Social venture performance, impact and strategic marketing effectiveness in turbulent environments

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Received 17 November 2022
Revised 11 April 2023
13 June 2023
1 September 2023
21 October 2023
Accepted 4 November 2023

Abstract

Purpose – The social venture (SV) is an increasingly popular form of organization to pursue social goals using a commercial approach. Although marketing plays an important role in SV research and a key driver of the performance of SVs, how and the extent to which market conditions play a role remains understudied. This study examines if market turbulence can moderate marketing capabilities and performance relationships.

Design/methodology/approach – The authors developed several hypotheses rooted in the marketing literature and tested them using data collected from a sample of 109 SVs from East Asia (i.e. Hong Kong and Taiwan). Using multiple regression analysis and structural equation modeling, the authors analyzed the marketing capabilities and financial and social performance relationships and the positive moderating role of market turbulence.

Findings – The results suggested that market turbulence is a positive moderator which influences the effect of the marketing capabilities–financial performance relationship, but not the marketing capabilities and social performance relationship.

Originality/value – This paper attempts to interrogate the SV's marketing capabilities–performance relationship in the East Asian context and how market turbulence may enhance or weaken the relationship. This is one of the earliest papers in this research area. The key findings from this research offer valuable theoretical contribution to the study of SV performance.

Keywords Social venture, Capability, Performance, Market turbulence

Paper type Research paper

Introduction

Social venture (SV) [1] (hereafter SV) is an increasingly popular form of organization and a way of organizing to pursue social goals, including not limited to ending poverty, tackling discrimination and addressing aging problems (Mair and Marti, 2006; Pache and Santos, 2013; Weerawardena and Mort, 2006). SV differs from other types of social organizations that aim to cater to social needs (Mair and Marti, 2006). Unlike charity, SV operates as a business that uses commercial means to solve social problems (Battilana and Lee, 2014; Mair and Marti, 2006; Pache and Santos, 2013). But unlike for-profit ventures, SV does not aim to optimize profit for its shareholders but to create value to stakeholders. In fact, SV has been

The authors thanked all social enterprise founders and managers who participated in this research. The authors thanked the directors of Fullness Social Enterprises Society for their various support in this research.

Funding: This research did not receive any specific grant from funding agencies in the public, commercial or not-for-profit sectors.

Journal of Small Business and Enterprise Development

1462-6004
DOI 10.1108/JSBED-11-2022-0469

defined as a *hybrid* organization (Battilana and Lee, 2014; Gigliotti and Runfola, 2022), a form of organization that combines commercial, social welfare and public value logics (Chandra and Paras, 2021; Stephan *et al.*, 2015) and whose activities emphasize redistribution and reciprocity (André and Pache, 2016; Pache and Santos, 2013; Sinthupundaja *et al.*, 2019).

The hybrid nature of SV often results in the public perception that operating SVs is *challenging* (Dart, 2004). First, given their hybridity, SVs face *tensions* between competing social and financial goals (Battilana and Lee, 2014; Chatterjee *et al.*, 2020; Pache and Santos, 2013). This often undermines SVs' ability to achieve optimal results or leads SVs to forgo healthy profit margins in pursuit of social objectives (Galera and Borzaga, 2009). Some also argue that, as a result of the profit-social tension, SVs can experience mission drift with the result that profit becomes the main priority (Beisland *et al.*, 2021). Second, SVs compete in the "open market" against strong(er) for-profit competitors (Pinheiro *at al.*, 2021). Open market competition is also an *unequal* playing field and a handicap for SVs because they need to look after two or more goals simultaneously while their for-profit competitors only worry about one goal (Weerawardena and Mort, 2006). Third, SVs face "image problem" in certain regions where SV is relatively new (e.g. East Asia, see Chandra and Wong, 2016; Yang and Chiang, 2018; Zhao, 2012). SVs are not well understood by the public and can "deceive" or confuse or be misunderstood by the public (e.g. Chandra, 2019; Dai *et al.*, 2017) because they do not easily fit existing institutional templates (e.g. neither non-profit nor for-profit). Lastly, and the key focus of our paper, SVs often operate in unpredictable, *turbulent markets* such as rapid changes in customer preferences, customers' desire for new products or changing government policies. Market turbulence refers to the rate of change in the composition of customers and their preferences in highly competitive environments (Jaworski and Kohli, 1993). Such turbulence is often caused by shifting customer preferences, emerging new segments and the emergence of first-time customers under constant changes of needs and preferences over time. Under this condition, SVs are often forced to pay attention to market trends and coming up with innovative products that meet the changing customer needs while addressing social issues (Weerawardena and Mort, 2006). These reflect the "marketing problems" of SVs and issues that affect SV performance.

Our main thesis is that SVs must possess marketing capabilities in order to achieve financial and social performance and at the same time they need to understand how market turbulence can affect their performance. Unfortunately, research on the "marketing problems" in SV and market context as an explanandum of SV performance is still limited. Also, the marketing capabilities–firm performance link under market conditions is unclear, but they play a role that remains under-investigated, and this is even more pronounced in the context of East Asia. We attempt to bring market turbulence to the front and center of SV scholarship by investigating how it affects marketing capabilities and performance relationship.

In the marketing literature, it has long been suggested that *marketing capabilities* – a sophisticated array of knowledge and skills to perform well in the market – are crucial for a company's competitive edge in the long run (Ince and Hahn, 2020) and winning the customers (Chen and Hsu, 2021). Although marketing capabilities and the broader organizational capabilities are important to SVs sustainability, research in this domain remains limited in the SV literature. Existing research on SV performance (Beisland *et al.*, 2021; Gigliotti and Runfola, 2022; Pinheiro *et al.*, 2021) has yet to examine the mechanism of how marketing capabilities translate into performance (i.e. as moderators or mediators) such as *market turbulence* or situating them in countries with relatively less experience with SV. To advance SV scholarship, more research on market turbulence is required to examine the boundary conditions of marketing capabilities and performance relationships under a different context (e.g. market turbulence, countries where SV is relatively new; Welter and Baker, 2021). In the article, we asked, *Does market turbulence shape the marketing capabilities-performance relationship among SVs? If so, to what extent?*

To answer our question, we established a theoretical model to study the boundary condition of marketing capabilities and market condition on SV performance. Central to our model is that the link between organizational capabilities in term of marketing and performance (financial as well as social) may be *contingent* upon the state of the market (e.g. its turbulence). Second, both financial and social performance are needed for SVs to remain legitimate in claiming their purpose (Gigliotti and Runfola, 2022) and to facilitate SVs' long-term sustainability. In addition, we do not assume that SVs (and their customers) in regions that are still relatively new to the SV concept will behave in the same way as those in the developed Western economies given the complex historical institutional forces that shape the development and meaning of SVs (e.g. Chandra and Wong, 2016; Yang and Chiang, 2018; Zhao, 2012).

