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Understanding Established Firms' Employment Practices and Cultures to Scale Social Enterprises

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UNDERSTANDING ESTABLISHED FIRMS' EMPLOYMENT PRACTICES
AND CULTURES TO SCALE SOCIAL ENTERPRISES

By

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A capstone project submitted for
Graduation with University Honors

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Introduction

With the scope of impact of social enterprises constrained to the local region due to scarcity of resources and funding, it is surprising that more research has not been conducted on the use of employees as a scaling mechanism. Using a GDQ methodology to characterize the employment cultures of nine well-established for-profit firms and social enterprises, this paper intends to open discussion surrounding the influence leadership has on employee engagement in relation to company growth. Measuring employee engagement with Glassdoor ratings of the sample companies, I expected participative leadership to positively influence employee perceptions of their firm and authoritarian leadership to negatively influence it. However, the results proved that higher levels of authoritarian management only significantly influence employees' approval of their CEO. This paper thus provides a preliminary assessment of the factors that influence employee perception about their company in the social enterprise context, which could affect the marketability of the company to investors and potential talent.

Literature Review

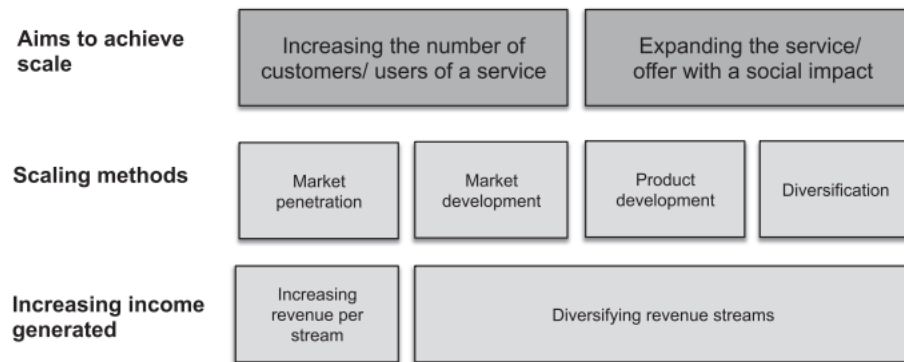
As social enterprises and their impact gain momentum within the business world, research regarding the firms has developed as well. Early research on social enterprises concentrated first on defining the business model and its legitimacy (Dart, 2004), then on the typology of social entrepreneurs themselves (Zahra, Gedajlovic, Neubaum, & Shulman, 2009; Yitshaki & Kropp, 2016). Recently, the literature has shifted to address the question of managing and scaling these beneficial corporations (Smith, Besharov, Wessels, & Chertok, 2012). Many researchers compile case study evaluations on

successful companies’ strategies and organizational competencies, although some apply quantitative analysis as well. Despite the expanded research topics, noticeable gaps continue to exist regarding the social enterprise’s day-to-day management and the role of the employee in scaling.

Typical Methods for Scaling Social Enterprises

Social enterprises need to scale to achieve sufficient economies of scale that will equip them to maximize the scope of their solutions to social problems. However, while for-profits regard scaling as attracting more consumers or increasing sales, I will use Bocken, Fil, & Prabhu’s (2016) definition of the term as “increasing the number of customers or members of a business as well as expanding its offer and maximizing its revenues until it reaches millions of people.” Their paper presents the following visual when summarizing the typical scaling strategies of social enterprises:

N.M.P. Bocken et al. / Journal of Cleaner Production 139 (2016) 295–308



While all start-up companies engage in a mixture of these strategies to grow, the specific order can depend on the organization’s mission. A company with a broad purpose, such as alleviating poverty, is more likely to diversify its activities than one with

a straightforward mission, which enables it to expand its service to more beneficiaries (Bocken, Fil, & Prabhu, 2016).

The firm's stage of development also affects its choice of scaling method. As they mature, firms will prioritize market penetration and resource optimization to maintain their social mission and competitive advantages (Bocken, Fil, & Prabhu, 2016).

