

**STATUS DRIVEN STRATEGY DIVERGENCES:  
AN ANALYSIS OF THE EFFECT OF STRATIFICATION AS AN  
ENVIRONMENTAL CONTEXT ON ENTREPRENEURIAL STRATEGY**

By Patrice Perry-Rivers

A dissertation presented to the  
faculty of Rutgers Business School  
Department of Management and Global Business  
Rutgers, the State University of New Jersey  
in partial fulfillment of requirements  
for the degree of  
Doctor of Philosophy  
in Organization Management

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## **ABSTRACT OF THE DISSERTATION**

This dissertation examines the implemented strategy differences between entrepreneurial actors with different status positions embedded in socially stratified environmental contexts. Using a three study-model, I empirically examine my theory that groups of actors embedded within the same context but holding different status positions within it will develop different organizational identities and engage in divergent entrepreneurial strategies based on their differential access to resources for their entrepreneurial ventures. I find that differences are evident in the implementation of strategic actions between groups of enterprises primarily composed of actors with divergent status positions. These differences are manifest in their primary entrepreneurship types, value creation emphases (social or economic), and social interest orientations, as demonstrated in study one; in their social issue emphases strategies, as demonstrated in study two; and in their decisions to engage in entrepreneurship and their responses to economic adversity, as demonstrated in study three. Each of these studies supports the central proposition of this dissertation that stratification as an environmental context and the status positions it assigns to groups of entrepreneurial actors produces heterogeneous entrepreneurial strategies.

## PREFACE

“For everyone to whom much is given, of him shall much be required; and of him to whom men entrust much, they will require and demand all the more.” —Christ

*(The Amplified Bible, Luke 12:48)*

Just a few months before graduating from college over a decade ago, I had the opportunity to make a life-changing decision. Though my plans were all set to attend graduate school at a good school near my parents’ home (free food, free rent, free gas money), I was asked to, instead, go and live and work in the inner-city for a small, completely underfunded and understaffed organization that wanted to make a difference in the lives of the poor.

In the midst of high unemployment among our target group, even among those who regularly sought jobs, and sporadic violent crime, we had bright hopes for the future of the parents we helped and the children we read to and assisted with homework after school. Every day, the little organization for whom I worked and that I now understand to be a social enterprise innovatively tried to come up with funding strategies, publicity for our cause, and social programs to give if only a few of the people we worked with a fighting chance. For a few of them, I believe our efforts worked.

Ever since this indelible experience, a light has been turned on in my head, and, quite honestly, my heart. It has endured throughout my corporate career, tenure as the owner of an entrepreneurial firm, and carried over into what I intend to make a successful academic career, beginning with the completion of this Ph.D. I want to understand how institutionally-assigned status impacts how groups of economic actors interact with one

another and implement strategies. What constraints and enablements does status impose, structurally and cognitively, on economic and entrepreneurial actors both those “who have been given much” and those who have very little? How do diffuse, and seemingly impermeable economic stratification consequences manifest within firms or between groups, and what can be done to mitigate them? What organizational-level responses does stratification evoke or suppress, facilitate or prevent to societal issues by the social enterprises and socially responsible firms committed to redressing them?

This dissertation represents my first “official” academic inquiry to answer some of these questions.

## **ACKNOWLEDGEMENTS**

This dissertation would not be complete without me thanking several people who have made my pursuit of this Ph.D. possible.

First, God, without faith in whom or confidence in His love I would have been an even greater control-freak without the courage to accomplish this task. To You I am forever grateful.

My sweet husband, who loves me with his actions and lets me pursue all of my dreams—even at great sacrifice. Thank you, Keith, for holding down the fort (and paying the mortgage) in Virginia while I worked on this personal dream.

I must also acknowledge my two little troopers, Joshua and Gabriel, the motivation for all of my efforts to be successful. Like my mom did for me, I intend to give you the best lives you can have and achieving this degree is part of that plan.

My mom—Attorney Edmonds, you are the best and forever my exemplar. Thanks for your love, undying support, and inspiration.

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Dr. Nancy DiTomaso – Your class was one of the most enlightening of all the courses I have taken in the three degrees I have pursued. It introduced me to important organizational theory concepts that I can apply in my study of social structure and its impact on entrepreneurship and social responsibility throughout my academic career.

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## **Introduction**

### **Background**

In their insightful study on the dual identities of social entrepreneurship ventures, scholars Moss, Short, Payne and Lumpkin (2011) provide empirical evidence and analysis indicating that an entrepreneurial firm's environmental context affects its strategic actions. Based on their work, an entrepreneurial firm's organizational identity is derived from its context and this identity drives how organizational members "collectively" view the organization, "how key issues are interpreted and how decisions are made," and how members respond to "strategic issues" facing their organization. Several other noteworthy entrepreneurship scholars have also produced research generally confirming that an entrepreneurial actor's environmental context drives his or her strategic entrepreneurial actions, including Galbraith and Stiles' (2003), whose research explicates that shared cultural context results in common entrepreneurial strategies for firms; Audretsch and Keilbach (2007), who indicate that knowledge-rich environmental contexts lead to knowledge spillovers and foster conditions conducive for multiple start-ups; and Keating and McLoughlin (2010), whose research indicates that the extent to which entrepreneurial leaders have access to network and financial resources in their environment drives their strategic decisions.

However, few of these authors have explicitly examined how the status positions of entrepreneurial actors serve as antecedents of their entrepreneurial actions; and, consequently, how this status position dictates the environmental conditions to which they are exposed, and constrains or enables their strategic choices.

### **The Studies**



In order to fill this research gap, this dissertation examines the implemented strategy differences between entrepreneurial actors with different status positions embedded in socially stratified environmental contexts. Using a three study-model, I empirically examine my theory that groups of actors embedded within the same context but holding different status positions will develop different organizational identities and engage in divergent entrepreneurial strategies based on their differential access to resources for their entrepreneurial ventures. I find that differences are evident in the strategic actions between groups of enterprises primarily composed of actors with divergent status positions. These differences are manifest in their primary entrepreneurship types, value creation emphases (social or economic), and social interest orientations, as demonstrated in study one; in their social issue emphases strategies, as demonstrated in study two; and in their decisions to engage in entrepreneurship and their responses to economic adversity, as demonstrated in study three.

Each of these studies supports the central proposition of this dissertation that stratification as an environmental context and the status positions it assigns to groups of entrepreneurial actors produces heterogeneous entrepreneurial strategies. Considering that all human societies are centered upon some form of social stratification or categorical ranking system, this research also questions whether generalist theories for predicting and interpreting entrepreneurial actions even within the same national cultures are as useful to scholars as once thought, and poses that more specific insights on what influences entrepreneurship may be gained from utilizing more diverse research samples.

### **Significance and Intended Contribution**

This research on the effect of social stratification as a macro-institutional context on entrepreneurial strategy can contribute to the field of management in the following ways:

- 1) First, it elucidates the inextricable relationship between the actions of groups of individual economic actors and the institutional characteristics of their environment.
- 2) Second, it demonstrates that context-embeddedness creates path dependence that directs entrepreneurial actors' strategies by constraining or enabling their actions.
- 3) Third, it demonstrates that the institutionalization of the beliefs and practices associated with a given society's social stratification system is a difficult to dismantle diffusion mechanism. This mechanism become embedded within a society's institutional infrastructures and impacts the affective dispositions and choices of individuals and groups of entrepreneurial actors, and the strategies that enterprises are most inclined to implement. These strategies include, but are not limited to entrepreneurial actors' initial decisions on whether or not to engage in entrepreneurship, the primary type(s) of entrepreneurship in which they choose to engage (i.e. commercial or social), and their level of social concern and social issue emphases.
- 4) Fourth, findings in this research could help explain the variation in strategies employed by actors from advantaged and disadvantaged strata groups across international contexts, as each society's social stratification system is based upon

different achieved or ascribed traits and different, contextually-driven status assignments which constrain or enable entrepreneurial behavior.

- 5) Finally, this research was designed to elucidate the links between the strategy and entrepreneurship fields with its emphasis on entrepreneurial resource position as a key group-based barrier employed by first movers, who are typically members of high strata groups. The possession of superior entrepreneurial resource position has enduring effects on the performance of incumbent high strata groups and the entrance of new lower strata groups of entrepreneurial actors.

It is my goal that this dissertation's analysis of the enablements and constraints of societal position furthers the understanding of entrepreneurship scholars on the role that a society's macro-level environmental context plays in the variation of selected strategies and outcomes of entrepreneurial activities we observe among entrepreneurial actors.

## **Study One - Stratification as an Entrepreneurial Context: Its Effect on the Entrepreneurial Strategies of Social Enterprises**

### **Research Summary**

#### ***Abstract***

This study analyzes the effect of entrepreneurial context on entrepreneurial strategy by comparing social enterprises embedded in socially stratified environments. I find that stratification—a macro-level environmental context in which groups of people are categorized as advantaged or disadvantaged in their access to social and economic resources based upon achieved or ascribed traits—is an antecedent to elements of entrepreneurial strategy, and that the primary strata composition of the members of social enterprises affects the dominant type of entrepreneurship, value creation focus (economic or social), and interest orientation exhibited by these enterprises. These findings support existing entrepreneurship theories that emphasize the centrality of entrepreneurial context to strategic entrepreneurial actions. They also uniquely contribute to the field by (1) providing empirical support for the dual identities of social enterprises, often focused on creating both social and economic value, and (2) demonstrating that status position derived from an enterprise's environmental context drives organizational strategy.

## Introduction

The study of social entrepreneurship—the practice of entrepreneurial firms leveraging resources to address social problems (Dacin, Dacin and Matear, 2010)—often focuses on community-based organizations that are embedded within or tied to communities in which there are social market failures (Peredo and Mclean, 2006; Robinson 2006). As social market failures typically occur within communities bearing certain characteristics—resource deprivation, marginalization, etc. (Alvord, Brown, and Letts, 2004), one could characterize all social entrepreneurship literature as emphasizing *the role that environment plays in the strategic choices of organizations to engage in specific types of entrepreneurial action.*

Research on commercial entrepreneurship is also largely concerned with the role of environment in driving entrepreneurial action (Austin, Stevenson, and Wei-Skillern, 2006; Webb, Tihanyi, Ireland, and Sirmon, 2009). Commercial entrepreneurship's emphasis on “the people, the context, the deal, and the opportunity” (Austin, Stevenson, and Wei-Skillern, 2006) highlights how entrepreneurial actors' strategic choices are driven by their assessment of the viability of their innovation's success in terms of their economic resources, requisite skills and other environmentally-derived factors and their perception of how conducive their environmental conditions (turbulence, competition, etc.) are to their particular entrepreneurial invention (Austin, Stevenson, and Wei-Skillern, 2006; Sahlman, 1996; Audretsch and Keilbach, 2007; Davis, Morris, and Allen, 1991). Even Schumpeter's (1947) and Venkataraman's (1997) foundational conceptions of commercial entrepreneurship are concerned with how entrepreneurship affects and is affected by the larger macro-economic environment.

The focus on environment in entrepreneurship literature is aligned with the definition of entrepreneurship provided by Ireland, Hitt, and Sirmon (2003), who indicate “entrepreneurship is a context dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities.” The primary emphasis of Ireland, Hitt, and Sirmon’s (2003) definition and my analysis in this paper is on value creation context—how the characteristics of an entrepreneurial firm’s environment—including the “unique” attributes of key players and groups in the endeavor and these actors’ access to resources—drive an entrepreneurial firm’s strategic actions.

Several entrepreneurship scholars have also noted that the environmental context in which entrepreneurial firms are situated affects components of their strategy (Davis, Morris, and Allen, 1991; Moss, Short, Payne, and Lumpkin, 2011; Welter and Smallbone, 2011). Most importantly, perhaps, it affects the focus of firms’ value creation (social or economic) and the prioritization of their residual profit-seeking (whether this will be their primary or secondary emphasis) (Moss, Short, Payne, and Lumpkin, 2011; Lumpkin, Moss, Gras, Kato and Amezcua, 2013). The context in which a firm is posited also affects the type of entrepreneurship in which it engages (Zahra, Gedajlovic, Neubaum and Shulman, 2009; Ridley-Duff, 2007; Townsend and Hart, 2008; Moss, Short, Payne, and Lumpkin, 2011).

Based on this prior research, I posit that *specific types of entrepreneurship*—social, commercial, as well as other forms—*emerge from environmental contexts bearing specific characteristics*. My theory is that when firms are embedded within contexts wrought with social ills and a culture permeated with communitarianism (Ridley-Duff,

2007), they engage in largely other-interested, “entrepreneurship with a social mission” (Dees, 1998) primarily focused on creating social value consistent with the notion of social entrepreneurship. When firms are posited in resource-rich environments and a culture pervaded with utility-focus and/or self-interest, they engage in innovative, value-creating activities primarily focused on generating economic return by exploiting new opportunities. These efforts correspond to traditional or commercial entrepreneurship (Austin, Stevenson, and Wei-Skillern, 2006).

One such organization that has historically engaged in “context dependent” activity in which its members have used their unique resources to “exploit marketplace opportunities” (Ireland, Hitt, and Sirmon, 2003) and create social and/or economic wealth—or entrepreneurship—is the Church. Though scholars have studied the entrepreneurial activities of churches, they have, however, less often considered how the divergent contexts in which various churches have been posited affect their strategy—including the type of entrepreneurship in which they engage—or considered that the contextually-driven strategy differences of churches could inform the field of management. Yet, the vast historical entrepreneurial activity of churches makes them highly appropriate organizations for study in management. I have selected churches for this study because they exhibit economic and entrepreneurial characteristics similar to those of other social and commercial enterprises, and, for this reason, believe my findings are relevant in other contexts.

In this paper, I analyze how a specific aspect of the environmental context in which social enterprises are posited—their nation’s social stratification system—can create or foster the requisite conditions for primarily carrying out social or commercial

entrepreneurship. Social stratification is a macro-level environmental context in which society is divided into socially constructed groups that are structurally advantaged (higher strata) or disadvantaged (lower strata) in their access to social and economic resources based upon achieved or ascribed traits (Robinson, Blockson, and Robinson, 2007; Massey, 2007). Because of its allocation of power and resources to some and its restriction of power and resources to other groups in a society, stratification as an entrepreneurial context has the unique ability to produce divergent social or economic value creation strategies, self-interested (utility-focused) or group-interested (communitarian) strategies, and divergent levels of social concern among entrepreneurial actors based upon their strata position and the group-based experiences and social identity that strata position affords. These factors impact the type of entrepreneurship in which organizations engage.

If my theory is supported, then the primary products<sup>1</sup> (speeches) of the high and low strata<sup>2</sup> social enterprises in my study should reflect divergent value creation emphases, interest orientations, and social responsibility levels. They should also be demonstrative of the type of entrepreneurship in which church enterprises are primarily engaged. Products in social enterprises comprised primarily of members with structurally advantaged (high) strata positions will be less inclined than social enterprises comprised primarily of members with structurally disadvantaged (low) strata positions to address

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<sup>1</sup> According to Zack (1999), the products and services of a firm are reflective of its strategies. This is particularly the case with information products (Zack, 1999), like speeches for motivational speaking firms or marketing consultants and the sermon messages of churches, which are primary sources of churches' revenue-generation (Hull and Bold, 1994). For the megachurch enterprises I have studied in this paper, sermon messages are primary tools utilized to raise money from audience members, are even recorded and resold (Thumma and Bird, 2007), and are therefore classifiable as primary products for these firms. I have used sermon messages as my units of analysis for this paper as they capture the articulated strategies of my subject church firms. The community-oriented services of churches are also reflective of their strategies, but are not measured in this paper.

<sup>2</sup> For the purposes of this paper, high and low strata refers to the primary organizational composition of the firms studied in this paper.



social ills like domestic poverty, homelessness, or unemployment via social entrepreneurship, and more likely be focused on the primary business of enterprises via commercial entrepreneurship—generating revenue for self-sustenance—because their leaders (managers), congregants (dually firm members and customers), and social environment are less likely to be adversely affected by social ills, and because of their possession of slack resources facilitating their engagement in activity to bolster their enterprises' profitability. The environment is converse for church enterprises comprised primarily of members with structurally disadvantaged strata positions. I anticipate that products in these enterprises will be more likely to address the social ills of the environment in which the enterprises' leaders, members, and/or communities are embedded, and these enterprises are more likely to engage in social entrepreneurship.

I test my theory via quantitative content analysis of 21,180 speeches (sermons) from low strata and high strata U.S. megachurches, each with 2,000+ members, followed by an independent means comparison of the two groups. All of the organizations in this study meet the requirements of the definition for social entrepreneurship used in this paper<sup>3</sup> (Dees, 1998). However, I seek to determine the extent to which their primary products reflect a dominant entrepreneurship type, which may or may not be different than social entrepreneurship, and determine if their value creation emphases, interest

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<sup>3</sup> I consider all of the organizations in this study to be social enterprises by definition based upon the following: (1) The dominant rationale for the tax-exempt legal status of churches and other charitable organizations under Internal Revenue Code section 501(c)(3) (Exemption, 2013) is that their activities “confer benefits upon society as a whole” and this code limits their ability to generate exclusively self-benefitting or individual shareholder profit (Brown, 1990). Based on this prescription and on my preliminary research on all of their websites, all of the organizations in this study were engaged in some form of social ill redressment or prevention. (2) Each of these enterprises are nascent, unaffiliated with traditional denominations, and engage in innovative market-seeking behaviors. As such, they meet all of prescriptions of the definition of social entrepreneurship used in this paper.

orientations, and levels of social concern have been influenced by the socially stratified context of their environment.

## **Literature Review**

### ***Modern Conceptualizations of Churches as Enterprises***

Before I venture into the review of the entrepreneurship and other literature supporting my theory, it is important to clarify why the social enterprises chosen are both relevant and appropriate for deriving generalizable theories for the entrepreneurship and management fields.

Churches are not just civic clubs or social organizations. Though they are often studied as centers of civic-political mobilization (Goss, 1999; Minkenberg, 2003; Anderson, 2008) and as havens for social support and psychological comfort (Katz and Kahn, 1966; Hatch, 1985; Coleman, 1988), their actions are quite explicitly business-like, and necessarily so considering that U.S. religious organizations generated over \$100.95 billion in 2009 (Giving USA, 2010). To put this in perspective, this is more than the combined contributions of the apparel and furniture industries to the G.D.P., and comparable to that of the motion picture and sound recording industry (Gross Domestic Product by Industry Accounts, 2010). Understanding churches, at least in part, as economically driven enterprises, is central to the propositions in this paper.

The subset of churches I have studied in this paper are even more firm-like and entrepreneurial than churches in general. U.S. megachurches are very large enterprises which emerge based on their ability to create superior “value” in the market via matching the technological progress of society at large and appealing to modern convenience-based needs of “spiritual guidance seeking” consumers. These entrepreneurial organizations are

mostly Protestant; many are relatively new as churches go (40 years old or less) and are not affiliated with typically older, mainline Protestant denominations (Thumma and Bird, 2009); have from 2,000 up to 50,000 members; are run by college-educated and technically qualified staff, including M.B.A.'s and non-religion related Ph.D. holders; and often have ancillary revenue-generating activities, including publishing arms, music recording studios, broadcast television entities, bookstores, schools (both at the secondary and collegiate-levels), and restaurants. Out of necessity, they function as efficiency-driven modern enterprises because of the large numbers of customers they serve, and the correspondingly large budgets they wield. The average megachurch's annual budget approaches \$5 million, and larger church budgets exceed \$20 million. This large revenue-pool is derived from funds acquired primarily through member's tithing and voluntary donations (which are akin to sales received from members' affective responses to the churches' primary products—sermon messages) (Kroll 2003; Warf and Winsberg, 2010; Thumma and Bird, 2009). They often possess multi-million dollar real estate assets, including the Compaq Center, the Houston Rockets' former stadium, purchased and renovated by Joel Osteen's Lakewood Church for over \$95 million; and the World Dome purchased for \$18 million “with no bank financing” by World Changers Church in Atlanta, pastored by Dr. Creflo Dollar (An Inspiration to Millions, 2011; About My Pastors, 2011). Additionally, they engage in explicitly innovative, novel market-seeking, product/service creation and delivery activities, as evidenced by their multi-thousand dollar advertising budgets used to attract new customers, and rent or purchase space in shopping malls, sports stadia, and/or corporate buildings—not traditionally occupied by

other major denomination-affiliated church organizations (Kroll, 2003; James, 2003; Warf and Winsberg, 2010).

These enterprises have significant economic impacts on the regions in which they are posited (Henriques and Lehen, 2007; McCleary, 2008). This is particularly the case of those posited in urban contexts where megachurches, usually with predominantly African-American congregations, function as “de facto economic development agencies” (Baer, 1988; Littlefield, 2005; Karnes, McIntosh, Morris and Pearson-Merkowitz, 2007) addressing social ills stemming from the results of historical racial stratification.

### ***Historic Conceptualizations of the Church as an Enterprise***

Conceptualizing churches as “enterprises” to understand what they do is not novel. In the mid to late 1700s, Adam Smith conceptualized the Church rather explicitly as a firm and analyzed how the economic operation of churches contributed to the “wealth of nations” (Smith, 1776). In his work, Smith (1776) described the Western European Church as largely economic in nature and as possessing the requisite characteristics of a firm later expounded upon by Alfred Chandler (1992), including functioning as (1) a state-sanctioned *legal entity* that signed agency contracts with its suppliers, distributors, employees [priests], and customers [congregants]<sup>4</sup> (Fama and Jensen, 1983; Smith, 1776; Qui-gang, 2003; Kelly, 2006; Minkenberg, 2003; Anderson,

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<sup>4</sup> The early Roman Empire Church was firmly established as a legal entity by Constantine when he recognized Christianity as the religion of the Roman Empire in A.D. 312 (Kelly, 2006). This afforded the Church great legitimacy and power that persisted throughout Europe and the U.S. (Smith, 1776; Minkenberg, 2003; Anderson, 2008). Throughout history, the Church’s state-sanctioned legal standing enabled it to enter into contracts—sometimes explicit and compulsory, at other times implicit and voluntary—with its customers who gave routine percentages of their income and other donations to the Church in exchange for spiritual message products/biblical translation and exposition (Smith, 1776; Ekelund, Herbert, and Tollison, 2002). The post Roman Empire Church—from which modern-day churches derive—also had implied agency contracts (Fama and Jensen, 1983) with its priests, who were provided with education and income in exchange for their service to the Church and were simultaneously employees, suppliers and distributors of the Church’s message products/biblical translation and exposition services (Smith, 1776). Such an implied agency relationship can be said to still exist today with church members, who often serve as non-monetarily compensated employees carrying out the Church’s mission in exchange for psychological rewards (Osterman, 2006).

2008; Ekelund, Herbert, and Tollison, 2002; Osterman, 2006); (2) an *administrative entity* that establishes a division of labor for coordinating and monitoring its goal-oriented activities<sup>5</sup> (The Bible, 1611; Smith, 1776) (3) a *resource-possessing entity* with a pool of learned skills, land/facilities, and liquid capital<sup>6</sup> (Smith, 1776; Kraaijenbrink, Spender, and Groen, 2010; Barney, 2001); and (4) a *production and distribution entity* with the goal of residual profit<sup>7</sup> (Smith, 1776; The Bible, 2011). I present a more detailed discussion of the church as economic actor in the appendix and in subsequent research.

Perhaps the clearest description of the Church as a firm comes from Davidson and Ekelund (1997) who described it as “a loosely integrated monopoly composed of upstream and downstream elements with clear market power over the sale of assurances of eternal salvation.” The Church’s market power was largely derived from its ability to “price discriminate” in the selling of its intangible products, which are “intellectual or

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<sup>5</sup> As described in the book of Acts 15:6-29 (The Bible, 1611), early leaders of the Church sought to increase their organization’s market share, and thus, appointed other sub-leaders, designated territories for them, and allocated the responsibility to them of functioning as managers to coordinate the Church’s goal of proselytizing or market expansion (The Bible, 1611). This administrative function persisted as the Church aged and expanded throughout Europe, and was diffused in its various denominations as the Church expanded throughout the world.

<sup>6</sup> It is the possession of valuable, rare, inimitable, and non-substitutable resources (Kraaijenbrink, Spender, and Groen, 2010) that enabled the Church to garner demand for its products and services and to obtain sustained competitive advantage for nearly 2000 years. These resources for the early Church included intangible biblical translation services, biblical exposition services, and spiritual guidance that only the Church could give; and the wealth and propensity to help the needy (Smith, 1776). Though the possession and use of these resources has changed over time as governments began to offer social services to citizens and as the Western European Church evolved and split into two distinct denominational categories, Protestant and Catholic (Smith, 1776; Mangelaja, 2005), biblical exposition services and spiritual guidance expertise, as well as some measure of financial capital (wealth) and social capital (garnered by the church’s moral standing and charitable giving) have remained in the resource pool for most churches in the West. As economic actors, the Church and its managers/agents have functioned as boundedly rational utility maximizers wielding their resources in historical markets that have varied in their competitiveness (Barney, 2001).

<sup>7</sup> Because of the legitimacy afforded the Church via its legal status (Kelly, 2006), its administrative capability to monitor the dissemination (or distribution) of its products (Smith, 1776), and its possession of resources for which there has been significant, sustained demand<sup>7</sup> (Iannaccone, 1998; Minkenberg, 2003; Aarts, Need, Te Grotenhuis, and De Graaf, 2010), the Church has been able to engage in residual profit-seeking behavior that has allowed it to support the delivery of its services, pay its managers (priests/pastors), and expand its market. The origins of this residual profit-seeking behavior can be traced to early Church accounts, and even to the words of Jesus. In the book of Luke 19: 10-26, Jesus rebukes the “irresponsibility” of actors who do not engage in utility maximization when in possession of an asset with the ability to generate a return on its present value. Apparently heeding this admonishment, early church leaders directly engaged in raising money from the Church’s existing customer base for proselytizing/market expansion and for the delivery of its social services as described in 1 Corinthians 16:12, 2 Corinthians 8:1-5, and Acts 20:35 (The Bible, 2011).

philosophical in nature.” The spiritual products offered by the church are, therefore, “pure credence goods,” according to Davidson and Ekelund (1997), which, unlike tangible products, are those for which consumers face high costs, and have difficulty deciding the right amount to buy and/or determining the quality of the product they have purchased (Darby and Karni, 1973).

In sum, throughout its history, the Church has functioned as a viable, value-creating, and profit-seeking firm (Ekelund, 1996; Davidson and Ekelund, 1997; Iannaccone, 1998; Ekelund, Hebert, and Tollison, 2002; Ekelund, Hebert, and Tollison, 2004) largely engaged in societally beneficial actions. Even today, the fact that the Church’s legal form is termed “non-profit” is inconsequential to the profit-seeking, firm-oriented activities in which its entities are literally engaged (Thomson, 1985; Walrath, 2009), and, as such, these entities provide valuable insights for the fields of management and entrepreneurship.

### ***Entrepreneurship and the Church***

Understanding the Church as an economically-focused firm lays the foundation for also understanding its efforts as entrepreneurial (Hayes and Robinson, 2011).

Entrepreneurship, as used in this paper, is “a context dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities” (Ireland, Hitt, and Sirmon, 2003). This definition is particularly useful because of its emphasis on entrepreneurial context.

Throughout its history, the size and revenue-generating potential of the Church’s market has been based upon the value it created and delivered to consumers (members), and the Church has engaged in residual profit seeking, entrepreneurial activity to sustain its

efforts, *which were largely influenced by its historical context* (Smith, 1776; Iannaccone, 1998; Ekelund, Hebert, and Tollison, 2002).

For all of the reasons noted above, churches are an appropriate group of enterprises for study in entrepreneurship and management.

### ***Entrepreneurial Context***

The environmental contexts of the organizations in this study are highly relevant for understanding their actions, as noted by several entrepreneurship scholars who emphasize the influential role of environmental context on entrepreneurial behavior at the organizational level (Galbraith and Stiles, 2003; Audretsch and Keilbach, 2007; Webb, Tihanyi, Ireland, and Sirmon, 2009; Keating and McLoughlin, 2010; Cefis and Marsili, 2011; Welter and Smallbone, 2011). Cultural context and common history of actors within entrepreneurial organizations strongly influence organizational entrepreneurial action based on Galbraith and Stiles' (2003) comparative analysis of Native American tribes' response to gaming regulation intended to spur entrepreneurship. An entrepreneurial environment (one in which multiple start-ups foster a knowledge-rich context resulting from knowledge spillovers) influences entrepreneurial opportunity for the firms posited within it (Audretsch and Keilbach, 2007). According to Keating and McLoughlin (2010), access to financial and networking resources in an entrepreneurial venture's environmental context directly affects its leaders' entrepreneurial decisions. Strategic decisions of entrepreneurial firms, including their decisions to exit specific types of business and/or to merge with other firms, are directly affected by the technological and competitive environmental contexts in which they are posited (Cefis and Marsili, 2011). Finally, institutional context creates the environmental conditions that

influence the overall nature, development pace, and extent of entrepreneurship within economies (Welter and Smallbone, 2011). Additionally, Welter and Smallbone (2011) argue that institutional context influences the behavior of individual entrepreneurial actors, which can be heterogeneous based upon varied responses to institutional conditions, entrepreneurs' "situational configuration" within their institutional context, the characteristics of the enterprise, and the background of key players within an entrepreneurial venture. Webb, Tihanyi, Ireland, and Sirmon (2009) also explicate the framing role of institutional context on strategic entrepreneurial action. Their research indicates that divergent collective identities—driven largely by institutionally-perpetuated differences in meso-level groups' resource access and perceptions of the viability of opportunities presented in the formal economy—can drive some entrepreneurial actors to engage in informal entrepreneurship. As such, Webb, Tihanyi, Ireland, and Sirmon's (2009) and Welter and Smallbone's (2011) theories support the primary theory I seek to explicate in this paper—that social stratification, a specific, macro-level institutional context, and the social strata positions of firms derived from this context profoundly affect the actions of social enterprises.

Perhaps Moss, Short, Payne, and Lumpkin's (2011) article on social venture organizational identity provides the most specific insight into how an entrepreneurial firm's context affects its strategic actions. According to these scholars, an entrepreneurial firm's organizational identity is derived from its context and drives how organizational members "collectively" view the organization, "how key issues are interpreted and how decisions are made," and guides how members respond to "strategic issues" facing the organization by motivating them to support "strategic objectives." As such, their paper



supports the theory this paper seeks to test: that a firm's entrepreneurship type (social or commercial), value creation emphases, interest orientation, and level of social responsibility are all driven by its stratified context.

### ***Social Entrepreneurship***

Several definitions of social entrepreneurship exist, but the concept of actors leveraging economic resources to address social problems is an uncontested component of most of the definitions (Dacin, Dacin and Matear, 2010). Dees (1998) provides, perhaps, one of the most inclusive conceptualizations of social entrepreneurship when he states that it includes both non-profit and for-profit ventures where "the social mission is explicit and central" and where the enactors are "catalysts and innovators behind economic progress." Understanding social entrepreneurship in this way posits many of the charitable activities of legal form "non-profits" like churches as social entrepreneurial since they engage in residual profit-seeking activity often with the added aim of societal good (Dees, 1998).

Many social enterprises are dually focused on creating social and economic value (Moss, Short, Payne, and Lumpkin, 2011). In fact, many social enterprises are heavily focused on revenue generation activities to ensure their sustainability as their success is, in large part, measured by their financial performance (Moss, Short, Payne, and Lumpkin, 2011; Austin, Stevenson, and Wei-Skillern, 2006). However, the distinction between social and commercial entrepreneurship lies in the focus of firms' value creation and the prioritization of their profit-seeking. Social value creation in lieu of shareholder wealth-creation is the primary focus of social enterprises (Austin, Stevenson, and Wei-Skillern, 2006). This subjugation of the rational, individualistic pursuit of residual profit

indicates that social entrepreneurial efforts are primarily other-interested or collectivistic (Mair and Marti, 2006; Baron, 2007).

The distinction between social entrepreneurship and traditional commercial entrepreneurship can also be understood as one of being primarily influenced by group-interested, communitarian philosophies vs. being primarily influenced by self-interested, utility-focused philosophies of corporate organization. Communitarian philosophies of social enterprise assume that entrepreneurial actors are “embedded within—and penetrated by” a set of cultural assumptions and knowledge that spur group behavior that focuses “less on the development of individual rights and the pursuit of self-interest” as with utility-focused philosophies, and more on “shared values” and achieving “common good” (Ridley-Duff, 2007). Moss, Short, Payne, and Lumpkin (2011) further clarify the “other-interested” nature of social entrepreneurship firms by stating that, though social ventures often have dually utility-focused and communitarian identities, their success is not gauged solely upon the financial performance of the organization, but on the “impact, activity, and capacity of the venture” to improve the lives of others, like those in poor and marginalized communities.