We tested our model using quantitative survey data from a sample of 109 SVs from East Asia (i.e. Hong Kong and Taiwan). We found support for one of the two hypotheses in the study. That is, SVs' marketing capabilities and performance in terms of financial relationship were positively moderated by market turbulence (supporting H1), but not for social performance (not supporting H2). Our finding contributes to the study on the performance of SV and the importance of understanding marketing capabilities and market turbulence as a mechanism that affects performance. Overall, we offer a *financial primacy under turbulence* mindset that underpins how social entrepreneurs operate in East Asia. This provides a counter-intuitive finding that assumes all SVs behave in the same way, but rather suggests that SVs may behave differently depending on the market situation. Our study opens new avenues for future research on SV performance and how context matters.

In our study, we make several contributions. First, we extend the marketing literature by theoretically proposing and empirically testing how market turbulence positively moderates the effects of marketing capabilities on SV performance. Our study contributes to the (still) limited empirical evidence on what happens to SV marketing capabilities–performance relationship when they are hit by turbulent environments (Battilana *et al.*, 2014; Bloom and Chatterji, 2009; Bloom and Smith, 2010; Pache and Santos, 2013). Our study helps address the question whether turbulent market renders marketing capabilities–performance relationship ineffective or even stronger where we found that it has differential effect on social vs financial performance.

Second, our study adds clarity to the somewhat murky findings from previous studies on the role of market turbulence in the relationship between ordinary capabilities and performance (e.g. Jaworski and Kohli, 1993; Karna *et al.*, 2015; Lichtenthaler, 2009). Previous studies have been unable to offer conclusive results on whether market turbulence plays a moderating role in the relationship between ordinary capabilities and firm performance (Jaworski and Kohli, 1993; Karna *et al.*, 2015; Lichtenthaler, 2009). Our study fills this gap and provides some light to the debate by showing evidence that the influence of marketing capabilities on financial performance is contingent upon the level of market turbulence in the context of SVs.

Hypothesis development

Marketing capabilities as a driver of social venture performance

Dynamic capabilities literature [2] suggests that all organizations possess *ordinary capabilities,* which is a prerequisite for organizations to function (i.e. marketing, production, operations, R&D capabilities, etc.) (Winter, 2003) and to solve problems (Teece, 2007). Our main interest in this study is in the role of marketing in SV. *Marketing capabilities,* a type of ordinary capabilities, reproduce the capacity of the organization to work out marketing mix strategy (Bhardwaj *et al.*, 2021; Ince and Hahn, 2020; Vorhies and Morgan, 2005). In particular, some scholars (e.g. Chen and Hsu, 2021; Pinheiro *et al.*, 2021) argue that marketing capabilities, which allow an organization to organize and deploy marketing resources, enhance firm performance. Other scholars also argue that organizations with marketing capabilities can differentiate their offerings and serve their target market, which can in turn enhance their financial performance (Hernández-Linares *et al.*, 2021; Pinheiro *et al.*, 2021).

Some SV scholars have argued for the significance of organizational resources and capabilities in SVs in producing social impact. For instance, one study proposed that SVs develop various capabilities—such as staffing, communicating, and lobbying—that contribute to social impact (Sinthupundaja *et al.*, 2019). Another study shows that SVs acquire and utilize resource bundles in the same way as commercial enterprises do (Pinheiro *et al.*, 2021).

To-date, research on the marketing capabilities-performance link has remained limited in the SV literature. Some earlier studies were based on case studies and explored the role of marketing as an instrument to drive SVs' social and financial performance (i.e. Pinheiro *et al.*, 2021) Only recently have scholars collected empirical data (i.e. surveys) and tested the effect of marketing on company performance. For instance, a survey of Australian SVs found that customer orientation is positively associated with performance in environmental, social, and economic domains (Pinheiro *et al.*, 2021; Yu *et al.*, 2022). Another survey of British SVs found that customer orientation improves the financial and social performance of SVs (Gigliotti and Runfola, 2022). Other studies related to SV performance reported the positive effect of entrepreneurial orientation—a form of organizational capability—on the SVs' financial but *not* social performance (Lee and Chandra, 2020; Yu *et al.*, 2022) and the positive influence of business planning on the performance (financial and social) among SVs (Cheah *et al.*, 2019).

These results showed that organizational capabilities such as marketing are important to drive SVs performance, an area which has increasingly gained traction among scholars. However, there are mixed findings on the influence of marketing capabilities on social impact. Importantly, there remains limited research investigating the influence of *context* (Welter and Baker, 2021) such as *market turbulence* and *regions that are new to SV* on SVs' marketing capabilities and (financial and social) on performance relationship. Our article aims to tackle this contextual gap in the SV literature. We will discuss further on the role of market turbulence in our model next.

Market turbulence

A market can be turbulent as it is affected by shifts in customer base, changes in customer expectations or customer preferences (Jaworski and Kohli, 1993). The market turbulence concept focuses on the transformation that an organization faces in its client base and needs and competitors, and the difficulty of coping with a new competitive environment. Market turbulence often requires firms to modify their marketing strategies and operations (i.e. Gyedu *et al.*, 2021; Turulja and Bajgoric, 2018).

Turbulent market conditions often trigger the change in organizational activities and innovation, as organizations react to unpredictable customer preferences and competitors' behavior (Stevens *et al.*, 2014). In highly turbulent market conditions, such changes are likely to be more radical, which often create market gaps (De Clercq *et al.*, 2018; Volberda, 1996) and provide organizations with new market opportunities (Ince and Hahn, 2020).