The approach used by Bocken et al. (2016) focuses on corporate strategy as a means of growth, but the company's top management must design the business plan before they can reap its benefits. Bloom and Chatterji (2009) expand on the external and internal drivers of scalability through the acronym SCALERS: Staffing, Communications, Alliance building, Lobbying, Earnings generation, Replication, and Stimulating market forces. Because this paper addresses the role of the employee in corporate development, I will focus on the driver Staffing, which reflects on "...the effectiveness of the organization at filling its labor needs, including its managerial posts..." (Bloom & Chatterji, 2009). Although Bloom and Chatterji portray social enterprises' employees as laborers in the supply and demand context, middle managers and general staff can act as a strategic asset to the company if engaged properly.

The Important of Employee Engagement

A corporation's workforce is potentially its greatest asset. Their firsthand knowledge and experience give them an in-depth perspective on not only the company's strengths and weaknesses but its overall alignment with its mission and values. They are the best equipped to evaluate its ability to achieve organizational goals (Kataria, Rastogi, & Garg, 2013).

If the employees are a valuable asset, then the engaged employee must be a core competency. Defining engagement as “a positive fulfilling, work related state of mind characterized by vigor, dedication, and absorption,” this type of employee is fulfilled by their work and has difficulty detaching from it (Schaufeli et al., 2002). These individuals are often passionate about their organization and display strong involvement in its activities, devoting substantial time and energy into each task. Because they are invested in the future of the firm, engaged employees exhibit high levels of initiative. As such, they are more productive and contribute more than average (Kataria, Rastogi, & Garg, 2013). Comparing the benefits of engaged employees to the pitfalls inflicted by the disengaged, it is not surprising that employee engagement constitutes a major component of an organization’s success (Grumen & Saks, 2011).

With those who are engaged with the company upon hiring, social enterprises need only to build upon that foundation to sustain an advantage against competitors. Therefore, it is crucial that top and middle management tailor their leadership styles toward maintaining employee engagement.

Influence of Leadership Style on Employee Engagement

Leadership is often categorized as a single set of managerial behaviors toward subordinates, depending on the freedom given in decision-making and work allocation (Liu, Lepak, Takeuchi & Sims, 2003). However, different terms are given to varying degrees of what are ultimately the same style. Leaders who express top-down management and control decision-making without outside input, for instance, can be cited as resorting to directive style, authoritarianism (also known as autocracy), or Theory X management (Thépot, 2008; Liu, Lepak, Takeuchi & Sims, 2003). Participative and

transactional managers, on the other hand, reminisce of Theory Y management theory because they actively engage their staff when making decisions to align nonmanagers' self-interest with organizational objectives (Thépot, 2008; Liu, Lepak, Takeuchi & Sims, 2003; Long & Thean, 2011). However, the participative style can quickly slide into laissez-faire when the leader surrenders their power over decision-making and allows the workers an excessive amount of freedom over their workload. Lastly, similarities exist between Theory Z management and transformational leadership in that both methods leverage employees' involvement in an organization (England, 1983; Thépot, 2008). Both trends embody self-actualization, collaboration, and engagement as central themes (England, 1983; Thépot, 2008; Long & Thean, 2011). With these terms in mind, it will be easier to understand the different styles' influence over worker engagement.

Certain leadership methodologies are recognized within the for-profit literature as conductors of employee engagement while others are denounced as detractors. In general, transformational leadership seems to support employee engagement the most. As the foil to transformational management, authoritarianism is typically associated with undervalued team members, managerial inflexibility and egotism, and overall organizational ineffectiveness.

Hypotheses

H1: Participative leadership will positively influence employee perceptions about their company.

H2: Authoritarian leadership will negatively influence employee perceptions about their company.

Methodology

Sample

The sample included the manager and subordinate populations of two public and seven private companies, totaling to nine. I derived six of the sample companies from the GameChangers500 online index, a growing database that ranks and displays the best practices of “for-benefit” organizations and experts who maximize social impact rather than revenue (About | GameChangers, n.d.). At the time the sample was chosen, GameChangers500 listed Etsy, Guayaki Yerba Mate, Institute for Integrative Nutrition, Patagonia, Recology, and RecycleBank as top companies for employee empowerment. These firms were recognized to empower employees through a variety of initiatives: values-driven hiring, strengths assessments, a purpose-driven culture, performance recognition, opportunities for professional growth and learning, support for personal growth and learning, and servant-style (participative) leadership (source no longer exists). Although GameChangers500 has since updated and reorganized its database, these companies each maintain a social mission, thus representing social enterprises in the sample.