### ***Commercial Entrepreneurship***

In contrast, commercial or traditional entrepreneurship is primarily concerned with creating innovative, superior value (or novel resource-combining or opportunity-seeking) ***in order to generate an economic return*** (Schumpeter, 1947; Chiles, Bluedorn and Gupta, 2007; Gedeon, 2010). The prioritization of profit is what distinguishes its pursuit from that of social entrepreneurship, where the primary focus is on creating social rather than economic value (Austin, Stevenson, and Wei-Skillern, 2006). The earliest

historical references to entrepreneurship can in fact be traced to the field of economics, and these references were highly focused upon the “nature and sources of profit” which were all thought to derive from some combination of land, labor, and capital (Smith, 1776; Gedeon, 2010). Consequently, entrepreneurship became associated with all activity that resulted in economic profits that exceeded the rate of return for inputs (Gedeon, 2010).

From its emergence, the utility-focused nature of commercial entrepreneurship has been clear. Smith (1776), in his analysis of how the *entrepreneurial* efforts of nations in the mercantile system affected their wealth, emphasized that self-interest was an integral component of this pursuit. He states: “in the mercantile system, *the interest of the consumer is almost constantly sacrificed to that of the producer*; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce” (Smith, 1776). From this statement it is clear that normative or communitarian concerns emphasizing “others” as in social entrepreneurship are not the primary focus of commercial entrepreneurship (Ridley-Duff, 2007; Moss, Short, Payne, and Lumpkin, 2011).

The differentiation between commercial and social entrepreneurial firms is also evident in Baron’s (2007) work distinguishing the primarily utility-focused and economic value creation efforts of commercial entrepreneurship firms engaged in CSR from the primarily communitarian-interested and social value creation efforts of social entrepreneurship firms. Using Whole Foods’ economic empowerment programs for the poor as an example, Baron (2007) classifies firm efforts to intentionally make a profit from the “goodwill” publicity of socially responsible activities as CSR, as they are

primarily enacted for self-interested reasons. A true social entrepreneurship firm would be willing to take a financial loss (risk) to engage in social-ill redressing behavior (Baron, 2007). Baron's example demonstrates that even CSR efforts can serve the utility-focused interests of commercial firms and that, as such, self-interest is a distinctive component of commercial entrepreneurship.

### **Social Stratification as an Entrepreneurial Context**

As explicated above, the specific characteristics of the environmental context in which an enterprise is situated influences facets of its entrepreneurial strategy, including its value creation emphasis, interest orientation, and social concern level, all of which impact the type of entrepreneurship in which it engages. In this study, for instance, though all of the firms studied are highly social entrepreneurial, I anticipate finding that some are more so than others depending on their environmental context.

One highly relevant feature of the macro-environmental context in which all enterprises are posited with characteristics that directly affect organizational outcomes is social stratification (Wiersema and Bird, 1993; Ravlin and Thomas, 2005). Social stratification theory postulates that at the macro-institutional (structural) level all human societies have social systems that categorically rank people "as superior or inferior to one another" based upon "socially important" (Parsons, 1940) achieved or ascribed traits (Parsons, 1940; Massey, 2007). These systems result in inequality in the distribution of people across social categories and their "differential access to scarce resources" (Massey, 2007). However, stratification systems take their unique form based upon the societies in which the systems are posited (Mills, 1997; Wiersema and Bird, 1993). For example, "societal stratification" is a "distinguishing feature of Japanese culture," which,

though extremely racially homogenous, is quite stratified along economic class lines. This is so much the case that “ties to the imperial family and to formerly noble or ‘old-money’ families distinguish the elite from the nonelite” in and between organizations, and “small variations in material wealth or status” reflect “acute differences in social position” (Wiersema and Bird, 1993). In the United States, stratification has assumed a tri-partite face. Race, socio-economic class, and gender determine the allocation of social and economic resources, and various features of American society at virtually every level have been organized to maintain this system (Massey, 2007; Mills, 1997; Ravlin and Thomas, 2005).

Once initiated, the categorical inequality of stratification systems is maintained via social boundaries with built-in “inequality-producing mechanisms” (Tilly, 1998). These mechanisms include exploitation by the elite, opportunity hoarding by the non-elite, emulation or diffusion of these practices to vast realms of society, and adaptation and maintenance of stratification systems because of the invention of categorical procedures for use in daily life (Tilly, 1998). The inequalities created by stratification can be reproduced without explicit in-group bias or active discrimination because “structural relationships among groups can contribute to processes that enable intergroup inequality to persist” (Ditomaso, Post, Smith, Farris and Cordero, 2007). As social stratification in the U.S. is based on race<sup>8</sup>, gender, and economic class, with race being the strata category serving as the most enduring determinant of one’s strata position (Ravlin and Thomas,

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<sup>8</sup> Slavery, historically, has been a common practice for rapidly developing nations, and was practiced in all of the world’s most advanced civilizations, including Egypt, Rome, and Greece. In the U.S., though, slavery was unique in that race (color) for the first time was the distinguishing factor that differentiated who could be a slave from who could not, whereas slavery in all previously existing aberrations involved people of multiple colors and ethnicities, including those of the same color or ethnicity of the dominant group. The color-based categorical designation of slaves unique to the U.S. has enabled color-based status differences to be strongly maintained, even after the practice of slavery was outlawed, and for racial stratification to become a central component of the entire U.S. social structure even to the present (Massey, 2007; Tilly, 1998; Mills, 1997).

2005), the result has been the categorization of African-Americans as the lowest strata group in society, and the group's access to social and economic resources in every realm of American social life has been limited accordingly (Massey, 2007). Correspondingly in America's stratification system, European-Americans (white) have been categorized as the highest strata group, and their access to resources has been advantaged accordingly (Massey, 2007). As such, persistent social and economic inequities are more inclined to affect blacks than whites because of their historical position as a societal out-group, and these same inequities are less inclined to affect whites because of their converse historical position (Massey, 2007; Tilly, 1998; Mills, 1997).

The ultimate result of stratification systems is within and between organizational variation in opportunity and rewards based upon individuals' group strata membership, often regardless of individual determinants that should warrant better outcomes (Ravlin and Thomas, 2005). In addition, inter-organizational resource differentials and divergent strategies emerge, as demonstrated in labor markets with unions comprised of members of the same lower economic and skill-set class compared to those comprised of higher-economic and skill-set classes (Baron, 1984). Divergent collective identities also emerge causing entrepreneurial actors who are otherwise part of the *same macro-institutional* environment to engage in *distinctive meso-level* group activities that are driven by the contrasting norms, values, and beliefs of the primary sub-groups with which their organizations are comprised (Webb, Tihanyi, Ireland, and Sirmon, 2009). These normative and value differences themselves can emerge from or be strengthened by macro-level institutional constraints on the behaviors of individuals and groups considered "less legitimate," as is the case for low strata actors; and conversely macro-

level institutional enablement of the behaviors of individuals and groups considered most legitimate, as is the case for high strata actors (Webb, Tihanyi, Ireland, and Sirmon, 2009).

Though race, gender, and/or economic status are valid measures of stratification in the U.S. context, strata position is an entirely different, much more rigid and less permeable concept that is context-based (Wiersema and Bird, 1993), and that is often overlooked in American management literature (Ravlin and Thomas, 2005). This is the case because in U.S. “management literature, stratification processes tend to be deemed irrelevant because U.S.-based research focuses on the role of the individual and his or her personal responsibility” for outcomes in lieu of the enduring, constraining impacts of societal position (Ravlin and Thomas, 2005). Though there are some notable strides toward admitting the relevance of the inflexibility of societal structure on group outcomes in entrepreneurship and management literature (Shelton, 2010), much of it is still based upon the assumption that individual determinants drive social and economic outcomes in lieu of recognizing the enduring constraints of institutions.

Race is the primary feature of U.S. stratification upon which I focus in this paper as it has primarily determined the differences in social and economic resources that I anticipate will result in divergent entrepreneurial strategies for social enterprises. Though race was the primary measure of strata I utilized in this paper, the results from the hypotheses I seek to empirically test would be relevant in other stratified societal contexts composed of divergent strata groups, i.e. men and women in Europe, the Middle East, or the U.S. (Loscocco and Robinson, 1991; Robinson, Blockson, and Robinson, 2007) high, middle, and low economic class (Spenner, 1988) in the U.S., elite and non-elite class in

Japan (Wiersema and Bird, 1993), or Hindu and non-Hindu caste in India (Zacharias and Vakulabharanam, 2011; Darity, 2005).

Consequently, I anticipate that the strategies of organizations comprised primarily of one strata group or another will employ differential strategies based upon the societally imposed position of their group. In this study, as each of my subject organizations are comprised primarily of members of one salient, ascriptively marked strata group whose members are therefore subject to the same system-wide effects, I anticipate finding detectable differences in these firms' entrepreneurial strategies, and test the hypotheses below.

### **Hypotheses**

Based on the fact that strata position creates resource-limitations or resource access in the environments in which entrepreneurial actors are posited, and its role in actors' development of shared group identity that diverges by strata (Massey, 2007; Tilly, 1998; Webb, Tihanyi, Ireland, and Sirmon, 2009; Shteynberg, Leslie, Knight, and Mayer, 2011; Darity, 2005), the interest orientations of high strata and low strata enterprises in this study will differ. In particular, lower strata enterprises will be more communitarian—focused on community, “other-interested” goals than enterprises composed of predominantly higher strata members, as indicated by the message(s) conveyed in their primary products’—their top managers’ speeches. Conversely, the resource-rich environments in which higher strata enterprises are posited will drive them to be more self-interested (utility-focused), and intent on maximizing the opportunities of their environment, as evidenced in their speeches.



**H1a:** Lower strata enterprises' group-interest (communitarianism) is higher than higher strata enterprises.

**H1b:** Higher strata enterprises self-interest (utility-focus) is higher than lower strata enterprises.

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Since groups of individuals develop divergent collective identities based on their status and the extent to which they share norms, values, beliefs, and other attributes (Doane, 1997; Webb, Tihanyi, Ireland, and Sirmon, 2009), it follows that lower strata and higher strata enterprises would also have divergent social concern levels based on the conditions to which they are exposed based upon divergent status positions in their context. As resource deprivation is a condition to which lower strata group members are more inclined to be exposed than higher strata group members, and as this is a primary cause of social ills, then lower strata enterprises will speak more often about redressing social ills and demonstrate greater social entrepreneurial characteristics than higher strata enterprises, as evidenced in their top managers' speeches. Since higher strata enterprise members are more inclined to be posited within resource-rich environments with fewer social ills, higher strata enterprises will be more commercial entrepreneurial and focused on economic value creation than lower strata enterprises because of their capacity to wield their more significant resources to innovate for their organizations' growth (Austin, Stevenson, and Wei-Skillern, 2006). This is much like traditional firms utilize slack resources for research and development and ultimately for their competitive advantage over smaller firms who lack such resources (Nohria and Gulati, 1996).

**H2a:** Lower strata enterprises are more social entrepreneurial than higher strata enterprises.

**H2b:** Lower strata enterprises score higher on social value creation (redressing social ills) than higher strata enterprises.

**H3a:** Higher strata firms are more commercial entrepreneurial than lower strata enterprises.

**H3b:** Higher strata enterprises score higher on economic value creation (residual revenue generation) than lower strata enterprises.

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## **Methodology**

### ***Data Sources, Sampling Protocol and Power Analysis***

I obtained my data on U.S. non-denominational Protestant megachurches<sup>9</sup> from the Hartford Institute's study on Megachurches (Thumma and Bird, 2007) and merged this with size and demographic information I derived from lists of non-denominational megachurches from research performed by Warf and Winsberg (2010). I corroborated the primary strata of each of these social enterprises from their websites and/or via phone calls to the organizations themselves. Next, I organized my total universe of social enterprises into three groups by total membership. This both allowed me to control for the effect of size on the results of my first test in which I used race as the primary measure of strata and allowed me to utilize size in a subsequent test as a proxy for economic status (another valid measure of strata in my research context). Social enterprises with memberships from 2500-3999 were categorized as small, 4,000-6,999 as mid-sized, and those with memberships over 7,500 were categorized as large. My size categories were based on the notable differences in resources (marketing, operations, and other revenue-based activities) that are observed via the organizations' websites between

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<sup>9</sup> Subsequently referred to as just "megachurches."

churches in these three different size categories. Mean sizes for the social enterprises in each category are displayed in Table 1.

<b>Table 1: Mean Size of Social Enterprises By Strata</b>				
	<b>Small (2500-3999)</b>	<b>Medium (4000-6999)</b>	<b>Large (7000+)</b>	<b>Total</b>
<b>High Strata</b>	2990	4853	10871	5710
<b>Low Strata</b>	3040	4667	10530	5336
<b>Total Both Groups</b>	2999	4825	10821	5650
<b>Note:</b> Size measured by number of organization members.				

I collected 21,180 leaders' speeches from 141 high strata and 35 low strata megachurches. This included representation from 74% of the total universe of high strata and low strata non-denominational megachurches with organizations sized from 2500+ members. In my sample, 71% of the universe of high strata megachurches is represented with 17,433 messages, and 90% of low strata megachurches with 3,747 messages. I categorized the social enterprises by size—2500-4000 members as small; 4000-6999 as medium; and 7000+ as large—as notable resource differences were evident amongst my subjects at these size points. My representation was high for each of these size categories, with 71% of the universe of small high strata megachurches represented with 6,044 messages, and 95% of small low strata megachurches with 2,753 messages; 71% of the universe of medium high strata megachurches represented with 7,794 messages, and 100% of medium low strata megachurches with 473 messages; and 75% of the universe of large high strata megachurches represented with 3,595 messages, and 80% of large low strata megachurches with 521 messages. (See Tables 2 and 3).

### Table 2: Total Representation of Social Enterprises

	Total No. Social Ent. in Universe	Total No. Social Ent. Analyzed(N)	% Universe** Rep. in Sample	Total Small* Social Ent. in Universe	Total No. Small Social Ent. Analyzed	% Small Universe** Rep. in Sample	Total Mid-Sized* Social Ent. in Universe	Total No. Mid-Sized Social Ent. Analyzed (N)	% Mid-Sized Universe** Rep. in Sample	Total Large* Social Ent. in Universe	Total No. Large Social Ent. Analyzed (N)	% Large Universe** Rep. in Sample
High Strata	203	144	70.90%	94	67	71.30%	51	36	70.60%	55	41	74.50%
Low Strata	39	35	89.70%	20	19	95.00%	9	9	100.00%	10	8	80.00%
Total Both Strata	242	179	74.00%	114	86	75.40%	60	45	20.00%	68	49	72.10%

Note: \*Size measured by number of organization members. \*\*Universe refers to total number of social enterprises of each strata available for analysis using my dataset. Strata Legend: Small=2500-3999 members; Mid-sized=4000-6999; and Large=7000+

<b>Table 3: Total and Average Number of Observations Per Social Enterprise by Strata and Size*</b>								
	Total Number Obs** (n)	Avg. # Total Obs. Per SE <sup>+</sup>	Total # Small Obs.	Avg. # Small Obs. Per SE <sup>+</sup>	Total # Med. Obs.	Avg. # Med. Obs. Per SE <sup>+</sup>	Total # Large Obs.	Avg. # Large Obs. Per SE <sup>+</sup>
<b>Original Design</b>								
High Strata	140						140	
Low Strata	140						140	
Total Both Strata	280						280	
<b>Current Design</b>								
High Strata	17433	121	6044	90	7794	217	3595	88
Low Strata	3747	107	2753	153	473	53	521	65
Total Both Strata	21180	118	8797	103	8267	184	4116	84
* Size measured by number of organization members. **Observations refers to social enterprise messages analyzed. +Refers to social enterprise.								

<b>Table 4: Power and Effect Size Chart</b>			
	Sample Size	Power	Effect Size
<b><i>A-Priori</i></b>			
High Strata	106	0.8130	0.7
Low Strata	20		
<b><i>Ad Hoc</i></b>			
High Strata	126	0.9145	0.7
Low Strata	28		
Note: Based on an estimated standard error of .05, and an allocation ratio of 5.435 (based on total universe of available subjects).			

Finally, I ran a test for normal distribution of observations and removed outliers based on size. This sampling strategy resulted in a final N of 154 (n=126 high strata; n=28 low strata) and power of .91, well above the a-priori recommended sample size which would have yielded power of .81.<sup>10</sup> (See Table 4). To ensure parity between groups, all speeches were authored by each church's founder/pastor(s), and were delivered within the same time frame, 2008-2011.

### ***Data Analysis Methods***

I utilized a mixed-methods research design for this paper to combine the “richness of detail that is characteristic of qualitative data collection with the hypothesis testing advantage of statistical inference techniques” (Currall, Hammer, Baggett, and Doniger, 1999). Though issues of power and sample size are typically subjugated or even disregarded in qualitative content analysis which is often ethnographic, this is not the case with quantitative content analysis (Currall, Hammer, Baggett, and Doniger, 1999; Neuendorf, 2002; Krippendorf, 2004) or in other mixed methods research designs (Currall, Hammer, Baggett, and Doniger, 1999; Johnson and Onwuegbuzie, 2004). Following a mixed-methods research process model illustrated by Johnson and Onwuegbuzie (2004), I have employed strengths inherent to qualitative research, including the ability to develop valid constructs based on rich data and the ability to acquire in-depth understanding of research contexts; and strengths of quantitative research, including the ability to test pre-existing theories with hypotheses created before data is collected and the ability to analyze precise numerical data and test for statistical

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<sup>10</sup> Though power is not typically as relevant in qualitative content analysis, it is typically relevant in conceptual content analysis which is primarily a quantitative analysis method employing the richness of data typically extractable in qualitative research (Currall, Hammer, Baggett, and Doniger, 1999). I explain in more detail in the Data Analysis section.

significance (Johnson and Onwuegbuzie, 2004). In sum, I reject the incompatibility thesis (Howe, 1988) and adopted a pragmatic, pluralistic approach that attempted to maximize the strengths associated with both research paradigms for this study (Johnson and Onwuegbuzie, 2004). Other management studies in reputable journals have similarly employed mixed methods research designs (Ferrier, Smith, and Grimm, 1999; McClelland, Liang and Barker, 2010). Detailed steps regarding the manner in which I designed and conducted my study are noted below.

First, I employed conceptual or quantitative content analysis to identify the presence of specific words and/or concepts within sets of texts, to quantify and analyze the existence, meanings and relationships of the words and/or concepts, and then to draw inferences about the messages within the texts, the authors, the audience, and the cultural and historical contexts from which the texts emerge (Neuendorf, 2002; Krippendorff, 2004). I created formulas for the variables I sought to measure based on research from my literature review (See Table 7). Next, I coded each message by creating customized queries associated with my independent variables based on multiple existing semantics pattern groups and dictionaries in Tropes, a high performance, semantics-grounded content analysis software used by academicians and business professionals for semantic analysis and classification of text (Tropes, 2011).<sup>11</sup> I then augmented Tropes' dictionaries with customized dictionaries emergent from the data (Neuendorf, 2002) and with word associations using WordNet, a lexical database of English words grouped into cognitive synonym sets developed and continuously updated by language researchers at Princeton

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<sup>11</sup> "Tropes draws on 20,000 equivalent classes divided into broad semantic categories. An equivalent class is presented as a "concept" or "theme," grouping together synonyms or closely-related terms (substantives only). Content can be analyzed at three hierarchical levels. The most fine-grained analysis identifies the "references" of the words used in the text...It can also identify different word categories (verbs, connectors, personal pronouns, modalities, qualifying adjectives), conduct thematic analyses (reference fields), and detect discursive/chronological structures" (Piolat and Bannour, 2009).

University (What is WordNet, 2011), as shown in Table 6. Finally, I converted my qualitatively-derived data into quantitatively-measurable form (Neuendorf, 2002; Krippendorff, 2004; Currall, Hammer, Baggett, and Doniger, 1999). I recorded the frequency of the presence of my dependent variables in the social enterprise speeches, and converted this frequency data into percentages based on the word count of each observation/message product.

Following my quantitative content analysis, I performed a basic means comparison and a Mann-Whitney U-test to test my hypotheses.

### ***Measures, Constructs & Variables***

My unit of analysis<sup>12</sup> was the strata group of the social enterprise (high or low) and the observations for each group were aggregately comprised of all speeches and speech summaries (sermons) available for 2008-2011 on the social enterprises' websites made by high and low strata top managers (senior pastors) and delivered to their enterprise members (congregants). I used a dichotomous, independent variable, social strata position, which was depicted in this study by race (0-Higher [white], 1-Lower [black]). In order to classify a social enterprise as high strata or low strata, both the primary leader's strata and the primary strata composition of the enterprise he or she led had to match.<sup>13</sup> This enabled me to control for effects that having an enterprise membership of mixed strata would potentially have on the social enterprises' strategies.

My dependent variables were social entrepreneurship, commercial entrepreneurship, self-interest (utility-focus), other-interest (communitarianism), social

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<sup>12</sup> As my data goes into analysis of the group averages themselves (and not individual enterprise's scores), my unit of analysis is the strata group. Though I had data at the individual enterprise level, I used aggregates of high and low strata groups in my analysis (Trochim, 2006).

<sup>13</sup> Primary strata composition (race) verified based on information and pictures available on the churches' websites of congregants and leaders, and via verification with the churches' main offices.



ills (explained below), institutional mobilization (institution building words, including church expansion and centric terminology), and residual profit-seeking (church revenue generation appeals).

Based upon the characteristics of social ventures indicated in entrepreneurship literature (primarily other-interested/communitarian, dually focused on creating social value via redressing social ills and on residual revenue generation) (Dacin, Dacin and Matear, 2010; Dees, 1998; Moss, Short, Payne and Lumpkin, 2011), I created a formula including each characteristic to measure the social entrepreneurial levels reflected in the primary products of entrepreneurial church firms. (See Table 2). Similarly, I developed formulas for commercial entrepreneurship based on the defining characteristics indicated in the entrepreneurship literature and the preceding literature review (Austin, Stevenson, and Wei-Skillern, 2006, Baron, 2007, Ridley-Duff, 2007). Because the use of words related to each of these constructs is context-specific, I first analyzed sample text from the products of one lower strata and one upper strata megachurch to identify words that churches may use to refer to certain activity in their entrepreneurial context. For example, “love offering” or “love gift” actually refers to residual revenue generating activity of the church. I augmented the formulas I had created from standard words and definitions for each variable for all instances of context-specific language that referred to the same concept.

My social ill variable is based on the macro-level social and welfare issues monitored by the Organisation for Economic Cooperation and Development (OECD), which seeks to “promote policies that will improve the economic and social well-being of people around the world” (About, 2011). The OECD compiles data from “40 countries

that account for 80% of world trade and investment” on the effect of globalization on social, environmental, and country governance in member nations (History, 2011). The OECD specifically collects data on “social and welfare issues,” which includes social (ethnic and racial) equality, employment, and health policies, gender equality and development, poverty reduction and social development (Social and Welfare issues, 2011). I designed my social ill construct to measure words associated with the social and welfare issues monitored by the OECD, like poverty, homelessness, racial inequality, etc., as well as to include other more Western social-ill concerns like divorce, children, and family issues.

## **Results**

Table 5a shows the mean values and other descriptive statistics for all variables for higher and lower strata social enterprises. Even with the removal of observations with less than 1000 words, outliers remained present, and my data did not follow a normal distribution as assessed by Shapiro-Wilk's test ( $p < .05$ ). Normal distribution and no outliers are required in order to ensure the results of a standard t-test are valid. As such, I performed and reported the results of a Mann-Whitney U test (shown in Table 5b), a more robust test in cases where data is not normally distributed (Nachar, 2008) that is widely advocated as an alternative to t-tests in social and behavioral science research (Hart, 2001; Ruxton, 2006; Nachar, 2008; Butham, 2010). Detailed results of the Mann-Whitney test are displayed in Figures 1-7 in the Appendices.

As a whole, I find some support for divergent strata positions affecting the entrepreneurship type, interest orientation, and level of social concern of enterprises based on the results of my primary study design (in which I operationalized strata as

race), though all hypotheses are not statistically significant or in the direction predicted.

H1a is not supported, as there is no statistically significant difference between the group-interest of the two groups based on the Mann-Whitney test ( $p=.840$ ), though comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprises shows an observable difference between the two groups in the direction predicted ( $\bar{x}_0=.036916$ ,  $\bar{x}_1=.045408$ ). H1b is supported and statistically significant based on results of the Mann-Whitney test ( $p=.001$ ), though not supported by comparing the means ( $\bar{x}_0=.0.039738$ ,  $\bar{x}_1=.0.046819$ ).

H2a was not supported by the Mann-Whitney test, and, in fact, the results were moderately significant in the opposite direction suggesting that a difference exists between the two groups in regards to social entrepreneurship ( $p=0.10$ ), though the means comparison ( $\bar{x}_0=0.003616$ ,  $\bar{x}_1=0.005335$ ) showed low strata churches higher than high strata churches. For H2b, the means comparison is in the direction predicted ( $\bar{x}_0=0.004237$ ,  $\bar{x}_1=0.005964$ ); however, the results of the Mann-Whitney test ( $p=.185$ ) did not support the hypothesis.

H3a is not supported and results are in the opposite direction predicted based on the Mann-Whitney test, which provides strong, statistically significant evidence for low strata firms being more commercial entrepreneurial than high strata firms ( $p=.001$ ). This is corroborated via means comparison ( $\bar{x}_0=0.002557$ ,  $\bar{x}_1=0.004500$ ). Likewise, H3b is in the opposite direction predicted based on results of the Mann-Whitney test which are highly statistically significant ( $p=.001$ ), and via a means comparison ( $\bar{x}_0=0.004431$ ,  $\bar{x}_1=0.007154$ ), indicating that lower strata firms are more economic value creation focused than higher strata firms.

In order to further establish if differences exist by strata, I tested my hypotheses with economic class<sup>14</sup> as my measure of strata in lieu of race, and classified enterprises into lowest, middle, and highest economic strata based on their membership size. Then, I compared the means of the three groups, and performed a Welch Robust ANOVA. This test is less sensitive than a traditional one-way ANOVA to data not being normally distributed, as was the case in this study (Schlotzhauer, 2007). Table 5c displays the mean values and other descriptive statistics, and Table 5d shows results of the Welch's ANOVA. To control for effects of race on economic class, I ran this test on only the enterprises in my sample primarily comprised of whites (operationalized as high strata in my first test) and removed outliers based on size (observations with less than 1000 words removed). This resulted in an N of 129 for the Welch's ANOVA. With this test, I again observed an effect of strata on enterprise strategy and support for some of my hypotheses.

H1a is supported and the ANOVA shows there is a moderately statistically significant difference between the group-interest (communitarianism) of the three groups very close to the 95% confidence level ( $p = 0.066$ ). The means for group-interest were highest for the lowest and mid-tier strata groups, and lowest for the highest tier group ( $\bar{x}_1 = 0.060113$ ,  $\bar{x}_2 = 0.032858$ ,  $\bar{x}_3 = 0.028664$ ). H1b was not supported by the ANOVA ( $p = .283$ ) or via comparison of the means for self-interest of all three economic strata groups ( $\bar{x}_1 = 0.069966$ ,  $\bar{x}_2 = 0.034269$ ,  $\bar{x}_3 = 0.049837$ ).

H2a is not supported. The Welch's ANOVA ( $p = .748$ ) showed no statistically significant difference between the groups, and there was essentially mean equivalence between the highest and lowest strata groups ( $\bar{x}_1 = 0.005060$ ,  $\bar{x}_2 = 0.005905$ ,  $\bar{x}_3 = 0.005905$ ).

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<sup>14</sup> Enterprise membership size was my proxy for economic size since megachurches, in particular, generate most of their revenue from donations from and sales of their speeches to members of their organization (Kroll 2003; Warf and Winsberg, 2010; Thumma and Bird, 2009).

$_3=0.005067$ ). H2b is not supported as there is no statistically significant difference between the means of the three groups ( $p=0.266$ ) demonstrated by the ANOVA. Though, as observed in the means comparison for high and low strata groups in the first test, the social value creation mean was highest among the lowest economic strata ( $\bar{x}_1$ ) groups compared to the middle ( $\bar{x}_2$ ) and high economic strata ( $\bar{x}_3$ ) groups ( $\bar{x}_1=0.008379$ ,  $\bar{x}_2=0.003730$ ,  $\bar{x}_3=0.004371$ ).

As in my primary test, the commercial entrepreneurship mean ( $\bar{x}_1=0.005147$ ,  $\bar{x}_2=0.001982$ ,  $\bar{x}_3=0.002416$ ) is highest for the lowest strata enterprises in the opposite direction of H3a, though the ANOVA ( $p=0.459$ ) shows no significant difference by strata. For H3b, the economic value creation mean is highest for the lowest strata group ( $\bar{x}_1=0.007270$ ,  $\bar{x}_2=0.004711$ ,  $\bar{x}_3=0.004571$ ), though H3b is not supported by the ANOVA ( $p=0.588$ ). Table 8 displays a summary results table of all hypotheses for both my primary test using race as the measure of strata, and secondary test using economic class as the measure of strata.

Table 5a: Means and Descriptive Statistics for Higher and Lower Strata Enterprises					
	Strata (0-High 1-Low)	N	Mean	Std. Deviation	Std. Error Mean
SIZE (# members)	0	126	5977.07	5257.441	468.370
	1	28	5846.43	4124.047	779.372
TOTAL MESSAGES	0	126	136.44	239.885	21.371
	1	28	129.25	383.014	72.383
TOTAL WORDS	0	126	50891.44	109761.675	9778.347
	1	28	11297.32	16176.439	3057.060
SVC	0	126	.004237	.0058777	.0005236
	1	28	.005964	.0094106	.0017784
EVC	0	126	.004431	.0062917	.0005605
	1	28	.007154	.0065808	.0012436
GROUP INTEREST (Communitarianism)	0	126	.036916	.0640069	.0057022
	1	28	.045408	.0769709	.0145461
SELF INTEREST (Utility Focus)	0	126	.039738	.0807107	.0071903
	1	28	.046819	.0273872	.0051757
COMM. ENT.	0	126	.002557	.0065372	.0005824
	1	28	.004501	.0040011	.0007561
SOCIAL ENT.	0	126	.003616	.0047027	.0004190
	1	28	.005335	.0169265	.0031988
Strata measured by race. Total N=144; Low Strata n=28; High Strata n=126. Abbreviations: SVC-Social Value Creation (Social Ills), EVC-Economic Value Creation (Residual Revenue Generating Activity), SOCIAL ENT-Social Entrepreneurial, COMM. ENT-Commercial Entrepreneurial. N= 144 Low Strata n=28 High Strata n=126.					

