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Impact of social networks on social proactiveness among the non-profit organizations in Sri Lanka

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ABSTRACT

Social networks have emerged as a key paradigm for entrepreneurial performance in non-profit organizations. The aim of the study was to determine whether social networks and social proactivity among non-profit organizations are related. On the basis, existing literature was reviewed. One-hundred and ten non-governmental organizations in the Ampara District, Sri Lanka, were studied through data collected from owners or managers of the organizations. In addition to using percentages and a descriptive methodology, non-parametric regression was also employed to analyze the data in the study. Findings revealed, social networks and social proactivity among non-profit organizations in Sri Lanka has significant positive association. The study suggested that the government and policymakers in Sri Lanka should create better policies and provide NPOs more target-oriented support. This study contributes to filling a gap in the literature by identifying the importance of social network for social proactiveness of non-profit organizations.

Keywords: Social entrepreneurship, social entrepreneurial orientation, social proactiveness, social networks

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1. Introduction

Non-profit organizations (NPOs) play a significant role in today's society, as they aim to meet human needs in a way that is different from profit-seeking businesses and the government. They are active in several sectors in this regard (Soriano and Galindo, 2012). In many countries, the number of non-profit organizations, as well as the scope and depth of their activities, has increased in recent years (Kusa, 2016).

Non-profit organizations are self-governing institutions founded to meet a society's needs, and their revenues are not distributed as profits due to their non-profit status (Boris and Steuerle, 2006). The sector includes organizations serving important functions with respect to religion, education, health, human

services, arts and culture, and political advocacy (Salamon, 1992). Non-profit organizations are identified as the “third sector” (Enjolras and Sivesind, 2018). The growth of the sector, demands from government and the public for greater efficiency, and changes in their business/institutional environments have led the sector to become increasingly entrepreneurial (Mort et al., 2003). The development of fiscal challenges (Gras et al., 2014) and the complexity of the societal problems that non-profit organizations seek to address have prompted an increase in entrepreneurship in the non-profit sector (Lumpkin et al., 2013). Entrepreneurship and entrepreneurial orientation in the non-profit context are called social entrepreneurship and social entrepreneurial orientation (SEO) subsequently (Alarif et al., 2019; Chen and Hsu, 2013; Hu and Pang, 2013).

The skill and acute awareness of an entrepreneurial organization to recognize opportunities determines whether or not an organization succeeds (David and Nigama, 2011). Lumpkin and Dees (2001) and Rauch et al. (2009) state that proactive organizations generally deploy information and knowledge to identify the opportunities arising and gain competitive advantages over their peers.

The essence of proactiveness is the extent to which an organization encourages the development and execution of innovations ahead of time, allowing for increased growth and performance. Two points of reference are particularly important in understanding proactiveness in non-profits: corporations or organizations serving the same niche and stakeholders. Because non-profits might be proactive in social innovations but reactive in commercial inventions, or vice versa, a useful definition of proactiveness for non-profits includes a distinction for innovation type (Morris et al., 2011). Rauch et al. (2009) found a positive correlation between proactiveness and the performance of an organization.

Meanwhile, a fundamental paradigm for economic change is the government's ability to establish an enabling environment for firms to share information for resource mobilization and encourage the formation of informal linkages. According to Klyver and Schott (2011), entrepreneurship research demonstrates that social networks, among other things, influence opportunity recognition (Singh, 2000). Social networks offer a platform for the mobilization of outside information or knowledge as a source of entrepreneurship development.

A social network helps in building trust among the members of the network. This in turn makes it possible for actors to cooperate and expect reciprocation (Doh and Zolnik, 2011). Entrepreneurship social networks help to extend opportunities to one another, share information that could lead to creative and proactive thinking which could ultimately lead to the development of self-worth that engenders further creativity. Once the network interactions are dense or strong, then trust begins to build up and trust promotes proactiveness among organizations.