The other three companies in the sample (Google, Acuity, and Boston Consulting Group) were listed as the top three on Fortune’s 2016 List of “100 Best Companies to Work For.” Each year, Fortune collaborates with Great Place to Work to evaluate firms’ employee attitudes, management, work environment, and employee culture through the Trust Index Employee Survey and the Culture Audit (Noyan, 2016). Because these companies were founded without a social mission, Google, Acuity, and Boston

Consulting Group provide a comparison opportunity by representing traditional for-profits within the sample.

These nine companies constitute a range of sizes, industries, and missions, with an average of \$16.41 billion in revenue and \$629,150 revenue per employee in 2015. Each company's raw data was first drawn from packets of articles on its employee culture, from recruitment to management and discharge, and then subjected to a Q-sort methodology. Performance measures such as revenue, revenue per employee, and return ratios were acquired from MergentOnline and the companies' Annual Reports.

Measures

Independent Variables: Autocratic vs. Participative Leadership

To explore the dynamics within a company's employee culture, I utilized a Q-sort methodology. Originally designed for evaluating personality, Q-sort has been adapted for a variety of organizational contexts (Peterson, Owens, & Martorana, 1999). Although many studies apply this methodology to detect overall themes within the organization, some use it to enhance the profile of individual factors like person-job and person-organization fit (O'Reilly III, Chatman, & Caldwell, 1991; Barrett, 1995) and employee retention (Sheridan, Proenca, White, & McGee, 1993).

Specifically, this paper applies the Group Dynamics Q- Sort (GDQ; Peterson et. Al., 1998) to the employee context. From the GDQ packets, I evaluated a sample company using 100 items within the GDQ, which are presented on cards that contain two opposing statements on the top (the upper statement) and the bottom (the lower statement). The GDQ enforces a normalized distribution by requiring the rater to rank each item on a scale of 1 to 9 and allocate a specified number of cards per rank. A rank of

1 means that the upper statement describes the group the best, 5 is neutral, and 9 indicates that the lower statement describes the group the best. As the “extremely characteristic” categories, 1 and 9 contain the least number of items; from there, the allotted number increases to 18 in the neutral category. Although I singly completed the GDQ for the sample, requiring raters to conform to this distribution normally enhances reliability between their results (Peterson et al., 1999).

The GDQ is an ideal methodology for this paper because it has the most potential to comprehensively illustrate company’s employee cultures while leaving room for future study on the subject. Case studies can construct a wonderfully intricate story about the phenomena within a corporation, but comparison between studies using this methodology are nearly impossible due to the variation in scholarly presentation and interpretation of the account (Peterson et al., 1999). Although rich in qualitative information, case studies can only incrementally contribute to the existing discussion on a topic because researchers are unable to compare the case studies with differing companies, industries, and time periods objectively and systematically (Peterson et al., 1999). However, that is not to say that strictly empirical approaches are without flaw. Every study needs to provide context around its data and variables; researchers who must create their own data can experience limitations such as intense specificity within the study or a lack of access to subjects for data generation (i.e. questionnaires). By melding the rich detail and context from case studies with the “rigor” and objectivity of the quantitative approach, the GDQ’s standard metrics and comparative language addresses both methods’ weaknesses while combining their strengths (Peterson et al., 1999).

To weigh the influence of leadership within each sample company, the GDQ's assessment of the degree of leadership weakness and strength acts as the independent variable. Peterson et al. (1998) define leader weakness and strength (LWS) as the "leader control over the organization [with] a more directive approach to subordinates," meaning autocratic-style management. The GDQ contains six items that specifically describe the different behaviors exemplary of authoritarian versus democratic leadership; I provide two examples below:

Upper statement: The leader is often ignored or even overruled by group members.

Vs.

Lower statement: The group displays automatic and unquestioning obedience toward the leader. (Note: Code as neutral if the group leader can general expect deference but does not have license to rule arbitrarily.)

and

Upper statement: Members harbor serious doubts about the leader's effectiveness.

Vs.

Lower statement: Group members are convinced that the leader possesses skills that are critical for achieving group goals.