When facing turbulent markets, organizations can employ dynamic capabilities such as *marketing capabilities* to gain an aggressive edge (Teece, 2007). In particular, organizations operating in a highly turbulent market are likely to put more efforts to offer products and services that meet customers' needs by enhancing their marketing capabilities (Chen and Hsu, 2021; Turulja and Bajgoric, 2018). By doing so, organizations can continually cater to the changing preferences of customers in the market. In the marketing literature, empirical studies on the firm capabilities-financial link moderated by market turbulence on produced inconsistent findings (Ramus *et al.*, 2018; Turulja and Bajgoric, 2018). Some showed positive or negative or nil relationship. The first stream of research showed a positive relationship (Chen and Hsu, 2021; Gyedu *et al.*, 2021; Turulja and Bajgoric, 2018). Another stream found a negative relationship (Senbeto and Hon, 2020; Ramus *et al.*, 2018). The last stream of studies showed nil relationship (Mainardes *at al.*, 2022; Senbeto and Hon, 2020). Clearly, there is a lack of understanding of how market turbulence affects the relationship between marketing capability and the financial vs social performance of SVs. Further research is required to examine the marketing capabilities-firm performance link in turbulent market conditions. Importantly, how these variables take shape in the field, especially in SVs are worthy of investigation.

Marketing capabilities and financial performance relationship under market turbulence

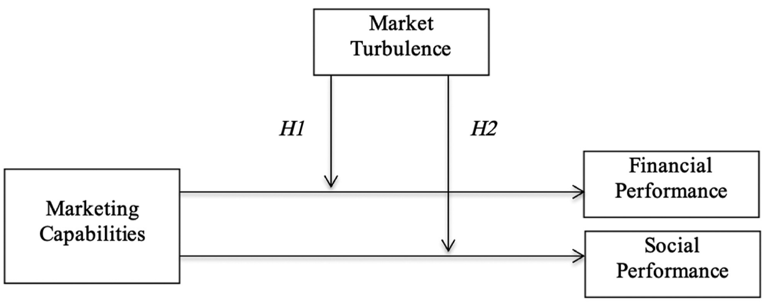
We postulate that market turbulence is a moderator that positively influences the effect of marketing capabilities on financial performance as well as social performance among SVs (see Figure 1).

Drawing on the literature on marketing capabilities as well as for-profit organizations performance (Chen and Hsu, 2021; Pinheiro *et al.*, 2021), we argue that turbulent market compels SVs to enhance their marketing capabilities in particular their product innovation (Mainardes *et al.*, 2022) and development capacities (Cornelius *et al.*, 2007) as a means of survival. When the market is turbulent, SVs may also attempt to satisfy changing customers' needs by collecting, tracking, and analyzing market information more intensively (Hambrick and Crozier, 1985). We also argue that under a turbulent market, an SV makes good use of its product capabilities leading to better product development and success. By doing so, SVs establish strong and unique positions in their respective target market, and ultimately enhance their financial performance. Hence, we posit the following:

H1. The impact of marketing capabilities on financial performance is positively moderated by market turbulence such that the financial performance is enhanced when marketing capabilities and market turbulence are higher.

Marketing capabilities and social performance under market turbulence

A product or service offered by an SV is not only aimed to create financial value but also social value for the target beneficiaries and the broader community (Chandra, 2017; Gigliotti and Runfola, 2022). For instance, a work integration SV restaurant creates financial value through their food sales but at the same time it creates social value by employing the hard-to-employ marginalized groups (e.g. criminals, disabled, elderly) as chefs and waiters.



Source(s): Authors' own creation

Figure 1. Conceptual model

The SV literature documented a positive association between marketing efforts and performance (social and financial) of SVs (e.g. Beisland *et al.*, 2021; Gigliotti and Runfola, 2022). However, these studies have yet to examine the influence of another key mechanism that influence performance which is market turbulence. Moreover, these studies have only examined marketing and performance relationship in the context where the public generally understand what SV is (e.g. developed Western economies) and under "business as usual" market context.

Drawing on the insight that SVs can face tensions between financial and social goals and develop different strategies to deal with such tensions (Gigliotti and Runfola, 2022), we argue that under turbulent markets (e.g. the shift in customer tastes, the entry of new competitors, customers desire and demand for new products), SVs with marketing capabilities will have stronger desire to turn the turbulence into opportunities to improve society and ultimately create more social value. Under highly turbulent markets (e.g. the major economic recession that led to lower demand for SVs' products), SVs will be more likely to put efforts to leverage their resources such as marketing capabilities to build more social benefits (e.g. employing more disadvantaged population, offering discounts for environmentally friendly products or even giving its products for free to the poor). In other words, we posit that turbulence in the market is a moderator which influences the effect of several capabilities such as marketing upon social performance. Consequently, we propose:

H2. The impact of marketing capabilities on social performance is positively moderated by market turbulence such that the social performance is enhanced when marketing capabilities and market turbulence are higher.

Methodology

Data collection

This study is situated within an East Asian context, a region where SV is a comparatively new phenomenon. The target population is the SVs aged over three years [3] in Hong Kong and Taiwan. We focused on this region because the SV sector in Taiwan and Hong Kong are both at an "expansion stage" and the majority of the SVs in both locations have similar purpose that is to increase employment opportunities for underprivileged groups (Chandra and Wong, 2016).

Using major SV databases from Hong Kong and Taiwan as the sampling frame, we sent our questionnaire to the SVs to collect data. Questionnaires were sent to all SVs listed in the Hong Kong Council on Social services SV database and to other SVs that were members of the Fullness SVs Society (a prominent organization with many SV affiliates and members) in 2016. The Taiwanese sample was found from the 200 SVs listed in the 2016 database of Taiwan's Workforce Development Agency and Ministry of Labor as of 2016. Our sampling frame consisted of the whole population of SVs because the population is a relatively small one in Hong Kong and Taiwan. *t*-test results did not find any significant differences between surveyed SVs in Hong Kong and Taiwan (i.e. comparing Hong Kong and Taiwan samples: $t_{46.195} = -4.285$, n.s. for marketing capabilities).