Because a strong network allows the formation of synergy between and among entrepreneurs/entrepreneurship organizations, the proactive disposition of an organization/entrepreneur is likewise linked to the strength of its network. When network connections are strong, trust begins to develop, and trust encourages businesses to be proactive. Stakeholders with strong links are more likely to influence one another, therefore building strong ties among varied stakeholders can help to improve mutual learning and resource sharing (Crona and Bodin, 2006; Newman and Dale, 2004; Thornton et al., 2013). Weak ties, on the other hand, can make a network more resilient and adaptable to environmental change in the context of resource management (Prell and Reed, 2009; Thornton et al., 2013). This is because they feel that weak relationships are the best way for varied and innovative ideas to spread.

Despite the fact that non-profit social service organizations play an important role in Sri Lanka, their survival is tenuous, with many disappearing or becoming inactive (National NGO secretariat data: Sri Lanka, 2020). Because non-profits rely primarily on philanthropic and government financing, their long-term viability is jeopardized, especially in difficult economic times (Lyons, 2010). Organizations that use a social entrepreneurship approach are thought to be more likely to succeed in competitive contexts while also having a greater social impact. In other words, they are successful in raising people's living standards through the development of social and economic value, and in generating positive returns to society in general (Dart, 2004a, 2004b; Eikenberry, 2009; Hu and Pang, 2013). Because of the innovative and entrepreneurial strategies (Dees, 2001) and income diversification strategies (Weerawardena and Mort, 2012) that such organizations tend to adopt.

Yet, research exploring these concerns in Sri Lanka seem absent in the literature. Furthermore, from a government policy perspective, a better understanding of social entrepreneurship in a non-profit context may help design local public policies to finance and support organizations interested in meeting societies' needs. Therefore, it becomes worthwhile to examine social networks and entrepreneurship orientation with particular focus on social network structure and proactiveness of non-profit organizations.

2. Literature Review

Non-profit organizations, by definition, are not-for-profit in their missions (Tan, 2010). These organizations are identified as the "third sector" in the effective and efficient delivery of services (Enjolras and Sivesind, 2018). In Sri Lanka, non-profit social service organizations emerged during the late 19th century (Weerasooriya et al., 2014). Later, government policy changes and government failure to satisfy public needs increased the public demand for the services offered by these organizations (Eisenberg, 2004). Socio-economic and political changes in the country, such as greater empowerment of women, growing calls to reduce gender discrimination, and increased household income, diversified and changed social needs and substantially expanded the presence of NPOs (The World Bank, 2018). Funds received from national and international sources sustained these non-governmental NPOs. These trends further heightened after the

Tsunami of 26th December 2004, which resulted in an unprecedented inflow of financial and other resources into the country and resulted in many new NPOs (Weerasooriya et al., 2014).

All nonprofit organizations are driven by social intentions, and therefore social entrepreneurship can be highly beneficial to them. Dees (2001) created social entrepreneurship to frame such organizations' social missions in business terms. An organization's business objectives provide a picture of how it plans to achieve its goal. Although social intentions primarily drive social entrepreneurship, they are generally also driven by other motives as well (Mair and Shoen, 2007; Mort et al., 2003). NPOs' application of social entrepreneurship principles involves using social innovations, pursuing opportunities that are not necessarily constrained by the resources under the organizations' direct control, and engaging in value-creation, albeit of a social nature (Wei-Skillern et al., 2007).

The three dimensions of entrepreneurial orientation (EO) which have historically captured EO as a firm-level overarching strategic posture are innovativeness, proactiveness, and risk-taking. These dimensions are derived from Danny Miller's early work on firm strategy-making (Edmond and Wiklund, 2010; Miller, 2011). When an entrepreneurial orientation (EO) is applied with social intentions or within the non-profit sector, the term social entrepreneurial orientation is used (Alarifi et al., 2019; Chen and Hsu, 2013; Hu and Pang, 2013). EO reflects how a firm operates in value creation through various entrepreneurial activities (Morris et al., 2011). In a first attempt to model firm-level entrepreneurial processes, Miller and Friesen (1982) identified three key processes: the willingness to engage in product innovation, to take risks to try out new products or services, and to be more proactive than competitors in taking advantage of new opportunities. Therefore, EO is believed to consist of three dimensions: innovativeness, proactiveness and risk-taking (Ketchen and Short, 2012; Lumpkin and Dess, 2001).

