaling social programs suggested that leaders would need to promote standardization internally, while leveraging external networks with partners. This suggested another leadership axis – internal maintenance and

external positioning – that, again, is consistent with the competing values framework (Cameron et al., 2006).

Collectively, the research on organizational capabilities focused on both internal and external elements (LaFrance et al., 2006; Bloom & Smith, 2010). This is consistent with scholars who argue that leadership is required to translate external needs (i.e., clients, beneficiaries, funders) to an internal vision that drives employee action; this parallels the tension between external positioning and internal maintenance of the competing values leadership framework (Cameron et al., 2006; Quinn, 1988; Ulrich & Lake, 1991). Hence, I argue that both internal and external leadership is required (Ulrich & Lake, 1991) and that leadership behavioral complexity influences the balanced development of organizational capabilities.

Linking Organizational Capabilities to Outcome Variables

The SCALERS model is particularly appropriate in operationalizing organizational capabilities for this study because it has previously been empirically linked to scaling social impact (Smith & Bloom, 2010; Bacq et al., 2011). This study seeks to confirm and extend past findings by introducing two internally oriented capabilities: structure and system (Burke & Litwin, 1992). I argue that leadership behavioral complexity coordinates both internal and external activities to build up organizational capabilities, while also ensuring the organization is both stable, yet flexible. Hence, the leader's influence is mediated by internally- and externally-orientated organizational capabilities on scaling social impact and maintaining financial stability. The mediated relationship is consistent with Smith and Lewis' (2011) Dynamic Equilibrium Model of Organizing that connects individual-level behavioral complexity and organizational-level dynamic capabilities toward the resolution of paradoxical goals. In the next section specific hypotheses are presented (see Figure 4).

Hypotheses

Past research has found that behaviorally complex CEOs of for-profit companies positively influenced organizational and business performance (Hart & Quinn, 1993). This study investigated whether leader behavioral complexity also influenced the perceived performance of organizations with a double bottom line (i.e., scaling social impact and financial performance) because these organizations are growing in number and play a crucial role in society by providing potential solutions to long standing social problems (Trivedi & Stokols, 2011).

I argue that double bottom line contexts are tension-filled and, at times, ambiguous; there would be a need for balance, yet constant trade-off between two institutional logics: tension between a culture of charity versus a culture of problem solving (Dees, 2012). Leaders would be perceived as effective in these contexts to the extent that they display behaviors exemplifying paradox: practical vision and tough love.

Practical vision, combining the Create and Control quadrants, guides the organization to pursue social-mission in a way that is supported by metrics, numbers, and data (see Figure 5). Moreover, leaders with this quality are confident, assertive and analytic, while also meeting the needs of the people they are serving and not coming across as arrogant. They are able to inspire people to exceed expectations through a compelling vision (Create quadrant), while translating the vision to internal operations by controlling projects and emphasizing details and accurate work (Control quadrant) (Lawrence, Lenk & Quinn, 2009).

Tough love combines the Collaborate and Compete quadrants, allowing leaders to hold others accountable in a context (e.g., volunteer labor, culture of charity) that may be more inclined to overlook poor performance (Dees, 2012). At the same time, leaders high on tough love recognize that people drawn to the social sector have made sacrifices to do so (see Figure

5). Furthermore, leaders with tough love are able to navigate opportunities that help the organization meet social and financial aims without threat of mission-drift. The leader focuses on producing outcomes and responding to emerging issues (and opportunity), while maintaining a climate open to discussion internally (particularly among program directors and staff), which, in the long run, prevents mission drift.

Leader behavioral complexity creates organizational and management structures that balance flexibility (stability – change function; Create – Collaborate quadrant) and control (Control – Compete quadrant) which aligns with research on organizational capabilities that focus on both internal and external elements (LaFrance et al., 2006; Bloom & Smith, 2010). Therefore, I argue that it takes leaders who display tough love and practical vision (see Figure 5) to build organizational capabilities.

Hypothesis 1: Individuals higher in leader behavioral complexity (tough love & practical vision) will perceive their organizations as having greater organizational capabilities.

While leaders make decisions and initiate the scaling process, several scholars have argued and found that organization capabilities directly influenced the organization's ability to scale their social impact (LaFrance et al., 2006; Bradach, 2003; Ulrich & Lake, 1991; Bloom & Smith, 2010; Bacq et al., 2009). Scholars have slowly shifted their emphasis from internal (LaFrance et al., 2006; Bradach, 2003) to external (Bloom & Smith, 2010) capabilities, thus it is important to account for both external and internal capabilities in explaining a venture's ability to scale its social impact.

Because this study operationalized organizational capabilities based on the SCALERS model which took an external ecosystem approach (Bloom & Smith, 2010), it may not have accounted for the full range of variance had it also included internal organizational capabilities. I supplemented the SCALERS dimensions with internal organizational factors that past research focused on to predict performance: structure and systems (Burke & Litwin, 1992). Additionally, Bacq et al., (2011) found that organizational capabilities also influenced financial performance.

Hypothesis 2: Perceptions of organizational capabilities will be positively associated with individual perceptions of scaling social impact.

Hypothesis 2a: Perceptions of organizational capabilities will be positively associated with individual perceptions of financial stability.

I argue that leader behavioral complexity is mediated by organizational capabilities en route to influencing scaling social impact and financial stability. Drawing from Smith and Lewis' (2011) Dynamic Equilibrium Model of Organizing, I argue that leadership behavioral complexity, an individual-level variable, is distal relative to social and financial performance outcomes, which are organizational-level outcomes. Therefore, its impact is most likely mediated by organizational-level capabilities.

Hypothesis 3: The relationship between leader behavioral complexity and perceptions of scaling social impact will be mediated by perceptions of organizational capabilities.

Hypothesis 3a: The relationship between leader behavioral complexity and perceptions of financial stability will be mediated by perceptions of organizational capabilities.

In summary, this study looked at the relationship between leadership behavioral complexity and organizational capabilities to scale social impact while remaining financially stable. It was argued that paradoxical double bottom-line performance goals (i.e., social and financial) required paradoxical leadership. Hence, this study examined whether complex leadership behaviors allowed social enterprises to be sustainable. The next chapter focuses on research design, measurement, and analyses required to test the above hypotheses.

CHAPTER III: METHOD

This chapter details a sequential mixed-method research design to test hypotheses. Both quantitative and qualitative considerations are discussed as research participants, design, procedures, web survey logistics, and statistical considerations are examined. Then, measures of all study and demographic variables are detailed.

Research Participants

I solicited 156 individuals and received 83 completed, usable surveys for a response rate of 53%. Out of 83 completed surveys, 77 came from the client base of a boutique-consulting firm in a large urban setting catering to nonprofit organizations and six came from the author's outside recruiting efforts.

Participants were 49 female, 33 male (and one person did not indicate gender) executives in nonprofit (86.7%), for-profit (2.4%), hybrid (7.2%), and other (3.6%, philanthropic grant making foundation) organizations. There was a diversity of age ranges with 1.2% being between 20 – 29 years; 22% being between 30 – 39 years; 37.8% being between 40 – 49 years; 26.8% being between 50 – 59 years and 12.2% identifying as 60+ years of age indicating a relatively experienced sample. The sample represented a fair amount of education with 1.2% finishing high school, 17.1% with a bachelor's degree, and 81.7% having a graduate degree. In terms of work experience, 67% of participants came from a nonprofit work background (25% had for-profit backgrounds and 6% had government backgrounds).

From an organizational perspective, most participants represented rather large organizations with 51.3% of the sample exceeding five million dollars in estimated annual revenue and 32.5% having estimated annual revenue between one and five million dollars. In terms of service sector, the sample was dominated by organizations working in the field of

healthcare (18%), human rights (17%), education (12%) and human and social services (7%) among other service areas (i.e., civil rights, housing, environment etc.). All relevant demographic variables are listed in Table 1.

Research Design and Procedure

The study utilized a sequential quantitative-qualitative mixed method design (Creswell, 2003). This strategy began with quantitative online surveys, and followed-up with qualitative interviews. More specifically, the study involved purposive, theoretical sampling on the quantitative online survey portion of the study (Teddlie & Yu, 2007). Leaders in nonprofits and social enterprises were sampled because of their theoretical relevance to the model being tested. Participants completed an online questionnaire using the Qualtrics online survey software. In addition, there were follow-up interviews with twelve participants.

Participants were asked to complete a survey that took approximately 10 to 15 minutes to complete. They then had the option of requesting a personalized leadership profile based on some of their responses to the survey questions. Twenty-five out of 83 people requested their leadership report. This sub-sample of individuals, whom were thought to be engaged in the study and potentially more amenable to having follow-up conversations, was contacted for follow-up interviews. Thus, the qualitative sample was a convenience sample guided by likelihood of engagement and availability. Details of the qualitative portion of the study are described in a section below.

Once the deadline for submitting surveys had passed, the entire survey dataset was downloaded and the data were cleaned to prepare for analysis, which is elaborated below.

Additional Consideration Regarding Survey Research

Web Survey Response Rates and Implementation

Dillman, Smyth, and Christian (2009) recommended personalized contact, pre-notices, meaningful incentives, multiple reminders, and variation in content and timing of reminders to ensure favorable response rates. Similarly, Rogelberg and Stanton (2007) recommended following careful guidelines for online survey to maximize responses including: pre-notify participants, publicize the survey, design the survey carefully, manage survey length, provide ample response opportunities, monitor survey response, establish survey importance, foster survey commitment, and provide survey feedback. All these steps were implemented to ensure high response rates. Logistically, I collected e-mails of interested participants and entered their name and organization into a panel in Qualtrics before sending them a survey link. This allowed me to implement a schedule of pre-, concurrent- and post- data collection to ensure a sound process for maximizing responses.

I collected data through the client database of a boutique-consulting firm in a large urban setting that specializes in nonprofits. I created panels to categorize email from different sources so I could send follow-up reminders to all participants independently of each other. I sent executives an e-mail explaining the study and requesting participation with an opportunity to receive a personalized leadership style report. Executives were asked to forward the recruitment e-mail to colleagues within their organizations. Participants were asked to individually fill out a survey that took no more than 10 to 15 minutes.

A link to the survey was embedded in each e-mail. Once respondents clicked the link, they were asked to read an informed consent disclaimer to proceed with the study. Participants were ensured of confidentiality. After that, they were asked to generate a unique anonymous code.

To prevent order effects and prevent common method variance, the dependent variable was presented before the independent variable, followed by control variables and demographics. Moreover, the items measuring the leadership roles (see Table 1 in appendix) were shuffled to prevent order effects (e.g., Quinn, 1988); this was accomplished using randomized features in Qualtrics.

Once leaders completed the survey, they were thanked for their participation. Leaders who wished to receive their leadership profile and the results of the study were provided with the researcher's e-mail to follow-up.

Baruch and Holtom (2008) recently analyzed response rate levels and trends in organizational research. They found that researchers seeking responses from top executives were likely to experience lower response rates (35 – 40% on average). Rogelberg and Stanton (2007) emphasized the importance of demonstrating that respondents and non-respondents were not different, which would threaten generalizability.

Upon receiving responses, I provided a leadership summary report to all participants who requested it. Participants received a report with their scores for each of the leadership roles in each quadrant. I used Qualtrics to create, administer, and manage all aspects of the survey data collection. After receiving responses, I downloaded responses onto Excel to create individualized reports. I used SPSS for specific analyses (i.e., Mediation Analysis).

Independence of Observation

One of the assumptions of the statistical tests that I ran in this study was independence of observation. This was to make sure that observations are independent of (and uncorrelated with) each other. For example, multiple leaders from the same organization should provide responses independent of each other. To ensure independence, I coded for organization (i.e., dummy

variable) to ensure that multiple responses were not correlated within an organization. This can be achieved by entering organization as a fixed or random factor (M. Johnson, personal communication, December 17, 2013). Nevertheless, I took steps to ensure that each leader completed the questionnaire on his/her own, independent of their peers in the organization. Leaders were contacted individually and provided individualized links to complete the survey at his/her own convenience.

Common Method Variance

Although common method variance (CMV) was not a major concern for this study, some precautions were taken. Podsakoff, MacKenzie, Lee & Podsakoff (2003) recommend post-hoc analyses including Harman's (1976) one factor test for CMV (see also Podsakoff & Organ, 1986; Podsakoff, Todor, Grover, & Huber, 1984). Exploratory analyses were performed across all items to check if the independent and dependent variables load onto a single factor. I had different response formats, scale endpoints (e.g., five-point vs. seven-point Likert endpoints) and verbal labels to prevent respondents from simply using prior responses to inform subsequent ones (recommended as 'methodological separation', Podsakoff et al., 2003, p. 888). Finally, the positioning of the dependent variable came before the mediator and independent variables in the survey (recommended by Podsakoff et al., 2003 as 'psychological separation', p. 887).

Qualitative Data

In this sequential mixed-method study, qualitative data were used to help make sense and explain relationships found in quantitative data (Creswell, 2003). When combined with quantitative surveys, qualitative methods (open-ended questions) allowed respondents to determine their own frame of reference for answers (DiPofi, 2002; Weisberg et al., 1989). Researchers suggested 'processes in organizations' were better understood via qualitative

methods because they had storytelling values (DiPofi, 2002; Van Buskirk and McGrath, 1992). Schein (1995) noted that quantitative methods and surveys reflect preconceived concepts while qualitative data are better at highlighting respondent's schema. Finally, qualitative methods have been used in previous research to study paradox and tension (Luscher & Lewis, 2008; Jay, 2013). To that end, qualitative interviews were used to make sense of quantitative data and to capture respondent's schema, perspective, and frame of reference without imposing or priming them with preconceived categories.

Qualitative Data Collection

In the initial recruitment e-mail to request participation in the survey, all participants were given an opportunity to receive their leadership profile should they choose. Of the 83 participants who completed the survey, 25 requested their leadership profile. I contacted these 25 individuals, a sub-sample of all participants, for follow-up interviews.

Of these 25 individuals contacted for interviews, 17 responded, seven did not respond, and one person declined to be interviewed. The individual who decline did so due to conflict in scheduling. It is assumed that non-responses were due to similar work schedule conflicts (i.e., unavailable due to workload). Onwuegbuzie & Leech (2007, p. 245) had suggested at least three cases when sampling a subgroup to ensure information redundancy and saturation. In total, I conducted 12 qualitative interviews to ensure information redundancy and saturation (six phone interviews and six in-person interviews) (see Table 2).

The initial recruitment e-mail requested 30-minutes for interviews. Each interview lasted approximately 30 to 45 minutes and was semi-structured; there was a set of questions (see Appendix F) prepared prior to the interview with space for emergent follow-up questions within the context of an unfolding interview in real time.

Measures

All scales and items were analyzed to maximize Cronbach's alpha. Initial reliability and scale-if-item-deleted were analyzed to make a decision on whether to discard specific items in favor of improving Cronbach's alpha. For consistency, an item was removed if doing so improved the scale's alpha by greater than 0.05 (anything less was considered too marginal of an improvement).

It was necessary to have multiple conceptions of financial performance (Lehner & Kaniskas, 2012; Hill et al., 2010; Mair & Marti, 2006; Nicholls, 2010; Dacin, Dacin & Matear; Hoogendoorn et al., 2010; Desa, 2007; Short, Moss & Lumpkin, 2009). What is appropriate for one type of organization (i.e., nonprofit social enterprise) may not be for another settings (i.e., for-profit social enterprise). I used a measure of financial *performance* as conceptualized by Iakovleva (2005; Bacq et al., 2011) a 'satisfaction' multiplied by 'importance' composite index of net profit, gross profit etc. In addition, similar to Mayberry's (2011) study of entrepreneurial orientation in nonprofits, I also included a measure of financial *stability*, which is more adequate for non-profits. Financial stability was based on diversity of income, sufficient cash reserves, and an ability to raise money (Mayberry, 2011). Nonprofits that have greater diversity of funding sources (i.e., government funding, foundation grants, donations and fee for services, etc.) and are confident in their ability to get access to these sources are in better position to invest in capacity building (Schuh & Leviton, 2006) and scale their social impact (Bloom & Chatterji, 2009).

Moreover, measures of outcome variables were perceptual in nature. There has been extensive debate in the nonprofit literature on the validity of objective versus subjective measures (Herman & Renz, 2008). Wall et al., (2004) suggested that the nonprofit sector did not have agreement on what was considered an 'appropriate' financial variable to measure

performance. They found that both objective and subjective measures had construct validity (Wall et al., 2004). Moreover, Dess and Robinson Jr. (1984) found that perceptual measures of organizational performance were adequate in the absence of objective measures (see also Ketokivi & Schroeder, 2004). An alternative would have been to consult a third party rating agency like Guidestar; they provide data on Income and Assets, however, as explained above these may not be the most appropriate measures for ‘financial stability’ or performance in nonprofits.

First, perceptual measures were appropriate because reality is often contested. One demographic question was about diverse sources of income. There are no objective measures of what is considered ‘diverse’, so perceptual measures provided a useful alternative (note: I had participants provide % allocation of how their funding sources are divided. An estimated 1/3 of the sample had greater than 90% of all funding come from *one* source (relatively low diverse funding) and 1/3 of the sample had no more than 50% of all funding come from any one source (relatively high diverse funding); nevertheless, the designation of high versus low diversity is relative to this specific sample. Diversity of funding sources is included in the correlation table below (see Table 4); it was not correlated with any other study variable).

Second, perception of financial stability was of interest in this study because it provided a useful counterpart to the often-emphasized mission-performance of nonprofit and other social organizations (Rojas, 2000; Herman & Renz, 2008). One of the objectives of the study was to see how leaders contributed to the organization’s balance of, seemingly contradictory, social and financial goals. Therefore perceptions of financial stability were used as a proxy for that organization’s financial stability.

For a complete list of scales and items, see Appendix B-E.

Leader Behavioral Complexity

The two constructs that make up Leader Behavioral Complexity are Tough Love (Collaborate – Compete) and Practical Vision (Create – Control); these constructs are made up of eight leadership roles (see Figure 5). I used the eight roles outlined by Quinn et al., (1992), while combining items from Quinn et al., (1992); Quinn (1988) and Lawrence et al., (2009) and I eliminated redundant items (i.e., worded exactly the same).

Quinn et al., (1992) used eight roles taken from Quinn (1988) including: mentor ($\alpha = .68$) (Quinn, 1988; .87; Lawrence et al., 2009; .72, .63), facilitator ($\alpha = .86$) (Quinn, 1988; .89; Lawrence et al., 2009; .69, .73), director ($\alpha = .84$) (Quinn, 1988; .79), producer ($\alpha = .82$) (Quinn, 1988; .72; Lawrence et al., 2009; .81, .77), innovator ($\alpha = .88$) (Quinn, 1988; .90; Lawrence et al., 2009; .83, .79), broker ($\alpha = .86$) (Quinn, 1988; .85), monitor ($\alpha = .87$) (Quinn, 1988; .73; Lawrence et al., 2009; .80, .78), and coordinator ($\alpha = .90$) (Quinn, 1988; .77; Lawrence et al., 2009; .86, .83)) aggregated in pairs into four organizational functions (or quadrants): people, task, change, and stability.

In order to calculate Tough Love and Practical Vision, I followed the procedure outlined by Quinn et al., (1992; see Bobko & Schwartz, 1984). Scale scores from two sets of bipolar functional orientations (stability with change and people with task; i.e., control-create, collaborate-competete; see Figure 5) were combined through the following formula:

$$\text{Leader Behavioral complexity} = \sum_{(1-z)} = [(k - 1) - |X - Y|] * [(X + Y) / 2]$$

(Bobko & Schwartz, 1984; Hooijberg et al, 1997)

$$\text{Leader Behavioral complexity score} = \sum_{(1-z)} = [(k - 1) - |X - Y|] * [(X + Y) / 2]$$

So the two complexity constructs were calculated as follows:

Tough Love = $[(7 - 1) - |\text{compete} - \text{collaborate}|] * [(\text{compete} + \text{collaborate}) / 2]$ where:

k = likert scale; in this case, a 7-point likert scale

compete = average of all Compete quadrant items

collaborate = average of all Collaborate quadrant items

Practical Vision = $[(7 - 1) - |\text{create} - \text{control}|] * [(\text{create} + \text{control}) / 2]$ where:

k = 7-point likert scale

create = average of all Create quadrant items

control = average of all Control quadrant items

Organizational Capabilities

SCALERS

The SCALERS (stratified alpha $\alpha = .75$) model developed by Smith and Bloom (2010) was used to measure organizational capabilities (see Figure 6). The dimensions measured the extent to which the organization engages in various externally facing activities that had been found to predict social mission impact. The dimensions included: staffing ($\alpha = .74$, remove one item, Staff2) the effectiveness in which the organization met its labor needs with competent people; communication ($\alpha = .72$), the ability of the organization to persuade its stakeholders that its strategy is worth supporting; alliance-building ($\alpha = .83$), the effectiveness in which the organization forges various linkages with other entities to bring about social change; lobbying ($\alpha = .73$, remove one item, Lob1), the extent to which the organization can advocate for government actions to work in its favor; earnings-generation ($\alpha = .69$, remove one item, Earn1), the organization's ability to generate a stream of revenue that exceeded its expenses; replication ($\alpha = .76$), the ability of the organization to reproduce the programs/initiatives that it had originated; and stimulating market forces ($\alpha = .66$), the extent to which the organization could create

incentives to get people and institutions to pursue private interest while serving the public good. As had been done in a previous study SCALERS was aggregated by calculating the average of seven organizational capabilities (Bacq et al., 2011).

Structure (Burke-Litwin Model)

Since the SCALERS model viewed organizational capabilities from an externally facing point of view, it was also important to understand internally oriented capabilities. Structure referred to how the organization was designed to achieve its mission; the items reflected levels, roles, and responsibilities of members in the organization (Burke & Litwin, 1992; $\alpha = .82$, remove one item, Struct4) (see also DiPofi, 2002).

System (Burke-Litwin model)

System referred to standardized policies, procedures, rewards, information and human resource systems that served to reinforce people's work. Like structure, system in this context, was internally oriented (Burke & Litwin, 1992; $\alpha = .83$).

Scaling Social Impact

Scaling Social Impact ($\alpha = .70$, remove two items, SocImp3 and SocImp4) also developed by Smith and Bloom (2010) referred to the organization's ability to expand its social mission impact. Note: SocImp3 refers to 'number of individuals served' and SocImp4 refers to 'geographic area served'.

Financial Stability

This measure ($\alpha = .56$) was taken from dissertation research conducted by Mayberry (2011). In the study, financial stability was a subset of a broader organizational effectiveness measure. This study specifically looked at the responses of nonprofit organizations in the U.S. and Canada in determining what accounted for effectiveness. Mayberry (2011) suggested that

‘diversity of income, cash reserves, and ability to raise money are all a function of the financial stability’, which was an indicator of financial performance (p. 17). Because I had intended to sample both nonprofit and for-profit social organizations, I wanted to use more than one measure of financial performance.

Financial Performance

Following Bacq et al., (2011), this measure was used as an alternative to perceptions of Financial Stability. This represented a composite indicator of importance and satisfaction (Importance: $\alpha = .81$ and Satisfaction: $\alpha = .81$) on: sales level, sales growth, profitability, net profit, gross profit, and ability to fund enterprise growth from profits (Iakovleva, 2005).

Control and Demographic Variables

Demographic measures included individual-level leadership-related control variables such as: gender, age, business experience, and level of education (Dobbins & Platz, 1986; Eagly & Johnson, 1990) and organizational-level demographic variables including: legal status, age, and firm size (Bacq, Janssen & Kickul, 2011). Other demographic variables include: sources of funding (e.g., earned income strategies, government, foundation, donations, individual contributions) and service sector (e.g., healthcare, poverty, education, social justice etc.,).