**Table 5b: Independent Samples Mann-Whitney U Test**  
(Difference Between Groups  $\neq$  0)

	STRATA (0-High, 1-Low)	N	Median	Mean Ranks <sup>+</sup>	Mann- Whitney U	Std. Error	z	Sig. (2- tailed)
<b>SVC</b>	0	126	.003413	75.25	2047.00	213.47	1.326	.185***
	1	28	.004303	87.61				
<b>EVC</b>	0	126	.003387	71.87	2474.00	213.47	3.326	.001*
	1	28	.005754	102.86				
<b>GROUP INT.</b>	0	126	.029753	77.16	1807	213.47	0.201	.840
	1	28	.031209	79.04				
<b>SELF INT.</b>	0	126	.032085	71.87	2473.00	213.47	3.321	.001*
	1	28	.044778	102.82				
<b>COMM. ENT.</b>	0	126	.000210	71.95	2463.00	203.20	3.442	.001*
	1	28	.004971	102.48				
<b>SOCIAL ENT.</b>	0	126	.000000	80.01	1447.50	192.53	-1.644	.100**
	1	28	.000000	66.20				

*Strata Measured by race.* N=154; Low Strata n=126; High Strata n=28; <sup>+</sup>Mean Ranks column allows for determination of direction of results in cases of statistical significance. \*\*\*p  $\leq$  .001 \*\*p  $\leq$  .01 \*p  $\leq$  .05

**Table 5c: Means and Descriptive Statistics  
for Higher and Lower Strata Firms**

		N	Mean	Std. Deviation	Std. Error
<b>STRATA*</b> (Economic status) 1-Low 2-Mid 3-High	1	60	2840.75	347.007	44.798
	2	31	4945.23	910.595	163.548
	3	38	11976.18	6423.200	1041.981
	Total	129	6037.53	5265.474	463.599
<b>TOTAL MESSAGES</b>	1	60	87.63	168.321	21.730
	2	31	211.97	383.104	68.808
	3	38	85.74	99.226	16.097
	Total	129	116.95	230.614	20.304
<b>TOTAL WORDS</b>	1	60	19183.27	29795.489	3846.581
	2	31	27872.52	35688.281	6409.804
	3	38	18159.58	22664.590	3676.682
	Total	129	20969.83	29522.643	2599.324
<b>SVC</b>	1	60	.008379	.0315336	.0040710
	2	31	.003731	.0014512	.0002606
	3	38	.004371	.0027813	.0004512
	Total	129	.006081	.0215813	.0019001
<b>EVC</b>	1	60	.007270	.0195442	.0025231
	2	31	.004711	.0034528	.0006201
	3	38	.004571	.0038322	.0006217
	Total	129	.005860	.0135960	.0011971
<b>GROUP INT. (Communitarianism)</b>	1	60	.060113	.1432206	.0184897
	2	31	.032858	.0087411	.0015700
	3	38	.028664	.0107496	.0017438
	Total	129	.044299	.0986287	.0086838
<b>SELF INT. (Utility- Focus)</b>	1	60	.069966	.2197770	.0283731
	2	31	.034269	.0161638	.0029031
	3	38	.030755	.0157055	.0025478
	Total	129	.049837	.1508424	.0132809
<b>COMM. ENT.</b>	1	60	.005147	.0198785	.0025663
	2	31	.001982	.0031228	.0005609
	3	38	.002416	.0035609	.0005777
	Total	129	.003582	.0137936	.0012145
<b>SOCIAL ENT.</b>	1	60	.003824	.0050598	.0006532
	2	31	.004733	.0059054	.0010606
	3	38	.003837	.0050667	.0008219
	Total	129	.004046	.0052484	.0004621
<p><i>*Strata measured by economic class. Abbreviations: SVC-Social Value Creation (Social Ills), EVC-Economic Value Creation (Residual Revenue Generating Activity), SELF-INT (Utility-focus), GROUP INT (Communitarian Interest), SOCIAL ENT-Social Entrepreneurial, COMM. ENT-Commercial Entrepreneurial. N=129 Low Strata n=60 Mid Strata n=31 High Strata n=38.</i></p>					



**Table 5d: Welch Robust ANOVA - Tests of Equality of Means**

		Statistic	df1	df2	Sig.
<b>SVC</b>	Welch	1.349	2	77.982	.266
<b>EVC</b>	Welch	.535	2	83.464	.588
<b>GROUP INT.</b>	Welch	2.811	2	83.702	.066**
<b>SELF INT.</b>	Welch	1.281	2	81.588	.283
<b>COMM. ENT.</b>	Welch	.786	2	83.626	.459
<b>SOCIAL ENT.</b>	Welch	.292	2	68.475	.748
<i>Strata measured by economic class. Abbreviations: SVC-Social Value Creation (Social Ills), EVC-Economic Value Creation (Residual Revenue Generating Activity), SELF-INT (Utility-focus), GROUP INT (Communitarian Interest), SOCIAL ENT-Social Entrepreneurial, COMM. ENT-Commercial Entrepreneurial. **p ≤ .10 *p ≤ .05; N=129 Low Strata n=60 Mid Strata n=31 High Strata n=38.</i>					

## Discussion

There are several findings in this study which support my theory that a stratified environmental context has some effect on entrepreneurial action. First, that the social value creation mean of low strata enterprises was greater than that of high strata enterprises both when I operationalized strata as race and in my follow-up test in which I operationalized strata as economic status is noteworthy. This suggests that organizational social concern levels—even within social entrepreneurial firms—are affected by factors derived from a firm's environmental context—in this case the societal position of the majority of an organization's members. The lack of strong statistical significance for the test of this hypothesis or its related hypothesis—predicting that the social entrepreneurship of lower strata enterprises would be higher than that of high strata

enterprises—could be a function of the formula I developed to measure entrepreneurship (especially considering the social problem focus of lower strata groups itself was higher). The factoring in of group-interest into my formula, which was much higher for high strata enterprises in the second test and statistically significant, is a rational explanation for the direction of these results. It is, perhaps, more noteworthy that neither test for statistical significance demonstrated a difference between high and low strata groups, and that the mean emphases for both groups on social problems was less than 1%. This seems to indicate that a social mission may be less “central and explicit” (Dees, 1998) for the subset of highly entrepreneurial, economically-focused, and large social enterprises (megachurches) used for my research context (Bird and Thumma, 2011).

Second, that the self-interest (utility-focus) of high strata social enterprises was higher than that of low strata enterprises and statistically significant in both tests provides strong support for my theory. Yet, considering the very substantial economic resources that higher strata social enterprises wield and the sheer number of members that their organization’s efforts support, in comparison with that of their smaller counterparts, such self-interested activity may be necessary for their survival (Thompson, Kiefer, and York, 2011; Moss, Short, Payne and Lumpkin, 2011; Austin, Stevenson and Wei-Skillern, 2006).

That lower strata social enterprises in both tests (strata as race; strata as economic status) were more commercial entrepreneurial and economic value-creation focused and that these findings were statistically significant is actually supportive of my theory that strata impacts social enterprise strategy in lieu of contradictory. Further, these results are supported by existing theory. Moss, Short, Payne and Lumpkin (2011) indicate that many

social enterprises necessarily have “dual identities” as they are compelled to focus simultaneously on economic value creation for their firms’ sustenance as well as their organizations’ social value creation goals. Further, “charitable activity must still reflect economic realities” (Austin, Stevenson and Wei-Skillern, 2006). Since lower strata groups are more likely to be in vulnerable economic positions than higher strata groups (Massey, 2007; Wiersema and Bird, 1993); lower strata group members are more inclined to be adversely impacted by social problems (Massey, 2007; Ravlin and Thomas, 2005); and since the findings in this study *suggest* that lower strata organizations are more likely to be focused upon social value creation, it is entirely rational that lower strata enterprises would be more inclined to focus on continuously raising revenue dually for their sustenance and for the continuation of their social missions than higher strata enterprises.

### **Limitations**

There are limitations to this study. First, there was a large difference in the mean size of the total words in speeches available to analyze in high strata social enterprises and low strata enterprises (45,000 words to 9,000 words). This affected the depth of the observations I was able to analyze, particularly when strata was measured by race. Though I removed outliers based on size,<sup>15</sup> I suspect that this speech size inequality still had an impact on my results. The inequality likely exists because of resource differences between the two groups of churches. (Quality transcription can be very expensive, especially on a per message basis, as can necessary transcription technology and specialized staff for this task). Though I ran a second test in which I operationalized strata as economic size and got some stronger, significant results, further research is warranted with more equitable representation of observations from groups of lower racial strata.

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<sup>15</sup> All churches with 1000 or less words available to analyze were removed from each group.

Second, the primary strata compositions of the social enterprises I studied were very homogenous both when strata is measured by race and when it is measured by economic status.<sup>16</sup> As other types of enterprises may be more heterogeneously comprised in terms of strata, one should be aware of this when generalizing these results. These limitations signal that additional research is warranted to more fully understand differences driven by strata that may emerge in organizational settings. Lastly, although the speeches of the top managers of these enterprises were a good proxy for the strategic intent of the enterprises, it would be ideal to measure these organizations' actual strategic actions. Further research analyzing the websites or other available reports of these social enterprises could enable more precise measurement of the quantity and types of social and economic value creation in which these entities are engaged.

## **Conclusion**

The evidence in this study contributes to existing entrepreneurship literature in five important ways. First, through its analysis of social stratification and its effect on social enterprises, it demonstrates that environmental context is an antecedent to entrepreneurial action. Second, it provides statistically significant or empirically suggestive evidence that context drives four specific strategic decisions for the entrepreneurial organization: (1) value creation emphasis, (2) interest orientation, and (3) the level of social concern that occupies the enterprise, which affect (4) the primary type of entrepreneurship an enterprise exhibits. Third, this paper bridges a research gap that currently exists between social entrepreneurship and sociology—the social science primarily concerned with moral entrepreneurship, the definition of social problems and

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<sup>16</sup> This is because of the historical racial segregation of churches, and the fact that many churches draw their memberships from neighborhoods within close proximity to their edifices.

social structures that give rise to social problems. Integrated work between these two fields is necessary for analyzing the contextual conditions inclined to cause social entrepreneurship to arise. Fourth, it empirically demonstrates that social enterprises tend to exhibit dually social and economic value creation identities due to the nature of their social benefit missions and the economic requirements necessary to effectively redress social ills. Finally, this paper's unique analysis of churches as social enterprises and the inspirational messages of churches as entrepreneurial products expands the breadth of the type of organizations that can and, perhaps, should be studied in entrepreneurship and management because of their societal and economic relevance.

As solving specific social ills is of increasing consequence for global sustainability, further research is warranted to refute or corroborate these results, on which social problems are prioritized by enterprises different strata, and on what mechanisms spur societally-beneficial action across strata. In the paper that follows, I begin such research.

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## Appendices – Study One

**Table 6: Semantic Analysis-Derived Scenario\* Categories and Key Words Used in TROPES Analysis**

Variable Element	Pre-Established Macro Concepts (Scenarios) from Tropes Dictionaries	Words Conveying Element Meaning Derived from Megachurch Context and Used to Augment Tropes Scenarios
<b>Communitarianism</b> ( <i>Common-Good/Shared interest/Other-Interest</i> )	Aid and Assistance, Citizen, Close, Community, Connection, Consent, Consideration, Equality and sameness, Family and genealogy, (You/We) Give, Group, Harmony and compatibility, Help, Integration, Kindness, Member, Peace, Relationship, Sacrifice, Selfless, Share, Together, Unity, Volunteer, We**	Many people, Others, People's lives, Not for me, Not for you, To bless others
<b>Utility-focused</b> ( <i>Self-interested Value/Individual Rights and Gain</i> )	Asset, Advantage, Benefit, Gain, Independent, Individualism and individuality, Opportunity, Practicality, Property and rights, Rights, Self and selfishness, take, Unique, Use, Utility-focused and utility, Value, we/You***	
<b>Residual Revenue Generating Activity</b>	Donate, Finance(s), Money	Abundance, First fruit(s), Financial gift, Love gift, increase, Offering(s), Prosper and Prosperity, Provision, Rich, Sow your, Sow seed, Sow a seed, Tithe, Wealth
<b>Social Ill Redressing</b> ( <i>Macro-Level Social Responsibility</i> )	Birth control, Child abuse and welfare, Community development, Disaster, Discrimination, Disease-Health-medicine-and-casualties, Divorce and family issues, Drugs, Economic development, Environmental conditions, Homeless, Housing, Hunger, Law and justice (crime, police, death sentences, prison, etc.), Needy, Orphan, Poor, Poverty and lack, Race, Culture and Racism, Slavery, Social classes, Social welfare, Unemployment	Mission(s), Missionary, <b>Outreach</b> , <b>Soup kitchen</b> , Widow

\* A Scenario consists of a number of Semantic Groups, i.e. several combinations of substantives (a word or group of words functioning as a noun), lemmas (a word considered as its citation form along with all its inflected forms. For example, the lemma run consists of run along with runs, running, and ran) and/or Equivalent class (groups of closely related references). \*\*We and all derivative pronouns were included as indicators of group interest. \*\*\*I and You and all derivative pronouns were included as indicators of self-interest based on the manner in which they are used almost universally in the speeches in my sample to direct the attention of the listeners and the speaker to themselves.

**Table 7: Formulas for Conceptual Content Analysis Coded Variables**

<b>Social Entrepreneurship (SE)</b> = Social Ill Redressing Activity (SOCl) + Residual Revenue Generating Activity (RRGA) [Where Communitarianism (COMMUN) > than Utility-focused (UTIL) AND Social Ill Redressing Activity (SOCl)>0]
<b>Commercial Entrepreneurship (CE)</b> = Residual Revenue Generating Activity [Where Utility-focused (UTIL)> Communitarianism (COMMUN) AND Residual Revenue Generating Activity>0]

<b>Table 8: Results Summary Table</b>				
<b>Hypothesis</b>	<b>Independent Variable</b>	<b>Dependent Variable</b>	<b>Statistic</b>	<b>Hypothesis Supported?*</b>
H1a	Social Strata-Race	Group Interest	Mann-Whitney U	No
	Social Strata-Economic Status	Group Interest	ANOVA	Yes <sup>++</sup>
H1b	Social Strata-Race	Self Interest	Mann-Whitney U	Yes <sup>++</sup>
	Social Strata-Economic Status	Self Interest	ANOVA	No <sup>**</sup>
H2a	Social Strata-Race	Social Entrepreneurship	Mann-Whitney U	No <sup>*** +</sup>
	Social Strata-Economic Status	Social Entrepreneurship	ANOVA	No
H2b	Social Strata-Race	Social Value Creation	Mann-Whitney U	No <sup>**</sup>
	Social Strata-Economic Status	Social Value Creation	ANOVA	No <sup>**</sup>
H3a	Social Strata-Race	Commercial Entrepreneurship	Mann-Whitney U	No <sup>*** ++</sup>
	Social Strata-Economic Status	Commercial Entrepreneurship	ANOVA	No
H3b	Social Strata-Race	Economic Value Creation	Mann-Whitney U	No <sup>*** ++</sup>
	Social Strata-Economic Status	Economic Value Creation	ANOVA	No
*Based on statistical significance <sup>+</sup> p≤ .10 <sup>++</sup> p≤.05; **Trend toward significance in direction predicted. ***Significant in opposite direction.				

**Figures 1-7: Mann-Whitney U Test SPSS Output and Illustration of Mean Ranks  
for Each Hypothesis (For the Primary Test-Strata Operationalized as Race)**

**Figure 1**

**Hypothesis Test Summary**

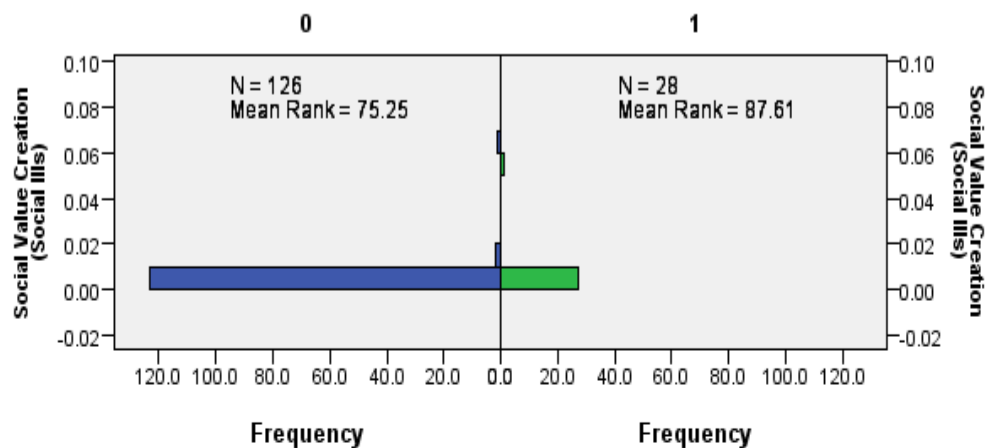
	<b>Null Hypothesis</b>	<b>Test</b>	<b>Sig.</b>	<b>Decision</b>
<b>1</b>	The distribution of Social Value Creation (Social Ills) is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.185	Retain the null hypothesis.
<b>2</b>	The distribution of Economic Value Creation (Residual Revenue) is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.001	Reject the null hypothesis.
<b>3</b>	The distribution of Group Interest (Communitarianism) is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.840	Retain the null hypothesis.
<b>4</b>	The distribution of Self Interest (Utility-Focus) is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.001	Reject the null hypothesis.
<b>5</b>	The distribution of Commercial Ent. Score is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.001	Reject the null hypothesis.
<b>6</b>	The distribution of Social Ent. Score is the same across categories of STRATA (Race).	Independent-Samples Mann-Whitney U Test	.100	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Figure 2

## Independent-Samples Mann-Whitney U Test

STRATA (Race)

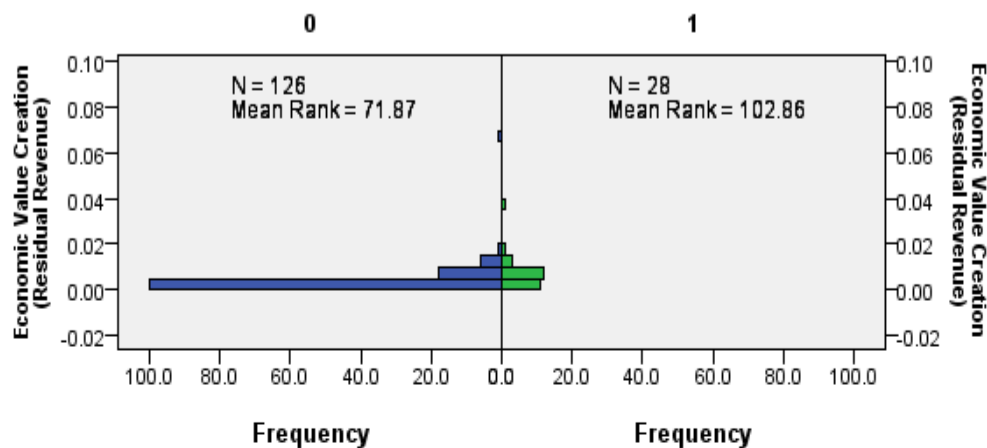


<b>Total N</b>	154
<b>Mann-Whitney U</b>	2,047.000
<b>Wilcoxon W</b>	2,453.000
<b>Test Statistic</b>	2,047.000
<b>Standard Error</b>	213.471
<b>Standardized Test Statistic</b>	1.326
<b>Asymptotic Sig. (2-sided test)</b>	.185

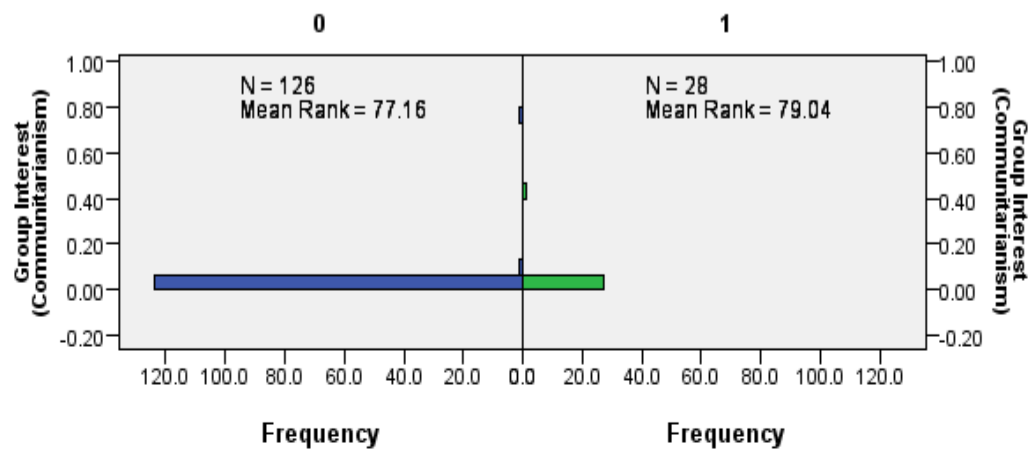
Figure 3

## Independent-Samples Mann-Whitney U Test

STRATA (Race)



<b>Total N</b>	154
<b>Mann-Whitney U</b>	2,474.000
<b>Wilcoxon W</b>	2,880.000
<b>Test Statistic</b>	2,474.000
<b>Standard Error</b>	213.471
<b>Standardized Test Statistic</b>	3.326
<b>Asymptotic Sig. (2-sided test)</b>	.001

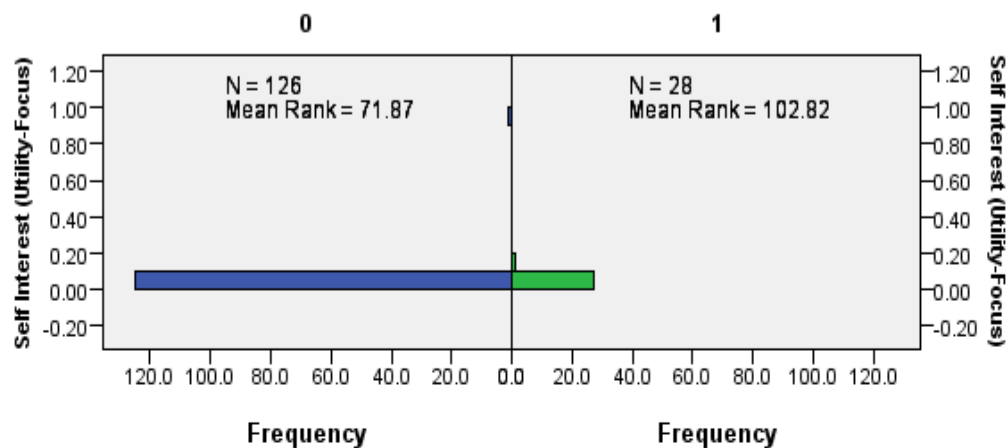
**Figure 4****Independent-Samples Mann-Whitney U Test****STRATA (Race)**

<b>Total N</b>	154
<b>Mann-Whitney U</b>	1,807.000
<b>Wilcoxon W</b>	2,213.000
<b>Test Statistic</b>	1,807.000
<b>Standard Error</b>	213.471
<b>Standardized Test Statistic</b>	.201
<b>Asymptotic Sig. (2-sided test)</b>	.840

Figure 5

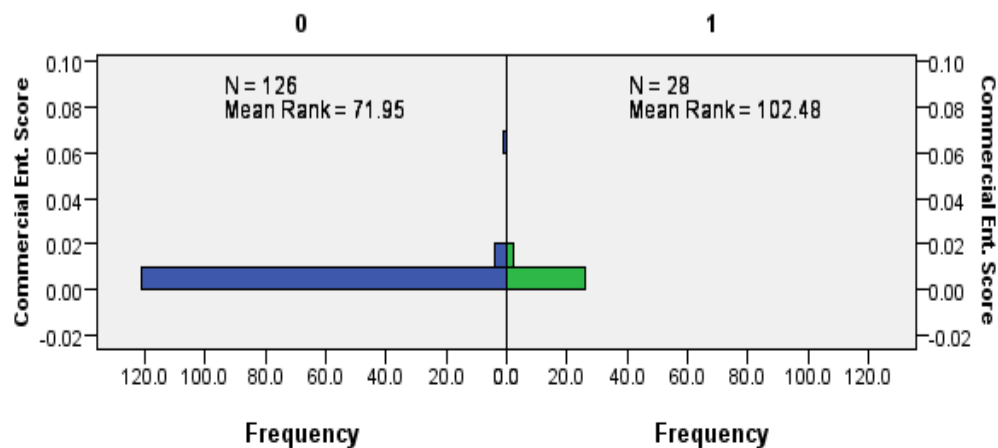
## Independent-Samples Mann-Whitney U Test

STRATA (Race)



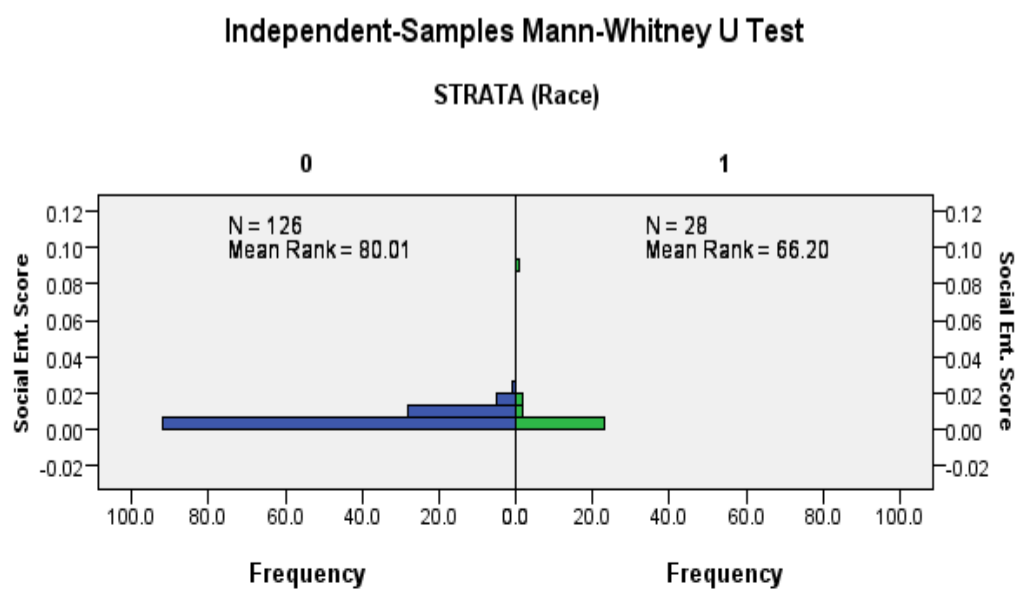
<b>Total N</b>	154
<b>Mann-Whitney U</b>	2,473.000
<b>Wilcoxon W</b>	2,879.000
<b>Test Statistic</b>	2,473.000
<b>Standard Error</b>	213.471
<b>Standardized Test Statistic</b>	3.321
<b>Asymptotic Sig. (2-sided test)</b>	.001



**Figure 6****Independent-Samples Mann-Whitney U Test****STRATA (Race)**

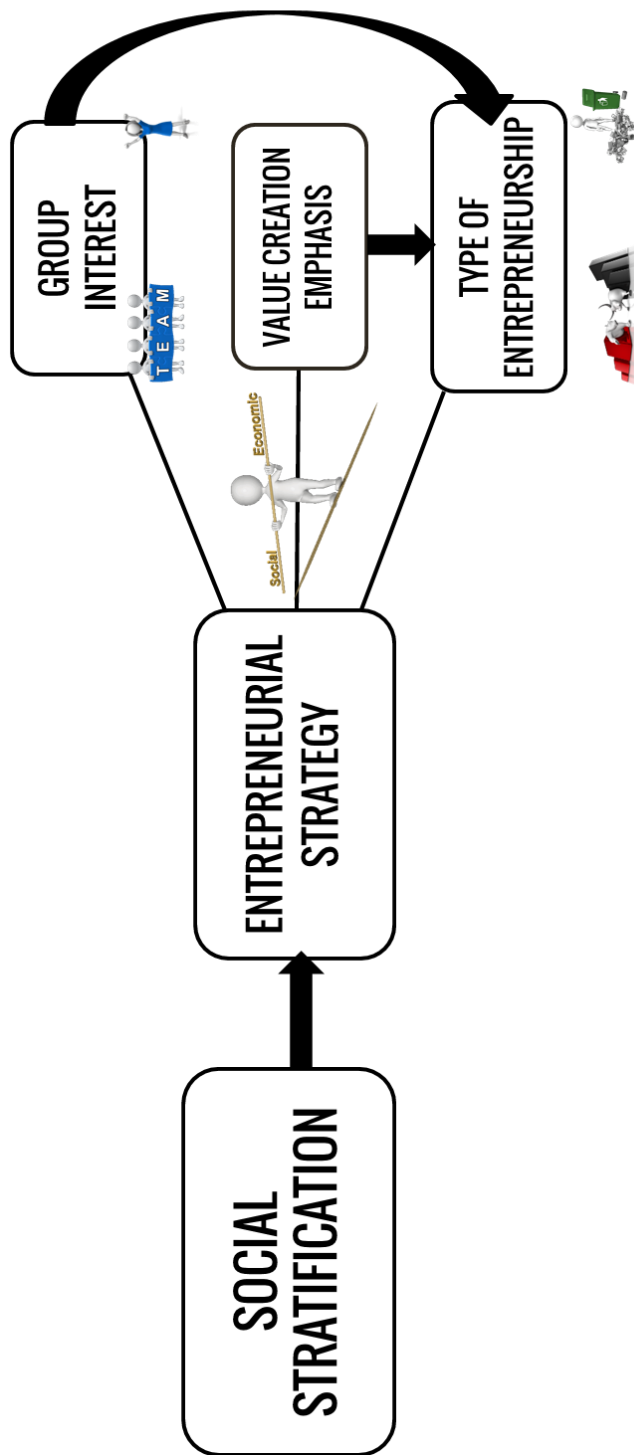
Total N	154
Mann-Whitney U	2,463.500
Wilcoxon W	2,869.500
Test Statistic	2,463.500
Standard Error	203.202
Standardized Test Statistic	3.442
Asymptotic Sig. (2-sided test)	.001

Figure 7

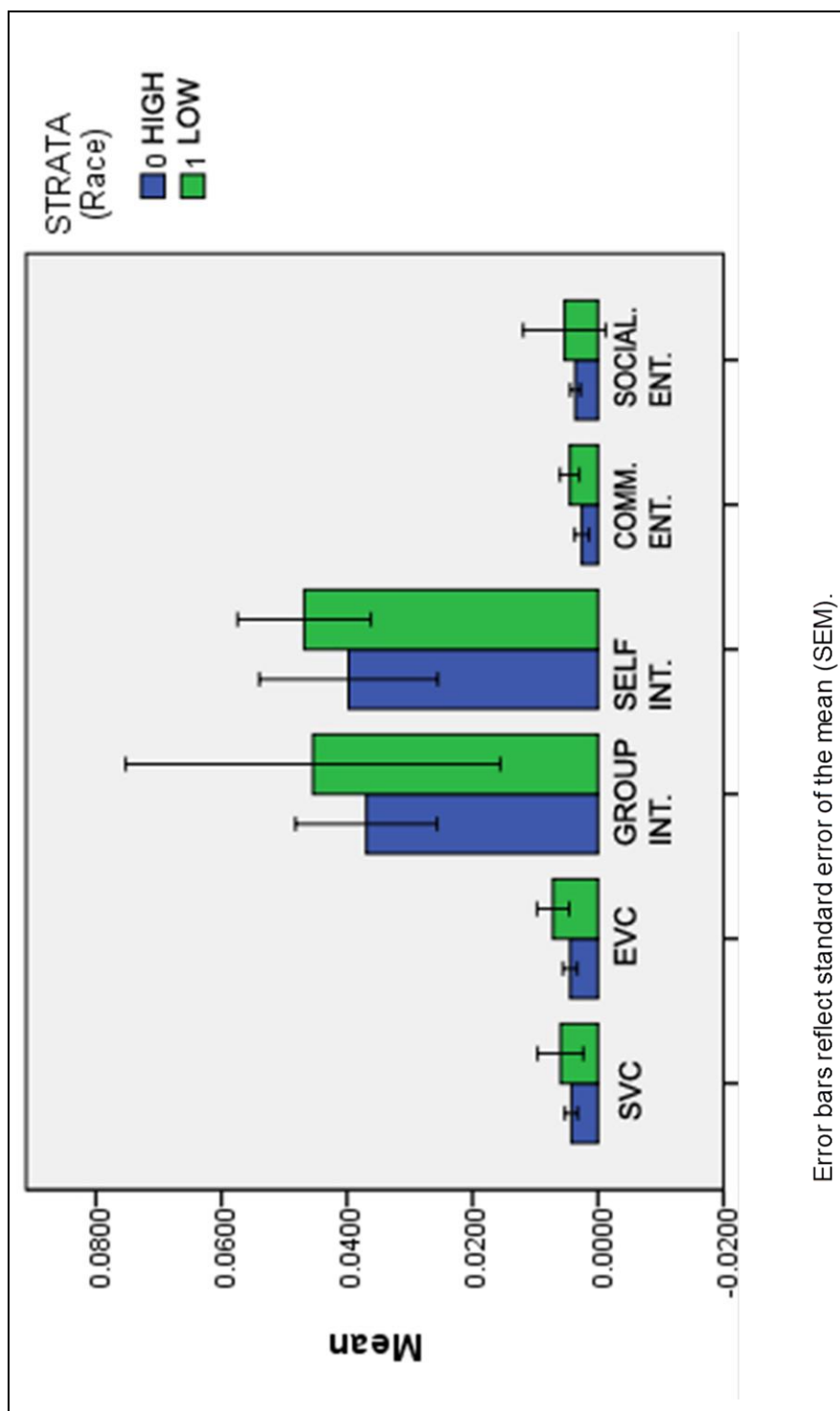


<b>Total N</b>	154
<b>Mann-Whitney U</b>	1,447.500
<b>Wilcoxon W</b>	1,853.500
<b>Test Statistic</b>	1,447.500
<b>Standard Error</b>	192.530
<b>Standardized Test Statistic</b>	-1.644
<b>Asymptotic Sig. (2-sided test)</b>	.100