The survey items were compiled from a comprehensive literature review and to fit in with our study circumstances as appropriate. A two-informant approach (SVs' management teams and customers) were adopted in the survey to lower the probability of the phenomenon of bias (e.g. a common method bias). The first group of informants, who represented the SV, answered all questions except those derived from the dependent variable. The second group of informants, who represented the SVs' customers, answered questions related to the dependent variable items only. These data provided valuable information that shed light on customers' perceptions on the SVs. To figure out how the survey can be best administered, pilot interviews were arranged with 20 SV founders or managers. Based on their feedback, the initial questionnaires then were refined, and the revised questionnaire was sent to the informants in the actual study.

All measures were assessed using seven-point, Likert-type scales (1 – strongly disagree to 7 – strongly agree). In fact, as is common to Hong Kong and Taiwan, most SV founders and managers are reluctant to complete questionnaires due to time constraints and other reasons (e.g. trust on who we are and what we will do to the data especially we asked for their organizational performance data). Therefore, we had to use a special approach to encourage a higher participation rate and develop trust. We relied on a personalized approach such as telephone calls, email invitations, and personal on-site delivery and pickup of questionnaires to gain greater participation rate from SV founders and managers. We used a closed-ended questionnaire to ask the questions to SV founders and managers by using the face-to-face method instead of cold approaches (e.g. email or by post). In hindsight, we realized that the personalized approach was important in improving the survey response rate and ensured that key informants were eligible to complete the questionnaire. Prior to data analysis, responses with missing values from certain SVs were removed by using a list-wise deletion approach. We received 109 valid responses out of the 113 completed. The overall response rate was 21%. The overall sample features are exhibited in Table 1.

Measurement

We adopted measurement items from previously validated and published measurement scales. In particular, a number of scale items were adapted in order for the questionnaire to fit in with the context of the study (i.e. the SV context in East Asia), and following a comprehensive literature review new items were built in.

Independent variables. The marketing capabilities scale comprised eight dimensions of marketing operations including pricing, product development, channel management (Vorhies and Morgan, 2005). The marketing information management, marketing planning, and marketing implementation capabilities were grouped together because past research shows that SVs often cannot distinguish between these capabilities (e.g. marketing

Firm characteristics	Frequency	Percent (%)
Number of employees		
<10	45	41.30
10–20	25	22.90
21–50	24	22
51–100	10	9.20
>100	5	4.60
Industry sector		
Catering and food production	33	30.30
Lifestyles	6	5.50
Business support	3	2.80
Medical care	7	6.40
Education and training	15	13.80
Eco-products and recycling	5	4.60
Logistics and auto services	4	3.70
Other	36	32.90
Age		
5–10 years	80	73.40
11–15 years	13	11.90
More than 15 years	16	14.70

N = 109
Source: Authors' own creation

Table 1.
Sample characteristics

information management, marketing planning, and marketing implementation capabilities) (Liu and Ko, 2012). 22 items were adopted to compute an SV's marketing capabilities (see Table 2). All items of each construct display a high level of validity and reliability (i.e. Cronbach's $\alpha > 0.7$; factor loadings >0.6). The Cronbach alpha value of our marketing capabilities construct exceeds Nunnally's standard (1978). Therefore, the remaining items in the scale are acceptable. The remaining items in the scale correlate highly which may be measuring the same construct (Churchill, 1979). We followed prior research (e.g. Martin *et al.*, 2020; Najafi-Tavani *et al.*, 2016) that have measured the relationship between marketing capabilities as a single construct and firm performance on the moderating effect of competitive turbulence. Marketing capabilities as a single construct displays a high level of reliability, as shown by its composite reliability (CR) value at 0.980, which is the highest value among all constructs in the study.

Dependent variables. Financial performance refers to the measurement of the total profit of SVs in terms of their average growth rate, where we asked respondents to select one of the following choices: (i.e. 0%, 1–10%, 11–20%, 21–30%, 31–40%, 41–50%, or over 50%). The social performance of an SV was measured with relevance to a four-item scale (Stevens *et al.*, 2014) such as "addressing societal problems and fulfilling philanthropic and charitable responsibilities" and a newly added item on "participating in activities that address societal issues" (see Table 2).

Moderating variable. We used the market turbulence scale by Jaworski and Kohli (1993) which comprised four items pertaining to customers preference change, customers' desire for newness, demand from new customers, and new customers" needs for SV products. This construct measured the extent to which the preferences of SVs' customers tended to change over time (e.g. "Our customers tend to look for new products all the time", and "new customers tend to have product-related needs that are different from those of our existing customers" (see Table 2).

Control variables. We used firm size, social enterprise (SE) age, goals, sharing of profit, location, type of ownership, and different types of industry as control variables to minimize the potential confounding effects and to rule out alternative explanations of our core predictions in the hypotheses. Industry dummies such as catering and food manufacturing, lifestyle, education and training, business support, medical care, eco product and renovation, and domestic cleaning and renovation areas were created because they were the industries in which many SVs operate and the sample included SVs from a variety of industries. This fits with the fact that SVs exist in almost any imaginable industry sector. Studying organizational performance by sampling organizations across industry sectors is a common practice in management research (e.g. Durand and Coeurderoy, 2001; Petrenko *et al.*, 2016; Wang and Li, 2008). Not only can this help capture more organizations in the study but also help with the generalizability (external validity) of the study. The industry dummies allow us to control for the potential industry effects to verify whether industry type has any effect, and if so by how much.

Reliability test and confirmatory factor analysis. Validity and reliability of measurements are shown in Table 2. We ensure validity and reliability of measures in several steps. Reliability tests such as Cronbach's Alpha (α) values, show satisfactory results (from 0.759 to 0.954). The lower range of the CR estimates is 0.798 while the upper limit is 0.980, which means the reliability of all constructs in the study is high. We also performed a discriminant validity check of the constructs. The outcomes of the CFA for latent constructs were within the acceptable ranges (see Notes of Table 2). All constructs demonstrated internal consistency discriminant validity when the square root of average variance extracted (AVE) for each latent variable (e.g. marketing capabilities: 0.829) exceeds the correlation among any pair of latent constructs (Fornell and Larcker, 1981) (see Table 3).