Interview Protocol

The interview protocol (see Appendix F) provided a script to ensure consistent qualitative interviews face-to-face and over the phone. It included brief opening remarks and a segue to the interview. All interviews began with an opportunity for participants to ask questions about their leadership profile before transitioning into a statement of confidentiality at the start of the interview. There were a series of semi-structured questions to guide the process, while leaving space for respondents to explore topics in a flexible manner.

CHAPTER IV: RESULTS

This chapter presents quantitative results from the online survey. An overview of various statistical tools is given before proceeding with preliminary analyses providing an idea of what demographic variables needed to be controlled for when testing the hypotheses. Results for each hypothesis are given before concluding with additional supplementary post-hoc analyses. The chapter closes by providing a brief description of the qualitative data.

Analytical Tools

Most of the analyses were conducted using SPSS (IBM v. 21). However, to prepare data for analysis, other tools such as Microsoft Excel and R statistical package were employed. Once survey data has been collected, Qualtrics allows users to download the dataset in CSV format to be further cleaned and processed in Excel.

First, it was necessary to manage non-applicable response data (N/A) provided by participants. This was not considered either missing at random data (MAR) or not-missing at random (MNAR), but rather, it was missing by design. One of the assumptions made in the current study was that respondents operated in environments that had both social and financial goals. To test this assumption, I included an 'N/A' response option for people to opt out of responding to items they felt like were not applicable to their situation. This is different from data 'missing at random' (MAR) or 'missing not at random' (MNAR). Qualtrics allows users to prevent missing data by setting up a validation to ensure that a response is provided for all questions.

As expected, there were several N/A's in response to Financial Performance items given that the sample was predominantly nonprofit executives, many of whom operated in environments where financial performance (i.e., net profit, sales) was not as prioritized.

However, many of those that opted out of responding to Financial Performance, still responded to Financial Stability. Hence, financial stability was used as the primary dependent variable, although results for financial performance outcomes are included as well.

To handle non-applicable response data, I employed Multivariate Imputation by Chained Equation (MICE library in the R statistical package). This is an advanced methodology to handle missing data in large datasets. This is generally preferred over the traditional listwise or pairwise deletion methods, which, in the current study, would have restricted an already small sample and reduced statistical power. Imputation generated values based on existing data. Imputation is done more than once to prevent underestimating the standard errors of the regression coefficients (van Buuren & Groothuis-Oudshoorn, 2011). Multivariate (or multiple) imputation is similar to the Maximum Likelihood (ML) method that integrates all possible data values yet provides greater simplicity. Five imputations were run and the first completed dataset was used. With a completed dataset, it was then possible to run further analyses such as scale reliability and hypothesis testing.

Preliminary Analysis

Practical Vision and Tough Love were highly correlated ($r = .57, p < .01$). Consistent with hypotheses being tested below, SCALERS was positively correlated with other mediators as well as outcome variables in the model including: Structure ($r = .60, p < .01$), System ($r = .63, p < .01$), perceptions of Scaling Social Impact ($r = .57, p < .01$), perceptions of Financial Stability ($r = .46, p < .01$) and perceptions of Financial Performance ($r = .39, p < .01$). SCALERS was even correlated with leader's level of education ($r = .24, p < .05$) (see Table 4).

Perception of Scaling Social Impact was significantly correlated with both Structure ($r = .43, p < .01$), System ($r = .47, p < .01$), leader's level of education ($r = .36, p < .01$), and

negatively correlated with legal status ($r = -.24, p < .05$), although the latter was difficult to interpret because the coding scheme for legal status did not represent a traditional ordinal scale (i.e., 1 = for profit, 2 = non profit, 3 = hybrid, 4 = other). Perceptions of Financial Stability was positively correlated with System ($r = .26, p < .05$), leader's education ($r = .30, p < .01$), annual revenue ($r = .22, p < .05$) and organizational size (number of offices, $r = .27, p < .05$). (see Table 4]. I controlled for these demographic variables at different steps in the analyses, depending on the outcome variable because they were found to be significantly correlated with certain variables of interests (see Table 4). *Thus preliminary analyses indicated that leader's education, annual revenue, number of offices and legal status needed to be controlled for depending on the specific analysis.* This allowed us to test for hypothesized relationships while controlling for the effects of extraneous demographic variables.

In terms of the Competing Values Leadership framework, Create was more highly correlated with Compete ($r = .56, p < .01$) and Collaborate ($r = .50, p < .01$) than Control ($r = .17, ns$). Similarly, Compete was more highly correlated with Control ($r = .67, p < .01$) and Create ($r = .56, p < .01$) than Collaborate ($r = .32, p < .05$). However, Control was not significantly correlated with Collaborate ($r = .21, ns$) (see Table 4).

Hypothesis Testing

Hypothesis 1

Hypothesis 1: Individuals higher in leader behavioral complexity (tough love & practical vision) will perceive their organizations as having greater organizational capabilities.

I conducted analyses separating Tough Love and Practical Vision. Even though they were highly correlated ($r = .57, p < .01$), Tough Love and Practical Vision are distinct constructs covering different quadrants in the Competing Values framework (Quinn et al., 1992), thus it

was worth examining their influence independent of each other. First, I regressed SCALERS on Tough Love, controlling for leader education. Tough Love did not add significant prediction for SCALERS ($B = .01$, ns) (see Table 5).

Tough Love did not add significant prediction for Structure ($B = .05$, ns), when controlling for age of organization and annual revenue (see Table 6). Finally, Tough Love did not add significant prediction for System ($B = .03$, ns), when controlling for age of organization, number of full time employees, and leader education (see Table 7). Thus, when examining the effects of Tough Love on organizational capabilities, it was not found to provide significant unique contribution to SCALERS, Structure or System. (see Figure 9).

Next, I regressed SCALERS on Practical Vision, controlling for leader education. Practical Vision did not add significant prediction for SCALERS ($B = .01$, ns) (see Table 8). I then regressed Structure on Practical Vision, controlling for age of organization and annual revenue. Practical Vision *did add* significant prediction for Structure ($B = .04$, $\Delta F = 5.45$, $\Delta R^2 = .06$, $p < .02$) (see Table 9), however, Practical Vision did not add significant prediction for System ($B = .02$, ns; $\Delta F = 2.11$, $\Delta R^2 = .02$, ns) (see Table 10).

In summary, out of the organizational capabilities, only Structure was significantly predicted by Practical Vision (but not Tough Love); SCALERS and System were not predicted by either Practical Vision or Tough Love. Thus, a leader's self-reported behavioral complexity of Practical Vision (i.e., Create and Control) predicted whether they perceived the organization as appropriately designed to achieve its mission (Structure) as well as the organizational capability of Staffing. Hypothesis 1 was partially supported.

In other words, self-reported behavioral complexity uniquely predicted internally oriented behavioral capabilities such as Structure (but not System); it did not predict externally facing

capabilities as represented by SCALERS. The distinction between internal and external organizational capabilities will be elaborated on in the discussion.

Hypothesis 2

Hypothesis 2: Individual perceptions of organizational capabilities will be positively associated with individual perceptions of scaling social impact.

First, I regressed perceptions of Scaling Social Impact onto all three organizational capabilities measures (i.e., SCALERS, Structure and System) controlling for legal status ($r = -.24, p < .05$) and leader education ($r = .36, p < .01$). Legal status and leader education, entered into the step one, significantly predicted perceptions of Scaling Social Impact ($R^2 = .18, F = 8.55, p < .001$). When entering all three organizational capabilities measures as a group in step two, they provided additional significant prediction ($\Delta R^2 = .24, \Delta F = 10.61, p < .001$). However, only SCALERS had a significant beta coefficient ($B = .47, p < .01$) (see Table 11) indicating that SCALERS provided *unique* significant prediction in perceptions of scaling social impact while System and Structure did not provide unique prediction.

Given that both Structure ($r = .43, p < .01$) and System ($r = .47, p < .01$) were significantly correlated with perceptions of Scaling Social Impact and their beta coefficients became non-significant when SCALERS was entered in the model, I generated a three-step hierarchical regression with legal status and education in step one; Structure and System in step two; and SCALERS in step three. Structure and System added significant prediction ($\Delta R^2 = .19, p < .001$) and each had significant beta coefficients (Structure, $B = .22, p < .05$; and System, $B = .33, p < .03$). When entering SCALERS in step three the beta coefficient for both Structure and System became non-significant. In step three, SCALERS ($B = .47, p < .01$) added significant prediction above the previous two steps ($\Delta \Delta R^2 = .05, \Delta \Delta F = 7.00, p < .01$) (see Table 12). In

summary Hypothesis 2 was supported. The separate betas of each organizational capabilities measure on perceptions of Scaling Social Impact (i.e., simple effects) are summarized in Figure 9.

Hypothesis 2a

Hypothesis 2a: Individual perceptions of organizational capabilities will be positively associated with individual perceptions of financial stability.

Perceptions of Financial Stability were regressed onto all three organizational capabilities measures (i.e., SCALERS, Structure and System) controlling for organizational size (number of offices) ($r = .27, p < .05$), leader education ($r = .30, p < .01$), and annual revenue ($r = .22, p < .05$).

First, number of offices ($B = .03, p < .05$), annual revenue ($B = .11, ns$) and leader education ($B = .73, p < .04$) were entered in step one and, as a group, they significantly predicted perceptions of Financial Stability ($R^2 = .16, F = 4.60, p < .005$). When entering all three organizational capabilities measures in step two, they provided significant prediction ($\Delta R^2 = .14, \Delta F = 4.82, p < .004$). However, only SCALERS had a significant beta weight ($B = .92, p < .008$) while both Structure and System were non-significant ($B = .05, ns$; and $B = -.10, ns$, respectively) (see Table 13). Again, this suggested that SCALERS provided *unique* significant prediction for perceptions of financial stability; while Structure and System also provided prediction, it was not unique.

To test if SCALERS also mediated the effects of System on Financial Stability, I generated a three-step hierarchical regression with number of offices, annual revenue and leader education in step one; System and Structure in step two; and SCALERS in step three. System and Structure, entered in step two, added significant prediction ($\Delta R^2 = .07, p < .05$). However,

both System ($B = .20$, ns) and Structure ($B = .32$, ns) did not have significant beta coefficients. In step three, SCALERS added significant prediction above the previous two steps ($\Delta R^2 = .07$, $p < .008$). Moreover, SCALERS had significant beta coefficients ($B = .92$, $p < .008$) (see Table 14).

Because the effects of System and Structure, entered together in step two, appeared to overlap in their effect, I entered each separately. When System was entered in step two alone, its beta coefficient was significant ($B = .45$, $p < .05$) thus providing unique prediction for perception of Financial Stability. However, once SCALERS was entered into the model, it became non-significant (System, $B = -.08$, ns) (see Table 15).

Similarly, when Structure was entered alone in step two, it too provided unique prediction for perception of Financial Stability. However, once SCALERS was entered into the model, its beta also became non-significant (Structure, $B = .03$, ns) (see Table 16). This suggested that SCALERS provided unique prediction, controlling for System and Structure, entered separately. Moreover, it is possible that SCALERS also *mediated* the effect of System and Structure, separately, on perception of Financial Stability. The separate betas of each organizational capability measure on perceptions of Financial Stability (i.e., simple effects) are summarized in Figure 9. In summary, Hypothesis 2a was supported.

Financial Performance

In addition to Financial Stability, it was worthwhile testing Financial Performance as an alternative financial outcome measure.

Given that organizational size (number of offices) was significantly correlated to perceptions of Financial Performance. I entered it in step one ($R^2 = .06$, $F = 4.93$, $p < .03$); then, all three organizational capabilities measures in step two ($\Delta R^2 = .14$, $F = 4.47$, $p < .006$). Only

SCALERS had a significant beta weight ($B = 3.32$, $p < .009$) suggesting that only SCALERS provided *unique* prediction on perceptions of financial performance (see Table 17).

Once again to test if SCALERS mediated the effects of System, I generated a three-step hierarchical regression with number of offices in step one; System and Structure in step two; and SCALERS in step three. System ($B = 1.53$, ns) and Structure ($B = .42$, ns), entered in step two, did not add significant prediction controlling for number of office ($\Delta R^2 = .07$, ns). However, similar to the analyses done above, when entering System in step two alone, it provided significant additional prediction and significant beta coefficient, ($\Delta R^2 = .06$, $B = 1.87$, $p < .03$) suggesting once again that System and Structure overlap in their effect on perceptions of Financial Performance. In step three, SCALERS ($B = 3.32$, $p < .009$) added significant prediction above the previous two steps ($\Delta\Delta R^2 = .07$, $p < .009$). This suggested that SCALERS provided *unique* contribution to the prediction of perceptions of financial performance, controlling for System and Structure (see Table 18).

Hypothesis 3

Hypothesis 3: The relationship between leader behavioral complexity and individual perception of scaling social impact will be mediated by individual perceptions of organizational capabilities.

Thus far, a relationship had been established only between Practical Vision and Structure, ($B = .04$, $\Delta R^2 = .06$, $p < .02$). I also established specific relationships between the mediators and outcome variables (perceptions of scaling social impact and financial stability); SCALERS and System significantly predicted both perceptions of Scaling Social Impact and perceptions of Financial Stability, while Structure only predicted perceptions of Scaling Social Impact.

In order to establish a mediated relationship alluded in the theoretical model, I needed to establish a connection between the independent and outcome variables. Regressing Scaling Social Impact onto Tough Love and Practical Vision, I entered legal status ($B = -.42, p < .05$) and leadership education ($B = .64, p < .001$) in step one ($R^2 = .18, F = 8.55, p < .001$). When entering Tough Love and Practical Vision, together in step two, there was no added prediction above step one ($\Delta R^2 = .00, ns$). Neither Tough Love ($B = -.01, ns$) nor Practical Vision ($B = .01, ns$) had significant betas.

Since a relationship between the independent variables (Tough Love and Practical Vision) and dependent variable (perceptions of Scaling Social Impact) was not established, a mediated relationship was not confirmed. Hypothesis 3 was **not** supported.

This suggested that while there was a connection from Practical Vision to Structure to perceptions of Scaling Social Impact, Structure did *not mediate* the relationship between Practical Vision and perceptions of Scaling Social Impact.

Hypothesis 3a

Hypothesis 3a: The relationship between leader behavioral complexity and individual perception of financial stability will be mediated by individual perceptions of organizational capabilities.

A similar sequence was run for perceptions of Financial Stability, entering number of offices ($B = .03, p < .05$), annual revenue ($B = .11, ns$) and leader education ($B = .73, p < .04$) in step one ($R^2 = .16, F = 4.60, p < .005$). When entering Tough Love and Practical vision, together in step two, there was no added prediction above step one ($\Delta R^2 = .00, ns$). Neither Tough Love ($B = -.00, ns$) nor Practical Vision ($B = -.02, ns$) had significant beta coefficients.

Since a relationship between the independent variables (Tough Love and Practical Vision) and dependent variable (perceptions of Financial Stability) was not established, a mediated relationship was not confirmed. Hypothesis 3a was **not** supported.

Although perceptions of Financial Performance were not formally hypothesized, I ran a similar sequence, entering number of offices in step one ($R^2 = .06$, $B = .09$, $p < .03$). However, Tough Love and Practical Vision, in step two, did not provide additional prediction ($R^2 = .01$, ns); neither Tough Love ($B = .00$, ns) nor Practical Vision ($B = -.11$, ns) had significant betas.

Conclusions from Hypothesis 1 – 3a

The mediated relationship as hypothesized by the theoretical model was **not** supported. Practical Vision significantly predicted Structure, while controlling for age of organization and annual revenue, ($B = .04$, $p < .02$; $\Delta F = 5.61$, $\Delta R^2 = .16$, $p < .02$), however no other relationships between leadership behavioral complexity and the rest of the model were found (see Figure 8 and 9).

In fact, the data suggested that a leader's education was more predictive of perceptions of Scaling Social Impact ($R^2 = .13$, $F = 11.63$, $p < .001$) and perceptions of Financial Stability ($R^2 = .09$, $F = 7.67$, $p < .007$) than self-report leadership complexity (i.e., Tough Love and Practical Vision). Even when entering all organizational capability measures, leader education had a significant beta, which suggested that it provided unique prediction of perceptions of Scaling Social Impact independent of organizational capabilities ($B = .41$, $p < .02$).

Instead of the predictor variables, the only significant relationships were between the mediator variables (i.e., SCALERS, Structure and System) and the outcome variables (i.e., perception of Scaling Social Impact and Financial Stability) (see Figure 8 and 9). The self-

reported leadership variables (i.e., predictor / independent variable) did not have a significant relationship with the rest of the model, except for Practical Vision and Structure.

Analyzing SCALERS Separately

The previous analyses, particularly for Hypotheses 2 – 2a, demonstrated that SCALERS accounted for the largest share of variance explained among the organizational capabilities measures. When entered together, SCALERS provided unique prediction above Structure and System. Given the significance of SCALERS and because it represented a global average of seven organizational capabilities, I re-ran analyses to see which component of SCALERS explained the most variance among the outcome variables starting with perceptions of Scaling Social Impact. As had been done for Hypothesis 2, I re-ran a three-step hierarchical analysis, this time with all components of SCALERS entered separately to see which specific capability would explain additional variance above and beyond Structure and System. When examining the beta coefficient of each SCALERS capability, Lobbying was the only component that had a significant beta suggesting that it provided *unique* prediction controlling for the other organizational capabilities ($B = .27, p < .003$) (see Table 19). This suggested that while other organizational capabilities may overlap with each other, Lobbying provided unique explanation for Scaling Social Impact. Moreover, since the beta coefficient for both Structure ($B = .12, ns$) and System ($B = .16, ns$) fell to be non-significant, it was possible that Lobbying mediated their effects.

I also re-ran a three-step hierarchical analysis for perceptions of Financial Stability. When examining the beta coefficient of each SCALERS, Earnings generation was the only component that had a significant beta suggesting that it provided unique prediction controlling for the other organizational capabilities ($B = .79, p < .001$) (see Table 20).

Finally, I ran a three-step hierarchical analysis for perception of Financial Performance. SCALERS entered as separate components explained more variance above and beyond Structure and System ($\Delta R^2 = .23$, $F = 3.57$, $p < .002$). When examining the beta coefficient of each SCALERS, Replication ($B = 2.19$, $p < .001$) and Stimulating market forces ($B = 1.70$, $p < .02$) were the only two capabilities that had a significant beta suggesting that they provided unique prediction controlling for other organizational capabilities (see Table 21). This suggested that Replication and Stimulating market forces provided unique prediction for perception of Financial Performance.

Additional Exploratory Analyses

I conducted further mediation analysis to see if Lobbying, Earnings generation, Replication and Stimulating market forces (see Table 19 – 21) mediated the effects of System and Structures on perceptions of Scaling Social Impact and Financial Stability (or Financial Performance).

The analysis conducted and represented in Table 19 suggested that Lobbying may *mediate* the effects of Structure and System in predicting perceptions of Scaling Social Impact. To test this, I first regressed the organizational capability of Lobbying onto System and Structure. System, entered alone, had a significant beta coefficient ($B = .63$, $p < .001$) (see Table 22); Structure, entered alone, also provided significant prediction ($B = .53$, $p < .001$). Thus Structure and System, entered separately, significantly predicted Lobbying (see Tables 22 – 23).

Next, I regressed perceptions of Scaling Social Impact onto Lobbying, controlling for leader education and legal status ($R^2 = .18$, $F = 8.55$, $p < .001$). Lobbying ($B = .37$, $p < .001$) added significant prediction ($\Delta R^2 = .22$, $\Delta F = 28.84$, $p < .001$) for perception of Scaling Social Impact (see Table 24).

Then, I regressed perceptions of Scaling Social Impact onto System and Structure , controlling for leader education and legal status. Entering System ($B = .33, p < .03$) and Structure ($B = .22, p < .05$) together provided significant prediction ($\Delta R^2 = .19, \Delta F = 11.53, p < .001$) (see Table 25).

Finally, I ran a three-step hierarchical regression analysis to test this new exploratory mediated relationship. In step one, I entered leader education and legal status; in step two, I entered System and Structure; in step three, I entered Lobbying. In step two, the beta coefficient for Structure ($B = .22, p < .05$) and System ($B = .33, p < .03$) were significant. Once Lobbying ($B = .27, p < .001$) was entered in step three, the beta coefficient for Structure ($B = .10, ns$) and System ($B = .25, ns$) dropped and became non-significant suggesting that Lobbying *fully mediated* the effects of Structure and System. (see Table 26) *This alternative analysis suggested that the organizational capability of Lobbying fully mediated the relationship between Structure and System on perceptions of Scaling Social Impact.*

The same set of analyses was run to assess Earnings generation as a mediator for Financial Stability (see Table 27 – 31). *Analyses suggested that Earnings generation fully mediated the relationship between Structure and System, entered separately, on perceptions of Financial Stability.*

Finally, I ran the same analysis to see if Replication and Stimulating market forces mediated the relationship between System and Structure on perceptions of Financial Performance. However, when regressing onto Financial Performance, Structure had a non-significant beta coefficient ($B = 1.11, ns$), therefore only System was retained for the sequence of analyses to check for mediation. *Analysis suggested that Replication and Stimulating market*

forces fully mediated the relationship between System on perceptions of Financial Performance (see Table 32 – 38).

Conclusion from Additional Analyses

Exploratory analyses indicated that there was a distinction between organizational structure and systems and externally facing organizational capabilities. While Structure and System had been found to be predictive of perceptions of Scaling Social Impact, Financial Stability and Performance, their influence is possibly mediated by organizational capabilities such as Lobbying, Earnings generation, Replication and Stimulating market forces. This suggests that internal capabilities may have an impact on an individual's perceptions of Scaling Social Impact via external organizational capabilities.

The original theoretical mediation model was not supported suggesting that although piece meal relationships had been found (see Figure 8 and Figure 9), leadership behaviors did not meaningfully influence organizational outcomes.

The quantitative results suggested some additional questions to examine:

1. Why doesn't leadership complexity influence the rest of the model?
2. What were the distinction and/or link between internal and external organizational capabilities?
3. If not through behavioral complexity, how *did* leaders influence an organization's social and financial goals?
4. How did leaders influence organizational capabilities?
5. What was the perceived relationship between social and financial goals?

Qualitative Analysis

One of the main benefits of having a sequential explanatory mixed-method strategy is the use of qualitative results to assist in explaining and interpreting findings of a primarily quantitative study (Creswell, 2003). The interview questions were broad enough to allow respondents to develop their own frame of reference as well as shed light on the central constructs in the proposed theoretical model; the questions were designed to assess leadership, organizational capabilities, social and financial goals (without priming participants with those exact words). Second, the purpose of the study was to investigate whether leader's behavioral complexity (Quinn et al., 1992; Cameron et al., 2006) helped guide organizations to meet seemingly contradictory social and financial goals (Eikenberry, 2009; Sanders, 2012). Therefore, I looked for phrases that would suggest the existence of tension and paradox (Smith & Lewis, 2011; Cheal, 2009). The next section describes the process and results of the qualitative interviews, including how I analyzed interview data into thematic clusters (Table 3).

All interviewees agreed to be recorded and appeared comfortable speaking candidly. Each interview was transcribed and sent back to the participant to check for accuracy; this enhanced the validity of the data through member checking (Creswell, 2003). Before I read through the transcripts, I made self-as-instrument notes to capture an overall reaction to the interview (e.g., How engaged was the person? How credible was the person?).