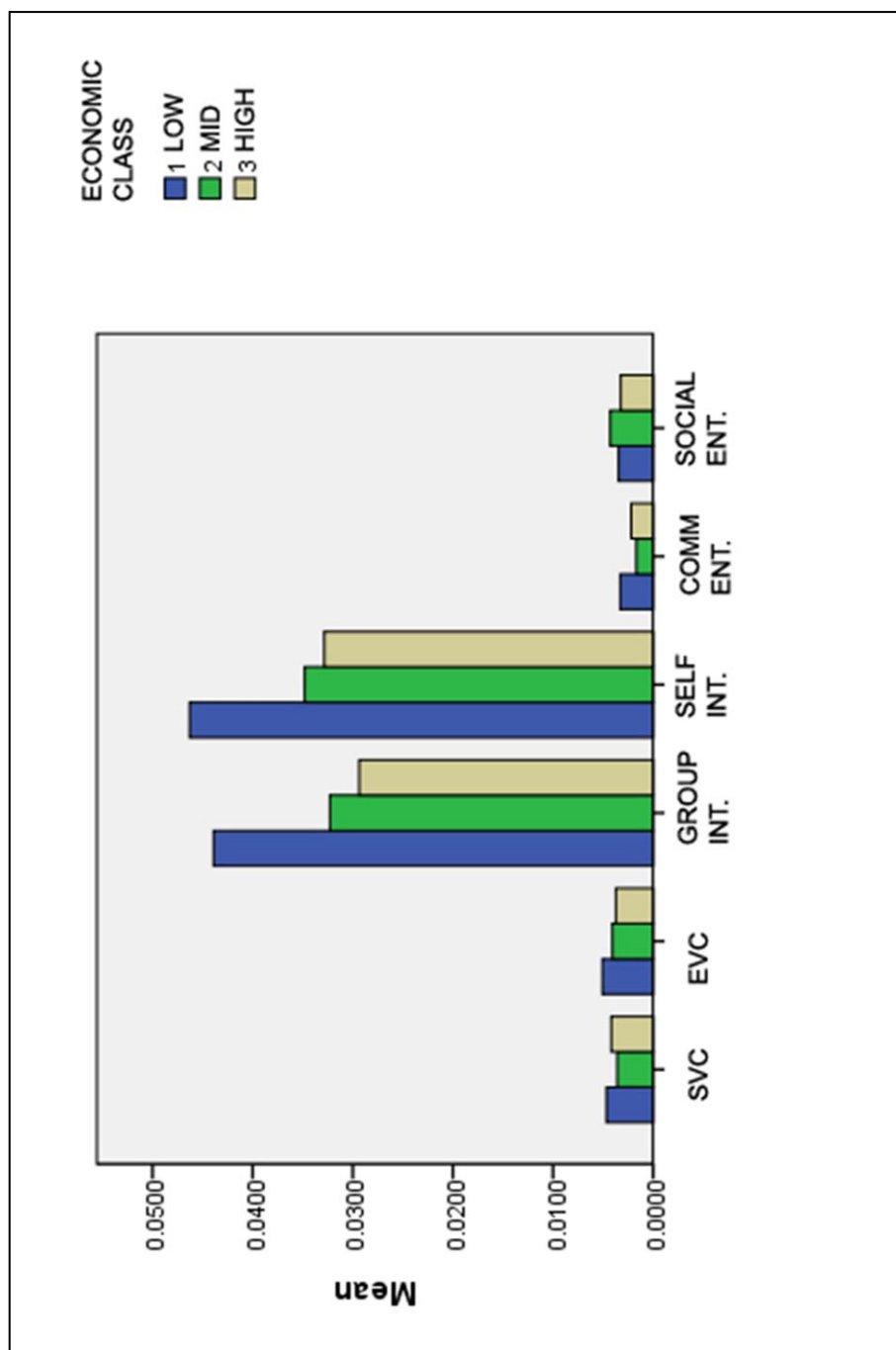
Figure 8: Model Depicting Findings



**Figure 9: Graph of Means for Variables – Strata (as Race)**



**Figure 10: Graph of Means for Variables – Strata (as Economic Class)**



## **Study Two - Status-Driven Social Issue Emphases: The Impact of Leader Strata**

### **Position on Social Enterprise Social Problem Emphasis**

#### **Research Summary**

##### ***Abstract***

This paper analyzes the impact of social strata position on the affective concern expressed by social entrepreneurial firm leaders within their organizations about particular social problems. My findings indicate that the strata position of social entrepreneurial firm leaders is an antecedent to their expressed affective concern about social problems (social issue emphases) and suggest that the strata position of entrepreneurial firm leaders impacts how they prioritize social problems, and ultimately the social problem redressing strategy that they champion within their organizations. This is supported with statistically significant findings indicating that higher strata leaders express greater concern than lower strata leaders about “distal” and international social problems, and that lower strata leaders express greater concern for poverty than higher strata leaders. This paper illuminates the impact that macro-level environmental conditions can have on social entrepreneurial leaders’ social issue emphases and demonstrates that the strata backgrounds of firms’ top management teams can directly impact firm strategy, particularly as it relates to redressing social problems with organizational resources.

## **Introduction**

The phenomenon of social entrepreneurship has in many ways been advanced by the capitalist cause of business strategists because of the social problems that business expansion inherently causes (Piety, 2004; Korzeniewicz and Moran, 2005; VanSandt, Sud and Marme', 2009). The increasing disparity in wealth within the same country and between developed and undeveloped countries throughout the world has been driven largely by the corresponding market expansion of firms, and the resulting significant economic growth that these firms' nations have experienced (Korzeniewicz and Moran, 2005). This increase in economic inequality has given rise to social market failures and the need for social entrepreneurial firms, who leverage resources to address social problems (Dacin, Dacin and Matear, 2010) often by innovatively employing business expertise and market skills to create social value (Austin, Stevenson, and Wei-Skillern, 2006; Peredo and Mclean, 2006; Alvord, Brown, and Letts, 2004).

Though the trend of a positive relationship between poverty (and its associated social problems) and economic growth is increasingly becoming a problem for rapidly developing countries (Korzeniewicz and Moran, 2005), social problems are still significant problems for Western developed nations, where both the blessings and curses of economic progress have had time to co-mingle (Keister and Moller, 2000). The widening gap between "the haves" and "the have nots" in developed and developing countries results from the natural course of capitalism through which reward is distributed, in part, based upon effort and, in part, because of social advantage perpetuated via social structure.

At the macro-institutional level, every nation possesses a social structure with its own unique social stratification system. This system allows for a clear delineation of “who” in each society will be the primary benefactors of social and economic progress and who will not (Massey, 2007; Tilly, 1998; Mills, 1997). Because of its allocation of power and resources to some groups, its restriction of power and resources to other groups, and the resulting differential wealth-levels and living arrangements its structural barriers maintain in a society (Massey, 2007; Tilly, 1998), social stratification systems have the ability to create different social and cultural values, exposure-levels to social problems, and, consequently, affective concern for social problems between groups of people who are posited within the same society but who are members of divergent, salient strata groups (Lazarus, 1982). My theory is that different affective concern for social problems will inevitably be reflected in the actions of entrepreneurial leaders within their organizational contexts, and the strata position of leaders is an antecedent to their expressed affective concern about social problems or their social issue emphases. I anticipate that higher strata leaders express lower levels of affective concern about all social problems than lower strata leaders; lower strata leaders express greater affective concern than higher strata leaders about proximal social problems, which are those most likely to be perceived to inflict direct and eminent harm on an individual’s or group’s well-being like poverty, health, inequality, and discrimination (Swim et al., 2010; Swim et al., 2011; Tamir and Mitchell, 2011); higher strata leaders express greater affective concern than lower strata leaders about distal social problems, which are those less likely to be perceived to inflict direct and eminent harm on an individual’s or group’s well-being like education, environmentalism, and international issues (Swim et al., 2010;



Swim et als, 2011; Tamir and Mitchell, 2011); and with their being no statistical difference between the affective concern expressed by higher and lower strata leaders' on family and relationship social problems since both groups have been socialized to value intimate family relationships (Phinney, Ong, and Madden, 2000).

For the purposes of this paper, affective concern refers to the “emotional judgments that indicate the degree of worry or troublesome feelings people have about some matter” (Larson, Wutich, White, Munoz-Erickson and Harlan, 2011; Dunlap and Jones, 2002); affective prioritization refers to the emotionally-laden assessment of the significance of events (Goette and Huffman, 2006), or the differential emotional reference value individuals assign to stimuli (Stine-Morrow, Miller, and Hertzog, 2006); and affective response is an evaluative reaction to a stimuli which includes “feelings, preferences, intentions, and favorable or unfavorable judgments” (Lambin, Chumpitaz, and Schuiling, 2007). A key notion in affective response is the concept of attitude, a classical definition of which is: “the mental process by which an individual – on the basis of past experience and stored information – organizes his perceptions, beliefs and feelings about a particular object and orientates his future behavior” (Allport, 1935; Lambin, Chumpitaz, and Schuiling, 2007).

The research in this paper demonstrates that leaders' expressions of affective concern for social problems are shaped by the environmental stimuli to which they have been exposed and the socialization-driven cognitive appraisals they have developed as a consequence of their social strata. I seek to establish whether or not this will lead to different affective prioritization of and responses to social problems within their organizations (See Figure 1).

I test my theory via quantitative content analysis of the affective concern expressed in speeches delivered by enterprise leaders to organizational members from low strata and high strata U.S. megachurches. These organizations' tax-exempt legal status requires them to engage in public inurement (or activities to benefit society and/or redress social problems), and limits their ability to generate exclusively self-benefitting profit (Brown, 1990). Further, they are novel organizations unaffiliated with traditional denominations and engage in innovative, market-seeking behaviors (Thumma and Bird, 2009). As such, these organizations are social entrepreneurial by definition (Dacin, Dacin and Matear, 2010). I follow my content analysis with a means comparison, and a Mann-Whitney U-test in which I compare the total affective concern expressed by high and low strata leaders about social problems in general and about specific social problems in their organizational contexts.

### **Literature Review**

Social problems are entirely constructed from the social realities of the environments in which claimsmakers are embedded (Weinberg, 2009). In fact, the premise of social problems theory in sociology literature is that social problems are the *definitional* activities of humans around "conditions and conduct they find troublesome" (Schneider, 1985). As such, the subjective nature of both the identification of social problems and the commitment to redress such problems is highly evident. However, what drives the subjective nature of social problems has rarely been addressed in social entrepreneurship literature, though the field's debate about what the formal definition of social entrepreneurship should be and what organizations should be deemed social enterprises based upon the type of activities in which they are engaged comes close

(Pearce, 2003; Nicholls, 2006; Jones et al., 2007; Peattie and Morley, 2008). In this paper, I investigate how one defining element of the environment in which all social entrepreneurial leaders are posited, their nation's social stratification system, can directly influence leaders' subjective considerations regarding social problems and their direction of organizational resources. In the review that follows, I draw from key academic disciplines addressing social problems as well as strategic management literature in order to explicate my theory.

### **AFFECTIVE INFLUENCES ON MANAGERIAL ACTION**

The discussion that economic actors are driven by emotional or affective motivations is not novel in management literature. In fact, it was mentioned by Adam Smith in 1759 long before formal academic business fields emerged. Smith writes: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others. . . Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner." The impact of emotion on the plight of others is the entire concern of the field of business ethics and CSR, especially when one considers that managers' emotional responses to human need are what drives socially responsible firm actions (Bowen, 1953; Carroll, 1999).

Managers' affective reactions generally play important roles in shaping firm behavior (Banerjee, 2002). Managerial affect is particularly relevant as it relates to social issues in management, as managers' affective responses and attitudes—which are both affectively and cognitively-based (Zajonc and Markus, 1982)—toward social issues can have observable firm-level effects (Banerjee, 2002). For instance, managerial attitudes

that promote demographically-biased performance evaluations can replicate these same attitudes amongst subordinate employees and result in the replication of inequality throughout entire organizations (Castilla, 2011). Positive managerial attitudes toward the natural environment increases managers' consideration of "non-financial metrics.... when making strategic decisions" as it relates to environmental issues and "can be credited to transforming attitudes" throughout the firm (Dibrell, Craig, and Hansen, 2011). Further, managerial attitudes toward social problems can even become "embedded within a firm's ... processes" and "be reflected in the competitive behaviors of the firm" (Dibrell, Craig, and Hansen, 2011). Rodrigo and Arenas (2008) also find that managers' attitudes toward social problems (demonstrated by their commitment to CSR) are influential in transforming employee attitudes toward social issues. Their research demonstrated that after managers enacted CSR programs, many employees who "did not previously show great concern for social issues (or were not aware of them) or took it for granted that it was the State that should concern itself with such issues . . . . reorganized their beliefs and expressed the view that in today's globalized world the private company has a responsibility beyond its immediate and traditional business sphere" and should be a contributor to social progress (Rodrigo and Arenas, 2008).

Perhaps, one of the most relevant findings to this paper demonstrating a relationship between affect derived from one's social strata and managerial action is found in Scherer and Brosch's research on the appraisal theory of emotion (2009). This research indicates that "systematic cultural biases in the evaluation of events of high significance to the individual" could result between groups of individuals who emerge from different national cultures, or between divergent ethnic groups posited within the

same national culture. In such cases, “the same environmental information. . . can result in different affective responses” between people from different cultural groups since culturally-based “goal, belief, and value systems can produce appraisal biases. . . affecting the perception of events and the criteria used in their evaluation” (Scherer and Brosch, 2009).

### ***Cognition’s Role in Managers’ Expression of Affective Concern***

Though I characterize top managers’ expression of concern about social problems primarily as affective responses, these responses are not void of cognition (Lazarus, 1982; Pluzinski and Qualls, 1986). In fact, since “cognition and emotion are usually fused in nature” (Lazarus, 1982), managers must enact a cognitive appraisal of the relevance of an external stimulus, like a social ill, to themselves as persons when they are made aware of it. The first-order, natural appraisal that all humans conduct as “meaning-oriented, meaning-creating creatures who constantly evaluate events from the perspective of their well-being” leads them to “react emotionally to some of these evaluations” (Lazarus, 1982). Secondly, managers’ emotional responses are themselves not void of cognition, as their prioritization of the relevance of an event to themselves is what dictates the type of emotional response elicited (Scherer and Brosch, 2009). Finally, the strategic action that these two steps—cognitive appraisal and affective response—lead to at the organizational level is itself a cognitive response as it involves managers making a decision on how to direct the resources (human and otherwise) of their firm based on their personal attitudes and values (Waldman, De Luque, and Washburn, 2006), as illustrated via the prioritization of some but not other social ills in the speeches to firm members made by top social entrepreneurial managers in this study.

## ***RELATIONSHIPS BETWEEN STRATIFICATION, AFFECT, AND SOCIAL ENTREPRENEURSHIP***

### ***How Leaders' Affective Concern Is Driven By Their Strata Position***

Managers' emotional reactions to social problems are inevitably affected by their social contexts (Lazarus, 1982). "Society . . . provides a kind of template . . . of human relationships and meanings on which the appraisal of the significance of an encounter for one's well-being depends" (Lazarus, 1982). Consider this telling narrative written by a student of Anthony Cortese (2004), author of ***Walls and Bridges: Social Justice and***

#### ***Public Policy:***

*"Although I do not have my own income, I can relate my opportunities to my father's fortunes. I have received the best possible education all my life and assume to have a successful occupation in the future. My experiences in life and social class persuade me to view the world as just, honest, and peaceful. Social class is determined by economic indices such as occupation, education, and income. Further, our society also stratifies by skin color. ...I am a white female whose father's income is above average. Although money or social class can't buy happiness, it has brought me a lot of opportunities to influence me to view the world as just. For example, my neighborhood consists of middle class, white families. Everyone in the area is a good role model and there is little rebellion, crime, anger, or revenge. I was not exposed to the neighborhood like the inmates [at the New Mexico State penitentiary (class field trip)] where I had to protect myself or my property.*

*...Furthermore, since public schools are divided by districts, ...our school had plenty of funding (a fair share of taxes came to us) and we had excessive alumni*

*and parental support. In the school district across town, where most of the lower-class students attended, there was very little funding and support. Their lack of education led to other factors like crime, unemployment, and poor income while my school educated me and prepared me for the future. I haven't had to struggle to find jobs or internships and this influences my view of a just world.*

*Finally, my father's income allows me to have material items, as well as, opportunities. I have never had to struggle or save to buy something and I have never known a bill that wasn't paid. ...There was never struggles or arguments over who left the light on, who made a long-distance call, or who spent more on shopping or gambling. Financial issues cause domestic violence, abuse, and divorce. I have never faced these confrontations.*

*I know I have lived in a bubble, but at my level, you become naïve to what is happening in the rest of the world. I have never struggled financially. I have never experienced racism. I have never been involved in excessive violence. My parents are Mr. and Mrs. Brady and I am happy. Although others are struggling, my social class and experiences lead me to believe that this is a just world."*

As in the case of every human posited within a specific social environment, managers' social position can greatly impact their view of the world, including their empathetic response to social problems primarily affecting others (Waldman, De Luque, and Washburn, 2006; Kelley, Whatley and Worthley, 1987). Waldman, De Luque, and Washburn (2006) support this premise with their finding that "cultural dimensions . . . predict social responsibility values on the part of top management team members." Status position can also influence managerial attitudes, as demonstrated by Kelley,

Whatley and Worthley (1987). They find, in contrast to the “convergence hypothesis,” which asserts that “individuals—irrespective of culture—are forced to adopt industrial attitudes and behavior,” that distinct cultural effects are displayed in the attitudes of American managers of Mexican, Chinese, Japanese and Anglo-American heritage (Kelley, Whatley and Worthley, 1987). Further, their results showed that attitudes and practices of managers from the most “economically unsuccessful” background demonstrated the greatest divergence from that of the other managerial subjects (Kelley, Whatley and Worthley, 1987). Thus, prior research provides support for my premise that managers of variant strata will have different emotional responses to social problems leading them to demonstrate different social issue emphases and implement different social problem remediation strategies within their organizations.

The effect of social context on managerial affect is made clearer when one considers that, in every nation, cultures operate within a salient categorization system that is context-specific and ensures similar socialization processes for all members of the same group (Hughes and Johnson, 2001). This categorization system is called social stratification, a macro-level environmental context in which society is divided into socially constructed groups which are structurally advantaged or disadvantaged in their access to social and economic resources (Robinson, Blockson, and Robinson, 2007; Massey, 2007). Social and economic resource access division and status designation in socially stratified systems are enacted based upon achieved traits (like economic status in the U.S.; caste in India; or religion in Arab nations or Ireland) which are more dynamic and permeable, or ascribed traits (like race or gender in the U.S.) which are static and impermeable (Massey, 2007; Tilly, 1998; Mills, 1997).



Stratification is relevant to the study of managerial affect because one's socially designated strata position determines the socialization processes to which her or she is exposed (Rosenbaum, 1975), and these "developmental and socialization factors [drive] underlying appraisal patterns and the subjective experience of . . . emotions" (Scherer and Brosch, 2009). Furthermore, appraisal patterns and emotional experiences can be expected to be most similar amongst lower status group members, as "lower status settings . . . homogenize their members" (Rosenbaum, 1975).

Several studies demonstrate that a shared view of the world held by lower status groups manifests itself in individuals' responses to social problems, and that these responses differ from those of higher status groups (Miller, Bersoff, and Harwood, 1990; Mathur, Harada, Lipke, and Chiao, 2010). Miller, Bersoff, and Harwood (1990) find that socio-economic group results in divergent moral judgments of obligation and emotional responses to those in need of aid. Their study found that East Indians, who are from a society with an overall lower socio-economic level than America and who are more often exposed to social problems and people in great need, were more inclined to conceive their social responsibilities in terms of moral obligations than were Americans who are from a much wealthier society. Even within Indian culture, socio-economic group effects significantly impacted their results as low socio-economic class Indians were more inclined than middle-class Indians to categorize the needs of strangers in moral terms or as something to which they had a moral obligation to redress. The authors attribute this difference to "higher socioeconomic status [being] . . . associated with a change in orientation toward social responsibilities, from a moral to a personal-choice perspective" (Miller, Bersoff, and Harwood, 1990).

The manner in which high and low strata groups have been socialized to evaluate the relevance of social problems to their immediate well-being can vastly differ (Lazarus, 1982; Waldman, De Luque, and Washburn, 2006; Scherer and Brosch, 2009). Further, attribution of causes for social problems is also often markedly different between members of powerful and less powerful groups, with the former attributing social problems most often experienced by lower status groups to what they deem as lower status group members' inherently inferior personal characteristics or own behavior, and the latter attributing their exposure to social problems to collective victimization and system wide, structural bias (Loseke, 1999). Over time, these attributions become salient “cultural feeling” rules that drive the behavior of members of these groups even within organizational settings (Loseke, 1999).

Findings that social status can impact concern-levels about social problems are not only limited to the social sciences but are apparent in the natural sciences. In fact, neuroscientific research using electromagnetic brain imaging on U.S. subjects has found that affect and corresponding action to alleviate human suffering can be derived from socially-designated strata positions (Mathur, Harada, Lipke, and Chiao, 2010). Both empathy—the ability to share the emotional states of others, and altruism—the propensity to direct time and/or money toward a cause—are distinct by race and are impacted by shared group identity. Further, lower strata individuals are more inclined to demonstrate “extraordinary empathy” and strong “altruistic motivation” in response to human suffering affecting *members of their group above all others* (Mathur, Harada, Lipke, and Chiao, 2010).

Thus, I theorize that managers' affective concern for social problems is based upon their strata group's level of exposure to social problems and the emotional response that their strata position has socialized them to adopt in response to social problems (Hughes and Johnson, 2001). As each manager in my study is a member of one of two distinct, ascribed strata groups and since managers develop their attitudes and values in large part based upon their strata membership (Manis, 1974), I anticipate that strata position will have a significant impact on the affective concern that managers express *generally* toward social problems, and on the affective concern they express toward *specific* social problems.

***Social Entrepreneurship Emerges from Stratified Contexts That Spur Social Problems***

Research on social entrepreneurship and entrepreneurial context also demonstrates that the values and attitudes of entrepreneurial managers can be derived from their societal "positions." Welter and Smallbone (2011) find, for instance, that the behavior of individual entrepreneurial actors can be heterogeneous for actors posited in different positions within the same macro-environmental context. Entrepreneurial leaders' strategic responses depend largely on their "situational configuration" within their institutional context, the enterprise's characteristics, and the background of key leaders within the venture (Welter and Smallbone, 2011). Institutional context frames entrepreneurs' collective identities. These identities can differ between groups of entrepreneurs when there are institutionally-perpetuated differences in groups' social and economic resource access, socialization processes, and, consequently, in the different perceptions they develop (Webb, Tihanyi, Ireland, and Sirmon, 2009). This can drive entrepreneurial actors from different cultures and social positions to engage in different

entrepreneurial strategies (Webb, Tihanyi, Ireland, and Sirmon, 2009). Ultimately, the strategies of social entrepreneurial firms themselves are impacted by the values and priorities of organizational members, including leaders (Moss, Short, Payne, and Lumpkin, 2011). As such, I anticipate that the strata-driven emotional responses of social entrepreneurial leaders to social problems will be reflected in their speeches to firm members. This is evidence of their effort to influence organizational strategy (Dibrell, Craig, and Hansen, 2011).

### ***How Differences in Proximity Impact Leaders' Prioritization of Social Problems***

Much academic literature confirms that the lower one's status or degree of powerlessness in a macro-level social context, then the greater one's exposure to social ills, and that the converse is also true (Pratto, Sidanius, and Levin, 2006; Massey, 2007; Tilly, 1998; Mills, 1997). As such, the degree of proximity to all social problems will be greatest for those of lower strata in any society (Pratto, Sidanius, and Levin, 2006; Massey, 2007; Tilly, 1998). Yet, regardless of one's degree of physical proximity to social problems generally, any individual's exposure to certain social ills, should that exposure occur, would be perceived as more threatening, immediate, or emotionally proximal (Swim et al., 2010; Swim et al., 2011; Tamir and Mitchell, 2011). This is because members of all strata groups evaluate the relevance of environmental stimuli to their own well-being (Lazarus, 1982; Scherer and Brosch, 2009). Emotional reactions tend to be most extreme for events for which individuals can vividly imagine an outcome proximal to themselves or to a close other, regardless of experiential familiarity with the event (Tamir and Mitchell, 2011; Liberman, Trope, and Stephan, 2007; Liberman and Trope, 2008). Further, "when events occur at a spatial or temporal distance," perceivers

often decline to imagine experiencing them firsthand and, instead, represent such events in an amorphous, abstract,” or distal manner (Tamir and Mitchell, 2011).

Based on this conceptualization, I have categorized social problems as proximal or distal based on the extent to which they would likely be perceived as capable of inflicting direct and eminent harm on an individual’s well-being (Swim et als, 2010; Swim et als, 2011; Tamir and Mitchell, 2011; Liberman, Trope, and Stephan, 2007; Liberman and Trope, 2008). Poverty, health, inequality and discrimination, crime, and family/relationship issues, because of their perceivable capacity to cause immediate harm to one’s self or those with whom one has affective ties, are classified as proximal social problems. Education, environmentalism, and international problems are classified as distal social problems because their immediate adverse impact is not as readily perceived (whether the impact of these social problems is actually more immediately harmful or not.) I anticipate finding that being embedded in a socially stratified macro-environment results in differences in affective concern about proximal, distal, and all social problems between managers from high strata and low strata groups.

### **Hypotheses**

As stratification results in the socialization of higher and lower strata members in environments with differing levels of social and economic resource access (Massey, 2007; Tilly, 1998), and since human suffering and consequently social market failures are more inclined to emerge in environments in which there are resource deficiencies (Dacin, Dacin and Matear, 2010; Alvord, Brown, and Letts, 2004), I anticipate that managers emergent from lower strata and higher strata groups will express divergent overall

affective concern levels for social problems, with lower strata leaders expressing greater affective concern for social problems than higher strata leaders.

***H1: Higher strata leaders will express lower overall affective concern for social problems than lower strata leaders.***

Divergent social positions in the U.S. context have resulted in distinct “cultural feeling rules” between high strata and low strata groups leading to different evaluations of whether or not those experiencing more proximal social problems are themselves the culprits or victims of socially-imposed and enforced limitations (Loseke, 1999). As such, I anticipate that higher strata leaders will be more inclined than lower strata leaders to express affective concern for distal social problems—those that are less inclined to cause (or be evaluated as causing) immediate and debilitating human suffering, and that lower strata leaders will be more inclined than higher strata leaders to demonstrate affective concern for proximal social problems.

***H2a: Low strata leaders express greater overall affective concern for proximal social problems (including poverty, health and health-care, crime, inequality and discrimination, and family/relationship issues) than high strata leaders.***

***H2b: High strata leaders express greater overall affective concern for distal social problems (including education, environmentalism, and international issues) than low strata leaders.***

Since members of their strata are most inclined to be adversely affected by poverty and inequality and since they are considered root cause social problems for other

proximal social problems like crime and health issues, lower strata leaders will express greater affective concern than higher strata leaders for poverty and inequality (Belle and Doucet, 2003; Pratto, Sidanius, and Levin, 2006; Massey, 2007; Tilly, 1998). Further, since low strata group members, because of their social station, are disproportionately adversely impacted by crime and health-related issues than high strata leaders, then I anticipate that low strata leaders will express greater affective concern for these social issues.

***H3a:** Low strata leaders express greater affective concern for poverty than high strata leaders.*

***H3b:** Low strata leaders express greater affective concern for inequality than high strata leaders.*

***H3c:** Low strata leaders express greater affective concern for crime than high strata leaders.*

***H3d:** Low strata leaders express greater affective concern for health and health-care issues than high strata leaders.*

As higher strata leaders have been socialized as members of a group affected by fewer proximal social problems because of their insulated social position, and consequently have the luxury of focusing on issues beyond their own well-being and the converse is true for lower strata leaders (Kleinman, Das, and Lock, 1997), then higher strata leaders will express greater affective concern for environmental and international issues than low strata leaders.

***H4a:** High strata leaders express greater affective concern for environmental issues than low strata leaders.*

***H4b:** High strata leaders express greater affective concern for international issues than low strata leaders.*

Though I anticipate that differences between higher and lower strata groups' affective concern for other social problems will be observed based on their different group socialization experiences, I do not anticipate that this will be the case regarding family and relationship social problems. In nearly every human culture, family and intimate relationship bonds represent the strongest affective ties within groups (Ellison, 1990; Hwang, 1990; Miller, Bersoff, and Harwood, 1990, Loseke, 1999). Families are seen as one of the strongest social mechanisms for behavioral control (Loseke, 1999), and the development of affective behaviors (Ellison, 1990; Hwang, 1990), despite distinct differences that exist across cultures in the value attributed to members of the family (Loseke, 1999). As such, I anticipate that social problems impacting families, children, and intimate relationships, which would be perceived as proximal for both higher and lower strata groups, will engender comparable affective responses between leaders of different strata groups.

***H5:** There is no difference in the affective concern expressed by low and high strata firm leaders for family and relationship social problems.*

## **Methodology**

### ***Data Sources, Sampling Protocol, and Power Analysis***



The social enterprise leaders in this study are senior pastors of U.S. non-denominational megachurches, and I analyzed the speeches they delivered to their congregations. I gathered data on these leaders and their enterprises from the Hartford Institute's study on megachurches (Thumma and Bird, 2007). Then, I merged this information with leadership, demographic, and size information obtained from research on non-denominational megachurches developed by Warf and Winsberg and primary research (2010). I corroborated the primary strata of leaders and the primary strata (racial composition) of each of their social enterprises by contacting the enterprises directly and from information on their websites.

Next, I organized my total universe of social entrepreneurial leaders into three groups by the total membership size of their organizations. This allowed me to control for the potential effect of size (a proxy for economic status, which is also used to measure strata) on my results since I used race as the primary measure of strata in this study (Massey, 2007). I categorize small social enterprises as those with memberships from 2500-3999, mid-sized have memberships ranging from 4,000-6,999, and large social enterprises have memberships over 7,500. Since there are large differences that can be observed in terms of resources, marketing activities, scope of operations, and other revenue-based activities between the leaders' enterprises in the three different size categories I created, I consider my size categories to be valid. Mean sizes for the social enterprises in each category are displayed in Table 1 from Paper 1.

To ensure representation from a high percentage of the total universe of high strata and low strata non-denominational megachurch leaders of organizations sized from 2500+ members, I obtained 21,180 speeches of leaders from 35 low strata and 141 high

strata megachurches. As a result, 74% of the total universe of megachurch leaders with 2500+ members are represented in my sample. Of all high strata megachurch leaders with 2500+ members, 71% are represented with 17,433 messages, and of all low strata megachurch leaders with 2500+ members, 90% are represented with 3,747 messages. There is also high representation in each of the size categories I created. Seventy-one percent (71%) of the universe of small high strata megachurches' leaders are represented with 6,044 messages, and 95% of small low strata megachurches' leaders are represented with 2,753 messages; 71% of medium high strata megachurches' leaders are represented with 7,794 messages, and 100% of medium low strata megachurches' leaders with 473 messages; and 75% of large high strata megachurches' leaders are represented with 3,595 messages, and 80% of large low strata megachurches' leaders with 521 messages.

I identified and removed outliers based on size and tested for normal distribution of observations, which resulted in a final N of 155 (n=126 high strata; n=29 low strata) with power of .96.<sup>17</sup> (See Table 2). All speeches analyzed were authored by each church's founder or senior pastor(s), and delivered within the same time frame, 2008-2011, which helped ensure parity between the observations of the groups.