Common method bias and multicollinearity test. The CFA results with the Harman one-factor test for the constructs showed a poor fit to the data (Fuller *et al.*, 2016) suggesting that common method bias was unlikely because the principal component factor constitutes

Indicators	Construct	Convergent validity Loading (>0.7)	AVE (>0.5)	Internal consistency reliability Composite reliability (>0.6)
	Marketing capabilities (Vorhies and Morgan, 2005)		0.687	0.98
	Pricing		0.607	0.755
MC1	1. Using pricing systems to respond quickly to market changes	0.764		
MC2	2. Doing an effective job of pricing products/services	0.85		
	Product development		0.613	0.863
MC3	1. Ability to develop new products/services	0.862		
MC4	2. Developing new products/services to exploit R&D investment	0.807		
MC5	3. Test marketing of new products/services	0.725		
MC6	4. Ensuring that product/service development efforts are responsive to customer needs	0.678*		
	Channel management		0.793	0.951
MC7	1. Strength of relationships with distributors	0.819		
MC8	2. Attracting and retaining the best distributors	0.894		
MC9	3. Closeness in working with distributors and retailers	0.88		
MC10	4. Adding value to our distributors' businesses	0.869		
MC11	5. Providing high levels of service support to distributors	0.773		
	Marketing strategy (marketing information management, marketing planning, and marketing implementation)		0.68	0.959
MC12	1. Gathering information about customers and competitors	0.717		
MC13	2. Using market research skills to develop effective marketing programmes	0.792		
MC14	3. Making full use of marketing research information	0.855		
MC15	4. Analyzing our market information	0.846		
MC16	5. Marketing planning skills	0.819		
MC17	6. Ability to effectively segment and target markets	0.767		
MC18	7. Marketing management skills and processes	0.813		
MC19	8. Thoroughness of marketing planning processes	0.737		
MC20	9. Allocating marketing resources effectively	0.73		
MC21	10. Executing marketing strategies quickly	0.727		
MC22	11. Monitoring marketing performance	0.864		
	Market turbulence (Jaworski and Kohli, 1993)		0.507	0.798
MT1	1. In our kind of business, customers' product preferences change quite a bit over time	0.828		
MT2	2. Our customers tend to look for new products all the time	0.85		
MT3	3. We are witnessing demand for our products and services from customers who never bought them before	0.567*		

(*continued*)

Table 2.
Reliability and validity measures

Indicators	Construct	Convergent validity Loading (>0.7)	AVE (>0.5)	Internal consistency reliability Composite reliability (>0.6)
MT4	4. New customers tend to have product-related needs that are different from those of our existing customers	0.773		
	Financial performance		0.643	0.841
FP1	1. The average growth rate of the total revenue of new products/services over the last three years	0.876		
FP2	2. The percentage of the total revenue generated by the sales of new products/services over the last three years	0.914		
FP3	3. The percentage of the R&D expenditure generated by the total assets over the last three years	0.802		
	Social performance (Stevens *et al.*, 2014)		0.61	0.901
SP1	1. We often participate in activities that address social issues	0.644*		
SP2	2. We examine regularly new opportunities and programmes that can result in an increase in value for society	0.854		
SP3	3. We often fulfill our philanthropic and charitable responsibilities	0.843		
SP4	4. We address societal problems	0.893		
SP5	5. We are actively involved in community activities that address social problems	0.875		

Note(s): *MC6, MT3, and SP1 remained from the measurement as AVE is higher than 0.5 (Hair *et al.*, 2020). Fit indices for marketing capabilities: ($\chi 2$ = 350.717, χ^2/df = 1.780, p < 0.001, CFI = 0.932, IFI = 0.933; RMSEA = 0.085)
Fit indices for market turbulence, financial performance, and social performance: ($\chi 2$ = 74.453, χ^2/df = 1.460, p < 0.001, CFI = 0.959, IFI = 0.961; RMSEA = 0.065)
Marketing capabilities (−3 = much worse than competitors to +3 = much better than competitors) were measured based on a seven-point Likert scale. Financial performance (0%, 1–10%, 11–20%, 21–30%, 31–40%, 41–50%, >50%) were measured based on a seven-point Likert scale. A 7-point Likert scales (from 1 = strongly disagree to 7 = strongly agree) were developed to measure all of the remaining items
Source(s): Authors' own creation

Table 2.

33.34% of the total variance (Fuller *et al.*, 2016). The outcome stated that it was an unlikely fit (χ^2 = 1642.945, $\chi^{2\ /\mathrm{df}}$ = 2.966, p < 0.000, the root mean square error of approximation (RMSEA) = 0.135; incremental fit indices (IFI) = 0.647, the comparative fit index (CFI) = 0.642). This indicates that a large amount of the change in the data is not found in a common variance factor.

We also checked the presence of multicollinearity problems by examining the variance inflation factors (VIFs). The results revealed that the lower limit of VIF values was 1.067 while the upper limit was 1.687. These were lower than the threshold value of 5 for VIFs thus suggesting no potential threat of multicollinearity.

Data analysis

Table 3 shows the square root of AVE, correlation coefficients of variables, and their means and standard deviation in our study.

Market turbulence as a moderator

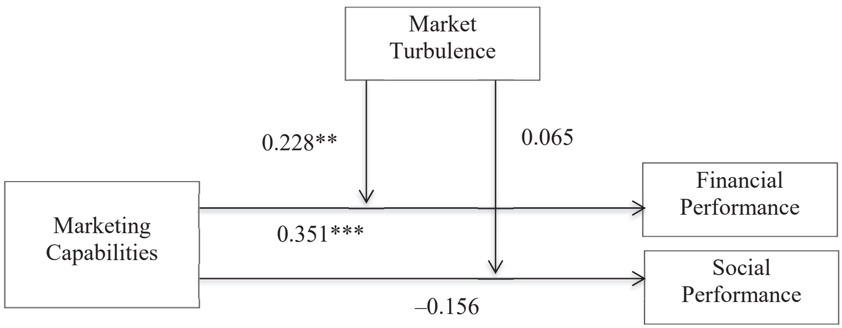
We tested the hypotheses using multiple regression analyses and structural equation modeling (SEM) in SPSS version 23.0. Hypothesis 1 suggests market turbulence is a moderator that positively influences the positive marketing capabilities-financial performance relationship. Supporting Hypothesis 1, the SEM analysis revealed market turbulence was a moderator that positively influenced the marketing capabilities-financial performance relationship ($\beta = 0.228$, $p < 0.01$, see Figure 2).