Self-as-instrument is one of the cornerstones of organizational development (OD) practice that refers to taking an instrumentality approach to use of 'self' in conducting interventions (Cheng-Judge, 2001; Burke, 1982) as well as a diagnostic instrument in research (McCormick & White, 2000). This involves paying attention to emotional responses as a source of data from which one can develop specific hypotheses about a situation (e.g., common reaction to organizational members; feelings of surprise); paying attention to initial perceptions of the

organization; understanding one's own common prejudices to reduce bias in diagnosis; postponing judgment to avoid premature conclusions; and finally paying attention to fantasies/images that occur while gathering information (McCormick & White, 2000). In the context of the qualitative interviews, I noted my initial emotional reactions as well as perceptions at the end of each interview to help inform my interpretation of the participant as a member of an organizational system. For example, I picked up subtle cues and feelings over the course of an interview as additional data to interpret what was said (e.g., what the interview subject really saw as a strength or weakness of their organization). More importantly, self-as-instrument helped me make sense out of the information I was receiving and the extent to which the data would support the quantitative findings.

I read through each interview to get a general sense of the information. Themes were written next to appropriate segment of the texts (Creswell, 2003). Themes were defined as statements about beliefs, attitudes, values or sentiments (Strauss & Corbin, 1998; Miles & Huberman, 1994). In addition, I attempted to find themes that yielded codes that would 'address topics that readers would expect to find...codes that address a larger theoretical perspective' (Creswell, 2003, p. 193). This would include repetition of specific words, phrases, opinions, general thought patterns and topics that dominated the discussion. I clustered overlapping topics *within* each interview such that topics were distilled to a unique list of topics, with no redundancy. Then, topics were aggregated *across* interviews and ranked by frequency of mention to arrive at a final list of themes. The top nine common themes across interviews included: i) Leaders having a feel for the organization-as-a-whole; ii) Leadership judgment in holding paradox; desire for finding the 'right' balance; integrating multiple roles / perspectives; iii) External organizational capabilities; iv) Internal organizational capabilities; v) Governance and

the role of the board in the organization's success; vi) Belief in the natural tension between social and financial goals, yet believing money and mission are compatible; vii) Leadership quadrant roles: Collaborative vs. Competing; Create vs. Control (to a lesser extent); viii) Factors that satisfy financial requirements; and ix) Leaders having difficulty delegating the work (see Table 3 for a summary of qualitative interview themes).

The first theme, leaders having a feel for the organization-as-a-whole, indicated a broader mindset where leaders looked beyond their own department to account for the larger organizational system. For some this meant putting on an institutional, as opposed to, departmental hat; said one leader, 'its hard for me not to think institutionally. I think I'm wired that way, its really hard for me just to think about my department' (participant #D713, personal communication, November 24, 2013). The second theme indicates leaders wrestling with tension and attempting to hold paradox as they strive for balance in integrating multiple roles and perspectives. One leader discussed the tension of having clear boundaries around her role versus being a team player and doing tasks outside her role, 'I think it's trying to be really clear on what my role is...but it can be frustrating, because you don't want to be perceived as not a team player' (participant #2509, personal communication, November 16, 2013). Other leaders spoke of balancing being task- versus relational- in their leadership approach; said one person, 'as a leader, my own ability to delicately balance somebody's emotional needs versus my need for them to be productive' (participant #1228, personal communication, November 9, 2013).

The third theme centered on external capabilities. Capabilities were coded as external to the extent that they aligned with activity external to the organization (e.g., building alliances and partnership outside the organization). One leader said, 'we put a lot of emphasis on working with and through partners...it's more costly than direct implementation, it's more time but I think it

has much greater impact and it's more sustainable and I think we do it really well' (participant #D713, personal communication, November 24, 2013). The fourth theme focuses on internal capabilities with activity happening intra-organizationally. One leader described putting in internal systems to turn around a failing organizational unit, 'I had to hire all the staff and put the infrastructure in, put all the systems in place, work out rent collection situations with funders' (Associate V.P., participant #2271, personal communication, November 7, 2013).

The fifth theme looked at governance and the role of the board in the organization's success. One program manager at a granting foundation describe how boards could interfere with the work, 'Typically in family foundations and big corporate foundations, boards do interfere within the grant making process rather than focusing on the health of the organization' (Program Director, participant #5533, personal communication, November 13, 2013). The sixth theme refers to the natural tension between social and financial goals and how many leaders saw them as compatible. One leader linked the tension to unrestricted funding, 'I think this is a tension that nonprofits face a lot; you need the money in order to be able to do good work, you want to define your area of doing good work, but you don't always get the percentage of unrestricted funding that we've had.' (Legal Director, participant #mksm, personal communication, November 12, 2013). The seventh theme tapped into leaders displaying behaviors consistent with various quadrant roles of the competing values framework; with more displaying of collaborative versus competing (tough love) as opposed to create versus control (practical vision).

The eighth theme highlighted factors around financial requirements. One leader highlighted the role of having cash reserves, 'to this point, it's been our reserve that's really helped us meet our budget' (Director of External Affairs, participant #2509, personal communication, November 16, 2013). Finally, the ninth theme highlighted the difficulty of

leaders having to delegate the work, particularly giving up control; said one leader, ‘I think that’s a challenge for leaders because it’s a natural function of a nonprofit to wear multiple hats. And it’s not natural for a leader to get to the top and say ‘ok, I’m not going to do that anymore’.’ (Director of Development, participant #1228, personal communication, November 9, 2013).

This chapter presented the process by which quantitative and qualitative results were analyzed. In the next chapter, I integrate quantitative and qualitative results before discussing the implications of those results for theory, research and practice.

CHAPTER V: DISCUSSION

Do leaders with high leadership behavioral complexity influence their organization's ability to pursue, often contradictory, social and financial goals in nonprofit organizations? If so, to what extent does organizational capabilities mediate a leader's influence on their organization's social and financial performance goals? These were the primary research questions I attempted to answer by proposing and testing a mediated model of leadership behavioral complexity on perceptions of social and financial goals. Specifically, I examined whether a leader's level of self-report behavioral complexity influenced their perceptions of the organization's capabilities around systems, structure, staffing, communication, alliance-building, lobbying, earning-generation, replication of programs, and stimulation of market forces (i.e., SCALERS; Bloom & Smith, 2010); I argued that leaders with greater behavioral complexity would have a wider portfolio of behaviors to guide the development of organizational capabilities which would lead them to perceive their organizations as possessing those capabilities. Further, I examined the extent to which those organizational capabilities would influence perceptions of the organization's scaling of social impact and its ability to maintain financial stability. I reasoned that when leaders perceive their organization as having the necessary capabilities, they would be more likely to perceive their organization as effectively meeting its social and financial goals, specifically goals around scaling social impact and meeting financial stability. While support was not found for the proposed mediated model, important findings did emerge to substantiate relationships between the mediator and outcome variables. Moreover, post-hoc analyses revealed a more nuanced mediated relationship that had not been previously anticipated. Finally, the data shed new light on previously held assumptions about the relationship between social and financial goals in modern nonprofit organizations.

After providing a summary of the results, the findings are reviewed in relation to extant literature. Study limitations are discussed and implications for theory, research, and practice are provided.

Findings Summary

I was unable to establish a relationship between leadership behavioral complexity and the rest of the theoretical model including mediators (with the exception of structure) and outcome variables. There was no support for the proposed mediation model where organizational capabilities mediated the relationship between leadership behavioral complexity and perceptions of scaling social impact and financial stability. Nevertheless, I found a strong positive relationship between the mediating variables (i.e., SCALERS, structure and system) and the outcome variables (i.e., perceptions of scaling social impact and financial stability) (see Figure 9). This confirmed past studies on the SCALERS model (Bloom & Smith, 2010; Bacq et al., 2011) while also empirically establishing a link between internal capabilities – system and structure – and the outcome variables. Moreover, in post-hoc exploratory analyses, a subtler mediated relationship was found in which lobbying, earnings generation, replication and stimulating market forces (i.e., SCALERS) mediated the effect of structure and system on the outcome variables. The following section discusses these findings in the context of each hypothesis.

Hypothesis 1

Hypothesis 1: Individuals higher in leader behavioral complexity (tough love & practical vision) will perceive their organizations as having greater organizational capabilities.

Quantitative and Qualitative Discussion

To test the first hypothesis, I examined two constructs of leader behavioral complexity, Practical Vision and Tough Love, (Lawrence et al., 2009; Quinn et al., 1992) and their influence on three measures of organizational capabilities: Structure and System from the Burke-Litwin framework (Burke & Litwin, 1992) and a composite measure of organizational capabilities as conceptualized in the SCALERS framework (Bloom & Smith, 2010; Bacq et al., 2011). While past social entrepreneurship research had examined the impact of governance on SCALERS (Bacq et al., 2011), the effect of leadership on SCALERS had yet to be examined. Therefore this hypothesis attempted to extend the research on scaling social impact by looking at leadership antecedents to SCALERS beyond governance.

Tough Love and Practical Vision were calculated using Bobko and Schwartz's (1984) formula of interpenetration (i.e., Tough Love – derived from Compete and Collaborate quadrants; Practical Vision – derived from Create and Control quadrants) (Cameron et al., 2006; Quinn, 1988; Quinn et al., 1992). While past research had employed the Competing Values Leadership framework (Quinn et al., 1992; Denison et al., 1995, Hooijberg, 1996; Hooijberg et al., 1997), few studies have actually calculated interpenetration scores (Bobko & Schwartz, 1984; Quinn et al., 1992) to fully test the influence of behavioral complexity on an outcome variable. Thus, this study also represented methodological verification of the Competing Values Leadership framework.

Only Practical Vision was found to significantly predict Structure. Controlling for the age of organization and estimated annual revenue, Practical Vision significantly explained an additional 6% of the variance in Structure (see Table 9). Practical Vision is a combination of broker and innovator roles (i.e., Create) that promote internal vision, as well as monitoring and coordinating roles (i.e., Control) that represent practical implementation. Organizational

structure represents the arrangement of people's level of responsibility, decision-making authority, communication and relationships to ensure the social mission gets implemented (Burke & Litwin, 1992). The positive relationship found in this study supported the idea that leaders must practically translate the vision internally for effective implementation by coordinating and monitoring people's responsibility, communication and relationships to realize the vision. This supported Ulrich and Lake's (1991) proposition that leaders need to translate external need into an internal vision to drive employee action.

Although, there was statistical significance, a lot of unexplained variance for Structure remained. Thus, the quantitative data suggested there was, at best, a tenuous relationship between an individual's self-reported leadership behavioral complexity and perceptions of organizational capabilities.

What could account for such a tenuous relationship between leadership behavioral complexity and perceptions of organizational capabilities? First, self-reported behavioral complexity could have been biased due to social desirability (Thomas & Kilmann, 1975; Ganster, Hennessey & Luthans, 1983). Ganster et al., (1983) found that social desirability could function either as a suppressor variable or as a moderator. Either of these could have restricted the range of leadership scores thus masking any possible relationship between leadership behavioral complexity and organizational capabilities. Therefore, it is possible that people responded as they 'would like to be' as suggested by an interview participant:

"I'm wondering if I should take your online assessment again because in retrospect, I think I answered some of the questions in a way that I would like to be perceived instead of purely as I am operating currently. Would it be possible to do this?"(participant #0214, Founder & CEO of consulting firm for charter schools, personal communication, December 19, 2013).

Another explanation lies in the distinction between leadership and management. Burke and Litwin (1992) highlighted this distinction in their discussion of transformational versus transactional forces in organizational change (for the leadership distinction see also Bennis & Nanus, 1985; Burke, 1986; Zaleznik, 1977; for management practices see also Boyatzis, 1982; Burke & Coruzzi, 1987). Leadership was described as ‘executives providing overall organizational direction’ (Burke & Litwin, 1992, p. 532) and ‘more external – dealing with government and suppliers’ (Burke, 1986), while management practices, being more micro in scope, were ‘a particular cluster of specific behaviors’ (p. 532). Leadership appears to have a broader scope, relating to the organization ‘as a whole’ (Burke, 1986).

When examining item content from the Competing Values Leadership scales through the lens of the leadership versus management distinction, the items appeared to reflect role behaviors, which were closer to management practices (i.e., sample Control items: ‘carefully reviews detailed reports’, ‘closely managing projects’) than to leadership from an organization-as-a-whole perspective.

When leaders have an awareness and appreciation of the organization-as-a-whole, they look beyond the interests and agendas of their own department (“*whether you’re pro or con whatever we’re discussing, it has to be translated in the best interest of the agency*” (Associate V.P., participant #2271, personal communication, November 7, 2013) to considering the implications of their actions within a broader organizational context. An appreciation for the organization-as-a-whole means having a strategic vision (“*there’s a role around strategic vision and creating a cohesive vision, both within our department and within the wider organization*”, V.P. of External Relations, participant #D713, personal communication, November 24, 2013); a sense of the organization’s core mission and the ability to translate it internally (“*I need to be*

able to take the mission, not just the agency, but whatever we're working on at a senior / executive level and translate that back down to my staff and their staff and their staff", Associate V.P., participant #2271, personal communication, November 7, 2013); and an understanding the organization's strengths (and weaknesses) ("our areas of strengths are campaign building and we need long term projects that involve community organizing; that involve media outreach, that involve impact litigation, but aren't limited to it; and often times, government funding is primarily available for a person-by-person individual civil legal services and that's important work, but it's not where we've traditionally excelled at and it's not what the people who came here to do", Legal Director, participant #mksm, personal communication, November 12, 2013).

In summary, leadership from an organization-as-a-whole perspective may not have been adequately captured in the more behaviorally oriented Competing Values Framework items thus contributing to a tenuous relationship between leadership behavioral complexity and the rest of the model.

While quantitative data may not have provided convincing evidence of the relationship, qualitative data provided examples of how leadership might influence organizational capabilities. Leaders determine the organization's capability around securing financial resources ("*one of our major criteria for providing judgment of whether to provide a grant is on leadership of the organization...we're very focused on the senior team...unless you get the finances right within that senior leadership, then the organization will fail to achieve its social mission.*", Program Director, participant #5533, personal communication, November 13, 2013). Leaders set up necessary systems ("*So it was really about putting systems in place and leading them, putting accountability in place.*", Associate V.P., participant #2271, personal communication, November 7, 2013).

Leaders are responsible for the organization's capability for internal communication (“*I said, ‘let’s not leave this room for a week and let’s figure out a plan of how we’re going to inform our employees about this in a way that they can ask questions and feel heard’...you have to build buy-in to get people onboard with the plan, unroll them so they felt included.*”, Associate V.P., participant #2271, personal communication, November 7, 2013) as well as external communication to build trust and legitimacy (“*When I’m talking to an individual donor, I try to make sure that they understand that what happens in these judicial elections...their personal rights are at risk...when I talk to a general council of corporations...I appeal to their corporate side and I try to impress upon them how important it is for the bottom line of a corporation to have fair and impartial courts.*”, Director of Development, participant #1228, personal communication, November 9, 2013). Leaders also set up internal structures and systems (“*At the time there were only two employees. I had to hire all the staff and put the infrastructure in, put all the systems in place, work out rent collection situations with funders.*”, Associate V.P., participant #2271, personal communication, November 7, 2013).

Leaders sets up structure to support capabilities around staffing (“*I already had a good sense of what I wanted to do in terms of restructuring and hiring and some firing, but chose to do it over a two year period, so I kind of did it in phases and it involved some staff transitions and some departmental restructuring and we finished that last year. I created a role that related more directly to me, as a senior project manager and be cross functional across all these different departments and manage projects that were cross-unit and cross-departmental.*”, V.P. of External Relations, participant #D713, personal communication, November 24, 2013).

Finally, leaders position the organization to scale (“*I’m most proud that we figured out how to take a really good idea that was not a viable business model, and make it, at the moment,*

a viable business model. And now to energize our organization towards improving what we do to make it less expensive, so that we can actually scale it.”, Founder of L3C, participant #7357, personal communication, December 18, 2013)

Although the qualitative data made a case for how leadership might have played a role in building organizational capabilities, it was not able to substantiate the *relationship* between leadership behavioral complexity and organizational capabilities. Thus, the current study can only claim partial support for the hypothesis that leadership behavioral complexity would influence organizational capabilities.

Hypothesis 2 – 2a

Hypothesis 2 – 2a: Individual perceptions of organizational capabilities will be positively associated with individual perceptions of scaling social impact and financial stability.

Quantitative and Qualitative Discussion

Despite the tenuous relationship between leadership behavioral complexity and organizational capabilities, it was important to consider if organizational capabilities predicted outcome variables, including perceptions of scaling social impact and financial stability.

All measures of organizational capabilities including SCALERS, system and structure significantly predicted perceptions of scaling social impact. As a group, organizational capabilities predicted 24% of the variance in perceptions of scaling social impact (see Table 11). Past research has found a positive relationship between SCALERS and perceptions of scaling social impact (Bloom & Smith, 2008, 2010; Bacq et al., 2011), but had not tested for other organizational factors such as System and Structure. The current research complemented the framework developed by Bloom and Smith (2008; 2010) by connecting internally focused

organizational capabilities to scaling of social impact. In fact, structure and systems predicted 19% of the variance in perceptions of scaling social impact (see Table 12).

In addition, all measures of organizational capabilities predicted perceptions of financial stability. As a group, organizational capabilities predicted 14% of the variance in perceptions of financial stability, once controlling for number of offices, leader education and estimated annual revenue (see Table 13 and Table 14).

The quantitative data suggest that organizational capabilities, as a group, significantly predicted variance in both perceptions of scaling social impact and financial stability. In addition, hierarchical regression suggested that SCALERS added significant prediction, even when controlling for structure and system. In fact, once SCALERS was entered on the same step as structure and system, their collective betas became non-significant.

Qualitative data also highlighted the importance of both internal and external organizational capabilities. While qualitative data were limited in its ability to verify direction and strength of relationships, it elaborated the diversity of organizational capabilities necessary for the organization to achieve its impact.

Various internal organizational capabilities are needed for organizational performance such as internal information management systems (“*The number one strength of this agency is that we are very data-driven. We collect data for everything, the work, the line manager, we know whether they’ve done their paperwork, whether they’ve met their deliverables, we know everything about this person.*”, Associate V.P., participant #2271, personal communication, November 7, 2013); quality systems (“*We do monthly CQI (Continuous Quality Improvement) for each program which is more of a programmatic approach*”, Associate V.P., participant #2271, personal communication, November 7, 2013); internal data management system (“*We’re*

sitting on a ton of information financially for around a 100 clients in a 100 different places; it's a 100 different setup of Quickbook files and 100 different ADP Payroll, you know, lots of spreadsheets, lots of word documents – it's data management...just mining the data and see if the data's telling us something...say our clients are 50% better off than schools that don't use us.”, Founder/CEO, participant #0214, personal communication, December 19, 2013); infrastructural elements (“There's some infrastructural stuff, our website and our media stuff in general is like circa 1989. We haven't done annual evaluations for years, there's just some kind of being business-like stuff that we need to get up and running There's some kind of effectiveness organizational practices stuff that we need to improve for sure.”, Legal Director, participant #mksm, personal communication, November 12, 2013); internal systems for standardization (“I have to do it with policies and procedures; there has to be an ability to have standardization in places where standardization is possible...I opened up the conversation to should we even have policies and procedures, what value does it have...the organization itself listed 25 areas where we needed policies and procedures.”, Founder/CEO, participant #7357, personal communication, December 18, 2013);

On the other hand, there were also *external* organizational capabilities that came up in interviews such as the organization's ability to lobby external partners: (“We've developed a lot of authority with community leadership and organizations and with elected officials. We have a good media team we've contracted with, they're not internal. We have a great lobbying team. We have some experienced litigators.”, Legal Director, participant #mksm, personal communication, November 12, 2013); develop partnerships (“I think as a whole, our organization is very good at working in concert to bring an issue to the forefront, you know, an international dialogue as opposed to wallowing in a very small pool of people...because our focus is national, we've got

to be able to work with state-based partners and state-based players.”, Director of Development, participant #1228, personal communication, November 9, 2013); communicate externally (“I think that JS has not been able to do that very well, we’re starting to do it, like changing the language we use in making sure that we’re not talking about brick and mortar courtrooms, but that we’re talking about people’s lives and people’s constitutional rights.”, Director of Development, participant #1228, personal communication, November 9, 2013); develop more resources (“We continue to have some challenges around resource development, resource mobilization and fundraising from top tier donors.”, V.P. of External Relations participant #D713, personal communication, November 24, 2013); execute branding and external communication (“We’re getting much better at it, but it’s a growth area in terms of media relations and our outreach efforts and how we’re viewed publicly.”, V.P. of External Relations participant #D713, personal communication, November 24, 2013); build alliances (“We put a lot of emphasis on working with and through partners, so we can program a 50 million dollar budget with only a 166 person staff, so we work with a cooperative, and the partner changes so it could be a farmer’s association in West Africa or it could be a smaller nonprofit in Latin America.”, V.P. of External Relations participant #D713, personal communication, November 24, 2013); stimulate external markets: “We have some real interesting intellectual property that we’re trying to figure out if we can actually create a market for it and start “selling it” as opposed to just incorporating it into our grant-based programs.”, Chief Financial Officer, participant #DC29, personal communication, November 15, 2013); staff important positions with the right people (“Our recruiting efforts, I think could be streamlined better. It takes a long time to find someone who both has the skillset and can fit into our culture. There’s just a lot of

inefficiencies around finding people.”, Founder/CEO, participant #0124, personal communication, December 19, 2013).

While quantitative data suggested that organizational capabilities explained less variance in perceptions of financial stability (than scaling social impact), the qualitative data revealed several different factors that contribute to perceived financial stability including: internal structure and systems for managing finances (“*There’s challenges with finances in every organization, but it’s more about the structure and the ability to have better systems in place to manage that. We brought finances in-house a few years ago. It was external for a long time from the beginning.*” (Associate V.P., participant #2271, personal communication, November 7, 2013); having access to unrestricted and diverse sources of funding (“*We’ve got to get varied sources of funding. I think that’s what it takes, that said, as much unrestricted funding as possible.*”, Legal Director participant #mksm, personal communication, November 12, 2013); charging fees for services (“*What we believe is a really high quality product that was put together, and we believe in the quality of the product and therefore we need to charge for it. Yeah, I think there’s some resistance. I don’t know if it’s personality-based or if it’s just a natural conflict between a development organization and a program organization.*” (Director of Development, participant #1228, personal communication, November 9, 2013); having a large endowment (“*We’re fortunate enough that we have a nice reserve; we have a nice endowment that we can draw upon, so that’s what’s been helping us fill in that gap.*”, Director of External Affairs, participant #2509, personal communication, November 16, 2013); having donor trust (“*We are trusted by our donors. We’ve done donor research...interestingly, our donors trust us as an organization at an off-the-charts level.*” (V.P. International Programs, participant #9273, personal communication, December 1, 2013); having leaders prioritize finances (“*The leadership*

team that most effectively delivers that prioritizes the financial health of the organization up to at least equal, if not above, the social mission”, Program Director, participant #5533, personal communication, November 13, 2013); having leaders with a strong financial/business backgrounds (“*We have a board of directors with very smart people on it and when I say smart, they bring a business sense to our strategic planning...we have one of the CFO’s of American Express who has been on our board*”’, Program Director, participant #1229, personal communication, December 1, 2013) and separating emotions from financial decisions (“*our CEO said ‘we’ve got to take emotions out of the question’, we need to do the best decision that’s going to be the best for the agency’s financial health and yes, employees are going to be impacted, we recognize that, but we’re impacted too.*”’, participant #B13X, personal communication, November 24, 2013)

While quantitative data lent support to the importance of perceived organizational capabilities on scaling of social impact, qualitative data elaborated on the variety of capabilities needed for proper organizational functioning as well as financial stability. Thus, both Hypothesis 2 – 2a were supported.