### ***Data Analysis Methods***

I utilized quantitative content analysis followed by means comparison and a Mann-Whitney U test to test my hypotheses. Though popular, an independent sample means test was not ideal for this study since two of the assumptions necessary for the results of a t-test to be valid were violated. Scores for all dependent variables did not

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<sup>17</sup> Though power is not typically as relevant in qualitative content analysis, it is typically relevant in conceptual content analysis which is primarily a quantitative analysis method employing the richness of data typically extractable in qualitative research (Currall, Hammer, Baggett, and Doniger, 1999). I explain in more detail in the Data Analysis section.

follow a normal distribution as assessed by Shapiro-Wilk's test ( $p < .05$ ), and there were outliers present, even with the removal of observations with less than 1000 words. As such, I reported the results of a Mann-Whitney U test, a more robust test in cases where the data is not normally distributed (Nachar, 2008) that is focused on median and spread of score differences between groups (Hart, 2001). A Mann-Whitney U test is able to detect whether or not statistically significant differences exist between groups when data is not normally distributed (Ruxton, 2006; Nachar, 2008; Butham, 2010), even in cases where medians are similar (Hart, 2001) and was an ideal test for this paper.

I employed conceptual or quantitative content analysis to identify, quantify and analyze the presence of specific words and/or concepts, and then draw inferences about the cultural and historical contexts of the speeches I analyzed and its authors (Neuendorf, 2002; Krippendorff, 2004). Using Tropes, a high performance, semantics-based content analysis software (Tropes, 2011)<sup>18</sup>, I coded each speech by creating customized queries to search for the use of words and concepts semantically associated with my variables. I then supplemented Tropes' dictionaries with concepts and key terms emergent from my data (Neuendorf, 2002), and that emerged via my search for word associations using WordNet, a lexical database of English words grouped into cognitive synonym sets developed by linguistic researchers at Princeton (What is WordNet, 2011) (See Table 5). Finally, I converted my textual data into quantitatively-measurable form (Neuendorf, 2002; Krippendorff, 2004; Currall, Hammer, Baggett, and Doniger, 1999), recorded the frequency of my dependent variables in the speeches, and converted this frequency data

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<sup>18</sup> "Tropes draws on 20,000 equivalent classes divided into broad semantic categories. An equivalent class is presented as a "concept" or "theme," grouping together synonyms or closely-related terms (substantives only). Content can be analyzed at three hierarchical levels. The most fine-grained analysis identifies the "references" of the words used in the text...It can also identify different word categories (verbs, connectors, personal pronouns, modalities, qualifying adjectives), conduct thematic analyses (reference fields), and detect discursive/chronological structures" (Piolat and Bannour, 2009).

into percentages for each observation. Then, I compared the means between the high and low strata groups, and performed a Mann-Whitney U-test to test my hypotheses.

### ***Measures, Constructs & Variables***

As my data analyzes group averages themselves (and not individual leader's scores), my unit of analysis is the strata group of social enterprise leaders (high or low).<sup>19</sup> My observations for each strata group are aggregately comprised of all speeches and speech summaries (sermons) available for 2008-2011 made by high and low strata top managers (senior pastors) that were delivered to their enterprise members (congregants). I use a dichotomous, independent variable, social strata position, which was depicted in this study by race (0-Higher [white], 1-Lower [black]). In order to classify a social entrepreneurial leader as high strata or low strata, both his or her strata and the primary strata composition of the enterprise he or she led had to match.<sup>20</sup> This enabled me to control for effects that having a diverse congregation (not overwhelmingly high or low strata) would potentially have on leaders' expressed concern about certain social problems.

I constructed dependent variables for each social problem category based upon macro-level social and welfare issues monitored by the Organisation for Economic Cooperation and Development (OECD) (About, 2011; History, 2011). I designed my social problem constructs (Total Social Problems; Poverty; Crime; Health and Health Care; Inequality and Discrimination; Family, Divorce, Children and Relationships; Education; Environmentalism; and International Issues) to measure words associated

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<sup>19</sup> As my data goes into analysis of the group averages themselves (and not individual leader's scores), my unit of analysis is the strata group. Though I had data at the individual leader level, I used aggregates of high and low strata groups in my analysis (Trochim, 2006).

<sup>20</sup> Primary strata composition (race) was verified based on information and pictures available on the churches' websites of congregants and leaders, and via verification with the churches' main offices.

with the social and welfare issues monitored by the OECD, like poverty, homelessness, racial inequality, gender discrimination, pollution and environmental issues etc. (Social and Welfare Issues, 2011), as well as to include social-problems considered putative in Western-developed contexts, like divorce, domestic violence, abuse and other family issues (Jennings, 2012). Then, I categorized these social problems as proximal or distal social problems based on theory explicated earlier.

## Results

Table 1 shows the mean values and other descriptive statistics for all variables for higher and lower strata groups. Table 4 and Figures 2-13 in the Appendices show the results of a Mann-Whitney nonparametric test to determine whether or not statistically significant differences exist between the distributions of two independent groups when data does not follow a normal distribution<sup>21</sup> (Ruxton, 2006). Some of my hypotheses are supported, and the results indicate that a leader's strata position affects their social issue emphases, though there are notable divergences from some of my predictions. H1 is not supported. There are not statistically significant differences between the total social problem emphases of leaders from the two groups based on the Mann-Whitney test ( $p=.640$ ), though a means comparison for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0=.024514$ ,  $\bar{x}_1=.026750$ ) was in the direction predicted. Likewise, H2a is not supported, and there are not statistically significant differences between the proximal social problem emphases of leaders from the two groups based on the Mann-Whitney test ( $p=.545$ ); however, comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0=.015415$ ,  $\bar{x}_1=.017176$ ) demonstrates a difference between the

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<sup>21</sup> The basic procedure is that scores for variables are converted to ranks from lowest to highest, ignoring group membership, and then the test assesses whether or not the average ranks for group 1 and group 2 differ significantly from one another (are the same, higher, or lower) (Hart, 2001).

groups in the direction predicted. H2b is supported by moderately significant results from the Mann-Whitney test ( $p = 0.067$ ), which indicates that a difference exists between the two groups in regards to distal social ills and in the direction predicted. This difference is not observable when comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0 = .009066$ ,  $\bar{x}_1 = .009619$ ).

H3a is supported with moderately significant results on the Mann-Whitney test ( $p = 0.074$ ) and via a means comparison in the direction predicted ( $\bar{x}_0 = .001323$ ,  $\bar{x}_1 = .001638$ ), indicating that there is a difference in the affective concern expressed for poverty between high and low strata groups. H3b is not supported by the Mann-Whitney test ( $p = 0.160$ ), though these results are trending towards significance and comparing the mean emphases on inequality of high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0 = .000931$ ,  $\bar{x}_1 = .001911$ ) demonstrates a difference in the direction predicted, as well.

H3c is not supported as there are not statistically significant differences between the emphases of leaders from the two groups based on the Mann-Whitney test ( $p = .198$ ); though these results are trending toward significance and a means comparison demonstrates a difference between the emphases on crime between the two groups in the direction predicted, as well ( $\bar{x}_0 = .001068$ ,  $\bar{x}_1 = .001122$ ). H3d is not supported by the Mann-Whitney test ( $p = .993$ ) which demonstrates near equality on the focus on health and health care between the two groups, though comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0 = .005275$ ,  $\bar{x}_1 = .005871$ ) is suggestive of a difference between the groups in the direction predicted.

H4a is not supported by the Mann-Whitney test ( $p = .246$ ), which shows no statistically significant differences between the emphases of leaders from the two groups

on environmental issues; nor is a difference observable in the direction predicted via comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0=.004208$ ,  $\bar{x}_1=.005434$ ). H4b is supported and statistically significant based on the Mann-Whitney test ( $p=0.048$ ), and a comparison of the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0=.002832$ ,  $\bar{x}_1=.002220$ ) also demonstrates a difference in the affective concern for international issues expressed by the two groups in the direction predicted. H5 is supported by the Mann-Whitney test ( $p=.435$ ) and there is no statistically significant difference between the two groups' emphases on family and relationship issues. Comparing the means for high ( $\bar{x}_0$ ) and low strata ( $\bar{x}_1$ ) social enterprise leaders ( $\bar{x}_0=.006818$ ,  $\bar{x}_1=.006634$ ) demonstrated notable similarities as predicted.

**Table 1: Means and Descriptive Statistics for Higher and Lower Strata Leaders**

	STRATA (RACE)	N	Mean	Std. Deviation	Std. Error Mean
TOTAL SOCIAL PROBLEMS	0	126	.024514	.0425810	.0037934
	1	29	.026750	.0387269	.0071914
CRIME	0	126	.001068	.0014189	.0001264
	1	29	.001122	.0020269	.0003764
EDUCATION	0	126	.002026	.0044974	.0004007
	1	29	.001964	.0032054	.0005952
ENVIRONMENT	0	126	.004208	.0081135	.0007228
	1	29	.005434	.0133375	.0024767
FAMILY	0	126	.006818	.0142799	.0012722
	1	29	.006634	.0053112	.0009863
HEALTH AND HEALTH CARE	0	126	.005275	.0076355	.0006802
	1	29	.005871	.0078565	.0014589
INEQUALITY	0	126	.000931	.0019870	.0001770
	1	29	.001911	.0047201	.0008765
INTERNATIONAL	0	126	.002832	.0050407	.0004491
	1	29	.002220	.0031592	.0005866
POVERTY	0	126	.001323	.0020116	.0001792
	1	29	.001638	.0019017	.0003531
TOTAL PROXIMAL	0	126	.015415	.0261432	.0023290
	1	29	.017176	.0205984	.0038250
TOTAL DISTAL	0	126	.009066	.0168430	.0015005
	1	29	.009619	.0184752	.0034308
Strata Measured by race. N=155; Low Strata n=29; High Strata n=126					

**Table 2: Power and Effect Size Chart**

	Sample Size	Power	Effect Size
<b><i>A-Priori</i></b>			
High Strata	106	0.813	0.7
Low Strata	20		
<b><i>Ad Hoc</i></b>			
High Strata	126	0.959	0.7
Low Strata	29		
Note: Based on an estimated standard error of .05, and an allocation ratio of 5.435 (based on total universe of available subjects).			



**Table 4: Independent Samples Mann-Whitney U Test**(Difference Between Groups  $\neq$  0)

	STRATA	N	Median	Mean Ranks <sup>+</sup>	Mann-Whitney U	Std. Error	z	Sig. (2-tailed)
<b>TOTAL PROBLEMS</b>	0	126	.020598	78.81	1725.00	217.95	-0.468	.640
	1	29	.019551	74.48				
<b>CRIME</b>	0	126	.000814	80.23	1546.50	217.83	-1.288	.198***
	1	29	.000647	68.33				
<b>EDUCATION</b>	0	126	.001186	78.65	1745.00	217.91	-0.376	.707
	1	29	.001143	75.17				
<b>ENVIRONMENT</b>	0	126	.003163	80.10	1574.00	217.95	-1.161	.246***
	1	29	.002995	69.28				
<b>FAMILY</b>	0	126	.005376	76.65	1997.00	217.94	0.78	.435
	1	29	.004952	83.86				
<b>HEALTH AND HEALTH CARE</b>	0	126	.004341	77.98	1829.00	217.95	0.009	.993
	1	29	.004182	78.07				
<b>INEQUALITY</b>	0	126	.000642	75.57	2133.00	217.68	1.406	.160***
	1	29	.000805	88.55				
<b>INTERNATIONAL</b>	0	126	.001874	81.42	1395.00	217.92	-1.98	.048*
	1	29	.001038	63.12				
<b>POVERTY</b>	0	126	.000946	74.90	2217.00	217.92	1.79	.074**
	1	29	.001293	91.45				
<b>TOTAL PROXIMAL</b>	0	126	.013224	76.95	1959.00	217.95	0.606	.545
	1	29	.013453	82.55				
<b>TOTAL DISTAL</b>	0	126	.006831	81.17	1428.00	217.90	-1.831	.067*
	1	29	.004774	64.24				

Strata Measured by race. N=155; Low Strata n=29; High Strata n=126; \*\*\*p  $\leq$  .01 \*\*p  $\leq$  .05 \*p  $\leq$  .10 Mean Ranks column allows for determination of direction of results in cases of statistical significance.

## Discussion and Further Research Directions

*“About suffering they were never wrong,  
The Old Masters; how well, they understood  
Its human position; how it takes place  
While someone else is eating or opening a window or just walking dully along;  
... In Breughel's Icarus, for instance: how everything turns away  
Quite leisurely from the disaster; the ploughman may  
Have heard the splash, the forsaken cry,  
But for him it was not an important failure; the sun shone  
As it had to on the white legs disappearing into the green  
Water; and the expensive delicate ship that must have seen  
Something amazing, a boy falling out of the sky,  
had somewhere to get to and sailed calmly on”*

--W.H. Auden, 1938

As in the famous poem *Musee Des Beaux Arts* by W.H. Auden (1938) quoted above, “suffering is inextricably embedded in a social world” where affective concern or the lack thereof is less of an issue of moral failure but “the outcome of a structural position we cannot help but occupy” (Kleinman, Das, and Lock, 1997). Ironically, this paper’s findings shed light on the potential amorality of the development of affective concern for social issues.

Strata has some impact on the social issue emphases of enterprise leaders. This is demonstrated most notably by the statistically significant findings herein that high strata leaders express greater affective concern for international issues and distal social problems as a whole low strata leaders, and that low strata leaders express greater affective concern for poverty issues than high strata leaders. The results trending toward significance for inequality are also suggestive that low strata leaders are more inclined to focus on inequality than high strata leaders, and that notable differences exist between groups of high and low strata leaders. The findings on poverty and inequality are in line with what existing theories on social stratification, social context and affect noted in the

literature review of this paper would predict. Those in lower social strata are systematically more inclined to be impacted by “negative social value” (Tilly, 1998) and proximal social problems (Massey, 2007; Pratto, Sidanius, and Levin, 2006) and develop affective concern based on their context (Scherer and Brosch, 2009; Lazarus, 1982). Similarly, the finding that higher strata leaders express greater concern for international issues was anticipated based on theory, as those in higher strata are more removed from social problems generally, are able to focus on issues beyond their immediate well-being (Becker, 1966; Becker, 1995; Pratto, Sidanius, and Levin, 2006). The existence of these differences could be further explained by research indicating that in the U.S. stratification system context higher strata group members are more likely to perceive those in lower strata as responsible for their own state and less worthy of assistance (Loseke, 1999). That high strata leaders were more focused on crime at the 80% confidence level (though this is not significant) may seem contradictory.

Considering the inevitable affective estrangement or detachment that stratification and its consequent divergent socialization causes, research is warranted on what strategies may increase social problem concern amongst enterprise leaders of all strata positions, particularly since many social problems ultimately spillover and adversely impact all of society (Becker, 1966; Porter and Kramer, 2006). This is especially the case since social problems research indicates that powerful claimsmakers, or those with higher strata, are the “moral entrepreneurs” who get to define putative social problems and have the greatest legitimacy to direct societal response toward or against social ills (Becker, 1966; Schneider, 1985; Becker, 1995).

Further research on the role of institutional settings in dictating societal-level responses to social problems is particularly important in the social entrepreneurship field since social enterprises are the cavalry whose efforts respond to social suffering, the extent of exposure to which is usually distinct between powerful and powerless groups (Kleinman, Das, and Lock, 1997; Alvord, Brown and Letts, 2004; Pratto, Sidanius, and Levin, 2006; Massey, 2007).

### **Limitations**

There are several limitations to this study. First, there were differences in the richness of publicly available data for analysis between the groups of high and low strata social enterprise leaders analyzed in this study. (Higher strata enterprises both had higher quantities of publicly available speeches from their top managers to analyze, as well as speeches with much lengthier content [words] to analyze than lower strata enterprises.) As such, caution should be exercised in terms of generalization of this study's findings. Further research is warranted with enhanced data for analysis from social enterprises led by members of different strata in order to ensure the reliability of these findings. In addition, other observation data, like that which could be derived via comprehensive website analysis of social enterprise activities or tax reports in addition to the speeches of enterprise leaders would likely provide even greater insight into the intended strategies of social enterprise leaders in regards to social issue emphases. Finally, as strata was operationalized as race in this study and since this strata category only exists in the U.S. social stratification context (Massey, 2007; Tilly, 1998; Mills, 1997), caution should be exercised when utilizing these results to study enterprises in countries where there are different stratification systems. Ethnicity, for example, though one could assume it to be a

proxy for an ascribed strata category like race, could very well be a more permeable category in other stratification contexts with less extreme social and economic consequences associated with it, which could lead to very different social issue emphases between leaders.

## **Conclusion**

That there are some significant differences in affective concern for social problems between leaders from different social strata groups has implications for the fields of management and entrepreneurship. First, it affirms research that has demonstrated that individual-level managerial characteristics can generally impact firm-level action. Second, it demonstrates that entrepreneurial context can impact firm social performance, as managers' macro-environmentally-derived societal positions in this study impacted their affective propensities toward social problems, which they in turn operationalized in their organizational settings. Third, it demonstrates that social issue bias may naturally manifest itself within organizations, even amongst well-meaning social entrepreneurial leaders whose direct missions are to redress social problems.

As such, this paper highlights the potential usefulness of stakeholder management strategies typically employed by commercial firms to social enterprises (Agle, Donaldson, Freeman, Jensen, Mitchell, and Wood, 2008). Exposure of managers to objective, cognitively processable information about the impact of social issues across groups could help mitigate potential strata-group derived bias influencing the allocation of enterprise resources. When employed by social or commercial enterprises, normatively-grounded evaluation procedures for social issues can lead to long-term sustainability in social performance for enterprises and improved social conditions for

diverse groups of stakeholders in the societies in which enterprises are posited (Bowen, 1953; Agle, Donaldson, Freeman, Jensen, Mitchell, and Wood, 2008).

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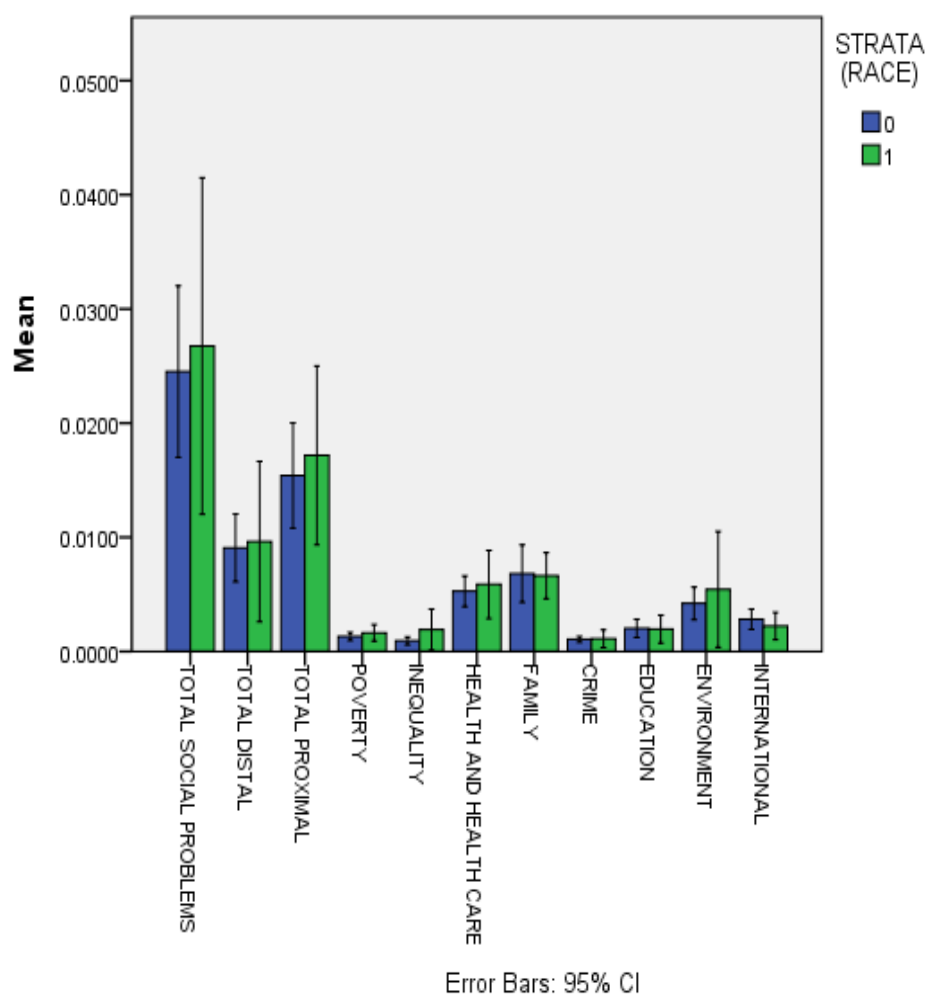
## Appendices-Study Two

**Table 5: Semantic Analysis-Derived Categories and Key Words Used in TROPES Analysis**

Variable Element	Variable Construct Overview (Based on Pre-Established Macro Concepts (Scenarios) from Tropes Dictionaries Including Semantically Related Words and Concepts Augmented by Social Enterprise Contextually-Specific Words and Phrases)
<b>Total Social Problem Affective Concern</b>	Poverty, Crime, Education, Environmentalism, Family and Relationships, Health and Health Care, Inequality and Discrimination, and International Social Issues
<b>Proximal Social Problems</b> <i>Poverty, Health, Inequality and Discrimination, Crime, Family and Relationships</i>	<p><b>Poverty</b> Aid and assistance, Be without*, Community development, Economic development, Go without*, Homeless, Housing, Hunger, the Hungry*, the Hurting*, Outreach*, the Needy*, the Poor, Poverty and lack (beggary, deprived, indigence, insufficiency, marginalized, etc.), social insurance and welfare, Social organization (caste and class, class struggle), Refugee, Sanitary conditions, Shelters, Social security, Soup Kitchen*, Unemployment, Welfare, Without food and other conceptually-linked words and phrases</p> <p><b>Health and Health Care</b> Diseases, death and casualties, Abnormalities, Birth Defects, Medicine and Health, Mental health, Nutrition, Sick and handicapped persons, Smoking and tobacco and other conceptually-linked words and phrases</p> <p><b>Inequality and Discrimination</b> Discrimination, Segregation, Race, Culture and Racism, Slavery, Sexism, White supremacy, Homophobia, Gender-Bias, Slavery and other conceptually-linked words and phrases</p> <p><b>Crime</b> Crime, Drug(s), Law and justice (courts, police, sentencing, prison(s), etc.), Prostitution, Terrorism, Urban, Violence and other conceptually-linked words and phrases</p> <p><b>Family and Relationship</b> Child abuse and neglect, Children, Divorce, Family, Genealogy, Juvenile delinquency, Kin, Marriage, Offspring, Orphan, Pornography, Relationships, Senior citizens, Sex/sexual (adultery*), Widow, Young, Youth and other conceptually-linked words and phrases</p>
<b>Distal Social Problems</b> <i>Education, Environmentalism, and International Social Problems</i>	<p><b>Education</b> Academic, Degree(s), Educational institutions, Higher education, Scholar, Student, Teacher, University/universities and other conceptually-linked words and phrases</p> <p><b>Environmentalism</b> Natural disasters, Environmental Conditions, Nature, Pollution, Weather, Animal Welfare*, Wildlife and the Ecosystem and other conceptually-linked words and phrases [<i>*Animal welfare is included in Environmentalism based on the perspective of ecological inclusion, which indicates that human, animal life, and the ecosystem are inextricably intertwined and therefore animal interests and protection should be part of the environmentalism agenda (Bennison, 2010).</i>]</p> <p><b>International Social Issues</b> Apartheid, Africa, Haiti, Latin-America, Other non U.S. nations; International outreach, Mission(s), Missionary, Overseas and other conceptually-linked words and phrases</p>

**Table 6: Results Summary Table**

Hypothesis	Independent Variable	Dependent Variable	Statistic	Hypothesis Supported?*
H1	Social Strata	Total Social Problems	Mann-Whitney U	No
H2a	Social Strata	Proximal Social Problems	Mann-Whitney U	No
H2b	Social Strata	Distal Social Problems	Mann-Whitney U	Yes <sup>+</sup>
H3a	Social Strata	Poverty	Mann-Whitney U	Yes <sup>+</sup>
H3b	Social Strata	Inequality	Mann-Whitney U	No**
H3c	Social Strata	Crime	Mann-Whitney U	No**
H3d	Social Strata	Health & Health Care	Mann-Whitney U	No
H4a	Social Strata	Environmentalism	Mann-Whitney U	No
H4b	Social Strata	International Issues	Mann-Whitney U	Yes <sup>++</sup>
H5	Social Strata	Family & Relationships	Mann-Whitney U	Yes
*Based on statistical significance +p≤ .10 ++p≤.05; **Trend toward significance in direction predicted. ***Significant in opposite direction.				

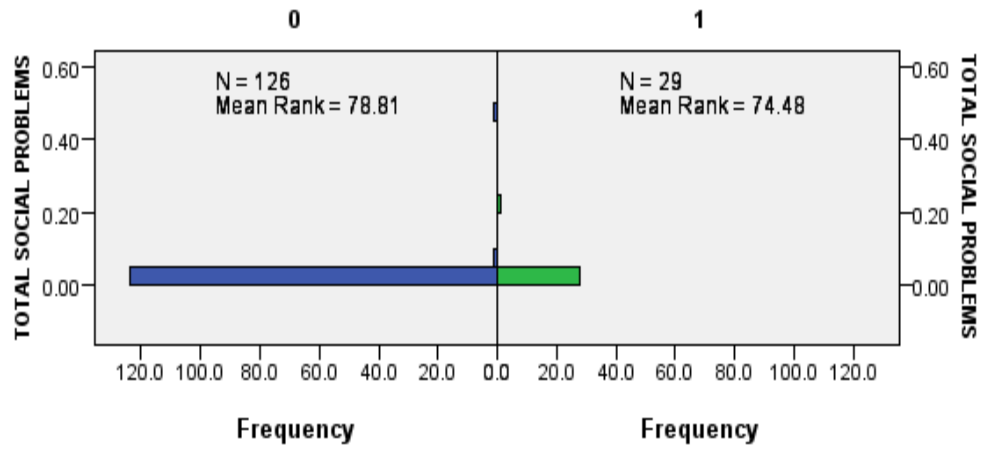
**Figure 1: Graph of Social Issue Emphases**

**Figures 2-13: Mann-Whitney U Test SPSS Output and Illustration of Mean Ranks  
for Each Hypothesis**

**Figure 2**

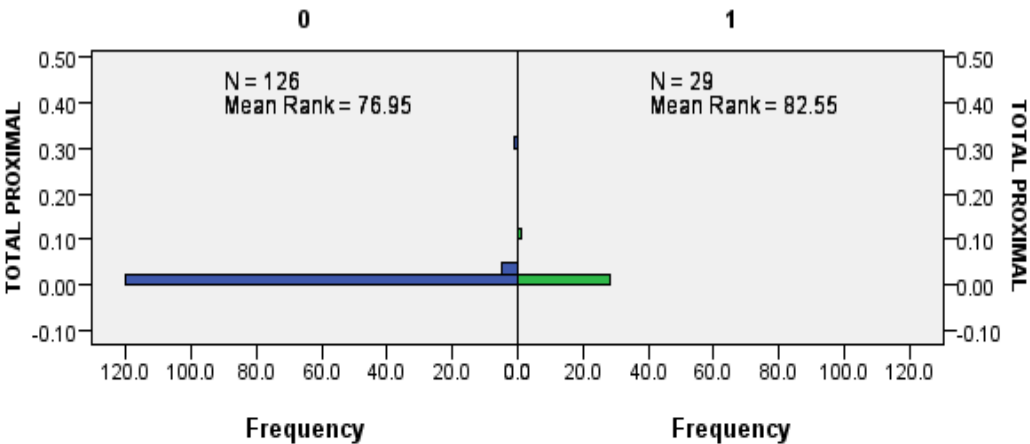
Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The distribution of TOTAL SOCIAL PROBLEMS is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.640	Retain the null hypothesis.
2	The distribution of CRIME is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.198	Retain the null hypothesis.
3	The distribution of EDUCATION is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.707	Retain the null hypothesis.
4	The distribution of ENVIRONMENT is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.246	Retain the null hypothesis.
5	The distribution of FAMILY is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.435	Retain the null hypothesis.
6	The distribution of HEALTH AND HEALTH CARE is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.993	Retain the null hypothesis.
7	The distribution of INEQUALITY is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.160	Retain the null hypothesis.
8	The distribution of INTERNATIONAL is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.048	Reject the null hypothesis.
9	The distribution of POVERTY is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.074	Retain the null hypothesis.
10	The distribution of TOTAL PROXIMAL is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.545	Retain the null hypothesis.
11	The distribution of TOTAL DISTAL is the same across categories of STRATA (RACE).	Independent-Samples Mann-Whitney U Test	.067	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

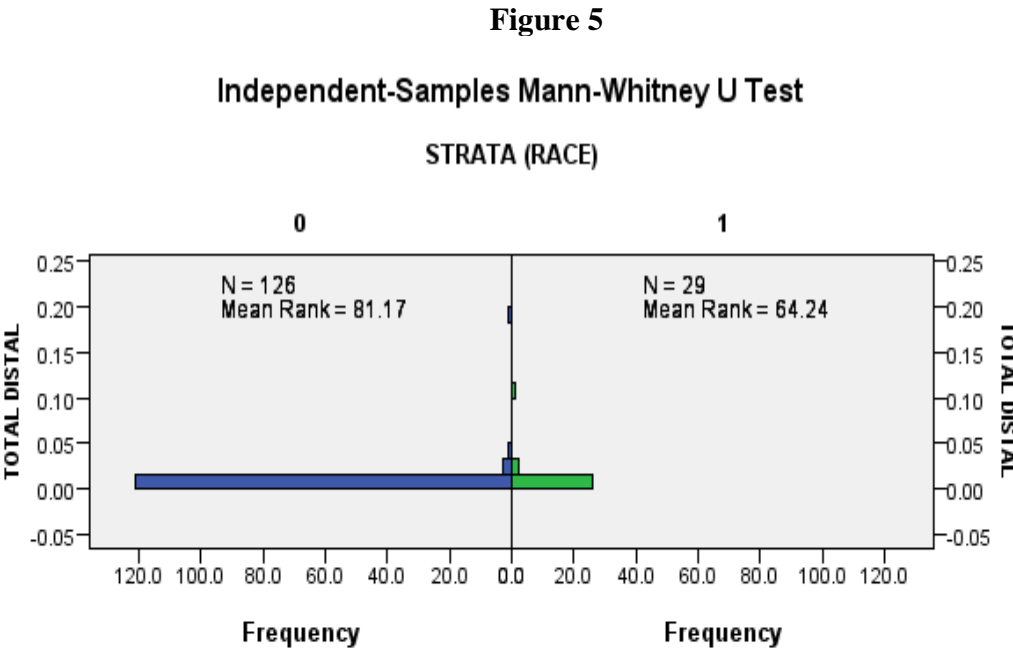
**Figure 3****Independent-Samples Mann-Whitney U Test****STRATA (RACE)**

<b>Total N</b>	155
<b>Mann-Whitney U</b>	1,725.000
<b>Wilcoxon W</b>	2,160.000
<b>Test Statistic</b>	1,725.000
<b>Standard Error</b>	217.950
<b>Standardized Test Statistic</b>	-.468
<b>Asymptotic Sig. (2-sided test)</b>	.640

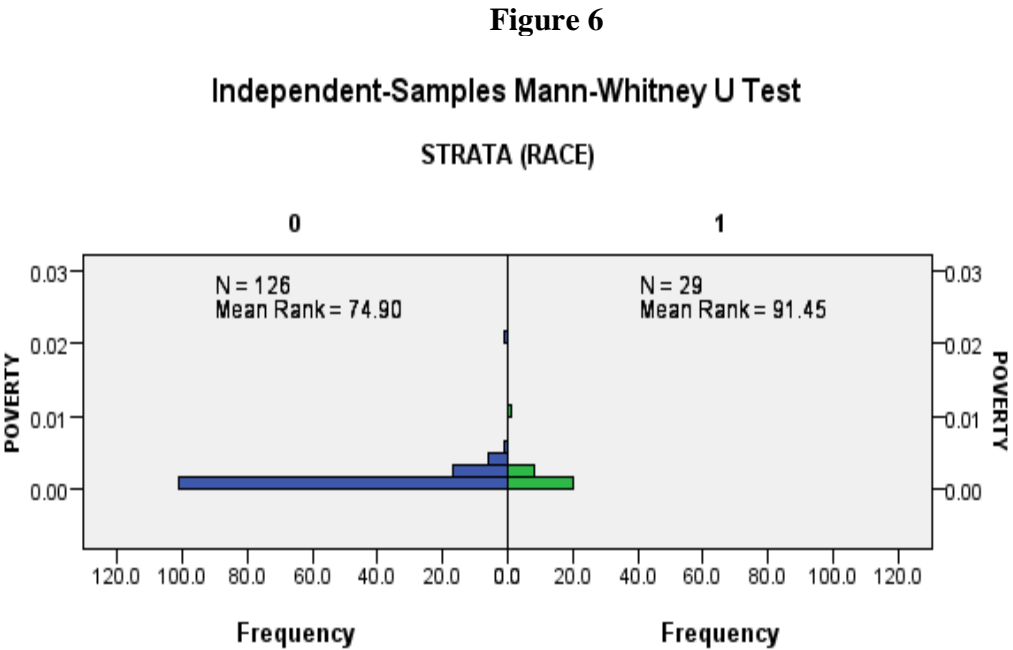
**Figure 4**  
**Independent-Samples Mann-Whitney U Test**  
**STRATA (RACE)**