EO, discussed originally with respect to for-profit organizations, are often utilized in NPOs but the meaning of innovativeness, proactiveness, and risk-taking are more complex and multifaceted within the non-profit context (Morris et al., 2011). Therefore, some modifications have been made when EO is applied to the non-profit context which differentiates non-profit organizations from profit organizations (Kusa, 2016). Social aspects should be considered while evaluating EO in the non-profit sector (Kusa, 2016; Morris et al., 2011). Therefore, Kraus et al. (2017) proposed a construct which captures EO more accurately in a non-profit context; this proposed social entrepreneurial orientation (SEO) construct consists of four dimensions: social innovativeness, socialness, social risk-taking and social proactiveness.

NPOs are driven to be innovative either to reach a mission, to create additional revenue or a combination of these two (Morris et al., 2011). Innovation shapes the NPOs' core mission and operations of the non-profit itself and has been found to be the most clearly related of the EO dimensions to NPO performance working in an entrepreneurial manner (Pearce et al., 2010). Risk-taking in one's social mission is a willingness to take bold action when solving social problems (Satar and Natasha, 2019) and is generally better accepted in non-profits relative to financial risk (Lurtz and Kreutzer, 2017). Morris et al. (2011) argues that being unable

to satisfy their social purpose is the most significant of risks that non-profits face. Risk-taking is positively associated with a firm's performance (Rauch et al., 2009), also it can jeopardize the firm's ability to address social problems (Lumpkin et al., 2013).

Consequently, proactivity relates to the active pursuit of opportunities, anticipating demand, being the first to adopt a position, and contrasting from innovation in the manner in which the latter adds something new, such as an invention (Pearce et al., 2010). Proactivity is defined as implementing new measures that are, imitations and replications in their overwhelming majority (Alarifi et al., 2019; Pearce et al., 2010). Lumpkin and Dees (2001) and Rauch et al. (2009) state that proactive organizations generally deploy information and knowledge to identify the opportunities arising and gain competitive advantages over their peers. Rauch et al. (2009) found a positive correlation between proactiveness and the performance of an organization. Further, social proactiveness has a tendency to be ahead of other organizations in addressing societies' needs (Hu and Pang, 2013).

Social networks significantly impact social proactiveness which affects innovation (Goldsby, 2018). The managers' disposition towards proactiveness is positively related to their creative performance, and their social networks and are found to strengthen the effects of entrepreneurial orientation (Chen et al., 2015). Social proactiveness of an organization directly links to its growth and performance (Rauch et al., 2009).

3. Research Methodology

The study sample comprised formally registered and active (at the time of data collection) non-governmental non-profit organizations in the Ampara district. The study's unit of analysis was individual NPO and the census method was used to identify participating organizations. NPOs data were collected from the Ampara district NGO secretariat. A sample of 110 organizations were arrived at from a population of 168 because 58 refused to participate.

In this study, we aimed to identify the level of SEO of NPOs and the factors affecting the level of SEO of NPOs. The constructs in this study were developed based on measurement scales adopted from prior studies. Validated measurement scales were adopted from prior studies with minor modifications where needed. Social network structure was considered as an independent variable and social proactiveness was considered as the dependent variable.

A survey method was employed in data collection. Self-employed administrative questionnaires were designed as instruments for data collection using the five point Likert's scale ranging from strongly agree=5, agree=4, neutral=3, disagree=4 and strongly disagree=1. Items for measuring proactiveness were adapted from Kraus et al. (2017) and social network structure measures were adapted from Thornton et al. (2013).

Quantitative Approach

Normality Test

The study required the use of statistical tests for further analysis of data, however before any test is conducted, Pallant (2013) states that the assumptions for each statistical test should be checked, if the assumptions are violated the test results cannot be considered valid. Therefore, the normality test was performed before statistical analysis. Kolmogorov-Smirnov test and Skewness/Kurtosis test were conducted to check if the values were normally distributed. The test result showed significance value (p) less than 0.05 in the above-mentioned tests thus proving that the values are not normally distributed.