Hypothesis 3 – 3a

Hypothesis 3 – 3a: The relationship between leader behavioral complexity and individual perception of scaling social impact and financial stability will be mediated by individual perceptions of organizational capabilities.

Quantitative and Qualitative Discussion

While organizational capabilities (i.e., SCALERS, System and Structure) were all found to influence perceptions of scaling social impact and financial stability, they did not mediate the relationship between leadership behavioral complexity and the outcome variables. No support for

the original hypothesized mediated relationship could be claimed. However, leadership education did emerge as an unexpected predictor of outcome variables (e.g., perception of Scaling Social Impact and Financial Stability). Qualitative data (see previous section) verified the existence of complex leadership behaviors and the presence of both internal and external organizational capabilities, however, it too, was not able to provide evidence for a mediated relationship.

In the process of testing hypotheses 2a – 2b, System and Structure became non-significant when entered with SCALERS (but are significant without SCALERS) suggesting that the variance explained by SCALERS may have overlapped with structure and system. In fact, SCALERS may have played a mediating role between internal organizational capabilities (i.e., structure and system) and outcome variables.

With SCALERS accounting for such a relatively large share of the variance in explaining outcome variables, I examined the individual organizational capabilities that make up the SCALERS model and found that certain capabilities explained more variance in outcome variables than others. While controlling for Structure and System, a three-step hierarchical regression revealed that Lobbying explained additional variance in perceptions of scaling social impact (Table 19); earnings generation explained additional variance for perceptions of financial stability (Table 20); and Replication and Stimulating market forces explained the most unique variance in perception of financial performance (Table 21).

This suggested that organizational capabilities such as lobbying, earnings generation, replication and stimulating market forces could mediate the influence of structure and systems on the outcome variables, scaling social impact, financial stability or financial performance.

Additional Exploratory Analyses

With the data pointing to a more subtle mediated relationship, I conducted additional post-hoc analyses to test the new model represented in Figure 10. This alternative conceptualization was proposed as a response to the pattern of data that emerged when testing Hypotheses 2 and 2a. It suggested that SCALERS mediated the influence of System and Structure. It is therefore imperative to understand which specific capabilities in SCALERS served as the mediator, as well as to acknowledge the speculative nature of discussions stemming from post-hoc analyses.

Results indicate that Lobbying fully mediated structure and system onto perceptions of scaling social impact (see Table 22 – 26). This suggested that the organizational capability to lobby government action, including: courts, administrative agencies, legislators and government leaders, to work in its favor (Bloom & Chatterji, 2009) uniquely predicted perceptions of scaling social impact. This is understandable particularly if a nonprofit derives a large portion of its funding from government grants and/or views its social impact as political advocacy. Past research had identified that scaling strategies adopted by nonprofit organizations tended to enlist the cooperation of government and/or scaling up via lobbying and advocacy (Edwards & Hulme, 1992; Roy, 2011). The data indicate that organizations, particularly nonprofit organizations in this sample, should strive to develop political capital, which is distinct from social capital.

Bloom and Chatterji (2009) argued that success in lobbying is a function of the organization's ability to present well-researched and credible information that their programs/services benefit the constituencies of specific legislators and regulators. Partnering with external lobbyists and public relations firms with political acumen and connections to influential policy makers at the local, state and federal levels could achieve this. The current data suggest that organizations should leverage internal structures to facilitate the development of

organizational capabilities of lobbying. The more sophisticated organizational structures have dedicated departments for government fundraising and policy advocacy. In their study of high impact nonprofits, Grant and Crutchfield (2007) found that all successful cases combined service with advocacy. Moreover, developing political capital is a non-market strategy that may warrant supporting systems for monitoring goals, human resources and budget allocation towards the goal of securing greater government resources and affecting policy at the national level. Sherman's (2005) investigation of 15 social entrepreneurs that successfully scaled found that those that were able to leverage valuable capabilities (i.e., lobbying in SCALERS) were successful at shaping structures and systems to move from transforming personal resources (e.g., specific individuals with ties to legislators) to organizational resources (e.g., department dedicated to government relationships).

Next, post-hoc analyses revealed that Earnings generation fully mediated the separate effects of System (Table 30) and Structure (Table 31) on perceptions of financial stability. This finding is intuitive as organizations that can reliably generate earnings are expected to have more diversity of income and cash reserve, which are features of financial stability.

Unlike with perceptions of scaling social impact, the effects of structure and system on financial stability overlapped considerably and therefore had to be tested separately to locate their effects. Not surprisingly organizational capabilities around earning generation fully mediated the effects of structure and system on financial stability. Bloom and Chatterji (2009) argue that in order to reliably generate earnings, social-purpose organizations need to adopt a 'systematic, business-like approach toward building revenue a high priority', something that many organizations have trouble adopting. This is crucial because generating a diverse stream of revenue requires a multitude of activities including strategic planning, market research,

prospecting, fund-raising, grant writing, selling and advertising (Bloom & Chatterji, 2009).

These are activities that are supported by proper internal structures and systems, as indicated by post-hoc analyses.

Finally, post-hoc analyses revealed that Replication and Stimulating market forces fully mediated the relationship between system (but not structure) and financial performance (see Tables 31 – 38) with Replication and Stimulating market forces explaining 20% of the variance in financial performance controlling for system. Two distinct measures of financial performance (financial stability vs. financial performance) were employed to anticipate a diverse sample (for-profit vs. nonprofit social enterprise). While a majority of respondents identified as nonprofit executives, there were some hybrids and for-profit social enterprises as well. Interestingly, the organizational capabilities that mediated the effects of systems differed between financial stability and financial performance. For the latter, Replication and Stimulating market forces served as primary mediators.

These findings reveal that while past research has argued for the importance of system and structures in scaling social impact (Alvord, Brown & Letts, 2004; Sezgi & Mair, 2010; La France et al., 2006; Light, 2004; Young, 1989; Oster, 1996; Grossman and Rangan, 2001), their impact is felt *through* the organization's ability to develop specific capabilities around lobbying, earnings generation, replication and stimulating market forces. This implies that professionalized, business-like management practices need to be in service of the creation and development of crucial political and financial resources for the organization to scale.

Limitations

While there was precedence for combining individual capabilities into one global measure of SCALERS (Bacq et al., 2011) it was necessary to separate SCALERS into individual

capabilities. With a relatively small sample size ($n = 83$), there might have been limited power to detect the effect between various capabilities and outcome variables. Moreover, analyses indicated potential overlap in explained variance between two or more predictor variables. To the extent that running separate analyses allows us to see the unique contribution of different predictors (e.g., structure vs. system) to the outcome variable, the risk of type one error increases. Future studies will want to recruit a larger sample to avoid such issues.

Although there are reasons perceptual measures were used in the current study, they are subject to bias as discussed with self-report ratings of leadership behavioral complexity. Objective measures are worth exploring to the extent that they can be agreed upon indicators. Ideally, future studies will look jointly at both perceptual and objective measures of organizational performance.

Another limitation is the self-report nature of leadership behavioral complexity measures. Other studies using this instrument employ subordinate and/or peer ratings (Denison et al., 1995; Lawrence et al., 2009), and future studies are encouraged to avoid self-report rating when evaluating leadership behaviors.

While I took every precaution to prevent common method variance, it is worth noting that a single respondent provided input for independent, mediator, and outcome variables. Future studies will want to have different respondents for the independent and dependent variables. For example, it may be worthwhile to collect ratings of leadership from one level of the organization, while having senior management rate perceptions of outcome variables.

Other limitations of the study result from a cross-sectional survey design for the quantitative portion. Relationships between organizational capabilities and outcome variables, in both the original theoretical model and subsequent follow-up analyses were all correlational in

nature and claims of causal relationships between variables cannot be made (Creswell, 2003; McGrath, 1982). Future studies will want to employ longitudinal time series data, perhaps after specific interventions (i.e., before and after strategic planning sessions). This is especially important in the context of studying dynamic phenomena such as paradox and contradiction (Smith & Lewis, 2011).

Although quantitative survey designs can potentially maximize generalizability, I had access to primarily nonprofit executives on the east coast of the U.S. Given the ongoing debate about how social enterprises get defined and the nuances in which various organizational forms respond to different financial measures (i.e., financial stability vs. financial performance), the results of this study cannot be generalized beyond nonprofit social enterprises, in spite of collecting data from a few organizations identifying as hybrids and for-profits. The implications for theory, research and practice are provided next.

Implications for Theory, Research and Practice

Theoretical Implications

To understand theoretical implications of post-hoc analyses, we must understand the contributions of Structure and System to social and financial outcomes and how ‘organizational capabilities’ *mediate* that relationship.

Several scholars have commented on the need for professionalization and/or being more ‘business-like’ (Dart, 2004). In their review of the literature pertaining to scaling, Weber et al., (2012) identified ‘management competence’ as one of eight key components in their scalability framework (p. 4). Management competence included: goal setting, monitoring, evaluating, reporting, and budgeting (Weber et al., 2012). Sherman (2005) also found in his investigation of social entrepreneurs that ‘the ability to institute professional management practices is a key

success factor for achieving growth' (p. 19). Sherman's (2005) organizing framework for investigating successful cases of scaling made a distinction between different phases of growth from startup to development to scale. From an organizational perspective, the startup phase include crucial decisions to establish legal forms and initial structures. Then, moving into development, core structures, processes, systems and cultures needed to be set up in order to facilitate the development of new programs, products and services (Sherman, 2005). However, more importantly, there needed to be a shift from individual performance to building 'distinctive organizational-wide competencies' (Sherman, 2005, p. 26). This shift is at the heart of understanding how organizational capabilities (i.e., lobbying, earnings generation, replication and stimulating market forces) mediate the relationship between structure/system and scaling social impact and financial stability.

LaFrance et al., (2006) argued for the importance of structures and systems in scaling. They argue that organizational structures and systems (e.g., IT, HR, facilities, technology infrastructure, communication and network technology) determine the relationship, communication, quality standards and level of control between central and local offices. Roob and Bradach (2009) echo the importance of internal capacities, suggesting that 'putting in place the strategy, systems and, above all else, the right people in the right jobs (structure)' as crucial for scaling programs.

The results of this study, particularly post-hoc analyses, suggest that simply having structures and systems may not automatically lead to successful scaling without a *process that is mediated* by the development of specific organization-wide competencies. Bloom and Smith (2010) conceptualized SCALERS based on the concept of organizational capabilities (Dosi et al., 2000) as well as dynamic capabilities (Teece et al., 1997). Dosi et al., (2000) posited that

organizational capabilities could be examined at the organizational level of analysis, yet recognized the role of individual decision makers in the creation and deployment of different forms of capital (i.e., political and financial capital). There is also the recognition that the organization's resources should match the needs of the external environment (Bloom & Smith, 2010; Teece et al., 1997).

Dosi et al., (2000) point out that organizational routines are one of the major building blocks of organizational capabilities because they serve to coordinate the collective skillset that exist in the organization. Thus, organizational capabilities are the product of coordinated activities. Moreover, Dosi et al., (2000) draw from three other related terms in their discussion of organizational capabilities: 'core competencies' (Prahalad & Hamel, 1990), 'dynamic capabilities' (Teece et al., 1997) and 'combinative capabilities' (Kogut & Zander, 1992). Core competencies are an organization's multiple competitive strengths that give its strategy a coherence that translates into superior products and technologies (Prahalad & Hamel, 1990). Dynamic capabilities refer to an organization's 'ability to integrate, build, and reconfigure internal and external competences' to match a changing environment (Teece et al., 1997, p. 516). Dosi et al., (2000) build on these two concepts by suggesting that organizational capabilities are a function of 'excellence in a small number of capabilities clusters where it can sustain a leadership position over time' (p. 6). In addition, Dosi et al., (2000) suggest that organizational capabilities are the result of coordinating internal functions (e.g., R&D, marketing, human resources) with external suppliers and alliance partners. Finally, Dosi et al., (2000) draw on 'combinative capabilities' to highlight: i) that organizations can create new capabilities by recombining existing capabilities and other knowledge and ii) that combinative capabilities are a

function of organizing principles that include formal structures and social relations shaped by individual and group knowledge bases in the firm.

Hence, organizational capabilities result from the coordination of individual skillsets into clusters of organizational strengths that make it unique compared to other organizations as well as inter- and intra-organizational coordination with alliance partners to address a changing external environment. Organizational capabilities can be produced with existing capabilities combined with new knowledge and shaped by formal structures and social relationships within the organization (Dose et al., 2000). This description provides clues for how to make sense of the post-hoc analyses in this study.

The data seem to suggest that in order to scale social impact, internal structures and systems are needed at a basic level of organizational functioning as well as to shift the organization from the startup phase to the development phase (Sherman, 2005). Furthermore, internal structures (i.e., division of people and functions) and systems (i.e., IT, HR, information systems) play a crucial role in coordinating the efforts of individuals across the organization with external partners to develop specific organizational strengths. The data suggest such strengths would be in the area of developing political capital by combining internal resources and knowledge base (i.e., political connections; understanding of diverse constituencies; know-who) with external partners (i.e., courts, administrative agencies, legislators and government leaders; Bloom & Smith, 2010). Thus, internal structures and systems help realize the organizational capability around lobbying to influence scaling of social impact.

The theoretical implication is that internal systems and structures by themselves do not necessarily lead to scaling of social impact, unless they are used to coordinate and orchestrate collective individual knowledge and skills into a distinctive organizational-level strengths around

developing and deploying political capital (i.e., lobbying). While I had originally grouped systems, structures, and organizational capabilities (i.e., SCALERS) together as mediators in the original model (see Figure 4), post-hoc analyses imply that structures and systems are not organizational capabilities per se. Rather they are the building blocks that support the development of organization capabilities. Their effect on scaling of social impact and financial stability are mediated by organizational capabilities for lobbying and earning. Hence, I will refer to structure and systems as organizational factors from this point forward.

It appears that being business-like and professionalized – having organized arrangement of levels of responsibility, decision-making authority, lines of communication and having proper systems around performance appraisal and rewards, goal setting, and budget allocation – will lead to scaling of social impact to the extent that it serves to build organization-wide capabilities around further attracting political capital. Likewise, having internal systems and structures do not necessarily lead to financial stability, unless they can cultivate distinctive organizational-level strengths around attracting financial capital (i.e., earnings generation).

The relationship between systems and organizational capabilities is clearer when examining the organization's ability to replicate. Systems are expected to have a direct influence on Replication because standardized procedures are central to an organization's ability to reduce complexity (and variation) by codifying core elements of its operational model (Weber et al., 2012) in order to scale out. Information and communication systems with clear standard operating procedure further allow organizations to coordinate between central and local program sites following replication of a core model.

Stimulating market forces refers to the effectiveness in which the organization can create markets for products and services it offers (e.g., micro-loans, inexpensive farming equipment,

carbon credit, etc.). Not surprisingly, this will have a direct influence on financial performance, particularly since indicators such as sales level, sales growth, and net profit measure financial performance in this study.

Another implication of post-hoc findings is that developing organizational capabilities (i.e., SCALERS) is an exercise in strategic decision-making. Social enterprises must consider their strategies for scaling given the multiple pathways to broadening social impact (Dees, Anderson & Wei-Skillern, 2002). Dees et al., (2002) provide a matrix for considering the appropriate strategy for scaling social innovation based on framing (i.e., what the social innovation is framed as) and mechanisms (i.e., how the social innovation is extended) (p. 2). Social impact can be framed in the form of a program: an integrated set of procedures and routines; an organization: a self-contained system for mobilizing people and resources; or as principles: guidelines and values about how to serve a social purpose (Dees et al., 2002). Social impact can be extended via dissemination or sharing of information; affiliation where a network is formed to address the social issue; or branching where remote sites are distributed (Dees et al., 2002). Furthermore, Grant and Crutchfield (2007) argue that social impact can also be extended through advocacy. Therefore, depending on the actual strategy for scaling, organizations need to consider how they will coordinate and develop specific organizational capabilities for scaling.

Distinctive organizational capabilities not only coordinate internal and external resources within and across organizational boundaries (e.g., with strategic alliance partners, joint ventures and other collaborative agreements), they also help the organization meet the needs of a rapidly changing environment (Teece et al., 1997). This is imperative for organizations that attempt to scale because such efforts require the organization to adapt and adjust their program (organization or principle) to unfamiliar contexts (Grant & Crutchfield, 2007). For some

organizations, scaling means deliberately seeking out ‘hostile institutional environments in order to pursue their social mission of initiating a systemic social change in them’ (Austin et al., 2006; Weber et al., 2012). It can be argued that the process of scaling social impact is a process of courting large-scale organizational change and, similar to any large-scale change process, it must be supported with the proper structures and system (Burke & Litwin, 1992). Organizational attempts to interact with their external ecosystems may open the organization to influence from the external environment (Emery & Trist, 1965; Sherman, 2005; Weber et al., 2012; Bloom & Smith, 2010); hence, attempts to scale social impact will consequently lead to the organization needing to adapt to a changing environment. In fact, Roy (2011) suggested that scaling-up may lead to conflict by changing the character of the organization from its original philosophy.

Thus, for the organization that attempts to influence the external environment (i.e., lobbies government action, stimulates personal interests for public goods, communicates theory of change to various stakeholders), internal organizational capabilities (i.e., Systems and Structure), properly set up, will help the organization meet its goals. An organization that successfully scales has the ‘internal and external competences to address rapidly changing environments’ (Teece et al., 1997, p. 516; Bloom & Smith, 2010). An organization that successfully changes is one that can appropriately respond to what is going on in the external environment (Burke & Litwin, 1992). Therefore an organization that successfully scales is one that successfully manages change. Post-hoc analyses of the current data set lent support for this assertion and future research may look to formally model scaling of social impact as a process of transformational organizational change.

Finally, an implication of this study is that capabilities at the organizational-level must be realized to develop and deploy human political, social, and financial resources to effectively

pursue *both* social *and* financial goals. Organizational capabilities must be created to create and enact multiple forms of capital. The organization that is able to develop multiple organizational capabilities (i.e., SCALERS) will be best positioned to scale their social impact while also maintaining financial stability. Therefore, organizational capabilities are the key to pursuing social and financial goals. Implications for social and financial tensions are discussed next.

Social and Financial Tension

An important revelation from the data suggested that contrary to popular beliefs (Seanor, Bull & Ridley, 2007), social and financial goals may not be viewed as contradictory as indicated in the literature. There was a significant positive correlation between perceptions of scaling social impact and financial stability ($r = .28, p < .01$). Most interview respondents were proponents of the view that social and financial goals are compatible.

A V.P. of External Relations saw money as a means to an end: *“Money is what helps us achieve our mission. So kind of means and [end] goals”* (participant #D713, personal communication, November 24, 2013). Another V.P. of International Programs echoed this sentiment suggesting that money is the *“fuel that powers the engine. You want people who can steer because their head’s on the mission and can help you solve the big mission question, and you want people who can row because they have resources and can mobilize resources – money – to help power the boat”* (participant #9273, personal communication, December 1, 2013).

Others saw a direct relationship, said one Founder/CEO: *“Money and mission are not diametrically opposed to each other. Money is a resource like any other resource...we have to figure out how to make this inherently sustainable because then otherwise, whatever it is I’m trying to do is at significant risk over things I don’t have control over, which is outside funding”* (participant #7357, personal communication, December 18, 2013).

There are several plausible explanations for this. First, it could be rationalized that financial resources were needed for investment in unique organizational capabilities to accomplish their mission, scaling impact in particular, while withstanding short term drops in revenue. Organizational capabilities, particularly those that promote scaling of social impact, require long-term strategic investments as well as substantial political and financial resources. An implication of this study is the distinction between ‘social impact’ versus ‘scaling’ social impact. It is likely that ‘scaling’ is a rather capital-intensive activity that has more in common with financial goals than explicit social goals. Second, it is possible that most respondents, being executive-level in their organizations, are required to integrate potentially conflicting organizational social and financial goals. The organizational learning literature has proposed that there are several ways of integrating seemingly contradictory organizational tasks such as exploration and exploitation (March, 1991). One option would be to have the top management team decide how those organizational learning goals, and subsequent resources invested in them, are integrated. Another option is to have the sole leader function as the ‘decider’ and decision maker (Smith & Tushman, 2005). Said one leader, “*While I’m trying to get consensus from them that we all come to agreement about what’s our prioritized order, I’ll break a tie if I have to.*” (participant #D713, personal communication, November 24, 2013).

It is therefore possible that top executives are simply carrying out their responsibilities, one of which is to help department and program managers integrate conflicting social and financial goals. A covert dynamics interpretation would suggest that leaders in executive positions suppress the conflict that then gets passed down subconsciously to middle-manager level department heads who carry the full weight of tension between social and financial goals (Marshak, 2006). Lewis (2000) suggested that paradoxical leaders can serve as guides for social

reflection, thus helping others examine, rather than suppress, their tensions. Such a leader may be crucial for holding open discussions between different department heads (e.g., head of fundraising vs. head of programmatic units) to develop new frames of reference between social and financial performance goals. This may explain inconsistent perceptions of social and financial goals throughout different levels of the organization. Thus on some level, the social financial tension is less apparent, but on the other hand, it is a natural occurrence as one leader suggested, “I think there’s some resistance. I don’t know if it’s personality-based or if it’s just a natural conflict between a development organization [fundraising] and a program organization [mission-oriented].” (Director of Development, participant #1228, personal communication, November 9, 2013).

Under what conditions are social and financial goals likely to be in most tension?

Given the general consensus among interview participants that social and financial must co-exist and that there was a moderate positive correlation between perceptions of scaling social impact and financial stability, it was worthwhile to ask under what conditions social and financial goals are most likely to be in tension? Despite the positive correlation, interview responses suggested that social-financial tensions do exist under certain circumstances.

According to interview respondents, the most tension between social and financial goals appeared under certain contexts including: 1.) a lack of diverse of funding sources, 2.) a prevalence of restricted funding, 3.) starting as a nonprofit and later incorporating a fee for service structure; in other words, nonprofits, attempting to be business-like (Dart, 2004), experienced greater tension than other legal organizational forms (i.e., L3C, B-corporation).

One Legal Director attributed social-financial tension to restricted funding: “*Keeping ourselves unique and strong and looking for new kinds of fundraising opportunities to attract*

resources to the organization – even if it’s outside our areas of strength, seeing if we can reach out a little bit – without letting the fundraising tail wag the dog of the program...the ‘tail’ being restricted funding” (participant #mksm, personal communication, November 12, 2013). She describes an incident where getting funding actually put the organization in a tough position: *“We ended up getting the money and we’re now struggling to figure out like what the hell are we going to do with this and how are we going to report back on this and how much work that we wouldn’t ordinarily otherwise want to do, are we going to end up having to do in order to justify accepting this money and that takes away from other activities that staff member XYZ could be doing”* (participant #mksm, personal communication, November 12, 2013).