Results from the multiple regression analysis showed similar outcomes in terms of market turbulence. Table 4 shows 6 different regression models that break down the regression analysis step by step in an incremental order. In Model 1 (see Table 4), the control variables were included in the regression analysis for the prediction of financial performance. In Model 2 (see Table 4), the control variables, the independent variable (i.e. marketing capabilities), and the moderating variable (i.e. market turbulence) were included in the regression analysis for the prediction of financial performance. The results revealed that the control variables, the independent variable (i.e. marketing capabilities), and the moderating variable (i.e. market turbulence) were significantly correlated with financial performance. Also, the results showed a significant change in R^2 ($p < 0.001$), indicating an increase in the predictive power of

Variables	Mean	SD	AVE	1	2	3	4
Marketing capabilities	4.606	0.874	0.687	*0.829*			
Market turbulence	4.54	0.993	0.507	0.299**	*0.712*		
Financial performance	12.372	11.192	0.643	0.359**	0.416**	*0.802*	
Social performance	5.37	0.62	0.61	−0.13	−0.143	0.003	*0.781*

Note(s): $N = 109$
* Correlation is significant at the 0.05 level (2-tailed)
** Correlation is significant at the 0.01 level (2-tailed)
The figures corresponding to square root of AVE for each column construct is captured in bold along the diagonal. Other figures are the correlation between two constructs
Source(s): Authors' own creation

Table 3. Means, standard deviations, correlation matrix and square root of AVE



Note(s): $N = 109$; This is a simplified version of the actual model. It does not show error terms, exogenous factor variances, and correlations between exogenous factors. For the sake of clarity, control variables and their paths are not shown;
$*p < 0.05$; $**p < 0.01$; $***p < 0.001$
Source(s): Authors' own creation

Figure 2. "The Structural Equation Modelling results"

	Financial performance			Social performance		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control variables						
SE age	−0.081	−0.055	−0.059	0.081	0.096	0.094
SE size	0.056	0.077	0.076	0.067	0.068	0.068
Ownership type	−0.020	−0.027	−0.030	0.000	−0.002	−0.004
SE goals	0.187	0.197	0.213	0.058	0.055	0.065
Profit sharing	0.031	0.041	0.037	−0.089	−0.078	−0.081
Catering and food production	0.031	0.039	0.036	−0.125	−0.124	−0.126
Lifestyle	0.089	0.098	0.142	−0.171	−0.185	−0.157
Education and training	0.115	0.142	0.129	−0.079	−0.083	−0.091
Business support	−0.069	−0.064	−0.090	−0.036	−0.048	−0.066
Medical care	0.051	0.089	0.108	−0.059	−0.045	−0.032
Eco-products and recycling	−0.049	−0.054	−0.062	−0.021	−0.033	−0.039
Domestic cleaning and renovation	−0.096	−0.009	−0.040	−0.168	−0.189	−0.210
Location	−0.341**	−0.187*	−0.153	0.066	0.061	0.083
Independent variable						
Marketing capabilities		0.325**	0.313**		−0.123	−0.131
Moderating variable						
Market turbulence		0.223*	0.203*		0.125	0.112
Interactions						
Marketing capabilities*market turbulence			0.183*			0.118
R^2	0.219	0.363	0.39	0.056	0.08	0.091
Change R^2	0.219*	0.144***	0.027*	0.056	0.024	0.011
F	2.054*	3.539***	3.678***	0.432	0.541	0.578

Note(s): $N = 109$; $*p < 0.05$, $**p < 0.01$, $***p < 0.001$
Source(s): Authors' own creation

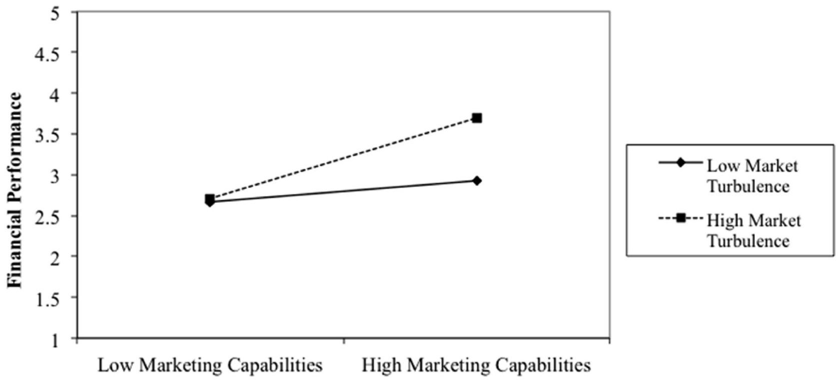
Table 4. Results of the moderating effect of market turbulence

the regression model with the entry of marketing capabilities as the independent variable and market turbulence as a moderator.

In Model 3 (see Table 4), the control variables, the independent variable (i.e. marketing capabilities), the moderating variable (i.e. market turbulence), and interactions (i.e. marketing capabilities * market turbulence) were included in the regression analysis for prediction of financial performance. The results showed a significant change in R^2 ($p < 0.05$), indicating an increase in the predictive power of the regression model with the entry of marketing capabilities as the independent variable, market turbulence as a moderator, and the interactions (i.e. marketing capabilities * market turbulence).

Market turbulence has a notable interaction effect on the marketing capabilities-performance (financial) relationship ($\beta = 0.183$, $p < 0.05$, Model 3, see Table 4). This demonstrates that *the stronger the positive SVs' marketing capabilities and financial performance relationship are when market turbulence is high*. Likewise, the results show weaker the SVs' marketing capabilities-financial performance relationship under low market turbulence. An examination of the graph plot (Figure 3) further demonstrates the positive moderation effect. Therefore, the results support Hypothesis 1 that the positive relationship between marketing capabilities and financial performance was positively moderated by market turbulence.