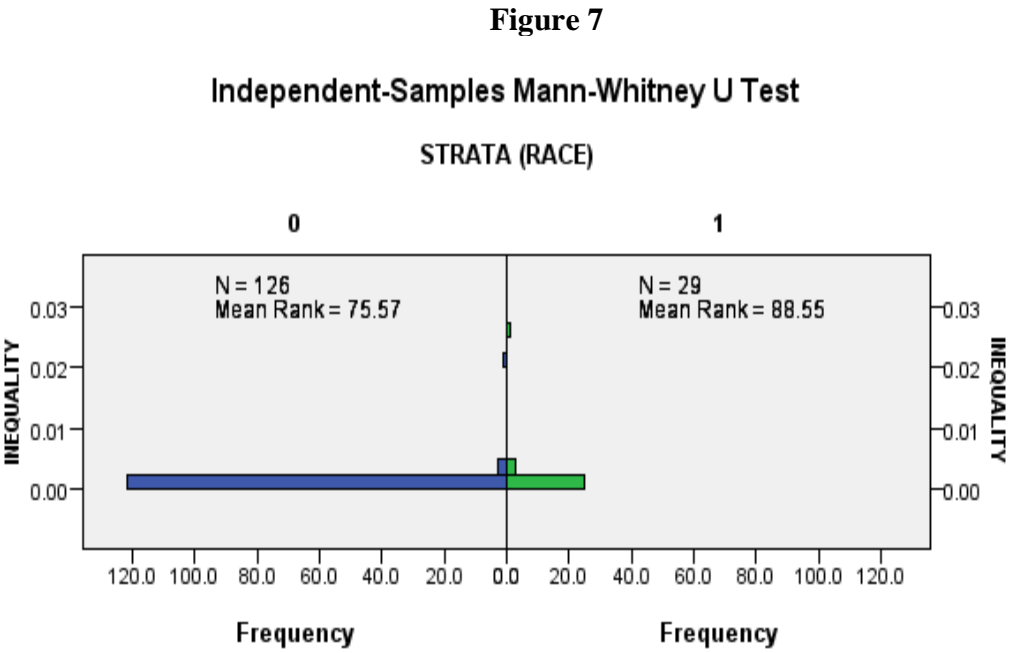
Total N	155
Mann-Whitney U	1,959.000
Wilcoxon W	2,394.000
Test Statistic	1,959.000
Standard Error	217.950
Standardized Test Statistic	.606
Asymptotic Sig. (2-sided test)	.545



Total N	155
Mann-Whitney U	1,428.000
Wilcoxon W	1,863.000
Test Statistic	1,428.000
Standard Error	217.950
Standardized Test Statistic	-1.831
Asymptotic Sig. (2-sided test)	.067

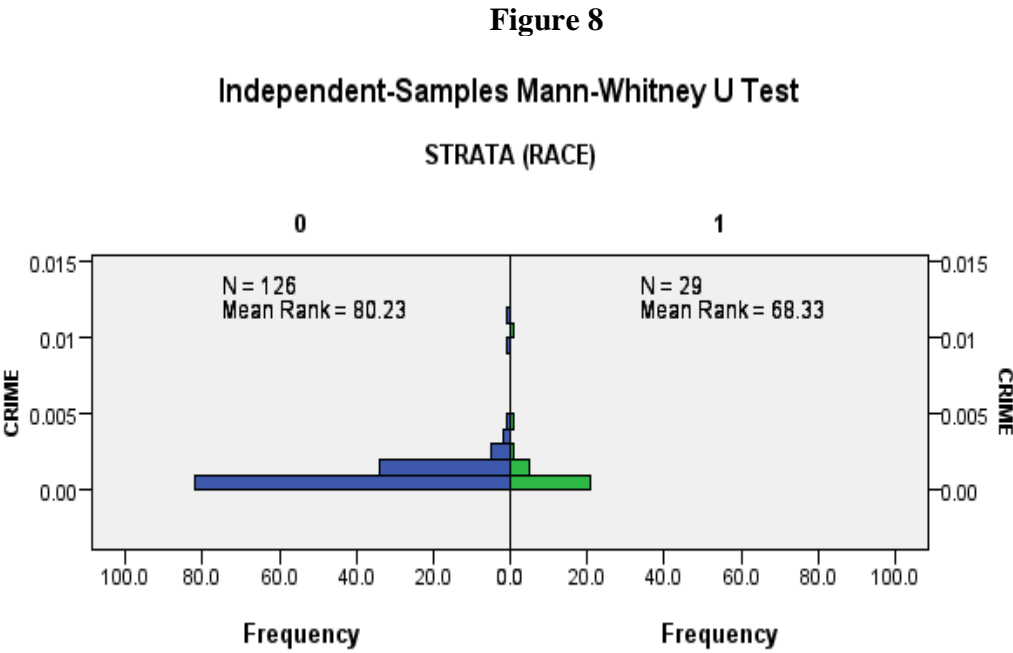


Total N	155
Mann-Whitney U	2,217.000
Wilcoxon W	2,652.000
Test Statistic	2,217.000
Standard Error	217.920
Standardized Test Statistic	1.790
Asymptotic Sig. (2-sided test)	.074



Total N	155
Mann-Whitney U	2,133.000
Wilcoxon W	2,568.000
Test Statistic	2,133.000
Standard Error	217.679
Standardized Test Statistic	1.406
Asymptotic Sig. (2-sided test)	.160



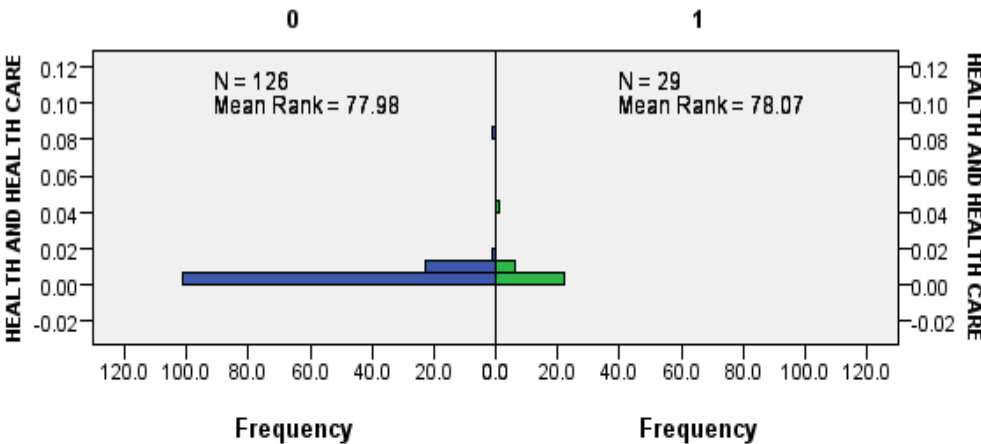


Total N	155
Mann-Whitney U	1,546.500
Wilcoxon W	1,981.500
Test Statistic	1,546.500
Standard Error	217.830
Standardized Test Statistic	-1.288
Asymptotic Sig. (2-sided test)	.198

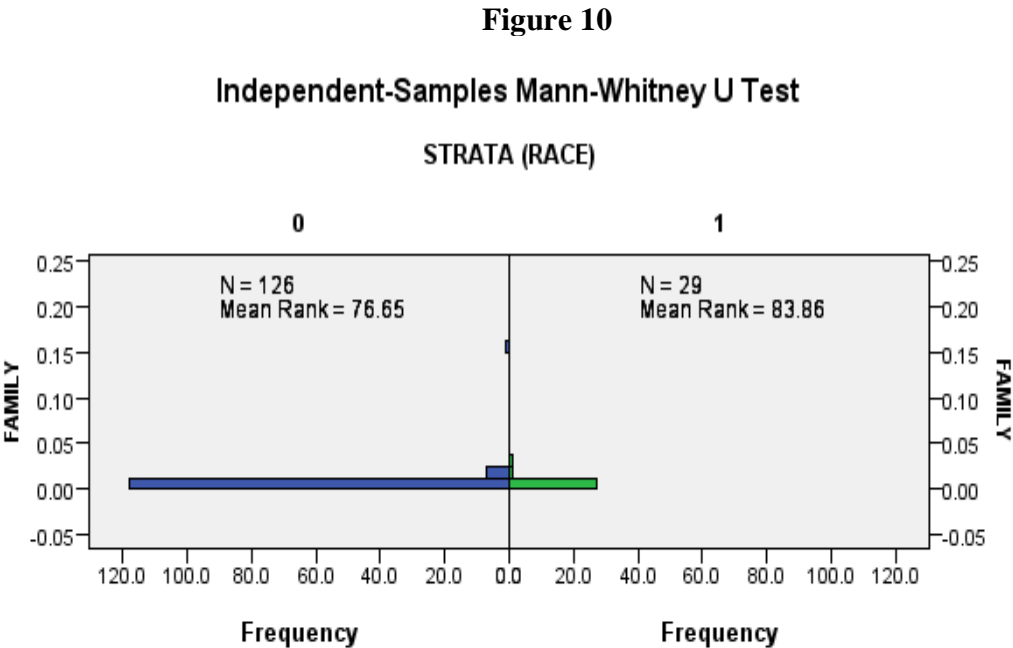
Figure 9

Independent-Samples Mann-Whitney U Test

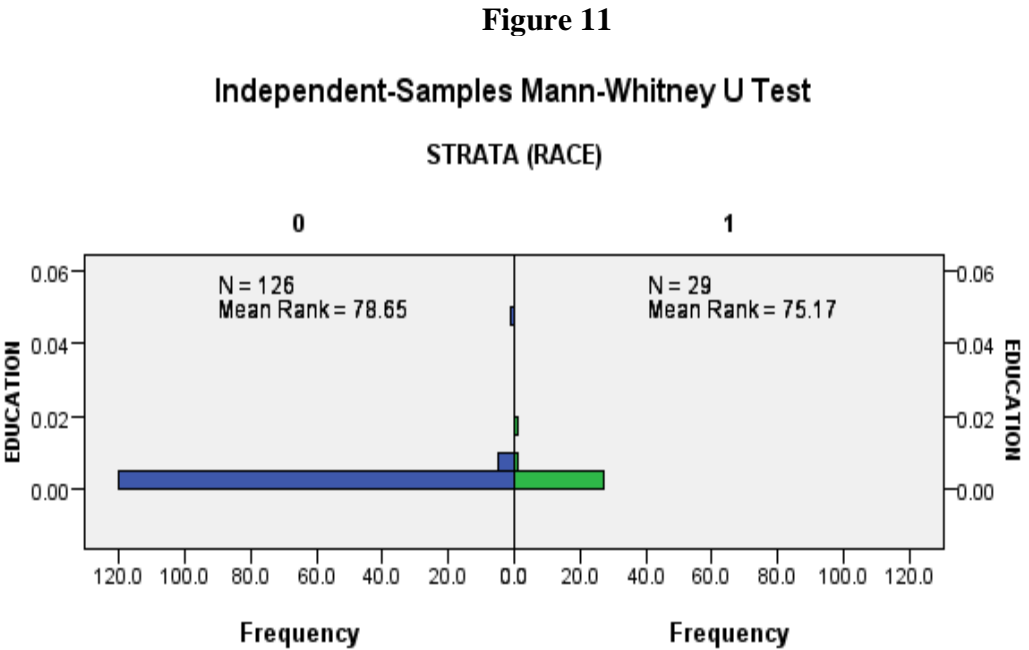
STRATA (RACE)



Total N	155
Mann-Whitney U	1,829.000
Wilcoxon W	2,264.000
Test Statistic	1,829.000
Standard Error	217.950
Standardized Test Statistic	.009
Asymptotic Sig. (2-sided test)	.993

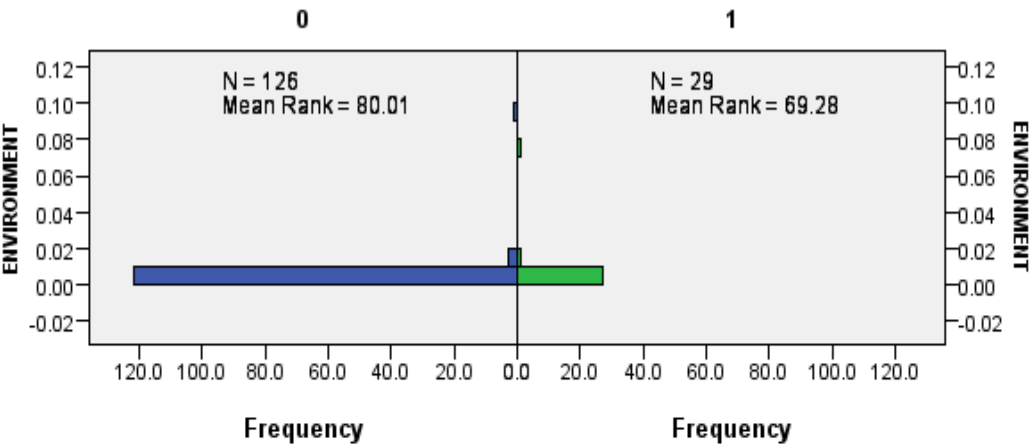


Total N	155
Mann-Whitney U	1,997.000
Wilcoxon W	2,432.000
Test Statistic	1,997.000
Standard Error	217.949
Standardized Test Statistic	.780
Asymptotic Sig. (2-sided test)	.435

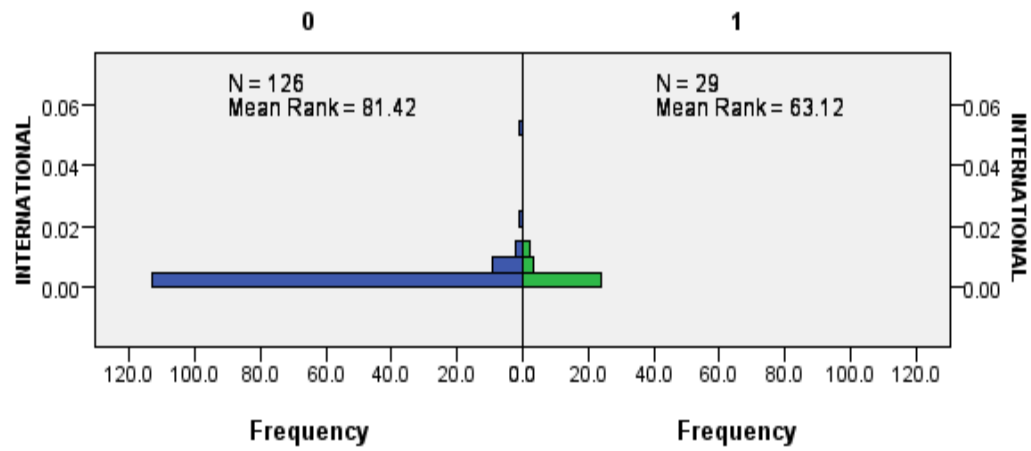


Total N	155
Mann-Whitney U	1,745.000
Wilcoxon W	2,180.000
Test Statistic	1,745.000
Standard Error	217.911
Standardized Test Statistic	-.376
Asymptotic Sig. (2-sided test)	.707

**Figure 12**  
**Independent-Samples Mann-Whitney U Test**  
**STRATA (RACE)**

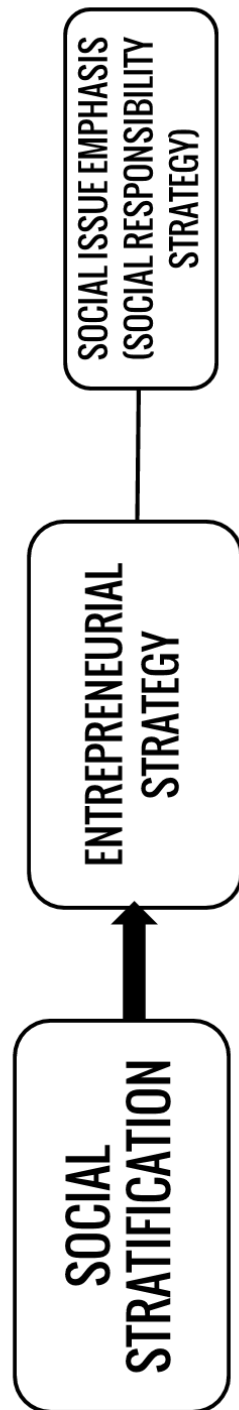


Total N	155
Mann-Whitney U	1,574.000
Wilcoxon W	2,009.000
Test Statistic	1,574.000
Standard Error	217.950
Standardized Test Statistic	-1.161
Asymptotic Sig. (2-sided test)	.246

**Figure 13****Independent-Samples Mann-Whitney U Test****STRATA (RACE)**

<b>Total N</b>	155
<b>Mann-Whitney U</b>	1,395.500
<b>Wilcoxon W</b>	1,830.500
<b>Test Statistic</b>	1,395.500
<b>Standard Error</b>	217.921
<b>Standardized Test Statistic</b>	-1.980
<b>Asymptotic Sig. (2-sided test)</b>	.048

**Figure 14: Model Depicting Findings**



**Study Three - Stratification, Economic Adversity, and Entrepreneurial Launch:  
The Converse Effect of Resource Position on the Strategies of High and Low Strata  
Entrepreneurial Actors**

**Research Summary**

***Abstract***

This paper seeks to establish whether or not a commonly-held economics and entrepreneurship theory that economic adversity and entrepreneurship are positively associated has been inappropriately generalized and is, in actuality, only a context-specific finding applicable to higher status groups. For my analysis, I utilize social stratification theory and the resource based view to explicate how accumulated social and economic resource divergences have resulted in resource position barriers between high and low strata groups of entrepreneurial actors over time. Then, I empirically test whether or not these barriers result in divergent entrepreneurial strategies for high and low strata entrepreneurs posited within the same adverse economic environments by testing the self-employment rates of minority and majority groups during recession events in United States metropolitan statistical areas (MSA). I find that strata position (and the divergent resources it enables or prevents groups from accumulating and wielding for advantage – resource position barriers) is an antecedent of entrepreneurship; and specifically that economic adversity (operationalized as recession events and as unemployment) has no relationship with entrepreneurship in low or high strata groups; but that various resource position indicators—income, wealth, and status (education) have converse relationships with entrepreneurship amongst higher and lower strata groups. This research has



important implications for the study of entrepreneurship as it demonstrates that resource-driven path-dependence (created by a stratified environmental-context) is central to our understanding of entrepreneurial strategy. Further, it provides a link between strategic management and entrepreneurship theory with its emphasis on the impact of group-held resource position on entrepreneurial action. These insights are crucial for furthering academic understanding of the drivers of entrepreneurship and economic development in an increasingly diverse global economic climate.

## **Introduction**

A preponderance of scholarly research on the relationship between economic adversity and entrepreneurship has found a positive relationship (Knight, 1921; Oxenfeldt, 1943; Highfield and Smiley, 1987; Evans and Leighton, 1990; Faria, Cuestas and Mourelle, 2010). As unemployment is one of the most common by-products of macro-level economic adversity (Bell and Blanchflower, 2010; Fee and Schweitzer, 2011; Kauppinen, Kortteinen, and Vaattovaara, 2011; Tasci and Zaman, 2010), it is a general assumption in entrepreneurship and economics literature that unemployment, or more specifically high unemployment rates or low labor participation rates, leads to increased entrepreneurship. However, does this finding hold true in all contexts or across all societal groups?

As a whole, entrepreneurs in the formal economy are wealthier and more educated than the general population and are less likely to be members of societally-labeled disadvantaged groups, like minorities (De Nardi, Doctor, and Krane, 2007). As such, the advantaged are likely to be overrepresented in prior research studies on entrepreneurship, including those which have demonstrated a positive relationship

between economic adversity and entrepreneurship. This study is motivated by this fact, and seeks to augment these studies with an empirical demonstration of the relationship between economic adversity and the entrepreneurial strategies of actors of different strata.

My theory is that the historical, system-wide effects of social stratification, a macro-institutional environmental context in which groups of people are categorized as structurally advantaged or structurally disadvantaged in their access to social and economic resources based upon achieved or ascribed traits (Massey, 2007; Robinson, Blockson, and Robinson, 2007), results in the enactment of divergent strategies for high strata and low strata entrepreneurs posited within the same environment. In particular, I propose that divergent strata positions, which are societally assigned to groups of entrepreneurs based on their ascribed traits, enables higher strata groups to accumulate greater entrepreneurship-facilitating resources compared to lower strata groups. Because of this, they are able to collectively enact resource position barriers via diffuse and mimetic social practices preventing the entry and/or hampering the “catch up” of lower strata entrepreneurs, and create semi-impermeable advantages enjoyed not just by individual entrepreneurial actors but by all entrepreneurial actors of higher strata groups (Wernerfelt, 1984). It is these positional barriers, in lieu of cultural attributes independently attributable to individual members or groups, which dictate actors’ entrepreneurial strategies, including their choice of formal or informal entrepreneurship (Webb, Tihanyi, Ireland, and Sirmon, 2009).

As my data was collected from the U.S., which has a salient stratification system based largely on race<sup>22</sup> (Massey, 2007; Tilly, 1998; Mills, 1997), I anticipate that there will be an increase in entrepreneurship (self-employment rates) amongst structurally advantaged groups in the presence of economic adversity, and either no effect on or a decrease in entrepreneurship activity amongst structurally disadvantaged groups in the presence of economic adversity. I test several other related hypotheses, as well, to observe whether or not divergent responses to economic adversity exists by strata, and compare the effects of resource advantages (i.e. wealth, income, and education) on the entrepreneurship of high and low strata groups. In my model, the relationship between economic adversity and entrepreneurial strategy is moderated by strata position, and resource position, which includes three cumulative and related resource advantages: (1) status, (2) wealth, and (3) income, all of which are determined by strata position. (See Figure 2).

## **Literature Review**

### ***The Relationship between Entrepreneurship and Economic Adversity***

According to numerous scholars, economic adversity and entrepreneurship are positively related; specifically, these scholars have found that economic adversity spurs business foundings because people innovate and necessarily create their own jobs (Knight, 1921; Oxenfeldt, 1943; Highfield and Smiley, 1987; Evans and Leighton, 1990; Faria, Cuestas and Mourelle, 2010) (See Figure 3). The Simple Theory of Income Choice, the basis for many of the studies indicating a positive relationship between unemployment and entrepreneurship, indicates that increased unemployment levels will

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<sup>22</sup> Social stratification in the U.S. is based upon the categories of race, gender, and economic status—in this order—as the degrees of resource access are most enabled or constrained by the category of race (Massey, 2007; Mills, 1997).

spur increased entrepreneurial start-ups because opportunity costs for not starting firms (or the value of what these actors would have chosen if they had not started firms, which was continuing to work for someone else) have decreased for individuals confronted with entrepreneurial launch decisions (Audretsch, D.B., M.A. Carree, and A.R. Thurik, 2001). This has been called a “refugee effect” since the unemployed seek and find productivity in an arena of endeavor other than the labor market. In a 2008 study of 23 Organisation for Economic Cooperation and Development (OECD) countries from 1974 to 2002 based on the premise of the Simple Theory of Economic Choice, high unemployment rates were strongly positively correlated with subsequent “refugee effect” entrepreneurial start-ups (Thurik, Carree, van Stel, and Audretsch, 2008). Highfield and Smiley (1987) expanded on the theory that employment adversity and entrepreneurial activity are positively related by proposing that system-wide economic adversity or lagged economic growth could spur entrepreneurship. In such scenarios, opportunity oriented entrepreneurs recognize the ability to capitalize on overall reduced equipment and expansion expenditures of competitors in their industry, for example, by filling a vacuum in vacated niches; or they may recognize the ability to acquire skilled employees at lower compensation rates because of higher system-wide unemployment and a glut of workers in the market. A summary of the support they found for their theory on the relationship between economic adversity and entrepreneurship is as follows:

“the macroeconomic climate that appears to be most conducive to the formation of small businesses is what might loosely be called sluggish. Lower rates of growth of GNP, lower inflation rates, and greater growth in the unemployment

rate were followed by increases in the rate of new incorporations” (Highfield and Smiley, 1987).

The prevailing assumption of the research based upon the Simple Theory of Economic Choice is that its results are generalizable to the entire population of potential entrepreneurs. However, since not all entrepreneurs are subject to the same contextually-derived resource advantages, is this really the case? Furthermore, would the theory’s key finding that entrepreneurship is spurred by economic adversity hold across cultures in societies that are saliently divided into groups with divergent status, and consequently, wealth levels that have accrued over time and that affect entrepreneurial launch?

### ***Stratification as an Entrepreneurial Context***

This research is motivated by the fact that many of the studies indicating a positive relationship between unemployment or economic adversity and entrepreneurial start-ups have unintendedly focused on the structurally advantaged. As a whole, entrepreneurs are wealthier and more educated than the general population and are less likely to be minorities (De Nardi, Doctor, and Krane, 2007). As such, the advantaged are likely to be overrepresented in prior research samples. Even in the study conducted by Thurik, Carree, van Stel, and Audretsch (2008) of diverse OECD countries, the results are likely to have strong majority effects, dimming insight into how unemployment affects “disadvantaged” minority entrepreneurs who are posited in environments with fewer resources.

The specific characteristics of entrepreneurial actors’ environmental contexts influence their entrepreneurial strategy (Audretsch and Keilbach, 2007; Moss, Short,

Payne, and Lumpkin, 2011; Webb, Tihanyi, Ireland, and Sirmon, 2009). For example, Audretsch and Keilbach (2007) demonstrate that an entrepreneurial environment in which multiple start-ups foster knowledge spillovers and facilitate a knowledge-rich context influences entrepreneurial opportunity for the firms posited within it and potential new entrants. Perhaps most applicable to this paper are the links between environment and entrepreneurial strategy explicated by Moss, Short, Payne, and Lumpkin (2011) and Webb, Tihanyi, Ireland, and Sirmon (2009), who respectively indicate that an entrepreneurial firm's organizational identity is derived from its context and drives "how key issues are interpreted," "how decisions are made," and how these firms respond to "strategic issues;" and that institutional context plays a framing role in the emergence of divergent collective identities between groups of potential entrepreneurial actors—driven largely by institutionally-perpetuated differences in meso-level groups' resource access and perceptions/evaluations of opportunities—which results in divergent entrepreneurial strategies.

One highly relevant environmental context with characteristics that can result in the enactment of divergent entrepreneurial strategies between groups is social stratification. Social stratification is a macro-level institutional context characterized by inequality between groups of people across social categories in their "access to scarce resources" (Massey, 2007). Stratification is a concept related to Social Dominance Theory (SDT), which asserts that "human societies tend to organize as group-based social hierarchies in which at least one group enjoys greater social status and power than other groups. Members of dominant social groups tend to enjoy a disproportionate share of positive social value, or desirable material and symbolic resources such as political

power, wealth, protection by force, plentiful and desirable food, and access to good housing, health care, leisure, and education. Negative social value is disproportionately left to or forced upon members of subordinate groups” (Pratto, Sidanius, and Levin, 2006). In social stratified systems, societies enact social structures that divide people categorically and assign them to groups based upon traits that are *achieved* or *ascribed* (Massey, 2007), and take their unique form based upon the societies in which they operate (Mills, 1997). These systems are enacted at the macro-institutional level (and are therefore diffuse, affecting such societies at every level) and are maintained via group-based social dominance, in which one or more groups are designated as possessing higher status and power, and the converse is true for other groups, i.e. men vs. women (Loscocco and Robinson, 1991; Robinson, Blockson, and Robinson, 2007), white vs. black, or high economic vs. low economic class (Spenner, 1988) in the U.S., or Hindu vs. non-Hindu castes in India (Zacharias and Vakulabharanam, 2011; Darity, 2005).

In the U.S., race, gender, and economic class determine the allocation of social and economic resources, and features of American society at virtually every level have been organized to maintain this system (Massey, 2007; Mills, 1997). The primary strata categorization which has determined the allocation of social and economic resources in American society is race (Sidanius and Pratto, 1999). Because racial minority status is an ascribed rather than achieved trait, it clearly delineates a salient position in American society (Sidanius and Pratto, 1999) from which an entrepreneur’s resource access stems. For this reason, it is the primary feature of U.S. stratification upon which I focus in this paper as it has primarily determined the differences in entrepreneurship-facilitating social

and economic resources between high and low strata groups that result in actors from these two groups engaging in divergent strategies in response to economic adversity.

***Group-Based Resource Position Barriers and Divergent Entrepreneurial Strategies***

Though traditionally used to explicate how unique resource possession and strategic deployment of these resources can lead to sustained competitive advantage for individual firms (Barney, 1991), the Resource-Based View also provides theoretical insight on how divergent, accumulated resource positions could emerge between groups of entrepreneurial actors based upon their status position, and then result in divergent entrepreneurial strategies between these groups. According to Wernerfelt (1984) and Caves (1980), resources are both the tangible and intangible assets tied semi-permanently to firms. Yet, it is not solely the possession of such resources that contributes to firm advantage, but (1) the extent to which these resources are valuable, rare, inimitable, and non-substitutable (or protected from extraction by other firms via some isolating mechanism), and (2) the capacity to deploy these resources in a competitive environment in a self-beneficial manner (Barney, 1991). Both tangible resources, like in-house technologies, machinery, and capital, and intangible resources, like brand-name recognition and in-house of knowledge of technology or efficient procedures, can be wielded in a manner that enables these resources to contribute to a firm's competitive advantage. Of this resource bundle, however, resources that are both inimitable and non-substitutable are those that lead to the highest returns as their portability and replication is restricted (Wernerfelt, 1984). Such resources enable those who possess them to "maintain a relative position vis-a-vis other holders and third persons" because the fact that they have these resources "affects the costs and/or revenues of later acquirers adversely"



(Wernerfelt, 1984). In such situations, a firm's "resource position directly or indirectly makes it more difficult for others to catch up," and consequently, "the holder can be said to enjoy the protection of a resource position barrier" (Wernerfelt, 1984).

Strata position serves as one such high-return resource for high strata entrepreneurial actors because of its importability and inimitability by lower strata groups. Strata benefits both individual entrepreneurs as well as organizations whose leadership and the majority of whose members are part of the same high strata group. Because stratification is a diffuse, difficult to dismantle, institutional system that benefits one group and affords detriment to others, it enables the acquisition of the by the beneficiary group of other resources (like status, income, and wealth), which reinforces the resource positions of high strata entrepreneurial firms. Furthermore, when stratification categorizations are based upon salient, ascribed traits (like race or gender) rather than more permeable, achieved traits (like economic status), strata position and the resource advantages it enables high strata firms to accumulate over time create semi-permanent resource position barriers, and are strong isolating mechanisms preventing the "catch-up" of firms of lower strata, as long as high-strata groups continue to act rationally (Wernerfelt, 1984).

### ***Wealth as a Resource Position Barrier***

Perhaps the greatest resource position barrier preventing the catch up of lower strata entrepreneur groups from high strata entrepreneur groups is wealth. Wealth, unlike income and educational attainment both of which are more directly tied to individual employment, is largely the result of trans-generational wealth accumulation (Scholz and Seshadri, 2007; Keister and Moller, 2000). As such, wealth functions as a valuable, rare,

and largely inimitable resource for high strata groups whose first mover advantage and institutionally-enforced group based barrier enactments have prevented the diffusion of this resource throughout society to other groups. For example, in this study where I seek to explicate the entrepreneurial strategy differences that exist by strata with data on the highest (whites) and lowest strata (black) groups in the U.S., the wealth of individuals in high strata groups is an isolated resource that has been protected. As Civil Rights legislation was primarily enacted to directly reduce educational and employment disparities, not wealth inequality, the unevenly distributed resource of wealth continues to serve as a resource position barrier and provide an economic buffer to high strata groups. The buffering effect of wealth is evident when high strata groups' immediate employment income is affected by a macro or individual-level environmental disturbance (i.e. recession or unemployment) in the U.S., and they are still able to choose the option of entrepreneurship in lieu of seeking re-employment in spite of their circumstances (Campbell and Kaufman, 2006; Scholz and Seshadri, 2007; Thurik, Carree, van Stel, and Audretsch, 2008; Highfield and Smiley, 1987).