Perhaps having unrestricted funding stems from active communication and building legitimacy with constituents. A V.P. of International Programs describes the high level of trust his organization has cultivated with donors, which then leads to greater unrestricted funding: *“We are trusted by our donors. Interestingly, our donors trust us as an organization at an off-the-charts level, and many of our donors don’t know exactly what we do. I think that’s a product of a lot of investment on our part with our donors and the fact that we are good stewards, if not exactly in the way that they think we are”* (participant #9273, personal communication, December 1, 2013)

Certain people would describe it as difficult for nonprofits to be more business-like, thus increasing the level of tension between social and financial goals. One Founder/CEO of a for-profit social enterprise talks about the barriers and challenges of nonprofits adopting business practices: *“I think businesses can be more like B-corps [rather than nonprofits being more like B-corps] because there’s so much inefficiencies in nonprofits”* (participant #0214, personal communication, December 19, 2013). This circles back to the issue of restricted funding in

nonprofits: *“you have these foundations, you have somebody else that’s paying for the services, that you’re giving a population that typically can’t afford it, and if the foundation are nice they’ll give you unrestricted money which is rarely the case, you’re always getting restricted money that says you have to use it in this certain way for this certain purpose, between this date and they’re dictating all the things and its very often different from what the nonprofit knows it needs to do”* (participant #0214, personal communication, December 19, 2013). He would even suggest a greater level of tension in nonprofits than B-corporations. In response to whether nonprofits experienced greater tension than B-corps he said: *“Absolutely, because we’ve seen with our charter schools being nonprofit organizations themselves. They get traditionally 75% of what public schools get, so you’re expected to do more with a more challenged population, with less money. Then you have to make yourself available to all these foundations that fill that gap”* (participant #0214, personal communication, December 19, 2013).

The perception is that nonprofits are more resistant to change, another Founder/CEO of an L3C had this to say: *“I think it’s a harder step for the non-profit to come towards the business side because the shift in the underlying assumptions to include margin and service delivery is a whole different mindset in thinking and I think the literature bares that out...the nonprofit with a for-profit arm is really a struggle”* (participant #7357, personal communication, December 18, 2013). The tension stemmed from certain stereotypes in the nonprofit world and the negative connotation towards money: *“I believe that people that are drawn to the nonprofit world see business, money – and this is a stereotype and I’ll own that – they see business as the evil empire and the whole transacting of services and dollars is a dangerous seduction and that’s a challenge; it’s easier to come the other way than it is to come from the nonprofit side”* (participant #7357, personal communication, December 18, 2013).

Hence, there was tentative support for the observation that ‘timing of conception’ matters (Smith et al., 2010), that organizations starting off as nonprofits then attempt to incorporate business-like revenue generating elements (i.e., fee for services, income generation) experience greater tension than those that had a dual social and financial focus from day one. Perhaps it is due to a perceived violation of psychological contract as suggested by the founder of an L3C: “*I think it’s easier to start the organization in the social entrepreneurial space as opposed to starting from another place, then trying to change, because then the psychological agreement of who you’re hiring aren’t being changed; they’re coming in at the same place*” (participant #7357, personal communication, December 18, 2013). This was echoed by a Director of External Affairs who recounted identity tension that came when program managers had to begin promoting fee for service programs to clients: “*I think a lot of the staff thought it was not a good thing and they’re the ones that have to sell it. They felt that it would add more work for them because they’re thinking ‘I’m a program person, now I’m a sales person’*” (participant #2509, personal communication, November 16, 2013).

Directions for Future Research

Despite the lack of support for the hypothesized mediation model, contributions of this research warrant further study. Assuming that leadership self-report is subject to social desirability bias, future measures of leadership behavioral complexity should be taken from subordinates, peers, and other leaders/managers (Denison et al., 1995; Hooijberg, 1996). Rating instructions may shift the focus away from the self and prevent the bias that comes with self-report (e.g., instead of ‘I would describe myself as being skilled in the following...’, change it to ‘I would describe the leadership as being skilled in the following...’).

On the other hand, it is possible leadership is too distal from organizational outcome variables and would continue to be indirectly linked under even ideal measurement circumstances. In this case, it might be less about leadership behavioral complexity allowing specific leaders to hold paradox and more about the extent to which the organization's culture can hold complexity. Such a culture would be high in more than one quadrant allowing it to meet several effectiveness criteria simultaneously (Cameron & Quinn, 2011). Future research might consider measuring organizational member's perceptions of the culture as an antecedent to organizational capabilities. This would shed light on the kind of organizational culture that promotes the development of unique capabilities, which then allows the organization to reach both social and financial goals.

Future studies will want to further explore scaling of social impact as organizational change. The current study employed two transactional factors – System and Structure – from Burke and Litwin's (1992) model; future research will want to explore the interface of whether transformational factors (i.e., leadership, mission and strategy, and culture) have an even more significant impact on SCALERS. While the current study tentatively suggests that management practices have a weak effect on the development of organizational capabilities, future studies will want to systematically test the different effects of leadership versus management practices on the organization's ability to develop specific capabilities. This may establish the link between leadership and organizational capabilities beyond the data evidenced in the current study. Of particular importance is to understand the role of organizational culture as a potential facilitator or hinderer of scale. A test of whether readiness for change in terms of culture may give nonprofit social enterprises a way to begin thinking about strategic decision making for scale.

However, it is important to remember that scaling may not be an appropriate goal for all organizations. This perspective was echoed by one interview participant, ‘I’m increasingly convinced that social impact is context dependent and scale, by its nature, is not context dependent’ (V.P. of International Programs, participant #9273, personal communication, December 1, 2013). Thus, future studies should directly assess if scaling is part of the organization’s strategy (i.e., Is scaling a part of your strategy?) and given the different types of scaling strategies (Dees et al., 2004), it would be worthwhile to inquire about specific strategies.

The original assumption was that social and financial goals were conflicting in social enterprises and had to be revised. It appears that tension varies depending on certain features of the context (i.e., restricted vs. unrestricted funding, diversity of funding sources, timing of conception legal status, level of organization). Hence future research aiming to understand organizational paradox may sample from contexts in which tension is expected to vary widely. Moreover, given the dynamic and potentially longitudinal nature of paradox, qualitative and time series studies may be more appropriate for studying paradoxical contexts (see Luscher & Lewis, 2008; Luscher, Lewis & Ingram, 2006; Jay, 2013 for studies specifically focused on paradox). Of particular interest may be contexts where nonprofits attempt to adopt commercial practices (i.e., fee-for-service, revenue-generation, for-profit spin-off, change in legal status; Smith et al., 2010; Dart, 2004). Several interview respondents argued that it would be more difficult to make the change from nonprofit to for-profit, rather than for-profit becoming more social. I suspect these dynamic contexts would be ripe for studying the paradoxical interplay of social and financial goals.

Researchers may also want to sample more broadly in future studies. The current study extended Bloom and Smith’s (2010) work on SCALERS to a primarily nonprofit social

enterprise sample, showing that ‘scale’ has relevance for a nonprofit social enterprise sample. However, given the difference in response between financial stability and financial performance, future studies may want to explore organizations with different legal statuses (i.e., more L3C and B-corporations) as well as hybrid forms of organization (e.g., nonprofit with for-profit arms). It will be interesting to see the differences in how different legal status influences perceptions of organizational capabilities, scaling social impact and financial stability. Although the current study sampled quite broadly (healthcare, education, poverty reduction, social justice etc.) future studies will want to continue to sample broadly because the dynamics of scaling social impact may be different across sector.

Bloom and Smith (2010; also Bloom & Chatterji, 2009) suggested that there is room to explore the interaction between the different components of SCALERS as well as moderating conditions that may affect the linkage to perceptions of scaling social impact. In the current study, lobbying emerged as the most important component of the SCALERS model. Future research testing the capabilities model on nonprofit social enterprises may examine the moderating effect of favorable (vs. unfavorable) public policies on lobbying capabilities on its relationship with scaling of social impact (Bloom & Chatterji, 2009).

Finally, leader education was significantly correlated with several important variables (see Table 4). Moreover, leadership education emerged as a unique predictor of organizational capabilities and the outcome variables. The Upper Echelons perspective had predicted that professional management education would have an effect on ‘administrative complexity and sophistication of firms’ including: thoroughness of planning systems, complexity of structures, coordination devices, and complexity of incentive-compensation schemes (Hambrick & Mason, 1984, p 201).

Leadership education emerged to be a significant and unique predictor of perceptions of organizational capabilities (e.g., SCALERS and System) echoing past researchers who found that education was positively associated with greater cognitive complexity, greater capacity for information processing, a higher tolerance for ambiguity, and capability in more complex contexts (Schroder, Driver & Steufert, 1967; Wally & Baum, 1994; Dollinger, 1984, 1985).

Because only level of education was included in the demographics, future studies may consider collecting data on type of education (e.g., MBA vs. MSW). Future studies will also want to collect additional individual leadership demographic data to appropriately partial out the potential confounding effects of other variables like leader tenure and organizational level (Finkelstein & Hambrick, 1990). A more detailed understanding of leader characteristics may help us understand the effects of leadership behaviors.

Implications for Practice

The importance of leader education implies that leadership development programs, particularly preparing middle managers for senior positions, should focus less on ‘clusters of behaviors’ and more on how leaders can help shore up important organizational capabilities. Past research has argued for the importance of conceptual skills – which included understanding the organization as a whole - particularly for executives in leadership positions (MacDonald & Arthur, 2005; Katz, 1974). This would entail developing leaders to strategically think about organizations as-a-whole including having a vision for the organization, having an institutional perspective, understanding organizational identity, culture, reputation, core mission, strategic vision and charting a course for the future. Specifically in the context of making strategic decisions to build organizational capabilities for scale, future leaders need to be able to galvanize individual performance into organization-wide competencies (Sherman, 2006). Moreover,

leaders need to coordinate and orchestrate internal and external resources in building up capabilities that are coherent with the organization's overall strategies. The results of this study lend support for this argument. Because these qualities are more difficult to train than behavioral-based competencies, leadership development program designers may have to work closely with specific organizations to understand the potential nuances of that particular organization for looking at the organizations-as-a-whole.

Second, funders need to start focusing on funding organizational capability building as much as actual programs. This has been argued previously by Clara Miller (2001) of the Nonprofit Finance Fund; however, more can be done to invest in organizational capabilities. While nonprofit enterprises need organizational capacities just to run their operations, specific capabilities are required for scaling social impact, while remaining financial stable. Moreover, the strategy to pursue scaling requires different capacities around structures and systems. These can no longer be viewed as overhead, but central to the mission impact of the organization. Specifically as this research shows, those capabilities explain 25% of the variance in perceived scaling of impact. For the current sample of nonprofits, investing in capabilities to build relationships between the organization and government is crucial for scaling impact.

Nonprofit organizations should invest in having dedicated staff to cultivate government relationships whether that results in grants, policy changes, or other forms of technical assistance. It may be worthwhile to structure the organization in a way that facilitates government relationship building, depending on whether that relationship is on a contractual basis or, in some cases, a full-fledge partnership (Schuman, 2002). The structural relationship should be explicit. Finally, nonprofits should develop systems to manage those governmental relationships.

On the other hand, past research has found that nonprofits are generally ambivalent about political advocacy; whether a nonprofit organization engages in political advocacy is dependent on organizational size, charitable status, and reliance on government funding among other factors (Child & Gronbjerg, 2007). For example, the 1976 lobbying tax law passed by Congress permits 501(c)(3) organizations to spend up to one million dollars on lobbying depending on the size of the organization (Tenenbaum, 2002). However, an organization is only considered lobbying with an expenditure of money, whereas lobbying by members or volunteers is not technically considered lobbying (Tenenbaum, 2002). Thus while the results of this study supports the building of organizational capabilities for lobbying, it uses a fairly loose and broad definition of lobbying and organizations are encouraged to seek legal counsel as to what is appropriate (Bloom & Chatterji, 2009).

This study supports the notion that funder attitudes in the nonprofit sector needs to change. Most funders are concerned that their donations and investment be channeled to social programs while minimizing ‘overhead’, but this study suggests that funders who want to see their impact be made at a larger scale may need to think critically about investing in organizational capabilities such as those exemplified by the SCALERS model.

Commercialization in the nonprofit sector has been a major trend over the last 10-15 years. More and more nonprofits are requesting professional services around business planning to complement their Theory of Change and strategic planning processes. As the literature is beginning to bear out, it may be worthwhile for nonprofits to consider an independent spin-off that explores other legal status (i.e., L3C or B-corporation) given the difficulty of culture change for nonprofits to be more business-like (Dart, 2004).

On the other hand, professional services to nonprofits may provide organizational audits around systems and structures and other internal organizational capabilities needed to scale social impact. In addition to the outside-in approach of starting with a Theory of Change, nonprofits may consider the inside-out approach of examining unique capabilities (i.e., a combination of internal structures, systems and resources) that exist internally when initiating a strategic planning process.

This study also suggests the practice of building up organizational capabilities for scaling can complement current strategic planning efforts. Currently, nonprofits start off with a Theory of Change and the senior management team works together to figure out strategic steps for realizing the ‘vision’. The current study provides a framework for senior management teams to think about the organization’s unique capabilities around lobbying, earning generation, replication, and stimulating market forces (Bloom & Smith, 2010). These considerations could complement current strategic planning sessions where senior management teams are encouraged to collectively come up with a list of strategic benchmarks to pursue.

Moreover, this study implies that strategic decision-making to scale social impact could productively be viewed as a transformational change process. In addition to monitoring and evaluating three to five year benchmarks, organizations may anticipate organizational changes brought forth by scaling. Perhaps professional services can offer organizational assessment audits to see if organizations are ‘ready for scale’.

Summary

This study sought to examine leadership and organizational antecedents to social and financial performance in social enterprises. Given greater societal pressure for organizations to be both socially and financially accountable, this study is important in that it examines individual

and organizational antecedents to meeting social and financial goals. This study sought to examine how complex leadership influences the development of organizational capabilities that would allow organizations to pursue both scaling social and financial goals.

While this study substantiated the presence of complex leadership behaviors, the pattern of qualitative and quantitative data did not provide sufficient support for the mediated relationships in the original hypothesized model. Leadership behavioral complexity did not have as much of an impact on organizational capabilities and outcome variables as originally anticipated. Explanations for the tenuous link between leadership behavioral complexity and the outcome variables were discussed including social desirability bias and item construct validity issues (i.e., difference between management vs. leadership).

However, organizational capabilities were found to significantly have an impact on both outcome variables accounting for approximately 25% of the variance in social impact scaling. Moreover, supplementary analyses evidenced a more nuanced mediated relationship emerged distinguishing internal organizational factors (structure and system) from external capabilities (i.e., lobbying, earnings generation, replication and stimulating market forces; SCALERS). These analyses demonstrated that there is also a distinction to be made between internal organizational systems and structure and external-facing organizational capabilities (particularly: lobbying, earnings generation, replication and stimulating market forces). This highlights the importance of organizational capabilities not only in driving the scaling of solutions to some of society's most pressing problems, but also as a primary mechanism for pursuing both social and financial goals.

Organizational capabilities are important for several reasons. First, they allow organizations to scale their social impact, while remaining financially stable. While scaling

social impact was positively correlated with financial stability, a case could be made that capabilities allow organizations to pursue what is often perceived as conflicting social and financial goals. For organizations that choose to pursue a replication strategy to scaling, organizational capabilities are also crucial. While heroic leaders are often celebrated by scholars (Bass, 1985; Manz & Sims, 1991) as well as practitioners in the social enterprise sector (i.e., Muhammad Yunus, Wendy Kopp), this study highlights contextual factors (i.e., system, structure, capabilities) that can be controlled and deliberately developed by the organization. Such a social-organizational perspective allows managers, consultants and practitioners to focus on factors within their control (e.g., setting up proper systems for coordinating individual's collective knowledge and skillsets) rather than factors beyond their control (i.e., the rapidly changing external environment or transcendent personalities of specific leaders).

This had theoretical implications for examining the process of scaling social impact as both a strategic decision as well as an organization change process. Finally, implications for practice and future research were provided.

Conclusion

In many ways, the results of this study echo the principles of social-organizational psychology, the department in which this dissertation was conceptualized and executed. The most compelling findings came in service of the environmental features within an organizational system, shifting the emphasis away from any one individual in authority toward factors that may not be as visible, but just as essential. The findings should empower practitioners, consultants, managers, and leaders to look beyond the influence of any one individual, as behaviorally complex and sophisticated as they may be, to setting up proper systems, structures and routines to ensure that the organization as a whole is positioned to succeed.

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(place all Figures)

Figure 1. Competing Values Framework

	Individual Flexibility		
Internal Maintenance	Cultural orientation: Clan culture Model of Effectiveness: Human Relations Leadership orientation: Collaborate (People) Leader Roles: Facilitator Role Mentor Role	Cultural orientation: Adhocracy culture Model of Effectiveness: Open Systems Leadership orientation: Create (Change) Leader Roles: Innovator Role Visionary Role	External Positioning
	Cultural orientation: Hierarchy culture Model of Effectiveness: Internal Processes Leadership orientation: Control (Stability) Leader Roles: Monitor Role Coordinator Role	Cultural orientation: Market culture Model of Effectiveness: Rational Goal Leadership orientation: Compete (Task) Leader Roles: Competitor Role Producer Role	
	Stability Control		

Source: (Quinn, 1988; Cameron et al., 2006)

Figure 2. Competing Values Model of Leadership – Positive & Negative Zones

	Individual Flexibility		
Internal Maintenance	<p>Collaborate (People) Effective Leaders are: People focused: Compassionate, concerned, spontaneous, expressive; Indulgent, Permissive, Undisciplined, Irresponsible; Authentic: Reflective, Mindful, Integrated, Principled; Stagnant, Inactive, Self-Righteous, Distant;</p>	<p>Create (Change) Effective Leaders are: Adaptable: Adaptive, Flexible, Open, Humble; Dependent, Weak, Uncertain, Insecure; Visionary: Constructive, Visionary, Optimistic, Hopeful; Unrealistic, Unquestioning, Ungrounded, Deluded;</p>	External Positioning
	<p>Control (Stability) Effective Leaders are: Practical: Factual, Realistic, Grounded, Questioning; Pessimistic, Destructive, Visionless, Hopeless; Stable: Strong, Confident, Secure, Independent; Arrogant, Closed, Rigid, Inflexible;</p>	<p>Compete (Task) Effective Leaders are: Task-focused: Bold, Assertive, Responsible, Self-Disciplined; Unresponsive, Guarded, Oppressive, Overbearing; Energetic: Active, Involved, Engaged, Energetic; Mindless, Unreflective, Compromised, Unprincipled;</p>	
	Stability Control		

Positive attributes for each leadership behavior are in green; negative attributes are in red (Quinn, 2004).

Figure 3. Comparison of different versions of the Competing Values Leadership instruments (Quinn et al., 1992; Quinn (1988) vs. Lawrence et al., 2009)

Quinn et al., (1992)	Quinn (1988)	Lawrence et al., (2009)
<p><i>Integrative (stability) function</i> (monitoring and coordinating)</p> <ol style="list-style-type: none"> 1. monitors compliance with rules 2. compares records and reports to detect discrepancies 3. avoids slip-ups by carefully monitoring details 4. keeps track of what goes on inside of the unit 	<p>Monitor (Quinn, 1988; .73) Provides Information</p> <ol style="list-style-type: none"> 1. Carefully reviews detailed reports. 2. Compares records, reports, and so on to detect discrepancies. 3. Works with technical information. 4. Analyzes written plans and schedules. <p>Coordinator (Quinn, 1988; .77)</p> <ol style="list-style-type: none"> 1. Protects continuity in day-to-day operations. 2. Minimizes disruptions to the work flow. 3. Keeps track of what goes on inside the unit. 4. Brings a sense of order into the unit. 	<p>Monitor - Expecting accurate work (.80, .78)</p> <ol style="list-style-type: none"> 1. Emphasizing the need for accuracy in work efforts. 2. Expecting people to get the details of their work right. 3. Emphasizing accuracy in work efforts. <p>Coordinator - Controlling projects (.86, .83)</p> <ol style="list-style-type: none"> 1. Providing tight project management. 2. Keeping projects under control. 3. Closely managing projects.
<p><i>Adaptive (change) function</i> (brokering and innovating)</p> <ol style="list-style-type: none"> 1. exerts upward influence in the organization 2. experiments with new concepts and procedures 3. influences decisions made at higher levels 4. persuasively sells new ideas to higher-ups 	<p>Innovator (Quinn, 1988; .90) Envisions change</p> <ol style="list-style-type: none"> 1. Comes up with inventive ideas. 2. Experiments with new concepts and procedures. 3. Does problem solving in creative, clever ways. 4. Searches for innovations and potential improvements. 	<p>Innovator – Initiating significant change (.83, .79)</p> <ol style="list-style-type: none"> 1. Initiating bold projects. 2. Starting ambitious programs. 3. Launching important new efforts.
<p><i>Latent (people) function</i> (mentoring and facilitating)</p> <ol style="list-style-type: none"> 1. encourages participative decision making in the group 2. shows concern for the needs of subordinates 3. shows empathy and concern in dealing with subordinates 4. treats each individual in a sensitive, caring way 	<p>Broker (Quinn, 1988; .85) Acquires Resources</p> <ol style="list-style-type: none"> 1. Exerts upward influence in the organization. 2. Influences decisions made at higher levels. 3. Gets access to people at higher levels. 4. Persuasively sells new ideas to higher-ups. <p>Facilitator (Quinn, 1988; .89) Facilitates Interaction</p>	<p>Facilitator - Encouraging Participation (.69, .73)</p> <ol style="list-style-type: none"> 1. Making it legitimate to contribute opinions. 2. Employing participative decision making. 3. Maintaining an open climate for discussion. <p>Mentor – Developing People (.72, .63)</p> <ol style="list-style-type: none"> 1. Encouraging career development. 2. Seeing that everyone has a development plan. 3. Coaching people on career issues. <p>Producer*** Modeling/Showing a hard work ethic (.81, .77)</p> <ol style="list-style-type: none"> 1. Showing an appetite for hard work. 2. Modeling an intense work effort. 3. Demonstrating full exertion on the job.

<p>Instrumental (task) function (producing and directing)</p> <ol style="list-style-type: none"> 1. continually clarifies the unit's purpose 2. makes the unit's role very clear 3. clarifies the unit's priorities and directions 	<ol style="list-style-type: none"> 1.Facilitates consensus building in the work unit. 2.Encourages participative decision making in the group. 3.Encourages subordinates to share ideas in the group. 4.Builds teamwork among group members. <p>Mentor (Quinn, 1988; .87) Shows consideration</p> <ol style="list-style-type: none"> 1.Listens to the personal problems of subordinates. 2.Shows empathy and concern in dealing with subordinates. 3.Treats each individual in a sensitive, caring way. 4.Shows concern for the needs of subordinates. <p>Producer (Quinn, 1988; .72) Initiates Action</p> <ol style="list-style-type: none"> 1.Maintains a 'results' orientation in the unit 2.Sees that the unit delivers on stated goals 3.Pushes the unit to meet objectives. 4.Emphasizes unit's achievement of stated purposes. <p>Director (Quinn, 1988; .79) Provides Structure</p> <ol style="list-style-type: none"> 1.Defines areas of responsibility for subordinates 2.Make sure everyone knows where the unit is going. 3.Sets clear objectives for the work unit. 4.Clarifies priorities and direction 	
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Figure 4. Theoretical Model: A mediation model of the relationship between leader behavioral complexity, organizational capabilities, and scaling social impact and financial stability.