In accordance to the methodology, I referred to various business news sources, company websites, and UC Riverside's library databases when collecting news articles for the GDQ packets. With a time range of early 2000's to the end of 2016, I sought to

include qualitative information that covered the average employee's experience with the company and its leadership from recruitment to discharge or retirement. This includes the firm's hiring practices, management and communication styles, the priorities and values of both the organization and its employees, and overall employee engagement levels. The packets' qualitative information was derived from business periodicals (i.e. *Forbes*, *Fortune*, *HBR*, and *Business Insider*), well-known news sources (i.e. *Huffington Post*, *LA Times*), and industry- and company-related blogs and websites addressing corporate employment practices. Each packet was designed to contain at least ten articles and to include as many first-person accounts as possible to maximize authenticity of the data.

The author individually compiled and coded the article packets for the GDQ. Using a deck of 100 GDQ cards, I assessed the validity of the upper statement against the lower statement regarding each sample company and sorted the deck into three stacks. The first stack characterized the company as aligning with the upper statement, the second contained statements that were either inapplicable or conflictingly applicable and thus rendered neutral, and the final characterized the company as aligning with the bottom statement. I then prioritized the GDQ cards as extremely, highly, moderately, and slightly characteristic of the company within the first and third stacks, using only the information found in the GDQ packets as references for each item.

Although the compilation and codification of the packets were performed by the author, the actual conversion of the raw data into the independent variables' values was performed by the overseeing mentor to eliminate a degree of bias.

Dependent Variables: Glassdoor Ratings

The dependent variables were gathered from Glassdoor.com, a job and recruiting website that collects user feedback on companies' management, operations, and treatment of employees within a growing database (Glassdoor, Inc., n.d.). Glassdoor ratings have been used in several studies as a measure of employee satisfaction and engagement (DeKay, 2013; Luo, Zhou, & Shon, 2016) and organizational attraction to job-seekers (Colley, 2016).

While users are encouraged to post balanced reviews annually and in relation to different categories, every post must pass a two-step moderation process (Glassdoor, Inc., n.d.). The first step involves a review by proprietary technology and then, if the post fails that, by a Glassdoor employee (Glassdoor, Inc., n.d.). Proprietary technology filters and algorithms are also employed to detect attempted abuse and gaming of the site (Glassdoor, Inc., n.d.).

Each company listed on Glassdoor receives an out-of-five-stars rating on the following categories: Overall Rating, Cultures & Values, Work/Life Balance, Senior Management, Compensation & Benefits, Career Opportunities, Recommend to a Friend, CEO Approval, and Positive Business Outlook. These ratings are based on the average scores assigned by users. Because I did not expect significant differences between our independent variable, LWS, and dependent variables (the Glassdoor ratings), I included all the scores listed on each company's Glassdoor profile as the values for our dependent variables without alteration.

Control Variables

In comparing our sample companies to each other, I first controlled for the difficulty associated with conducting each GDQ. I then controlled for corporate financial

performance using Revenue and Revenue per Employee for 2011 and 2015, which were drawn from PrivCo, a financial database for major privately-held companies. Because nearly all our sample companies are privately held, ROA, ROE, and ROI data could only be found for Etsy and Google, which are both publicly traded. Even so, I found that the controls proved effective.

Results

With the independent and dependent variables identified, I used a Statistical Package for Social Sciences (SPSS) to calculate the correlations between the two groups, which can be viewed in Table 1 in Appendix 1. The independent variables of authoritarian versus participative leadership were collectively represented within the GDQ's leader weakness-strength (LWS) measure. Contrary to my hypotheses, the sample companies demonstrated high negative correlations regarding LWS, which indicated high levels of autocratic management. The prominence of LWS in the correlation testing prompted the study's focus on this independent variable during the linear regression testing, which was conducted to determine whether LWS could contribute to predicting the Glassdoor variables.

The difficulty of completing the GDQs (Difficulty), revenue for 2011 and 2015 (Revenue), and revenue per employee for 2011 and 2015 (RPE) were all utilized as controls within the linear regressions. As demonstrated by Table 2 in Appendix 1, LWS maintained varying levels of statistical significance when paired with Difficulty, Revenue for 2011, and RPE for 2011. Because LWS experienced statistical significance for fewer Glassdoor categories when paired with Difficulty, yet also for more dependent variables when paired with RPE for 2011, I thought it would be beneficial to combine controls in a

separate linear regression. After controlling for both Difficulty and RPE for 2011, the results in Table 3 in Appendix 1 demonstrated a moderation between the two tests. Difficulty maintained marginal statistical significance for the Glassdoor categories Overall Rating and Culture & Values, and RPE for 2011 showed marginal significance for Senior Management, Compensation & Benefits, and CEO Approval. LWS, however, showed marginal statistical significance for Recommend to a Friend and Positive Business Outlook but also high significance for CEO Approval. Therefore, we can reasonably conclude that autocratic leadership significantly influences an employee's approval of their company's CEO. While this outcome was unexpected relative to the paper's hypotheses, it does address the overall research question on the role of the employee in a scaling company.