Reliability analysis

The result of the reliability statistics is depicted in Table 1. According to the reliability statistics all variables' values are above 0.7 so it emphasizes the reliability. Cronbach Alpha is a reliability coefficient that indicates how well the items are positively correlated to one another and closer the Cronbach's alpha is to 1, higher the internal consistency. Many analysts seek a value of 0.70 or higher before they are willing to accept the set of items as being related to a single latent factor (Sekaran and Bougie, 2016; Nelson, 2007). Inter-item correlations are an essential element in conducting an item analysis of a set of test questions. It examines the extent to which scores on one item are related to scores on all other items in a scale. It provides an assessment of item redundancy: the extent to which items on a scale are assessing the same content (Cohen and Swerdlik, 2005). Ideally, the average inter-item correlation for a set of items should be between 0.20 and 0.40, suggesting that while the items are reasonably homogenous, they do contain sufficiently unique variance so as to not be isomorphic with each other.

Table 1: Reliability Test

	Cronbach Alpha Value	Inter-item correlation
Social proactiveness	0.7136	0.3326
Social networks	0.8825	0.3289

Data Analysis

Descriptive statistics and non-parametric regression were done to analyze the data. Descriptive statistics was used to display percentages. Since the data is not normally distributed to find the impact of social network structure on proactiveness, nonparametric regression was used.

A technique for defining the relationship between a response variable and one or more predictors is called nonparametric regression. In contrast to standard regression models, this method does not make any firm assumptions about the nature of the relationship between the variables. Instead, the shape of the fitted regression functions is determined by letting the data speak for themselves (Martin, 2015).

5. Results and Discussion

In this study, the organization's level of adoption of social proactiveness approach was assessed using social proactiveness score. Organizations that scored below (Mean – SD) were categorized as poor social proactiveness, organizations that scored between (Mean – SD) - (Mean + SD) were categorized as moderately social proactiveness and organizations that scored above (Mean + SD) were categorized as highly social proactiveness.

Based on the levels of social proactiveness; the organizations in the sample were grouped into 3 categories: poor social proactiveness, moderately social proactiveness and highly social proactiveness. As depicted in Table 2, the majority of the NPOs in the sample (43.64%) fall within the high level of social proactiveness and 40.91% of NPOs fall within the poorly social proactiveness category. Moderately social proactiveness (15.45%) groups were comparatively smaller.

The relationship between social network structure and social proactiveness was analyzed using nonparametric regression. According to the regression result R-squared is 21.27%. The interpretations for the non-parametric regression results obtained at the 5% level of significance. When it is compared with the probability value of 0.031 obtained falls below 0.05, this implies that there is a significant relationship between social network structure and social proactiveness.

Social network is positively associated with social proactiveness so it can be concluded that when the social network of NPOs increases, social proactiveness of the NPOs also will be increased which is consistent with previous findings by Okafor et al. (2017) who found that network density and proactiveness had a significant relationship. This is because of the fact that the network, the diverse the ties and the more the synergy in terms of information access, resource mobilization and innovation. Martinez and Aldrich (2011) claim that diversified ties promote self-efficacy and innovation, which is supported by this research. This study finding is also supported by the findings of Goldsby (2018) and Chen et al. (2015)

Table 2: Classification of Organizations Based on the Level of Social Proactiveness

Level of social proactiveness	Number of NPOs	Percentage of NPOs (%)
Poorly social proactiveness	45	40.91
Moderately social proactiveness	17	15.45
Highly social proactiveness	48	43.64

6. Conclusion

In the nonprofit sector, social networks have emerged as a fundamental paradigm for achieving entrepreneurial success. This is because interactions in such networks have come to provide opportunities for resource mobilization and innovation because of the synergy that they confer on actors. The study carried

out an analysis of general empirical studies on social networks with a view to explaining the relationship between social network and social proactiveness amongst NPOs with particular focus on the Network of NPOs in Ampara district of Sri Lanka, and came to the realization that social networks should be encouraged as they serve as a rallying point, for innovation, resource mobilization and information sharing the results revealed that there is a substantial association between social network and social proactiveness in NPOs.

This study findings can be utilized by policymakers and by the government to formulate better policies and to provide more target-oriented support for NPOs. Furthermore, any intervention should be considered in future studies aimed at improving NPOs' social entrepreneurial orientation and, as a result, their performance by fostering social entrepreneurship. Future research might also examine how well current policies in Sri Lanka help NPOs by elevating their social entrepreneurial orientation, as well as how they can be improved to benefit the country.

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