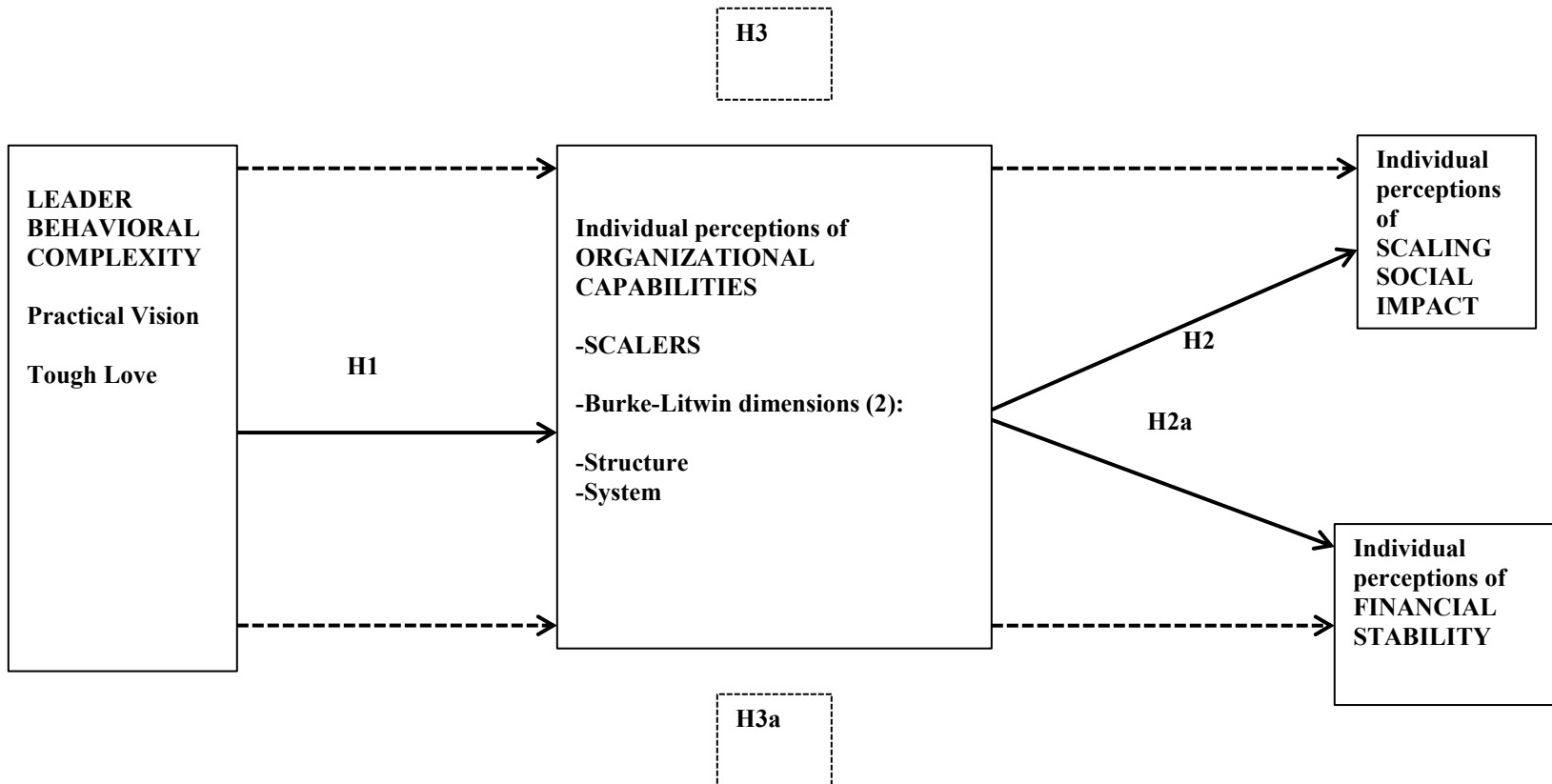


Figure 5. Leadership Behavioral Complexity: A Paradoxical Framework (Quinn et al., 1992)

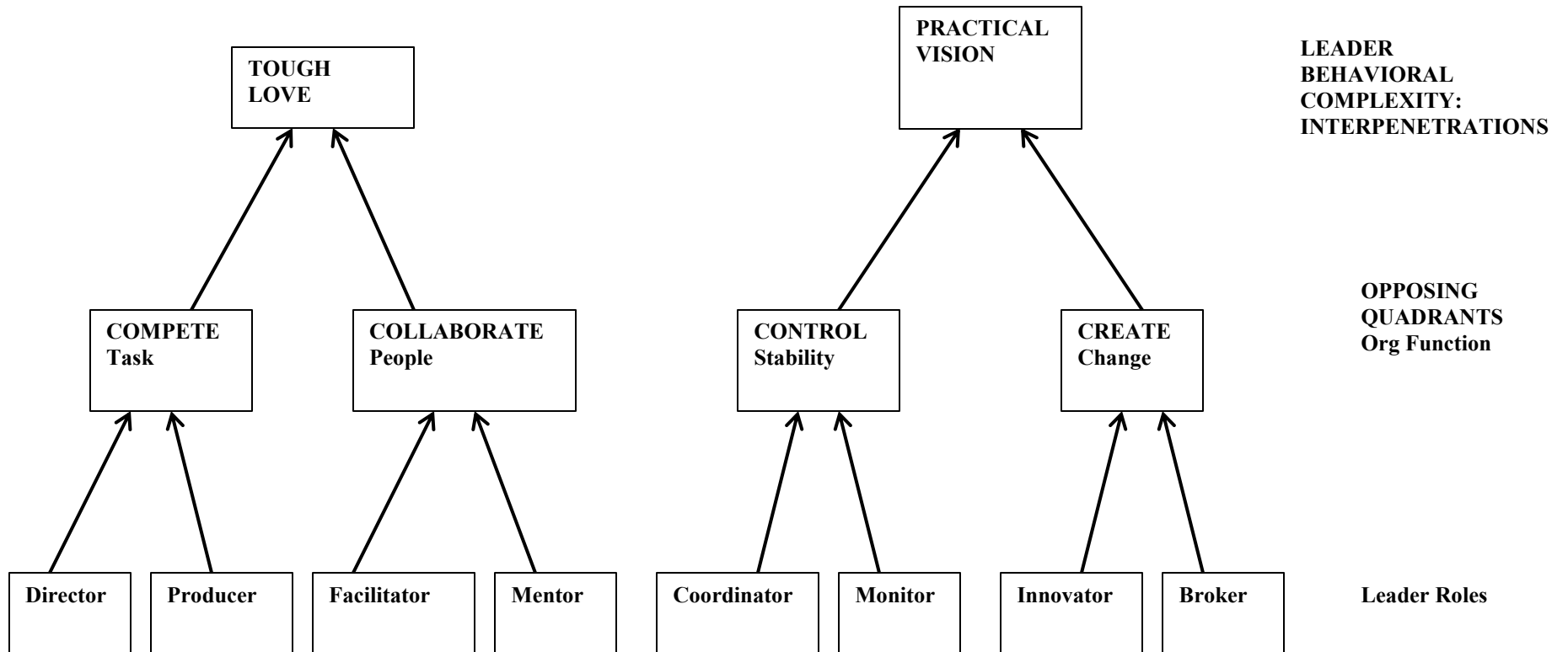


Figure 6. Organization Capabilities: The SCALERS Model (Bloom & Smith, 2010; see Bacq et al., 2011)

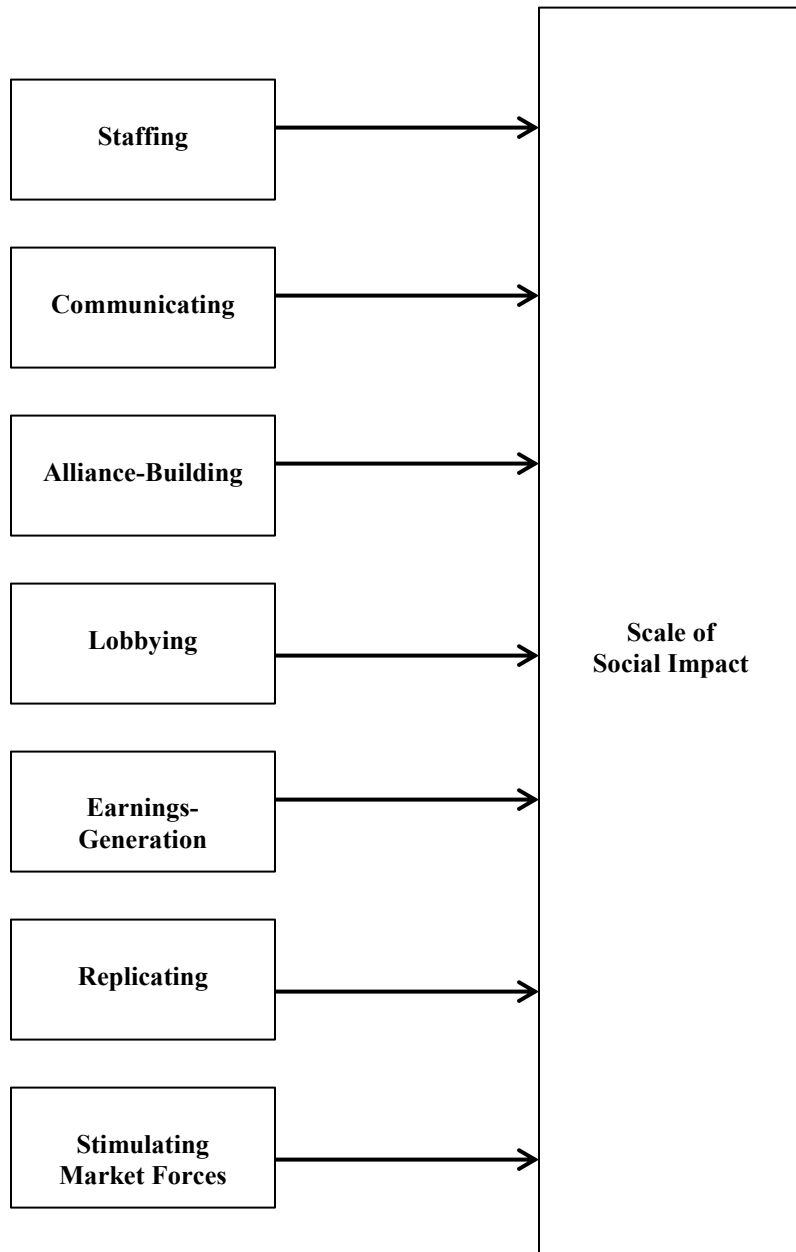


Figure 7. Sequential Explanatory Design (Creswell, 2003, p. 213)

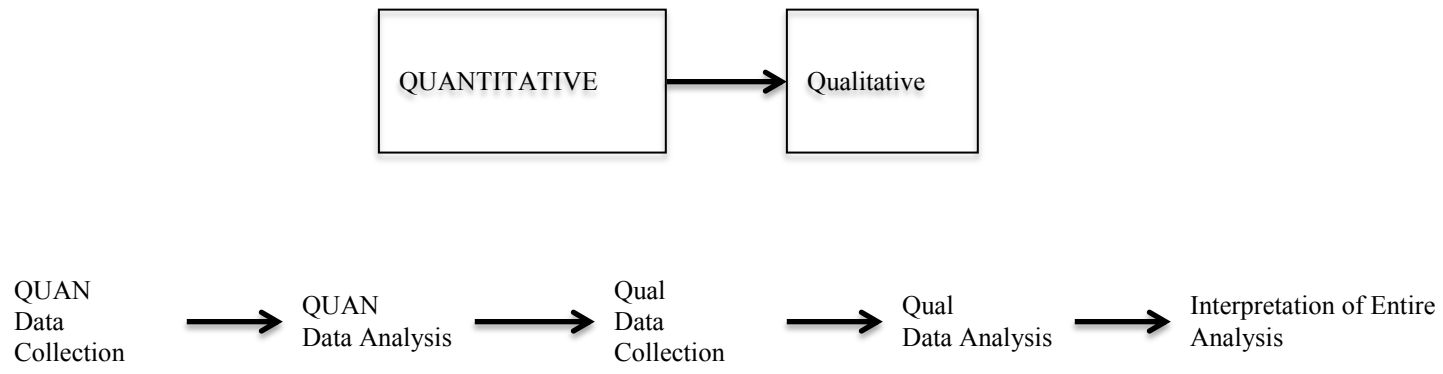


Figure 8. Hypothesized Results: Arrows indicate significant relationships found.

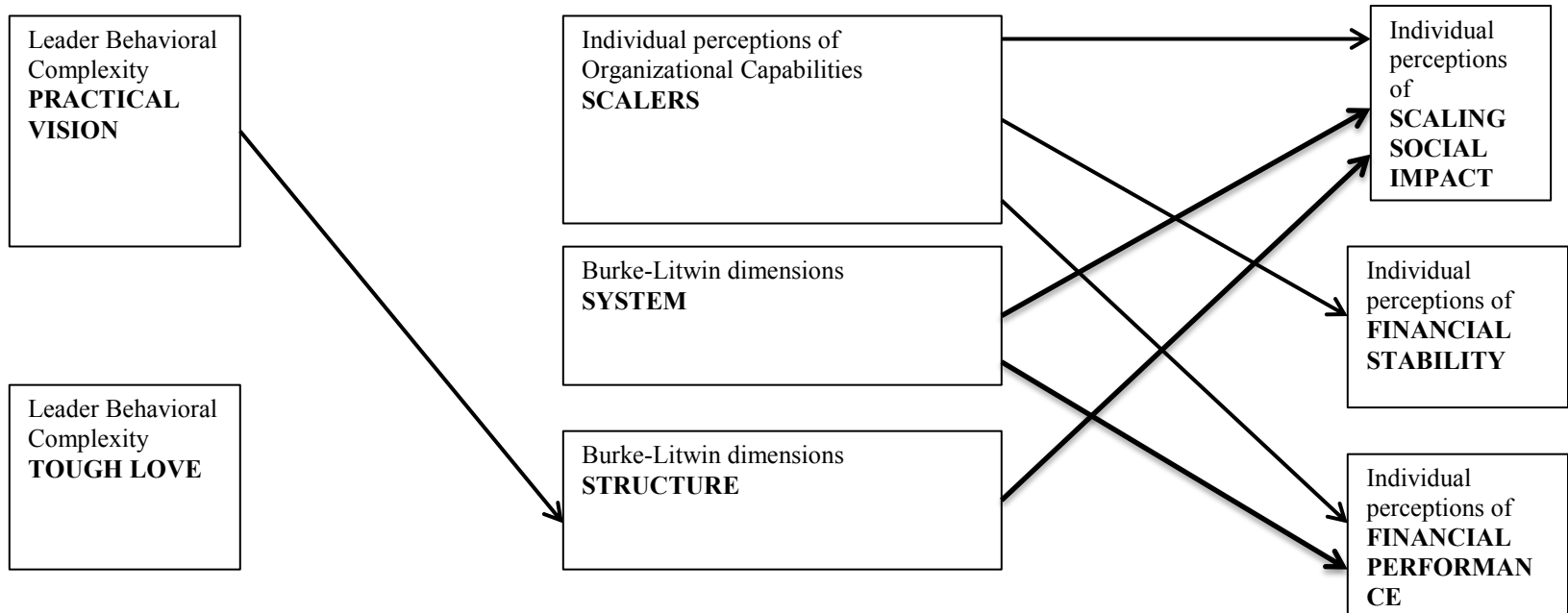


Figure 9. Piecemeal Summary of Hypothesized Results

Summary of hypothesized results for the proposed Theoretical Mediation Model of Leadership Complexity Behaviors on perceptions of Scaling Social Impact and perceptions of Financial Stability as mediated by Organizational Capabilities Hypothesis 1 – 3a

Model	N	Simple Effect	Conditional Effect	95% Confidence Interval	
				Lower	Upper
Tough Love → SCALERS	83	.009		-.025	.042
Tough Love → Structure	83	.048		-.003	.099
Tough Love → System	83	.034		-.002	.071
Practical Vision → SCALERS	83	.007		-.018	.031
Practical Vision → Structure	83	.044*		.006	.082
Practical Vision → System	83	.019		-.007	.046
SCALERS → PSSI	83	.683**		.427	.940
Structure → PSSI	83	.356**		.183	.528
System → PSSI	83	.497**		.264	.730
SCALERS → PFS	83	.900**		.432	1.368
Structure → PFS	83	.408*		.076	.739
System → PFS	83	.446*		.009	.883
Tough Love → PSSI | SCALERS	83		-.009	-.047	.030
Practical Vision → PSSI | SCALERS	83		.001	-.027	.029
Tough Love → PSSI | Structure	83		-.026	-.068	.015
Practical Vision → PSSI | Structure	83		-.013	-.044	.018
Tough Love → PSSI | System	83		-.027	-.069	.014
Practical Vision → PSSI | System	83		-.008	-.038	.022
Tough Love → PFS | SCALERS	83		-.024	-.094	.047
Practical Vision → PFS | SCALERS	83		-.026	-.078	.027
Tough Love → PFS | Structure	83		-.043	-.119	.033
Practical Vision → PFS | Structure	83		-.039	-.096	.018
Tough Love → PFS | System	83		-.039	-.117	.038
Practical Vision → PFS | System	83		-.032	-.089	.025

Note. PSSI = Perceived Scaling Social Impact. PFS = Perceived Financial Stability. * $p < .05$. ** $p < .01$. Simple effects indicate regression beta weights between one predictor and outcome variable. Conditional effects indicate regression beta weights between the independent and dependent variable, while controlling for the mediator variable. Significant conditional effects are needed to establish mediation. Finally, a drop in beta weights for the predictor variable when shifting from simple to conditional effects is needed to verify either partial or full mediation.

Figure 10. Alternative Exploratory Model

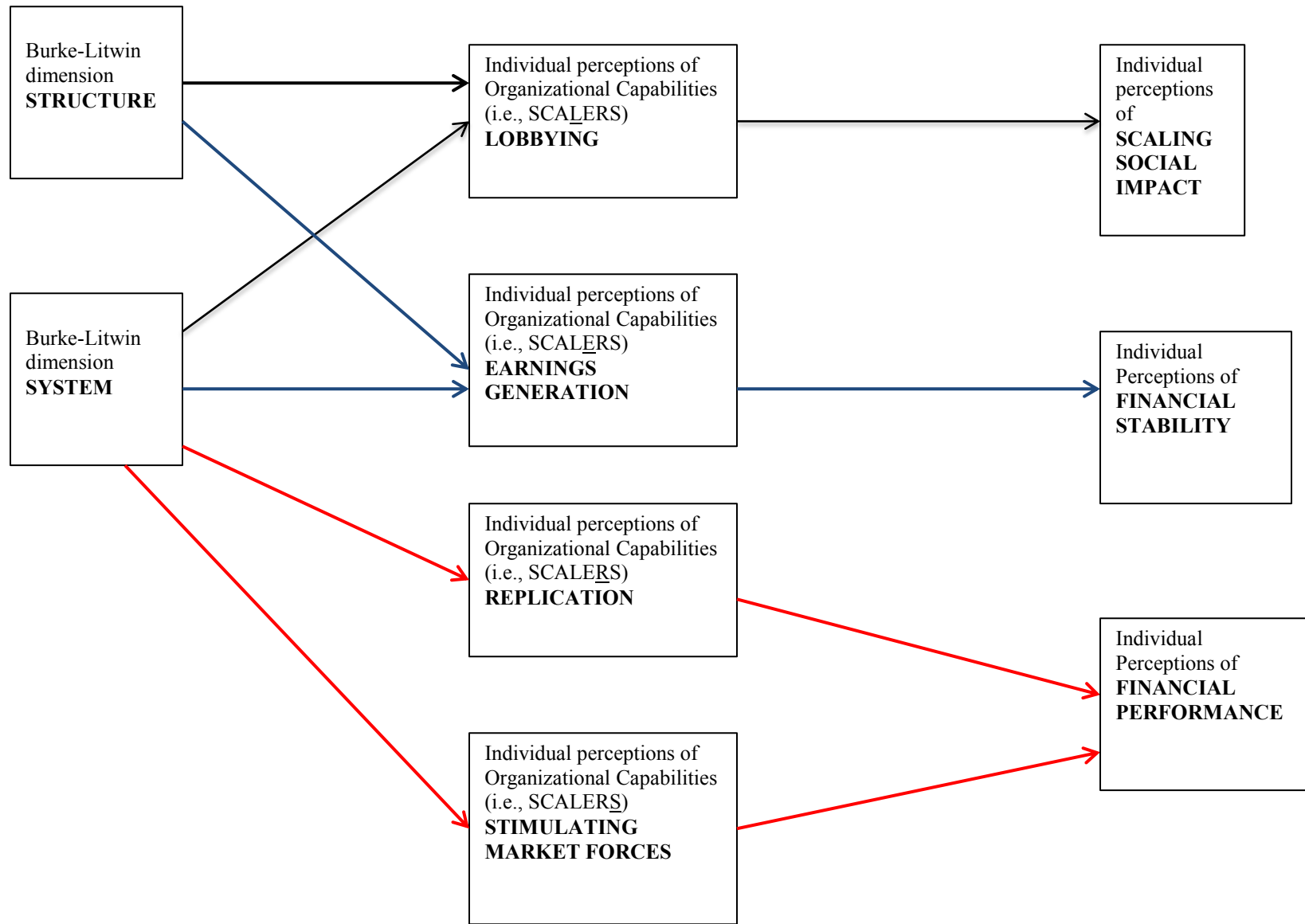


Figure 11. Piecemeal Summary of Alternative Exploratory Model
 Summary of hypothesized results for the Alternative Exploratory Model

Model	N	Simple Effect	Conditional Effect	95% Confidence Interval	
				Lower	Upper
Structure → Lobbying → PSSI					
Structure → Lobbying	83	.528***		.297	.758
Lobbying → PSSI	83	.373***		.235	.511
Structure → PSSI	83	.356***		.183	.528
Lobbying → PSSI | Structure	83		.297***	.145	.448
Structure → PSSI | Lobbying			.197*	.019	.376
System → Lobbying → PSSI					
System → Lobbying	83	.626***		.303	.944
Lobbying → PSSI	83	.373***		.235	.511
System → PSSI	83	.497***		.264	.730
Lobbying → PSSI | System	83		.297***	.153	.441
System → PSSI | Lobbying			.314**	.084	.544
Structure → Earnings → PFS					
Structure → Earnings	83	.431***		.184	.678
Earnings → PFS	83	.679***		.446	.912
Structure → PFS	83	.408*		.076	.739
Earnings → PFS | Structure	83		.660***	.399	.921
Structure → PFS | Earnings			.053	-.267	.373
System → Earnings → PFS					
System → Earnings	83	.735***		.421	1.050
Earnings → PFS	83	.679***		.446	.912
System → PFS	83	.446*		.009	.883
Earnings → PFS | System	83		.721***	.450	.992
System → PFS | Earnings			-.135	-.568	.298
System → Replication → PFP					
System → Replication	83	.462***		.200	.724
Replication → PFP	83	2.458***		1.300	3.616
System → PFP	83	1.871*		.288	3.455
Replication → PFP | System	83		2.219***	.976	3.462
System → PFP | Replication			.836	-.752	2.424

System → Stimulating Mkt → PFP

System → Stimulating Mkt	83	.327*		.067	.586
Stimulating Mkt → PFP	83	2.360***		1.118	3.601
System → PFP	83	1.871*		.288	3.455
Stimulating Mkt → PFP | System	83		2.090**	.803	3.376
System → PFP | Stimulating Mkt			1.147	-.415	2.709

Note. PSSI = Perceived Scaling Social Impact. PFS = Perceived Financial Stability. PFP = Perceived Financial Performance. * $p < .05$, ** $p < .01$, *** $p < .001$
Simple effects indicate regression beta weights between one predictor and outcome variable. Conditional effects indicate regression beta weights between the independent and dependent variable, while controlling for the mediator variable. Significant conditional effects are needed to establish mediation. Finally, a drop in beta weights for the predictor variable when shifting from simple to conditional effects is needed to verify either partial or full mediation.