Discussion

Despite the scholarly consensus on its obsolescence, several studies have found autocratic management as a beneficial approach in specific contexts. For example, Liu et al. (2002) found that overseers typically resort to directive management when working with contracted or franchised (Peris-Ortiz, Willoughby, & Rueda-Armengot, 2012), given the short-lived, results-driven nature of the relationship. Because the expectations of both parties are clearly outlined in the contract, there is little need for further investment from either constituent. Fluctuating or turbulent environments, such as a merger and acquisition or a company turnaround, can also benefit from this type of structure. In this case, the hierarchy established by authoritarian leadership can provide their subordinates with a sense of stability and direction (De Hoogh, Greer, & Hartog, 2015). Low levels of power struggles between group members and supervisors allow for acceptance of the

group's structure, which clarifies expectations on everyone's roles and responsibilities and allows for greater accountability (De Hoogh et al.,2015).

Conclusion

Limitations

While the results pose interesting points of discussion, there are several limitations embodied within the study. First, the sample size and composition of the sample limits their comparison value. The sample consisted of various sizes, industries, social missions, and a mixture of public and private companies, which not only limited the comparison value within the sample but also complicated the creation of control variables for financial performance. The resulting bias reduces the overall applicability of the results in that it is more difficult to generalize about management development within the social enterprise context. Furthermore, the methodology contains substantial risk of bias because the GDQ packets were researched, compiled, and coded by a single person when the process is normally group-oriented. The researcher's singular perspective and potential for human error thus has the potential to skew the results of the GDQ analysis, offsetting the study. Despite the limitations of the study, the results still hold value for the scalability of social enterprises. This paper found that authoritarian leadership significantly influences employees' perception of their company's CEO. Social entrepreneurs who act as the CEOs of their enterprises should adapt their leadership style to support company growth, which can vary depending on the circumstances. However, this is a preliminary study and is in no way exhaustive. Future research on the role of

employees in scaling can be interpreted through their position within the organizations, the company's level of maturity, and the various industries and causes of each firm.

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Appendix 1

Glassdoor Rates (DV)	GDQ Categories (IV)											
	rigid_flex	control_crisis	opti-pressi	leaderw_s	faction_cohesion	legalism_corrup	decent_cent	riskaversion_taking	Correlation	Sig. of R	Correlation	Sig. of R
Overall Rating	0.488	0.092†	-0.078	-0.647	0.03*	-0.369	-0.234	-0.06	0.421	0.409	0.164	0.439
Cultures & Values	0.584	0.131	-0.201	-0.584	0.064†	-0.573	-0.459	0.085	0.317	0.231	0.069†	0.421
Work/Life Balance	0.248	0.277	-0.238	-0.103	0.404	-0.119	-0.362	0.201	0.286	0.225	0.189	0.317
Senior Management	0.49	0.109	-0.008	-0.688	0.03*	-0.428	-0.179	-0.12	0.492	0.444	0.145	0.388
Comp & Benefits	0.452	0.131	-0.057	-0.532	0.087†	-0.304	0.03	-0.17	0.447	0.367	0.232	0.344
Career Opportunities	0.49	0.109	-0.044	-0.462	0.125	-0.382	-0.007	0.494	0.458	0.423	0.175	0.378
Recommend to a Friend	0.29	0.243	0.04	-0.881	0.002**	-0.222	-0.01	0.252	0.462	0.343	0.299	0.252
CEO Approval	0.207	0.312	0.274	-0.817	0.007**	-0.173	0.093	0.269	0.256	0.288	0.341	0.269
Positive Business Outlook	0.172	0.342	0.233	-0.833	0.005**	-0.098	0.224	-0.365	0.289	0.161	0.409	0.187