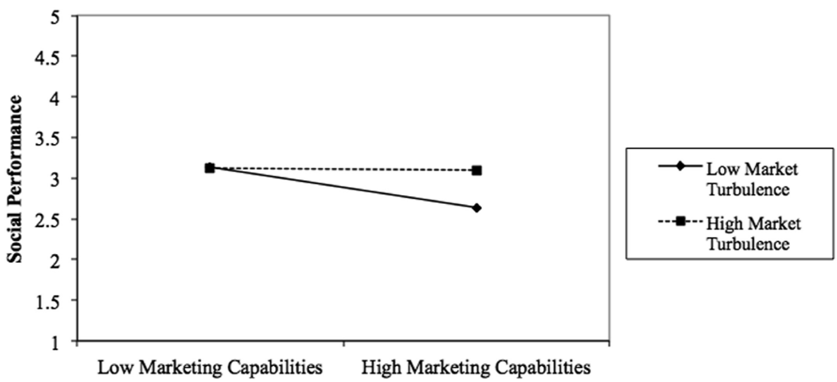
Hypothesis 2 stated that SVs with the positive marketing capabilities and social performance relationship is moderated by market turbulence. The SEM analysis showed that the interaction term was insignificant ($\beta = 0.065$, n.s., see Figure 2) suggesting that the



Source(s): Authors' own creation

Figure 3. The moderating effect of market turbulence on marketing capabilities and financial performance relationship

interaction term of marketing capabilities and market turbulence is not positively associated with social performance. We conducted another regression analysis with social performance as another dependent variable. In Model 4 (see Table 4), only the control variables were included in the regression analysis for the prediction of social performance. In Model 5 (see Table 4), the control variables, the independent variable (i.e. marketing capabilities), and the moderating variable (i.e. market turbulence) were included in the regression analysis for the prediction of social performance. The results revealed that the control variables, the independent variable (i.e. marketing capabilities), and the moderating variable (i.e. market turbulence) were insignificantly correlated with social performance. In Model 6, the control variables, the independent variable (i.e. marketing capabilities), the moderating variable (i.e. market turbulence), and the interactions (i.e. marketing capabilities * market turbulence) were included in the regression analysis for the prediction of social performance. The results from the multiple regression analysis indicated that the interaction term was inconsequential ($\beta = 0.118$, n.s., Model 6, see Table 4), thus revealing that *market turbulence did not moderate the marketing capabilities-social performance relationship*. An examination of the graph plot (Figure 4) confirms this moderation effect. Thus, Hypothesis 2 was not supported. The results showed that the positive relationship between marketing capabilities and social performance was not moderated by market turbulence.



Source(s): Authors' own creation

Figure 4. The moderating effect of market turbulence on marketing capabilities and social performance relationship

Discussion

Social entrepreneurship research has yet to explore the centrality of market context (e.g. its turbulence) in understanding how marketing can influence performance outcomes in SVs. While marketing is generally assumed as an enabler of organizational performance and market turbulence can have a double edge sword effect on performance, how these variables play out in explaining the performance of SVs remain poorly understood. In addressing this gap, this research examined the drivers of SV performance in the context of East Asian SVs (i.e. Hong Kong and Taiwan) with a focus on marketing capabilities and financial and social performance relationship as moderated by market turbulence. This study is among the first attempt that interrogates the market turbulence gap in the SV literature. Our main contribution was the study of market turbulence as a critical influence factor that can enhance the relationship between marketing capabilities and SV performance.

The results contribute to the SV literature by demonstrating that SVs' capabilities particularly marketing capabilities and their performance in the financial domain was moderated by market turbulence (supporting Hypothesis 1). However, we found that market turbulence did not moderate the SVs' marketing capabilities and social performance relationship (not supporting Hypothesis 2). One key contribution of this study is our confirmation of the boundary condition (e.g. market turbulence) of marketing capabilities toward SV performance.

Overall, our findings suggest several insights. First, our study builds on the initial research on the impact of marketing capabilities and scaling social entrepreneurial impact which has been shown to depend on the *environment* (Bloom and Chatterji, 2009; Bloom and Smith, 2010; Stephan *et al.*, 2015). It is likely that new business opportunities emerge and become more salient (than social opportunities) during market turbulence. SVs that have marketing capabilities can employ such capabilities to exploit such opportunities to generate more revenue and other market resources which in turn strengthens the SVs' financial outcomes. Thus, our findings extend the work of Bloom and Chatterji (2009) who showed that marketing capabilities were a significant driver of success in fulfilling the financial outcomes of SVs in certain conditions such as turbulent market environment. Our finding also showed that Bloom and Chatterji (2009)'s SCALERS model is a tool similar to marketing capabilities which enables SVs to be effective at each dimension of marketing capabilities (e.g. pricing, product, promotion, and promotion) so that individually and interactively they can mix together to produce desired financial outcomes. However, our research goes beyond their work by demonstrating an empirical linkage between a set of marketing capabilities and financial outcomes and the contingent role of market turbulence among SVs. We further argue that SVs face challenges and tensions to scale their social impact in a highly market-turbulent environment. As uncertainty becomes more salient during a turbulent market, the attention of SV founders is more likely to be focused on financial risks, thus financial concern (than social concern) becomes more salient to SV founders—or what we call *the primacy of financial survival during a crisis.*

The results of this study are also in line with the conclusions of Bloom and Smith (2010), who suggest that it is likely that social opportunities that emerge during a turbulent market require different sets of attention and capabilities—such as social or moral competencies instead of business competencies—to transform social opportunities into social performance. This explains why Hypothesis 2 was not significant. Overall, this also suggests that the hype and idealism of SV as an organization that serves financial, social and public goals are overrated. However, this is not overrated during "business as usual" context. What we learn from this study is that SVs cannot serve two masters (Chandra *et al.*, 2021)—profit and social goals—simultaneously in a *turbulent* market. One goal must prevail over the other during a turbulent market and the financial goal gets priority—at least in the Hong Kong and Taiwan contexts. Contingency matters. This also speaks about the importance of another type of marketing capabilities – those that revolve around social marketing (Amine and Staub, 2009; Hamby *et al.*, 2017; Kotler, 2022) – as possible important antecedents or mechanisms to drive social performance in SVs.