Figure 1: Mean Value of Assets for Households by Type of Asset Owned and Selected Characteristics: 2011															
Characteristic	Net Worth	Net Worth (Excluding Equity in Own Home)	Interest Earning Assets at Financial Institutions	Other Interest Earning Assets	Regular Checking Accounts	Stocks and Mutual Funds	Equity in Business or Profession	Equity in Motor Vehicles	Equity in Home	Rental Property Equity	Other Real Estate Equity	U.S. Saving Bonds	IRA or KEOGH Accounts	401K & Thrift Savings Plan	Other Assets
TOTAL	338,950	255,843	22,170	803,641	2,659	228,643	180,046	8,418	127,290	370,013	171,529	6,103	166,451	119,799	154,524
RACE AND HISPANIC ORIGIN OF HOUSEHOLDER															
White Alone (Not of Hispanic Origin)	435,169	336,435	25,410	881,816	3,057	247,389	178,840	9,126	135,932	389,995	178,338	6,070	184,725	139,762	160,322
Black Alone	84,378	49,119	8,628	(B)	1,193	93,997	194,077	5,384	80,523	286,671	88,731	7,255	39,423	45,274	(B)
NOTE: In dollars. Excludes group quarters. (B) - Base is less than 200,000 households. Individual outliers that highly influenced the mean value for asset categories were excluded. "Other Assets" includes mortgages held for sale of real estate, amount due from sale of business or property, and other financial assets. Federal surveys now give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This table shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U. S. Census Bureau uses a variety of approaches. Because Hispanics may be any race, data in this table for Hispanics overlap slightly with data for the Black population. Data for American Indians and Alaska Natives are not shown because of their small sample size. The race or Hispanic origin of the household designates the race or Hispanic origin of the household. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and non-sampling error see: <a href="http://www.census.gov/sipp/source.html">http://www.census.gov/sipp/source.html</a>															
Source: U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, Wave 10															
Internet Release Date: 3/21/2013															
Updated: May 13, 2013. Estimates for income quintiles were updated after correcting for an inconsistency in how the cut-off points for income quintiles were set.															

Figure 1

Source - U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, Wave 10 (Survey, 2011).

Evidence of wealth's buffering capacity for high strata groups and its use as a collective resource position barrier is also demonstrated in the wealth differences that persist in the 21<sup>st</sup> century between low and high strata groups in the U.S. as illustrated in Figure 1, a difference which holds even when the two groups have comparable education and income (Campbell and Kaufman, 2006). Despite the gains of the Civil Rights Movement that have reduced income and educational attainment differences across strata groups in the U.S., wealth differences between high and all lower strata racial groups<sup>23</sup> have remained (Campbell and Kaufman, 2006) and the gap between the two most historically polar racial strata groups—blacks and whites—has heightened (Shin, 2010; Ariel Mutual Funds, 2008; Campbell and Kaufman, 2006).

Many scholars attribute such differences, particularly when they are found present amongst comparably educated and employed members of divergent strata groups, to structural barriers like institutionally-diffused and practiced discrimination (Keister and Moller, 2000; Oliver and Shapiro, 1995; Campbell and Kaufman, 2006). However, Oliver and Shapiro (1995), elucidate that discrimination is not the sole cause of wealth inequities that exist between high and low strata groups. They explain that historically cumulative disadvantage in concert with present discrimination cements low strata groups (in the U.S. case, African-Americans) to the lowest rung of the socio-economic hierarchy via a process they refer to as “sedimentation.” Wealth is an ideal gauge of the effects of sedimentation between high and low strata groups because of the considerable amount of time it takes to accumulate and because it is often transferred generationally (Oliver and Shapiro, 1995; Campbell and Kaufman, 2006).

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<sup>23</sup> Including Asians, African-Americans, and Hispanics (Campbell and Kaufman, 2006).

Furthermore, wealth is directly tied to high strata groups' ability to obtain and maintain other resource position advantages, including income and educational attainment. Most social scientists concur, for example, that the historical exclusion of low racial strata groups (African-Americans most adversely) in the U.S. from home equity wealth derived from home ownership adversely affected these groups' subsequent attainment of educational attainment and the enhanced employment opportunities that educational attainment typically provides (Keister and Moller, 2000). Conversely, the long-term possession of wealth as a buffer to economic downturn or unemployment has buoyed the lifetime income of the high racial strata group households (whites) who are only weakly affected by "an earnings downturn or medical expense large enough to cause the household to seek welfare support" (Hubbard, Skinner and Zeldes, 1995; Scholz and Seshadri, 2007).

The manner in which wealth is utilized as a group based resource for high strata groups to obtain other resources is perhaps best explicated in Campbell and Kaufman's (2006) intra-generational status attainment framework. In the U.S., for example, the inheritance accumulated by high strata groups based on their socioeconomic hierarchy position enables them to transfer the promise of better housing, income, and educational opportunities to their children which begets more wealth and has served as a manner of reproducing inequality post slavery's end (Campbell and Kaufman, 2006). And, even though inheritance is estimated to account for less than 20% of wealth in some previous studies (Modigliani, 1988b; Hurd and Mundaca, 1989; Gale and Scholz, 1994), *inter vivos* transfers that occur during a person's lifetime (Gale and Scholz, 1994), which are often largely ignored as an explanation of wealth differences between high and low strata

groups (Campbell and Kaufman, 2006), account for another full 20% of wealth (Gale and Scholz, 1994), which is largely possessed by high strata groups. Because the wealth accumulation of high strata group members' descendants is determined in large part by intra-generational wealth attainment passed down both via inheritance and via inter vivos transfers, inter-strata "wealth disparities indirectly reproduce themselves as racial inequalities in education, occupation, and income" between high and low strata groups in the U.S. because of the differences that exist in the initial status hierarchy positions of transferors (Campbell and Kaufman, 2006). In addition, the vast wealth difference that exists between high and low strata groups leads to differences in investment portfolio composition and value. This is because the lack of intergenerational wealth accumulation for investment requires low portfolio groups to meet their household needs "from disposable income, reducing how much is available for investment and savings" (Campbell and Kaufman, 2006).

Finally, the combination of wealth transfer disparities explicated above and labor market inequalities has relegated the low strata group in this study, African-Americans, with equivalent educational and experience credentials as compared with the high strata group, whites, "to less desirable, less stable and lower paying jobs and/or jobs with fewer benefits and prospects for advancement" (Campbell and Kaufman, 2006). As a result, household income has a lower overall effect on wealth accumulation for low strata groups in the U.S. than for high strata groups. In fact, research by Oliver and Shapiro (1995) has shown that there are "very different effects for Blacks and Whites of household education, occupation and income on net worth, with Black households

receiving either smaller or no significant wealth return to these attainments” (Campbell and Kaufman, 2006).

Consequently, I anticipate that there will be distinct differences between the strategies of groups of high strata and low strata individuals in response to economic adversity and unemployment because of their divergent resource positions, and test the following related hypotheses, intended to demonstrate the divergent effects of strata position and the resource advantages it affords (i.e. wealth, income, and education) on entrepreneurship.

### **Hypotheses**

For high strata entrepreneurs, the possession of resource advantages derived from their conferred status, including higher wealth, income, and education, enables their entrepreneurship in the presence of economic adversity by providing insulating buffers from the effects of economic adversity and facilitating their freedom to choose entrepreneurship or employment (Oliver and Shapiro, 1995; Campbell and Kaufmann, 2006). In addition, because of the diffuse nature of stratification beliefs and practices, and the salient resource-access it provides for higher status groups within a society, resource advantages are conferred throughout vast realms of society and institutions, and are able to accumulate over time (Massey, 2007; Campbell and Kaufman, 2006). These advantages enable high strata groups to maintain relative advantage compared to other lower strata incumbents and potential new entrants across industries by providing a semi-impermeable “catch-up” barrier—or resource position barrier, particularly as it relates to wealth (Wernerfelt, 1984). Low strata entrepreneurs are also conferred a certain status in society, a lower one that affects their access to and ability to accumulate resources across

institutions and realms (Massey, 2007), which in turn affects their entrepreneurial strategy.

As a result of their different resource positions and the divergent strategic responses these positions elicit, in the following groups of hypotheses, I anticipate converse findings for the relationship between entrepreneurship and economic adversity, measured as business cycles (recessions) and unemployment rates, for high and low strata entrepreneurial actors.

### **Economic Adversity and Entrepreneurial Strategy**

**H1a:** There is a positive relationship between economic adversity and entrepreneurship among high strata groups.

**H1b:** There is a negative relationship between economic adversity and entrepreneurship among low strata groups.

**H1c:** The entrepreneurship of high strata groups is greater in the presence of economic adversity than that of low strata groups.

**H1d:** High strata groups engage in entrepreneurship more than low strata groups.

### **Unemployment and Entrepreneurial Strategy**

**H2a:** There is a positive relationship between unemployment and entrepreneurship among high strata groups.

**H2b:** There is a negative relationship between unemployment and entrepreneurship among low strata groups.

### **Simple Theory of Economic Choice Hypotheses**

**H3:** There is a positive relationship between economic adversity and entrepreneurship across all groups.



**H4:** There is a positive relationship between unemployment and entrepreneurship across all groups.

### **Resource Position Hypotheses**

I anticipate that the following group of hypotheses will demonstrate differences in the relationship between entrepreneurship and resource position advantages between low and high strata groups. For low strata groups, the lack of resource advantages (higher education, higher income and wealth) in addition to their exposure to resource position barriers results in lower strata entrepreneurs' overall greater vulnerability in the presence of economic adversity (Gale and Scholz, 1994, Campbell and Kaufmann, 2006). In addition, despite opportunities afforded lower strata groups since the Civil Rights Movement, little of this legislation has directly addressed the differences in wealth that exist between low and high strata groups (housing discrimination legislation emanating from the Civil Rights Movement, which is perhaps the most targeted manner to redress historically accumulated wealth differences, has historically been difficult to enforce). Despite increases in education and income among low strata groups, their considerably less wealth compels them to rely upon employment derived income as their primary funding source for entrepreneurship, which further increases their vulnerability in times of economic adversity or in the presence of high unemployment (Oliver and Shapiro, 1995; Hubbard, Skinner and Zeldes, 1995; Campbell and Kaufmann, 2006; Scholz and Seshadri, 2007). Conversely, the economic buffering effect that the strata privileges of higher education, higher income, and higher wealth afford high strata groups propels their entrepreneurship, and serves as resource position barriers for lower strata entrepreneurs.

### *Income*

**H5a:** There is a positive relationship between income and entrepreneurship (self-employment rates) among high strata groups.

**H5b:** There is a positive relationship between income and entrepreneurship among low strata groups.

#### *Wealth*

**H6a:** There is a positive relationship between wealth and entrepreneurship among high strata groups.

**H6b:** There is a negative relationship between wealth and entrepreneurship among low strata groups.

#### *Education*

**H7a:** There is a positive relationship between education and entrepreneurship among high strata groups.

**H7b:** There is a negative relationship between education and entrepreneurship among low strata groups.

### **Data Collection and Methods**

#### *Variables*

My unit of analysis is the group of high and low strata actors in each U.S. Market Statistical Area (MSA) for 2003, 2004, 2008, and 2009. My dependent variable is self-employment rate (entrepreneurship) and my independent variables are as follows: economic adversity (recession dates established by the Bureau of Economic Analysis [BEA]), unemployment rate, adjusted gross income, wealth measured by the presence of rental income (which indicates ownership of property assets other than one's primary residence); wealth measured by the presence of interest income (which indicates

ownership of interest bearing assets including stocks); wealth measured as average home equity; educational attainment (for which I created a variable measuring the percentage of those with associates degrees or higher); and market strata (which I measured as low strata and coded as 0 if the percentage of low strata individuals met or exceeded the national percentage of members of that group indicating diversity in the market or an overrepresentation of low strata individuals; and as high strata and coded as 1 if the percentage of low strata individuals was below their national percentage and the percentage of high strata individuals represented a majority [50% or more] of the total).

### ***Data Sources***

I obtained my data for all variables from the Census Bureau's Data Ferret tool which statistically combines data from various Census Bureau, Bureau of Labor Statistics (BLS), and other primarily governmentally sponsored surveys. The annual data that I extracted from Data Ferret was derived from the Current Population Survey March estimates. I established recession and non-recession years based on data compiled by the Bureau of Economic Analysis (BEA), the entity which establishes business cycles (official national recessions). I considered recession years as those in which business cycles consumed 6 months or more of the year, as in such cases it is rational that all of the variables in my study would have been affected by the impending or immediately preceding recession during that year. Data for all of my variables was not consistently collected by the Census Bureau and BLS for each MSA until after 2000. Consequently, I selected the only two consecutive recession years after this date, 2008 and 2009, and, for comparison, I selected two non-recession years also after 2000—2003 and 2004. Since these years were at least two years away from any other officially-established recession

years, my variable data for these years should accurately represent entrepreneurial response by low and high strata actors during periods with non-adverse macro-economic conditions. My initial data extraction included annual data for four observation years (2003,2004,2008,2009) for each MSA where there were enough CPS participants to yield statistical results resulting in an n of 1029 each for the total population in the MSA's, the high strata, and the low strata group for a total N of 3087. However, CPS Design and Methodology (Design, 2006) indicates that in MSA's where the total population is estimated to be under 500,000, researchers should use the data with caution, as the data is less reliable. Consequently, in order to maximize the reliability of my data, I eliminated all MSA's for each year from my data set with populations under 475,000 resulting in a total N of 1287, including an n of 430 for the total population in each MSA, an n of 430 for the high strata group, and an n of 427 for the low strata group, as there were also some MSA's that had to be excluded because there were not enough low strata residents to provide reliable data for observation.

### ***Methods***

To test my hypotheses, I employed three separate multiple regression analyses, one for the total population (including all strata groups) to predict the general relationship between self-employment rates and economic adversity/unemployment, and resource position indicators (wealth, income, and education), and one each for low and high strata groups. This method has previously been employed by several social scientists performing parallel comparisons of salient groups of actors with divergent social positions, as in the U.S. case with gender, race, and economic groups.<sup>24</sup> To ensure

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<sup>24</sup> One such study employing a method similar to the one used in this paper was conducted by Phillips (2002). Three separate regressions were performed using MSA/PSMA data to predict White, Black, and Latino homicide

greater validity of my results, I adjusted my annual financial figures, adjusted gross income and home equity, by the GDP deflator using 2002 as my base year to take into account the rate of inflation (Kumaranayake, 2000; Concepts and Methods, 2009). In addition, I ran an independent means test to assess several of my hypotheses.

## Results

Table 1 shows the regression results for the relationship between entrepreneurship and all independent variables for the total population in M.S.A.'s, and for high and low strata groups. Tables 2 and 3 provide regression model summaries and descriptive statistics, and tables 4, 5, and 6 show the correlation matrices for each group for which I ran a regression. As none of my dependent variables are highly correlated with my independent variable or each other<sup>25</sup>, my results should be valid. Tables 7 and 8 show descriptive statistics and results of a two-sample t-test comparing the entrepreneurship means of high and low strata groups. H1a is not supported. In fact, there is no statistically significant relationship between economic adversity (recession events) and entrepreneurship among high strata groups ( $p = 0.424$ ). This finding is in direct contradiction to the Simple Theory of Economic Choice and seems to indicate that even groups with superior resource positions and the capability to launch entrepreneurial efforts refrain from doing so in the midst of economic adversity. H1b is not supported as the regression results were not statistically significant at the 95% confidence level ( $p = 0.404$ ), though directionally there was a negative relationship between economic adversity and entrepreneurship among low strata group individuals, as predicted. H1c is

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and crime rates based on different structural opportunity characteristics that affected each group, i.e. income and education.

<sup>25</sup> With the exception of an expected moderate/strong relationship between adjusted gross income (AGI) and most of my wealth measures; AGI and educational attainment; and wealth from interest income (stocks) and educational attainment. See Table 4.

strongly supported ( $p < .0001$ ). This is rational considering the resource advantages that higher strata groups typically possess that can serve as buffers to recessionary events compared to lower strata groups, who typically possess lower wealth resources and are more reliant upon employment income. Support for H1c provides evidence that high strata groups are statistically more inclined to engage in entrepreneurship in the presence of economic adversity than low strata groups, as well as evidence that individuals in high and low strata groups enact different responses to macro-level events based on their different resource positions. H1d is strongly supported using a two-sample t-test comparing the means of the self-employment rates of high and low strata groups. With H1d0 assuming there was no difference between the entrepreneurship rates between the two samples and H1d assuming that high strata entrepreneurship > than low strata entrepreneurship, H1d is supported ( $p < .0001$ ). Perhaps most compellingly, this affirms my analysis that strata position and the resource advantages and resource position barriers it enables or prevents are key moderators explaining the different entrepreneurial strategies enacted by high and low strata entrepreneurs.

For H2a, there is no statistically significant relationship between entrepreneurship and unemployment in the high strata group, though the direction of the regression results between the two variables was positive ( $p = 0.411$ ). This seems to indicate that unemployment rates themselves have little impact on the entrepreneurship of high strata groups. This could be because high strata group individuals' resource position is primarily accumulated via trans-generational wealth in lieu of employment income. Conversely, as noted above, economic adversity, which adversely impacts high strata entrepreneurs' resource positions, demonstrates a negative (though non-significant)

relationship with entrepreneurship in this group [rental property and stock assets ( $r=-.214$  and  $-.210$ , respectively)]. H2b is not supported and there was not a statistically significant relationship between unemployment and entrepreneurship in the low strata group ( $p=0.722$ ), though the regression results are in the direction predicted as was the case for H2a.

H3 is not supported as there is no statistically significant relationship between economic adversity and entrepreneurship ( $p=0.84$ ). H4 is not supported as there is no statistically significant relationship between unemployment and entrepreneurship ( $p=0.662$ ). Based on these results for the entire population, and the lack of statistical significance found in the relationships between economic adversity or unemployment and entrepreneurship for both strata groups, I find no support for the Simple Theory of Economic Choice.

H5a is supported, as expected, as income is one of the key resource position components propelling the entrepreneurship of high strata groups and enabling them to accumulate advantage over low strata entrepreneurs ( $p=0.021$ ). H5b is also supported and there is a positive relationship between income and entrepreneurship amongst low strata groups as predicted ( $p=0.034$ ), though the strength of the relationship between income and entrepreneurship is slightly less significant for low strata groups than for high strata groups. This finding supports my theory that resource position barriers possessed by high strata groups, including income advantage, bolsters their entrepreneurship and prevents the catch up of lower strata groups.

The regression results for the relationship between wealth and entrepreneurship among high strata groups are significant and H6a was strongly supported when wealth is

measured by secondary property ownership ( $p=0.015$ ). Wealth, because it is typically transferred generationally and more cumulative than employment income which is spent on daily needs, is a primary resource position component enabling high strata entrepreneurs to accumulate advantage over low strata entrepreneurs. However, a unique finding in my regression for high strata groups is that not all types of wealth have a positive relationship with entrepreneurship. This is evidenced by my finding that wealth measured as interest income from stocks and other security assets has a strong, negative relationship with entrepreneurship amongst high strata groups ( $p=0.002$ ). In addition, there is no statistically significant relationship between entrepreneurship and wealth measured as average home equity amongst high strata groups. H6b is not supported with statistically significant results when wealth is measured by secondary property ownership in the low strata group, though the direction of the results is in the direction predicted ( $p=0.516$ ). H6b is supported when wealth is measured as interest income from stocks and other security assets as this type of wealth has a strong, negative relationship with entrepreneurship amongst low strata groups, though not as strong of a negative relationship as with high strata groups ( $p=0.013$ ). Based on the similar findings regarding wealth from stocks and interest bearing assets among both high and low strata groups, this particular type of wealth seems to serve as a replacement for entrepreneurship income among both groups. However, unlike the negative, non-statistically significant relationship between wealth when measured as home equity in the high strata group, among low strata groups there is a positive, statistically significant relationship between wealth when measured as home equity and entrepreneurship ( $p=0.015$ ). These results, though not expected, provide strong evidence of converse relationships between wealth



and other resources and entrepreneurship among high and low strata groups. In addition, when one considers that home equity wealth is inclined to be used differently by high and low strata groups in regards to entrepreneurship, these results provide valuable information for economic development agencies on the type of programs that these entities should seek to implement in order to promote entrepreneurship and spur economic growth strata-wide. Perhaps, home ownership initiatives should be paired with entrepreneurship programs, for example, when initiated in either urban or middle class low strata markets.

H7a is strongly supported ( $p \leq 0.001$ ) and there is a significant, positive relationship between entrepreneurship and educational attainment amongst high strata groups. H7b, though not supported since there was no statistically significant relationship between education and entrepreneurship in the low strata group ( $p = 0.44$ ), provides strong support for my theory that high and low strata individuals enact divergent entrepreneurial strategies, and demonstrates that some of the most popular entrepreneurship findings, including ones that persistently report strong, positive relationships between entrepreneurship and education, are over-generalized.

Table 1: Regression Results Showing the Relationship Between Entrepreneurship and Economic Adversity, and Other Variables By Strata Group in U.S. MSA's and for Total Population in MSA's																		
Independent Variables	Total MSA Population Entrepreneurship++						High Strata Entrepreneurship++						Low Strata Entrepreneurship++					
	Unstandardized Coefficients			Standardized Coefficients			Unstandardized Coefficients			Standardized Coefficients			Unstandardized Coefficients			Standardized Coefficients		
	B	Std. Err.	$\beta$	t	Sig.		B	Std. Err.	$\beta$	t	Sig.		B	Std. Err.	$\beta$	t	Sig.	
Constant	0.022	0.005			4.851 ≤ .001		0.014	0.005		2.678	0.008		0.009	0.008		1.217	0.224	
Economic Adversity (Recession 0 [No]; 1 [Yes])	0	0.001		0.011	0.202	0.84	-0.001	0.001		-0.043	-0.8	0.424	-0.003	0.004		-0.041	-0.835	0.404
Unemployment %	-0.016	0.036		-0.023	-0.437	0.662	0.037	0.045		0.042	0.823	0.411	-0.009	0.024		-0.018	-0.356	0.722
AGI+	1.18E-07	0		0.032	0.414	0.679	7.23E-07	0		0.168	2.313	0.021**	9.29E-07	0		0.132	2.125	0.034**
Wealth-% with Interest Inc.	-0.01	0.009		-0.067	-1.008	0.314	-0.033	0.01		-0.201	-3.189	0.002***	-0.054	0.022		-0.151	-2.508	0.013**
Wealth-Average Home Equity+	-1.79E-07	0		-0.017	-0.316	0.752	-2.73E-07	0		-0.022	-0.406	0.685	3.48E-06	0		0.122	2.437	0.015**
Wealth -% with Rental Inc.	0.099	0.047		0.113	2.088	0.037**	0.12	0.049		0.126	2.435	0.015**	-0.065	0.1		-0.032	-0.651	0.516
Educational Attainment-% with college degree+	0.037	0.012		0.211	3.034	0.003***	0.05	0.013		0.246	3.742 ≤ .01***		0.016	0.021		0.047	0.773	0.44
Total Group Population	-5.68E-10	0		-0.111	-2.227	0.026**	-5.58E-10	0		-0.063	-1.309	0.191	-2.37E-09	0		-0.026	-0.533	0.594
N	430						430						427					
Abbreviations: AGI-Adjusted Gross Income, Inc.-Income; *p ≤ .10 **p ≤ .05 ***p ≤ .01																		
AGI and Home Equity adjusted for inflation based on 2002 dollar values. +																		
Dependent variable, Entrepreneurship, was measured by self-employment rate. ++																		
Unstandardized coefficients (B) shown.																		

**Table 1:** Regression Results Showing the Relationship Between Entrepreneurship and Economic Adversity, and Other Variables By Strata Group in U.S. M.S.A.'s and for Total Population in M.S.A.'s

**Table 2: Regression Model Summaries**

	<b>R</b>	<b>R Square</b>	<b>Adj. R Square</b>	<b>Std. Err. of the Est.</b>	<b>Change Statistics</b>					<b>Durbin - Watson</b>
					<b>R Square Change</b>	<b>F Change</b>	<b>df1</b>	<b>df2</b>	<b>Sig. F Change</b>	
<b>Total Pop. in MSA's</b>	.268	.072	.054	.011	.072	4.062	8	421	.000	2.051
<b>High Strata Pop. in MSA's</b>	.341	.116	.099	.013	.116	6.920	8	421	.000	2.053
<b>Low Strata Pop. in MSA's</b>	.200	.040	.021	.039	.040	2.167	8	418	.029	1.993

Strata measured by race. Entrepreneurship measured by self-employment rate. N=1287, n=430 for the total population in all MSA's, n=430 for the High Strata group, and n=427 for the Low Strata group.

**Table 3: Descriptive Statistics By Strata Group in MSA's and for Total Populations in U.S. MSA's**

	<b>Total MSA Population Entrepreneurship</b>		<b>High Strata Entrepreneurship</b>		<b>Low Strata Entrepreneurship</b>	
	<b>Mean</b>	<b>Standard Deviation</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Mean</b>	<b>Standard Deviation</b>
<b>Entrepreneurship</b>	.0381	.0110	.0437	.0137	.0245	.0395
<b>Economic Adversity (Recession 0 [No]; 1 [Yes])</b>	.4860	.5004	.4900	.5000	.4900	.5000
<b>Unemployment %</b>	.0340	.0155	.0312	.0155	.0599	.0822
<b>AGI<sup>+</sup></b>	\$22,335	\$2957	\$23,375	\$3,176	\$17,489	\$5,627
<b>Wealth-% with Interest Inc.</b>	.3340	.0768	.3694	.0823	.1722	.1105
<b>Wealth- Average Home Equity<sup>+</sup></b>	\$2,878	\$1,058	\$3,067	\$1,099	\$1,913	\$1,390
<b>Wealth -% with Rental Inc.</b>	.0338	.0126	.0380	.0144	.0134	.0198
<b>Educational Attainment-% with college degree<sup>+</sup></b>	.4110	.0626	.4287	.0675	.3272	.1155
<b>Total Group Population</b>	1,800,242	2,146,157	1,391,376	1,548,023	264,863	428,199
<b>n</b>	<b>430</b>		<b>430</b>		<b>427</b>	

Strata measured by race. Entrepreneurship measured by self-employment rate. N=1287, , n=430 for the total population in all MSA's, n=430 for the High Strata group, and n=427 for the Low Strata group.

**Table 4: Correlation Matrix – Total Population in U.S. MSA's**

	<b>Entrepreneurship</b>	<b>Economic Adversity (Recession 0 [No]; 1 [Yes] )</b>	<b>Unemployment %</b>	<b>AGI<sup>+</sup></b>	<b>Wealth -% with Interest Inc.</b>	<b>Wealth - Avg. Home Equity<sup>+</sup></b>	<b>Wealth -% with Rental Inc.</b>	<b>Educational Attainment-% with college degree+</b>	<b>Total Group Population</b>
<b>Entrepreneurship</b>	1.000	.020	-.041	.151	.104	.043	.165	.218	-.077
<b>Economic Adversity (Recession 0 [No]; 1 [Yes] )</b>	.020	1.000	.242	-.153	-.217	.046	-.209	.165	.051
<b>Unemployment %</b>	-.041	.242	1.000	-.169	-.043	.229	.000	-.069	.004
<b>AGI<sup>+</sup></b>	.151	-.153	-.169	1.000	<b>.636<sup>+</sup></b>	.360	.398	<b>.657<sup>+</sup></b>	.161
<b>Wealth-% with Interest Inc.</b>	.104	-.217	-.043	<b>.636<sup>+</sup></b>	1.000	.302	.370	<b>.505<sup>+</sup></b>	-.074
<b>Wealth-Average Home Equity<sup>+</sup></b>	.043	.046	.229	.360	.302	1.000	.301	.274	.168
<b>Wealth -% with Rental Inc.</b>	.165	-.209	.000	.398	.370	.301	1.000	.325	-.024
<b>Educational Attainment-% with college degree+</b>	.218	.165	-.069	<b>.657<sup>+</sup></b>	<b>.505<sup>+</sup></b>	.274	.325	1.000	.135
<b>Total Group Population</b>	-.077	.051	.004	.161	-.074	.168	-.024	.135	1.000

<sup>+</sup>Moderate/strong relationship. Strata measured by race. Entrepreneurship measured by self-employment rate. N=1287, n=430 for the total population in all MSA's, n=430 for the High Strata group, and n=427 for the Low Strata group.

**Table 5: Correlation Matrix – High Strata Population in U.S. MSA's**

	Entrepreneurship	Economic Adversity (Recession-0 [No]; 1 [Yes])	Unemployment %	AGI <sup>+</sup>	Wealth-% with Interest Inc.	Wealth-Avg. Home Equity <sup>+</sup>	Wealth-% with Rental Inc.	Educational Attainment-% with college degree+	Total Group Population
<b>Entrepreneurship</b>	1.000	-.011	-.010	.229	.070	.062	.208	.267	-.019
<b>Economic Adversity (Recession-0 [No]; 1 [Yes])</b>	-.011	1.000	.222	-.164	-.214	.034	-.210	.152	.052
<b>Unemployment %</b>	-.010	.222	1.000	-.156	-.063	.277	.005	-.087	.023
<b>AGI<sup>+</sup></b>	.229	-.164	-.156	1.000	<b>.620<sup>+</sup></b>	.350	.375	<b>.629<sup>+</sup></b>	.144
<b>Wealth-% with Interest Inc.</b>	.070	-.214	-.063	<b>.620<sup>+</sup></b>	1.000	.282	.292	<b>.508<sup>+</sup></b>	-.069
<b>Wealth-Average Home Equity<sup>+</sup></b>	.062	.034	.277	.350	.282	1.000	.245	.213	.186
<b>Wealth-% with Rental Inc.</b>	.208	-.210	.005	.375	.292	.245	1.000	.292	-.032
<b>Educational Attainment-% with college degree+</b>	.267	.152	-.087	<b>.629<sup>+</sup></b>	<b>.508<sup>+</sup></b>	.213	.292	1.000	.062
<b>Total Group Population</b>	-.019	.052	.023	.144	-.069	.186	-.032	.062	1.000

<sup>+</sup>Moderate/strong relationship. Strata measured by race. Entrepreneurship measured by self-employment rate. N=1287, n=430 for the total population in all MSA's, n=430 for the High Strata group, and n=427 for the Low Strata group.

**Table 6: Correlation Matrix – Low Strata Population in U.S. MSA's**

	Entrepreneurship	Economic Adversity (Recession 0 [No]; 1 [Yes] )	Unemployment %	AGI <sup>+</sup>	Wealth-% with Interest Inc.	Wealth-Average Home Equity <sup>+</sup>	Wealth - % with Rental Inc.	Educational Attainment-% with college degree <sup>+</sup>	Total Group Population
Entrepreneurship	1.000	-.019	-.044	.085	-.053	.118	-.027	.072	-.012
Economic Adversity (Recession 0 [No]; 1 [Yes] )	-.019	1.000	-.019	.011	-.059	.037	-.009	.169	.035
Unemployment %	-.044	-.019	1.000	-.147	.098	.112	.009	-.152	-.060
AGI <sup>+</sup>	.085	.011	-.147	1.000	<b>.528<sup>+</sup></b>	.086	.100	<b>.508<sup>+</sup></b>	.042
Wealth-% with Interest Inc.	-.053	-.059	.098	<b>.528<sup>+</sup></b>	1.000	.124	.219	<b>.401<sup>+</sup></b>	-.038
Wealth-Average Home Equity <sup>+</sup>	.118	.037	.112	.086	.124	1.000	.129	.245	.022
Wealth - % with Rental Inc.	-.027	-.009	.009	.100	.219	.129	1.000	.205	.023
Educational Attainment-% with college degree <sup>+</sup>	.072	.169	-.152	<b>.508<sup>+</sup></b>	<b>.401<sup>+</sup></b>	.245	.205	1.000	.027
Total Group Population	-.012	.035	-.060	.042	-.038	.022	.023	.027	1.000

<sup>+</sup>Moderate/strong relationship. Strata measured by race. Entrepreneurship measured by self-employment rate. N=1287, n=430 for the total population in all MSA's, n=430 for the High Strata group, and n=427 for the Low Strata group.