Table 1: Correlations and Significance between IVs and DVs

†p ≤ .10
 *p ≤ .05
 **p ≤ .01

Glassdoor Rates (DV)	Controls with Independent Variable														
	Difficulty + LWS			2015 Revenue + LWS			2015 Revenue per Employee + LWS			2011 Revenue + LWS			2011 Revenue per Employee + LWS		
	Difficulty	T	Sig.	Rev2015	T	Sig.	Rev2015	T	Sig.	Rev2011	T	Sig.	Rev2011	T	Sig.
Overall Rating	-4.97	0.003**	-0.64	1.00	0.39	0.02	0.99	0.69	0.53	1.19	0.30	-1.89	0.13	1.19	0.30
Cultures & Values	-6.42	0.001**	0.91	0.14	0.90	0.33	0.77	0.34	0.76	0.94	0.42	-1.64	0.23	0.94	0.42
Work/Life Balance	-2.36	0.07†	0.14	0.24	0.82	1.45	0.24	0.56	0.62	0.67	0.55	-0.18	0.87	0.67	0.55
Senior Management	-3.41	0.02†	-0.43	0.58	0.60	1.27	0.30	0.79	0.49	0.40	0.03*	-2.76	0.07†	0.40	0.03*
Comp & Benefits	-0.70	0.52	-0.58	1.12	0.34	0.46	0.67	1.38	0.26	2.28	0.11	-1.27	0.30	2.28	0.11
Career Opportunities	-0.59	0.58	-0.46	0.76	0.50	0.34	0.75	0.96	0.41	1.82	0.17	-0.94	0.42	1.82	0.17
Recommend to a Friend	-5.11	0.004**	-3.97	1.30	0.28	-1.01	0.39	1.67	0.19	2.13	0.12	-6.23	0.008**	2.13	0.12
CEO Approval	-3.11	0.03*	-1.76	0.95	0.41	-0.92	0.43	1.97	0.14	5.15	0.01**	-11.62	0.001**	5.15	0.01**
Positive Business Outlook	-0.96	0.38	-1.98	1.82	0.17	-1.23	0.31	2.19	0.12	1.58	0.21	-4.85	0.11	1.58	0.21

†p ≤ .10
 *p ≤ .05
 **p ≤ .01

Table 2: Significance of Control + IV as regression coefficients

Glassdoor Rates (DV)	Difficulty/Rev2015 + LWS						Difficulty/Rev2011 + LWS						Difficulty/Reverse2015 + LWS						Difficulty/Reverse2011 + LWS					
	Difficulty		Rev2015		LWS		Difficulty		Rev2011		LWS		Difficulty		Reverse2015		LWS		Difficulty		Reverse2011		LWS	
	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.	T	Sig.
Overall Rating	-1.95	0.19	1.06	0.40	-0.35	0.76	-2.93	0.06†	0.58	0.60	-0.15	0.89	-1.78	0.22	0.35	0.76	-0.39	0.73	-2.57	0.08†	0.59	0.60	-0.20	0.85
Cultures & Values	-0.25	0.13	-0.18	0.88	0.06	0.96	-5.50	0.03*	-1.06	0.40	1.77	0.22	-2.82	0.11	0.72	0.55	-0.28	0.81	-3.84	0.06†	0.11	0.92	1.19	0.36
Work/Life Balance	-1.46	0.28	0.05	0.97	1.40	0.30	-1.59	0.25	0.03	0.98	1.23	0.34	-1.49	0.28	0.02	0.99	1.23	0.34	-1.54	0.26	-0.03	0.98	1.24	0.34
Senior Management	-0.60	0.61	0.41	0.72	0.99	0.43	-0.86	0.48	0.37	0.75	-0.68	0.57	-0.73	0.54	0.62	0.60	0.64	0.59	-0.70	0.56	2.86	0.10†	-2.00	0.18
Comp & Benefits	0.63	0.59	1.09	0.39	0.53	0.65	0.51	0.66	1.30	0.32	-1.02	0.42	0.37	0.75	0.55	0.64	0.17	0.88	1.54	0.26	3.15	0.09†	-2.04	0.18
Career Opportunities	0.69	0.56	0.80	0.51	0.44	0.71	0.51	0.66	0.96	0.44	-0.87	0.48	0.51	0.66	0.48	0.68	0.16	0.89	1.50	0.27	2.62	0.12	-1.75	0.22
Recommend to a Friend	-3.35	0.14	1.66	0.24	-2.01	0.18	-2.48	0.13	1.61	0.24	-3.40	0.08†	-2.42	0.14	1.34	0.31	-2.17	0.16	-2.27	0.15	1.80	0.21	-3.65	0.07†
CEO Approval	-0.50	0.67	0.75	0.54	-0.88	0.47	-0.38	0.74	1.39	0.30	-4.94	0.04*	-0.55	0.64	-0.24	0.83	-0.57	0.63	0.05	0.97	3.72	0.07†	-10.12	0.01**
Positive Business Outlook	0.73	0.54	1.76	0.22	-0.97	0.43	1.23	0.34	2.66	0.12	-3.84	0.06†	0.28	0.80	0.66	0.58	-0.87	0.48	1.11	0.38	1.97	0.19	-3.06	0.09†