(place all Tables)

Table 1
List of Demographic Variables

Variable	N	Percentages (%)
<u>Leader Demographic Variables</u>		
1. Age	82	
20 – 29 years		(1.2%)
30 – 39 years		(22)
40 – 49 years		(37.8)
50 – 59 years		(26.8)
60+ years		(12.2)
2. Gender	82	
Female		(59%)
Male		(40)
N/A		(1)
3. Education	82	
High school		(1.2%)
Bachelors degree		(17.1)
Graduate degree		(81.7)
4. Average % allocation of work experience	---	
Nonprofit		(67%)
For profit		(25)
Government		(6)
<u>Organizational Demographic Variables</u>		
1. Legal status	83	
Nonprofit		(86.7%)
For profit		(2.4)
Hybrid		(7.2)
Other (i.e., Philanthropic grant making)		(3.6)

2. Estimated Annual Revenue	80		
< \$10,000			(3.6%)
\$10,001 – 50,000			(2.5)
\$50,001 – 100,000			(2.5)
\$100,001 – 200,000			(2.5)
\$200,001 – 500,000			(2.5)
\$500,001 – 1,000,000			(2.5)
\$1,000,001 – 5,000,000			(32.5)
> \$5,000,000			(51.3)
3. Org Size (# of Offices) (M = 7.87, SD = 15.58)	82	--	--
1			(35.4%)
2 – 5			(32.9)
6 – 10			(17.1)
10 +			(14.6)
4. Age of Organization (M = 37, SD = 29)	81		
5. Diversity of Funding	75	--	--
Low			(33%)
Medium			(33)
High			(33)

Number of Office (estimated number of office locations as a proxy for organization size). Age of Organization (2013 – minus year founded). Diversity of Funding (Calculate Sample Standard Deviation across all reported funding sources. The *higher* the number, the *less* diversified. 100% in one source = 31.62, range from 11.06 – 31.62). Diversity of Funding: Low (at least 90% of funding comes from one source), High (no more than 50% of funding from any one source). The designation for level of funding diversity is sample specific.

Table 2

Description of Interview Participants (N = 12)

Name (Code)	Role	Tough Love	Practical Vision	Education Level	Gender	Age Range	Org. Legal Status
1. 0214	Founder & CEO	32.91	19.20	Graduate	M	30-39	For Profit
2. 7357	Founder & CEO	29.81	17.46	Graduate	M	50-59	Hybrid
3. 9273	V.P. Intl Programs	32.45	30.56	Graduate	M	40-49	Non Profit
4. 2509	Dir. External Affair	25.98	28.88	Graduate	F	40-49	Non Profit
5. D713	V.P. External Relat.	33.51	14.20	Graduate	M	30-39	Non Profit
6. 1228	Dir. Development	39.53	35.95	Graduate	F	40-49	Non Profit
7. 1229	Program Director	37.57	33.32	Graduate	F	60+	Non Profit
8. mksm	Legal Director	29.39	11.19	Graduate	F	40-49	Non Profit
9. B13X	Dir. HR	34.72	31.00	Graduate	F	40-49	Non Profit
10. DC29	CFO	33.60	34.83	Graduate	F	40-49	Non Profit
11. 5533	Program Director	31.84	28.63	Graduate	M	30-39	Grantmaker
12. 2271	Associate V.P.	34.25	36.76	Graduate	F	40-49	Non Profit

Tough Love and Practical Vision represent self-report leadership behavioral complexity scores.

Table 3

Summary of Qualitative Interview Themes

Theme

1. Leaders having a feel for the organization-as-a-whole
2. Leadership judgment in holding paradox; desire for finding the ‘right’ balance; integrating multiple roles / perspectives
3. External Organizational Capabilities
4. Internal Organizational Capabilities
5. Governance and the role of the board in the organization’s success
6. Belief in the natural tension between social and financial goals, yet believing money and mission are compatible
7. Leadership quadrant roles: Collaborative vs. Competing; Create vs. Control (to a lesser extent)
8. Factors that satisfy financial requirements
9. Leaders having difficulty delegating the work

Table 4
Means, Standard Deviations, and Intercorrelation of Study Variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
<u>Demographic Variables</u>														
1. Legal status	2.12	.48	---											
2. Annual Revenue	6.91	1.81	-.09	---										
3. # of Offices	7.87	15.58	.02	.11	---									
4. # of Full time employees	379.02	1394.31	-.05	.10	.28*	---								
5. Age of Organization (years)	36.80	29.04	-.13	.27*	.39**	.34**	---							
6. Diversity of Funding	23.66	5.94	.15	-.10	.02	.00	-.22	---						
7. Leader Age	3.27	.98	-.04	.14	-.08	-.02	.06	.05	---					
8. Leader Gender	1.60	.49	-.10	-.08	-.10	.08	-.05	-.19	-.16	---				
9. Leader Education	3.79	.49	-.05	.27*	.12	.03	-.09	-.11	.04	.01	---			
<u>Predictors – Leadership Complexity</u>														
10. Tough Love	33.21	4.14	.04	-.06	.00	-.09	-.17	-.04	-.02	.08	-.09	---		
11. Practical Vision	29.55	5.67	-.08	-.11	.03	-.07	-.12	-.08	.06	.09	.05	.57**	---	
12. Create	5.98	.75	-.12	.18	.08	.08	.02	-.12	-.05	-.12	.10	.52**	.29**	---
13. Compete	5.94	.60	.01	-.06	.05	.05	-.08	-.06	-.06	.05	.05	.79**	.60**	.56**
14. Control	5.50	.85	.03	-.10	.02	-.08	-.12	-.10	-.07	.20	.13	.49**	.83**	.17
15. Collaborate	6.07	.52	.00	.15	.04	-.16	-.12	-.10	-.14	.12	.11	.48**	.26*	.50**
<u>Mediators – Organizational Capabilities</u>														
16. SCALERS	3.40	.64	-.16	.10	.08	-.10	-.01	.10	.05	.00	.24*	.04	.07	.16
17. Staff	3.78	1.01	-.10	.06	.21	-.12	-.08	.05	-.14	.08	.17	.28*	.23*	.22*
18. Communication	3.42	.94	-.26*	-.01	-.02	.07	.05	.04	.04	.14	.21	.03	.18	.01
19. Alliance building	3.68	.99	.03	.20	-.02	-.12	.01	.09	.02	-.06	.19	.04	-.06	.15
20. Lobbying	3.42	1.14	-.06	.08	.01	-.01	-.01	.21	.08	.04	.12	-.07	-.07	.16
21. Earning	3.33	1.19	-.17	.20	.06	-.09	.08	-.09	.24*	-.12	.21	.01	.08	.16
22. Replication	3.56	.93	-.09	-.04	.03	-.10	-.04	.02	-.08	-.09	.06	.01	-.01	.06
23. Stimulating Mkt Forces	2.60	.89	-.07	-.08	.09	-.09	-.07	.14	-.01	.01	.10	-.13	-.03	-.12
24. Structure	3.47	.98	-.06	-.23*	-.17	-.21	-.26*	.20	.01	.12	.13	.24*	.27*	.15
25. System	3.69	.73	-.07	-.01	-.06	-.29**	-.29**	.00	.05	-.05	.23*	.24*	.20	.34**
<u>Outcomes</u>														

26. Scaling Social Impact	3.61	.90	-.24*	-.01	.00	.06	-.14	-.06	.09	.05	.36**	-.05	.06	.18
27. Financial Stability	4.52	1.52	-.04	.22*	.27*	.12	.15	-.10	.03	.01	.30**	-.07	-.08	.15
28. Financial Performance	3.12	5.48	-.15	-.10	.24*	.01	.20	.00	-.01	-.14	.00	-.06	-.09	.11

Note. N ranges from 75 - 83 (some missing data for reporting control variables). * $p < .05$. ** $p < .01$. Legal status (1 = for profit, 2 = non-profit, 3 = hybrid, 4 = other). Annual Revenue (1 = less than \$10,000; 2 = \$10,000 - \$50,000; 3 = \$50,001 - \$100,000; 4 = \$100,001 - \$200,000; 5 = \$200,001 - \$500,000; 6 = \$500,001 - 1 million; 7 = 1 million - 5 million; 8 = greater than 5 million). # of Office (estimated number of office locations as a proxy for organization size). Age of Organization (2013 - minus year founded). Diversity of Funding (Calculate Sample Standard Deviation across all reported funding sources. The *higher* the number, the *less* diversified. 100% in one source = 31.62, range from 11.06 - 31.62). Leader age (1 = 20-29yrs; 2 = 30-39yrs; 3 = 40-49yrs; 4 = 50-59yrs; 5 = 60+). Leader gender (1 = male, 2 = female), Leader education (1 = High school, 2 = Associates degree, 3 = Bachelor's degree, 4 = Graduate degree).

Table 4 continue
Means, Standard Deviations, and Intercorrelation of Study Variables

Variable	13	14	15	16	17	18	19	20	21	22	23	24	25	26
<u>Predictors – Leadership Complexity</u>														
13. Compete	---													
14. Control	.67**	---												
15. Collaborate	.32**	.21	---											
<u>Mediators – Organizational Capabilities</u>														
16. SCALERS	.06	.02	.10	---										
17. Staff	.26*	.20	.26*	.72**	---									
18. Communication	.12	.16	-.10	.68**	.38**	---								
19. Alliance building	.01	-.14	.06	.60**	.29**	.29**	---							
20. Lobbying	.02	-.06	.11	.73**	.41**	.47**	.48**	---						
21. Earning	.01	.02	-.12	.68**	.43**	.43**	.40**	.33**	---					
22. Replication	-.04	-.03	.16	.44**	.38**	.16	.00	.18	.09	---				
23. Stimulating Mkt Forces	-.12	-.03	.08	.52**	.30**	.29**	.11	.27*	.19	.25*	---			
24. Structure	.18	.16	.04	.60**	.50**	.51**	.25**	.45**	.34**	.26*	.34**	---		
25. System	.13	.08	.17	.63**	.54**	.33**	.41**	.40**	.46**	.36**	.27*	.60**	---	
<u>Outcomes</u>														

26. Scaling Social Impact	.05	-.01	.10	.57**	.40**	.34**	.35**	.52**	.39**	.20	.26*	.43**	.47**	---
27. Financial Stability	-.07	-.11	-.03	.46**	.27*	.25*	.35**	.27*	.52**	.15	.16	.21	.26*	.28*
28. Financial Performance	-.10	-.14	.08	.39**	.20	.22*	.10	.25*	.18	.42**	.40**	.15	.23*	.19

Note. N ranges from 75 - 83 (some missing data for reporting control variables). * $p < .05$. ** $p < .01$. Legal status (1 = for profit, 2 = non-profit, 3 = hybrid, 4 = other). Annual Revenue (1 = less than \$10,000; 2 = \$10,000 - \$50,000; 3 = \$50,001 - \$100,000; 4 = \$100,001 - \$200,000; 5 = \$200,001 - \$500,000; 6 = \$500,001 - 1 million; 7 = 1 million - 5 million; 8 = greater than 5 million). # of Office (estimated number of office locations as a proxy for organization size). Age of Organization (2013 - minus year founded). Diversity of Funding (Calculate Sample Standard Deviation across all reported funding sources. The *higher* the number, the *less* diversified. 100% in one source = 31.62, range from 11.06 - 31.62). Leader age (1 = 20-29yrs; 2 = 30-39yrs; 3 = 40-49yrs; 4 = 50-59yrs; 5 = 60+). Leader gender (1 = male, 2 = female), Leader education (1 = High school, 2 = Associates degree, 3 = Bachelor's degree, 4 = Graduate degree).

Table 4 continue
Means, Standard Deviations, and Intercorrelation of Study Variables

Variable	27	28
<u>Mediators – Org. Capabilities</u>		
13. System		
<u>Outcomes</u>		
14. Scaling Social Impact		
15. Financial Stability	---	
16. Financial Performance	.28*	---

Note. N ranges from 75 - 83 (some missing data for reporting control variables). * $p < .05$. ** $p < .01$. Legal status (1 = for profit, 2 = non-profit, 3 = hybrid, 4 = other). Annual Revenue (1 = less than \$10,000; 2 = \$10,000 - \$50,000; 3 = \$50,001 - \$100,000; 4 = \$100,001 - \$200,000; 5 = \$200,001 - \$500,000; 6 = \$500,001 - 1 million; 7 = 1 million - 5 million; 8 = greater than 5 million). # of Office (estimated number of office locations as a proxy for organization size). Age of Organization (2013 - minus year founded). Diversity of Funding (Calculate Sample Standard Deviation across all reported funding sources. The *higher* the number, the *less* diversified. 100% in one source = 31.62, range from 11.06 - 31.62). Leader age (1 = 20-29yrs; 2 = 30-39yrs; 3 = 40-49yrs; 4 = 50-59yrs; 5 = 60+). Leader gender (1 = male, 2 = female), Leader education (1 = High school, 2 = Associates degree, 3 = Bachelor's degree, 4 = Graduate degree).

Table 5
Hierarchical Regression Analysis for Hypothesis 1 Tough Love on SCALERS

Variable	SCALERS (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Leader Education	.31*	.14
Predictors		
Tough Love	.01	.02
<i>R</i> ²	.06*	
ΔR^2	.00	

Note. *R*² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

* *p* < .05. ** *p* < .01. *** *p* < .001

Table 6
Hierarchical Regression Analysis for Hypothesis 1 Tough Love on Structure

Variable	Structure (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Age of Organization	-.01	.00
Annual Revenue	-.09	.06
Predictors		
Tough Love	.05	.03
<i>R</i> ²	.09*	
ΔR^2	.04	

Note. *R*² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

* *p* < .05. ** *p* < .01. *** *p* < .001

Table 7
Hierarchical Regression Analysis for Hypothesis 1 Tough Love on System

Variable	System (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Age of Organization	.00	.00
Full time Employee	.00*	.00
Leader Education	.34*	.16
Predictors		
Tough Love	.03	.02
<i>R</i> ²	.17**	
ΔR^2	.04	

Note. *R*² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

* *p* < .05. ** *p* < .01. *** *p* < .001

Table 8

Hierarchical Regression Analysis for Hypothesis 1 Practical Vision on SCALERS

Variable	SCALERS (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Leader Education	.31*	.14
Predictors		
Practical Vision	.01	.01
<i>R</i> ²	.06*	
ΔR^2	.00	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 9

Hierarchical Regression Analysis for Hypothesis 1 Practical Vision on Structure

Variable	Structure ($N = 83$)	
	<i>B</i>	<i>SE</i>
Controls		
Age of Organization	-.01	.00
Annual Revenue (estimate)	-.09	.06
Predictors		
Practical Vision	.04*	.02
R^2	.09*	
ΔR^2	.06*	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 10
Hierarchical Regression Analysis for Hypothesis 1 Practical Vision on System

Variable	System (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Age of Organization	.00	.00
Full time Employee	.00*	.00
Leader Education	.34*	.16
Predictors		
Practical Vision	.02	.01
<i>R</i> ²	.17**	
ΔR^2	.02	

Note. *R*² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

* *p* < .05. ** *p* < .01. *** *p* < .001

Table 11

Hierarchical Regression Analysis for Hypothesis 2 Organizational Capabilities on perception of Scaling Social Impact

Variable	Perception of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Legal	-.42*	.19
Leader Education	.64**	.19
Predictors		
SCALERS	.47**	.18
Structure	.10	.11
System	.17	.15
R^2	.18**	
ΔR^2	.24**	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 12.

Three-step Hierarchical Regression Analysis for Hypothesis 2 Organizational Capabilities on perception of Scaling Social Impact

Variable	Perception of Scaling Social Impact (N = 83)	
	B	SE
Controls (step 1)		
Legal	-.42*	.19
Leader Education	.64**	.19
Predictors (step 2)		
Structure	.22*	.10
System	.33*	.14
Predictor (step 3)		
SCALERS	.47**	.18
Structure	.10	.11
System	.17	.15
R ²	.18**	
ΔR^2	.19**	
$\Delta\Delta R^2$	.05**	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 13

Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Stability

Variable	Perception of Financial Stability (N = 83)	
	B	SE
Controls		
Number of Offices	.03*	.01
Leader Education	.73*	.34
Annual Revenue	.11	.09
Predictors		
SCALERS	.92**	.34
Structure	.05	.22
System	-.10	.28
R ²	.16**	
ΔR^2	.14**	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 14

Three-step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Stability

Variable	Perception of Financial Stability (N = 83)	
	B	SE
Controls (step 1)		
Number of Offices	.03*	.01
Leader Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
Structure	.32	.21
System	.20	.27
Predictor (step 3)		
SCALERS	.92**	.34
Structure	.05	.22
System	-.10	.28
R ²	.16**	
ΔR^2	.07*	
$\Delta\Delta R^2$	.07**	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 15

Three-step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Stability (System as mediator)

Variable	Perception of Financial Stability (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.03*	.01
Leader Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
System	.45*	.22
Predictor (step 3)		
SCALERS	.96**	.30
System	-.08	.27
R^2	.16**	
ΔR^2	.05*	
$\Delta\Delta R^2$	.10**	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 16

Three-Step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Stability (Structure as mediator)

Variable	Perception of Financial Stability (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.03*	.01
Leader Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
Structure	.41*	.17
Predictor (step 3)		
SCALERS	.88**	.31
Structure	.03	.21
R^2	.16**	
ΔR^2	.06*	
$\Delta\Delta R^2$	.08**	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 17

Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Performance

Variable	Perception of Financial Performance (N = 83)	
	B	SE
Control		
Number of Offices	.09*	.04
Predictors		
SCALERS	3.32**	1.24
Structure	-.39	.78
System	.30	1.07
R ²	.06*	
ΔR^2	.14**	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 18

Three-Step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Performance

Variable	Perception of Financial Performance (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.09*	.04
Predictors (step 2)		
Structure	.42	.75
System	1.53	1.00
Predictor (step 3)		
SCALERS	3.32**	1.24
Structure	-.39	.78
System	.30	1.07
R^2	.06*	
ΔR^2	.07	
$\Delta\Delta R^2$	.07**	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 19

Three-Step Hierarchical Regression Analysis for Hypothesis 2 Organizational Capabilities on perception of Scaling Social Impact (SCALERS entered as separate capabilities)

Variable	Perception of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Legal	-.42*	.19
Leader Education	.64**	.19
Predictors (step 2)		
Structure	.22*	.10
System	.33*	.14
Predictor (step 3)		
Staff	.03	.10
Communication	-.11	.11
Alliance-building	.03	.10
Lobbying	.27**	.09
Earnings generation	.07	.08
Replication	.01	.10
Stimulating market forces	.04	.10
Structure	.12	.12
System	.16	.16
R^2	.18**	
ΔR^2	.19**	
$\Delta\Delta R^2$	.11	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.
* $p < .05$. ** $p < .01$. *** $p < .001$

Table 20

Three-Step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Stability (SCALERS entered as separate capabilities)

Variable	Perception of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.03*	.01
Leader Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
Structure	.32	.21
System	.20	.27
Predictor (step 3)		
Staff	-.28	.19
Communication	-.26	.19
Alliance-building	.19	.17
Lobbying	.08	.15
Earnings generation	.79**	.16
Replication	.23	.16
Stimulating market forces	.02	.17
Structure	.27	.21
System	-.36	.27
R^2	.16**	
ΔR^2	.07*	

$$\frac{\Delta\Delta R^2}{.25^{**}}$$

Note. $R^2 =$ Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.
* $p < .05$. ** $p < .01$. *** $p < .001$

Table 21

Three-Step Hierarchical Regression Analysis for Hypothesis 2a Organizational Capabilities on perception of Financial Performance (SCALERS entered as separate capabilities)

Variable	Perception of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.09*	.04
Predictors (step 2)		
Structure	.42	.75
System	1.53	1.00
Predictor (step 3)		
Staff	-1.04	.72
Communication	.45	.71
Alliance-building	.03	.66
Lobbying	.54	.60
Earnings generation	.38	.55
Replication	2.19***	.65
Stimulating market forces	1.70*	.66
Structure	-.33	.79
System	.48	1.07
R^2	.06*	
ΔR^2	.07	
$\Delta\Delta R^2$	.23***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 22

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Lobbying (System)

Variable	Lobbying (N = 83)	
	B	SE
Predictors		
System	.63***	.16
R^2	.16***	

Note. $R^2 =$ Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 23

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Lobbying (Structure)

Variable	Lobbying (N = 83)	
	B	SE
Predictors		
Structure	.53***	.12
R^2	.20***	

Note. $R^2 =$ Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 24

Hierarchical Regression for Alternative Model: Lobbying as predictor of perceptions of Scaling Social Impact

Variable	Perceptions of Scaling Social Impact (N = 83)	
	B	SE
Controls		
Legal status	-.42*	.19
Leader Education	.64***	.19
Predictors		
Lobbying	.37***	.07
R ²	.18***	
ΔR^2	.22***	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 25

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Scaling Social Impact

Variable	Perceptions of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Legal status	-.42*	.19
Leader Education	.64**	.19
Predictors		
Structure	.22*	.10
System	.33*	.14
R^2	.18***	
ΔR^2	.19***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 26

Three-step Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Scaling Social Impact

Variable	Perception of Scaling Social Impact (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Legal	-.42*	.19
Education	.64**	.19
Predictors (step 2)		
Structure	.22*	.10
System	.33*	.14
Predictors (step 3)		
Lobbying	.27***	.19
Structure	.10	.10
System	.25	.13
R^2	.18***	
ΔR^2	.19***	
$\Delta\Delta R^2$	.09***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2. $\Delta\Delta R^2$ is the change from Step 2 to Step 3.

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

Table 27

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Earnings generation (System)

Variable	Earnings generation (N = 83)	
	B	SE
Control		
Leader age	.30*	.13
Predictors		
System	.74***	.16
R ²	.06*	
ΔR^2	.20***	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 28

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Earnings generation (Structure)

Variable	Earnings generation (N = 83)	
	B	SE
Control		
Leader age	.30*	.13
Predictors		
Structure	.43***	.12
R^2	.06*	
ΔR^2	.13***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 29

Hierarchical Regression for Alternative Model: Earnings generation as predictor of perceptions of Financial Stability

Variable	Perceptions of Financial Stability (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Number of Offices	.03*	.01
Leaders Education	.73*	.34
Annual Revenue	.11	.09
Predictors		
Earnings generation	.68**	.12
R^2	.16***	
ΔR^2	.26***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 30

Three-step Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Financial Stability (System)

Variable	Perceptions of Financial Stability (N = 83)	
	B	SE
Controls (step 1)		
Number of Offices	.03*	.01
Leaders Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
System	.45*	.22
Predictors (step 3)		
Earnings generation	.72***	.14
System	-.14	.22
R ²	.16***	
ΔR ²	.05*	
ΔΔR ²	.22***	

Note. R² = Step 1. ΔR² is the change from Step 1 to Step 2.