**Table 7: Descriptive Statistics High Strata and Low Strata Entrepreneurship Rates**

	Mean	N	Std. Deviation	Std. Error Mean
<b>Entrepreneurship High Strata</b>	0.044	427	0.014	.001
<b>Entrepreneurship Low Strata</b>	0.024	427	0.039	.002
<b>Strata measured by race. Entrepreneurship measured by self-employment rate. N=854, n=427 for the High Strata group, and n=427 for the Low Strata group.</b>				

**Table 8: Paired Samples Test High Strata Compared to Low Strata**  
**t-test for Equality of Means (Difference Between Means  $\neq 0$ )**

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
<b>Entrepreneurship High Strata</b>	.019	.042	.002	.015	.023	9.533	426	.000
<b>Entrepreneurship Low Strata</b>								

Strata measured by race. Entrepreneurship measured by self-employment rate. N=854, n=427 for the High Strata group, and n=427 for the Low Strata group.

## Discussion

Generally, my findings demonstrate that there are distinctly different relationships between entrepreneurship and resource position variables, including wealth, education, and income, for high and low strata groups. In addition, they demonstrate that there are differences between the entrepreneurship strategies of high and low strata subsets of the population and the entire population as a whole. Perhaps the greatest insight that can be derived from my findings are shown in the converse relationships between wealth measured as home equity and entrepreneurship (which was positive and highly significant for low strata groups but negative though non-significant for high strata groups); and education and entrepreneurship (which was positive and highly significant for high strata groups while entirely non-significant for low strata groups) (See Table 1). Such results provide clear indications that one-size fits all research agendas are inappropriate in the entrepreneurship field. Further, they demonstrate that templated economic policies intended to spur entrepreneurial activity even within the same region, are likely to be ineffective, as the resource positions of different strata groups of entrepreneurial actors necessitate different incentives. My data indicates, for example, that primary residence home equity is likely to spur entrepreneurship among low strata groups but have no effect on the entrepreneurship of high strata groups. As such, home ownership, neighborhood improvement, and credit education/enhancement programs that increase the potential for new home ownership, and increase equity values and buffer the resource positions (wealth) of existing homeowners may be best suited for spurring entrepreneurship in markets with high percentages of low strata individuals. In contrast, my data demonstrates a highly significant positive relationship between wealth measured



as rental income and entrepreneurship among high strata individuals (while a negative though non-statistically significant relationship exists between entrepreneurship and rental income in the low strata group.) As such, incentives to increase multi-family, apartment, and other non-primary residence real property development may be more effective at encouraging increase the number of high strata groups in MSAs.

The primary theory of this paper that divergent entrepreneurial strategies would be employed by high and low strata groups is supported by my results demonstrating that there is no statistically significant relationship between education and entrepreneurship among low strata groups (negative relationship) while there is a highly statistically significant positive relationship between these variables among high strata groups. Such clear evidence of divergent entrepreneurial responses between strata groups highlights the needs for tempering overgeneralization of common findings, increased efforts to diversify samples, and the development of more group-based studies to analyze entrepreneurship in various large subsets of the population.

Perhaps the most surprising finding from this research is that there appears to be no support for the Simple Theory of Economic Choice. I found no statistically significant relationship between entrepreneurship and economic adversity measured as recession events in the total population, or in high and low strata groups. Even if economic adversity is measured by unemployment, as it has been in some studies, my research demonstrates that the theory does not appear to apply to the general population, or to subsets of it. The findings seem to indicate that something else, perhaps less tangible like entrepreneurial motivation (Shane, Locke & Collins, 2003; Locke and Baum, 2007), in

addition to the possession of various resources, may be propelling the entrepreneurship activity of most groups.

Though my findings demonstrate no support for the Simple Theory of Income Choice, the findings do illustrate noteworthy differences between the entrepreneurship of high and low strata groups in response to macro-economic conditions. They also provide support for my theory that the divergent resource positions that high and low strata groups of entrepreneurs have accumulated over time derived from their institutionally-assigned strata positions affects their entrepreneurship. In addition, my results demonstrate that the Resource Based View's concept of resource position barriers can be applicable to groups of firms, since strata position, as a collective resource for high strata enterprises, can serve as an acquisition mechanism for obtaining additional entrepreneurship-facilitating resources (like wealth, income, and/or education). These, in turn, can be collectively enacted by groups of high strata entrepreneurial actors as barriers increasing the costs of other entering or incumbent lower strata entrepreneurial actors (Wernerfelt, 1984). This was demonstrated by the fact that primary residence home equity appears to be a primary source of funding for the entrepreneurship of low strata groups, while this asset remains virtually untouched by high strata group members in their pursuit of entrepreneurship, and rental property equity (or revenues derived from secondary property ownership) seems to be a key impetus for entrepreneurship among the high strata group. (There is a positive relationship between wealth measured as home equity and entrepreneurship within the low strata group while there is no significant relationship between entrepreneurship and wealth measured as home equity among high strata groups. In addition, there is no relationship between wealth measured as rental

income and entrepreneurship among the low strata group, while there is a positive and highly statistically significant positive relationship between these variables in the high strata group.) Such findings affirm research on entrepreneurial context, much of which demonstrates that entrepreneurial actors derive their identities from their environment, and consequently, enact strategies based upon this identity and the conditions to which they are exposed (or, in this case, assigned) in their contexts (Welter and Smallbone, 2011; Moss, Short, Payne and Lumpkin, 2011).

### **Limitations**

There are limitations to this study. Though I was fortunate enough to obtain a rich dataset including self-employment rates and demographic characteristics of most U.S. M.S.A.'s with help from the Census Bureau's Data Ferrett team, statistically-reliable samples were not available for most other minority groups so they could be included in my regression analysis. This is due to patterns of immigration which have concentrated more recent arrivals of non-white ethnic groups to certain geographic areas, specifically to Southern and Western states proximal to Mexico and Latin America for Hispanics, and to California and the New York M.S.A. for significant numbers of Asians. Though it is unclear as to whether or not it would have been appropriate to categorize either of these groups as low, mid, or high strata in America's stratification system, not having them in my regression analysis limits the ability of these results to be generalized to other groups who have now entered this system and are actively engaging in entrepreneurship. Further research is necessary to better reflect the outcomes of resource position, economic adversity, and unemployment on the entrepreneurship of all strata groups.

## Conclusion

The findings in this study contribute to the entrepreneurship and strategy fields in several ways. First, they demonstrate that sample selection matters and that previous research indicating a significant, positive relationship between entrepreneurship and economic adversity, or entrepreneurship and unemployment may have been inappropriately generalized since this paper demonstrates that the relationship between these variables appears to be non-existent across groups within a society. In addition, though the results disconfirm a popular entrepreneurship research finding, they affirm the significant and positive relationship many entrepreneurship researchers have found between wealth and entrepreneurship, as strong support for this was found in the general population, and among both high and low strata groups. Still, however, this paper's findings demonstrate the caution with which even highly significant results should be generalized without a diverse sample selection. This especially the case when one considers that this paper finds that the type of wealth that has a positive relationship with entrepreneurship varies substantially by strata group. This divergence affirms the relevance of research on stratification to the entrepreneurship field.

The insight that entrepreneurial strategies and relationships between commonly used variables can vary vastly by strata is relevant to all entrepreneurship researchers. This is especially the case since globalization has increased the potential of observing diverse groups of entrepreneurial actors within both developed and developing nations. It is also relevant to researchers in countries like the U.S. where historically shaped, institutionally-salient stratification systems have assigned resource positions to entire groups of entrepreneurial actors creating path dependence for their entrepreneurial

strategies and success, and where immigration has increased the diversity of entrepreneurial actors fitting into the existent stratification system. This paper's empirical findings elevate the consideration of structural position as a primary explanatory factor for variation in entrepreneurial strategy and success by societal groups, and limits the validity of claims which attribute inequality of entrepreneurial performance by race or gender exclusively or primarily to the rational choice and inherent attributes of individual entrepreneurial actors.

Finally, this research affirms the important link between entrepreneurship and strategy research by demonstrating that accumulated resource advantages and resource position barriers, as theorized in the literature on the Resource Based View, can lead to sustained competitive advantage *for groups* of entrepreneurial actors and not just for individual entrepreneurial actors or firms. In addition, it demonstrates that diffuse and shared status advantage is itself a resource that can actually collectively benefit groups of entrepreneurial firms from the same strata across heterogeneous industries.

The global economic climate has simultaneously been amalgamated with the blessings of expansive entrepreneurial activity, including economic and institutional development, and the curse of increasing inequality. The goal of this research was to provide, at least in part, some knowledge of what constrains and enables entrepreneurial actors of different strata. Knowing this can enable governments and private institutions to enact strategies and academics to generate relevant research resulting ultimately in the increase of entrepreneurial opportunity across all groups, the reduction of inequality, and the stability of our increasingly global economic climate. Additional research that examines the relationships between entrepreneurship and various micro and macro

variables by strata is warranted to further advance our understanding of entrepreneurship across groups.

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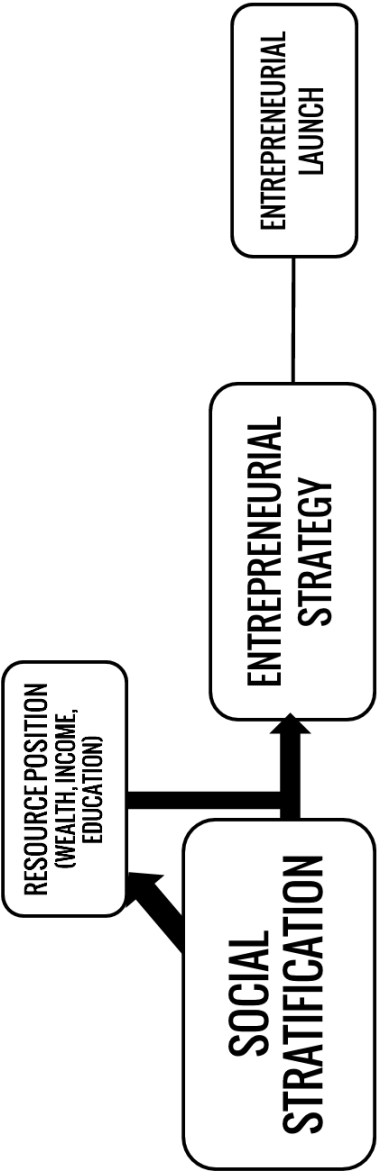
# Appendices – Study Three

## Table 9: Results Summary Table

Table 7: Results Summary Table					
Hypothesis	Group	Independent Variable	Dependent Variable	Statistic	Hypothesis Supported?*
H1a	High Strata	Economic Adversity (Recession)	Entrepreneurship	Regression	No
H1b	Low Strata	Economic Adversity (Recession)	Entrepreneurship	Regression	No
H1c		Social Strata	Entrepreneurship (During Economic Adversity)	Regression	Yes <sup>++</sup>
H1d		Social Strata	Entrepreneurship (Generally)	Regression	Yes <sup>++</sup>
H2a	High Strata	Unemployment	Entrepreneurship	Regression	No
H2b	Low Strata	Unemployment	Entrepreneurship	Regression	No
H3	All Actors	Economic Adversity (Recession)	Entrepreneurship	Regression	No
H4	All Actors	Unemployment	Entrepreneurship	Regression	No
H5a	High Strata	Resource Position-Income	Entrepreneurship	Regression	Yes <sup>++</sup>
H5b	Low Strata	Resource Position-Income	Entrepreneurship	Regression	Yes <sup>++</sup>
H6a	High Strata	Resource Position-Wealth (2nd property ownership)	Entrepreneurship	Regression	Yes <sup>++</sup>
H6a	High Strata	Resource Position-Wealth (Stocks & Investments)	Entrepreneurship	Regression	No <sup>++***</sup>
H6a	High Strata	Resource Position-Wealth (Home Equity)	Entrepreneurship	Regression	No
H6b	Low Strata	Resource Position-Wealth (2nd property ownership)	Entrepreneurship	Regression	No
H6b	Low Strata	Resource Position-Wealth (Stocks & Investments)	Entrepreneurship	Regression	Yes <sup>++</sup>
H6b	Low Strata	Resource Position-Wealth (Home Equity)	Entrepreneurship	Regression	No <sup>++***</sup>
H7a	High Strata	Resource Position-Wealth (Education)	Entrepreneurship	Regression	Yes <sup>++</sup>
H7b	Low Strata	Resource Position-Wealth (Education)	Entrepreneurship	Regression	No

\*Based on statistical significance <sup>++</sup>p ≤ .05, <sup>\*\*\*</sup>in opposite direction.

Figure 1: Model Depicting Findings



### **Dissertation Conclusion**

That every dreamer's good idea has the opportunity for success is at the heart of the American dream (Ravlin and Thomas, 2005). The U.S. was built by entrepreneurs and fueled by their innovations (Ross, 1987; Shane, 1992). Thus, the belief that entrepreneurial actors are personally responsible for their own economic outcomes is diffuse (Ravlin and Thomas, 2005). However, a closer inspection of these egalitarian espousals may yield a different view. Research conducted prior to this dissertation demonstrates that some actors are more likely to become entrepreneurs than others and that some entrepreneurial organizations are more likely to be successful than others (Cooper and Woo, 1988; De Nardi, Doctor, and Krane, 2007; Zammuto, 2007). Based on the American ideal, these observed differences should be due to differences in inherent capabilities. Yet, the differences that we observe are often due to differences in the possession of resources—tangible and intangible.

Tangible resource variables like wealth, income, and education are often inspected in management literature for their impact on entrepreneurial activity (De Nardi, Doctor, and Krane, 2007; Evans and Leighton, 1990; Faria, Cuestas and Mourelle, 2010; Fee and Schweitzer, 2011; Highfield and Smiley, 1987). Each of these variables has been found to have a statistically significant, positive impact on entrepreneurship—relationships which have been further affirmed by findings in this dissertation. However, limited research has focused on the noticeable inequality that exists between groups of individual entrepreneurs and enterprises in terms of resources. Furthermore, limited research has been conducted to analyze how these resources are acquired, how these differences are perpetuated, and how they result in differential strategies and outcomes.

This inequality between groups of entrepreneurial actors demonstrates the importance of an intangible variable that has less often been studied *as a resource* in entrepreneurship and to which I have dedicated this dissertation: *status*. Prior management research analyzing status has largely focused on observable effects within organizations driven by different status positions held by individuals (i.e. managers) (Jayaraman, 1995; Dess, Lumpkin & Covin, 1997; Galperin et al., 2011) or the impact of firm or brand status on the competitive advantage and strategic decisions of individual firms (Fombrun and Shanley, 1990; Dimov et al., 2007). However, sparse research in management or entrepreneurship has focused on the impact of status differences on strategy *between groups of firms* or the shared benefit that groups of firms with the same status can derive *regardless of their industries*.

### **Stratification as a Missing Element in Entrepreneurship and Management Research**

This dissertation's analysis of the impact of social stratification on entrepreneurial strategy is an attempt to fill a void in current entrepreneurship and management research. Social stratification "refers to macro-level differentiations between levels within a society" (Ravlin and Thomas, 2005). Groups of individuals posited in these different levels possess different status positions within society, and, correspondingly, have different opportunities and levels of social and economic resources (Massey, 2007). "Most stratified structures resemble some form of pyramid" and are characterized by inequality of opportunity (Ravlin and Thomas, 2005). "Typically, it is difficult or impossible to move from one level to another; and in general, it is more difficult to move from a lower stratum to a higher one, although mobility is dependent on the specific culture of interest. Different strata demonstrate clear social and economic inequalities,

and *these inequalities extend into organizational life*” (Ravlin and Thomas, 2005). As such, the status individuals or groups derive from their position in a social stratification system is clearly an intangible resource relevant to the actions of entrepreneurial actors.

Yet, social stratification is largely absent from management and entrepreneurship research. This omission is in spite of the fact that one of social stratification’s key founders is Max Weber (Weber, 1921), a founding theorist in management who defined the rational-legal bureaucracy upon which all of management strategy is based. Perhaps a reason for social stratification’s absence in management research, despite its use and acceptance in other social sciences, is its incongruence with the ideal of egalitarianism and the coinciding paradigm that individuals are personally responsible for their economic outcomes that pervade American society and management thought (Ravlin and Thomas, 2005). However, since vast inequality still persists between strata groups of entrepreneurial actors, even between groups perceived to have “equal opportunity,” (Heilman and Chen, 2003; Fairlie, 2005; Mayoux, 2008; Naud, 2010) social stratification is a possible explanatory variable that should be explored in entrepreneurship and management.

### **Social Stratification and Race, Gender, and Economic Class Variables**

Those who argue for the irrelevance of stratification in management and entrepreneurship point to its seeming redundancy when variables like race, gender, and economic class would suffice. However, though social stratification can be represented by race, gender, and economic class in the U.S. context, these variables are not equivalent substitutes for one another. Further, the use of race and gender alone in the American context have become laden with societally-driven attributions of cultural affinities,



gender abilities, and work-ethic divergences. These attributions essentially assess blame for economic success or failure to gender or race characteristics, and do not take into account the role of social structure or instances where relative equality exists on all other fronts (i.e. income, education, performance) and divergent outcomes still result between high and low strata groups or group members. The exclusive use of race, gender, or economic class as explanatory variables for economic outcomes without considering a society's social stratification context does not take into account the rigid maintenance of group opportunity and socialization structures. These structures benefit those with higher status with opportunities often driven by perceptions of capabilities they may or may not possess, disadvantage those with lower status with fewer opportunities often driven by perceptions of the lack of capabilities they may or may not possess, and dictate the socialization processes to which members of higher and lower status groups are subjected (Ravlin and Thomas, 2005; Massey, 2007; Pratto, Sidanius, and Levin, 2006). Further, as each nation possesses its own stratification system based upon enduring, historical social divisions (Massey, 2007), variables like race, gender, and economic class may be entirely irrelevant to status between entrepreneurial actors in different cultures where divisions are enacted upon other categories.

The inclusion of stratification in entrepreneurship research, as I have done in this dissertation, will encourage analysis of structural constraints and enablements to obtaining entrepreneurship-facilitating resources and help explain why different strategies emerge between groups of entrepreneurial actors. This is an important step for critical management research (Alvesson & Deetz, 2000) as we seek to determine all potential causes of strategy differences between groups of entrepreneurial actors.

### *Stratification in a Multi-racial Context*

Regardless of what categories a society uses to group sets of actors by status in its stratification system, the most polar groups are the benchmark upon which researchers can best observe the differences in resources and outcomes that stratification yields (Tilly, 1998). Thus, as American society is saliently stratified based on race, gender, and economic class, then the most extreme and telling differences that can be observed would be between white and black, male and female, and high economic class and low economic class groups of entrepreneurial actors (Tilly, 1998; Massey, 2007; Pratto, Sidanius, and Levin, 2006; Robinson, Blockson, and Robinson, 2007). Consequently, research focused on analyzing differences between these most polar groups, as was done in this dissertation, would best demonstrate the impact of status on strategy and would be highly informative for the field.

However, the inclusion of all existing groups in American society, including nascent and/or smaller population minority groups is extremely important for understanding the dynamics stratification causes among groups of actors. In the late 20<sup>th</sup> century, a number of researchers in the social sciences began extending stratification theory to a multi-racial context and focused largely on the intergroup conflict for resources that has resulted from the immigration of Asians and Hispanics to the U.S. (Bobo & Hutchings, 1996). Similar research should be explored in entrepreneurship and management.

When conducting this research, it is important to note that all groups of actors entering a stratified society, whether they choose it or not, are categorized based upon the existing stratification system and are designated as lower status than the dominant group.

Whether they are considered *higher* or *lower* strata depends upon (1) the extent to which they are perceived by the dominant status group as most like or least like the existent categories, and (2) the level of threat they pose to the dominant group (Bobo & Hutchings, 1996). Consequently, much stratification research has characterized Asians as higher strata than Hispanics and blacks but lower than whites. Hispanics are in a more nebulous position, sometimes placed higher and at other times equivalent to or lower than blacks (Bobo & Hutchings, 1996; Sidanius and Veniegas, 2000; Sakamota et als, 2009; Hao, 2007).

Recent immigration demographics and the U.S. political climate appear to have made the categorizations of these “middleman minority groups” (Bonacich, 1973; Wong, 1985) more salient than in previous years. In particular, the immigration of wealthier, educated Asians in the late 20<sup>th</sup> to early 21<sup>st</sup> centuries (Hao, 2007), the nascent but rapid economic success of Chinese, Japanese, and South Korean firms post World War II (Peng, 2012), in addition to the exploitation of India as a technological outsourcing hub by Western firms (Sepehri et als, 2011), appears to have afforded all Asians in the 21<sup>st</sup> century American stratification context categorization as a *higher* strata group between whites and blacks (Hao, 2007; Sakamota et als, 2009). This categorization is in spite of the developing/emergent country status of all the formerly mentioned countries, with the exception of Japan (Kharas, 2010), the still prevalent negative stereotyping of Asians in American media, and the social distance Whites express they feel toward Asians as a highly racially distinct group (Bobo & Hutchings, 1996). Conversely, the universal developing country status of Latin American nations (Kharas, 2010), the prevalence of Hispanics of African descent (Survey, 2011), the immigration of

lower-educated, lower-skilled Hispanics and their lower overall educational attainment in the U.S. of all groups (Johnson, 2013), appear to have afforded Latinos categorization as a *lower* strata race group (Waldinger, 2001; Hao, 2007). Recent observable trends in Census Bureau data corroborate these categorizations with telling differences in economic resource acquisition between whites and Asians and blacks and Hispanics (Survey, 2011). (See Table 1).

### ***The Impact of Stratification on Immigrant Economic Actors***

Research on stratification confirms that societally-imposed group category assignments impact the long-term economic success of entering immigrants, regardless of the economic resources they possessed upon entering a stratification context (Waldinger, 2001; Hao, 2007). In fact, the impact of stratification is so significant on immigrants that wealthier, higher-educated Africans lose the benefit their initial economic status afforded them upon entering the U.S. by the second generation because of American society's dogged classification of all blacks as lower status (Hao, 2007). Lower-educated, poorer Asian immigrants, particularly post 20<sup>th</sup> century, appear to have a converse incremental social and economic benefit (Hao, 2007). Such societally imposed group benefits and detriments are worthy of study, as they inevitably impact entrepreneurship among groups.

Since the impact of stratification on the economic activity of groups can be so significant, multi-racial stratification studies should become a norm in the field. It is important to note, though, that American society's shift from a segregated bi-racial to a congregated multi-ethnic society with a minority to majority population shift occurring as soon as mid-21<sup>st</sup> century threatens to dismantle all historically established racial stratification categories (Yen, 2013). The growth of an ambiguous racial category labeled

as “other” or “residual” in Census Bureau surveys and the fact that this group tends to do better economically than those labeled as “lower” strata racial groups is telling of America’s multi-ethnic future (Survey, 2011). (See Table 1). Whether these changing demographics will change the manner in which stratification is enacted in American society is yet to be seen.

### **Operationalizing Social Stratification in Management and Entrepreneurship**

#### **Research**

Consistent with the manner in which I have operationalized stratification in this dissertation, future management and entrepreneurship researchers can operationalize the hierarchical categories stratification creates in societies as variables for status (high or low; higher or lower) and comparisons can be conducted between groups. Social stratification can also be operationalized as a variable for entrepreneurial context, and, in such case, it would be an antecedent to entrepreneurial strategy. Though this dissertation research focuses on the U.S. context, analogous stratification categories can be identified in most societies, and the impact of status on groups of economic actors can be readily observed and analyzed. Differences between groups based upon ascribed strata variables (those that are the basis for permanent categorization that cannot be changed, i.e. race and gender) should be compared to differences between groups based upon achieved strata (flexible categorizations from which actors can move by choice or effort, i.e. economic class) (Massey, 2007). Such comparisons would further illustrate the strategy divergences that status assignments cause in society between groups of entrepreneurial actors.

#### **Linking Social Stratification with Strategic Management Research**

Since strata position, like family capital and reputation, is an intangible resource that facilitates the acquisition of other resources (Hoffman et al., 2006; Galbreath and Galvin, 2004), studies linking social stratification and the Resource Based View, as in study three of this dissertation, can offer insight to strategic management. Though the Resource Based View emphasizes how the possession and strategic wielding of resources can lead to competitive advantage for individual firms (Barney, 1991), stratification demonstrates that the Resource Based View can be extended to groups of economic actors. This extension is possible because high strata position, particularly when it is based on an ascribed category like race or gender, is a group-based resource that is inimitable, non-substitutable, and restricted in its portability and replication (Barney, 1991; Barney, 2001). Such a resource inevitably impacts strategy as it can lead individuals or groups that possess it to higher returns than other resources they possess (Wernerfelt, 1984). Further, stratification maintains group-based differences by bolstering the resource position of individuals designated as members of the highest strata group and enabling them “to enjoy the protection of a resource position barrier” (Wernerfelt, 1984). This barrier “makes it more difficult for others to catch up” by adversely affecting “the costs and/or revenues of later acquirers” (Wernerfelt, 1984). Though this dissertation primarily emphasizes the relationship between stratification and the Resource Based View, further research should be conducted to illustrate the natural links that exist between research on social stratification and other strategic management theories.

### **Contribution of Studies in this Dissertation**

Social stratification has an observable and statistically verifiable impact on the strategies of entrepreneurial actors, as demonstrated by findings in each study of this dissertation. Study one demonstrates this with statistically significant findings of differences between the group-interest, self-interest, commercial entrepreneurship, and economic value creation emphases of high and low strata social enterprises. Study two demonstrates this with findings that the social issue emphases of enterprise leaders differ by strata. In particular, the study found statistically significant evidence that high strata leaders' affective concern for international social problems and distal social problems is higher than low strata leaders' affective concern, and that low strata leaders' affective concern for poverty-related social problems is higher than high strata leaders' affective concern. Finally, study three supports this dissertation's central premise with statistically significant evidence that high strata and low strata groups of economic actors implement different entrepreneurial strategies based on their possession of different group-based resources. The study found that converse relationships exist between entrepreneurship and wealth (when measured as home equity), entrepreneurship and education, and entrepreneurship and wealth (when measured as rental income) for groups of high and low strata actors. In particular, home equity spurs the entrepreneurship of low strata groups while having no effect on the entrepreneurship of high strata groups, and education and rental income spur the entrepreneurship of high strata groups while having no effect on the entrepreneurship of low strata groups.

Since strata seems to be so impactful on the actions of entrepreneurial actors, both the legitimacy and quantity of inquiries investigating the relationship between

entrepreneurship and stratification in the fields of management and entrepreneurship should increase. I intend to dedicate much of my future academic research to this pursuit.



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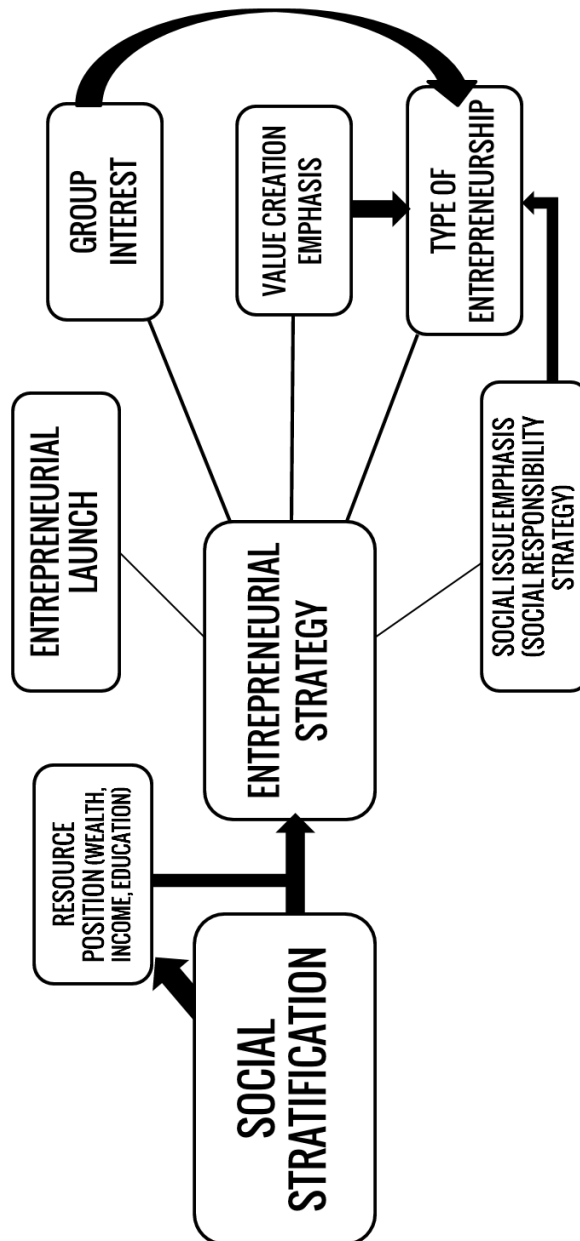
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\*References included for Introduction & Conclusion.

## Appendices – Dissertation Conclusion

Figure 1: Model of Dissertation Findings



**Table 1: Mean Value of Assets for Households by Type of Asset Owned and Selected Characteristics: 2011**

Characteristic	Net Worth (Excluding Equity in Net Worth Own Home)	Interest Earning Assets at Financial Institutions	Other Interest-Earning Assets	Regular Checking Accounts	Stocks and Mutual Fund Shares	Equity in Business or Profession	Equity in Motor Vehicles	Equity in Home	Rental Property Equity	Other Real Estate Equity	U.S. Saving Bonds Accounts	IRA or KEOGH Accounts	401K & Thrift Savings Plan	Other Assets
TOTAL	338,950	255,843	22,170	803,641	2,659	228,643	180,046	8,418	370,013	171,529	6,103	166,451	119,799	154,524
<b>RACE AND HISPANIC ORIGIN OF HOUSEHOLDER</b>														
White Alone	389,092	298,274	23,831	862,722	2,783	242,600	175,925	8,795	381,991	176,179	6,041	179,791	132,007	154,936
White Alone (Not of Hispanic Origin)	435,169	336,435	25,410	881,816	3,057	247,389	178,840	9,126	389,995	178,338	6,070	184,725	139,762	160,322
Black Alone	84,378	49,119	8,628	(B)	1,193	93,997	194,077	5,384	286,671	88,731	7,255	39,423	45,274	(B)
Asian Alone	272,844	172,052	27,408	(B)	4,760	111,605	268,577	10,113	299,191	(B)	(B)	66,259	82,365	(B)
Other (residual)	139,127	80,858	10,679	(B)	1,833	89,080	158,308	6,774	(B)	(B)	(B)	64,965	56,231	(B)
Hispanic Origin	85,958	48,264	9,177	(B)	1,079	67,116	144,253	6,274	244,042	118,974	4,808	64,978	41,834	68,583
Not of Hispanic Origin	373,056	283,827	23,474	821,602	2,882	232,933	183,983	8,679	377,494	173,731	6,134	170,735	125,918	159,358

**NOTE:** In dollars. Excludes group quarters. (B) - Base is less than 200,000 households. Individual outliers that highly influenced the mean value for asset categories were excluded. "Other Assets" includes mortgages held for sale of real estate amount due from sale of business or property, and other financial assets. Federal surveys now give respondents the option of reporting more than one race. There are two basic ways of defining a race group. A group such as Black may be defined as those who reported Black and no other race (the race-alone or single-race concept) or as those who reported Black regardless of whether they also reported another race (the race alone-or-in-combination concept). This table shows data using the first approach (race-alone). The use of the single race population does not imply that it is the preferred method of presenting or analyzing data. The U.S. Census Bureau uses a variety of approaches. Because Hispanics may be any race, data in this table for Hispanics overlap slightly with data for the Black population. Data for American Indians and Alaska Natives are not shown because of their small sample size. The race or Hispanic origin of the household designates the race or Hispanic origin of the household. The estimates in this table are based on responses from a sample of the population and may differ from the actual values because of sampling variability and other factors. As a result, apparent differences between the estimates for two or more groups may not be statistically significant. For information on sampling and nonsampling error see: <http://www.census.gov/ipeds/data/ipeds.html>

**Source:** U.S. Census Bureau, Survey of Income and Program Participation, 2008 Panel, Wave 10

**Internet Release Date:** 3/21/2013

**Updated:** May 13, 2013. Estimates for income quintiles were updated after correcting for an inconsistency in how the cut-off points for income quintiles were set.

(Survey, 2011).



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