†p < .10

*p < .05

**p < .01

Table 3: Significance of two Controls and IV as regression coefficients

Appendix 2

A. List of sample companies and industries

<u>Sample Company</u>	<u>Industry</u>
Acuity	Property/Casualty Insurance Carriers
Boston Consulting Group	Consulting Services
Etsy	Internet & Mail-Order Retail
Google	Internet Publishing, Broadcasting & Search Portals
Guayaki Yerba Mate	Food Wholesalers
Institute for Integrative Nutrition	Ambulatory Health Care Services
Patagonia	Apparel Manufacturing
Recology	Solid Waste Services & Recycling
RecycleBank	Solid Waste Services & Recycling

B. Leader Weakness-Strength GDQ Questions:

32. ***The leader has complete control over who is admitted to the group.

vs

The group consists of individuals with autonomous bases of power (i.e., group members do

not owe their positions to the leader).

39. The leader is passive and withdrawn (i.e., has apparently lost interest in the job and in achieving original goals).

vs

***The group leader is an extremely forceful and ambitious personality.

60. The leader is often ignored or even overruled by group members.

vs

***The group displays automatic and unquestioning obedience toward the leader. (Note:

Code as neutral if the group leader can generally expect deference but does not have license

to rule arbitrarily.)

63. Members harbor serious doubts about the leader's effectiveness.

vs

***Group members are convinced that the leader possesses skills that are critical for achiev-

ing group goals.

83. ***No member of the group comes even close to matching the skills and stature of the leader.

vs

The leader is overshadowed or eclipsed by other group members.

97. ***The group leader makes major efforts to persuade others to redefine their goals and priorities.

vs

The leader places little emphasis on persuading others (i.e., works within or around current opinion).

C. Glassdoor Ratings for Each Sample Company

Sample Company	Overall Rating	Cultures & Values	Work/Life Balance	Senior Management	Comp & Benefits	Career Opportunities	Recommend to a Friend	CEO Approval	Positive Business Outlook
Acuity	3.7	4.3	4.0	3.8	4.0	3.6	0.74	0.88	0.63
Boston Consulting Group	4.2	4.2	3.0	3.8	4.4	4.3	0.88	0.96	0.83
Etsy	4.3	4.3	4.3	3.8	4.1	3.6	0.80	0.97	0.68
Google	4.4	4.3	4.0	3.8	4.4	4.0	0.91	0.98	0.84
Guayaki Yerba Mate	4.5	-	-	-	-	-	-	-	-
Institute for Integrative Nutrition	3.2	3.2	3.6	2.6	3.6	2.8	0.53	0.54	0.50
Patagonia	4.2	4.7	4.1	3.6	3.5	2.7	0.90	0.95	0.65
Recology	3.6	3.6	3.5	3.3	3.8	3.2	0.74	0.96	0.74
RecycleBank	2.5	3.2	3.4	2.4	3.3	2.6	0.28	0.43	0.35

Abstract

With the scope of impact of social enterprises constrained to the local region due to scarcity of resources and funding, it is surprising that more research has not been conducted on the use of employees as a scaling mechanism. Using a GDQ methodology to characterize the employment cultures of nine well-established for-profit firms and social enterprises, this paper intends to open discussion surrounding the influence leadership has on employee engagement in relation to company growth. Measuring employee engagement with Glassdoor ratings of the sample companies, I expected participative leadership to positively influence employee perceptions of their firm and authoritarian leadership to negatively influence it. However, the results proved that higher levels of authoritarian management only significantly influence employees' approval of their CEO. This paper thus provides a preliminary assessment of the factors that influence employee perception about their company in the social enterprise context, which could affect the marketability of the company to investors and potential talent.

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