* p < .05. ** p < .01. *** p < .001

Table 31

Three-step Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Financial Stability

Variable	Perceptions of Financial Stability (N = 83)	
	B	SE
Controls (step 1)		
# of Offices	.03*	.01
Leaders Education	.73*	.34
Annual Revenue	.11	.09
Predictors (step 2)		
Structure	.41*	.17
Predictors (step 3)		
Earnings generation	.66***	.13
Structure	.05	.16
R ²	.16***	
ΔR^2	.06*	
$\Delta\Delta R^2$	.20***	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

* p < .05. ** p < .01. *** p < .001

Table 32

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Replication (Structure)

Variable	Replication (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Predictors		
Structure	.24*	.10
R^2	.07*	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 33

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Replication (System)

Variable	Replication (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Predictors		
System	.46***	.13
R^2	.13***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 34

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Stimulating market forces (Structure)

Variable	Stimulating market forces (N = 83)	
	B	SE
Predictors		
Structure	.31***	.10
R ²	.12***	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 35

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of Stimulating market forces (System)

Variable	Stimulating market forces (N = 83)	
	B	SE
Predictors		
System	.33*	.13
R ²	.07*	

Note. R² = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 36

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Financial Performance

Variable	Perceptions of Financial Performance (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Number of Offices	.09*	.04
Predictors		
Replication	2.02***	.57
Stimulating market forces	1.82***	.60
R^2	.06*	
ΔR^2	.25***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 37

Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Financial Performance (System)

Variable	Perceptions of Financial Performance (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls		
Number of Offices	.09*	.04
Predictors		
System	1.87*	.80
R^2	.06*	
ΔR^2	.06*	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

Table 38

Three-step Hierarchical Regression for Alternative Model: Exploratory Analyses on predictors of perceptions of Financial Performance (System)

Variable	Perceptions of Financial Performance (<i>N</i> = 83)	
	<i>B</i>	<i>SE</i>
Controls (step 1)		
Number of Offices	.09*	.04
Predictors (step 2)		
System	1.87*	.80
Predictors (step 3)		
Replication	1.93***	.61
Stimulating market forces	1.76***	.62
System	.36	.78
R^2	.06*	
ΔR^2	.06*	
$\Delta\Delta R^2$	.20***	

Note. R^2 = Step 1. ΔR^2 is the change from Step 1 to Step 2.

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

APPENDICES

Appendix A

Consent Form

Leadership and Organizational Perception Survey

Thank you for your interest in participating. The following provides you with the information necessary to obtain informed consent. Please review the information and indicate your participation decision by clicking on the appropriate button at the bottom of the page.

DESCRIPTION OF THE RESEARCH: You are invited to participate in a research study pertaining to your leadership experience and perceptions of your organization's capabilities, social and financial performance. The survey uses a secure, web-based platform to ensure privacy and confidentiality throughout. There may also be follow-up phone interviews. This study is used to explore leaders and their perceptions in nonprofit and social enterprise organizations. You will be asked to answer questions about your perceptions. There are no right or wrong answers. The research will be conducted by Paul Hanvongse, a doctoral candidate at Teachers College, Columbia University. The research will be conducted online and/or over the phone at your convenience.

RISKS AND BENEFITS: The risks associated with this study are minimal, and any discomfort you may experience in this study should be no greater than what is typically encountered in a discussion of your perceptions around your organization's capabilities, social mission, and/or financial stability. There are no direct benefits from participating in this research. Your participation will help us learn about how nonprofits may balance social and financial goals. Should you be interested, you have the option of contacting the researcher about your own leadership profile. You are encouraged to create a separate e-mail account that is not tied to your organization when contacting the researcher. Your participation is completely voluntary. You may refuse to participate in the study, or withdraw at any time by closing your browser.

PAYMENTS: Those who request their leadership profile may be asked if they would like to participate in a brief follow-up phone interview. There is no obligation to do the interview. It is completely voluntary. A gift card worth \$25 will be given to those who agree for a follow-up interview.

DATA STORAGE TO PROTECT CONFIDENTIALITY: No identifying information will be collected or connected to your survey responses in this research. The data collected will be accessible only to the principal investigator via a password protected website and a password protected computer once the data has been downloaded. Any data presented at a conference or publication will be reported in the aggregate to protect confidentiality. Moreover, no individual identifying information will be used only pseudonyms will be used to protect confidentiality.

TIME INVOLVEMENT: Your participation in the survey will take approximately 15 – 20 minutes. Should you be interested, a brief follow-up phone interview will take no more than 30 minutes.

HOW WILL RESULTS BE USED: The results of the study will be used for the principal investigator's dissertation and may be presented at professional conferences for research and educational purposes only.

Participant's Rights Form

- I have read and discussed the Research Description with the researcher. I have had the opportunity to ask questions about the purposes and procedures regarding this study.
- My participation in research is voluntary. I may refuse to participate or withdraw from participation at any time without jeopardy to future medical care, employment, student status or other entitlements.
- The researcher may withdraw me from the research at his/her professional discretion.
- If, during the course of the study, significant new information that has been developed becomes available which may relate to my willingness to continue to participate, the investigator will provide this information to me.
- Any information derived from the research project that personally identifies me will not be voluntarily released or disclosed without my separate consent, except as specifically required by law.
- If at any time I have any questions regarding the research or my participation, I can contact Paul Hanvongse, the investigator, who will answer my questions. The investigator's phone number is (347) 266-1026. I may e-mail the researcher at aph2111@tc.columbia.edu via an e-mail account that is not tied to my organization.
- If at any time I have comments, or concerns regarding the conduct of the research or questions about my rights as a research subject, I should contact the Teachers College, Columbia University Institutional Review Board /IRB. The phone number for the IRB is (212) 678-4105. Or, I can write to the IRB at Teachers College, Columbia University, 525 W. 120th Street, New York, NY, 10027, Box 151.
- I should receive a copy of the Research Description and this Participant's Rights document.
- If video and/or audio taping is part of this research, I () consent to be audio/video taped. I () do **NOT** consent to being video/audio taped. The written, video and/or audio taped materials will be viewed only by the principal investigator and members of the research team.
- Written, video and/or audio taped materials () may be viewed in an educational setting outside the research
- o () may **NOT** be viewed in an educational setting outside the research.

By clicking 'yes' below, you understand your participant's rights and consent to participate in this research study.

- yes
- no

Thank you in advance for your participation!

Appendix B

Independent Variable Measures – Leader Behavioral Complexity

Leader Behavioral Complexity (Quinn et al., 1992; Quinn, 1988; Lawrence et al., 2009)

For self-evaluation, the phrase “I would describe myself as being skilled in the following...” appears at the top of the page. Questions are administered with a 7-point likert scale (1 = strongly disagree, 2 = disagree, 3 = slightly disagree, 4 = neither agree/disagree, 5 = slightly agree, 6 = agree, 7 = strongly agree).

Practical Vision

Integrative (Stability) function (monitoring and coordinating) – Control quadrant

Monitor ($\alpha = .87$)

1. Monitors compliance with rules
2. Compares records and reports to detect discrepancies
3. Carefully reviews detailed reports.
4. Works with technical information.
5. Analyzes written plans and schedules.
6. Emphasizing the need for accuracy in work efforts.
7. Expecting people to get the details of their work right.
8. Emphasizing accuracy in work efforts.

Coordinator ($\alpha = .90$)

1. Avoids slip-ups by carefully monitoring details
2. Protects continuity in day-to-day operations.
3. Minimizes disruptions to the work flow.
4. Keeps track of what goes on inside the unit.
5. Brings a sense of order into the unit.
6. Providing tight project management.
7. Keeping projects under control.
8. Closely managing projects.

Adaptive (Change) function (brokering and innovating) – Create quadrant

Broker ($\alpha = .86$)

1. Exerts upward influence in the organization
2. Influences decisions made at higher levels
3. Persuasively sells new ideas to higher-ups
4. Gets access to people at higher levels.

Innovator ($\alpha = .88$)

1. Experiments with new concepts and procedures
2. Comes up with inventive ideas.
3. Does problem solving in creative, clever ways.
4. Searches for innovations and potential improvements.
5. Initiating bold projects.
6. Starting ambitious programs.
7. Launching important new efforts.

Tough Love*Latent (People) function* (mentoring and facilitating) – Collaborate quadrant**Mentor** ($\alpha = .68$)

1. Shows concern for the needs of subordinates
2. Shows empathy and concern in dealing with subordinates
3. Treats each individual in a sensitive, caring way
4. Listens to the personal problems of subordinates.
5. Encouraging career development.
6. Seeing that everyone has a development plan.
7. Coaching people on career issues.

Facilitator ($\alpha = .86$)

1. Encourages participative decision making in the group.
2. Facilitates consensus building in the work unit.
3. Encourages subordinates to share ideas in the group.
4. Builds teamwork among group members.
5. Making it legitimate to contribute opinions.
6. Employing participative decision making.
7. Maintaining an open climate for discussion.

Instrumental (Task) function (producing and directing) – Compete quadrant**Producer** ($\alpha = .82$)

1. Maintains a 'results' orientation in the unit
2. Sees that the unit delivers on stated goals
3. Pushes the unit to meet objectives.
4. Emphasizes unit's achievement of stated purposes.
5. Showing an appetite for hard work.
6. Modeling an intense work effort.
7. Demonstrating full exertion on the job.

Director ($\alpha = .84$)

1. Defines areas of responsibility for subordinates
2. Make sure everyone knows where the unit is going.
3. Sets clear objectives for the work unit.
4. Clarifies priorities and direction
5. continually clarifies the unit's purpose
6. makes the unit's role very clear

Appendix C

Mediator Measures – Organizational Capabilities

SCALERS (Bloom & Smith, 2010)

Items are rated a 5-point Likert scale: 1-*strongly disagree*, 2-*disagree*, 3-*neither agree nor disagree*, 4-*agree*, 5-*strongly agree*, and 6-*N/A*

Thinking about **the last three years** of operations of your organization, please indicate how strongly you agree or disagree with each of the following statements, assuming each statement starts with the following phrase: **Compared to other organizations** working to resolve similar social problems as our organization...

Staffing ($\alpha = .74$, remove one item, Staff2)

1. ...we have been effective at meeting our labor needs with people who have the necessary skills.
2. ~~...we have an ample pool of capable volunteers available to help us meet our labor needs.~~
3. ...we have individuals in management positions who have the skill to expand our organization, program or principles.

Communicating ($\alpha = .72$)

1. ...we have been effective at communicating what we do to key constituencies and stakeholders.
2. ...we have been successful at informing the individuals we seek to serve about the value of our program for them.
3. ...we have been successful at informing donors and funders about the value of what we do.

Alliance-building ($\alpha = .83$)

1. ...we have built partnerships with other organizations that have been win-win situations for us and them.
2. ...we rarely try to 'go it alone' when pursuing new initiatives.
3. ...we have accomplished more through joint action with other organizations that we could have by flying solo.

Lobbying ($\alpha = .73$, remove one item, Lob1)

1. ~~...we have been successful at getting government agencies and officials to provide financial support for our efforts.~~
2. ...we have been successful at getting government agencies and officials to create laws, rules, and regulations that support our efforts.
3. ...we have been able to raise our cause to a higher place on the public agenda.

Earnings Generation ($\alpha = .69$, remove one item, Earn1)

1. ~~...we have generated a strong stream of revenues from products and services that we sell for a price.~~
2. ...we have cultivated donors and funders who have been major sources of revenue for us.

3. ...we have found ways to finance our activities that keep us sustainable.

Replicating ($\alpha = .76$)

1. ...we have a 'package' or 'system' that can work effectively in multiple locations or situations.
2. ...we find it easy to replicate our programs.
3. ...we have been successful at controlling and coordinating our programs in multiple locations.

Stimulating Market Forces ($\alpha = .66$)

1. ...we have been able to demonstrate that businesses can make money through supporting our initiatives.
2. ...we have been able to demonstrate that consumers can save money through patronizing our products and services.
3. ...we have been able to trust market forces to help resolve social problems.

SCALERS (stratified alpha $\alpha = .75$) This index consisted of the average scores across the seven dimensions of the model (i.e., staff, communication, alliance-building, lobbying, earnings generation, replicating and stimulating market forces) into a single SCALERS index.

Burke-Litwin Model (Burke & Litwin, 1992; Di Pofi, 2002)

For each item in the questionnaire, you are asked to rate the extent to which the item is practiced, using the behaviorally anchored rating scale from "1" to "5". If you feel you cannot make the assessment, then use the category, "Don't Know".

Structure ($\alpha = .82$, remove one item, Struct4)

1. To what extent does the organization's structure help different departments work together effectively? (1 = to a very small extent; 5 = to a very great extent; 6 = "Don't Know")
2. Does the structure support the accomplishment of the organization's mission and strategy? (1 = structure hinders mission and strategy accomplishment; 5 = structure supports mission and strategy accomplishment; 6 = "Don't Know")
3. To what extent do managers give people the authority they need to accomplish their work effectively? (1 = to a very small extent; 5 = to a very great extent; 6 = "Don't Know")
4. ~~For managers in your organization, how would you characterize the breadth and depth of the responsibilities they are expected to manage? (1 = too limited; 3 = about right; 5 = too much)~~

Systems ($\alpha = .83$)

1. How relevant is the information you receive? (1 = information has little relevance to my work; 5 = information has high relevance to my work)
2. How timely is the information you receive? (1 = information is not timely; 5 = information gets to me at the right time)
3. With respect to how managers in your organization are rewarded, what is the balance between results and how the managers (their behavior) achieve these results? (1 = rewarded only for results; 3 = rewarded equally for results and behavior; 5 = rewarded only for how they behave)
4. To what extent are people adequately rewarded for their work performance? (1 = to a very small extent; 5 = to a very great extent)
5. Does your organization have the right rewards and benefits necessary to attract and retain the very best people for each job? (1 = rewards not appropriate; 5 = rewards very appropriate)
6. How well informed do you feel about the following (1 = poorly informed; 5 = very well informed):
 - a. Issues affecting the organization as a whole.
 - b. Issues affecting your division, function, area, or department.
 - c. Issues affecting you and your job.

Appendix D

Dependent Variable Measures – Social & Financial Goals

Scaling Social Impact (Bloom & Smith, 2010) ($\alpha = .70$, remove two items, SocImp3 & SocImp4)

Items are rated a 5-point Likert scale: 1-*strongly disagree*, 2-*disagree*, 3-*neither agree nor disagree*, 4-*agree*, 5-*strongly agree*, and 6-*N/A*

Thinking about **the last three years** of operations of your organization, please indicate how strongly you agree or disagree with each of the following statements, assuming each statement starts with the following phrase: **Compared to other organizations** working to resolve similar social problems as our organization...

1. ...we have made significant progress in alleviating the problem.
2. ...we have scaled up our capabilities to address the problem.
- ~~3. ...we have greatly expanded the number of individuals we serve.~~
- ~~4. ...we have substantially increased the geographic area we serve.~~

Financial Stability (Craig Mayberry, 2011) ($\alpha = .56$)

Please rate the extent to which the following describes your organization (7-point Likert scale, 1 = strongly disagree, 7 = strongly agree, 8 = N/A)

1. Diverse source of income.
2. Ability to raise sufficient funds to accomplish our mission.
3. Sufficient cash reserves to meet a short term drop in revenue.

Financial Performance (Iakovleva, 2005; Bacq, Janssen & Kickul, 2011) (Importance: $\alpha = .81$ and Satisfaction: $\alpha = .81$)

Please indicate the degree of importance (satisfaction) (1 = not at all important, 7 = extremely important) your social venture attaches to the following six items over the past three years:

1. sales level
2. sales growth
3. profitability
4. net profit
5. gross profit
6. ability to fund enterprise growth from profits

Appendix E

List of Control and Demographic Variables

1. **Legal Status** (Bacq, Janssen & Kickul, 2011)
Please select the option that best describes your organization: for-profit, non-profit, hybrid.

2. **Service Sector**
Please choose the sector that is closest to your organization: Art, Culture, Humanities, Civil/Human right, Environmental protection, Food, Nutrition, Agriculture, Housing, Legal advisory, and Other.

3. **Age of Organization** (Bacq, Janssen & Kickul, 2011)
Please indicate the year the organization was founded.

4. **Organizational Size** (Bacq, Janssen & Kickul, 2011)
 - a. Annual Revenue. Estimated using eight categories (1 = less than \$10,000; 2 = \$10,001 - \$50,000; 3 = \$50,001-\$100,000; 4 = \$100,001-\$200,000; 5 = \$200,001-\$500,000; 6 = \$500,001-\$1 million; 7 = \$1million – \$5million; 8 = greater than \$5million).
 - b. Number of Full-time Employees; Number of Part-time Employees; Number of Volunteers
 - c. Number of office locations.

5. **Diversity of Income**
Please allocate % total revenue by funding source: foundation grants, membership, private donors, sale of goods/services, government funding, founders, shareholders, loans, In-kind donations, barter and other (Mayberry, 2011).

6. **Leader Age** (Dobbins & Platz, 1986; Eagly & Johnson, 1990)
To be categorized as follows (1 = 20 – 29 years; 2 = 30 – 39 years; 3 = 40 – 49 years; 4 = 50 – 59 years; 5 = 60 or more years).

7. **Leader Gender** (Dobbins & Platz, 1986; Eagly & Johnson, 1990)
To be used as a dummy variable (0 = female, 1 = male).

8. **Leader Education** (Dobbins & Platz, 1986; Eagly & Johnson, 1990)
To be categorized as follows (1 = high school; 2 = associates degree/two years of college; 3 = bachelor’s degree; 4 = graduate degree).

9. **Leader Work Background** (Dobbins & Platz, 1986; Eagly & Johnson, 1990)

What percentage of work experience was in for-profit vs. non-profit vs. government public sector

Appendix F

Interview Protocol

Opening Remarks: Hello and thank you for agreeing to participate in this follow-up interview. A couple months ago, you filled out an online survey and received an individual profile describing your leadership behaviors. Before we get started, do you have any questions about the research and/or your personal profile?

Transition message: Ok, so now that we've had a chance to discuss your profile and provide a little background about the research, I'd like to ask you a couple questions to get your insights. Would you mind if I audio-recorded our conversation? As you can tell from the codes employed in generating your leadership profile, I take confidentiality quite seriously. This would allow me to transcribe our conversation for dissertation research purposes only. Once the research is done, all transcripts and recordings will be destroyed. Any references to quotes will be masked with a pseudonym and your identity will be kept strictly confidential. Please feel free to let me know if this is uncomfortable. I want you to be able to speak freely. The questions used in the interview were as follows:

1. Do you have any questions about your individualized leadership profile? Any question I can answer for you? Anything surprise you?
2. How do you view your *role* as a leader?
3. As a leader in your organization, what are some of your accomplishments? What are you most proud of?
4. As a leader in the organization, what are some of your challenges?
5. Can you describe the *multiple demands* you face?
6. What does your organization do well? What are *strengths*, positive qualities?
7. What is not going well in the organization? What are problems, *concerns*, and issues?
8. From your perspective, what factors in your organization contribute to *social mission impact*? What allows your organization to make a social impact? What are the *levers* of success?
9. What are the *barriers and hindrances* that prevent the organization from doing the kind of work you feel you should and want to be doing?
10. From your perspective, what allows your organization to meet *financial* requirements? What allows your organization to maintain *financial flexibility*?
11. Closing exercise: Can we play a quick word association game? I'll say a word and you quickly say the first thing that comes to mind (revenue, sales, net profit, gross margin, earnings, diversity of funding, scaling, social impact, social enterprise, money & mission).

Appendix G

Unique Code Generator

Before you proceed, please create a confidential code using the instructions below. Only you will know your unique code, thereby protecting confidentiality.

Please generate a 4-character passcode that is unique to you and only you know. You can use letters and digits (e.g., Z8G5).

Please enter your unique code in the space below. In the example above, you would write: 'Z8G5'. *Please remember your code.* Should you be interested in receiving your leadership profile, you will need to provide your 4-character code.

Appendix H

Recruitment E-mail

Electronic Message (Email) Cover Letter

Subject Line: Research Collaboration: Leadership, Social Impacting Scaling and Financial Stability

Dear Leader,

As principals of [boutique consulting firm], I am pleased to announce a research collaboration between our firm and Teachers College, Columbia University. I am writing to invite members of your executive leadership team to participate in a brief online survey that looks at perceptions around leadership, organizational capabilities, social and financial performance. The principal investigator of this research is Paul Hanvongse (ABD), a doctoral candidate at Teachers College, Columbia University, under the supervision of Professor Debra Noumair. This research has been approved by the Teachers College Institutional Review Board (# xxxx).

I believe this research may be of interest to executive members of your organization. Interested participants have the *option* of requesting a report describing their own leadership behaviors, which may be used to pursue leadership development opportunities. In addition, the principal researcher may contact a subset of participants for follow-up phone interviews. This is completely voluntary. Those who agree to a follow-up interview will have a chance to further inquire about their own profile and will receive a gift card worth \$25. Participant involvement may strengthen the nonprofit and social enterprise community as a whole.

The survey should take no longer than 15 – 20 minutes to complete. In addition, for select participants who agree to a follow-up conversation, the phone interview should take no longer than 30 minutes.

Confidentiality will be maintained throughout the process and responses will be kept confidential (i.e., via generation of a unique code and the use of pseudonyms). Any data that is published for research will be in the aggregate and marked with pseudonyms, no responses from specific individual or specific organizations will be revealed.

THANK YOU for your consideration and willingness to participate in this study. If you have any questions, please do not hesitate to e-mail Paul Hanvongse at aph2111@tc.columbia.edu. Your participation would be greatly appreciated and will greatly advance the social and voluntary sector.

You can proceed to the survey where you will be directed to an informed consent and participants rights form by clicking on this link: [study link here]

Sincerely,

Paul Hanvongse
Doctoral Candidate, Social-Organizational Psychology
Teachers College, Columbia University
Aph2111@tc.columbia.edu

In collaboration with,

Principles of Boutique Consulting Firm

General Solicitation

Subject Line: Participant Recruitment: Leadership, Social Impacting Scaling and Financial Stability

Dear Leader,

I am writing to invite you and members of your executive leadership team to participate in a brief online survey that looks at perceptions around leadership, organizational capabilities, social and financial performance. As principal investigator of this research my name is Paul Hanvongse (ABD), I'm a doctoral candidate at Teachers College, Columbia University, under the supervision of Professor Debra Noumair. This research has been approved by the Teachers College Institutional Review Board (# xxxx).

I believe this research may be of interest to executive leadership members of your organization. Participants have the *option* of requesting a report describing their own leadership behaviors, which may be used to pursue leadership development opportunities. In addition, I may contact a subset of participants for follow-up phone interviews. This is completely voluntary. Those who agree to a follow-up interview will have a chance to further inquire about their own profile and will receive a gift card worth \$25. Your involvement may strengthen the nonprofit and social enterprise community as a whole.

The survey should take no longer than 15 – 20 minutes to complete. In addition, should you agree to a follow-up conversation, the phone (or skype) interview should take no longer than 30 minutes.

Confidentiality will be maintained throughout the process and responses will be kept confidential (i.e., via generation of a unique code and the use of pseudonyms). Any data that is published for research will be in the aggregate and marked with pseudonyms, no responses from specific individuals or specific organizations will be revealed.

THANK YOU for your consideration and willingness to participate in this study. If you have any questions, please do not hesitate to e-mail Paul Hanvongse at aph2111@tc.columbia.edu. Your participation would be greatly appreciated and may help advance the social and voluntary sector.

You can proceed to the survey where you will be directed to an informed consent and participants rights form by clicking on this link: [study link here]

Sincerely,
Apivot Hanvongse
Doctoral Candidate, Social-Organizational Psychology
Teachers College, Columbia University
Aph2111@tc.columbia.edu

Appendix I

Debrief

Thank you for your participation in this research. Your involvement is greatly appreciated. The specific aim of the current study is to investigate leader's perceptions around their own behaviors, the organization's capabilities, social and financial performance.

Please note that all of your responses to the questions in this survey will be kept confidential and will only be used for this research. If you have any further questions or concerns about this project, or should you be interested in your leadership profile and results of the study, please feel free to contact me, Paul Hanvongse at aph2111@tc.columbia.edu. You are encouraged to create a separate e-mail account that is not tied to your organization to help maintain confidentiality.

You can also reach me by phone: 347-266-1026.

To maintain confidentiality, please include your unique code in the subject line.

THANK YOU AGAIN FOR YOUR PARTICIPATION!!!