This study offers a novel contribution to the emerging study of marketing in social entrepreneurship by putting marketing capabilities and market condition front and center in the discourse on SV performance. The findings provide support to the qualitative research that marketing capabilities drive SV's financial performance (c.f., Gyedu *et al.*, 2021) but extending it further by considering market turbulence and situating it in the East Asian (i.e. Hong Kong and Taiwan) context. Our findings converge with a study of SVs that found that the positive and significant relationship between organizational capabilities (e.g. entrepreneurial orientation) and performance in the financial domain but the non-significance on the organizational capabilities-social performance relationship (Cheah *et al.*, 2019).

With regards to the contingency effect of market context, our findings are in harmony with some researchers (e.g. Tykkyläinen and Ritala, 2021) who argued that SVs operating in turbulent environments may have difficulty in creating social impact (e.g. Bloom and Chatterji, 2009). Our findings thus challenge the conventional wisdom that SVs often forsake healthy profit margins due to their ethical focus (Galera and Borzaga, 2009). In fact, SVs are likely to sacrifice social goals in favor of financial goals in the wake of market turbulence. We are unable to generalize this insight to other regions and countries' contexts but we speculate that this may be the case for SVs operating in East Asia. This suggests that there are other factors that may influence the commercial and social performance of SVs beyond marketing and market conditions.

Our study also suggests a complicated relationship between capabilities (marketing) and performance (social) in a turbulent market for SVs. When the market is turbulent, SVs must ensure that they survive financially first so that social goals can be attained. Hence, it is possible that the SVs in our study prioritize financial goals as an intermediate step to achieve social goals in the long run. We call this "*financial primacy under turbulence*" mindset. This mindset may characterize the modus operandi of East Asian SVs under market turbulence that distinguishes them from SVs in other countries (c.f. Gigliotti and Runfola, 2022; Ramus *et al.*, 2018). This also suggests the importance of social marketing capabilities – as an alternative to traditional marketing capabilities – as a possible antecedent or mechanism in influencing social performance.

Future research agenda

We propose three further avenues for future studies. First, future research could look into the different models of SVs (e.g. employee, customer, product, or hybrid models, see Besharov *et al.*, 2019; platform and commons models) as a finer-grained theoretical framework to examine whether and how marketing capabilities affect SV's financial and social performance. We reason that not all models of SV behave in the same way in translating the organizational capabilities (e.g. marketing capabilities) into financial and social performance under a turbulent market. It is possible that certain SV models (e.g. product model vs employee model vs customer model) has a stronger influence on performance than the others. This could also have practical implications in terms of helping social entrepreneurs in building a good fit between strategies and operations of their SV with certain desired outcomes.

Second, our study calls for a deeper integration between *social marketing* and social entrepreneurship to better explain SV performance when the market is turbulent. Our finding of the lack of significance between marketing capabilities and social performance relationship could mean that a different type of marketing – the social marketing – is the missing piece in the relationship. If social marketing (Greenfield and Veríssimo, 2019) can help reduce undesirable behavior (e.g. reducing consumption of alcohol, tobacco, fast food) or increasing desirable behavior (e.g. increasing personal hygiene amid Covid-19 epidemic), then it has potential to improve the lives SV's beneficiaries and ultimately the SV's social performance. For example, the techniques commonly used in social marketing could help drive the social performance of SVs (e.g. stimulating people's emotions to respond to a poverty or homelessness or aging crisis to gain more volunteers, donations, and corporate social responsibility to support SVs). However, empirical work linking SVs' social marketing and their performance in the social and financial domains remains scarce. Reflecting on our own findings (Hypothesis 2), we argue that social marketing capabilities are a promising antecedent to examine the social performance of SVs.

Finally, future research can examine disciplines that have traditionally focused on micro-level interventions such as social work, care ethics, and psychology to study SV's social (and financial) performance. Areas pertaining to workplace design, work procedures, work rehabilitation to the human resources selection and retention could be promising future directions as drivers of SV social and financial performance.

Limitations

This research suffers from several constraints. First, this study only examines market turbulence in relation to changes in customers and the East Asian context (i.e. Hong Kong and Taiwan) as a *context* of the study. Hence, the results may not be generalizable to other contexts with different institutional heritage and legal systems, or for SVs at different stages of business growth. Second, our study is cross-sectional in nature and took place in a specific space and time. This idiosyncrasy does not permit us to learn whether SVs behave differently under repeated market turbulence. Third, our sample size ($n = 109$) is also a limitation but from our knowledge this is already quite a large sample given that the entire population of SVs (Hong Kong and Taiwan) is no greater than 1,000 organizations. A direct response to these limitations would be to conduct future studies that explore these variables using cross country comparisons and using longitudinal approach with larger samples.

Conclusions

We started by acknowledging the "marketing problems" in social entrepreneurship research and the lack of conclusive evidence on the role of marketing capabilities and market turbulence on SV's performance. Our results showed that organizational capabilities such as marketing capabilities are important to improve SV performance. Most importantly, our study adds contribution to the existing research on *market conditions* that could influence how marketing delivers performance outcomes for SVs. Our findings indicated that market turbulence moderates the positive SVs' marketing capabilities and performance relationship in the financial domain, but not social domain. Our study highlights how the market condition affects the relations between marketing and the financial vs social performance differently for SVs. Our finding showed that SVs operating in turbulent environments may have difficulty in creating social impact despite their marketing capabilities. We theorize that this can be explained by the logic where SVs are likely to sacrifice social outcomes for financial outcomes when facing market turbulence.

Notes

1. We used the lexical item "social venture" to refer to hybrid organizations that pursue social and commercial goals, which has traction in the mainstream business and management journals (see Anglin *et al.*, 2022; Haugh, 2007; Lucas and Park, 2023).

2. The dynamic capabilities perspective is labeled "meta-capacity" that rebuild, modify, and create the firm's capabilities (Hernández-Linares, 2021; Winter, 2003).

3. Since a firm needs to *gather its skills and knowledge over time*, the hypotheses were tested in which a sample of SVs had been set up over three years to ensure they had sufficient marketing capabilities (Cohen and Levinthal, 1990).

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